



**INDEPENDENT**  

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**BANK**

**Q3 Earnings**  
**CONFERENCE**  
**CALL** **OCTOBER 24, 2019**

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# Cautionary note regarding forward-looking statements

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Certain risks and important factors that could affect Independent Bank Corporation’s future results are identified in its Annual Report on Form 10-K for the year ended December 31, 2018 and other reports filed with the SEC, including among other things under the heading “Risk Factors” in such Annual Report on Form 10-K. Any forward-looking statement speaks only as of the date on which it is made, and Independent Bank Corporation undertakes no obligation to update any forward-looking statement, whether to reflect events or circumstances after the date on which the statement is made, to reflect new information or the occurrence of unanticipated events, or otherwise.

- **Formal Remarks.**
  - William B. (Brad) Kessel, President and Chief Executive Officer
  - Robert N. Shuster, Executive Vice President and Chief Financial Officer
  - Introduction of Stephen A. Erickson (incoming CFO)
- **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.

# Quarterly Financial Summary

	3Q'19	2Q'19	1Q'19	4Q'18	3Q'18
Diluted EPS	\$ 0.55	\$ 0.46	\$ 0.39	\$ 0.41	\$ 0.49
Income before taxes	\$ 15,570	\$ 13,417	\$ 11,548	\$ 12,204	\$ 14,846
Net income	\$ 12,445	\$ 10,730	\$ 9,381	\$ 9,936	\$ 11,925
Return on average assets	1.42%	1.27%	1.13%	1.18%	1.46%
Return on average equity	14.64%	12.72%	11.14%	11.43%	13.83%
Total assets	\$3,550,837	\$3,438,302	\$3,383,606	\$3,353,281	\$3,297,124
Total portfolio loans	\$2,722,446	\$2,706,526	\$2,618,795	\$2,582,520	\$2,562,578
Total deposits	\$3,052,312	\$2,978,885	\$2,934,225	\$2,913,428	\$2,798,643
Loans to deposits ratio	89.19%	90.86%	89.25%	88.64%	91.57%
Shareholders' equity	\$ 340,245	\$ 330,846	\$ 344,726	\$ 338,994	\$ 345,204
Tangible BV per share	\$ 13.63	\$ 13.19	\$ 13.17	\$ 12.90	\$ 12.84
TCE to tangible assets	8.71%	8.72%	9.26%	9.17%	9.51%

Note: Dollars in thousands, except per share data.

### Income Statement

- Net income of \$12.4 million, or \$0.55 per diluted share.
- Return on average assets of 1.42% and return on average equity of 14.64%. These ratios increase to 1.58% and 16.34%, respectively, when excluding the after tax impact of the decline in the fair value of capitalized mortgage loan servicing rights due to price and the FDIC Small Bank Assessment Credit utilization.
- Net interest income of \$30.9 million, up \$1.2 million, or 4.0%, from the year ago quarter.
- A decline in the fair value of capitalized mortgage loan servicing rights (due to price) decreased non-interest income by \$2.2 million, or \$0.08 per diluted share, after tax.
- \$0.3 million loan loss provision **credit** (compared to a \$0.1 million credit in the year ago quarter).
- Net gains on mortgage loans of \$5.7 million increased \$2.9 million from the year ago quarter.

### Balance Sheet/Capital

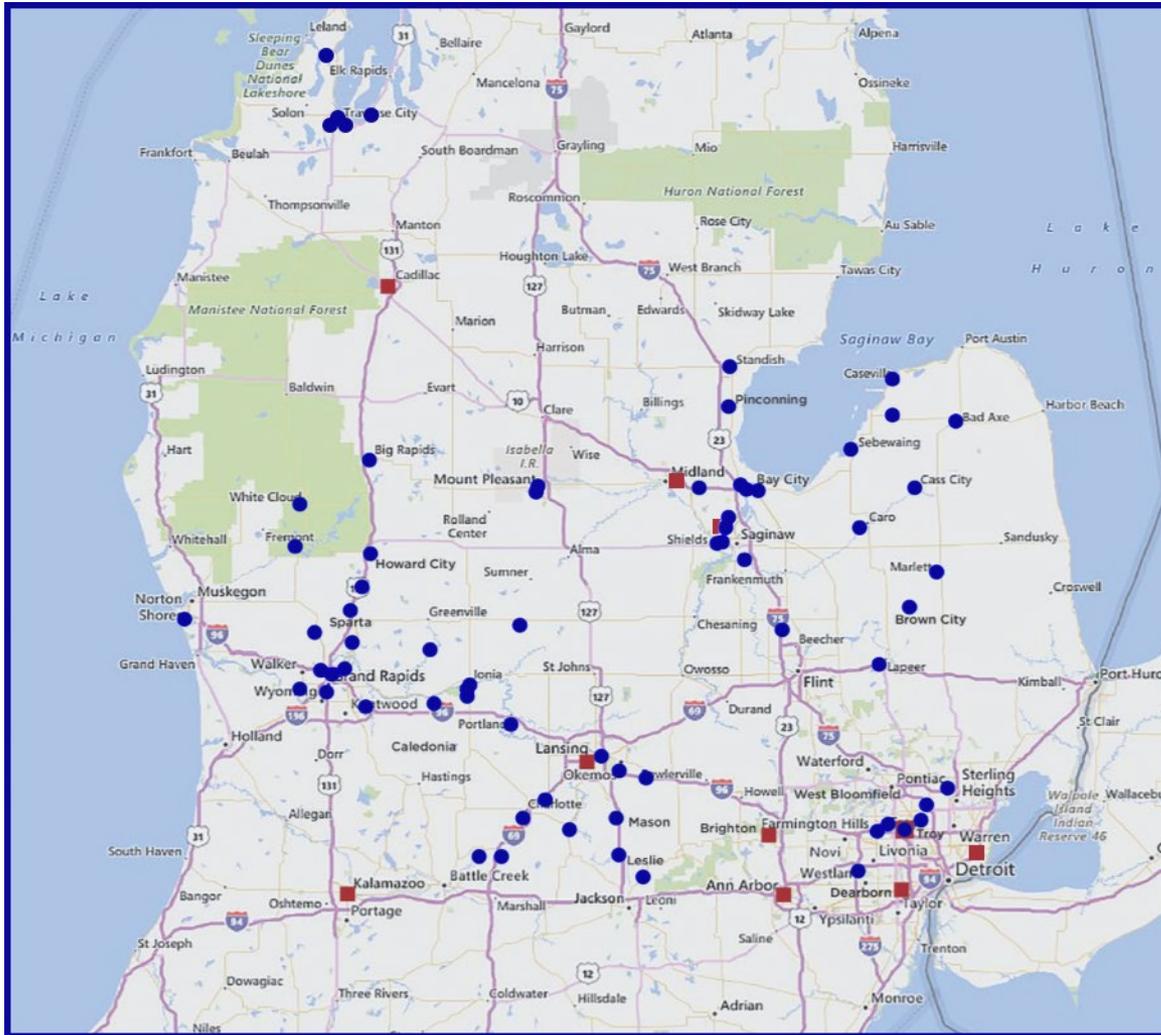
- Total portfolio loans grew \$15.9 million, or 2.3% annualized. In 3Q'19, \$9.9 million in portfolio mortgage loans were sold to another financial institution and \$36.6 million of portfolio mortgage loans were moved to held for sale (pending sale to/securitization with Freddie Mac that will settle in October 2019 with a related gain on sale of approximately \$1.1 million). The 3Q'19 portfolio loan growth rate increases to 9.2% annualized when excluding the impact of these two transactions.
- Deposits totaled \$3.05 billion at 9/30/19 compared to \$2.91 billion at 12/31/18. YTD'19 growth of \$138.9 million, or 6.4% annualized (the annualized growth rate increases to 10.6% when excluding brokered deposits). The YTD'19 growth was primarily in reciprocal deposits.
- 25,000 shares repurchased during 3Q'19 at an average price of \$20.09 per share.
- TBV per share increased to \$13.63 at 9/30/19 from \$12.90 at 12/31/18.
- Paid an 18 cent per share cash dividend on common stock on 8/15/19.

# Year to Date Financial Summary

	9ME 9/30/19	9ME 9/30/18	9ME 9/30/17
Diluted EPS	\$ 1.40	\$ 1.27	\$ 0.87
Dividends paid	\$ 0.54	\$ 0.45	\$ 0.30
Net interest income	\$ 91,871	\$ 82,613	\$ 65,870
Provision for loan losses	\$ 1,045	\$ 912	\$ 806
Income before taxes	\$ 40,535	\$ 36,929	\$ 27,207
Net income	\$ 32,556	\$ 29,903	\$ 18,764
Return on average assets	1.28%	1.30%	0.96%
Return on average equity	12.84%	12.73%	9.69%

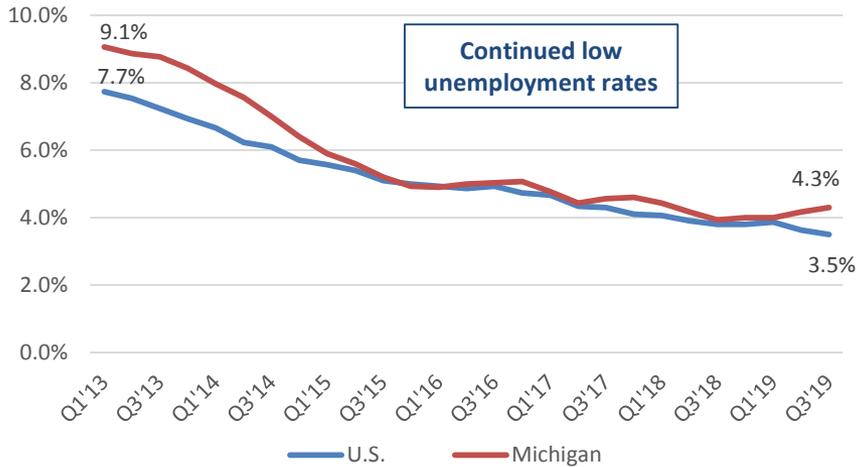
- Substantial increases in net interest income.
- Continued improvements in ROAA, ROAE, net income and diluted earnings per share.

Note: Dollars in thousands, except per share data.

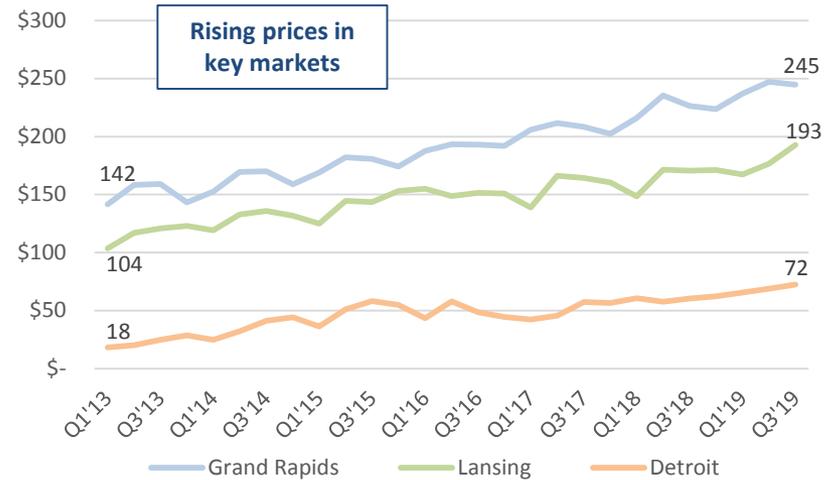


- Most recent *Forbes* “Best in Banks and Credit Unions” Survey (published in June 2019) ranked Independent Bank **first** in the State of Michigan in customer satisfaction.
- Independent Bank received the Mastercard Community Institutions Innovation Award for its 2018 billboard campaign.
- Acquisition of Traverse City State Bank on April 1, 2018 added five branches in attractive Northwestern Michigan.
- Since 2012, substantial changes have been implemented to streamline and optimize our branch delivery network.
- Significant market presence and opportunity to gain market share in attractive Michigan markets.
- Michigan’s unemployment rate was 4.2% in August 2019 (up 0.3% from one year ago and 0.5% above the August 2019 U.S. unemployment rate of 3.7%).

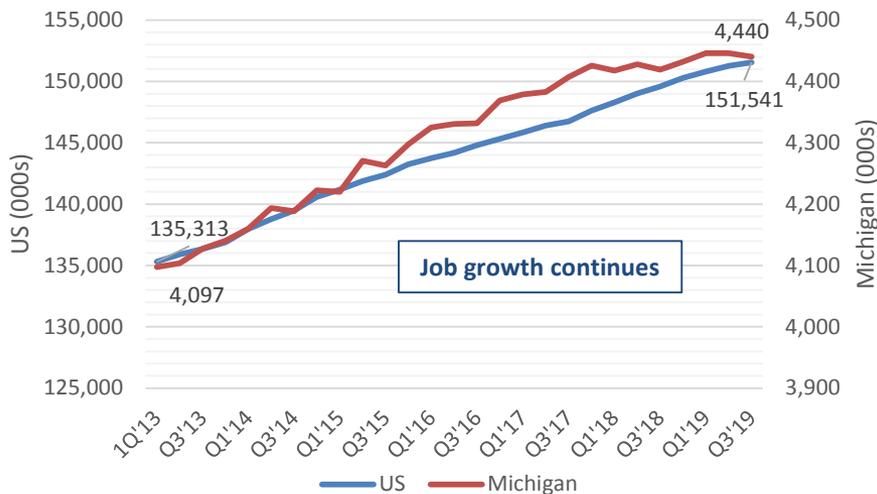
## Unemployment Trends (%)



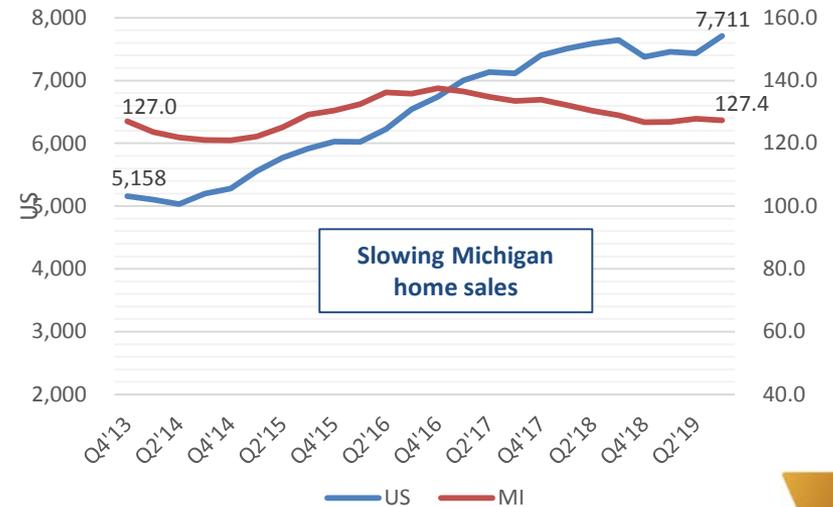
## Regional Average Home Sales Price (Thousands)



## Total Employees (Thousands)



## Annualized Home Sales (Thousands)

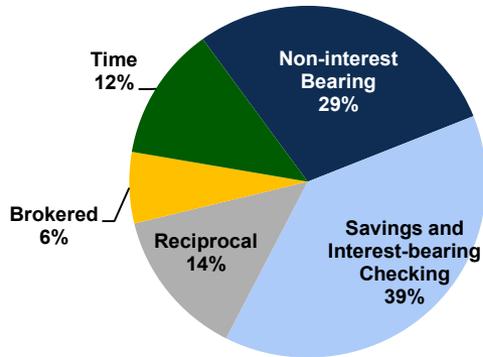


Region	Cities	Branches	9/30/19 Portfolio Loans <sup>(1)</sup>	% of Loans <sup>(1)</sup>	9/30/19 Deposits <sup>(3)</sup>	% of Deposits <sup>(3)</sup>	9/30/18 Portfolio Loans <sup>(2)</sup>	9/30/18 Deposits <sup>(3)</sup>
East / “Thumb”	Bay City / Saginaw	23	\$ 453	17%	\$ 770	27%	\$ 414	\$ 779
West	Grand Rapids / Ionia	21	844	32%	726	26%	765	719
Central	Lansing	12	202	8%	378	13%	209	392
Southeast	Troy	7	671	25%	297	11%	616	322
Northwest	Traverse City	5	309	12%	221	8%	312	247
Michigan	Reciprocal deposits	all	n/a	n/a	416	15%	n/a	93
Ohio	Columbus	--	149	6%	--	n/a	136	n/a
Various	On-line only creation	--	n/a	n/a	8	--%	n/a	5
Total		68	\$2,628	100%	\$2,816	100%	\$2,452	\$2,557

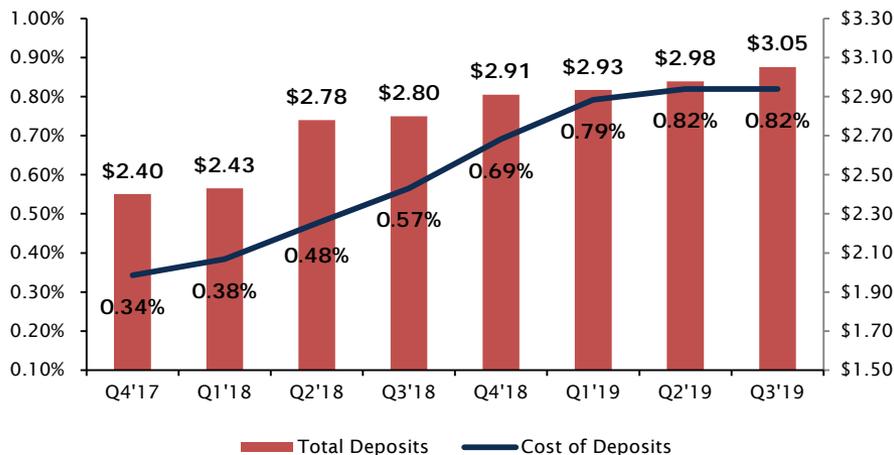
Note: Dollars are in millions.

- 1) Loans exclude those related to resort lending (\$65 million) and purchased mortgage loans (\$29 million).
- 2) Loans exclude those related to resort lending (\$79 million) and purchased mortgage loans (\$32 million).
- 3) Deposits exclude brokered deposits and certain other “non-market” deposits.

## Deposit Composition – 9/30/19



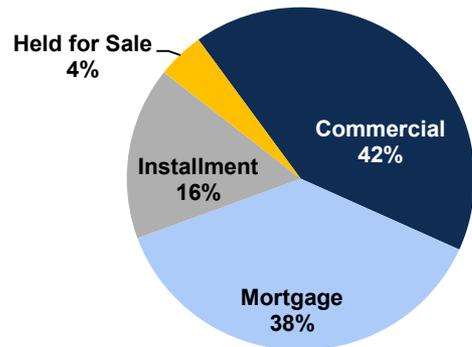
## Cost of Deposits (%)/Total Deposits (billions)



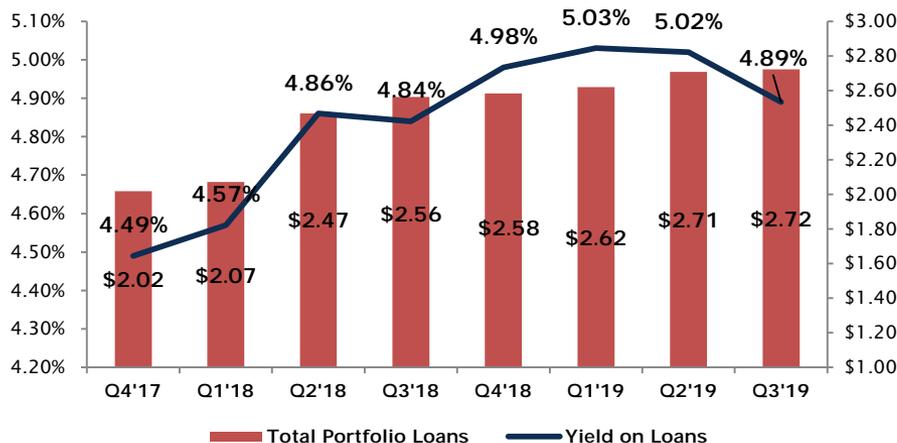
## Deposit Highlights

- \$3.05 billion in total deposits at 9/30/19.
  - Substantially core funding.
  - \$2.43 billion of non-maturity deposit accounts (79.6% of total deposits).
- Total deposits increased \$262.0 million, or 10.1%, since 9/30/18 (excluding brokered deposits).
- Cumulative deposit cost beta vs. change in average effective federal funds rate:
  - 48.5% (Q4'17 to Q3'19)
  - 92.6% (over the past four quarters, as the federal funds rate has begun to drop but deposit costs have not yet)
- Average deposits per branch of \$42.0 million at 9/30/19 vs. \$20.2 million at 12/31/11 (an increase of 107.9%).
- 2019 focus:
  - Commercial – small to middle market business and public funds.
  - Treasury management services.
  - Retail – checking accounts and debit card services.
  - Digital – continue to expand the use of digital and improved Omni-channel service delivery to enhance customer experience.

## Loan Composition – 9/30/19



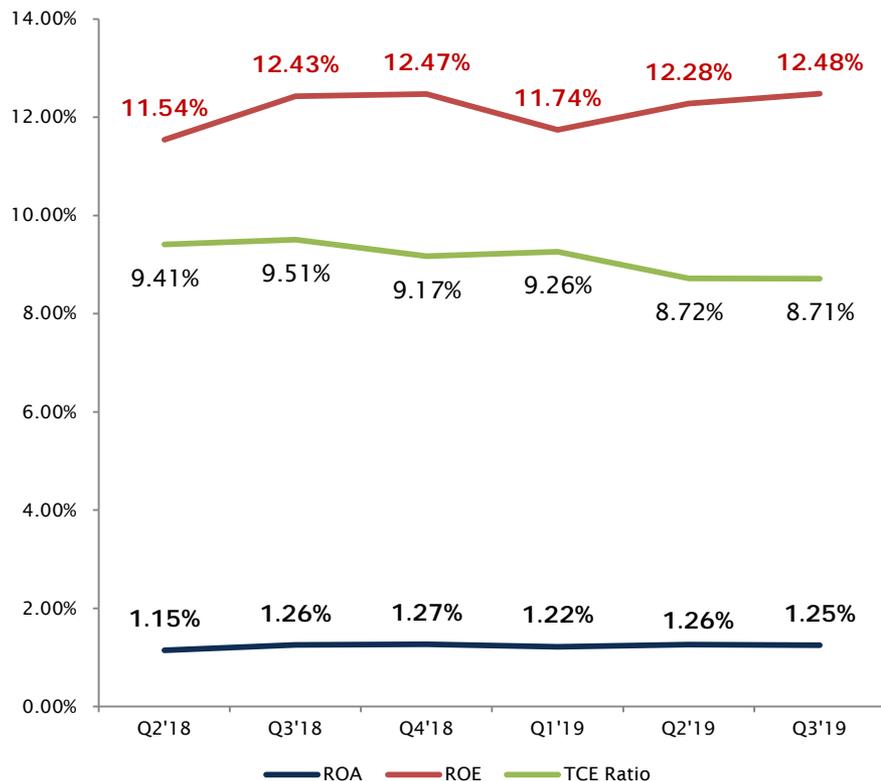
## Yield on Loans (%) / Total Portfolio Loans (billions)



## Lending Highlights

- 22 consecutive quarters of net loan growth.
- \$2.846 billion in total loans at 9/30/19 (including \$124.0 million of loans held for sale).
- 3Q 2019 lending results include:
  - Commercial loans net growth of \$13.0 million, or 4.4% annualized.
  - Consumer installment loans net growth of \$19.1 million, or 17.1% annualized.
  - Portfolio mortgage loans declined by \$16.3 million due primarily to \$46.5 million of executed or pending sales. 3Q'19 mortgage loan origination volume of \$329.5 million (up 42.1% from 3Q'18).
- 2019 focus:
  - Commercial – businesses with \$1 million to \$100 million in annual sales.
  - Consumer – through branch network, internet and indirect channels.
  - Residential mortgage – purchase money (both salable and portfolio) and home equity lending opportunities.

## ROA, ROE and TCE Ratio

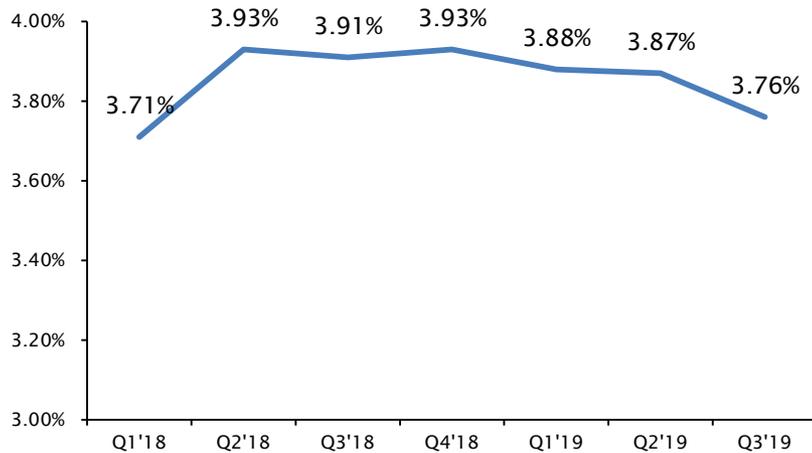


Note: ROA and ROE represent a four quarter rolling average.

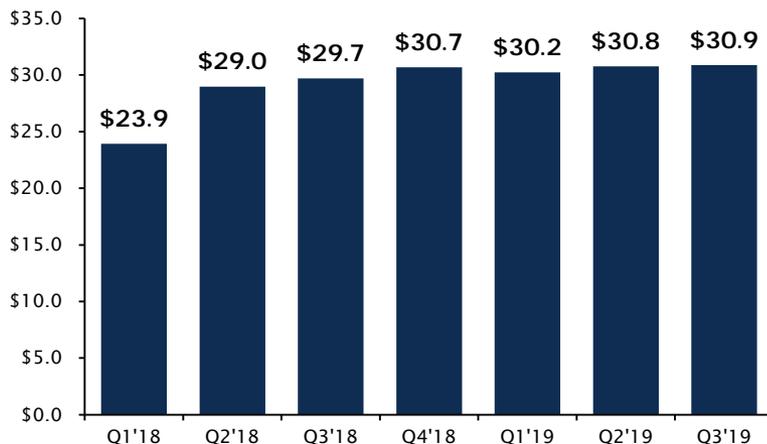
## Highlights

- Prudent capital management. Target TCE ratio – 8.50% to 9.50%. Priorities are: (A) capital retention to support (1) organic growth and (2) acquisitions; and (B) return of capital through (1) strong and consistent dividend and (2) share repurchases.
- 2019 share repurchase plan expanded for up to 300,000 additional common shares. During 9ME 9/30/19, 1,204,688 shares were repurchased at an average price of \$21.82 per share (including 25,000 in 3Q'19 at an average price of \$20.09 per share). At 9/30/19 274,298 shares remain in the 2019 share repurchase plan.
- 2019 quarterly cash dividend rate increased by 20% to \$0.18 per share effective 2/15/19.
- Goals of 1.3% ROA or better and 13% ROE or better.

## Net Interest Margin (TE)(%)



## Net Interest Income (\$ in Millions)



## Highlights

- Interest rate sensitivity profile of the loan and securities portfolios, in combination with a low cost core deposit base, positions us to slightly benefit from a rising interest rate environment.
- Net interest income increased 0.4% in 3Q'19 vs. 2Q'19 due primarily to a \$109.4 million increase in average interest-earning assets and one more day in the quarter that were partially offset by an 11 basis point decline in the net interest margin.
- Commercial loans 53% fixed/47% variable (58% tied to Prime, 38% tied to LIBOR and 4% tied to a US Treasury rate). Mortgage loans (including HECL) 47% fixed/53% variable (22% tied to Prime, 57% tied to LIBOR and 21% tied to a US Treasury rate).
- Starting to see less pressure on deposit rates due to the decline of the federal funds rate/short-term interest rates and expectations for future FOMC rate cuts.

## Analysis of Linked Quarter Increase

### ■ Summary

- 3Q'19 net interest income of \$30.872 million was up \$0.116 million from 2Q'19.
- The linked quarter increase was due to a \$0.390 million increase in interest income and fees on loans that was partially offset by a \$0.152 million decrease in interest income on securities and investments and by a \$0.122 million increase in interest expense on deposits and borrowings. The increase in interest income and fees on loans was due to a \$86.896 million increase in average balance, one more day in 3Q'19 (\$0.230 million increase in interest income) and an increase in interest recoveries, net on previously charged-off or non-accrual loans of \$0.030 million (negligible impact on the overall average yield on loans) that were partially offset by a 13 basis point (bp) decrease in the overall average yield.
- The tax equivalent net interest margin (NIM) decreased 11 bp (3.76% vs. 3.87%) due to a 13 bps decrease in the yield on interest earning assets that was only partially offset by a 2 bp decrease in the cost of funds (interest expense as a percentage of average interest-earning assets). 3Q'19 discount accretion on the TCSB acquired loans of \$0.376 million increased the NIM by 4.5 basis points. Overall, one more day in 3Q'19 increased net interest income by \$0.160 million compared to 2Q'19.
- Average yield on new/renewed commercial loans was 5.02% on fixed rate (39.0% of production) and 4.95% on variable rate (61.0% of production), 3Q'19 volume of \$122.7 million with an estimated average duration of 1.9 years. Average yield on new retail loans (mortgage and consumer installment) was 4.26%, 3Q'19 volume of \$176.3 million with an estimated average duration of 3.9 years.

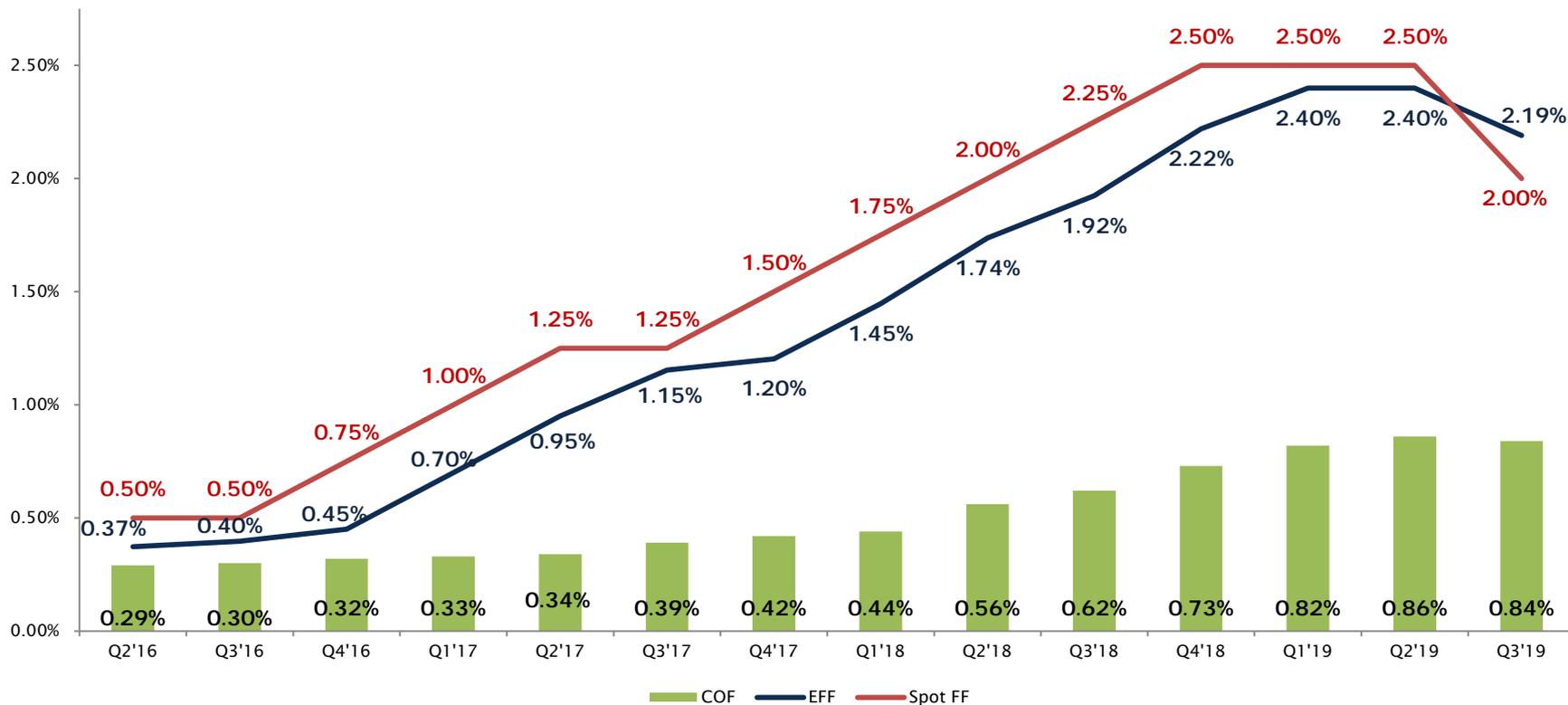
### ■ Loan Portfolio Details

- Commercial loans: Interest income decreased \$0.185 million due to a 12 bp decrease in the average yield (5.45% vs. 5.57%) that was partially offset by a \$1.421 million increase in the average balance, one more day in 3Q'19 (\$0.175 million increase in interest income) and a \$0.079 million increase in interest recoveries, net (this increased the average yield by 3 bps).
- Mortgage loans (includes loans held for sale): Interest income increased \$0.155 million due to a \$54.358 million increase in the average balance that was partially offset by a 16 bp decrease in the average yield (4.49% vs. 4.65%) and a \$0.049 million decrease in interest recoveries, net (this decreased the average yield by 2 bp).
- Consumer installment loans: Interest income increased \$0.420 million due to a \$31.117 million increase in the average balance, one more day in 3Q'19 (\$0.055 million increase in interest income) and a 2 bps increase in the average yield (4.49% vs. 4.47%). Interest recoveries, net were virtually unchanged.

### ■ Other Factors

- Securities and investments: Interest income decreased \$0.152 million due to a 17 bp decrease in the average TE yield (2.94% vs. 3.11%) that was partially offset by a \$6.921 million increase in average balance and one more day in 3Q'19 (\$0.005 million increase in interest income).
- Deposits and borrowings: Interest expense increased \$0.122 million due to a \$63.5 million increase in the average balance of interest-bearing liabilities and one more day in 3Q'19 (\$0.075 million increase in interest expense) that were partially offset by a 3 bp decrease in the average cost of interest-bearing liabilities (1.24% vs. 1.27%)

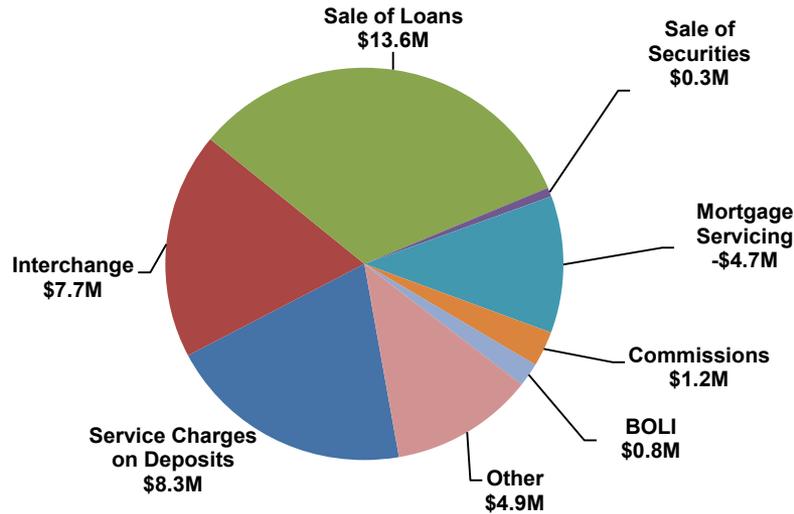
## Historical IBCP Cost of Funds vs. the Federal Funds Rate



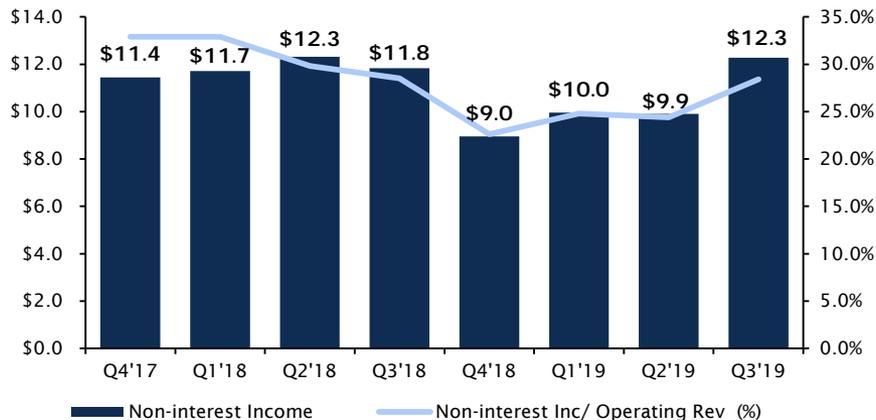
Note: COF is average quarterly cost of funds; EFF is monthly average effective federal funds rate for the quarter; and Spot FF is the spot federal funds rate.

Note: Cumulative beta (change in COF divided by change in effective federal funds rate) was 8.6% from Q3'15 to Q2'17. Cumulative beta moved up to 40.3% from Q2'17 to Q3'19. The acceleration, was in part, caused by an increase in wholesale funding (brokered time deposits and borrowings, excluding subordinated debentures) from \$118.8 million at 6/30/17 to \$263.7 million at 9/30/19.

## YTD 2019 Non-interest Income Breakout



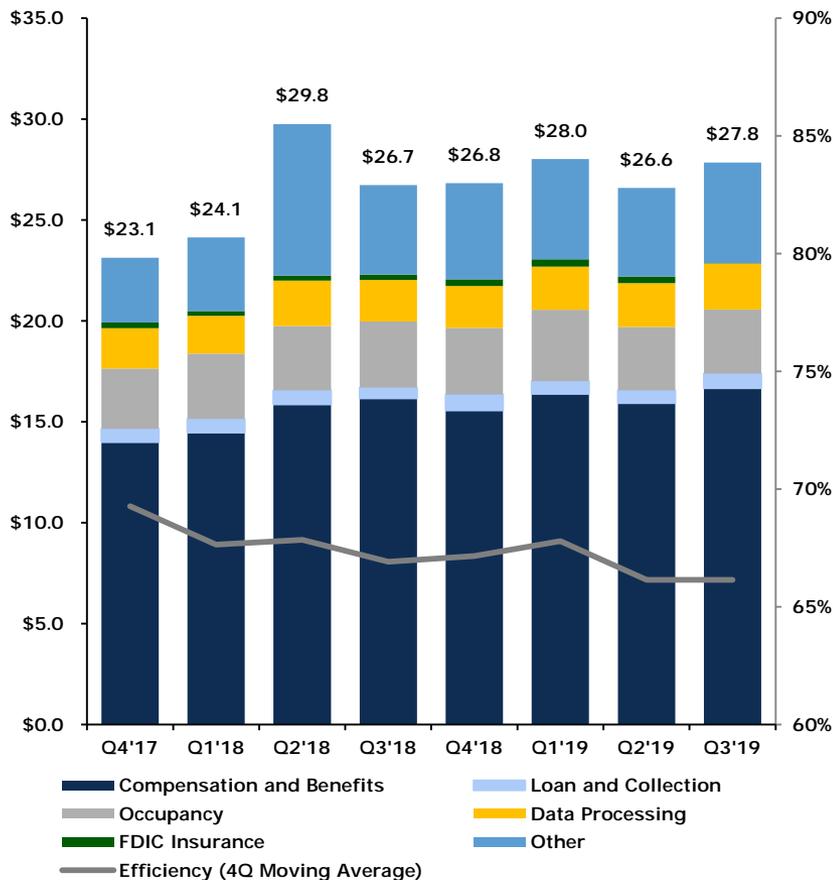
## Non-interest Income Trends (\$ in Millions)



## Highlights

- Diverse sources of non-interest income which totaled \$12.3 million in 3Q'19.
- 3Q'19 total non-interest income represents approximately 28.4% of total revenue (net interest income and non-interest income).
- Service charges on deposits declined by \$0.3 million, or 8.9%, in 2019 vs. 2018, due primarily to a reduction in NSF fees.
- Interchange revenue increased by \$0.3 million, or 12.0%, in 2019 vs. 2018, due primarily to higher transaction volume and the timing of a volume incentive paid by MasterCard (in 3Q for 2019 vs. 4Q for 2018).
- 3Q'19 net gains on mortgage loans totaled \$5.7 million, which was up \$2.9 million from 3Q'18, due primarily to higher loan sales volumes and higher fair value adjustments related to an increase in the mortgage loan pipeline.
- 3Q'19 mortgage loan servicing includes a \$2.2 million (\$0.08 per diluted share, after tax) decrease in fair value adjustment due to price. 3Q'18 included a \$0.6 million (\$0.02 per diluted share, after tax) increase in fair value adjustment due to price.

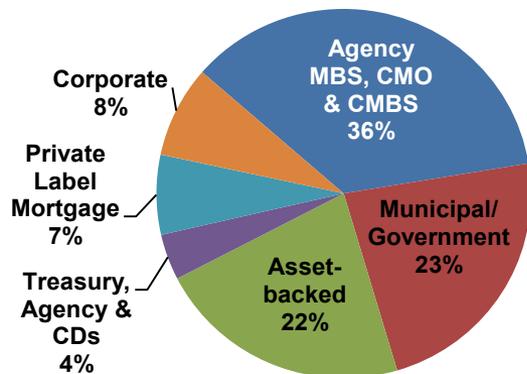
## Non-interest Expense (\$ in Millions)



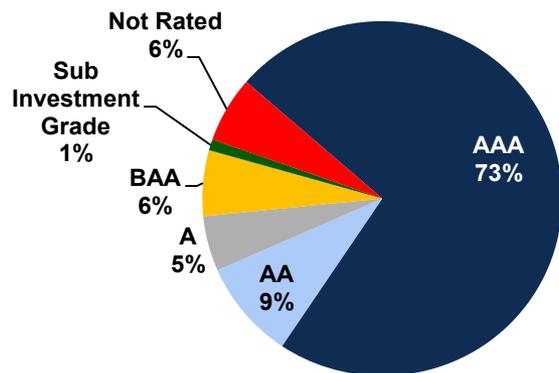
## Highlights

- 3Q'19 non-interest expenses of \$27.8 million (an increase from 3Q'18 and from 2Q'19) were slightly above the projected range for non-interest expenses of \$27.0 to \$27.5 million.
- 3Q'19 compensation and benefits increased by \$0.5 million over 3Q'18 due primarily to an increase in salaries that was partially offset by declines in health insurance costs and performance based compensation. The increase in salaries is primarily due to annual merit raises and growth in full time equivalent employees. The decrease in health insurance costs is due to lower claims in 3Q'19 relative to 3Q'18. The decrease in performance based compensation is primarily due to a lower accrual in 2019 for the incentive compensation plan based on actual year-to-date performance as compared to the accrual in 2018.
- Efficiency ratio: YTD 2019 – 65.8% (62.5% excluding FV change due to price on MSRs and FDIC Small Bank Assessment Credit), 2018 – 67.2% (65.0% excluding TCSB Merger related expenses); 2017 – 69.2%; 2016 – 73.7%; 2015 – 77.2%; 2014 – 80.3%; and 2013 – 82.6%.

## Investment Portfolio by Type (9/30/19)



## Investment Portfolio by Rating (9/30/19)

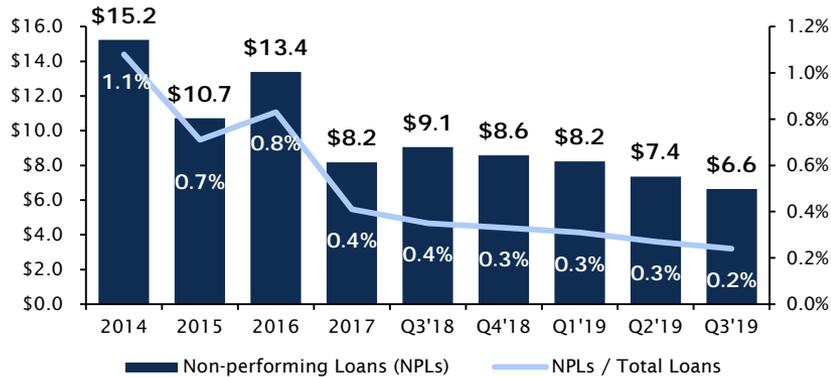


## Highlights

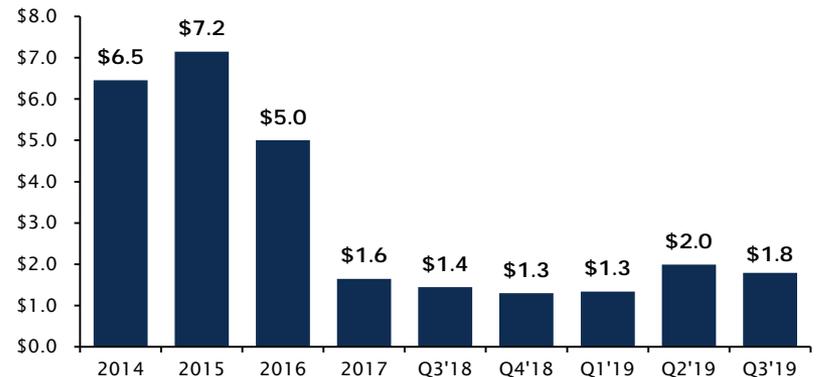
- High quality, liquid, diverse portfolio with relatively short duration.
  - Fair value of \$440.1 million<sup>(1)</sup> at 9/30/19.
  - Net unrealized gain of \$5.4 million at 9/30/19 (representing 1.23% of amortized cost).
  - 73% of the portfolio is AAA rated (or backed by the U.S. Government).
  - 2.65 year estimated average duration with a weighted average yield of 3.00% (with TE gross up).
  - Approximately 31% of the portfolio is variable rate.

<sup>(1)</sup> Includes investments in bank CD's of \$0.5 million.

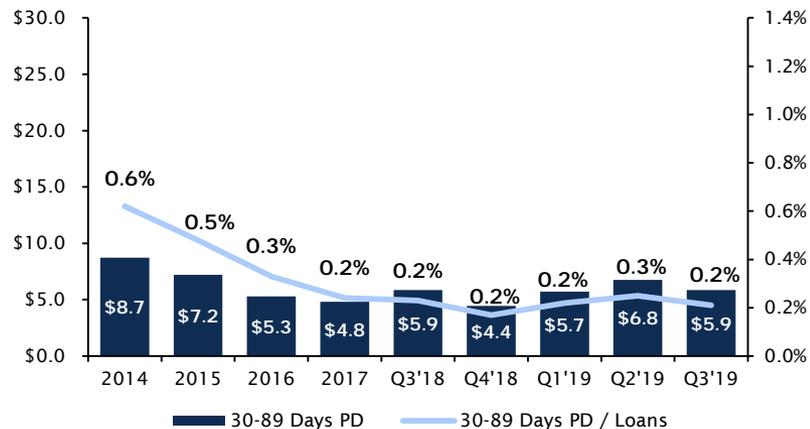
## Non-performing Loans (\$ in Millions)



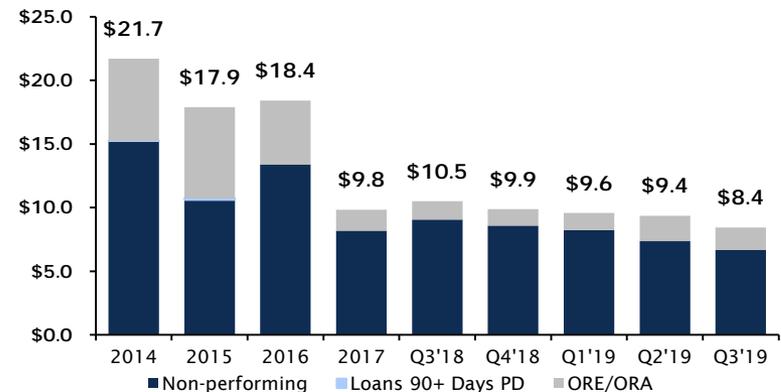
## ORE/ORA (\$ in Millions)



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

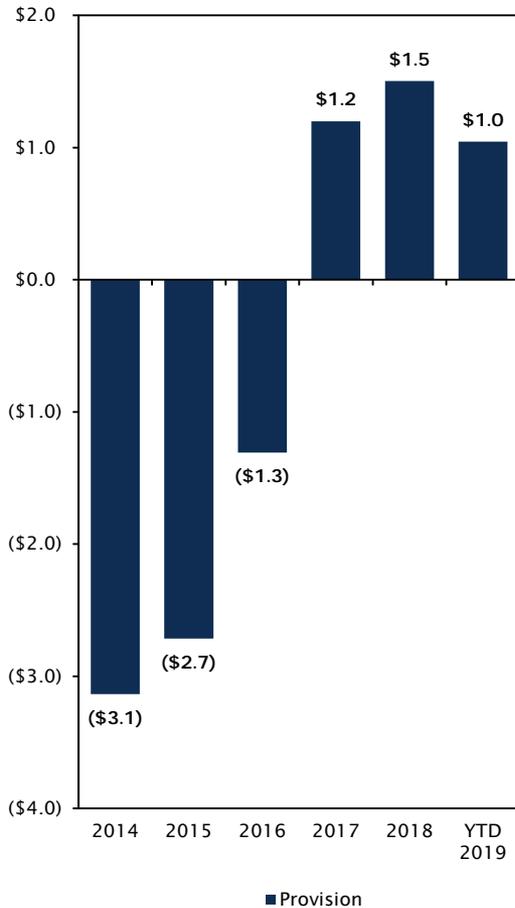


## Non-performing Assets (\$ in Millions)

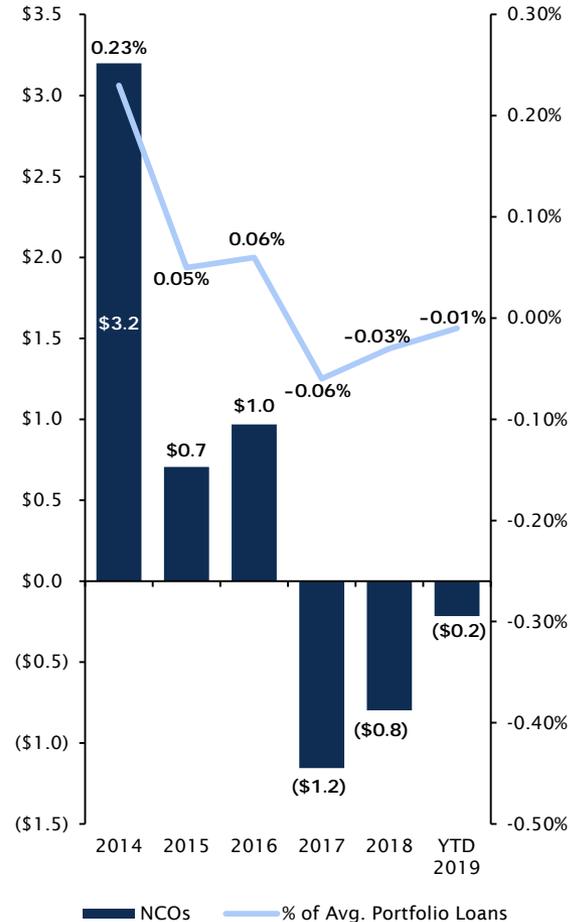


Note 1: Non-performing loans and non-performing assets exclude troubled debt restructurings that are performing.  
 Note 2: 12/31/16 30 to 89 days delinquent data excludes \$1.63 million of payment plan receivables that were held for sale.

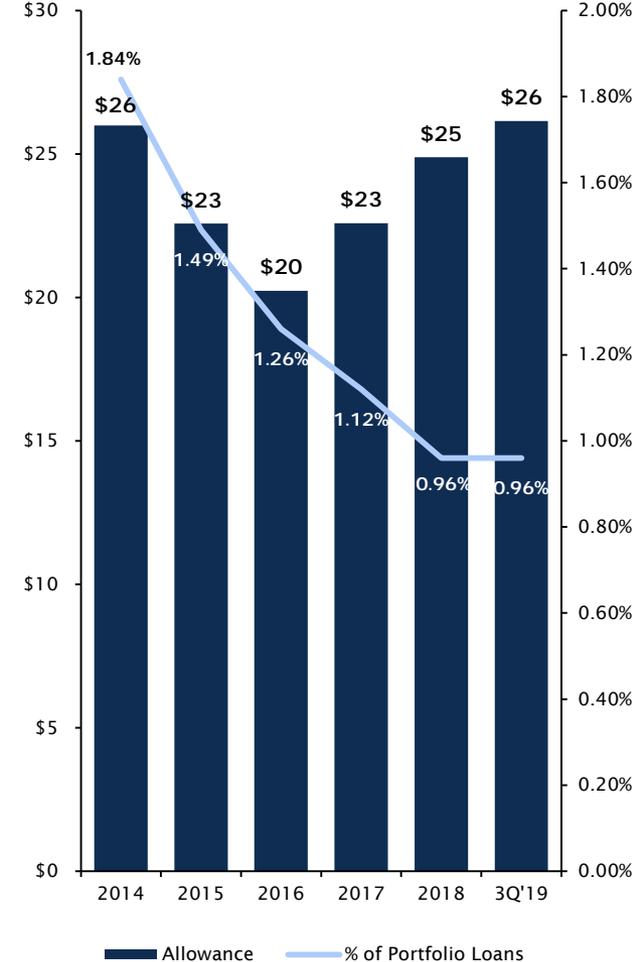
## Provision for Loan Losses



## Loan Net Charge-Offs/Recoveries

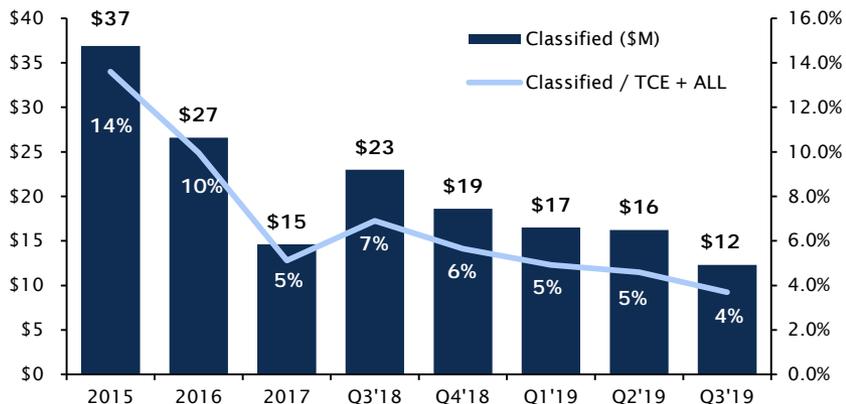


## Allowance for Loan Losses

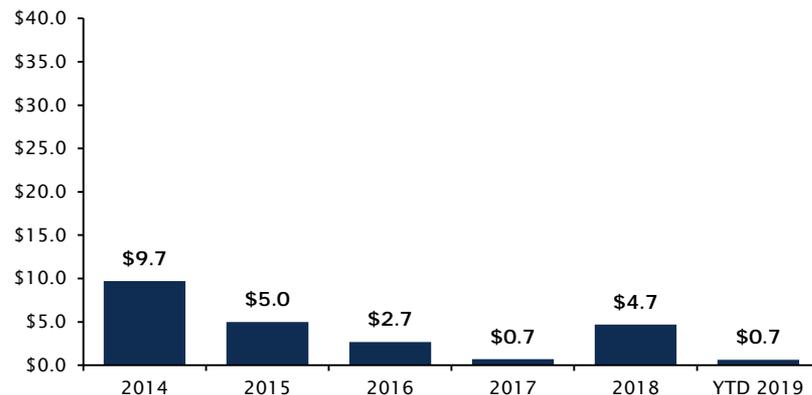


Note: Dollars all in millions.

## Total Classified Assets



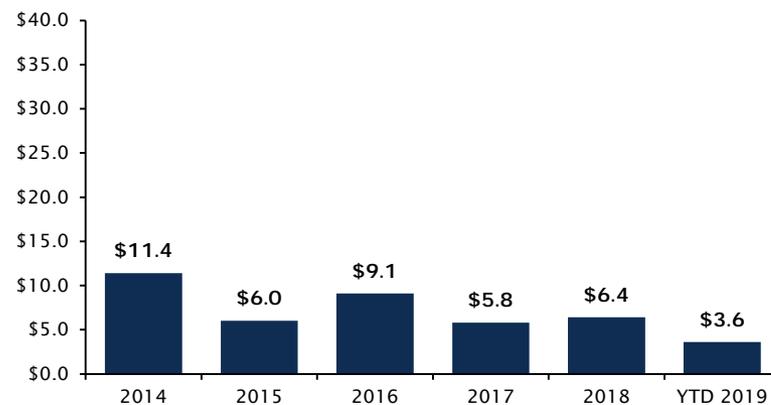
## Commercial Loan New Defaults



## Total Loan New Defaults



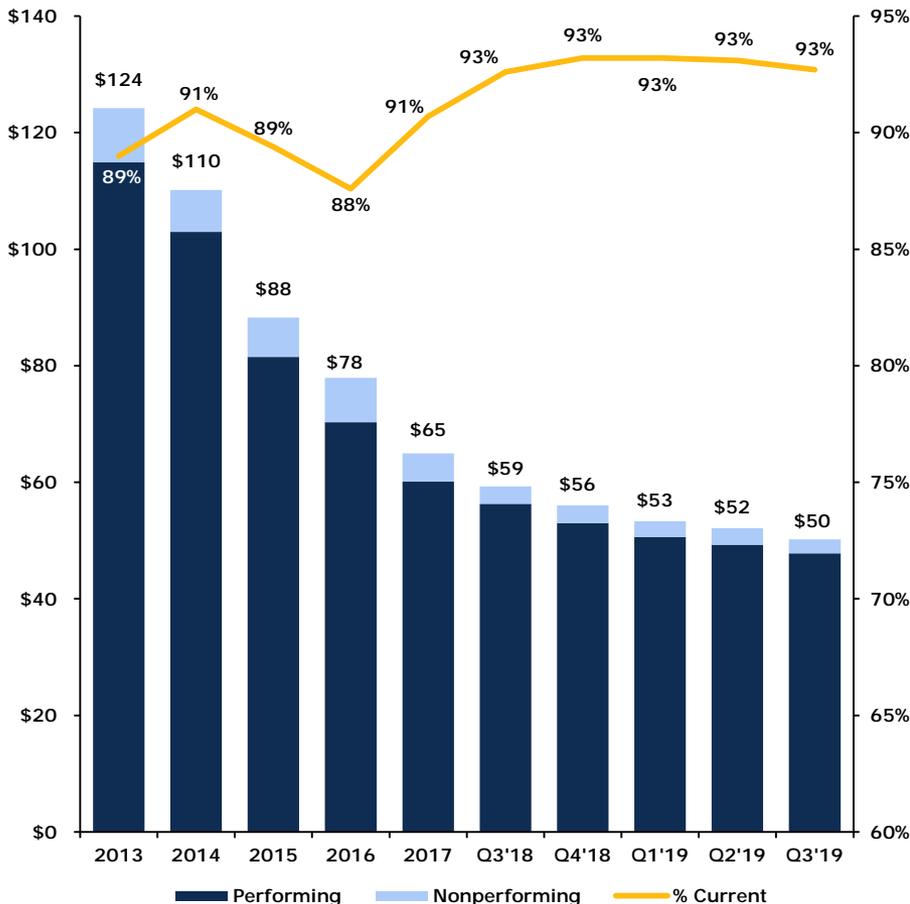
## Retail Loan New Defaults



Note: Dollars all in millions.

## 93% of TDRs are Current

### TDRs (\$ in Millions)



### TDR Highlights

- Working with client base to maximize sustainable performance.
- The specific reserves allocated to TDRs totaled \$5.1 million at 9/30/19.
- A majority of our TDRs are performing under their modified terms but remain in TDR status for the life of the loan.
- 92.7% of TDRs are current as of 9/30/19.
- **Commercial TDR Statistics:**
  - 27 loans with \$7.0 million book balance.
  - 99.3% performing.
  - WAR of 5.27% (accruing loans).
  - Well seasoned portfolio; over 58% of accruing loans are not only performing but have been for over a year since modification.
- **Retail TDR Statistics:**
  - 514 loans with \$43.2 million book balance.
  - 94.5% performing.
  - WAR of 6.08% (accruing loans).
  - Well seasoned portfolio; over 96% of accruing loans are not only performing but have been for over a year since modification.

Description of Task / Action Step	Date	Status / Notes
1. Full transition of Excel based incurred allowance for loan losses (ALLL) model into a third-party software solution.	1Q'19	Parallel runs completed in 2018 and full transition in 1Q'19.
2. Select CECL calculation methodologies for each loan segment.	1Q'19	Methodology documentation and testing completed. A discounted cash flow model is generally preferred.
3. Determine appropriate economic/subjective factors for each loan segment to adjust for current environment.	1Q'19	Qualitative factor analysis has been completed.
4. Establish methodology for adjusting loss rates for reasonable and supportable forecast periods.	1Q'19	Regression analysis of loss rates and relevant economic factors completed. Have determined appropriate factors and application methods. Sources for future external economic forecasts in process of review.
5. Historical data validation.	1Q'19	Third-party review of historical data integrity and incurred ALLL process validation.
6. Run full CECL calculations on loan portfolio using all inputs – share impact internally.	2Q'19	Full CECL calculations completed on loan portfolio. Share results internally in 2Q'19.
7. CECL model validation.	2Q/3Q'19	Third-party review of CECL model and validation.
8. Disclose estimated financial impact of CECL on IBCP in public reporting.	August 2, 2019	Disclosed the CECL impact range on ALLL in 2Q'19 Form 10-Q. This impact range will be updated in the 3Q'19 Form 10-Q.
9. Finalize new financial disclosures.	4Q'19	Update class and risk metrics (if needed) in loan disclosures, and develop new vintage and other required CECL disclosures.
10. Finalize CECL methodology and policy and procedure documentation ahead of 1/1/2020 implementation.	4Q'19	Complete all CECL internal documentation (key controls/policies/procedures) and finalize CECL ALLL calculations.
<b>11. Transition to CECL.</b>	<b>1/1/2020</b>	<b>Record entry for adoption of CECL.</b>

Category	Outlook
Lending	<p><b>Continued growth</b>                      IBCP goal of high single digit (8% to 9%) overall loan growth in 2019, primarily supported by increases in commercial loans, mortgage loans and consumer loans. Expect much of this growth to occur in the last three quarters of 2019. This growth forecast also assumes a stable Michigan economy.  <b>3Q'19 update: 3Q'19 and YTD'19 annualized portfolio loan growth of 2.3% and 7.2%, respectively. Expect to be slightly below the original goal of 8% to 9% loan growth for the full year due to portfolio mortgage loan sales/securitizations totaling \$46.5 million in 3Q/4Q'19.</b></p>
Net Interest Income	<p><b>Growth driven primarily by higher portfolio loan balances, expect total deposits to grow by 3% to 4% in 2019</b>                      IBCP goal of approximately 10% to 11% increase in net interest income (NII) over 2018. Expect the net interest margin to be relatively stable to slightly higher in 2019. The forecast assumes one 0.25% increase in the federal funds rate in June 2019 and long-term interest rates up slightly over year end 2018 levels.  <b>3Q'19 update: 3Q'19 and YTD'19 actual net interest income increased 4.0% and 11.2% from comparable respective period in 2018. Trimming forecast for the full year increase back to 8% to 9% over 2018 due to anticipated cuts in the target federal funds rate in 2H'19.</b></p>
Provision for Loan Losses	<p><b>Steady asset quality metrics</b>                      Very difficult area to forecast. Future provision levels will be particularly sensitive to loan net charge-offs, watch credit levels, loan default volumes, and TDR portfolio performance as well as loan growth. The allowance as a percentage of total loans was at 0.96% at 12/31/18. A full year provision (expense) for loan losses of approximately 0.20% of average total portfolio loans would not be unreasonable in 2019.  <b>3Q'19 update: 3Q'19 and YTD'19 actual provision for loan losses of a credit of \$0.3 million and an expense of \$1.0 million, respectively, were below expectations due primarily to continued low levels of loan net charge-offs, new loan defaults and non-performing loans.</b></p>
Non-interest Income	<p><b>IBCP forecasted 2019 quarterly range of \$11 million to \$12 million with the total for the year up 4% to 5% from 2018 actual of \$44.8 million</b>                      Expect mortgage lending volumes in 2019 to be generally comparable to 2018. Expect mortgage banking revenues (primarily gain on sale) to improve in 2019 due to some margin expansion. Expect service charges on deposits and interchange income in 2019 to be generally comparable to 2018.  <b>3Q'19 update: Excluding \$2.2 million negative fair value change due to price of MSR's, non-interest income was \$14.4 million, or well above the high end of the projected range. Expect to be above the high end of the forecasted range for last quarter of 2019 due to continuing strong mortgage banking revenues, excluding the impact of fair value changes in MSR's due to price.</b></p>
Non-interest Expenses	<p><b>IBCP forecasted 2019 quarterly range of \$27 to \$27.5 million with the total for the year up slightly (about 1%) from the 2018 actual of \$107.5 million</b>                      Excluding Merger related expenses (\$3.5 million) and gain on sale of other real estate (\$0.7 million) and adjusting for TCSB being in only three quarters of 2018, the assumed run rate for 2019 expenses is just over 2% higher than the adjusted 2018 level.  <b>3Q'19 update: Actual non-interest expense of \$27.8 million was slightly above the high end of the projected range primarily due to an increase in the accrual for incentive compensation. Expect to be at the high end of the forecasted range for last quarter of 2019.</b></p>
Income Taxes	<p>Approximately a 20% effective income tax rate in 2019. This assumes a 21% statutory federal corporate income tax rate during 2019.  <b>3Q'19 update: 20.0% actual effective income tax rate. Expect effective income tax rate be similar for last quarter of 2019.</b></p>

## Growth

1. Improve net interest income via balanced loan growth, disciplined risk adjusted loan pricing and active management of deposit pricing.
2. Innovative and targeted customer acquisition, retention and cross sales strategies leveraging data analytics, inside sales staff, and intra-company referrals with strategic business unit partners.
3. Add new customers and grow revenue through outbound calling efforts.
4. Add new customers and grow revenue through the addition of new talented sales professionals in our existing markets.
5. Supplement our organic growth initiatives via selective and opportunistic bank acquisitions and branch acquisitions.

## Process Improvement and Cost Controls

1. Review core processing, debit card processor and digital channel partner(s), select and negotiate new agreement(s).
2. Review, and negotiate new debit card contract.
3. On-going branch optimization: including assessing existing locations; new locations; service hours; staffing; workflow; and our leveraging of existing technology.
4. Modernize branch delivery technology/systems.
5. Expand Digital Branch (Call Center) services.
6. All business lines and departments: streamline/automate operating processes and workflows (use process mapping to identify moments of value and eliminate duplication and waste).
7. Build/enhance dashboard reporting and business intelligence.

## Talent Management

1. We recognize that the path to organizational success is through the success of each and every one of our team members. Accordingly we encourage and support the professional development of our colleagues through our IB Leadership Program, mentoring and other initiatives.
2. We are passionate about our desire to ensure that our team members are empowered and supported in a way that will best position them to serve our customers.
3. We believe that if we are committed to the well-being of our team members, and recognize and reward their contributions, they will ensure our success.

## Risk Management

1. Maintain strong, high quality, capital levels.
2. Maintain excellent asset quality and strong proactive monitoring and problem resolution.
3. Sound overall risk management with effective and transparent reporting.
4. Strong and consistent earnings, augmenting capital.
5. Active liquidity and interest rate risk monitoring and management.
6. Strong, independent and collaborative risk management, utilizing three layers of defense (business unit, risk management and internal audit).
7. Effective operational controls with special emphasis on cyber security, fraud prevention and regulatory compliance.
8. Effective working relationships with banking regulators and other key outside oversight partners.

Question and Answer Session  
Closing Remarks

***Thank you for attending !***

NASDAQ: IBCP