

Filed by Independent Bank Corporation  
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Form S-4 File No. 333-222358  
Subject Company: TCSB Bancorp, Inc.



**INDEPENDENT**  
BANK

*Earnings*  
**CONFERENCE**  
CALL Q4

(January 30, 2018)

4<sup>th</sup> Quarter  
**2017**

Proudly serving our  
customers since 1864.

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This presentation is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction relating to Independent Bank Corporation's pending acquisition of TCSB Bancorp, Inc. or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

## **Important Additional Information**

This presentation contains information relating to Independent Bank Corporation's pending acquisition of TCSB Bancorp, Inc. Independent Bank Corporation has filed, and intends to further amend and supplement, a registration statement on Form S-4 with the Securities and Exchange Commission ("SEC"), which will include a proxy statement of TCSB Bancorp, Inc. and a prospectus of Independent Bank Corporation, and Independent Bank Corporation will file other documents regarding the proposed transaction with the SEC. A definitive proxy statement/prospectus will also be sent to TCSB Bancorp, Inc. shareholders seeking the required shareholder approval. Before making any voting or investment decision, investors and security holders of TCSB Bancorp, Inc. are urged to carefully read the entire registration statement and proxy statement/prospectus, when they become available, as well as any amendments or supplements to these documents, because they will contain important information about the proposed transaction. The documents filed by Independent Bank Corporation with the SEC may be obtained free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, the documents filed by Independent Bank Corporation may be obtained free of charge at its website at [www.independentbank.com](http://www.independentbank.com). The information available through Independent Bank Corporation's website is not and shall not be deemed part of this presentation or incorporated by reference into other filings Independent Bank Corporation makes with the SEC. Alternatively, these documents, when available, can be obtained free of charge from Independent Bank Corporation upon written request to Independent Bank Corporation, Attn: CFO, 4200 East Beltline Avenue NE, Grand Rapids, MI 49525, or by calling (616) 522-1765.

TCSB Bancorp, Inc. and its directors, executive officers, and certain other members of management and employees may be soliciting proxies from TCSB Bancorp, Inc. shareholders in favor of the transaction. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of TCSB Bancorp, Inc. shareholders in connection with the proposed transaction will be set forth in the prospectus and proxy statement when it is filed with the SEC. Free copies of this document may be obtained as described above.

# Cautionary Note Regarding Forward-Looking Statements

This presentation may contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Any statements that are not historical facts, including statements about our expectations, beliefs, plans, strategies, predictions, forecasts, objectives, or assumptions of future events or performance, may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipates,” “believes,” “expects,” “can,” “could,” “may,” “predicts,” “potential,” “opportunity,” “should,” “will,” “estimate,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “seeks,” “intends” and similar words or phrases. Accordingly, these statements involve estimates, known and unknown risks, assumptions, and uncertainties that could cause actual strategies, actions, or results to differ materially from those expressed in them, and are not guarantees of timing, future results, events, or performance. Because forward-looking statements are necessarily only estimates of future strategies, actions, or results, based on management’s current expectations, assumptions, and estimates on the date hereof, there can be no assurance that actual strategies, actions or results will not differ materially from expectations. Therefore, readers are cautioned not to place undue reliance on such statements. Factors that could cause or contribute to such differences are changes in general economic, political or industry conditions; changes in monetary and fiscal policies, including the interest rate policies of the Federal Reserve Board; volatility and disruptions in capital and credit markets; the interdependence of financial service companies; changes in regulation or oversight; unfavorable developments concerning credit quality; any future acquisitions or divestitures; the effects of more stringent capital or liquidity requirements; declines or other changes in the businesses or industries of Independent Bank Corporation’s customers; the implementation of Independent Bank Corporation’s strategies and business models; Independent Bank Corporation’s ability to utilize technology to efficiently and effectively develop, market and deliver new products and services; operational difficulties, failure of technology infrastructure or information security incidents; changes in the financial markets, including fluctuations in interest rates and their impact on deposit pricing; competitive product and pricing pressures among financial institutions within Independent Bank Corporation’s markets; changes in customer behavior; management’s ability to maintain and expand customer relationships; management’s ability to retain key officers and employees; the impact of legal and regulatory proceedings or determinations; the effectiveness of methods of reducing risk exposures; the effects of terrorist activities and other hostilities; the effects of catastrophic events; changes in accounting standards and the critical nature of Independent Bank Corporation’s accounting policies.

In addition, factors that may cause actual results to differ from expectations regarding the pending acquisition of TCSB Bancorp, Inc. include, but are not limited to, the reaction to the transaction of customers, employees and counterparties; customer disintermediation; inflation; expected synergies, cost savings and other financial benefits of the proposed transaction might not be realized within the expected timeframes or might be less than projected; the requisite shareholder and regulatory approvals for the proposed transaction might not be obtained; credit and interest rate risks associated with the parties’ respective businesses, customers, borrowings, repayment, investment, and deposit practices; general economic conditions, either nationally or in the market areas in which the parties operate or anticipate doing business, are less favorable than expected; new regulatory or legal requirements or obligations; and other risks.

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, 2016 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
- **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

	4Q'17	3Q'17	2Q'17	1Q'17	4Q'16
Diluted EPS <sup>(1)</sup>	\$ 0.08	\$ 0.32	\$ 0.27	\$ 0.28	\$ 0.27
Income before taxes	\$ 11,231	\$ 10,018	\$ 8,594	\$ 8,595	\$ 8,443
Net income <sup>(1)</sup>	\$ 1,711	\$ 6,859	\$ 5,931	\$ 5,974	\$ 5,855
Return on average assets <sup>(1)</sup>	0.25%	1.01%	0.92%	0.95%	0.91%
Return on average equity <sup>(1)</sup>	2.51%	10.27%	9.15%	9.63%	9.29%
Total assets	\$2,789,355	\$2,753,446	\$2,665,367	\$2,596,482	\$2,548,950
Total portfolio loans	\$2,018,817	\$1,937,094	\$1,811,677	\$1,670,747	\$1,608,248
Total deposits	\$2,400,534	\$2,343,761	\$2,246,219	\$2,263,059	\$2,225,719
Loans to deposits ratio	84.10%	82.65%	80.65%	73.83%	72.26%
Shareholders' equity	\$ 264,933	\$ 267,710	\$ 262,453	\$ 255,475	\$ 248,980
Tangible BV per share	\$ 12.34	\$ 12.47	\$ 12.22	\$ 11.89	\$ 11.62
TCE to tangible assets	9.45%	9.67%	9.79%	9.78%	9.70%

<sup>(1)</sup> Excluding the impact of the \$5.96 million revaluation of net deferred tax assets in 4Q'17, diluted EPS is \$0.35; net income is \$7.676 million, ROA is 1.11%; and ROE is 11.28%.

Note: Dollars in thousands, except per share data.

## **Income Statement**

- Net income of \$1.7 million, or \$0.08 per diluted share. Additional income tax expense of \$5.96 million (or \$0.28 per diluted share) due to net deferred tax assets (DTA) revaluation.
- Net interest income of \$23.3 million, up \$3.1 million, or 15.1%, from the year ago quarter.
- \$0.4 million loan loss provision expense (compared to an expense of \$0.1 million in year ago quarter). Provision expense driven primarily by portfolio loan growth.
- Service charges on deposits and interchange income essentially unchanged year-over year.
- Gains on mortgage loans of \$2.9 million, up slightly from the year ago quarter. Higher mortgage loan origination and sales volume was offset by a lower margin.

## **Balance Sheet/Capital**

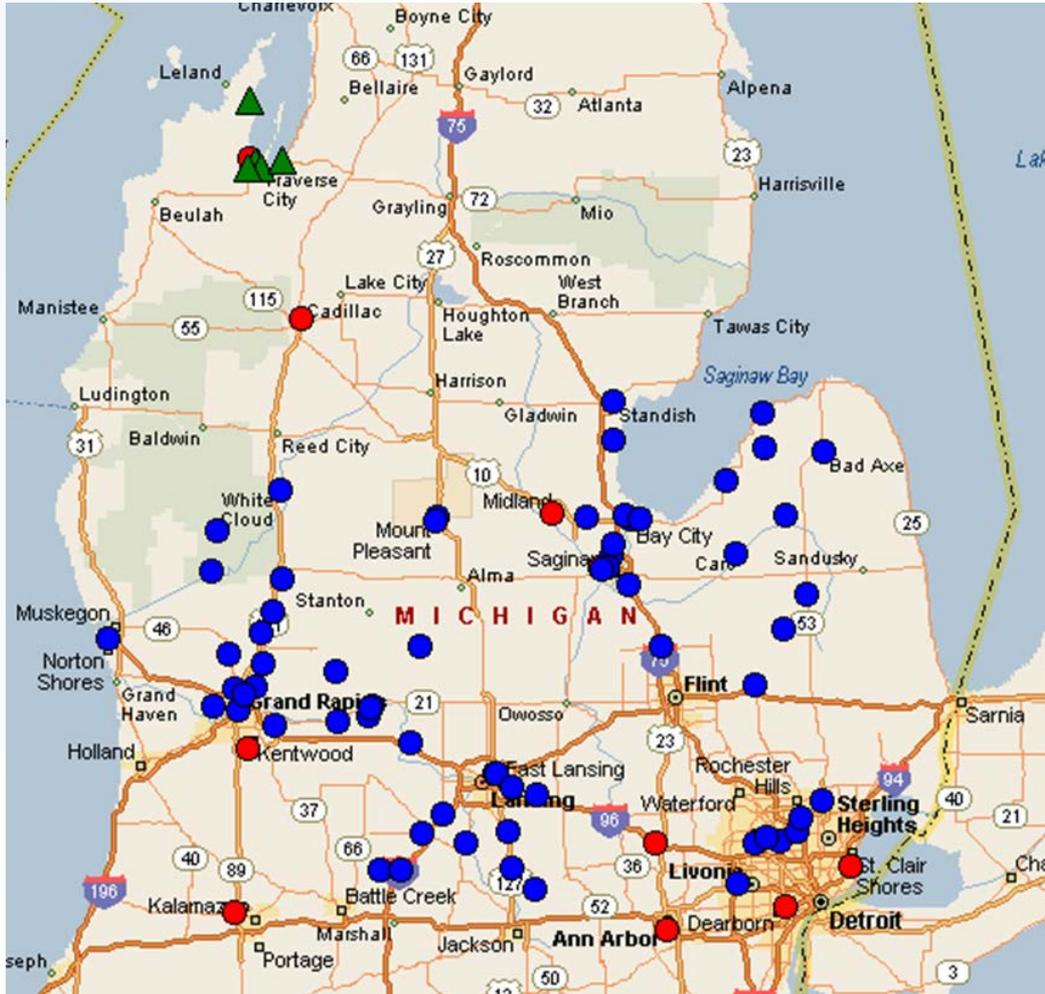
- Total portfolio loans grew \$81.7 million, or 16.7% annualized.
- Continued improvement in asset quality metrics with NPAs down 6.9% in 4Q'17.
- Deposits totaled \$2.40 billion at 12/31/17 compared to \$2.23 billion at 12/31/16. Year-over-year growth of \$99.5 million, or 5.7%, in checking and savings account deposit balances.
- No share repurchases during 2017. New 2018 share repurchase plan authorized for up to 5% of outstanding shares.
- TBV per share decreased to \$12.34 at 12/31/17 from \$12.47 at 09/30/17.
- Paid a 12 cent per share cash dividend on common stock on 11/15/17.
- 12/4/17 announcement of agreement to acquire TCSB Bancorp, Inc., the parent company of Traverse City State Bank.

	YE 12/31/17	YE 12/31/16	YE 12/31/15	YE 12/31/14
Net interest income	\$ 89,186	\$ 79,641	\$ 74,986	\$ 73,256
Income before taxes	\$ 38,438	\$ 32,901	\$ 29,380	\$ 25,216
Net income <sup>(1)</sup>	\$ 20,475	\$ 22,766	\$ 20,017	\$ 18,021
Diluted EPS <sup>(1)</sup>	\$ 0.95	\$ 1.05	\$ 0.86	\$ 0.77
Return on average assets, annualized <sup>(1)</sup>	0.77%	0.92%	0.86%	0.80%
Return on average equity, annualized <sup>(1)</sup>	7.82%	9.21%	7.89%	7.43%

**Note:** Dollars in thousands, except per share data.

<sup>(1)</sup> Excluding the impact of the \$5.96 million revaluation of net deferred tax assets in 2017, diluted EPS is \$1.22; net income is \$26.440 million, ROA is 1.00%; and ROE is 10.10%.

- 2017 net interest income increased \$9.5 million, or 12.0%.
- 2017 income before taxes increased \$5.5 million, or 16.8%.
- 2017 diluted EPS increased 16.2% when excluding impact of net deferred tax assets revaluation.
- 2017 ROA and ROE reached our goals of 1% or better and 10% or better, respectively, when excluding impact of net deferred tax assets revaluation.



- 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.
- Pending acquisition of Traverse City State Bank adds five branches in attractive Northwestern Michigan.
- Michigan's unemployment rate was 4.6% in November 2017 (0.5% lower than one year ago and 0.5% above the November 2017 U.S. unemployment rate of 4.1%).
- Michigan payroll jobs totaled 4.457 million in November 2017 (1.1% higher than one year ago).
- S&P/Case-Shiller MI Detroit Home Price Index up 7.14% year over year (October 2017 vs. October 2016).

● Independent Bank branches – 63  
(68 with TCSB)

▲ TCSB branches - 5

● Independent Bank loan production offices (not pictured Fairlawn and Columbus, Ohio)

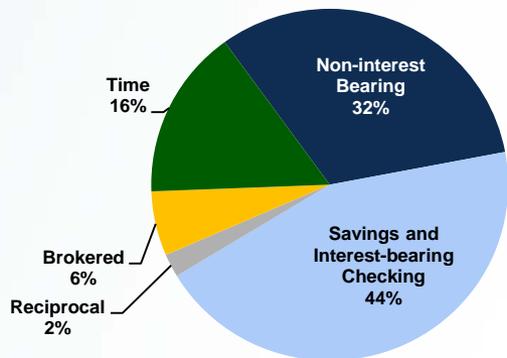
# Our Markets – Regional

Region	Cities	Branches	12/31/17 Portfolio Loans <sup>(1)</sup>	% of Loans <sup>(1)</sup>	12/31/17 Deposits <sup>(3)</sup>	% of Deposits <sup>(3)</sup>	12/31/16 Portfolio Loans <sup>(2)</sup>	12/31/16 Deposits <sup>(3)</sup>
East / "Thumb"	Bay City / Saginaw	23	\$ 356	19%	\$ 763	35%	\$ 319	\$ 728
West	Grand Rapids / Ionia	22	677	36%	709	33%	564	686
Central	Lansing	11	212	11%	357	16%	209	341
Southeast <sup>(4)</sup>	Troy	7	650	34%	340	16%	374	391
Total		63	\$1,895	100%	\$2,169	100%	\$1,466	\$2,146

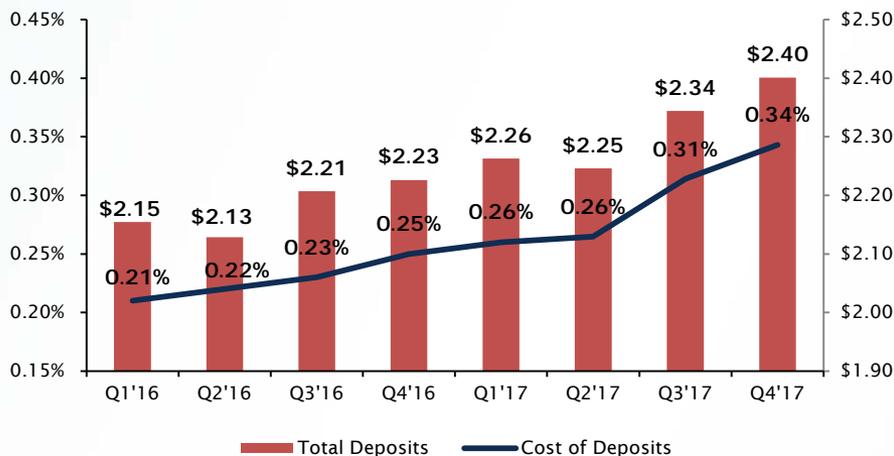
Note: Dollars are in millions.

- 1) Loans exclude those related to resort lending (\$90 million) and purchased mortgage loans (\$34 million).
- 2) Loans exclude those related to resort lending (\$103 million) and purchased mortgage loans (\$39 million).
- 3) Deposits exclude reciprocal deposits, brokered deposits and certain other "non-market" deposits.
- 4) 12/31/17 total portfolio loans include approximately \$99 million from Ohio.

### Deposit Composition – 12/31/17



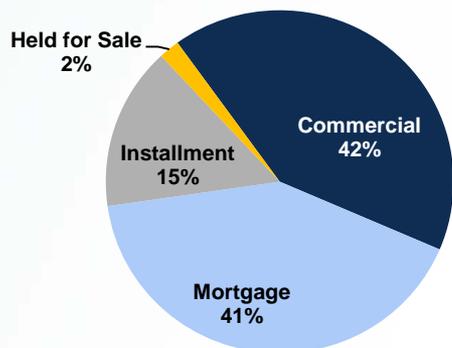
### Cost of Deposits (%)/Total Deposits (billions)



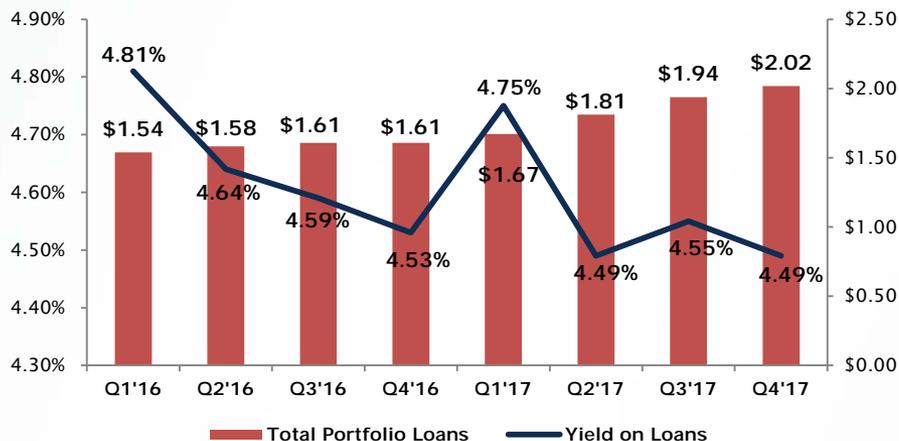
### Deposit Highlights

- \$2.40 billion in total deposits at 12/31/17.
  - Substantially all core funding.
  - \$1.85 billion of transaction accounts (76.9% of total deposits).
- Total deposits increased \$32.9 million, or 1.5%, since 12/31/16 (excluding \$142.0 million of brokered deposits at 12/31/17).
- Average deposits per branch of \$35.9 million at 12/31/17 vs. \$20.2 million at 12/31/11 (an increase of 77.7%).
- 2018 focus:
  - Commercial – small to middle market business and public funds.
  - Treasury management services.
  - Retail – checking accounts and debit card services.

### Loan Composition – 12/31/17



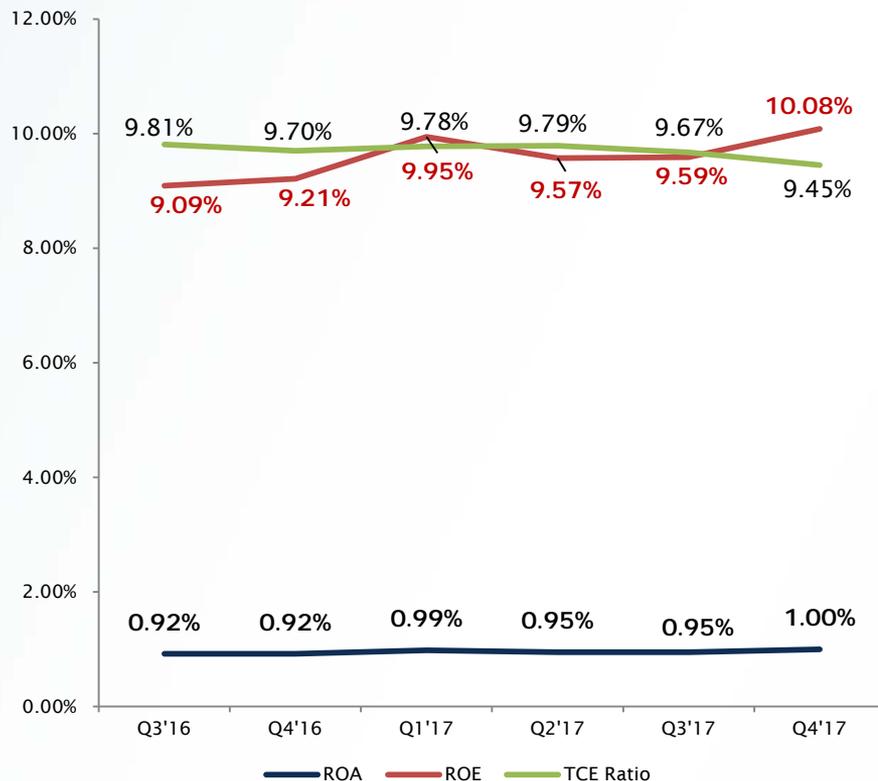
### Yield on Loans (%) / Total Portfolio Loans (billions)



### Lending Highlights

- 15 consecutive quarters of net loan growth.
- \$2.058 billion in total loans at 12/31/17 (including \$39.4 million of loans held for sale).
- 4Q 2017 lending results include:
  - Commercial loan net growth of \$16.0 million, or 7.6% annualized.
  - Consumer installment loans declined by \$2.5 million, or 3.1% annualized.
  - Portfolio mortgage loan net growth of \$68.2 million, or 34.6% annualized. 4Q'17 mortgage loan origination volume up 53.1% over 4Q'16.
- 2018 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 QRM and home equity lending opportunities.

### ROA, ROE and TCE Ratio



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

Note: Q4'17 ROA and ROE calculations exclude the impact of the \$5.96 million revaluation of net deferred tax assets.

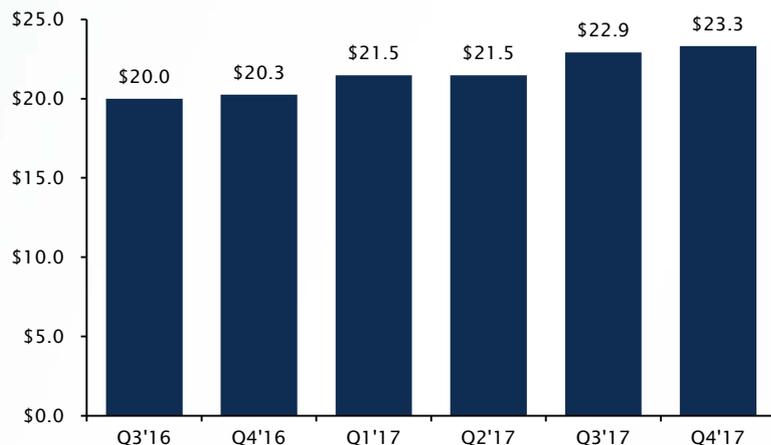
### Highlights

- 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.
- 2018 share repurchase plan approved for up to 5% of outstanding common shares. During 2017 no shares were repurchased. **During 2015 and 2016, 2.12 million shares were repurchased.**
- Bank retained earnings returned to a positive figure in 3Q'16 permitting resumption of quarterly dividends to parent company (\$21.0 million of cash dividends have been paid since October 2016). Bank retained earnings were a positive \$17.4 million at 12/31/17.
- Quarterly cash dividend rate increased by 25% to \$0.15 per share effective 2/15/18.
- Goals of 1% ROA or better and 10% 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 1.8% in 4Q'17 vs. 3Q'17 due primarily to a \$52.7 million increase in average interest-earning assets partially offset by a 1 basis point decrease in the net interest margin.
- Original 2017 goal was to grow net interest income by approximately 3% over 2016 as average loans increase (partially offset by sale of payment plan receivables). Actual full year 2017 net interest income to grow by 12.0% over 2016.
- Starting to see some pressure on deposit rates due to the 0.25% bumps in the target federal funds rate in March, June and December 2017 and December 2016.

## Analysis of Linked Quarter Increase

### ■ Summary

- 4Q'17 net interest income of \$23.316 million, up \$0.404 million from 3Q'17.
- The linked quarter increase was due to a \$0.812 million increase in interest income and fees on loans. This was partially offset by a \$0.157 million decrease in interest income on securities and investments and a \$0.251 million increase in interest expense on deposits and borrowings. The increase in interest income and fees on loans was due to an increase in average balance that was partially offset by a decrease in the average yield and a decrease in interest recoveries (net) on previously charged-off or non-accrual loans of \$87K (this reduced overall net interest margin [NIM] by 1 basis point [bp]).
- The tax equivalent net interest margin (NIM) decreased 1 bp (3.65% vs. 3.66%) as a 2 bp increase in the yield on interest earning assets was offset by a 3 bp increase in the cost of funds (interest expense as a percentage of average interest-earning assets).
- Average yield on new/renewed commercial loans was 4.66% on fixed rate (35.2% of production) and 4.57% on variable rate (64.8% of production), 4Q'17 volume of \$112.7 million with an estimated average duration of 1.7 years. Average yield on new retail loans (mortgage and consumer installment) was 4.19%, 4Q'17 volume of \$149.6 million with an estimated average duration of 4.2 years.

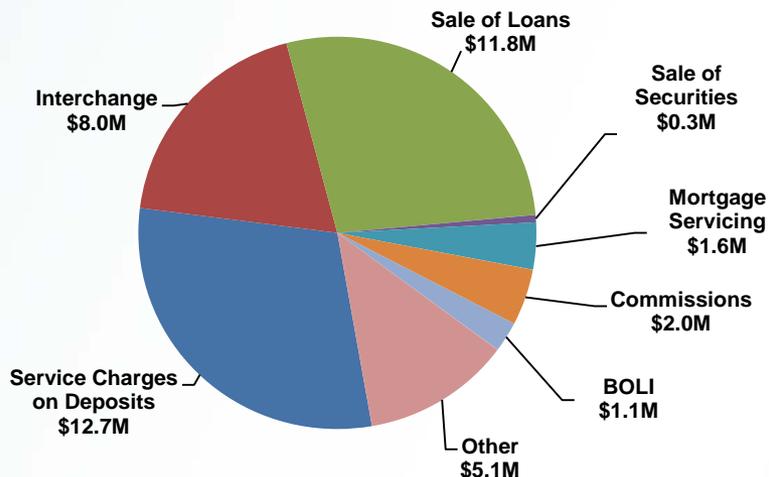
### ■ Loan Portfolio Details

- Commercial loans: Interest income increased \$10K due to a \$7.3 million increase in the average balance that was partially offset by a 4 bp decrease in the average yield (4.79% vs. 4.83%). Interest recoveries (net) decreased by \$50K, this decreased the average yield by 2 bp.
- Mortgage loans (includes loans held for sale): Interest income increased \$677K due to an \$83.3 million increase in the average balance that was partially offset by a 9 bp decrease in the average yield (4.15% vs. 4.24%) . Interest recoveries (net) decreased by \$87K, this decreased the average yield by 4 bp.
- Consumer installment loans: Interest income increased \$125K due to a \$4.0 million increase in the average balance and a 10 bp increase in the average yield (4.64% vs. 4.54%). Interest recoveries (net) increased by \$50K, this increased the average yield by 6 bp.

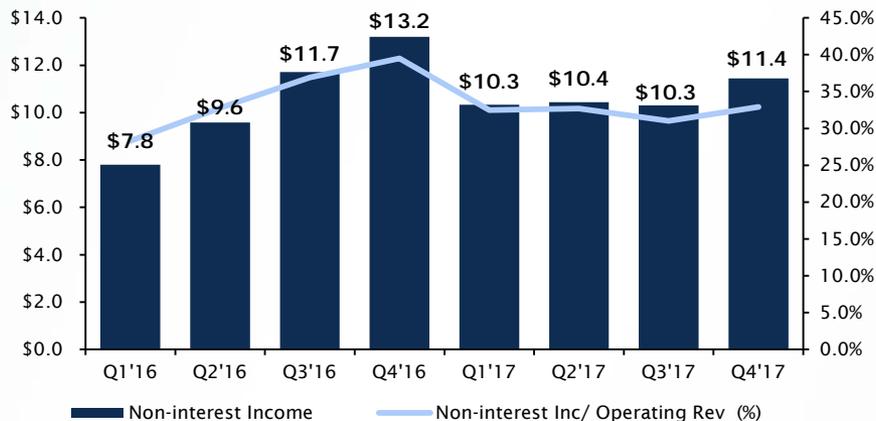
### ■ Other Factors

- Securities and investments: Interest income decreased \$157K due to a \$41.9 million decrease in average balance that was partially offset by an 8 bp increase in the average TE yield (2.58% vs. 2.50%).
- Deposits and borrowings: Interest expense increased \$251K due to a \$16.2 million increase in the average balance of interest-bearing liabilities and an 5 bp increase in the average cost of interest-bearing liabilities (0.64% vs. 0.59%).

## 2017 Full Year Non-interest Income Breakout



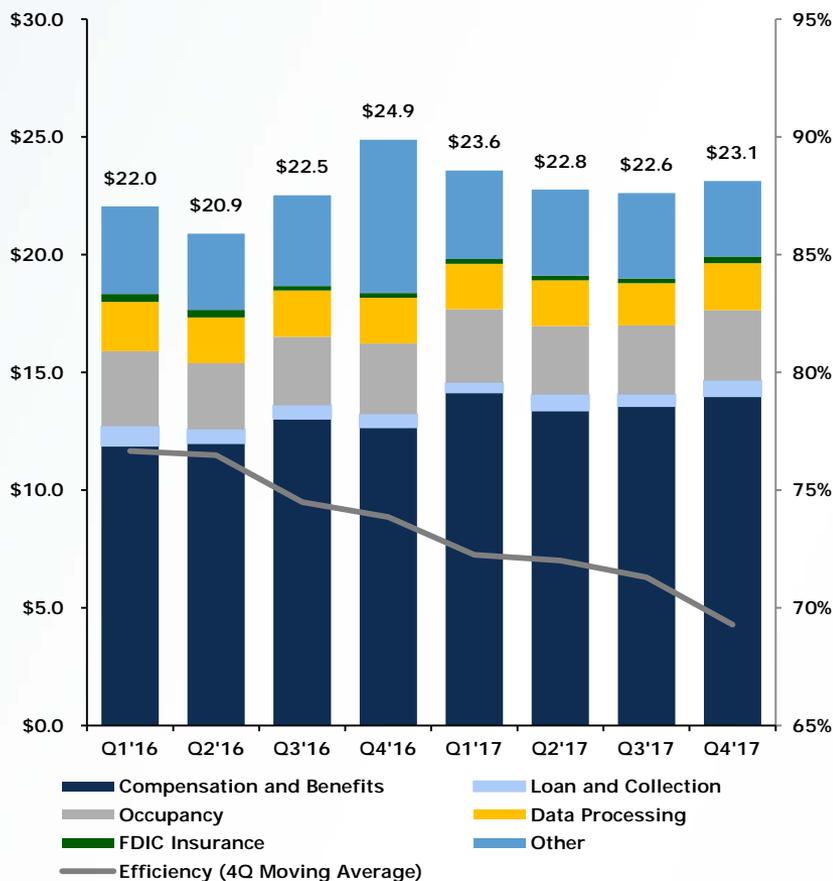
## Non-interest Income Trends (\$ in Millions)



## Highlights

- Diverse sources of non-interest income which totaled \$11.4 million in 4Q'17.
- 4Q'17 total non-interest income represents approximately 32.9% of total revenue (net interest income and non-interest income).
- Service charges on deposits have recently stabilized after previous longer-term decline and were up by 2.2% YTD 2017 vs. 2016.
- 4Q'17 interchange revenue essentially unchanged compared to 4Q'16 and up by 1.1% YTD 2017 vs. 2016.
- 4Q'17 gains on mortgage loans totaled \$2.9 million, up \$0.04 million, or 1.3%, from 4Q'16, as higher volumes were largely offset by margin pressure.
- 4Q'17 mortgage loan servicing includes a \$0.159 million decline in fair value adjustment (\$0.515 million due to pay downs partially offset by \$0.356 million increase due to price). 4Q'16 included amortization of \$0.785 million and a recovery of previously recorded impairment charges on MSRs of \$2.442 million.

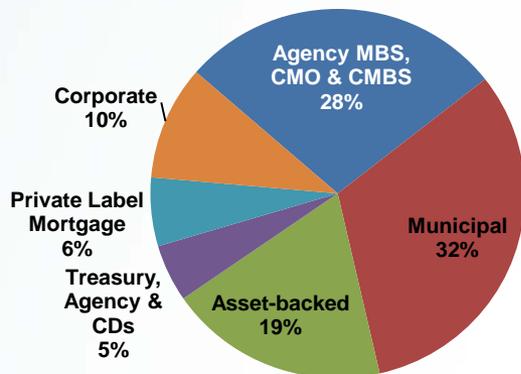
## Non-interest Expense (\$ in Millions)



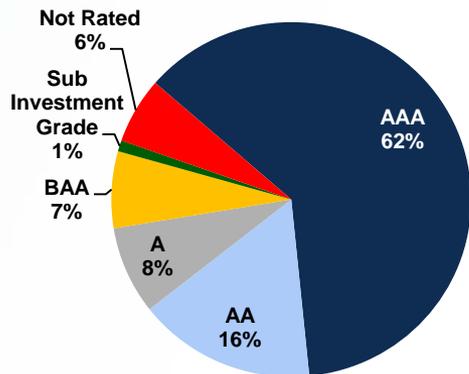
## Highlights

- Q4'17 non-interest expenses totaled \$23.1 million (an increase from 3Q'17 and a decrease from 4Q'16).
- Q4'17 compensation and benefits increased by \$1.3 million over 4Q'16 due primarily to higher incentive compensation and payroll taxes. 4Q'17 average FTEs up by 37.3 (4.6%) over 4Q'16, with much of the growth related to the mortgage banking expansion (partially offset by sale of payment plan business in May 2017).
- Efficiency ratio: 2017 – 69.2%; 2016 – 73.7%; 2015 – 77.2%; 2014 – 80.3%; and 2013 – 82.6%.
- Original target for 2017 was total non-interest expenses at \$21.6 million to \$22.7 million per quarter (with an average at \$21.9 million). Actual 4Q'17 total non-interest expenses above expected high end.

## Investment Portfolio by Type (12/31/17)



## Investment Portfolio by Rating (12/31/17)



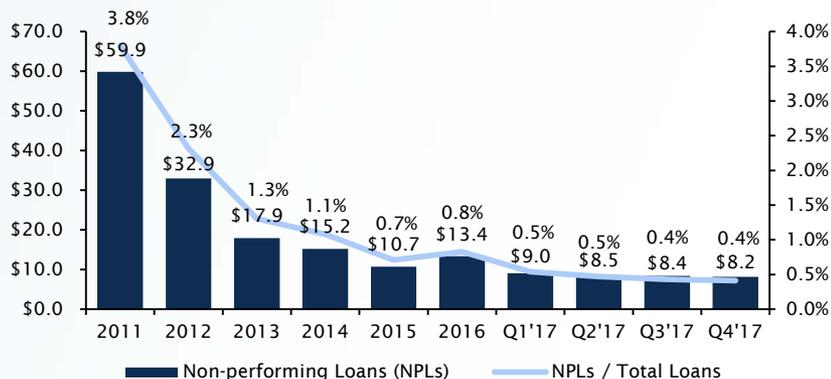
## Highlights

- High quality, liquid, diverse portfolio with relatively short duration.
  - Fair value of \$525.7 million<sup>(1)</sup> at 12/31/17.
  - Net unrealized loss of \$0.6 million at 12/31/17.
  - 62% of the portfolio is AAA rated (or backed by the U.S. Government).
  - 2.82 year estimated average duration with a weighted average yield of 2.59% (with TE gross up).
  - Approximately 27% of the portfolio is variable rate.
  - Adopted ASU 2017-08 in 1Q'17. Now amortizing premium on callable securities to the earliest call date.

<sup>(1)</sup> Includes investments in bank CD's of \$2.7 million but excludes trading securities of \$0.5 million.

# Credit Quality Summary

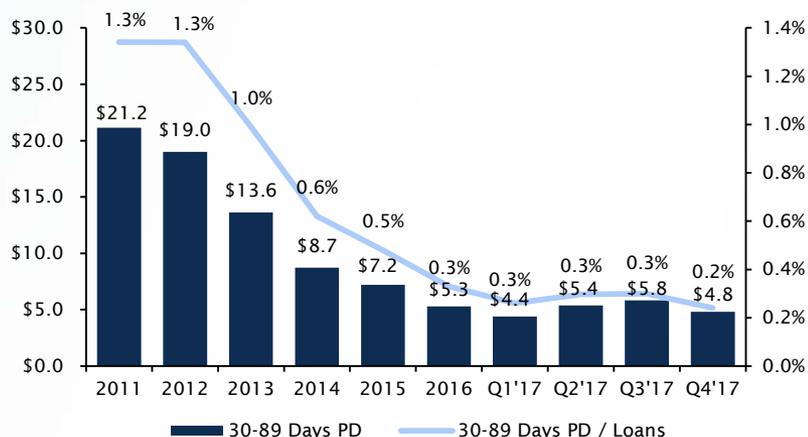
## Non-performing Loans (\$ in Millions)



## ORE/ORR (\$ in Millions)



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



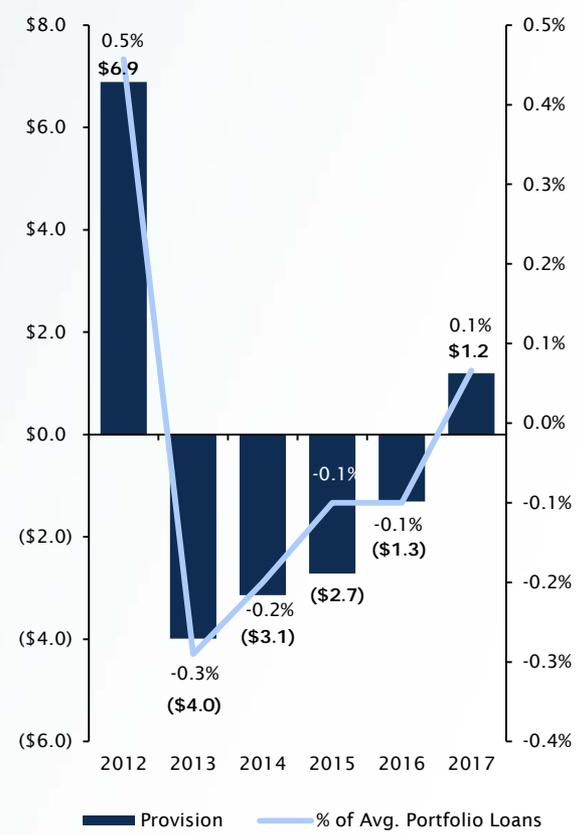
## Non-performing Assets (\$ in Millions)



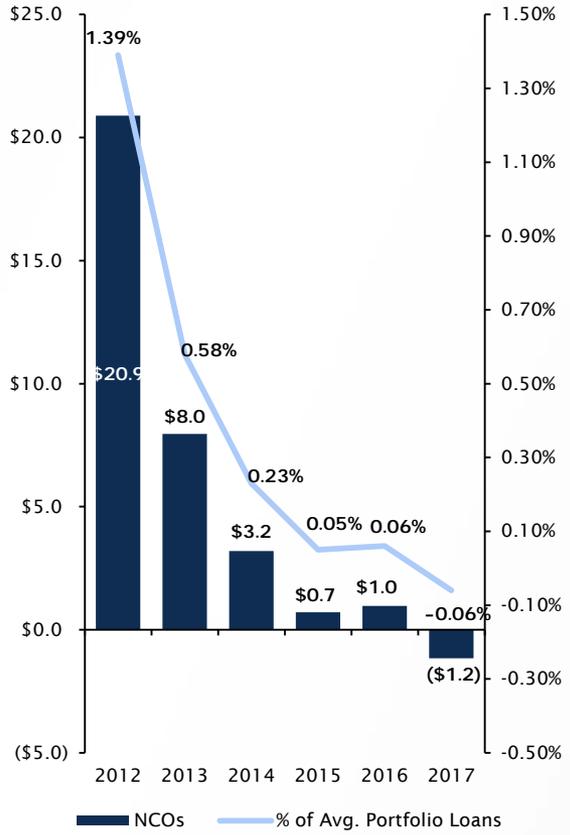
Note 1: Non-performing loans and non-performing assets exclude troubled debt restructurings that are performing.

Note 2: 3/31/17 and 12/31/16 30 to 89 days delinquent data excludes \$1.53 million and \$1.63 million, respectively, of payment plan receivables that were held for sale.

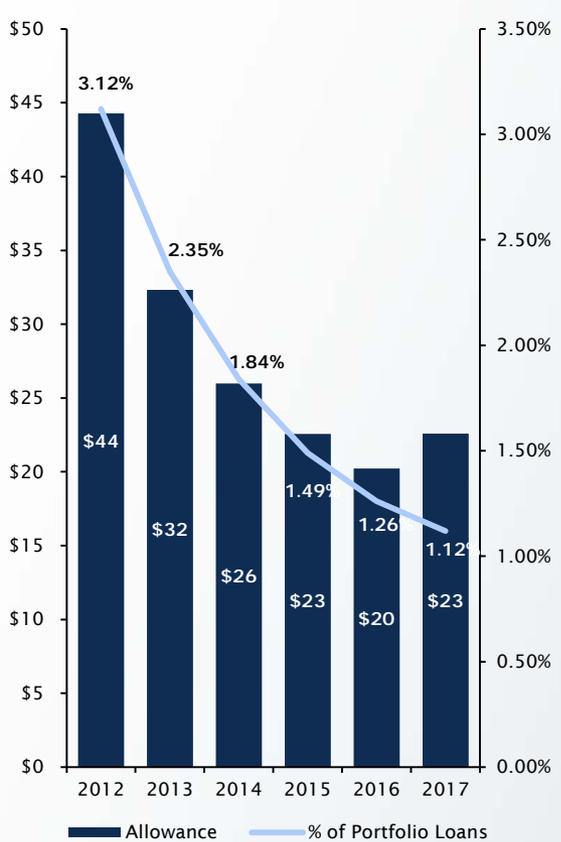
## Provision for Loan Losses



## Loan Net Charge-Offs/Recoveries



## Allowance for Loan Losses



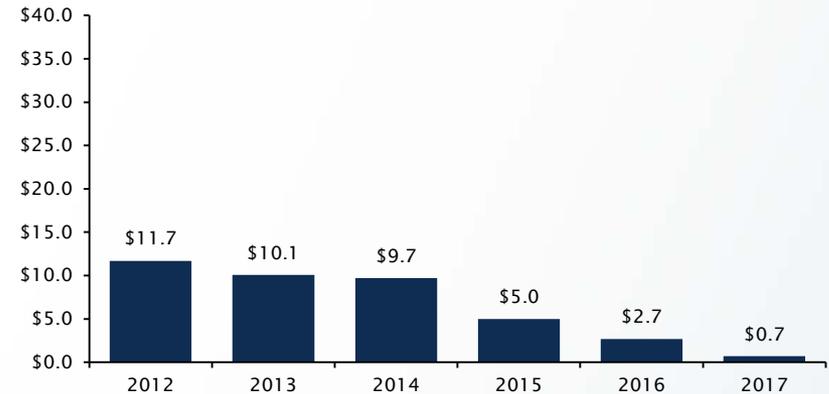
Note: Dollars all in millions.

# Classified Assets and New Default Trends

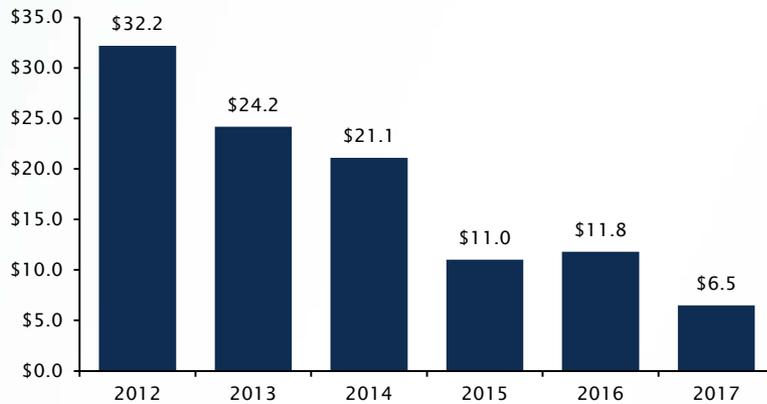
## Total Classified Assets



## Commercial Loan New Defaults



## Total Loan New Defaults



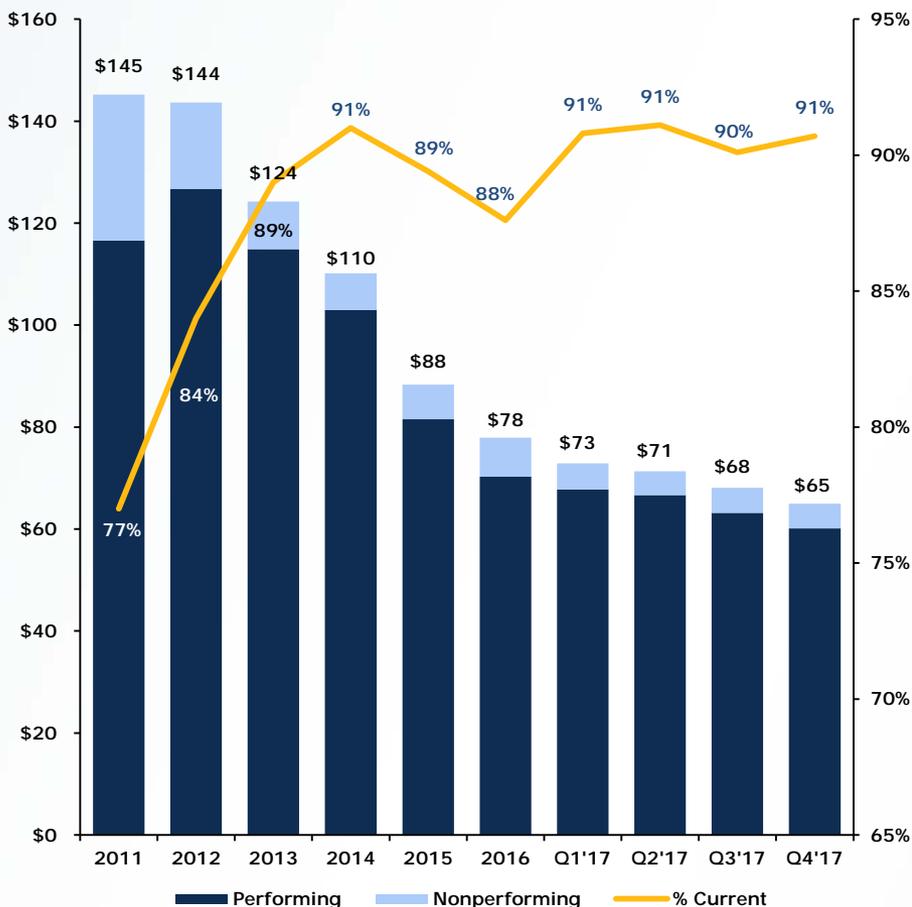
## Retail Loan New Defaults



Note: Dollars all in millions.

## 91% of TDRs are Current

### TDRs (\$ in Millions)



### TDR Highlights

- Working with client base to maximize sustainable performance.
- The specific reserves allocated to TDRs totaled \$6.8 million at 12/31/17.
- A majority of our TDRs are performing under their modified terms but remain in TDR status for the life of the loan.
- 90.7% of TDRs are current as of 12/31/17.
- **Commercial TDR Statistics:**
  - 48 loans with \$8.1 million book balance.
  - 96.0% performing.
  - WAR of 5.49% (accruing loans).
  - Well seasoned portfolio; over 97% of accruing loans are not only performing but have been for over a year since modification.
- **Retail TDR Statistics:**
  - 639 loans with \$56.9 million book balance.
  - 92.0% performing.
  - WAR of 5.12% (accruing loans).
  - Well seasoned portfolio; over 98% of accruing loans are not only performing but have been for over a year since modification.

# 2017 Actual Performance vs. Original Outlook – Final Summary

Category	Outlook
Lending	<p><b>Continued growth</b> Goal of 10 to 11% overall loan growth in 2017, 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 2017. This growth forecast also assumes a stable Michigan economy. <b>4Q'17 Update: Exceeded expectation. 4Q'17 annualized loan growth of 16.7%. Full year 2017 loan growth of 25.5%; portfolio loans totaled \$2.02 billion at 12/31/17.</b></p>
Net Interest Income	<p><b>Growth over 2016 despite sale of payment plan receivables</b> Goal of approximately 3% increase in net interest income (NII) over 2016. Pressure on the net interest margin expected to abate. Growth in NII in 2017 vs. 2016 due primarily to growth in loans as described above and somewhat higher short-term interest rates. Forecast assumes two 0.25% increases in the federal funds rate (one in mid 3Q'17 and one in early 4Q'17) and long-term rates up slightly over year end 2016 levels. <b>4Q'17 Update: Exceeded expectation. 4Q'17 NII increased by 15.1% over 4Q'16. Full year 2017 NII increased by 12.0% over 2016.</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 1.26% at 12/31/16. Do not expect credit provision in 2017 due to portfolio loan growth and a decline in recoveries of previously charged-off loans. Quarterly provision (expense) for loan losses of \$500K to \$600K would not be unreasonable. <b>4Q'17 Update: \$0.4 million loan loss provision expense driven primarily by loan growth. Strong asset quality metrics throughout 2017.</b></p>
Non-interest Income	<p><b>Forecasted quarterly range of \$10.8 million to \$11.7 million with total for year up by approximately \$2.4 million vs. 2016</b> Expect mortgage-banking revenues and mortgage lending volumes in 2017 to be higher than 2016. Expect service charges on deposits and interchange income in 2017 to be generally comparable to 2016. <b>4Q'17 Update: Actual non-interest income of \$11.4 million in 4Q'17 was within forecasted range. Lower than expected net gains on mortgage loans due primarily to margin pressure and fair value changes (declines in loans held for sale and commitments to originate loans). However, 4Q'17 included \$0.36 million fair value increase in MSRs due to price and \$0.20 million of securities net gains.</b></p>
Non-interest Expense	<p><b>Forecasted quarterly range of \$21.6 to \$22.7 million with total for the year down by approximately \$2.8 million vs. 2016</b> The expected decrease in non-interest expenses is primarily due to the elimination of \$2.6 million of litigation expense and loss on sale of Mepco assets that were incurred in 2016. Decline in expenses associated with the sale of the payment plan processing business (Mepco) is expected to be somewhat offset by higher expenses related to the expansion of mortgage banking operations. <b>4Q'17 Update: Actual non-interest expenses of \$23.1 million (slightly above high end of forecasted range). Full year 2017 non-interest expenses totaled \$92.1 million as compared to \$90.3 million in 2016.</b></p>
Income Taxes	<p>Approximately 32% to 32.5% in 2017. This assumes no changes in corporate income tax rates or rules during 2017. <b>4Q'17 Update: 31.7% effective income tax rate (31.2% for all of 2017) when excluding impact of net deferred tax asset revaluation (\$5.96 million).</b></p>

Category	Outlook
Lending	<p><b>Continued growth</b>            IBCP only goal of 15 to 18% overall loan growth in 2018, 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 2018. This growth forecast also assumes a stable Michigan economy. <b>Comments: TCSB total loans projected to reach \$310 million to \$320 million by year end 2018 (as compared to \$290 million at 12/31/17).</b></p>
Net Interest Income	<p><b>Growth driven primarily by higher portfolio loan balances, expect total deposits (IBCP only, excluding brokered) to be relatively flat in 2018</b>            IBCP only goal of approximately 10% to 11% increase in net interest income (NII) over 2017. Expect the net interest margin to be relatively stable. Forecast assumes two 0.25% increases in the federal funds rate (one in March 2018 and one in September 2018) and long-term rates up slightly over year end 2017 levels. <b>Comments: TCSB expected to add approximately \$3.5 million to \$3.7 million per quarter.</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 1.12% at 12/31/17. Do not expect credit provision in 2018 due to portfolio loan growth and a decline in recoveries of previously charged-off loans. Quarterly provision (expense) for loan losses averaging approximately \$1.25 million (IBCP only) would not be unreasonable. <b>Comments: TCSB expected to add approximately \$0.2 million per quarter.</b></p>
Non-interest Income	<p><b>IBCP only - forecasted quarterly range of \$9.8 million to \$10.9 million with total for year comparable to 2017 (excluding securities net gains or losses)</b>            Expect mortgage-banking revenues and mortgage lending volumes in 2018 to be comparable to 2017. Expect service charges on deposits and interchange income in 2018 to be generally comparable to 2017. <b>Comments: TCSB expected to add about \$0.8 million per quarter.</b></p>
Non-interest Expenses	<p><b>IBCP only - forecasted quarterly range of \$22.8 to \$23.6 million with total for the year up slightly (under 1%) vs. 2017</b>            No significant changes in any particular line item expected in 2018 vs. 2017 <b>Comments: <u>Excluding merger related expenses</u>, TCSB expected to add approximately \$7 million to non-interest expenses for all of 2018 (assuming 4/1/18 merger date), with distribution of approximately \$3 million, \$2 million, and \$2 million in 2Q, 3Q and 4Q 2018, respectively, as cost saves are implemented. Expect \$1.8 to \$2.0 million of merger related expenses primarily in 2Q'18.</b></p>
Income Taxes	<p>Approximately 19% to 20% effective tax rate in 2018. This assumes a 21% statutory federal corporate income tax rate during 2018. <b>Comments: TCSB acquisition does not have any material impact on the projected effective tax rate.</b></p>

## ■ Balance Sheet

- Generate quality loan growth with continued focus on commercial and consumer installment lending as well as salable and portfolio mortgage loans.
- Remain slightly asset sensitive and positioned to benefit from higher interest rates (short duration investment portfolio, large variable rate loan portfolio and strong core deposit base with a significant amount of small to medium balance transaction accounts).

## ■ Income Statement

- Generate increased net interest income through change in earning asset mix (increased loans to deposits ratio and reduced level of investment securities).
- Increase non-interest income with focus on transaction related revenue (treasury management and debit card) and mortgage banking revenue.
- Continued selective reductions in certain non-interest expenses (credit related costs, branch optimization, process re-engineering and outsourcing). However, now expect growth in compensation and employee benefits expense and in occupancy expense due to expanded mortgage-banking operations.
- Improved efficiency ratio: Mid 60% range near-term and low 60% range longer-term. Achieve improvements primarily through revenue growth.

## ■ Enterprise Risk Management

- Well managed approach to lending with sound underwriting.
- Meet increased compliance and regulatory requirements.
- Focus on data security and loss prevention.

## ■ TCSB Bancorp, Inc.

- Successful integration of Traverse City State Bank (customers and associates).

Question and Answer Session  
Closing Remarks  
***Thank you for attending !***

NASDAQ: IBCP