



## Independent Bank Corporation Reports 2021 Fourth Quarter and Full Year Results

January 27, 2022

GRAND RAPIDS, Mich., Jan. 27, 2022 (GLOBE NEWSWIRE) -- Independent Bank Corporation (NASDAQ: IBCP) reported fourth quarter 2021 net income of \$12.5 million, or \$0.58 per diluted share, versus net income of \$17.0 million, or \$0.77 per diluted share, in the prior-year period. For the year ended December 31, 2021, the Company reported net income of \$62.9 million, or \$2.88 per diluted share, compared to net income of \$56.2 million, or \$2.53 per diluted share, in 2020. The increase in full year 2021 net income as compared to 2020 primarily reflects an increase in net interest income and a decrease in provision for credit losses that were partially offset by a decrease in non-interest income and an increase in non-interest expense and income tax expense.

Fourth quarter 2021 highlights include:

- An increase in net interest income of 10.6% over the fourth quarter of 2020;
- Net gains on mortgage loans of \$5.6 million and total mortgage loan origination volume of \$424.6 million;
- Deposit net growth of \$105.0 million (or 10.4% annualized);
- Continued strong asset quality metrics as evidenced by low loan charge-offs during the quarter as well as a low level of non-performing loans and non-performing assets; and
- The payment of a 21 cent per share dividend on common stock on November 15, 2021.

Full year 2021 highlights include:

- Increases in net income and diluted earnings per share of 12.0% and 13.8%, respectively, compared to 2020;
- Return on average assets and return on average equity of 1.41% and 16.13%, respectively;
- Net gains on mortgage loans of \$35.9 million and total mortgage loan origination volume of \$1.9 billion;
- Net growth in portfolio loans of \$171.4 million (or 6.3%);
- Deposit net growth of \$479.7 million (or 13.2 %);
- Paid \$0.84 in dividends which was a 5.0% increase compared to 2020; and
- Tangible common equity per share increased by 6.1% to \$17.33 from \$16.33.

William B. ("Brad") Kessel, the President and Chief Executive Officer of Independent Bank Corporation, commented: "I am very pleased with the high level of performance by our team generating strong core results for yet another quarter and the full year 2021. We continue to execute on our strategies of investing in people and technology. During the fourth quarter we saw good growth in net interest income, stabilization of our net interest margin and across the board loan growth, net of PPP. Our commercial pipeline is at its highest level in many quarters. Deposit gathering continues to be robust both via existing customers as well as through the addition of new customers. In addition, while mortgage gains have tapered down they continue to be solid and our card strategies are generating positive growth in interchange revenue. On the asset quality front, I could not be more pleased, with our net recoveries for the full year, as well as commercial watch credits at 3.10% of the portfolio, and a very low level of past due loans. We are excited about the momentum we have in our markets and look forward to continuing these trends into 2022."

Significant items impacting comparable quarterly and year to date 2021 and 2020 results include the following:

- Changes in the fair value due to price of capitalized mortgage loan servicing rights (the "MSR Changes") of a positive \$0.6 million (\$0.02 per diluted share, after taxes) and \$3.4 million (\$0.12 per diluted share, after taxes) for the three-months and full-year ended December 31, 2021, respectively, as compared to a negative \$0.9 million (\$0.03 per diluted share, after taxes) and a negative \$10.8 million (\$0.39 per diluted share, after taxes) for the three-months and full year ended December 31, 2020 respectively.

### Operating Results

The Company's net interest income totaled \$34.3 million during the fourth quarter of 2021, an increase of \$3.3 million, or 10.6% from the year-ago period, and up \$0.5 million, or 1.4%, from the third quarter of 2021. The Company's tax equivalent net interest income as a percent of average interest-earning assets (the "net interest margin") was 3.13% during the fourth quarter of 2021, compared to 3.12% in the year-ago period, and 3.18% in the third quarter of 2021. The year-over-year quarterly increase in net interest income is due to an increase in average interest-earning assets and the net interest margin. Average interest-earning assets were \$4.43 billion in the fourth quarter of 2021, compared to \$3.98 billion in the year ago quarter and \$4.30 billion in the third quarter of 2021.

For the full year 2021, net interest income totaled \$129.8 million, an increase of \$6.2 million, or 5.0% from 2020. The Company's net interest margin for the full year of 2021 was 3.10% compared to 3.34% in 2020. The increase in net interest income for the full year of 2021 compared to 2020 is due to an increase in average interest-earning assets that was partially offset by a decline in the net interest margin.

Due to the economic impact of COVID-19, the Federal Reserve has taken a variety of actions to stimulate the economy, including significantly lowering short-term interest rates. These actions have placed continued pressure on the Company's net interest margin.

In addition, commercial loan balances, interest income and yields have been impacted by Paycheck Protection Program ("PPP") lending activity. PPP lending activity is summarized in the following tables:

| <b>PPP – Round 1</b>                          |            |         |           |          |            |            |
|-----------------------------------------------|------------|---------|-----------|----------|------------|------------|
| At or for the three months ended              | 12/31/2021 |         | 9/30/2021 |          | 12/31/2020 |            |
|                                               | #          | (000's) | #         | (000's)  | #          | (000's)    |
| Loans outstanding at period end               | 6          | \$ 197  | 20        | \$ 1,262 | 1,483      | \$ 169,782 |
| Average loans outstanding                     |            | 774     | -         | 2,699    |            | 220,214    |
| Cumulative forgiveness applications submitted | 2,124      | 261,088 | 2,085     | 260,015  | 808        | 122,962    |
| Cumulative forgiveness applications approved  | 2,122      | 261,047 | 2,082     | 259,613  | 755        | 91,972     |
| Net fees accreted into interest income        |            | -       | -         | 381      |            | 3,250      |
| Net unaccreted fees at period end             |            | -       | -         | -        |            | 3,216      |
| Average loan yield                            |            | -       | -         | 11.51%   |            | 6.91%      |

Note: PPP – Round 1 loan activity began in the second quarter of 2020.

| <b>PPP – Round 2</b>                          |            |           |           |           |           |            |
|-----------------------------------------------|------------|-----------|-----------|-----------|-----------|------------|
| At or for the three months ended              | 12/31/2021 |           | 9/30/2021 |           | 3/31/2021 |            |
|                                               | #          | (000's)   | #         | (000's)   | #         | (000's)    |
| Loans outstanding at period end               | 180        | \$ 26,167 | 806       | \$ 88,888 | 1,250     | \$ 128,240 |
| Average loans outstanding                     |            | 58,895    | -         | 110,276   | -         | 72,011     |
| Cumulative forgiveness applications submitted | 1,401      | 115,568   | 831       | 51,370    | -         | -          |
| Cumulative forgiveness applications approved  | 1,372      | 109,405   | 810       | 50,535    | -         | -          |
| Net fees accreted into interest income        |            | 2,372     | -         | 2,249     | -         | 229        |
| Net unaccreted fees at period end             |            | 806       | -         | 3,178     | -         | 5,454      |
| Average loan yield                            |            | 17.11%    | -         | 9.17%     | -         | 2.25%      |

Note: PPP – Round 2 loan activity began in the first quarter of 2021.

Non-interest income totaled \$15.8 million and \$76.6 million, respectively, for the fourth quarter and full year 2021, compared to \$22.4 million and \$80.7 million in the respective comparable year ago periods. These changes were primarily due to variances in mortgage banking related revenues (net gains on mortgage loans and mortgage loan servicing, net).

Net gains on mortgage loans in the fourth quarters of 2021 and 2020, were approximately \$5.6 million and \$15.9 million, respectively. For full year 2021, net gains on mortgage loans totaled \$35.9 million compared to \$62.6 million in 2020. The decrease in net gains on mortgage loans in 2021 was primarily due to a decrease in mortgage loan sales volume, as well as a decrease in profit margins on mortgage loan sales and fair value adjustments on the mortgage loan pipeline.

Mortgage loan servicing, net, generated a gain of \$1.3 million and a loss of \$0.4 million in the fourth quarters of 2021 and 2020, respectively. For full year 2021 and 2020, mortgage loan servicing, net, generated a gain of \$5.7 million and loss of \$9.4 million, respectively. The significant variances in mortgage loan servicing, net are primarily due 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 loan servicing, net activity is summarized in the following table:

|                                    | Three Months Ended     |            | Twelve Months Ended |            |
|------------------------------------|------------------------|------------|---------------------|------------|
|                                    | 12/31/2021             | 12/31/2020 | 12/31/2021          | 12/31/2020 |
| Mortgage loan servicing, net:      | (Dollars in thousands) |            |                     |            |
| Revenue, net                       | \$ 2,044               | \$ 1,812   | \$ 7,853            | \$ 6,874   |
| Fair value change due to price     | 567                    | (892)      | 3,380               | (10,833)   |
| Fair value change due to pay-downs | (1,342)                | (1,304)    | (5,488)             | (5,391)    |
| Total                              | \$ 1,269               | \$ (384)   | \$ 5,745            | \$ (9,350) |

Net gain(loss) on securities available for sale totaled \$(0.01) million and \$1.41 million in fourth quarter and full year 2021, respectively, compared to 0.01 million and \$0.27 million in the prior year fourth quarter and full year, respectively. The increase in gain during the full year of 2021 was related to the divestiture of a group of mortgage backed securities in the first quarter of 2021.

Non-interest expenses totaled \$34.0 million in the fourth quarter of 2021, compared to \$32.7 million in the year-ago period. For full year 2021, non-interest expenses totaled \$131.0 million versus \$122.4 million in 2020. These year-over-year increases in non-interest expense are primarily due to increases in compensation and employee benefits (for the year to date period), data processing, interchange, costs(recoveries) related to the reserve for unfunded lending commitments and other expenses. The increase in compensation and employee benefits in 2021 is due to several factors, including, wage increases that were generally effective at the start of the year, an increase in lending personnel, increased overtime primarily associated with a data processing conversion, higher payroll taxes due to the increase in compensation and higher health care insurance costs (these costs during 2020 were unusually low due to the various COVID related lock-downs). The increase in data processing costs is primarily due to new software and technology product and service additions. The increase in interchange expense is due primarily to changes in transaction volume and transaction channel mix. The increase in expense related to the reserve for unfunded lending commitments is due to higher committed unfunded balances.

The Company recorded an income tax expense of \$3.0 million and \$14.4 million in the fourth quarter and full-year 2021, respectively. This compares to an income tax expense of \$4.1 million and \$13.3 million in the fourth quarter and full-year 2020, respectively. The changes in income tax expense primarily reflect changes in pre-tax earnings in 2021 relative to 2020.

### Asset Quality

A breakdown of loan forbearance totals by loan type is as follows:

| Loan Type                 | 12/31/2021 |            |                | 9/30/2021 |            |                | % change vs. prior quarter |         |
|---------------------------|------------|------------|----------------|-----------|------------|----------------|----------------------------|---------|
|                           | #          | \$ (000's) | % of portfolio | #         | \$ (000's) | % of portfolio | #                          | \$      |
| Commercial                | -          | \$ -       | 0.0%           | -         | \$ -       | 0.0%           | none                       | none    |
| Mortgage                  | 22         | 2,278      | 0.2%           | 39        | 5,901      | 0.5%           | (43.6)%                    | (61.4)% |
| Installment               | 1          | 55         | 0.0%           | 7         | 109        | 0.0%           | (85.7)%                    | (49.5)% |
| Total                     | 23         | \$ 2,333   | 0.1%           | 46        | \$ 6,010   | 0.2%           | (50.0)%                    | (61.2)% |
| Loans serviced for others | 46         | \$ 5,163   | 0.2%           | 64        | \$ 7,986   | 0.3%           | (28.1)%                    | (35.3)% |

Note: The % of portfolio is based on the dollar amount of forbearances to the total for the loan portfolio segment.

A breakdown of non-performing loans<sup>(1)</sup> by loan type is as follows:

| Loan Type                                                      | 12/31/2021             | 12/31/2020 | 12/31/2019 |
|----------------------------------------------------------------|------------------------|------------|------------|
|                                                                | (Dollars in thousands) |            |            |
| Commercial                                                     | \$ 62                  | \$ 1,440   | \$ 1,377   |
| Mortgage                                                       | 4,914                  | 6,353      | 7,996      |
| Installment                                                    | 569                    | 519        | 805        |
| Subtotal                                                       | 5,545                  | 8,312      | 10,178     |
| Less – government guaranteed loans                             | 435                    | 439        | 646        |
| Total non-performing loans                                     | \$ 5,110               | \$ 7,873   | \$ 9,532   |
| Ratio of non-performing loans to total portfolio loans         | 0.18%                  | 0.29%      | 0.35%      |
| Ratio of non-performing assets to total assets                 | 0.11%                  | 0.21%      | 0.32%      |
| Ratio of the allowance for loan losses to non-performing loans | 924.70%                | 450.01%    | 274.32%    |

(1) Excludes loans that are classified as “troubled debt restructured” that are still performing.

Non-performing loans have decreased \$2.8 million from December 31, 2020, due primarily to a decrease in non-performing commercial loans and mortgage loans.

The provision for credit losses was an expense of \$0.6 million and a credit of \$0.4 million in the fourth quarters of 2021 and 2020, respectively. The provision for credit losses was a credit of \$1.9 million and an expense of \$12.5 million in the full year of 2021 and 2020, respectively. The year-to-date decreases in the provision for credit losses in 2021 compared to 2020, were primarily the result of a decline in the adjustment to allocations based on subjective factors and the specific reserve allocations, with an increase in recoveries of loans previously charged off. In particular, the higher full year provision for credit losses in 2020 included an \$11.2 million (or 128.2%) increase in the qualitative/subjective portion of the allowance for credit losses. That increase in 2020 principally reflected the unique challenges and prevailing economic uncertainty resulting from the COVID-19 pandemic and the potential impact on the loan portfolio.

The Company recorded loan net charge offs of \$0.2 million and loan net recoveries of \$0.1 million in the fourth quarters of 2021 and 2020, respectively. Full year 2021 and 2020, the Company recorded loan net recoveries of \$2.0 million and loan net charge-offs of \$3.2 million, respectively.

The allowance for credit losses totaled \$47.3 million at December 31, 2021 compared to \$35.4 million at December 31, 2020. The increase from December 31, 2020 is attributed to the adoption of Financial Accounting Standards Board Accounting Standards Update 2016-13, Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (“CECL”) on January 1, 2021. The impact of the adoption of CECL was an increase in the allowance for credit losses of \$11.7 million. At December 31, 2021, the allowance for credit losses equaled 1.63% of total portfolio loans (1.64% when excluding PPP loans) under CECL, compared to 1.30% of total portfolio loans (1.38% when excluding PPP loans) at December 31, 2020, under the probable incurred loss methodology.

### Balance Sheet, Liquidity and Capital

Total assets were \$4.70 billion at December 31, 2021, an increase of \$500.7 million from December 31, 2020. Loans, excluding loans held for sale, were \$2.91 billion at December 31, 2021, compared to \$2.73 billion at December 31, 2020. Deposits totaled \$4.12 billion at December 31, 2021, an increase of \$479.7 million from December 31, 2020. This increase is primarily due to growth in non-interest bearing, savings and interest-bearing checking and reciprocal and time deposit account balances.

Cash and cash equivalents totaled \$109.5 million at December 31, 2021, versus \$118.7 million at December 31, 2020. Securities available for sale totaled \$1.41 billion at December 31, 2021, versus \$1.07 billion at December 31, 2020. The significant increase in securities available for sale is due to the deployment of funds generated from the growth in deposits.

Total shareholders' equity was \$398.5 million at December 31, 2021, or 8.47% of total assets. Tangible common equity totaled \$366.8 million at December 31, 2021, or \$17.33 per share. The Company's wholly owned subsidiary, Independent Bank, remains significantly above “well capitalized” for regulatory purposes with the following ratios:

| Regulatory Capital Ratios                    | 12/31/2021 | 12/31/2020 | Well Capitalized Minimum |
|----------------------------------------------|------------|------------|--------------------------|
| Tier 1 capital to average total assets       | 8.57%      | 8.81%      | 5.00%                    |
| Tier 1 common equity to risk-weighted assets | 11.80%     | 12.81%     | 6.50%                    |
| Tier 1 capital to risk-weighted assets       | 11.80%     | 12.81%     | 8.00%                    |
| Total capital to risk-weighted assets        | 13.05%     | 14.06%     | 10.00%                   |

### Share Repurchase Plan

On December 17, 2021, the Board of Directors of the Company authorized the 2021 share repurchase plan. Under the terms of the 2021 share repurchase plan, the Company is authorized to purchase up to 1,100,000 shares, or approximately 5% of its outstanding common stock. The repurchase plan is authorized to last through December 31, 2022. For the full year 2021, the Company repurchased 814,910 shares at a weighted average price of \$21.19 per share.

### Earnings Conference Call

Brad Kessel, President and CEO, Gavin A. Mohr, CFO and Joel Rahn, EVP-Commercial Banking will review the quarterly results in a conference call for investors and analysts beginning at 11:00 am ET on Thursday, January 27, 2022.

To participate in the live conference call, please dial 1-866-200-8394. Also the conference call will be accessible through an audio webcast with user-controlled slides via the following site/URL: <https://services.choruscall.com/links/ibcp220127.html>.

A playback of the call can be accessed by dialing 1-877-344-7529 (Conference ID # 8699212). The replay will be available through February 3, 2022.

### About Independent Bank Corporation

Independent Bank Corporation (NASDAQ: IBCP) is a Michigan-based bank holding company with total assets of approximately \$4.7 billion. Founded as First National Bank of Ionia in 1864, Independent Bank Corporation operates a branch network across Michigan's Lower Peninsula through one state-chartered bank subsidiary. This subsidiary (Independent Bank) provides a full range of financial services, including commercial banking, mortgage lending, investments and insurance. Independent Bank Corporation is committed to providing exceptional personal service and value to its customers, stockholders and the communities it serves.

For more information, please visit our Web site at: [IndependentBank.com](https://www.independentbank.com).

### Forward-Looking Statements

*This press release contains forward-looking statements about Independent Bank Corporation. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are based on the information available to, and assumptions and estimates made by, management as of the date hereof. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of Independent Bank Corporation. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. The COVID-19 pandemic is adversely affecting Independent Bank Corporation, its customers, counterparties, employees, and third-party service providers, and the ultimate extent of the impacts on its business, financial position, results of operations, liquidity, and prospects is uncertain. Continued deterioration in general*

business and economic conditions or turbulence in domestic or global financial markets could adversely affect Independent Bank Corporation's revenues and the values of its assets and liabilities, reduce the availability of funding from certain financial institutions, lead to a tightening of credit, and increase stock price volatility. In addition, changes to statutes, regulations, or regulatory policies or practices could affect Independent Bank Corporation in substantial and unpredictable ways. Independent Bank Corporation's results could also be adversely affected by changes in interest rates; further increases in unemployment rates; deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans; deterioration in the value of its investment securities; legal and regulatory developments; litigation; increased competition from both banks and non-banks; changes in the level of tariffs and other trade policies of the United States and its global trading partners; changes in customer behavior and preferences; breaches in data security; failures to safeguard personal information; effects of mergers and acquisitions and related integration; effects of critical accounting policies and judgments; and management's ability to effectively manage credit risk, market risk, operational risk, compliance risk, strategic risk, interest rate risk, liquidity risk and reputation risk.

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, 2020 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.

**Contact:**

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**INDEPENDENT BANK CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Financial Condition**

|                                                                   | December 31,                         |                     |
|-------------------------------------------------------------------|--------------------------------------|---------------------|
|                                                                   | 2021                                 | 2020                |
|                                                                   | (unaudited)                          |                     |
|                                                                   | (In thousands, except share amounts) |                     |
| <b>Assets</b>                                                     |                                      |                     |
| Cash and due from banks                                           | \$ 51,069                            | \$ 56,006           |
| Interest bearing deposits                                         | 58,404                               | 62,699              |
|                                                                   | <b>Cash and Cash Equivalents</b>     | <b>118,705</b>      |
| Securities available for sale                                     | 1,412,830                            | 1,072,159           |
| Federal Home Loan Bank and Federal Reserve Bank stock, at cost    | 18,427                               | 18,427              |
| Loans held for sale, carried at fair value                        | 55,470                               | 92,434              |
| Loans held for sale, carried at lower of cost or fair value       | 34,811                               | -                   |
| <b>Loans</b>                                                      |                                      |                     |
| Commercial                                                        | 1,203,581                            | 1,242,415           |
| Mortgage                                                          | 1,139,659                            | 1,015,926           |
| Installment                                                       | 561,805                              | 475,337             |
|                                                                   | <b>Total Loans</b>                   | <b>2,733,678</b>    |
| Allowance for credit losses <sup>(1)</sup>                        | (47,252)                             | (35,429)            |
|                                                                   | <b>Net Loans</b>                     | <b>2,698,249</b>    |
| Other real estate and repossessed assets                          | 245                                  | 766                 |
| Property and equipment, net                                       | 36,404                               | 36,127              |
| Bank-owned life insurance                                         | 55,279                               | 55,180              |
| Capitalized mortgage loan servicing rights, carried at fair value | 26,232                               | 16,904              |
| Other intangibles                                                 | 3,336                                | 4,306               |
| Goodwill                                                          | 28,300                               | 28,300              |
| Accrued income and other assets                                   | 66,140                               | 62,456              |
|                                                                   | <b>Total Assets</b>                  | <b>\$ 4,704,740</b> |
|                                                                   |                                      | <b>\$ 4,204,013</b> |
| <b>Liabilities and Shareholders' Equity</b>                       |                                      |                     |
| <b>Deposits</b>                                                   |                                      |                     |
| Non-interest bearing                                              | \$ 1,321,601                         | \$ 1,153,473        |
| Savings and interest-bearing checking                             | 1,897,487                            | 1,526,465           |
| Reciprocal                                                        | 586,626                              | 556,185             |
| Time                                                              | 308,438                              | 287,402             |
| Brokered time                                                     | 2,938                                | 113,830             |

|                                                                                      |                                            |                     |                     |
|--------------------------------------------------------------------------------------|--------------------------------------------|---------------------|---------------------|
|                                                                                      | Total Deposits                             | 4,117,090           | 3,637,355           |
| Other borrowings                                                                     |                                            | 30,009              | 30,012              |
| Subordinated debt                                                                    |                                            | 39,357              | 39,281              |
| Subordinated debentures                                                              |                                            | 39,592              | 39,524              |
| Accrued expenses and other liabilities                                               |                                            | 80,208              | 68,319              |
|                                                                                      | Total Liabilities                          | <u>4,306,256</u>    | <u>3,814,491</u>    |
| Shareholders' Equity                                                                 |                                            |                     |                     |
| Preferred stock, no par value, 200,000 shares authorized; none issued or outstanding |                                            | -                   | -                   |
| Common stock, no par value, 500,000,000 shares authorized; issued and outstanding:   |                                            |                     |                     |
| 21,171,036 shares at December 31, 2021 and 21,853,800 shares at December 31, 2020    |                                            | 323,401             | 339,353             |
| Retained earnings                                                                    |                                            | 74,582              | 40,145              |
| Accumulated other comprehensive income                                               |                                            | 501                 | 10,024              |
|                                                                                      | Total Shareholders' Equity                 | <u>398,484</u>      | <u>389,522</u>      |
|                                                                                      | Total Liabilities and Shareholders' Equity | <u>\$ 4,704,740</u> | <u>\$ 4,204,013</u> |

(1) Beginning January 1, 2021, calculation is based on CECL methodology. Prior to January 1, 2021, calculation was based on the probable incurred loss methodology.

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Operations

|                                                       | Three Months Ended                       |                       |                      | Twelve Months Ended  |                      |
|-------------------------------------------------------|------------------------------------------|-----------------------|----------------------|----------------------|----------------------|
|                                                       | December 31,<br>2021                     | September 30,<br>2021 | December 31,<br>2020 | December 31,<br>2021 | December 31,<br>2020 |
|                                                       | (unaudited)                              |                       |                      |                      |                      |
|                                                       | (In thousands, except per share amounts) |                       |                      |                      |                      |
| Interest Income                                       |                                          |                       |                      |                      |                      |
| Interest and fees on loans                            | \$ 30,316                                | \$ 30,132             | \$ 31,139            | \$ 116,644           | \$ 123,159           |
| Interest on securities available for sale             |                                          |                       |                      |                      |                      |
| Taxable                                               | 4,114                                    | 3,922                 | 3,299                | 14,488               | 12,655               |
| Tax-exempt                                            | 1,577                                    | 1,597                 | 789                  | 6,102                | 2,926                |
| Other investments                                     | 217                                      | 204                   | 235                  | 846                  | 1,089                |
| Total Interest Income                                 | 36,224                                   | 35,855                | 35,462               | 138,080              | 139,829              |
| Interest Expense                                      |                                          |                       |                      |                      |                      |
| Deposits                                              | 977                                      | 1,090                 | 3,516                | 4,465                | 12,666               |
| Other borrowings and subordinated debt and debentures | 962                                      | 962                   | 953                  | 3,850                | 3,551                |
| Total Interest Expense                                | 1,939                                    | 2,052                 | 4,469                | 8,315                | 16,217               |
| Net Interest Income                                   | 34,285                                   | 33,803                | 30,993               | 129,765              | 123,612              |
| Provision for credit losses <sup>(1)</sup>            | 630                                      | (659)                 | (421)                | (1,928)              | 12,463               |
| Net Interest Income After Provision for Credit Losses | 33,655                                   | 34,462                | 31,414               | 131,693              | 111,149              |
| Non-interest Income                                   |                                          |                       |                      |                      |                      |
| Interchange income                                    | 3,306                                    | 4,237                 | 2,819                | 14,045               | 11,230               |
| Service charges on deposit accounts                   | 2,992                                    | 2,944                 | 2,218                | 10,170               | 8,517                |
| Net gains (losses) on assets                          |                                          |                       |                      |                      |                      |
| Mortgage loans                                        | 5,600                                    | 8,361                 | 15,873               | 35,880               | 62,560               |
| Securities available for sale                         | (10)                                     | 5                     | 14                   | 1,411                | 267                  |
| Mortgage loan servicing, net                          | 1,269                                    | 1,271                 | (384)                | 5,745                | (9,350)              |
| Other                                                 | 2,614                                    | 2,877                 | 1,823                | 9,392                | 7,521                |
| Total Non-interest Income                             | 15,771                                   | 19,695                | 22,363               | 76,643               | 80,745               |

|                                                                |                  |                  |                  |                  |                  |
|----------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Non-interest Expense</b>                                    |                  |                  |                  |                  |                  |
| Compensation and employee benefits                             | 19,905           | 21,659           | 20,039           | 79,969           | 74,781           |
| Data processing                                                | 2,851            | 3,022            | 2,374            | 10,823           | 8,534            |
| Occupancy, net                                                 | 2,216            | 2,082            | 2,120            | 8,794            | 8,938            |
| Interchange expense                                            | 1,083            | 1,202            | 926              | 4,434            | 3,342            |
| Furniture, fixtures and equipment                              | 1,060            | 1,075            | 964              | 4,172            | 4,089            |
| Loan and collection                                            | 819              | 735              | 708              | 3,172            | 3,037            |
| Communications                                                 | 739              | 683              | 785              | 3,080            | 3,194            |
| Legal and professional                                         | 534              | 513              | 600              | 2,068            | 2,027            |
| Advertising                                                    | 599              | 666              | 594              | 1,918            | 2,230            |
| Conversion related expenses                                    | 191              | 275              | 1,541            | 1,827            | 2,586            |
| FDIC deposit insurance                                         | 413              | 346              | 385              | 1,396            | 1,596            |
| Costs (recoveries) related to unfunded lending commitments     | 844              | 369              | (8)              | 1,207            | 263              |
| Branch closure costs                                           | -                | -                | -                | -                | 417              |
| Net (gains) losses on other real estate and repossessed assets | (28)             | (28)             | (82)             | (230)            | 64               |
| Other                                                          | 2,728            | 1,913            | 1,761            | 8,393            | 7,315            |
| <b>Total Non-interest Expense</b>                              | <b>33,954</b>    | <b>34,512</b>    | <b>32,707</b>    | <b>131,023</b>   | <b>122,413</b>   |
| <b>Income Before Income Tax</b>                                | <b>15,472</b>    | <b>19,645</b>    | <b>21,070</b>    | <b>77,313</b>    | <b>69,481</b>    |
| <b>Income tax expense</b>                                      | <b>2,964</b>     | <b>3,683</b>     | <b>4,084</b>     | <b>14,418</b>    | <b>13,329</b>    |
| <b>Net Income</b>                                              | <b>\$ 12,508</b> | <b>\$ 15,962</b> | <b>\$ 16,986</b> | <b>\$ 62,895</b> | <b>\$ 56,152</b> |
| <b>Net Income Per Common Share</b>                             |                  |                  |                  |                  |                  |
| Basic                                                          | \$ 0.59          | \$ 0.74          | \$ 0.78          | \$ 2.91          | \$ 2.56          |
| Diluted                                                        | \$ 0.58          | \$ 0.73          | \$ 0.77          | \$ 2.88          | \$ 2.53          |

(1) Beginning January 1, 2021, calculation is based on CECL methodology. Prior to January 1, 2021, calculation was based on the probable incurred loss methodology.

**INDEPENDENT BANK CORPORATION AND SUBSIDIARIES**  
**Selected Financial Data**

|                                            | December 31,<br>2021                         | September 30,<br>2021 | June 30,<br>2021 | March 31,<br>2021 | December 31,<br>2020 |
|--------------------------------------------|----------------------------------------------|-----------------------|------------------|-------------------|----------------------|
|                                            | (unaudited)                                  |                       |                  |                   |                      |
|                                            | (Dollars in thousands except per share data) |                       |                  |                   |                      |
| Three Months Ended                         |                                              |                       |                  |                   |                      |
| Net interest income                        | \$ 34,285                                    | \$ 33,803             | \$ 31,393        | \$ 30,284         | \$ 30,993            |
| Provision for credit losses <sup>(1)</sup> | 630                                          | (659)                 | (1,425)          | (474)             | (421)                |
| Non-interest income                        | 15,771                                       | 19,695                | 14,771           | 26,406            | 22,363               |
| Non-interest expense                       | 33,954                                       | 34,512                | 32,536           | 30,021            | 32,707               |
| Income before income tax                   | 15,472                                       | 19,645                | 15,053           | 27,143            | 21,070               |
| Income tax expense                         | 2,964                                        | 3,683                 | 2,665            | 5,106             | 4,084                |
| Net income                                 | \$ 12,508                                    | \$ 15,962             | \$ 12,388        | \$ 22,037         | \$ 16,986            |
| Basic earnings per share                   | \$ 0.59                                      | \$ 0.74               | \$ 0.57          | \$ 1.01           | \$ 0.78              |
| Diluted earnings per share                 | 0.58                                         | 0.73                  | 0.56             | 1.00              | 0.77                 |
| Cash dividend per share                    | 0.21                                         | 0.21                  | 0.21             | 0.21              | 0.20                 |
| Average shares outstanding                 | 21,256,367                                   | 21,515,669            | 21,749,654       | 21,825,937        | 21,866,326           |
| Average diluted shares outstanding         | 21,473,963                                   | 21,726,346            | 21,966,829       | 22,058,503        | 22,112,829           |
| Performance Ratios                         |                                              |                       |                  |                   |                      |
| Return on average assets                   | 1.07%                                        | 1.40%                 | 1.12%            | 2.10%             | 1.61 %               |

|                                 |       |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|-------|
| Return on average equity        | 12.61 | 15.93 | 12.78 | 23.51 | 17.82 |
| Efficiency ratio <sup>(2)</sup> | 66.68 | 63.47 | 69.24 | 53.48 | 60.59 |

As a Percent of Average Interest-Earning Assets <sup>(2)</sup>

|                     |       |       |       |       |       |
|---------------------|-------|-------|-------|-------|-------|
| Interest income     | 3.30% | 3.37% | 3.22% | 3.27% | 3.57% |
| Interest expense    | 0.17  | 0.19  | 0.20  | 0.22  | 0.45  |
| Net interest income | 3.13  | 3.18  | 3.02  | 3.05  | 3.12  |

Average Balances

|                               |              |              |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Loans                         | \$ 2,957,985 | \$ 2,903,700 | \$ 2,859,544 | \$ 2,834,012 | \$ 2,876,795 |
| Securities available for sale | 1,367,038    | 1,317,382    | 1,274,556    | 1,093,618    | 1,009,578    |
| Total earning assets          | 4,433,400    | 4,296,662    | 4,223,570    | 4,047,952    | 3,984,080    |
| Total assets                  | 4,654,491    | 4,513,774    | 4,434,760    | 4,254,294    | 4,195,546    |
| Deposits                      | 4,069,901    | 3,934,937    | 3,879,715    | 3,698,811    | 3,632,758    |
| Interest bearing liabilities  | 2,863,057    | 2,740,444    | 2,674,425    | 2,589,102    | 2,574,306    |
| Shareholders' equity          | 393,477      | 397,542      | 388,780      | 380,111      | 379,232      |

End of Period

Capital

|                                                       |            |            |            |            |            |
|-------------------------------------------------------|------------|------------|------------|------------|------------|
| Tangible common equity ratio                          | 7.85%      | 8.02%      | 8.21%      | 8.08%      | 8.56%      |
| Average equity to average assets                      | 8.45       | 8.81       | 8.77       | 8.93       | 9.04       |
| Common shareholders' equity per share of common stock | \$ 18.82   | \$ 18.76   | \$ 18.30   | \$ 17.79   | \$ 17.82   |
| Tangible common equity per share of common stock      | 17.33      | 17.27      | 16.82      | 16.30      | 16.33      |
| Total shares outstanding                              | 21,171,036 | 21,321,092 | 21,632,912 | 21,773,734 | 21,853,800 |

Selected Balances

|                               |              |              |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Loans                         | \$ 2,905,045 | \$ 2,883,978 | \$ 2,814,559 | \$ 2,784,224 | \$ 2,733,678 |
| Securities available for sale | 1,412,830    | 1,348,378    | 1,330,660    | 1,247,280    | 1,072,159    |
| Total earning assets          | 4,484,987    | 4,405,189    | 4,246,410    | 4,209,017    | 3,979,397    |
| Total assets                  | 4,704,740    | 4,622,340    | 4,461,272    | 4,426,440    | 4,204,013    |
| Deposits                      | 4,117,090    | 4,012,068    | 3,862,466    | 3,858,575    | 3,637,355    |
| Interest bearing liabilities  | 2,865,090    | 2,784,554    | 2,633,747    | 2,626,280    | 2,553,418    |
| Shareholders' equity          | 398,484      | 400,031      | 395,974      | 387,329      | 389,522      |

(1) Beginning January 1, 2021, calculation is based on CECL methodology. Prior to January 1, 2021, calculation was based on the probable incurred loss methodology.

(2) Presented on a fully tax equivalent basis assuming a marginal tax rate of 21%.

**Reconciliation of Non-GAAP Financial Measures  
Independent Bank Corporation**

Independent Bank Corporation believes non-GAAP measures are meaningful because they reflect adjustments commonly made by management, investors, regulators and analysts to evaluate the adequacy of common equity and performance trends. Tangible common equity is used by the Company to measure the quality of capital.

**Reconciliation of Non-GAAP Financial Measures**

|                                                                  | Three Months Ended<br>December 31, |           | Twelve Months Ended<br>December 31, |            |
|------------------------------------------------------------------|------------------------------------|-----------|-------------------------------------|------------|
|                                                                  | 2021                               | 2020      | 2021                                | 2020       |
|                                                                  | (Dollars in thousands)             |           |                                     |            |
| <b>Net Interest Margin, Fully Taxable<br/>Equivalent ("FTE")</b> |                                    |           |                                     |            |
| Net interest income                                              | \$ 34,285                          | \$ 30,993 | \$ 129,765                          | \$ 123,612 |
| Add: taxable equivalent adjustment                               | 492                                | 221       | 1,866                               | 823        |

|                                           |           |           |            |            |
|-------------------------------------------|-----------|-----------|------------|------------|
| Net interest income - taxable equivalent  | \$ 34,777 | \$ 31,214 | \$ 131,631 | \$ 124,435 |
| Net interest margin (GAAP) <sup>(1)</sup> | 3.08%     | 3.10%     | 3.06%      | 3.32%      |
| Net interest margin (FTE) <sup>(1)</sup>  | 3.13%     | 3.12%     | 3.10%      | 3.34%      |

(1) Annualized for three months ended December 31, 2021 and 2020.

**Reconciliation of Non-GAAP Financial Measures (continued)**  
**Independent Bank Corporation**

**Tangible Common Equity Ratio**

|                              | December 31,<br>2021   | September 30,<br>2021 | June 30,<br>2021    | March 31,<br>2021   | December 31,<br>2020 |
|------------------------------|------------------------|-----------------------|---------------------|---------------------|----------------------|
|                              | (Dollars in thousands) |                       |                     |                     |                      |
| Common shareholders' equity  | \$ 398,484             | \$ 400,031            | \$ 395,974          | \$ 387,329          | \$ 389,522           |
| Less:                        |                        |                       |                     |                     |                      |
| Goodwill                     | 28,300                 | 28,300                | 28,300              | 28,300              | 28,300               |
| Other intangibles            | 3,336                  | 3,579                 | 3,821               | 4,063               | 4,306                |
| Tangible common equity       | <u>\$ 366,848</u>      | <u>\$ 368,152</u>     | <u>\$ 363,853</u>   | <u>\$ 354,966</u>   | <u>\$ 356,916</u>    |
| Total assets                 | \$ 4,704,740           | \$ 4,622,340          | \$ 4,461,272        | \$ 4,426,440        | \$ 4,204,013         |
| Less:                        |                        |                       |                     |                     |                      |
| Goodwill                     | 28,300                 | 28,300                | 28,300              | 28,300              | 28,300               |
| Other intangibles            | 3,336                  | 3,579                 | 3,821               | 4,063               | 4,306                |
| Tangible assets              | <u>\$ 4,673,104</u>    | <u>\$ 4,590,461</u>   | <u>\$ 4,429,151</u> | <u>\$ 4,394,077</u> | <u>\$ 4,171,407</u>  |
| Common equity ratio          | <u>8.47%</u>           | <u>8.65%</u>          | <u>8.88%</u>        | <u>8.75%</u>        | <u>9.27%</u>         |
| Tangible common equity ratio | <u>7.85%</u>           | <u>8.02%</u>          | <u>8.21%</u>        | <u>8.08%</u>        | <u>8.56%</u>         |

**Tangible Common Equity per Share of Common Stock:**

|                                                          |                   |                   |                   |                   |                   |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Common shareholders' equity                              | \$ 398,484        | \$ 400,031        | \$ 395,974        | \$ 387,329        | \$ 389,522        |
| Tangible common equity                                   | <u>\$ 366,848</u> | <u>\$ 368,152</u> | <u>\$ 363,853</u> | <u>\$ 354,966</u> | <u>\$ 356,916</u> |
| Shares of common stock<br>outstanding (in thousands)     | <u>21,171</u>     | <u>21,321</u>     | <u>21,633</u>     | <u>21,774</u>     | <u>21,854</u>     |
| Common shareholders' equity per share<br>of common stock | <u>\$ 18.82</u>   | <u>\$ 18.76</u>   | <u>\$ 18.30</u>   | <u>\$ 17.79</u>   | <u>\$ 17.82</u>   |
| Tangible common equity per share<br>of common stock      | <u>\$ 17.33</u>   | <u>\$ 17.27</u>   | <u>\$ 16.82</u>   | <u>\$ 16.30</u>   | <u>\$ 16.33</u>   |

The tangible common equity ratio removes the effect of goodwill and other intangible assets from capital and total assets. Tangible common equity per share of common stock removes the effect of goodwill and other intangible assets from common shareholders' equity per share of common stock.



Source: Independent Bank Corporation