

4th Quarter 2022 Earnings Presentation

January 26, 2023



Sandy Spring Bancorp

Forward Looking Statements

Sandy Spring Bancorp's forward-looking statements are subject to the following principal risks and uncertainties: risks, uncertainties and other factors relating to the COVID-19 pandemic, including the effect of the pandemic on our borrowers and their ability to make payments on their obligations, the effectiveness of vaccination programs, and the effect of remedial actions and stimulus measures adopted by federal, state and local governments; general economic conditions and trends, either nationally or locally; conditions in the securities markets; changes in interest rates; changes in deposit flows, and in the demand for deposit, loan, and investment products and other financial services; changes in real estate values; changes in the quality or composition of the Company's loan or investment portfolios; changes in competitive pressures among financial institutions or from non-financial institutions; the Company's ability to retain key members of management; changes in legislation, regulations, and policies; the possibility that any of the anticipated benefits of acquisitions will not be realized or will not be realized within the expected time period; and a variety of other matters which, by their nature, are subject to significant uncertainties. Sandy Spring Bancorp provides greater detail regarding some of these factors in its Form 10-K for the year ended December 31, 2021, including in the Risk Factors section of that report, and in its other SEC reports. Sandy Spring Bancorp's forward-looking statements may also be subject to other risks and uncertainties, including those that it may discuss in its filings with the SEC, accessible on the SEC's Web site at www.sec.gov.



Quarterly Highlights

Profitability

- Net income was \$34.0 million (\$0.76 per diluted common share) compared to net income of \$45.4 million (\$0.99 per diluted common share) for the prior year quarter, and \$33.6 million (\$0.75 per diluted common share) for the previous quarter.
- Core earnings⁽¹⁾⁽²⁾ were \$35.3 million (\$0.79 per diluted common share) compared to core earnings of \$46.6 million (\$1.02 per diluted common share) for the prior year quarter, and \$35.7 million (\$0.80 per diluted common share) for the previous quarter.
- GAAP efficiency ratio was 53.23% compared to 51.75% for the prior year quarter, and 50.66% for the previous quarter. The non-GAAP efficiency ratio⁽¹⁾⁽²⁾ was 51.46% compared to 50.17% for the prior year quarter, and 48.18% for the previous quarter.

Income Statement

- Net interest margin of 3.26%, compared to 3.51% for the same quarter of 2021, and 3.53% for the previous quarter. Pre-tax pre-provision net income⁽¹⁾ was \$56.6 million compared to \$61.7 million for the prior year quarter.
- Provision for credit losses was \$10.8 million compared to the prior year quarter's provision of \$1.6 million.
- Non-interest income decreased by 37% or \$8.2 million compared to the prior year quarter.
- Non-interest expense decreased \$1.8 million or 3% compared to the prior year quarter.

Balance Sheet

- Total assets were \$13.8 billion, a 10% increase compared to \$12.6 billion at December 31, 2021. Excluding PPP balances, total assets grew 11% year-over-year.
- Total loans, excluding PPP loans, increased 16% to \$11.4 billion compared to \$9.8 billion at December 31, 2021. Total commercial loans, excluding PPP loans, grew by \$1.2 billion or 15% during the previous twelve months.
- Year-over-year deposits grew 3%. Noninterest-bearing deposits declined 3% and interest-bearing deposits grew 6%.

Asset Quality

- Non-performing loans to total loans was 0.35% compared to 0.49% at December 31, 2021, and 0.40% at September 30, 2022. Non-performing loans totaled \$39.4 million, compared to \$48.8 million at December 31, 2021, and \$44.5 million at September 30, 2022.

Capital

- Risk-based capital ratio of 14.20%, a common equity tier 1 risk-based capital ratio of 10.23%, a tier 1 risk-based capital ratio of 10.23%, and a tier 1 leverage ratio of 9.33%.

Source: Company documents

1) Non-GAAP financial measure; see reconciliation to most directly comparable GAAP measure in "Appendix – Reconciliation of non-GAAP Financial Measures"

2) Excludes merger, acquisition and disposal expense, amortization of intangible assets, loss on FHLB redemption, contingent payment expense, gain on disposal of assets and investment securities gains (losses)

4th Quarter 2022 Financial Performance

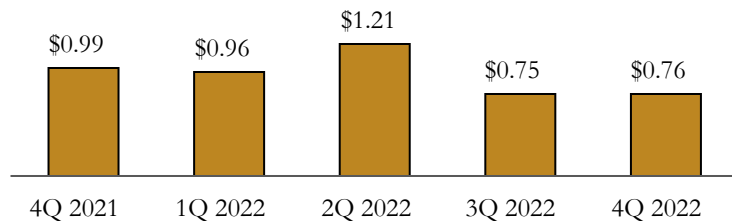


Profitability

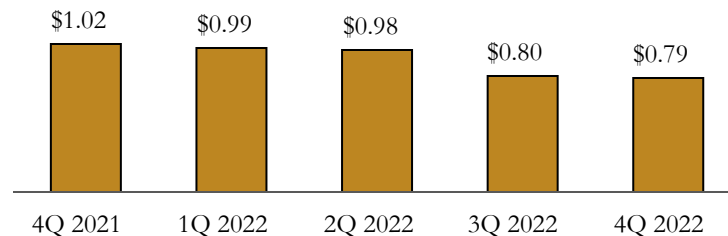


Profitability Trends

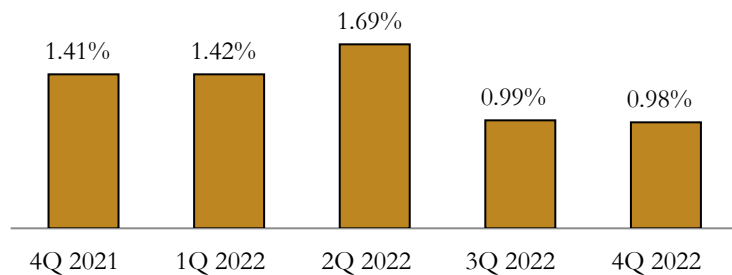
Diluted EPS



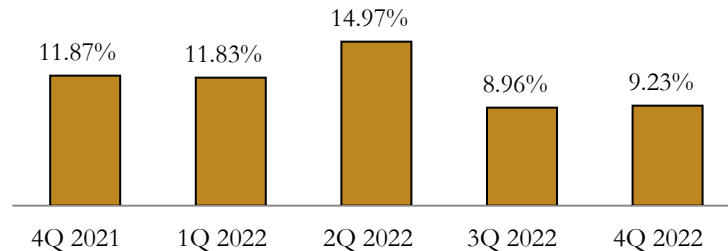
Diluted Core EPS⁽¹⁾



Return on Average Assets



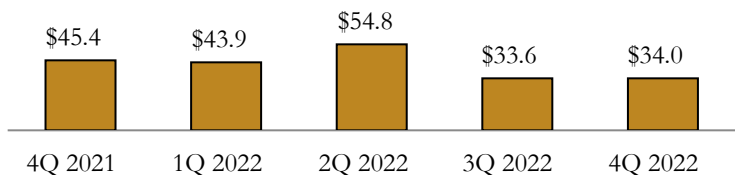
Return on Average Common Equity



Profitability Trends

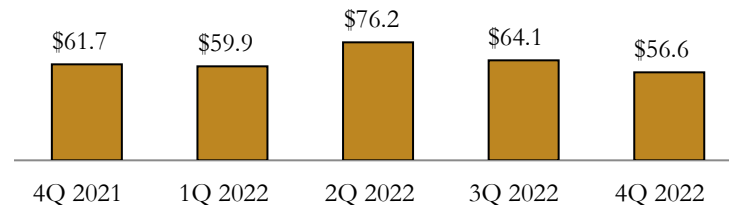
Net Income

(Dollars in millions)



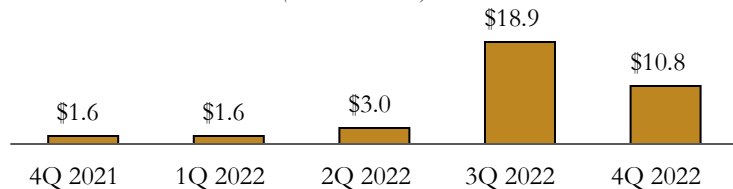
Pre-Tax Pre-Provision Net Revenue⁽¹⁾

(Dollars in millions)



Provision (Credit) for Credit Losses

(Dollars in millions)



- Primary driver of the decline in net income from 4Q 2021 to 4Q 2022 was the provision for credit losses and the decrease in non-interest income. Non-interest expense was lower than the prior year period.
- 4Q 2022 non-interest income decreased compared to 4Q 2021 as a result of lower mortgage banking income, the decline in insurance commission income as a result of the disposition of the Company's insurance business, lower wealth income due to market conditions and lower bankcard fees resulting from the implementation of applicable regulations.

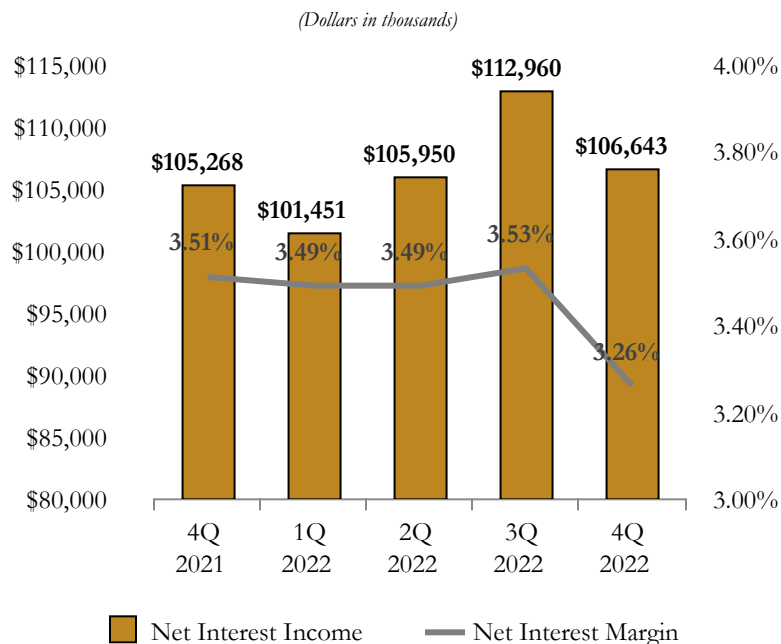


Income Statement



Net Interest Income

Net Interest Income & Net Interest Margin



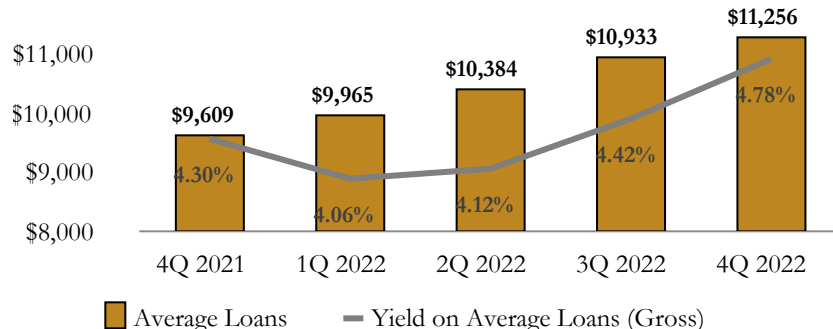
- The net interest margin for 4Q 2022 was 3.26% as compared to 3.51% for 4Q 2021, as the yield on interest-earning assets rose 76 basis points and was offset by the 159 basis point rise in the rate paid on interest-bearing liabilities.
- Net interest margin, excluding the effects of amortization of the fair value marks derived from acquisitions and interest and fees from PPP loans was 3.26% for the current quarter compared to 3.31% for 4Q 2021.
- The increase in net interest income for 4Q 2022 compared to the same quarter of the prior year was higher interest income from all commercial loan categories and, to a lesser degree, increases in residential mortgage loans, consumer loans and investment securities income partially offset by a \$9.1 million decline in interest on PPP loans. The increase in interest expense was driven by the increased cost of interest-bearing deposits, primarily time and money market deposits, and the increase in the cost and amount of borrowings.



Average Balance Sheet

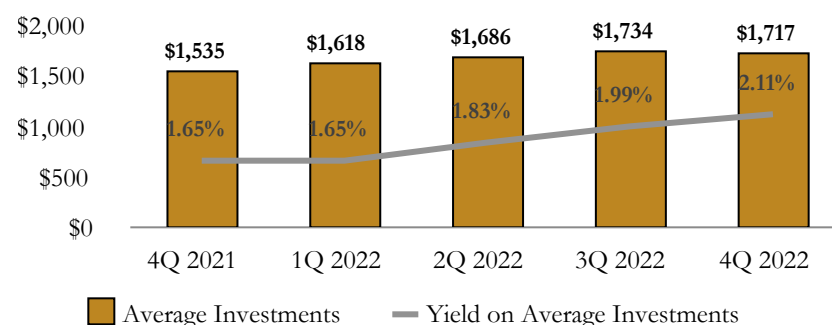
Average Loans

(Dollars in millions)



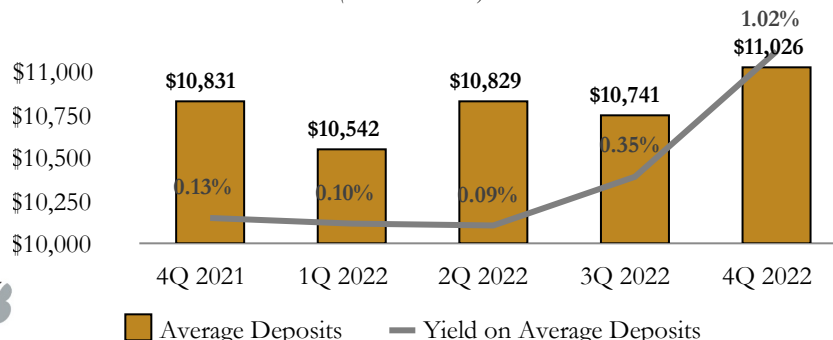
Average Investments

(Dollars in millions)



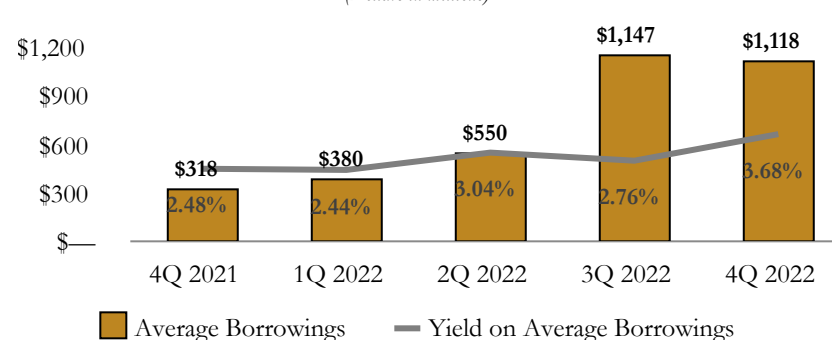
Average Deposits

(Dollars in millions)



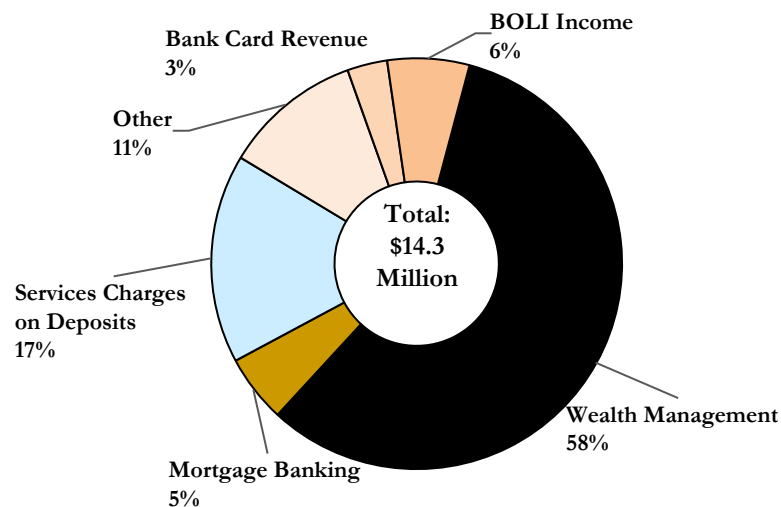
Average Borrowings

(Dollars in millions)



Revenue Composition

Revenue Composition ⁽¹⁾



Non-interest Income

(Dollars in thousands)

	\$ Change vs		
	4Q 2022	3Q 2022	4Q 2021
Investment Securities Gains/Losses	\$ (393)	\$ (395)	\$ (427)
Gain on Disposal of Assets	—	183	—
Service Charges on Deposits	2,419	(172)	114
Mortgage Banking	783	(783)	(2,839)
Wealth Management	8,472	(395)	(1,126)
Insurance Agency Commissions	—	—	(1,332)
BOLI Income	950	257	131
Bank Card Revenue	463	25	(1,355)
Other Income	1,603	(1,305)	(1,405)
Non-interest Income	\$ 14,297	\$ (2,585)	\$ (8,239)

- Non-interest income for the current quarter decreased by 37% or \$8.2 million compared to the prior year quarter as a result of a decline in insurance commission income due to the disposition of the Company's insurance business during the second quarter of 2022, reduced bankcard income due to regulatory restrictions on fee recognition, a decline in income from mortgage banking activities reflecting the impact of the economic environment and lower wealth income driven by market performance compared to the prior year quarter. In addition, in order to improve future interest yields, \$0.4 million in losses were taken on the sales of investment securities during the quarter.



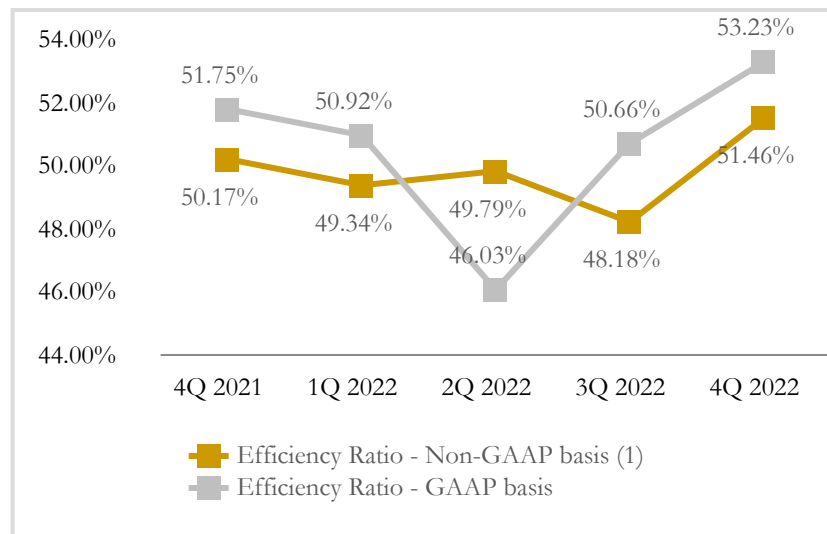
Non-interest Expense

Non-interest Expense

(Dollars in thousands)

	\$ Change vs		
	4Q 2022	3Q 2022	4Q 2021
Salaries and Employee Benefits	\$ 39,455	\$ (671)	\$ (2,080)
Occupancy	4,728	(31)	(965)
Equipment	3,859	34	432
Marketing	1,354	(16)	264
Outside Data Services	2,707	198	584
FDIC Insurance	1,462	194	471
Amortization of Intangible Assets	1,408	(24)	(201)
Merger, Acquisition and Disposal	—	(1)	—
Professional Fees and Services	2,573	366	192
Other Expense	6,829	(1,454)	(463)
Non-interest Expense	\$ 64,375	\$ (1,405)	\$ (1,766)

Efficiency Ratio (%)



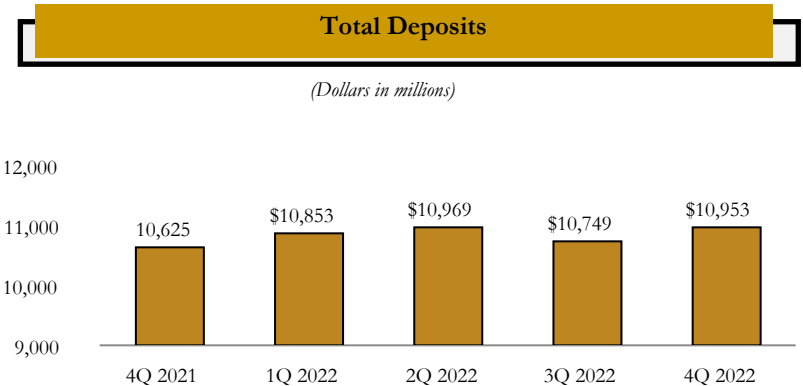
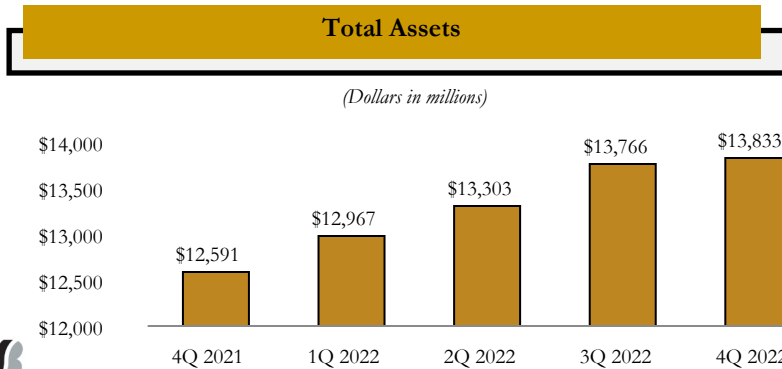
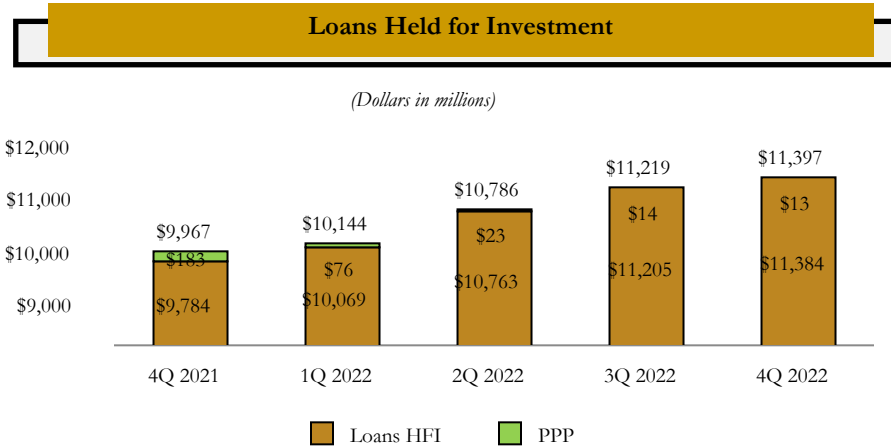
- Non-interest expense for the current quarter decreased \$1.8 million or 3% compared to the prior year quarter as a result of a decline in compensation and benefits costs, occupancy expense and other non-interest expenses. The compensation decrease was primarily due to a decrease in commission and incentive payments as well as reduced pension and health insurance costs. Occupancy expense declined \$1.0 million due to lower depreciation and rental expense. The impact of these lower expenses was offset by operating cost increases in equipment, marketing, outside data services, FDIC insurance and professional fees and services.
- The increase in the GAAP efficiency ratio compared to the prior year quarter was primarily the result the 5% decrease in GAAP revenue compared to the 3% decrease in GAAP non-interest expense. The increase in the current non-GAAP efficiency ratio compared to the prior year quarter was primarily due to a 5% decline in non-GAAP revenue, driven chiefly by a decrease in non-GAAP non-interest income, while non-GAAP expenses declined 2%.



Balance Sheet

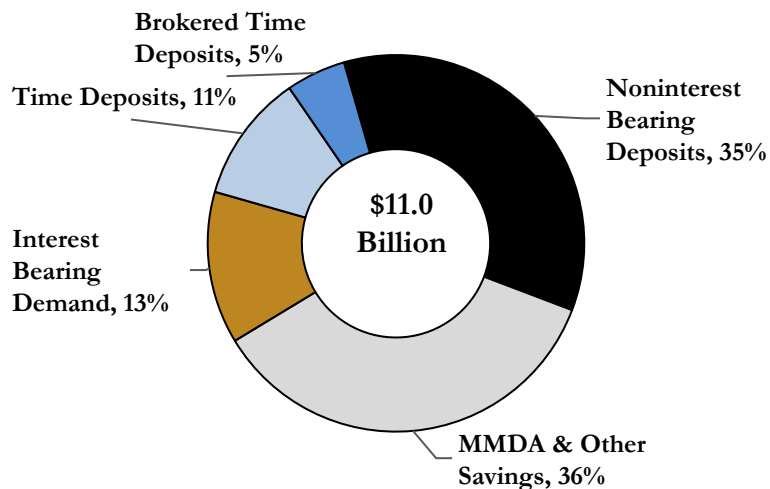


Balance Sheet Trends



Deposit Portfolio

Deposit Composition ⁽¹⁾



Deposit Growth ⁽¹⁾

(Dollars in millions)

	\$ Change vs		
	4Q 2022	3Q 2022	4Q 2021
Noninterest Bearing Deposits	\$ 3,673	\$ (320)	\$ (107)
MMDA & Other Savings	3,726	16	(224)
Interest Bearing Demand	1,435	72	(170)
Time Deposits	1,199	51	5
Brokered Time Deposits	920	385	823
Total Deposits	\$ 10,953	\$ 204	\$ 327

- Year-over-year deposits increased 3%. Interest bearing deposits grew 6% offset by a 3% decrease in noninterest-bearing deposits. During the period, time deposits increased 64% driven by brokered deposits while money market accounts decreased 6%, savings decreased 4% and interest-bearing demand declined 11%. Excluding the impact of the increase in brokered deposits, total deposits decreased 4%.
- #1 deposit market share for community banks in combined Washington, D.C. & Baltimore MSAs.

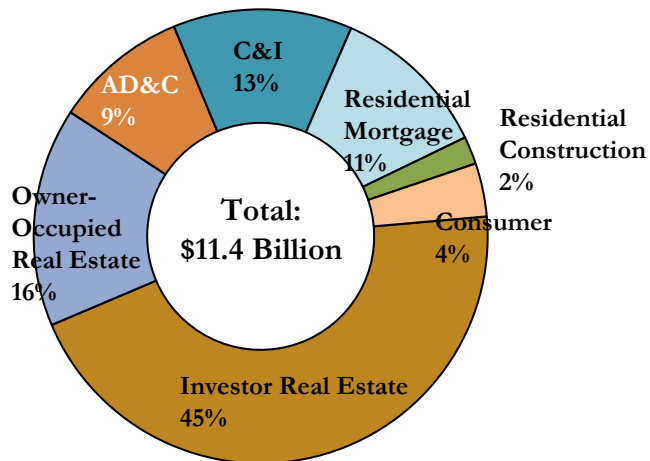


Loan Portfolio, Asset Quality & Reserves (CECL)



Loan Portfolio

Loan Composition⁽¹⁾



Net Loan Change⁽¹⁾

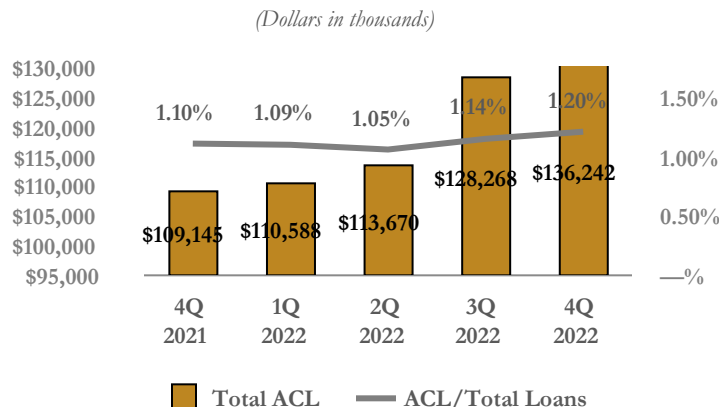
	\$ Change vs		
	4Q 2022	3Q 2022	4Q 2021
<i>(Dollars in millions)</i>			
Investor Real Estate	\$ 5,130	\$ 63	\$ 989
Owner-Occupied Real Estate	1,775	31	84
AD&C	1,090	(54)	2
C&I	1,456	62	(26)
Residential Mortgage	1,288	70	350
Residential Construction	225	(4)	27
Consumer	433	10	3
Total Loans	\$ 11,397	\$ 178	\$ 1,429

- Total loans, excluding PPP loans, grew by 16% to \$11.4 billion at December 31, 2022, compared to \$9.8 billion the prior year quarter. PPP loans are in the C&I category, excluding PPP loans all loan categories grew year over year. Total commercial loans, excluding PPP loans, grew \$1.2 billion or 15% during the past twelve months. During this period, new commercial gross loan production of \$3.9 billion, of which \$2.5 billion was funded, more than offset the \$1.2 billion in non-PPP commercial loan run-off.
- The growth in the commercial portfolio, excluding PPP loans, occurred in all commercial portfolios led by the \$1.0 billion or 24% growth in the investor owned commercial portfolio. Year-over-year the total residential mortgage loan portfolio grew 37%, as a greater number of conventional 1-4 family mortgages and one-year arm loans were retained to grow the portfolio.



Current Expected Credit Losses – Loans

ACL/Total Loans



ACL by Loan Type

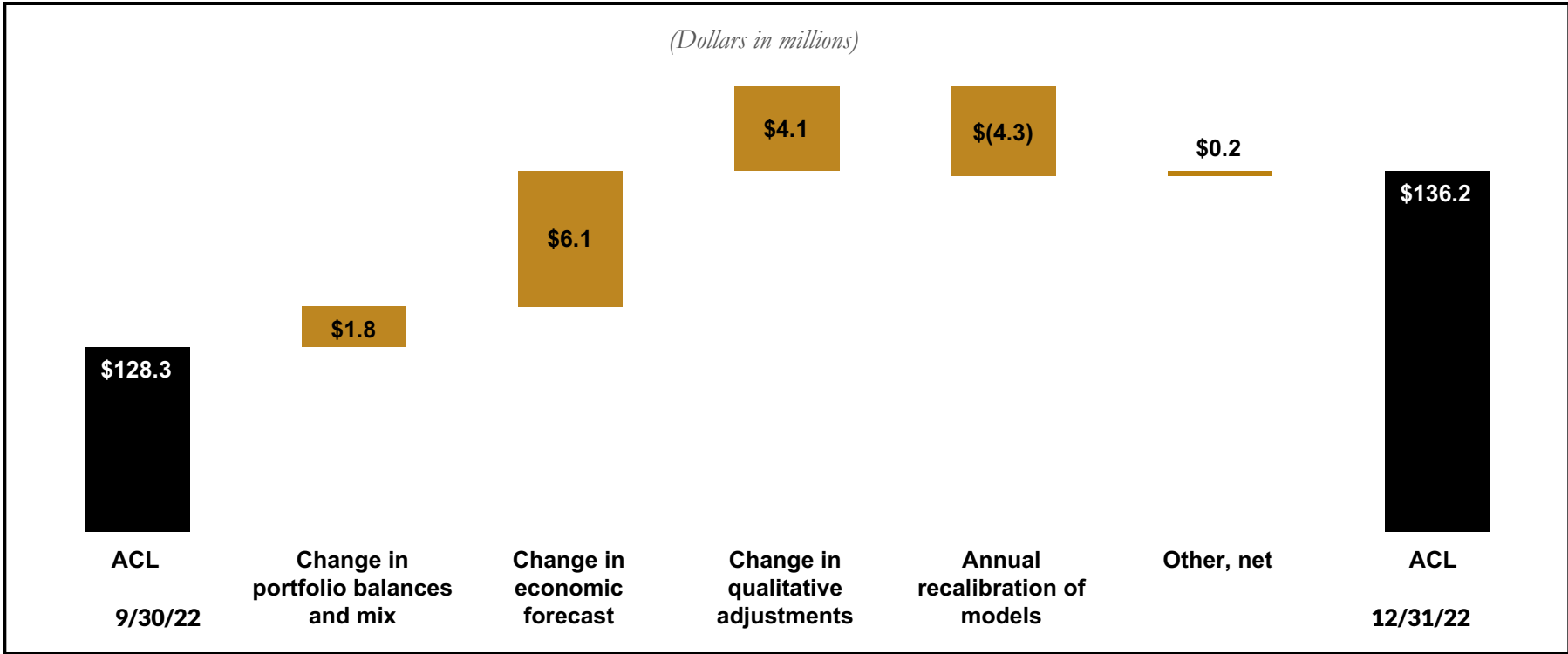
(Dollars in thousands)

	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Investor Real Estate	\$ 45,289	\$ 50,813	\$ 56,794	\$ 64,169	\$ 64,737
Owner-Occupied Real Estate	11,687	10,860	10,784	11,099	11,646
Commercial AD&C	20,322	18,459	13,383	16,847	18,646
Commercial Business	23,170	21,771	22,238	24,826	28,027
Total Commercial	100,468	101,903	103,199	116,941	123,056
Residential Mortgage	5,384	5,722	7,254	8,063	9,424
Residential Construction	1,048	889	1,141	1,226	1,337
Consumer	2,245	2,074	2,076	2,038	2,425
Total Residential and Consumer	8,677	8,685	10,471	11,327	13,186
Allowance for Credit Losses	\$ 109,145	\$ 110,588	\$ 113,670	\$ 128,268	\$ 136,242

- \$136.2 million ACL or 1.20% of loan balances and 346% of non-performing loans for December 31, 2022.
- Provision of \$10.8 million for the current quarter is a reflection of a provision of \$7.9 million directly attributable to the funded loan portfolio and the impact of forecasted economic metrics coupled with the increased probability of a recession. A provision charge for unfunded loan commitments is the remaining \$2.9 million.
- Utilized December Moody's baseline forecast in quantitative model.



Allowance for Credit Losses - Loans: 4Q 2022 Change

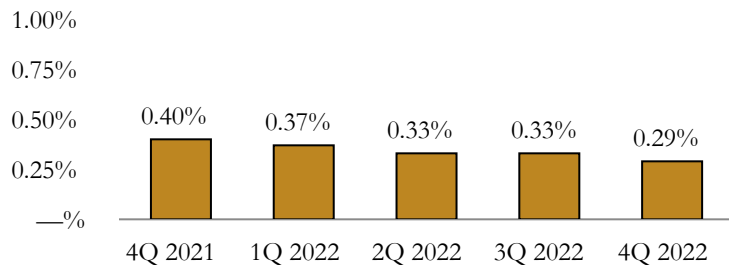


- Increase in 4Q 2022 ACL was mainly due to the impact of forecasted economic factors and an increase in the probability of an economic recession rather than a change in the underlying credit quality of the loan portfolio.

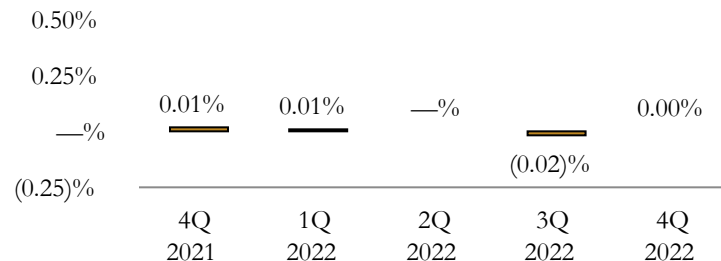


Strong Credit Culture and Performance

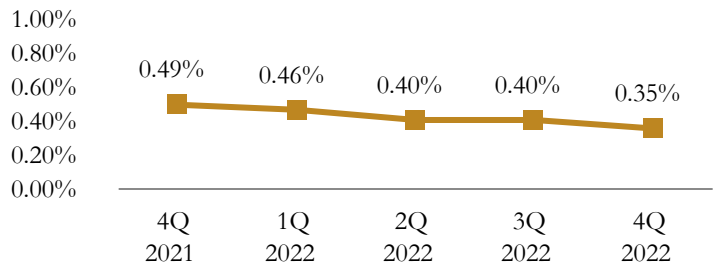
Nonperforming Assets / Assets



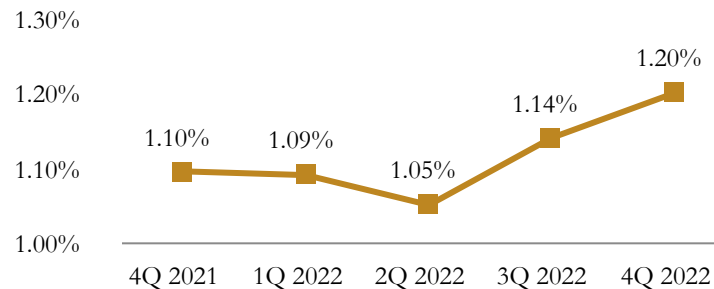
Annualized Net Charge-Offs (Recoveries) / Average Loans



Nonperforming Loans / Loans



Reserves / Loans HFI

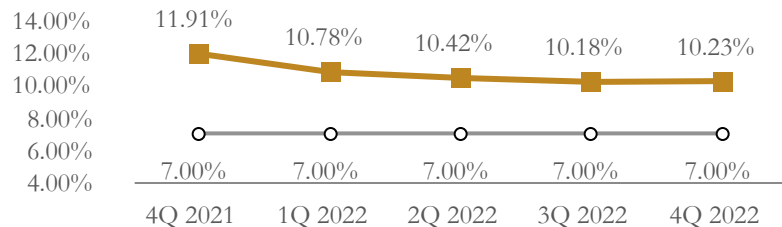


Capital



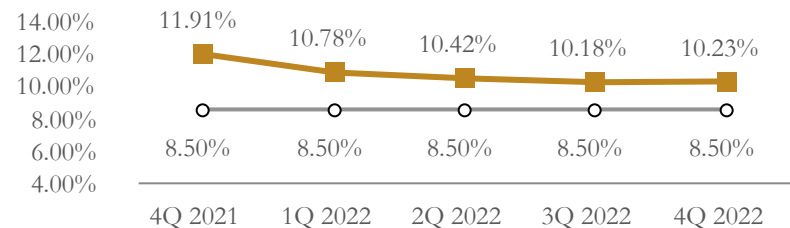
Capital Ratios

Tier 1 Common Equity Ratio



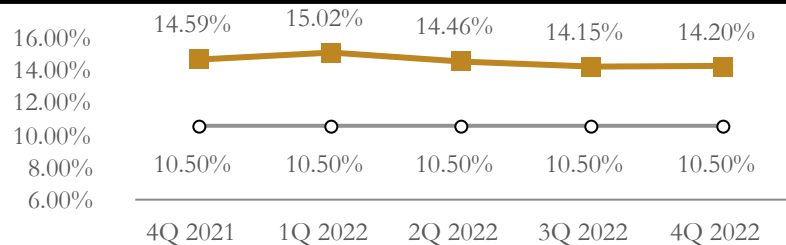
■ TIER 1 COMMON ○ WELL CAPITALIZED

Tier 1 Capital Ratio



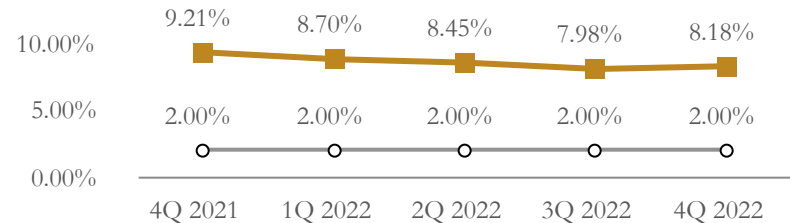
■ TIER 1 COMMON ○ WELL CAPITALIZED

Total Capital Ratio



■ TOTAL CAPITAL ○ WELL CAPITALIZED

Tangible Common Equity Ratio ⁽¹⁾

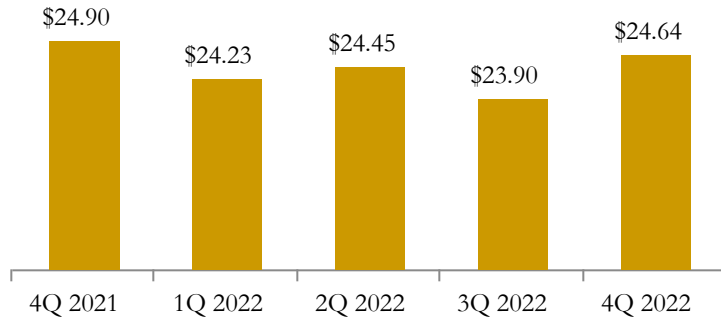


■ TCE ○ WELL CAPITALIZED



Capital Strategy

Tangible Book Value Per Share ⁽²⁾



- Quarterly dividend currently \$0.34 per share. 3.86% ⁽¹⁾ annualized dividend yield.
- 45% of 4Q 2022 earnings returned to shareholders through common dividends.
- During 2Q 2022, the Company repurchased 625,710 shares of its common stock for \$25.0 million at an average price of \$39.93 per share. No shares were purchased during 3Q 2022 or 4Q 2022.



Source: Company documents

1) Based on December 30, 2022 SASR closing share price of \$35.23

2) Non-GAAP financial measure; see reconciliation to most directly comparable GAAP measure in "Appendix – Reconciliation of non-GAAP Financial Measures"

Appendix



Non-GAAP Reconciliation

This presentation contains financial information and performance measures determined by methods other than in accordance with generally accepted accounting principles in the United States (“GAAP”). Sandy Spring Bancorp’s management believes that the supplemental non-GAAP information provides a better comparison of period-to-period operating performance. Additionally, Sandy Spring Bancorp believes this information is utilized by regulators and market analysts to evaluate a company’s financial condition and, therefore, such information is useful to investors. Non-GAAP measures used in this presentation consist of the following:

- efficiency ratio
- tangible common equity
- core earnings

Efficiency Ratio. Management views the GAAP efficiency ratio as an important financial measure of expense performance and cost management. The ratio expresses the level of non-interest expenses as a percentage of total revenue (net interest income plus total non-interest income). Lower ratios indicate improved productivity. In general, the efficiency ratio is non-interest expenses as a percentage of net interest income plus non-interest income. Non-interest expenses used in the calculation of the non-GAAP efficiency ratio excludes intangible asset amortization, loss on FHLB redemption, contingent payment expense, and merger, acquisition, and disposal expense from non-interest expense, and securities gains and gain on asset sales from non-interest income and adds the tax- equivalent adjustment to net interest income. The measure is different from the GAAP efficiency ratio, which also is presented in this document. The GAAP measure is calculated using non-interest expense and income amounts as shown on the face of the Consolidated Statements of Income. The GAAP and non-GAAP efficiency ratios are reconciled and provided in the following table.

Tangible Common Equity. Tangible equity, tangible assets and tangible book value per share are non-GAAP financial measures calculated using GAAP amounts. Tangible common equity and tangible assets exclude the balances of goodwill and other intangible assets from stockholder’s equity and total assets, respectively. Management believes that this non-GAAP financial measure provides information to investors that may be useful in understanding our financial condition. Because not all companies use the same calculation of tangible equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies.

Core Earnings. Core earnings is a non-GAAP financial measure calculated using GAAP amounts. Core earnings reflect net income for the period exclusive of merger, acquisition and disposal expense, amortization of intangible assets, loss on FHLB redemption, contingent payment expense, investment securities gains, and gain on asset sales, in each case net of tax. Management believes that this non-GAAP financial measure provides helpful information to investors in understanding the Company’s core operating earnings and provides a better comparison of period-to-period operating performance of the Company.



Reconciliation of Non-GAAP Financial Measures-QTD

(Dollars in thousands)

	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Pre-tax pre-provision income (Non-GAAP)					
Pre-tax pre-provision income:	\$ 45,404	\$ 43,935	\$ 54,800	\$ 33,584	\$ 33,980
Net income					
Plus/(less) non-GAAP adjustments:					
Income taxes	14,674	14,329	18,358	11,588	11,784
Provision for credit losses	1,585	1,635	3,046	18,890	10,801
Pre-tax pre-provision net income	<u>\$ 61,663</u>	<u>\$ 59,899</u>	<u>\$ 76,204</u>	<u>\$ 64,062</u>	<u>\$ 56,565</u>
Efficiency ratio - GAAP basis					
Non-interest expenses	\$ 66,141	\$ 62,147	\$ 64,991	\$ 65,780	\$ 64,375
Net interest income plus non-interest income	127,804	122,046	141,195	129,842	120,940
Efficiency ratio - GAAP basis	51.75 %	50.92 %	46.03 %	50.66 %	53.23 %
Efficiency ratio - Non-GAAP basis					
Non-interest expenses	\$ 66,141	\$ 62,147	\$ 64,991	\$ 65,780	\$ 64,375
Less non-GAAP adjustments:					
Amortization of intangible assets	1,609	1,508	1,466	1,432	1,408
Merger, acquisition and disposal expense	—	—	1,067	1	—
Contingent payment expense	—	—	—	1,247	—
Non-interest expenses - as adjusted	<u>\$ 64,532</u>	<u>\$ 60,639</u>	<u>\$ 62,458</u>	<u>\$ 63,100</u>	<u>\$ 62,967</u>
Net interest income plus non-interest income	\$ 127,804	\$ 122,046	\$ 141,195	\$ 129,842	\$ 120,940
Plus non-GAAP adjustment:					
Tax-equivalent income	862	866	992	951	1,032
Less non-GAAP adjustments:					
Investment securities gains/(losses)	34	8	38	2	(393)
Gain/(loss) on disposal of assets	—	—	16,699	(183)	—
Net interest income plus non-interest income - as adjusted	<u>\$ 128,632</u>	<u>\$ 122,904</u>	<u>\$ 125,450</u>	<u>\$ 130,974</u>	<u>\$ 122,365</u>
Efficiency ratio - Non-GAAP basis	50.17 %	49.34 %	49.79 %	48.18 %	51.46 %



Tangible Common Equity-QTD

(Dollars in thousands except per share data)

	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Tangible common equity ratio:					
Total stockholders' equity	\$ 1,519,679	\$ 1,488,910	\$ 1,477,169	\$ 1,451,862	\$ 1,483,768
Goodwill	(370,223)	(370,223)	(363,436)	(363,436)	(363,436)
Other intangible assets, net	(25,920)	(24,412)	(22,694)	(21,262)	(19,855)
Tangible common equity	<u>\$ 1,123,536</u>	<u>\$ 1,094,275</u>	<u>\$ 1,091,039</u>	<u>\$ 1,067,164</u>	<u>\$ 1,100,477</u>
Total assets	\$ 12,590,726	\$ 12,967,416	\$ 13,303,009	\$ 13,765,597	\$ 13,833,119
Goodwill	(370,223)	(370,223)	(363,436)	(363,436)	(363,436)
Other intangible assets, net	(25,920)	(24,412)	(22,694)	(21,262)	(19,855)
Tangible assets	<u>\$ 12,194,583</u>	<u>\$ 12,572,781</u>	<u>\$ 12,916,879</u>	<u>\$ 13,380,899</u>	<u>\$ 13,449,828</u>
Common shares outstanding	45,118,930	45,162,908	44,629,697	44,644,269	44,657,054
Tangible common equity ratio	9.21 %	8.70 %	8.45 %	7.98 %	8.18 %
Book value per common share	\$ 33.68	\$ 32.97	\$ 33.10	\$ 32.52	\$ 33.23
Tangible book value per common share	\$ 24.90	\$ 24.23	\$ 24.45	\$ 23.90	\$ 24.64



Core Earnings-QTD

(Dollars in thousands except per share data)

	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Core Earnings:					
Net income(GAAP)	\$ 45,404	\$ 43,935	\$ 54,800	\$ 33,584	\$ 33,980
Plus/(less) non-GAAP adjustments (net of tax):					
Merger, acquisition and disposal expense	—	—	793	—	—
Amortization of intangible assets	1,197	1,121	1,090	1,076	1,049
(Gain)/loss on disposal of assets	—	—	(12,417)	108	—
Investment securities gains/(losses)	(26)	(6)	(28)	(2)	293
Contingent payment expense	—	—	—	929	—
Core earnings (non-GAAP)	<u>\$ 46,575</u>	<u>\$ 45,050</u>	<u>\$ 44,238</u>	<u>\$ 35,695</u>	<u>\$ 35,322</u>
Core return on average assets (non-GAAP)					
Average assets (GAAP)	\$12,791,526	\$12,576,089	\$12,991,692	\$13,521,595	\$13,769,472
Return on average assets (GAAP)	1.41 %	1.42 %	1.69 %	0.99 %	0.98 %
Core return on average assets (non-GAAP)	1.44 %	1.45 %	1.37 %	1.05 %	1.02 %
Weighted average common shares outstanding - diluted (GAAP)	45,655,924	45,333,292	45,111,693	44,780,560	44,828,827
Earning per diluted common share (GAAP)	\$ 0.99	\$ 0.96	\$ 1.21	\$ 0.75	\$ 0.76
Core earnings per diluted common share (non-GAAP)	\$ 1.02	\$ 0.99	\$ 0.98	\$ 0.80	\$ 0.79





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