

3rd Quarter 2023 Earnings Presentation

October 24, 2023



Sandy Spring Bancorp

Forward Looking Statements

Sandy Spring Bancorp's forward-looking statements are subject to significant risks and uncertainties that may cause actual results to differ materially from those in such statements. These risks and uncertainties include, but are not limited to, the risks identified in our quarterly and annual reports and the following: changes in general business and economic conditions nationally or in the markets that we serve; changes in consumer and business confidence, investor sentiment, or consumer spending or savings behavior; changes in the level of inflation; changes in the demand for loans, deposits and other financial services that we provide; the possibility that future credit losses may be higher than currently expected; the impact of the interest rate environment on our business, financial condition and results of operations; the impact of compliance with changes in laws, regulations and regulatory interpretations, including changes in income taxes; changes in credit ratings assigned to us or our subsidiaries; the ability to realize benefits and cost savings from, and limit any unexpected liabilities associated with, any business combinations; competitive pressures among financial services companies; the ability to attract, develop and retain qualified employees; our ability to maintain the security of our data processing and information technology systems; the impact of changes in accounting policies, including the introduction of new accounting standards; the impact of judicial or regulatory proceedings; the impact of fiscal and governmental policies of the United States federal government; the impact of health emergencies, epidemics or pandemics; the effects of climate change; and the impact of natural disasters, extreme weather events, military conflict, terrorism or other geopolitical events. Sandy Spring Bancorp provides greater detail regarding some of these factors in its Form 10-K for the year ended December 31, 2022, 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 elsewhere in its filings with the SEC, accessible on the SEC's Web site at www.sec.gov.



Quarterly Highlights

Profitability	<ul style="list-style-type: none"> Net income of \$20.7 million (\$0.46 per diluted common share) compared to \$33.6 million (\$0.75 per diluted common share) for the prior year quarter, and \$24.7 million (\$0.55 per diluted common share) for the previous quarter. Core earnings⁽¹⁾⁽²⁾ of \$27.8 million (\$0.62 per diluted common share) compared to \$35.7 million (\$0.80 per diluted common share) for the prior year quarter, and \$27.1 million (\$0.60 per diluted common share) for the previous quarter. GAAP efficiency ratio was 70.72% compared to 50.66% for the prior year quarter, and 64.22% for the previous quarter. The non-GAAP efficiency ratio⁽¹⁾⁽²⁾ was 60.91% compared to 48.18% for the prior year quarter, and 60.68% for the previous quarter.
Income Statement	<ul style="list-style-type: none"> Net interest margin of 2.55%, compared to 3.53% for the same quarter of 2022, and 2.73% for the previous quarter. Pre-tax pre-provision net income⁽¹⁾ was \$30.0 million compared to \$38.5 million the previous quarter and \$64.1 million for the prior year quarter. Provision for credit losses was \$2.4 million as compared to \$5.1 million for the previous quarter and \$18.9 million for the prior year quarter. Non-interest income was level compared to the previous quarter and up 3% from the prior year quarter. Non-interest expense increased 5% and 10% from the linked quarter and the prior year quarter, respectively. After excluding \$8.2 million pension settlement expense incurred during the current quarter, non-interest expense declined 7% and 2% from the previous quarter and the prior year quarter, respectively.
Balance Sheet	<ul style="list-style-type: none"> Total assets of \$14.1 billion, up 1% from the previous quarter. Total assets up 3% year-over-year. Total loans declined 1% to \$11.3 billion compared to the previous quarter and grew 1% from the prior year quarter. Total commercial real estate and business loans were unchanged quarter-over-quarter, while residential mortgage loans grew 3%. Deposits up 2% from the previous quarter. Noninterest-bearing deposits down 2% and interest-bearing deposits were up 3%.
Asset Quality	<ul style="list-style-type: none"> Non-performing loans to total loans remained at low levels at 0.46% compared to 0.44% for the previous quarter and 0.40% for the prior year quarter.
Capital	<ul style="list-style-type: none"> Risk-based capital ratio of 14.85%, common equity tier 1 risk-based capital ratio of 10.83%, tier 1 risk-based capital ratio of 10.83%, and tier 1 leverage ratio of 9.50%.

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, severance expense, pension settlement expense, contingent payment expense, gain on disposal of assets and investment securities gains (losses)

3rd Quarter 2023 Financial Performance

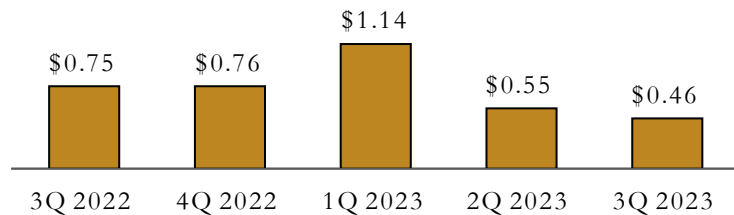


Profitability

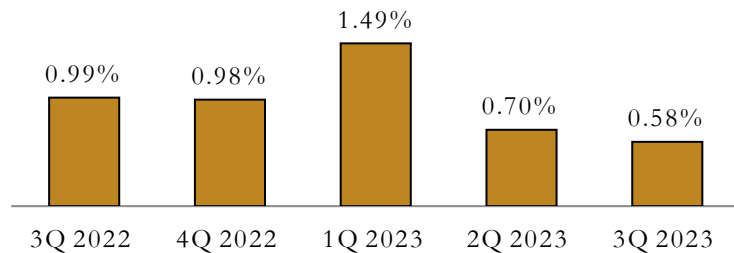


Profitability Trends

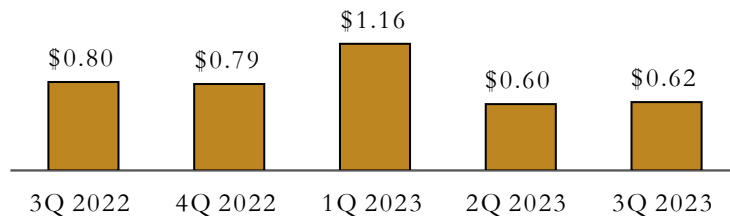
Diluted Earnings Per Share



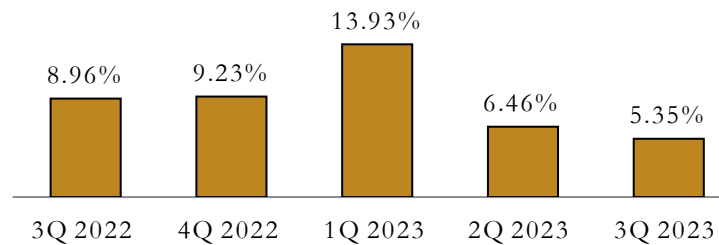
Return on Average Assets



Diluted Core Earnings Per Share⁽¹⁾



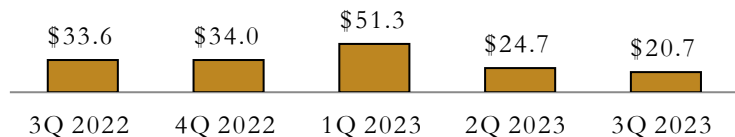
Return on Average Common Equity



Profitability Trends

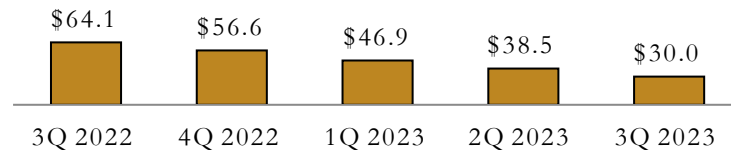
Net Income

(Dollars in millions)



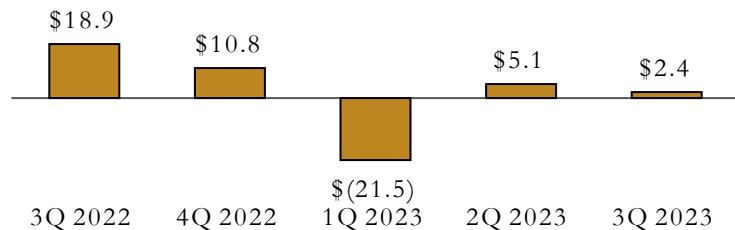
Pre-Tax Pre-Provision Net Income⁽¹⁾

(Dollars in millions)



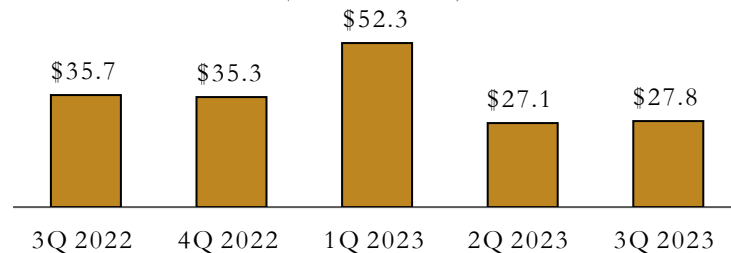
Provision (Credit) for Credit Losses

(Dollars in millions)



Core Earnings⁽¹⁾

(Dollars in millions)



- Lower net interest income coupled with the one-time pension settlement expense of \$8.2 million drove the decline in net income. These factors were partially offset by lower provision for credit losses and a decline in salaries and employee benefits expense (after excluding the impact of the pension settlement expense).



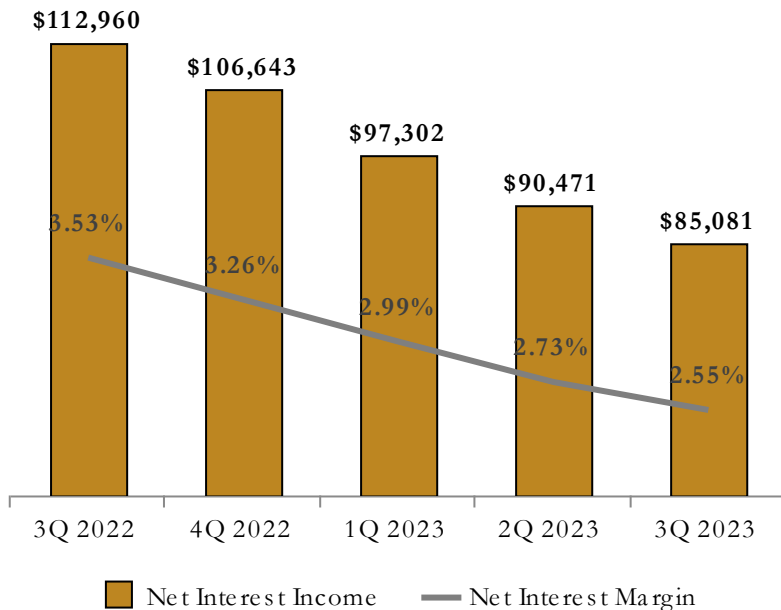
Income Statement



Net Interest Income

Net Interest Income & Net Interest Margin

(Dollars in thousands)



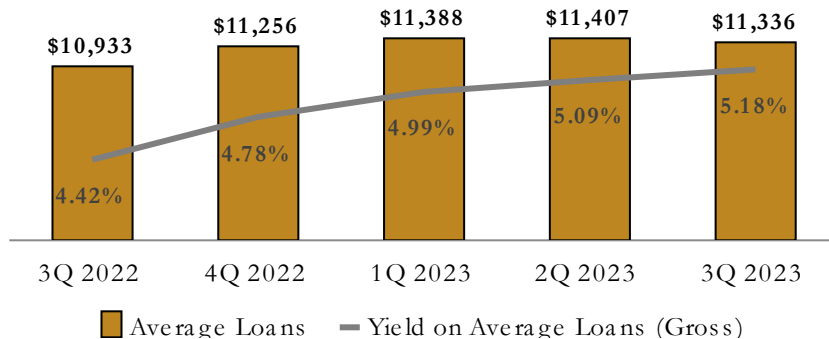
- The net interest margin was 2.55% for the current quarter compared to 2.73% for Q2 2023.
- Higher rates paid on interest-bearing liabilities, driven by higher market rates, competition for deposits, and customer movement of excess funds out of noninterest-bearing accounts, outpaced the increase in yield on interest-earning assets.
- Compared to the prior year quarter, the yield on interest-earning assets increased 76 bps and the rate paid on interest-bearing liabilities rose 241 bps resulting in margin compression of 98 basis points.



Average Balance Sheet

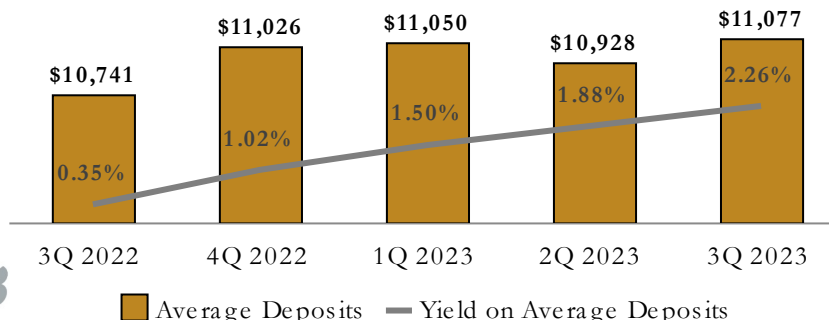
Average Loans

(Dollars in millions)



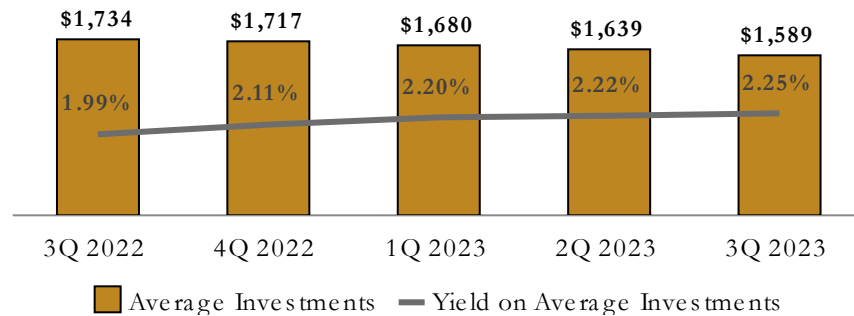
Average Deposits

(Dollars in millions)



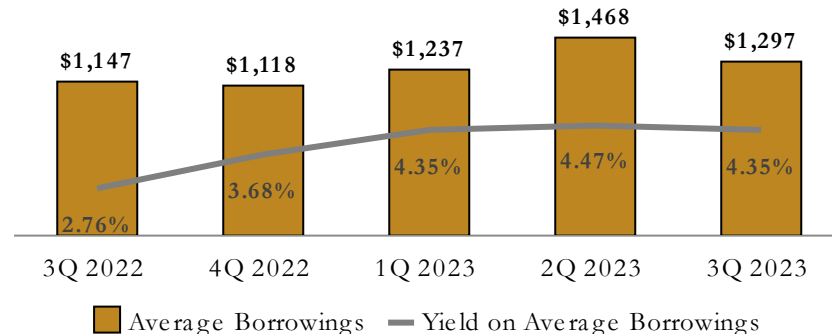
Average Investments

(Dollars in millions)



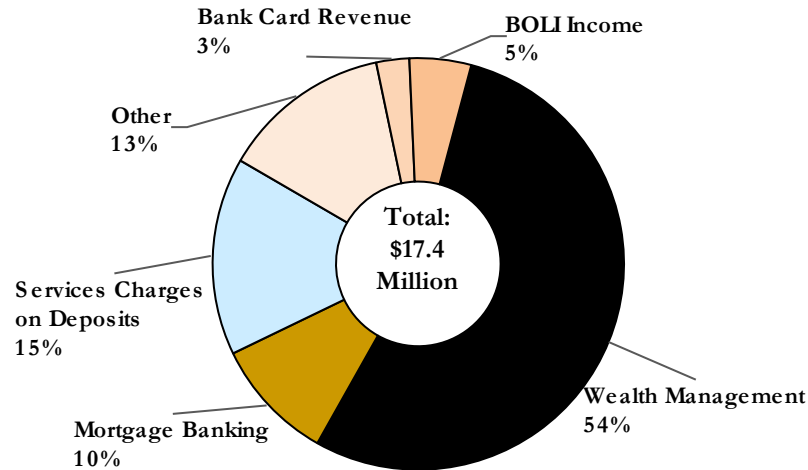
Average Borrowings

(Dollars in millions)



Revenue Composition

Revenue Composition ⁽¹⁾



Non-interest Income

(Dollars in thousands)

	\$ Change vs		
	3Q 2023	2Q 2023	3Q 2022
Investment Securities Gains/Losses	\$ —	\$ —	\$ (2)
Gain on Disposal of Assets	—	—	183
Service Charges on Deposits	2,704	98	113
Mortgage Banking	1,682	(135)	116
Wealth Management	9,391	360	524
BOLI Income	845	(406)	152
Bank Card Revenue	450	3	12
Other Income	2,319	295	(589)
Total non-interest income	\$ 17,391	\$ 215	\$ 509

- Interchange fee limitation effective 7/1/2022 (Durbin Amendment)
- BOLI income decreased due to mortality proceeds received in prior quarter
- Wealth management income increase compared to the prior quarter due to stronger market conditions in Q3 2023

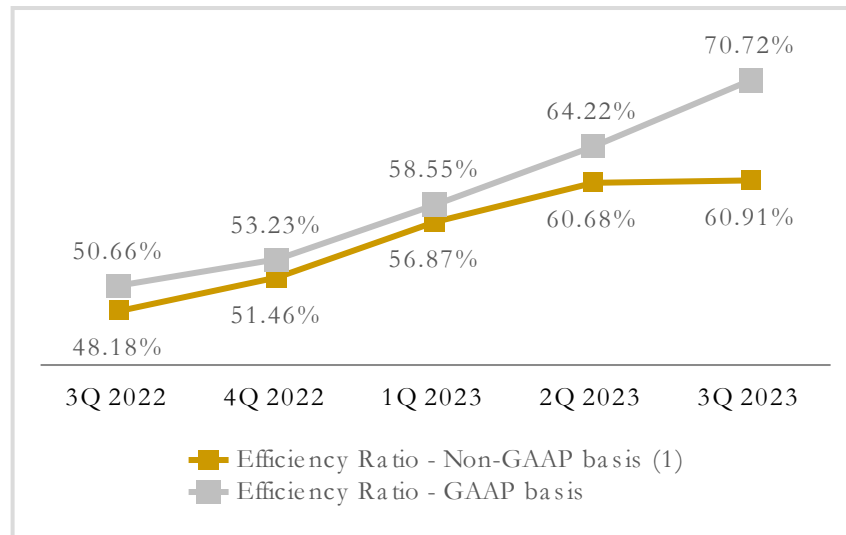


Non-interest Expense

Non-interest Expense

(Dollars in thousands)	\$ Change vs		
	3Q 2023	2Q 2023	3Q 2022
Salaries and Employee Benefits	\$ 44,853	\$ 3,922	\$ 4,727
Occupancy	4,609	(155)	(150)
Equipment	3,811	51	(14)
Marketing	729	(860)	(641)
Outside Data Services	2,819	(34)	310
FDIC Insurance	2,333	(42)	1,065
Amortization of Intangible Assets	1,245	(24)	(187)
Merger, Aquisition and Disposal	—	—	(1)
Professional Fees and Services	4,509	348	2,302
Other Expense	7,563	129	(720)
Total non-interest expense	\$ 72,471	\$ 3,335	\$ 6,691

Efficiency Ratio (%)



- Higher salaries and benefits expense due to pension settlement expense of \$8.2 million during the current quarter associated with the termination of the pension plan
- FDIC assessment increased due to an increase in the assessment rate imposed by the FDIC on all banks effective Q1 2023
- Professional fees increased primarily due to the Company's investments in technology projects



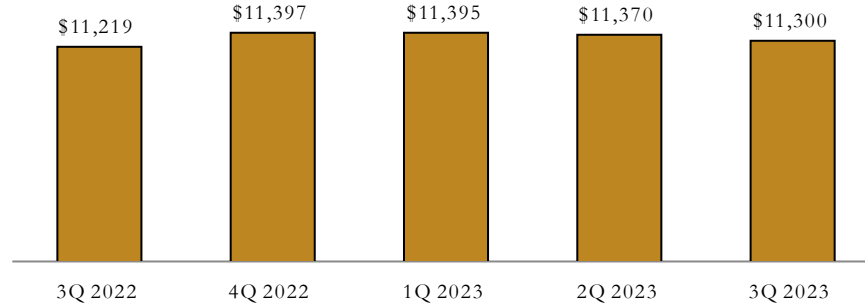
Balance Sheet



Balance Sheet Trends

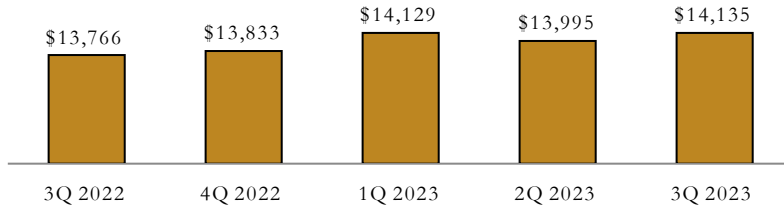
Loans Held for Investment

(Dollars in millions)



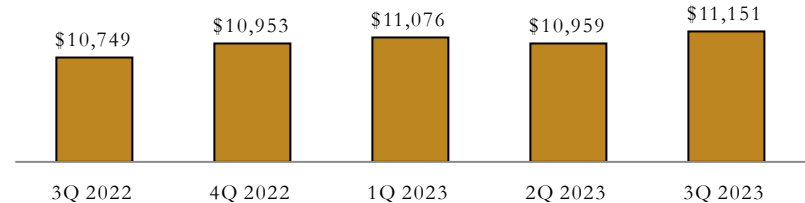
Total Assets

(Dollars in millions)



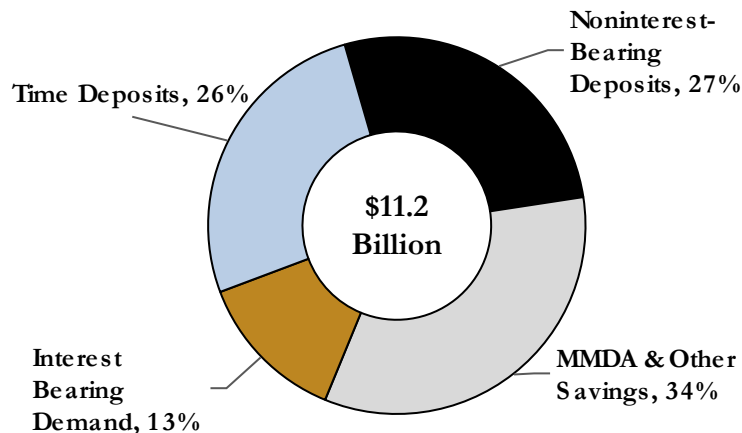
Total Deposits

(Dollars in millions)



Deposit Portfolio

Deposit Composition ⁽¹⁾



Deposit Growth ⁽¹⁾

	<i>(Dollars in millions)</i>		
	\$ Change vs		
	3Q 2023	2Q 2023	3Q 2022
Noninterest-Bearing Deposits	\$ 3,014	\$ (66)	\$ (980)
MMDA & Other Savings	3,750	100	40
Interest-Bearing Demand	1,456	43	94
Time Deposits	2,931	115	1,248
Total Deposits	\$ 11,151	192	\$ 402

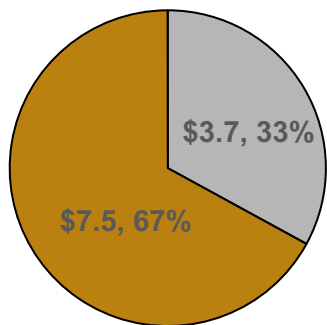
- The Company reduced its brokered deposits by \$155.8 million during the current quarter. Total deposits, excluding brokered deposits, increased by \$349.5 million or 4% quarter-over-quarter and represented 90% of the total deposits as of September 30, 2023 compared to 88% at June 30, 2023, reflecting the continued stability of the core deposit base.
- #1 deposit market share for community banks in combined Washington, D.C. & Baltimore MSAs.



Insured vs Uninsured Deposits

Deposit Breakdown ⁽¹⁾

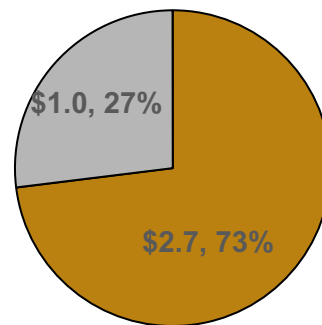
Dollars in Billions



■ Uninsured ■ Insured

Uninsured Deposits by Type ⁽¹⁾

Dollars in Billions



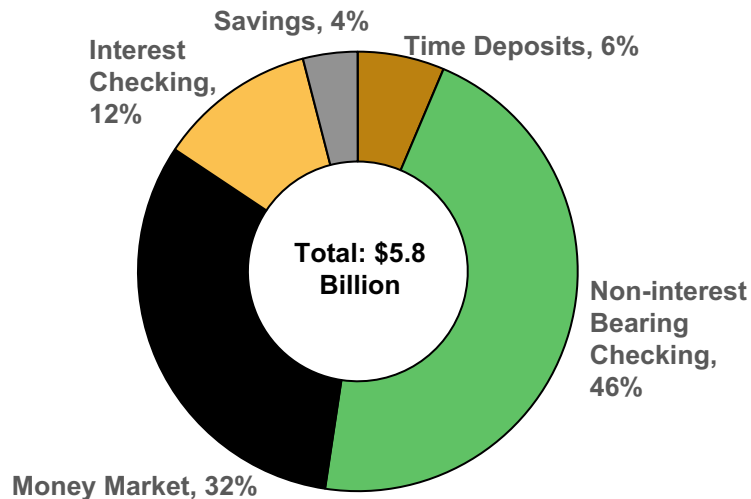
■ Commercial ■ Retail

- 39% of uninsured depositors have a lending relationship with the Company.
- 73% of uninsured deposits are Business accounts, 45% of which have a lending relationship; 16% of uninsured deposits are Trust accounts, 26% of which have a lending relationship.



Commercial Customers

Core Deposit Mix⁽¹⁾

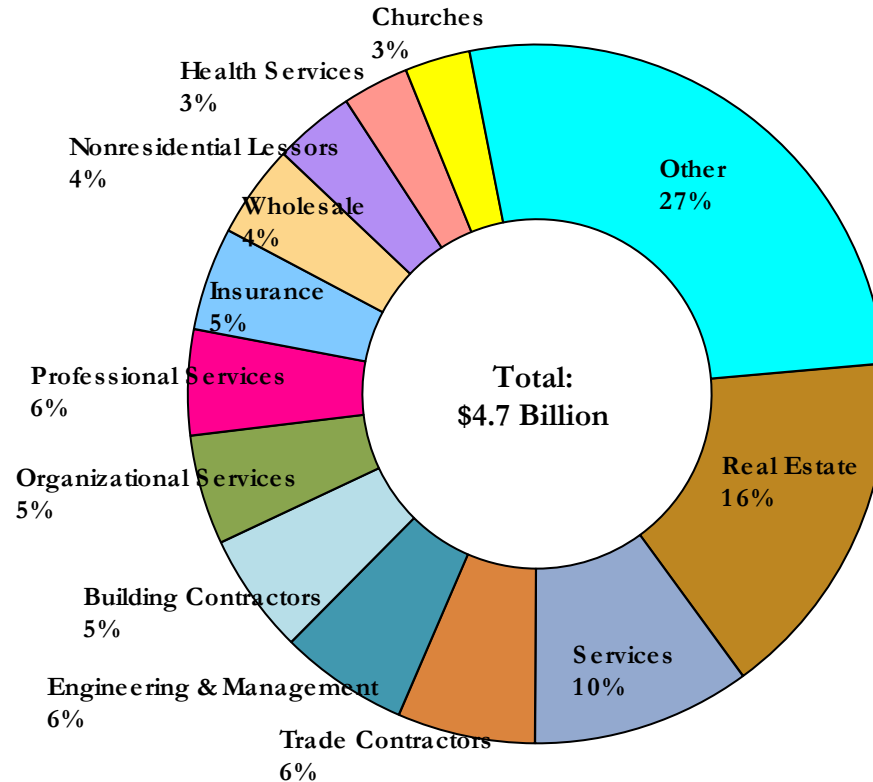


- 58% of total core deposits are business accounts
- Average length of relationship is 9.5 years
- 78% of uninsured deposits were commercial as of 3Q 2023
- No commercial client > 2% of total deposits
- Well-diversified portfolio; no significant concentration in one industry or with any single client



Business Deposit Portfolio by NAICS

Business Deposits By Industry ⁽¹⁾⁽²⁾



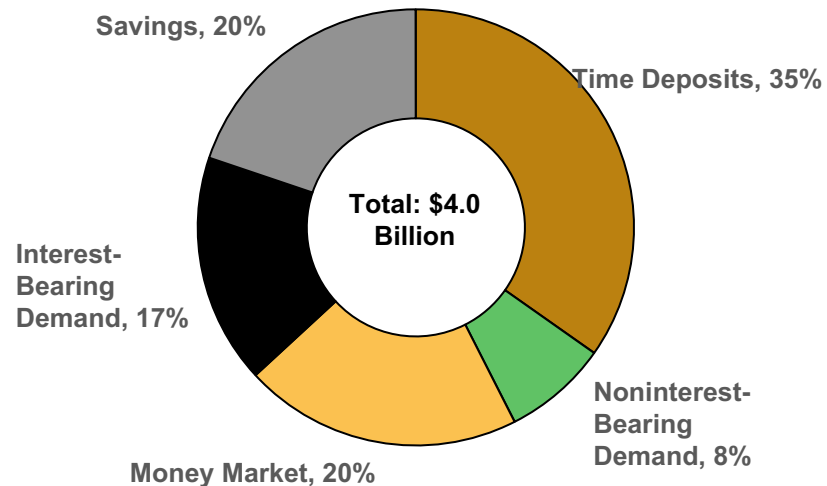
Source: Company documents

1) As of September 30, 2023

2) Data by NAICS code only available on \$4.7 billion of the \$5.8 billion total commercial deposits

Retail Customers

Core Deposit Mix⁽¹⁾



- 42% of total core deposits are retail accounts
- Average length of retail relationship is 11.5 years
- 22% of uninsured deposits were retail as of 3Q 2023
- No retail client > 2% of total deposits



Liquidity Position

Contingent Liquidity to Uninsured Deposits

At September 30, 2023 <i>Dollars in Millions</i>	Total Available	Amount Used	Net Availability
Internal Sources			
Free Securities & Other	\$ 1,314	\$ -	\$ 1,314
External Sources			
FHLB	3,500	550	2,950
Fed Bank Term Funding Program	310	300	10
Discount Window	691	-	691
Other	1,182	-	1,182
Total Liquidity	\$ 6,997	\$ 850	\$ 6,147
	Uninsured Deposits		\$ 3,657
	Liquidity / Uninsured Deposits		168%

- Core deposits equaled 90.0% of total interest-earning assets at September 30, 2023
- Stress testing is performed quarterly and includes both systemic and idiosyncratic scenarios
- Testing completed at the end of the third quarter demonstrates a strong liquidity position with sufficient liquidity in the most severe scenarios

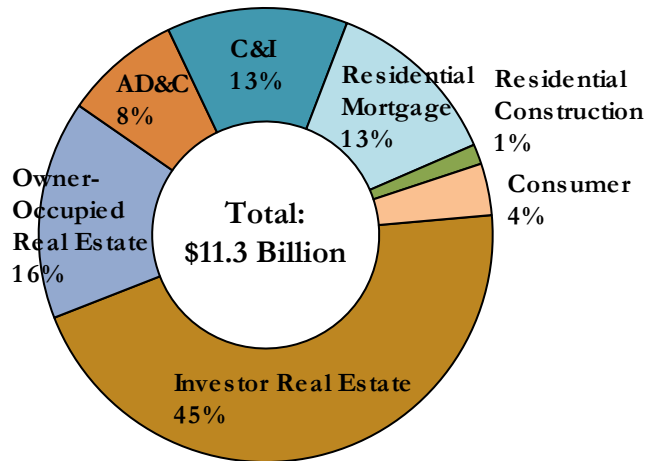


Loan Portfolio, Asset Quality & Reserves (CECL)



Loan Portfolio

Loan Composition⁽¹⁾



Net Loan Change⁽¹⁾

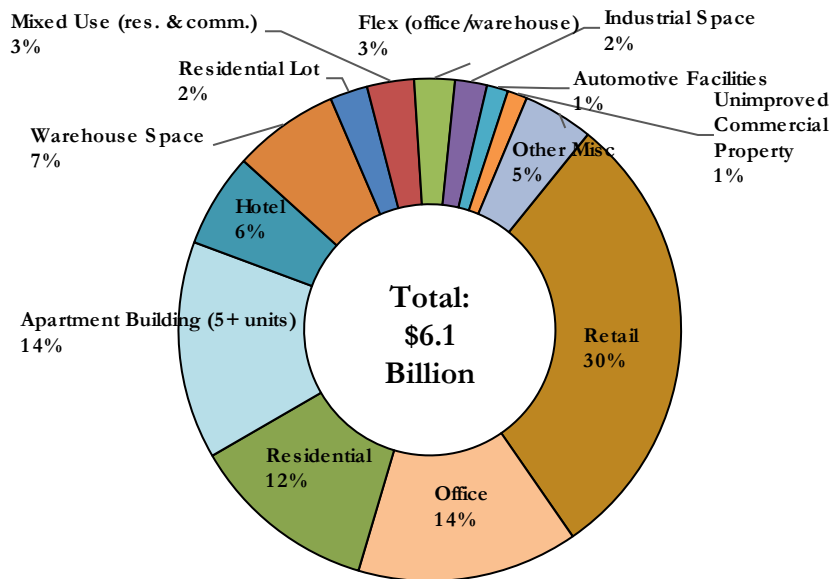
<i>(Dollars in millions)</i>	\$ Change vs		
	3Q 2023	2Q 2023	3Q 2022
Investor Real Estate	\$ 5,138	\$ 6	\$ 71
Owner-Occupied Real Estate	1,760	\$ (10)	\$ 17
AD&C	939	\$ (107)	\$ (205)
C&I	1,455	\$ 31	\$ 61
Residential Mortgage	1,432	\$ 46	\$ 213
Residential Construction	160	\$ (30)	\$ (69)
Consumer	416	\$ (5)	\$ (7)
Total Loans	\$ 11,300	\$ (69)	\$ 81

- New commercial loan production of \$1.1 billion in 2023, of which \$411.8 million was funded (39% utilization)
- Residential mortgage loan portfolio grew mainly due to the migration of construction loans into the residential mortgage portfolio. A greater number of conventional 1-4 family mortgages and ARM loans were retained to grow the mortgage portfolio which resulted in 18% growth year-over-year
- Commercial business lines and loans increased 2% from 2Q 2023 while the concentration in commercial real estate segments declined

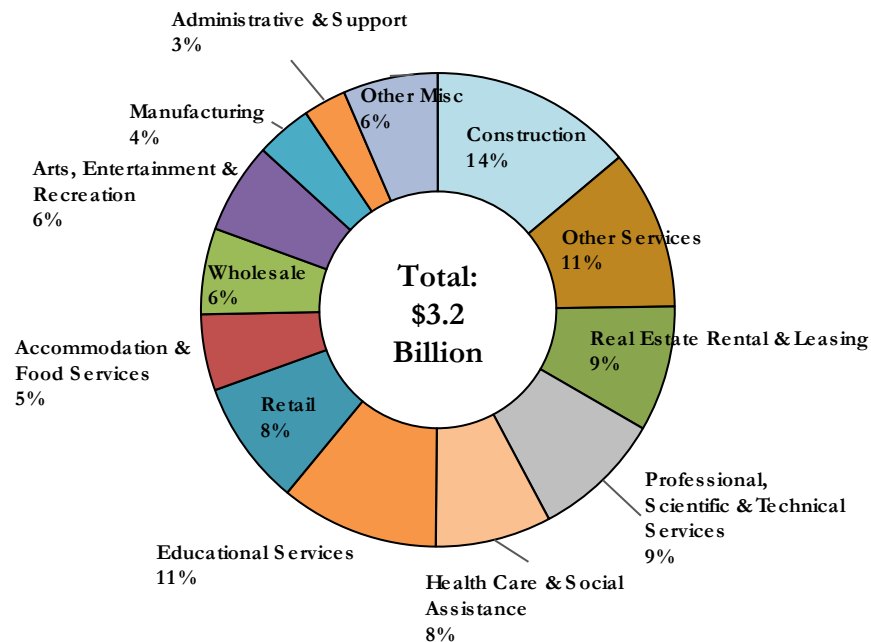


Commercial Loans by Type

CRE by Collateral Type ⁽¹⁾

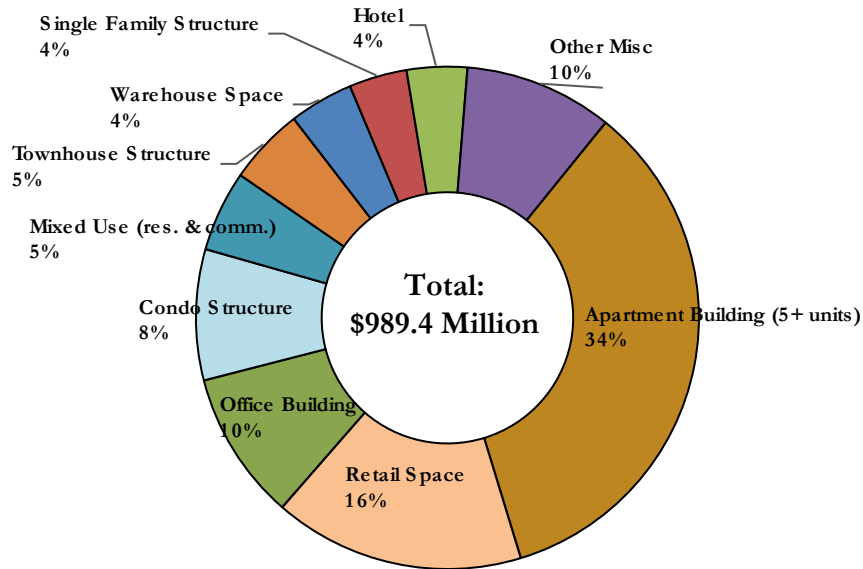


Business Loans & Owner Occupied R/E ⁽¹⁾

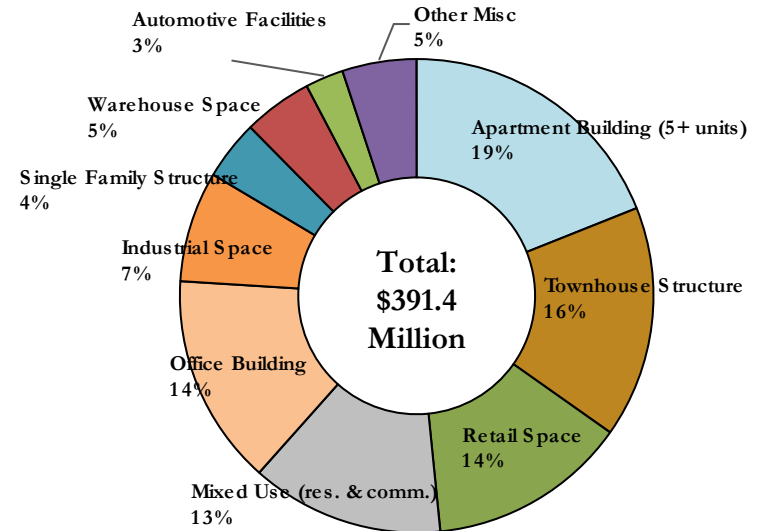


CRE Concentrations

Washington DC ⁽¹⁾

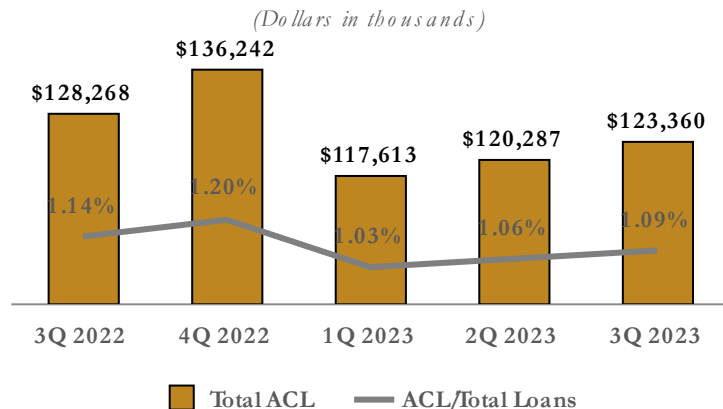


Baltimore City ⁽¹⁾



Current Expected Credit Losses – Loans

ACL/Total Loans



ACL by Loan Type

(Dollars in thousands)

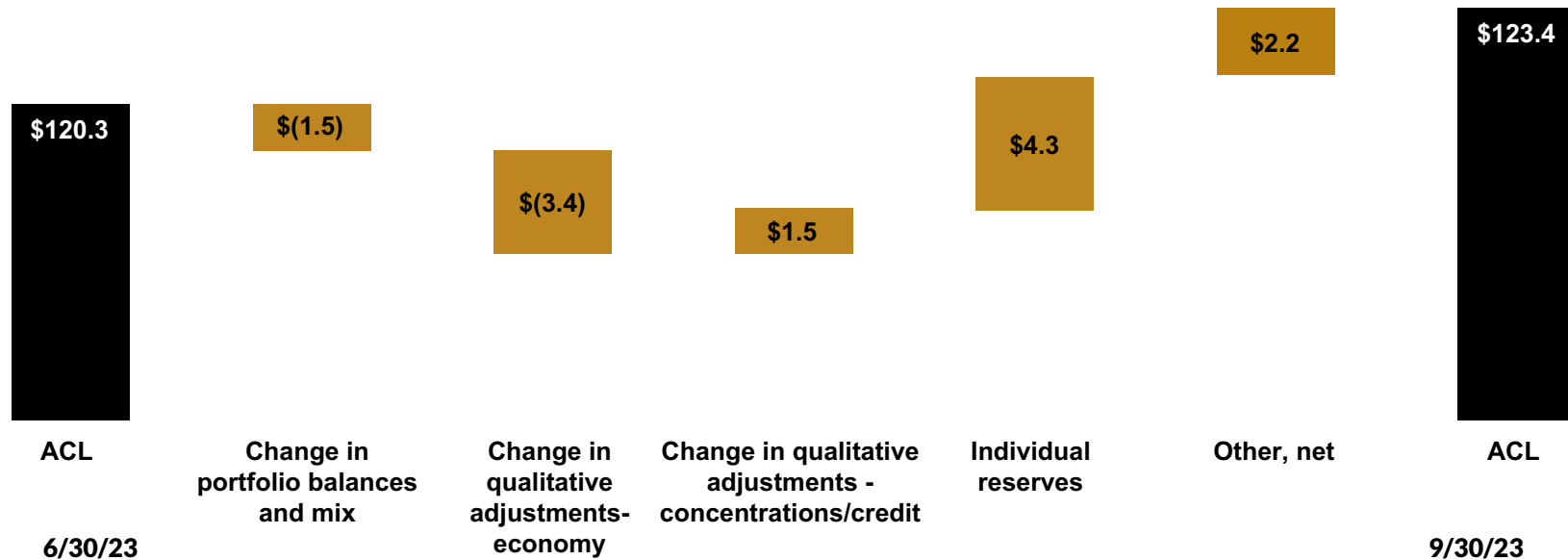
	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023
Investor Real Estate	\$ 64,169	\$ 64,737	\$ 56,962	\$ 61,087	\$ 63,192
Owner-Occupied Real Estate	11,099	11,646	9,876	9,230	8,961
Commercial AD&C	16,847	18,646	11,953	10,200	9,100
Commercial Business	24,826	28,027	25,900	27,914	30,720
Total Commercial	116,941	123,056	104,691	108,431	111,973
Residential Mortgage	8,063	9,424	9,753	9,161	8,499
Residential Construction	1,226	1,337	1,104	850	672
Consumer	2,038	2,425	2,065	1,845	2,216
Total Residential and Consumer	11,327	13,186	12,922	11,856	11,387
Allowance for Credit Losses	\$ 128,268	\$ 136,242	\$ 117,613	\$ 120,287	\$ 123,360

- ACL of \$123.4 million or 1.09% of outstanding loans equals 238% of non-performing loans at September 30, 2023
- Provision for credit losses directly attributable to the funded loan portfolio for the current quarter was \$3.2 million compared to \$4.5 million in the previous quarter and \$14.1 million in the prior year quarter. The provision for the current quarter was the product of increases in individual reserves on a few commercial lending relationships, which were partially offset by a qualitative adjustment related to reduced probability of an economic recession.
- Utilized September 2023 Moody's baseline forecast in quantitative model



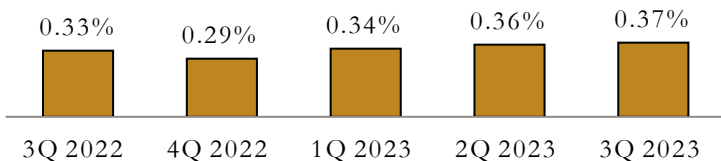
Allowance for Credit Losses - Loans: 3Q 2023

(Dollars in millions)

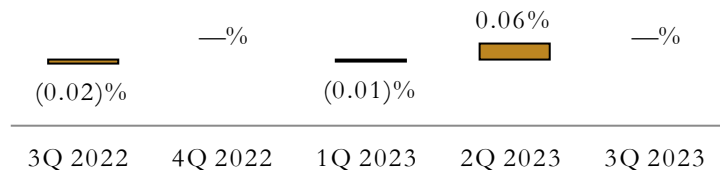


Strong Credit Culture and Performance

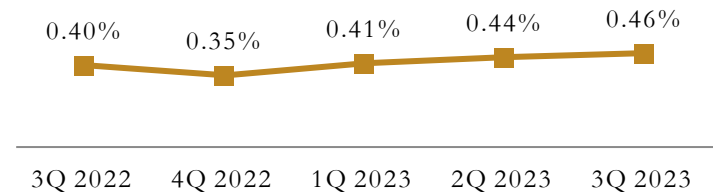
Non-performing Assets / Assets



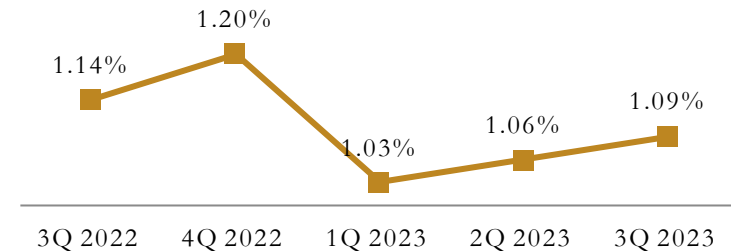
Annualized Net Charge-Offs (Recoveries) / Average Loans



Non-performing Loans / Loans



Reserves / Loans HFI

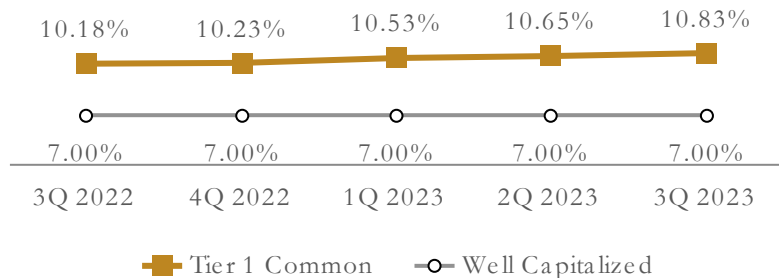


Capital

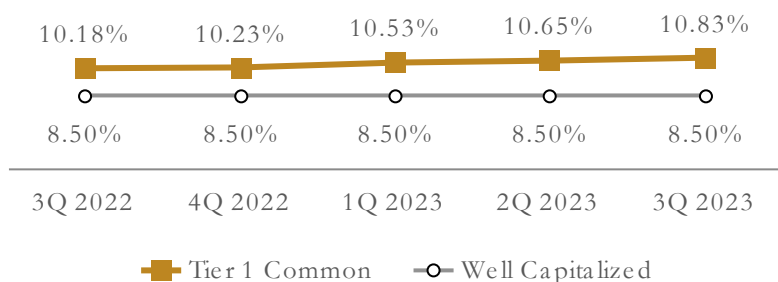


Capital Ratios

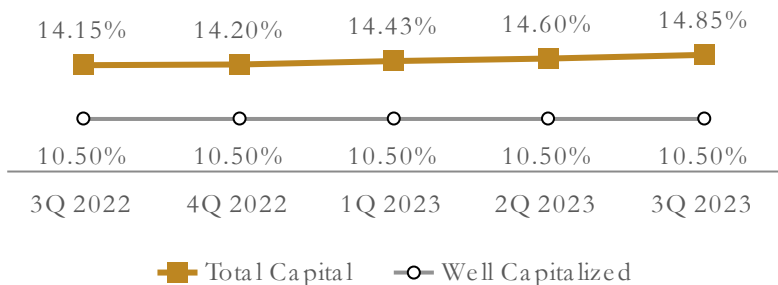
Tier 1 Common Equity Ratio



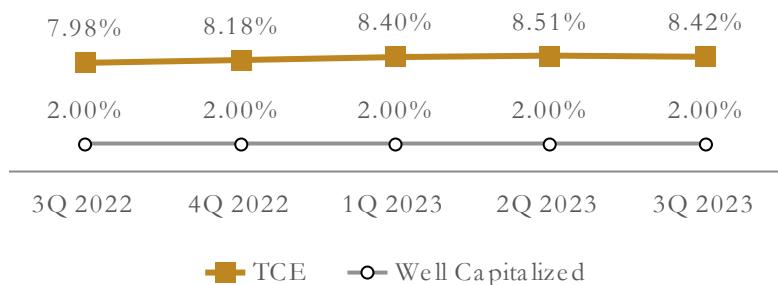
Tier 1 Capital Ratio



Total Capital Ratio

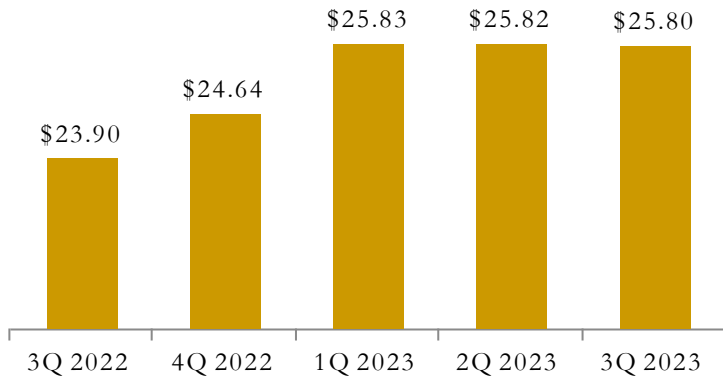


Tangible Common Equity Ratio⁽¹⁾



Capital Strategy

Tangible Book Value Per Share ⁽²⁾



- Quarterly dividend currently \$0.34 per share. 6.35% ⁽¹⁾ annualized dividend yield
- 74% of 3Q 2023 earnings returned to shareholders through common dividends



Source: Company documents

1) Based on September 30, 2023 SASR closing share price of \$21.43

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, severance expense, merger, acquisition, and disposal expense, and pension settlement 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, severance expense, pension settlement 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)

	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023
Pre-tax pre-provision income (Non-GAAP)					
Pre-tax pre-provision income:	\$ 33,584	\$ 33,980	\$ 51,253	\$ 24,745	\$ 20,746
Net income					
Plus/(less) non-GAAP adjustments:					
Income taxes	11,588	11,784	17,231	8,711	6,890
Provision/(credit) for credit losses	18,890	10,801	(21,536)	5,055	2,365
Pre-tax pre-provision net income	<u>\$ 64,062</u>	<u>\$ 56,565</u>	<u>\$ 46,948</u>	<u>\$ 38,511</u>	<u>\$ 30,001</u>
Efficiency ratio - GAAP basis					
Non-interest expenses	\$ 65,780	\$ 64,375	\$ 66,305	\$ 69,136	\$ 72,471
Net interest income plus non-interest income	129,842	120,940	113,253	107,647	102,472
Efficiency ratio - GAAP basis	50.66 %	53.23 %	58.55 %	64.22 %	70.72 %
Efficiency ratio - Non-GAAP basis					
Non-interest expenses	\$ 65,780	\$ 64,375	\$ 66,305	\$ 69,136	\$ 72,471
Less non-GAAP adjustments:					
Amortization of intangible assets	1,432	1,408	1,306	1,269	1,245
Merger, acquisition and disposal expense	1	—	—	—	—
Severance expense	—	—	—	1,939	—
Pension settlement expense	—	—	—	—	8,157
Contingent payment expense	1,247	—	36	—	—
Non-interest expenses - as adjusted	<u>\$ 63,100</u>	<u>\$ 62,967</u>	<u>\$ 64,963</u>	<u>\$ 65,928</u>	<u>\$ 63,069</u>
Net interest income plus non-interest income	\$ 129,842	\$ 120,940	\$ 113,253	\$ 107,647	\$ 102,472
Plus non-GAAP adjustment:					
Tax-equivalent income	951	1,032	970	1,006	1,068
Less non-GAAP adjustments:					
Investment securities gains/(losses)	2	(393)	—	—	—
Gain/(loss) on disposal of assets	(183)	—	—	—	—
Net interest income plus non-interest income - as adjusted	<u>\$ 130,974</u>	<u>\$ 122,365</u>	<u>\$ 114,223</u>	<u>\$ 108,653</u>	<u>\$ 103,540</u>
Efficiency ratio - Non-GAAP basis	48.18 %	51.46 %	56.87 %	60.68 %	60.91 %



Tangible Common Equity-QTD

(Dollars in thousands except per share data)

	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023
Tangible common equity ratio:					
Total stockholders' equity	\$ 1,451,862	\$ 1,483,768	\$ 1,536,865	\$ 1,539,032	\$ 1,537,914
Goodwill	(363,436)	(363,436)	(363,436)	(363,436)	(363,436)
Other intangible assets, net	(21,262)	(19,855)	(18,549)	(17,280)	(16,035)
Tangible common equity	<u>\$ 1,067,164</u>	<u>\$ 1,100,477</u>	<u>\$ 1,154,880</u>	<u>\$ 1,158,316</u>	<u>\$ 1,158,443</u>
Total assets	\$ 13,765,597	\$ 13,833,119	\$ 14,129,007	\$ 13,994,545	\$ 14,135,085
Goodwill	(363,436)	(363,436)	(363,436)	(363,436)	(363,436)
Other intangible assets, net	(21,262)	(19,855)	(18,549)	(17,280)	(16,035)
Tangible assets	<u>\$ 13,380,899</u>	<u>\$ 13,449,828</u>	<u>\$ 13,747,022</u>	<u>\$ 13,613,829</u>	<u>\$ 13,755,614</u>
Common shares outstanding	44,644,269	44,657,054	44,712,497	44,862,369	44,895,158
Tangible common equity ratio	7.98 %	8.18 %	8.40 %	8.51 %	8.42 %
Book value per common share	\$ 32.52	\$ 33.23	\$ 34.37	\$ 34.31	\$ 34.26
Tangible book value per common share	\$ 23.90	\$ 24.64	\$ 25.83	\$ 25.82	\$ 25.80



Core Earnings - QTD

(Dollars in thousands except per share data)

	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023
Core Earnings:					
Net income(GAAP)	\$ 33,584	\$ 33,980	\$ 51,253	\$ 24,745	\$ 20,746
Plus/(less) non-GAAP adjustments (net of tax):					
Amortization of intangible assets	1,076	1,049	973	946	932
(Gain)/loss on disposal of assets	108	—	—	—	—
Investment securities gains/(losses)	(2)	293	—	—	—
Severance Expense	—	—	—	1,445	—
Pension settlement expense	—	—	—	—	6,088
Contingent payment expense	929	—	27	—	—
Core earnings (non-GAAP)	<u>\$ 35,695</u>	<u>\$ 35,322</u>	<u>\$ 52,253</u>	<u>\$ 27,136</u>	<u>\$ 27,766</u>
Core return on average assets (non-GAAP)					
Average assets (GAAP)	\$13,521,595	\$13,769,472	\$13,949,276	\$14,094,653	\$14,086,342
Return on average assets (GAAP)	0.99 %	0.98 %	1.49 %	0.70 %	0.58 %
Core return on average assets (non-GAAP)	1.05 %	1.02 %	1.52 %	0.77 %	0.78 %
Weighted average common shares outstanding - diluted (GAAP)	44,780,560	44,828,827	44,872,582	44,888,759	44,960,455
Earning per diluted common share (GAAP)	\$ 0.75	\$ 0.76	\$ 1.14	\$ 0.55	\$ 0.46
Core earnings per diluted common share (non-GAAP)	\$ 0.80	\$ 0.79	\$ 1.16	\$ 0.60	\$ 0.62





Sandy Spring
Bancorp

