

# Orrstown Financial Services, Inc.



MISSION: *"We create value for our shareholders by providing outstanding client experiences through community engagement and local decisions from people you know and trust."*

VISION: *"We aspire to be the financial institution of choice focused on quality client service, innovative solutions and sound financial advice."*

Presentations Given During Third Quarter 2021

# Cautionary Note Regarding Forward Looking Statements | Non-GAAP Disclosures

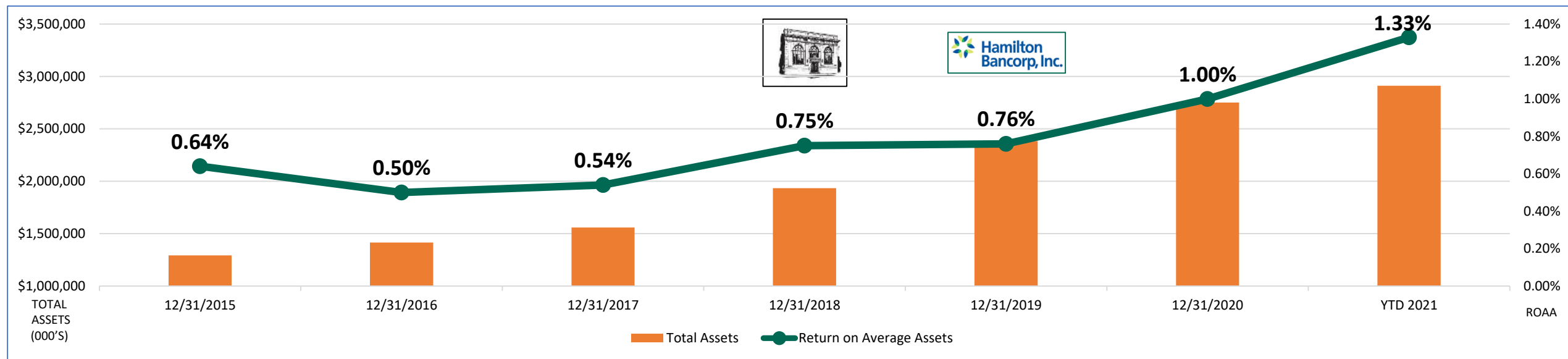
## Cautionary Note Regarding Forward Looking Statements

- This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements reflect the current views of the Company's management with respect to, among other things, future events and the Company's financial performance. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “could,” “predict,” “potential,” “believe,” “will likely result,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “project,” “forecast,” “goal,” “target,” “would” and “outlook,” or the negative variations of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond the Company's control. Accordingly, the Company cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements and there can be no assurances that the Company will be able to continue to successfully execute on its strategic growth plan into Dauphin, Lancaster, York and Berks counties, Pennsylvania, and the greater Baltimore market in Maryland, with newer markets continuing to be receptive to our community banking model; to take advantage of market disruption; to experience sustained growth in loans and deposits or maintain the momentum experienced to date from these actions. In addition to risks and uncertainties related to the COVID-19 pandemic (including those related to variants, such as the delta variant) and resulting governmental and societal responses, factors which could cause the actual results of the Company's operations to differ materially from expectations include, but are not limited to: ineffectiveness of the Company's strategic growth plan due to changes in current or future market conditions; the effects of competition and how it may impact our community banking model, including industry consolidation and development of competing financial products and services; the integration of the Company's strategic acquisitions; the inability to fully achieve expected savings, efficiencies or synergies from mergers and acquisitions, or taking longer than estimated for such savings, efficiencies and synergies to be realized; changes in laws and regulations; interest rate movements; changes in credit quality; inability to raise capital, if necessary, under favorable conditions; volatility in the securities markets; deteriorating economic conditions; expenses associated with pending litigation and legal proceedings; the failure of the SBA to honor its guarantee of loans issued under the SBA PPP; the timing of the repayment of SBA PPP loans and the impact it has on fee recognition; our ability to convert new relationships gained through the SBA PPP efforts to full banking relationships; and other risks and uncertainties, including those set forth under the heading “Risk Factors” in the Company's 2020 Annual Report on Form 10-K and subsequent filings with the Securities and Exchange Commission. The foregoing list of factors is not exhaustive.
- If one or more events related to these or other risks or uncertainties materializes, or if the Company's underlying assumptions prove to be incorrect, actual results may differ materially from what the Company anticipates. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and the Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New risks and uncertainties arise from time to time, and it is not possible for the Company to predict those events or how they may affect it. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements, expressed or implied, included in this press release are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that the Company or persons acting on the Company's behalf may issue.

## Non-GAAP Disclosures

In this presentation we refer to various core earnings measures, tangible book value per share and allowance to non-SBA guaranteed loans, which are non-GAAP measures. For a reconciliation of these non-GAAP measures to GAAP results and our rationale for usage of non-GAAP measures, see the appendix in this presentation.

# Trendline: Profitable and Effective Franchise Expansion



- Restored quarterly dividend
- Branch rationalization begins: two branches closed
- Opened first Lancaster County branch office

- Lancaster County Focus:**
- Hired Market President
  - Hired commercial lending team
  - Opened regional Loan Production Office ("LPO")
- Dauphin County Focus:**
- Purchased 85,000 sq. ft. HQ to consolidate staff, improve recruiting posture, and scale for future expansion opportunities

- Organic expansion continues in growth markets:
- Additional branches opened in Lancaster County
  - LPO's opened in Berks and York counties

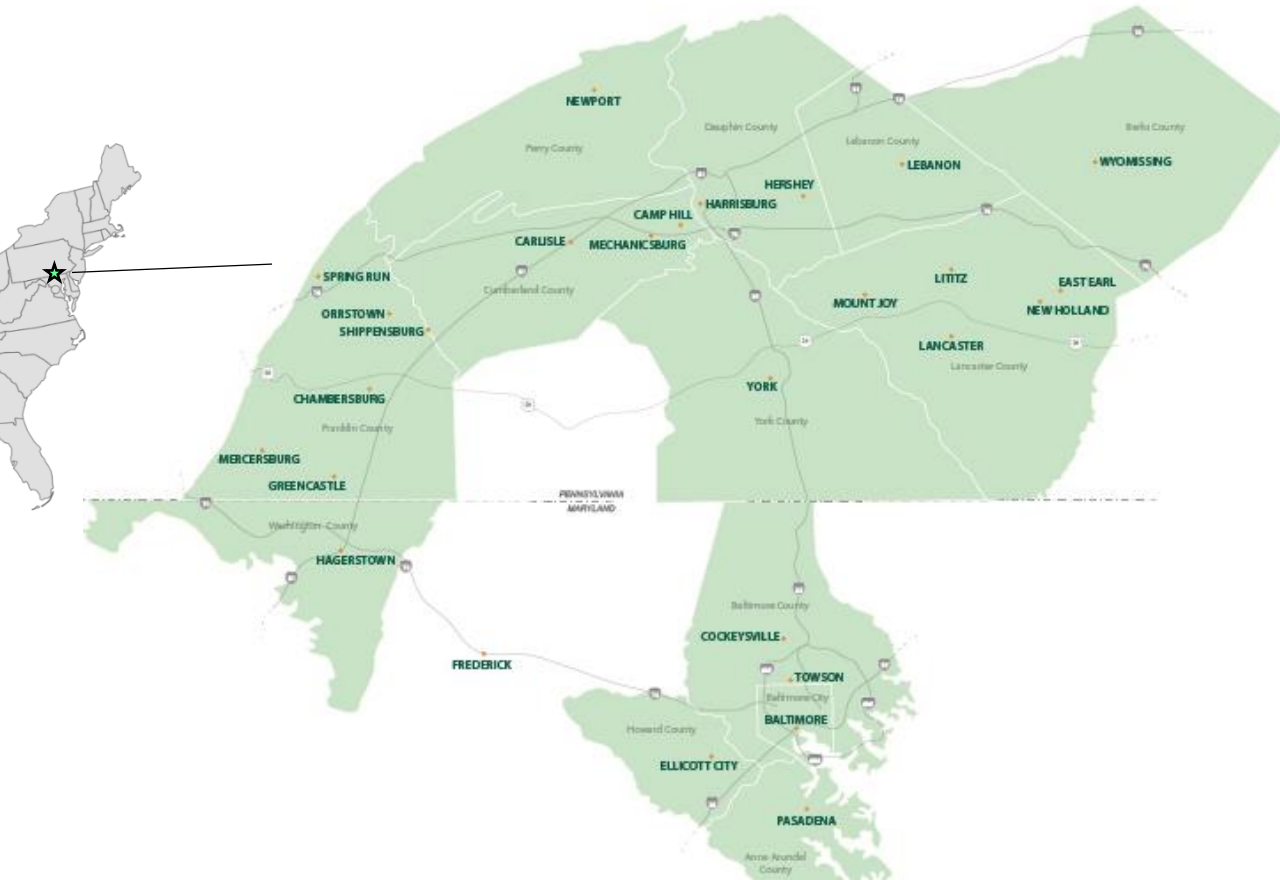
- Acquisition of First Community Bank of Mercersburg
- Deposits: \$161 million
  - Assets: \$184 million

- Acquisition of Hamilton Bancorp, Inc.
- Deposits: \$404 million
  - Assets: 525 million
  - Entrance into 20<sup>th</sup> largest MSA
  - Hired Market President
  - Hired Lending MD Lending team
  - Branch rationalization: Three branches closed;
  - Added 17 commercial lenders

- 3,200 2020 vintage PPP loans totaling \$467.7 million
- Branch rationalization: Five branches closed
- Eliminated 27,000 sq. ft. of excess office space

- Increased dividend
- 3,363 2021 vintage PPP loans totaling \$231.7 million
- Maintain expense control; efficiency ratio improves to 60%
- Successfully pivoted from PPP to commercial lending; 24% 2Q'21 annualized commercial loan growth, ex. PPP
- Hired four commercial lenders, Chief Operating Officer, Chief Accounting Officer and General Counsel

# Company Overview—Strong Geographically Diverse Markets



## Geographic Focus Driven by Relationship Banking Model

- Four geographic regions: Market Presidents have full authority and autonomy (within ERM guidelines)
- Market Presidents are all seasoned best-in-class bankers
- Markets connected by significant highway infrastructure
- Focus on commercial lending & deposits
- Offer full suite of products in every market
- Growth markets in Lancaster, Capitol Region, and Greater Baltimore well positioned for significant fee income penetration

# Company Overview—Product Suite Provides Expansion Opportunity

## COMMERCIAL BANKING

- C&I and CRE Lending
- Treasury Management
- Small Business Lending
- SBA Lending
- Insurance (e.g. key man coverage)

## INVESTMENTS & TRUST

- Wealth Management
- Retirement Planning
- Estate Planning
- Trust Services

## MORTGAGE BANKING

- Fixed-rate and Adjustable Mortgages
- Purchase and Refinance
- Lot & Land Loans
- Government Programs
- Construction
- Specialty Programs

## PERSONAL BANKING

- Deposit Products and Services
- Mobile and Online Banking
- Digital Wallet and Debit/ATM Cards
- Health Savings Accounts
- Credit Cards
- Personal and Home Equity Loans and Lines of Credit
- Auto Loans (not indirect)

- Non-interest income amounted to 24% of total revenue in 2Q'21 and was aided by strong wealth management results; historical range of fee income is 25%-30% of total revenue
- Products not yet to scale in all markets. Opportunity to garner “fair share” of mortgage and investment/trust business, enhance fee income and take advantage of solid upside potential in our growth markets (Lancaster, Capitol Region, Greater Baltimore)
- All three of our growth markets provide superior demographics in terms of household income, home values, investable wealth, etc. compared to markets served prior to 2015
- We remain opportunistic in identifying meaningful client-facing investments to create long-term revenue growth, including team lift outs

# 2021 / 2022 Strategic Focus: Optimizing Results

## SBA PPP portfolio provides significant earnings contribution:

- Approximately \$356 million in net PPP loans at June 30, 2021
- At June 30, 2021, total of \$11.2 million in net deferred fees remaining - expect majority of fees to be earned by end of 2022
- Strategy is to cross sell and retain new PPP clients while earning significant income in low rate environment.
- Pivoted to traditional banking late in the first quarter of 2021, resulting in 24%, annualized, linked-quarter commercial loan growth in the second quarter of 2021, excluding PPP



## Enhance Fee Income to offset net interest margin compression:

- Mortgage banking: augment team with mortgage loan officers in growth markets to capture client referrals and identify new clients
- Wealth Management: expand presence in growth markets
- Card Related Interchange: promote higher card usage among clientele
- Treasury Services: increase C&I client penetration to expand fees and grow non-interest DDA



## Operational Efficiency

- Announced \$4.0 million in annualized cost saving measures in the third quarter of 2020. The savings are gradually being reinvested in the foundation of the Bank to support anticipated growth.
- Closed 11 branches: The Bank has closed 30% of its branches since the fourth quarter of 2019 and increased average deposits per branch by 92% to \$97 million
- Reduced office space: The Company has reduced its owned and leased real estate by 27% since the fourth quarter of 2019.
- YTD expense run rate at or exceeding budget; expense discipline efforts effective with efficiency ratio of 60%





# 2021 / 2022 Strategic Focus (continued)

## **Investments in Revenue Producing Talent:**

- Committed to additional investments in client-facing bankers as we grow our relationship banking model, particularly in our growth markets

## **Expand Use of Technology:**

- Continue to assess and adapt to changing client preferences for sales and service interactions
- Assess scalability of infrastructure with goal of improved efficiency
- Anticipate 3Q'21 completion of commercial lending process automation

## **Balance Sheet Optimization:**

- Remain cautious in the near term given continued economic uncertainty
- Protect longer term margin through continued focus on disciplined relationship C&I and CRE lending while supplementing with investments and deemphasizing wholesale funding

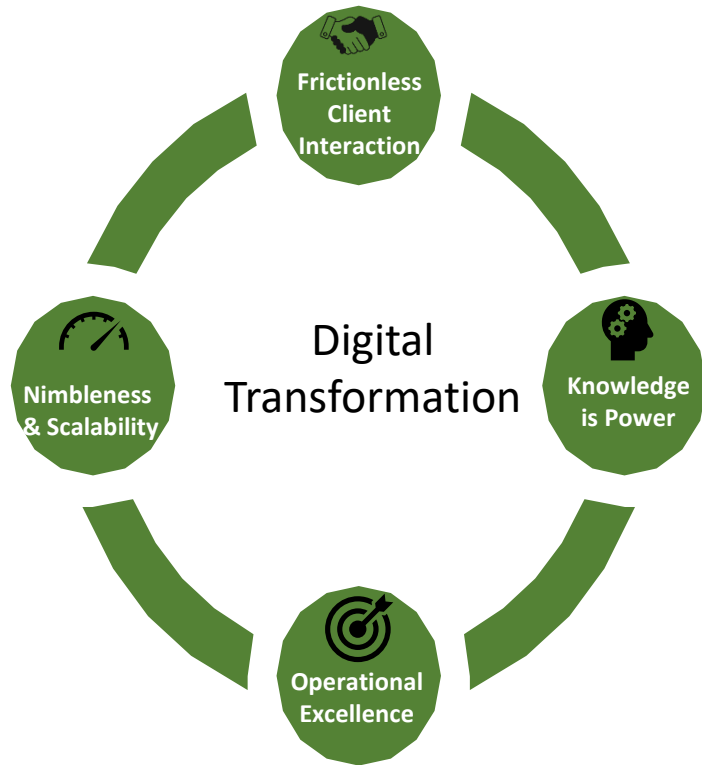
## **Capital Build:**

- Continued earnings momentum to further enhance capital position
- Increased common dividend
- Consider deploying excess capital into stock buybacks depending on outlook for organic growth and M&A opportunities

## **Asset Quality:**

- Proactive efforts to maintain superior asset quality with early identification of problem loans and quick resolution

# Technology Transformation Underway



Improving client interaction with **new Commercial and Small Business loan origination solution**. **Contactless** capability in new ATM units. Enhanced **card management** features. Maximizing on **electronic signature** capabilities.



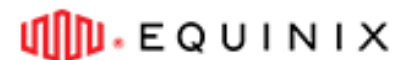
Utilizing data to maximize Marketing initiatives, Enhanced **client relationship management** solution integration with core banking solutions.



Focus on operational excellence through **robotic processing automation**, and **workflow** solutions. Streamlining back office **account reconciliations**, and **construction portfolio** through new solutions.

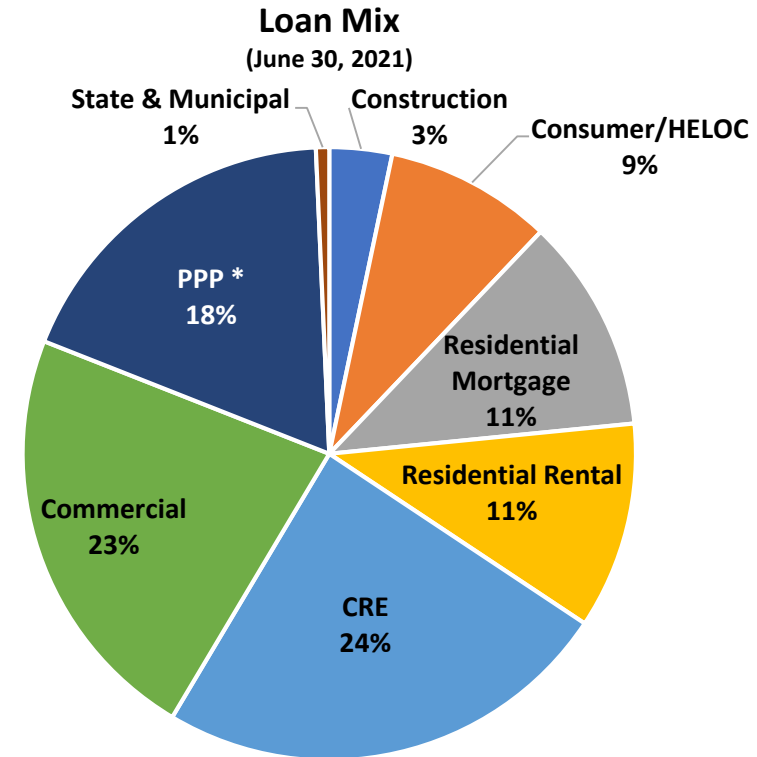
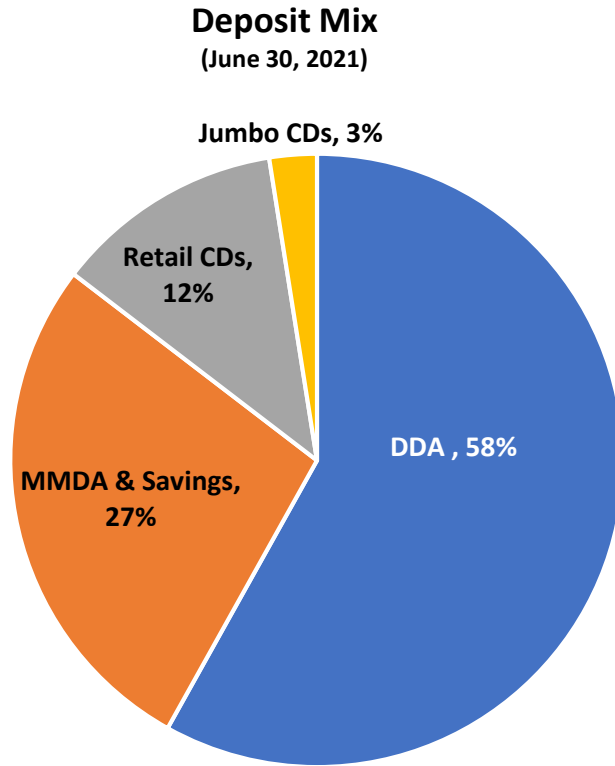


Improving nimbleness and scalability through **Colocation and Cloud strategies**





# Company Overview—Balance Sheet Mix

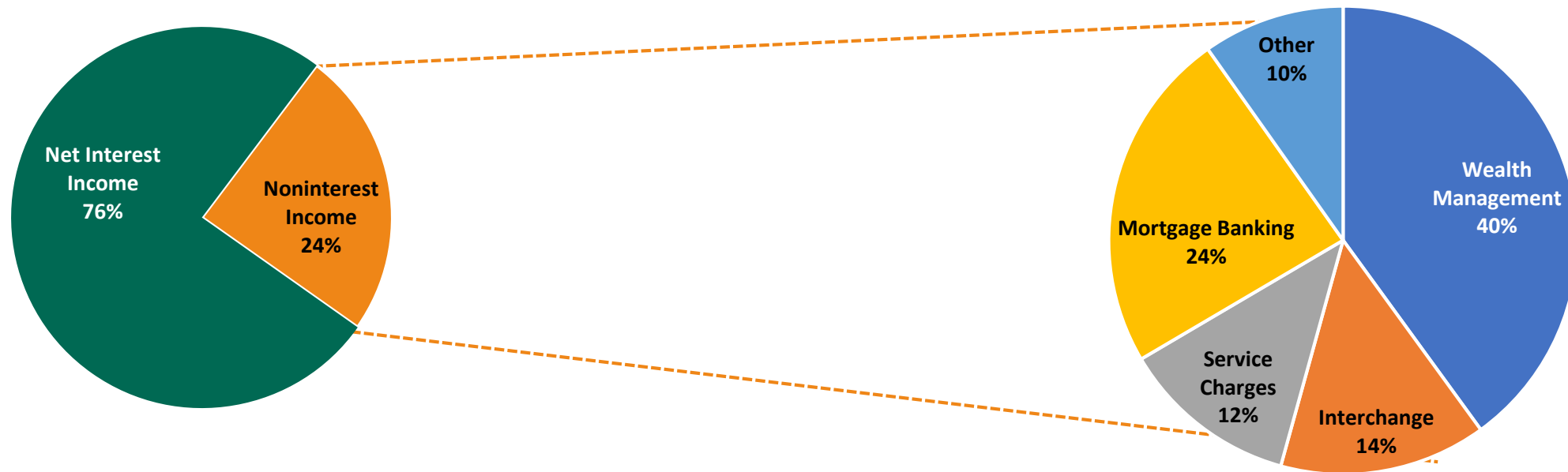


## Balance Sheet Management to Defend Net Interest Margin

- Utilize excess cash to fund commercial relationship loans
  - More than 2,800 PPP Loans forgiven as of June 30, 2021 adding cash to the balance sheet
  - Significant opportunity exists for developing long-term relationships with PPP clients new to the Bank
- Allow CDs and wholesale deposits to run-off in favor of core deposits
  - Utilize off-balance sheet sweep arrangements to retain the relationship while reducing cash drag
- Ended the second quarter of 2021 with 77% loan-to-deposit ratio; Target 90% loan-to-deposit ratio in longer-term

\* PPP loans are reported net of deferred fees and costs

# Company Overview—Revenue Mix—2Q'21



Opportunity to gain market share in growth markets

- Wealth management and mortgage not yet to scale in growth markets
  - Recruit wealth management professionals and mortgage originators in growth markets
- Focus on interchange income
  - Track card penetration and promote usage
- Continue to seek swap fee opportunities

# Right People and Aligned for Success

Name/Title	Banking Experience	Joined ORRF
<b>Thomas R. Quinn, Jr.</b> <i>President &amp; CEO</i>	31 years	2009
<b>Neelesh Kalani</b> <i>EVP/Chief Financial Officer</i>	16 years	2020
<b>Barbara E. Brobst</b> <i>EVP/Chief Human Resources Officer</i>	39 years	1997
<b>Robert G. Coradi</b> <i>EVP/Chief Risk Officer</i>	33 years	2012
<b>Philip E. Fague</b> <i>EVP/Trust and Wealth Management</i>	33 years	1988
<b>Robert Fignar</b> <i>EVP/Chief Retail Officer</i>	35 years	2018
<b>Jeffrey S. Gayman</b> <i>EVP/Market President</i>	25 years	1996
<b>Christopher Holt</b> <i>EVP/Market President</i>	32 Years	2019
<b>David T. Hornberger</b> <i>EVP/Market President</i>	35 years	2016
<b>Zachary Khuri</b> <i>EVP/Market President</i>	13 years	2019
<b>Adam L. Metz</b> <i>EVP/Chief Lending Officer</i>	25 years	2016
<b>Luke Bernstein</b> <i>EVP/Chief Operations &amp; Tech. Officer</i>	7 years	2017
<b>Matthew Dyckman</b> <i>EVP/General Counsel</i>	24 years	2021
<b>Matthew C. Schultheis, CFA</b> <i>SVP/IR and Strategic Planning</i>	27 years	2019

## Significant Experience

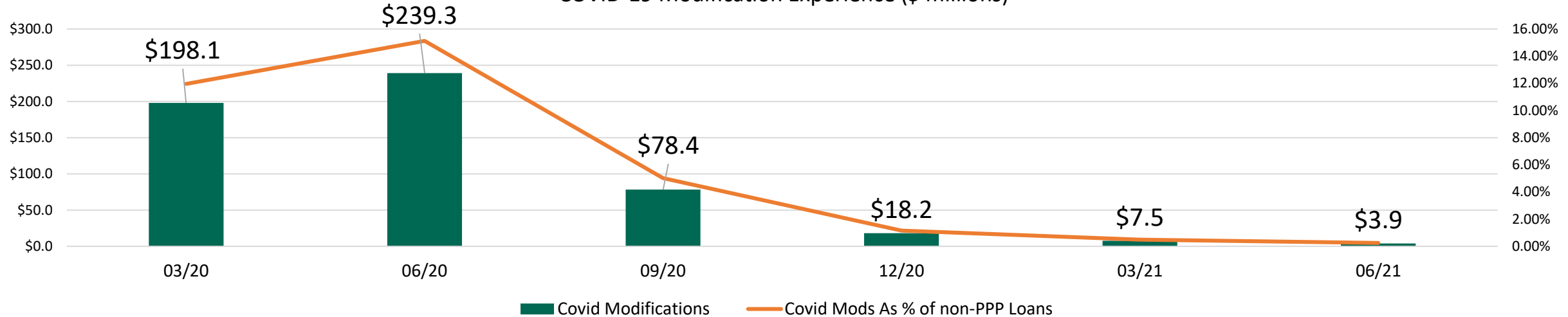
- Average 27 years of banking experience
- Average 9 years tenure at Orrstown
- Mix of newer and more seasoned employees from larger FI's brings diverse experience and viewpoints
- Range of "other" bank experience from GSIB's to community banks
- All Market Presidents have spent entire career in their "native market"

## Compensation Aligned with Shareholder Value

- Pay for profitability, not growth
- Short term incentives: paid in cash
  - Based on achievable goals
    - ROE
    - Net Income
- Long term incentives ("LTI"): paid in stock
  - LTI earned annually
    - ROE
    - Net Income
  - 50% of LTI time vests
  - 50% of LTI granted as restricted stock units that performance vest based on ROA in year three
- All LTI's have claw back and anti-hedging provisions incorporated

# Select Loan Concentration Analysis

COVID-19 Modification Experience (\$ millions)



## Non Guarantee Exposure as of June 30, 2021

Industry Segment	Segment Total (\$000)
Hotel/Motel	47,836
Strip Ctr/Retail	82,137
Restaurant/Bar	35,628
Mixed Use	24,199
Commercial Construction	43,242
Multi Family CRE	138,119
Sr Housing	83,423

- Total COVID-19 loan deferrals of \$3.9 million at June 30, 2021 or 0.25% of total non-guaranteed loans. This total includes only one commercial relationship.
- The Allowance for Loan Losses (ALL) to non-SBA guaranteed loans remained steady at 1.2% at June 30, 2021 and the ALL to non-performing loans was 195% as of June 30, 2021 compared to 192% at March 31, 2021.
- Criticized loans fell to \$94.5 million at June 30, 2021, down from \$102.4 million at March 31, 2021.
- Total classified loans decreased by \$3.7 million, or 11%, to \$28.7 million from March 31, 2021 to June 30, 2021.

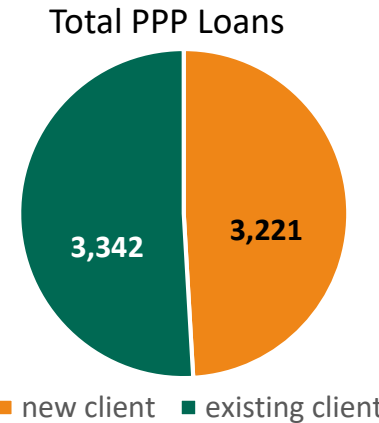
# PPP: Generating Long-Term Opportunity

- Success in PPP serves as “proof of concept” for future growth
- Prior hires of commercial lenders and access to new clients were crucial to PPP volume

## 2019

- Hired 17 commercial lenders, primarily in the 2Q'19 and 3Q'19. Produced strong results.
- Fourth quarter 2019 net loan growth of \$51 million, or 13% annualized; commercial loan growth of 20% annualized;
- Set the stage for a successful 2020 and beyond

## 2020 and Early 2021



- 6,563 PPP loans in 2020 and 2021 totaling \$699.4 million
  - 49% to new clients of the Company
  - Over 50,000 jobs saved
  - Generated \$25.8 million of net processing fees\*
- Pivoted commercial salesforce to traditional lending business in March 2021

## Mid-2021 and Beyond

- Refocused commercial lending team to generate non-PPP loans in March 2021; produced strong results.
  - Second quarter 2021 commercial loan growth, excluding PPP, of 24% annualized; strong commercial pipeline.
- New client PPP conversion to full relationships continues. As of June 30, 2021:
  - The deposit accounts of 67% of 2020 new PPP clients remains open with approximately \$120 million in deposits, roughly half is Treasury Management
  - \$29 million in non-PPP loans to new clients or direct affiliates. An additional \$35 million in loans from referrals from new clients gained from PPP.

\*At June 30, 2021, \$11.2 million in net processing fees to be recognized

# Value Proposition

Financial Highlights			
Line Item	12/31/18	06/30/2021	CAGR
Tangible Book Value per Share	\$16.73	\$21.61	10.8%
Quarterly Dividend Paid	\$0.13	\$0.18	13.9%

Shares trade at discount to peers. Company intends to use returns generated by PPP fees and balance sheet growth to invest in people and technology to:

- Improve Balance Sheet Mix
- Enhance Fee Income
- Improve Operational Efficiency
- Continue expense control

Orrstown Financial Services, Inc. (ORRF) Peer Analysis <sup>1</sup>										
Company Name	State	Ticker	Recent Market Performance (as of 07/29/2021)							
			Market Value	Dividend Yield	Price/LTM Earnings	Price/2021 Estimated EPS	Price/2022 Estimated EPS	Price/Tangible Book	Price/Book	Core Deposit Premium Per Share
			(\$000)	(%)	(x)	(x)	(x)	(%)	(%)	(%)
ACNB Corporation	PA	ACNB	245.9	3.5	8.2	NA	NA	117.9	92.4	NA
American National Bankshares Inc.	VA	AMNB	344.8	3.4	9.1	8.9	11.7	134.0	99.2	3.5
Arrow Financial Corporation	NY	AROW	562.9	2.9	11.2	10.9	12.4	170.5	159.5	6.9
BCB Bancorp, Inc.	NJ	BCBP	253.9	4.3	8.6	8.5	9.0	111.7	109.1	1.2
C&F Financial Corporation	VA	CFFI	187.7	3.1	6.4	NA	NA	107.9	93.3	0.8
Chemung Financial Corporation	NY	CHMG	210.8	2.7	8.8	8.8	10.5	116.2	103.7	1.4
Citizens & Northern Corporation	PA	CZNC	401.0	4.5	15.7	13.2	14.4	161.7	131.8	8.4
CNB Financial Corporation	PA	CCNE	393.9	2.9	9.7	7.7	7.5	120.6	106.3	1.6
Codorus Valley Bancorp, Inc.	PA	CVLY	211.6	2.0	13.7	NA	NA	107.5	106.2	0.8
Evans Bancorp, Inc.	NY	EVBN	212.2	3.0	9.9	10.7	11.0	NA	122.1	NA
First Community Bankshares, Inc.	VA	FCBC	502.0	3.7	10.7	10.9	12.5	172.1	117.4	8.0
First United Corporation	MD	FUNC	113.6	3.5	6.9	6.4	7.3	95.3	87.3	-0.4
Mid Penn Bancorp, Inc.	PA	MPB	300.8	3.0	6.8	12.9	10.4	112.6	88.1	NA
Peapack-Gladstone Financial Corp.	NJ	PGC	582.5	0.6	14.3	11.9	11.2	123.9	113.9	2.5
Penns Woods Bancorp, Inc.	PA	PWOD	168.8	5.4	10.9	NA	NA	113.1	101.1	NA
Peoples Financial Services Corp.	PA	PFIS	313.9	3.4	9.2	NA	NA	120.4	96.6	2.1
Primis Financial Corp.	VA	FRST	381.9	2.6	10.0	13.0	14.2	127.4	93.9	3.2
Shore Bancshares, Inc.	MD	SHBI	202.5	2.8	13.6	14.4	13.4	112.7	101.9	1.2
Univest Financial Corporation	PA	UVSP	806.2	2.9	8.3	9.8	11.5	142.7	109.1	4.7
<b>Peer Median</b>			<b>300.8</b>	<b>3.0</b>	<b>9.7</b>	<b>10.8</b>	<b>11.4</b>	<b>119.1</b>	<b>103.7</b>	<b>2.1</b>
<b>Peer Average</b>			<b>336.7</b>	<b>3.2</b>	<b>10.1</b>	<b>10.6</b>	<b>11.2</b>	<b>126.0</b>	<b>107.0</b>	<b>3.1</b>
<b>Orrstown Financial Services, Inc.</b>	<b>PA</b>	<b>ORRF</b>	<b>264.6</b>	<b>3.2</b>	<b>7.7</b>	<b>7.8</b>	<b>9.9</b>	<b>109.2</b>	<b>99.5</b>	<b>0.9</b>

Source: S&P Global

1. Peers as listed in Orrstown Financial Services, Inc. Proxy Statement dated March 26, 2021, excluding BMTC due to pending merger. Note: SONA is now FRST due to name change.



# Performance Ratios – 5 Year Trend

Profitability Ratios	2016	2017	2018	2019	2020	Growth 1 Year	Growth 3 Year	YTD 6/30/21
<u>Reported</u>								
Pre-tax Pre-provision Income	8.1	13.4	15.2	20.5	37.8	84%	182%	23.2
Pre-tax Pre-provision Inc / Avg Assets	0.61%	0.90%	0.89%	0.92%	1.43%			1.60% <sup>1</sup>
Pre-tax Pre-provision Inc / Avg Equity	5.9%	9.5%	10.2%	10.0%	16.7%			17.6% <sup>1</sup>
Efficiency Ratio	86%	79%	79%	79%	66%			60%
Operating Expense / Average Assets	3.6%	3.4%	3.4%	3.5%	2.8%			2.4% <sup>1</sup>
<u>Core<sup>2</sup></u>								
Pre-tax Pre-provision Income	6.7	12.2	17.4	24.7	39.2	58%	220%	
Pre-tax Pre-provision Inc / Avg Assets	0.51%	0.82%	1.02%	1.11%	1.48%			
Pre-tax Pre-provision Inc / Avg Equity	4.9%	8.7%	11.7%	12.0%	17.3%			
Efficiency Ratio	88%	80%	76%	73%	65%			
Operating Expense / Average Assets	3.6%	3.4%	3.2%	3.1%	2.8%			

1 .Annualized

2. Non-GAAP based financial measure. Please refer to the appendix for additional information. Core income statement excludes investment security gains, merger related charges and branch consolidation expenses

# For Additional Information

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# Appendix and Supplemental Information

# Five Year Trends: Summary Financials

(Dollars in thousands, except per share data, unless indicated)

	2020	2019	2018	2017	2016
<b>Results of Operations:</b>					
Tax-equivalent interest income	100,455	94,037	67,084	53,900	44,185
Interest expense	16,024	23,699	13,510	7,644	5,417
Tax-equivalent net interest income	84,431	70,338	53,574	46,256	38,768
Tax-equivalent adjustment	824	1,043	1,417	2,447	1,909
Provision for loan losses	5,325	900	800	1,000	250
Non-interest income	28,309	28,539	21,024	19,949	19,425
Non-interest expense	74,080	77,300	57,936	50,330	48,140
Income before taxes	32,511	19,634	14,445	12,428	7,894
Income taxes	6,048	2,710	1,640	4,338	1,266
Net income	26,463	16,924	12,805	8,090	6,628
<b>Per Share Data &amp; Market Capitalization:</b>					
Market capitalization (\$ millions)	\$185.4	\$253.3	\$171.7	\$210.8	\$185.6
End of period price per share	\$16.55	\$22.62	\$18.21	\$25.25	\$22.40
Net income - basic per share	\$2.42	\$1.63	\$1.53	\$1.00	\$0.82
Net income - diluted per share	\$2.40	\$1.61	\$1.50	\$0.98	\$0.81
Dividends declared per share	\$0.68	\$0.60	\$0.51	\$0.42	\$0.35
Book value per share	\$21.98	\$19.93	\$18.39	\$17.34	\$16.28
<b>Period End Balances:</b>					
Assets	2,750,572	2,383,274	1,934,388	1,558,849	1,414,504
Loans held for investment	1,979,690	1,644,330	1,247,657	1,010,012	883,391
Investment securities	477,028	507,069	476,686	425,305	408,124
Deposits	2,356,880	1,875,522	1,558,756	1,219,515	1,152,452
Borrowings	109,414	249,783	179,378	177,391	112,027
Shareholders' equity	246,249	223,249	173,433	144,765	134,859
<b>Average Balances:</b>					
Assets	2,645,847	2,225,121	1,710,597	1,488,423	1,325,150
Loans	1,928,486	1,492,815	1,100,626	944,352	833,265
Investment securities	494,372	499,282	479,517	420,583	360,355
Deposits	2,153,592	1,843,077	1,377,557	1,197,522	1,092,843
Borrowings	229,395	144,479	165,951	134,150	80,722
Shareholders' equity	226,900	206,021	149,662	141,301	137,973

# Five Year Trends: Key Performance Metrics

	2020	2019	2018	2017	2016
<b>Performance Ratios (%):</b>					
Return on average assets	1.00	0.76	0.75	0.54	0.50
Return on average common equity	11.66	8.21	8.56	5.73	4.80
Yield on average interest-earning assets	4.09	4.59	4.20	3.90	3.61
Rate on average interest-bearing liabilities	0.80	1.35	0.99	0.65	0.53
Net interest spread	3.29	3.24	3.21	3.25	3.08
Net interest margin	3.44	3.43	3.36	3.35	3.16
Efficiency ratio	66.19	79.01	79.17	78.94	85.53
<b>Capital Ratios (%):</b>					
Tier 1 leverage	8.05	8.56	8.42	8.95	9.33
Common equity tier 1 to risk-weighted assets	12.48	11.33	12.03	12.11	13.30
Tier 1 capital to risk-weighted assets	12.48	11.33	12.03	12.11	13.30
Total regulatory capital to risk-weighted assets	15.55	14.07	15.56	13.29	14.55
Average equity to average assets	8.58	9.26	8.75	9.49	10.41
<b>Credit Quality Ratios (%):</b>					
Allowance for loan loss to loans	1.02	0.89	1.12	1.27	1.45
Nonperforming assets to assets	0.37	0.46	0.27	0.69	0.52
Net charge-offs to average loans and leases	(0.01)	0.02	(0.04)	0.10	0.13

# Five Quarter Trends: Summary Financials

(Dollars in thousands, except per share data, unless indicated)

	06/21	03/21	12/20	09/20	06/20
<b>Results of Operations:</b>					
Tax-equivalent interest income	23,877	24,125	26,617	24,423	25,252
Interest expense	1,755	2,074	2,697	3,398	4,224
Tax-equivalent net interest income	22,122	22,051	23,920	21,025	21,028
Tax-equivalent adjustment	221	196	192	207	230
Provision (credit) for loan losses	625	(1,000)	300	2,200	1,900
Non-interest income	6,664	7,544	7,181	6,861	7,193
Non-interest expenses	17,033	17,783	18,080	19,265	18,431
Income before taxes	10,907	12,616	12,530	6,214	7,660
Income taxes	2,131	2,409	2,471	1,237	1,301
Net income	8,776	10,207	10,059	4,977	6,359
<b>Per Share Data &amp; Market Capitalization:</b>					
Market capitalization (\$ millions)	\$259.8	\$250.9	\$185.4	\$143.4	\$165.3
End of period price per share	\$23.07	\$22.30	\$16.55	\$12.80	\$14.75
Net income - basic per share	\$0.80	\$0.93	\$0.92	\$0.45	\$0.58
Net income - diluted per share	\$0.79	\$0.92	\$0.91	\$0.45	\$0.58
Dividends declared per share	\$0.18	\$0.18	\$0.17	\$0.17	\$0.17
Book value per share	\$23.61	\$22.62	\$21.98	\$20.78	\$20.13
<b>Period End Balances:</b>					
Assets	2,912,717	2,963,534	2,750,572	2,781,667	2,772,796
Loans held for investment	1,945,383	2,045,021	1,979,690	2,029,870	2,041,317
Investment securities	460,093	417,997	477,028	490,934	500,192
Deposits	2,494,100	2,547,089	2,356,880	2,279,483	2,251,731
Borrowings	112,641	112,654	109,414	232,707	258,395
Shareholders' equity	265,938	254,448	246,249	232,847	225,638
<b>Average Balances:</b>					
Assets	2,931,559	2,829,824	2,733,145	2,771,506	2,710,594
Loans	2,014,600	2,033,219	2,015,749	2,054,193	1,988,114
Investment securities	438,110	468,273	486,613	496,107	493,847
Deposits	2,522,907	2,431,915	2,272,941	2,231,962	2,230,089
Borrowings	112,237	111,361	187,508	272,593	228,785
Shareholders' equity	258,854	250,304	236,480	229,621	215,209

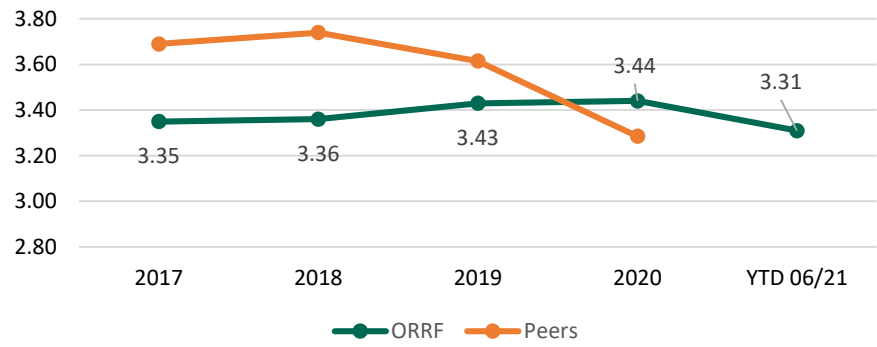


# Five Quarter Trends: Key Performance Indicators

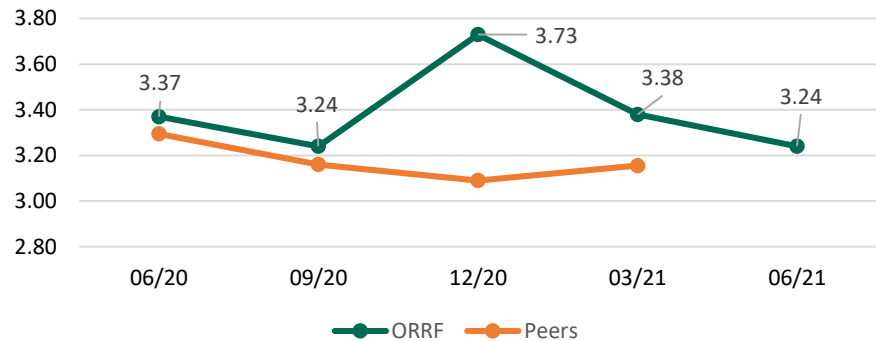
<i>(Percent unless indicated)</i>	06/21	03/21	12/20	09/20	06/20
<b>Performance Ratios (%):</b>					
Return on average assets	1.20	1.44	1.47	0.72	0.94
Return on average common equity	13.56	16.31	17.01	8.67	11.82
Yield on average interest-earning assets	3.49	3.70	4.15	3.76	4.05
Rate on average interest-bearing liabilities	0.34	0.42	0.52	0.65	0.85
Net interest spread	3.15	3.28	3.63	3.12	3.20
Net interest margin	3.24	3.38	3.73	3.24	3.37
Efficiency ratio	59.62	60.49	58.49	69.60	65.85
<b>Capital Ratios (%):</b>					
Tier 1 leverage	8.02	8.07	8.05	7.81	7.62
Common equity tier 1 to risk-weighted assets	12.72	13.16	12.48	12.01	11.65
Tier 1 capital to risk-weighted assets	12.72	13.16	12.48	12.01	11.65
Total regulatory capital to risk-weighted assets	15.61	16.23	15.55	15.04	14.52
Average equity to average assets	8.83	8.85	8.65	8.29	7.94
<b>Credit Quality Ratios (%):</b>					
Allowance for loan loss to loans	1.00	0.92	1.01	0.97	0.86
Nonperforming assets to assets	0.34	0.33	0.37	0.28	0.27
Net charge-offs to average loans and leases	0.04	0.04	(0.03)	(0.00)	0.04

# Performance Trends

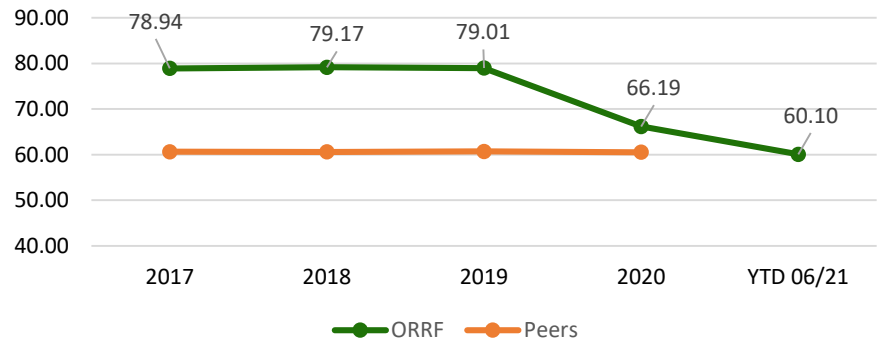
**Reported: Net Interest Margin (%)**



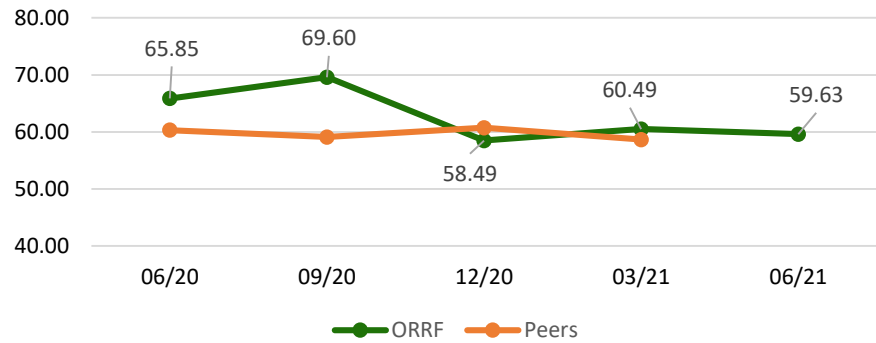
**Reported: Net Interest Margin (%)**



**Efficiency Ratio (%)**

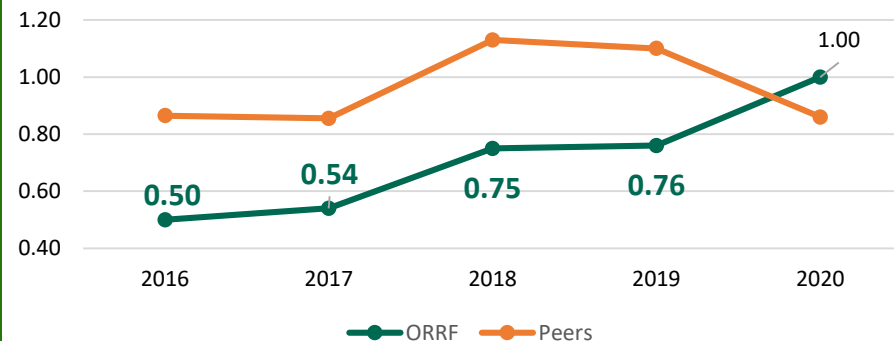


**Efficiency Ratio (%)**

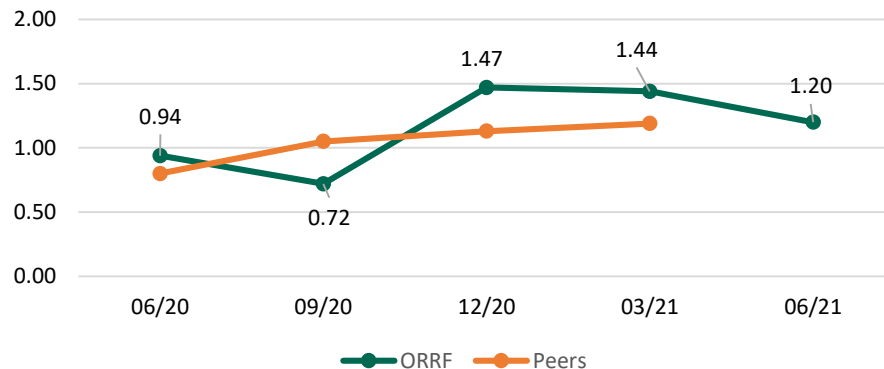


# Performance Trends (continued)

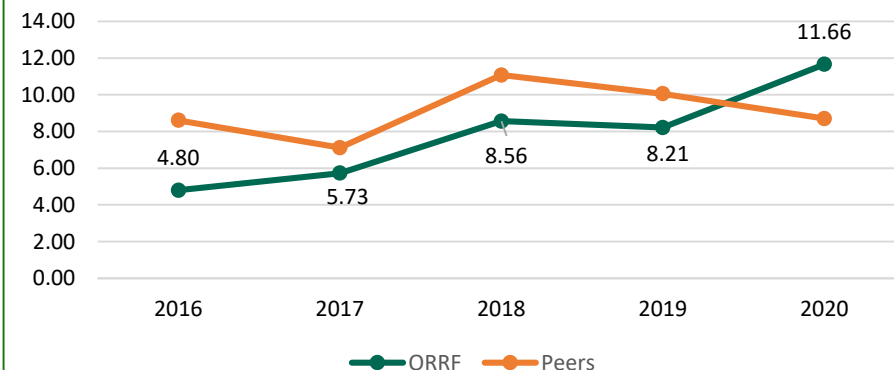
Reported: ROAA (%)



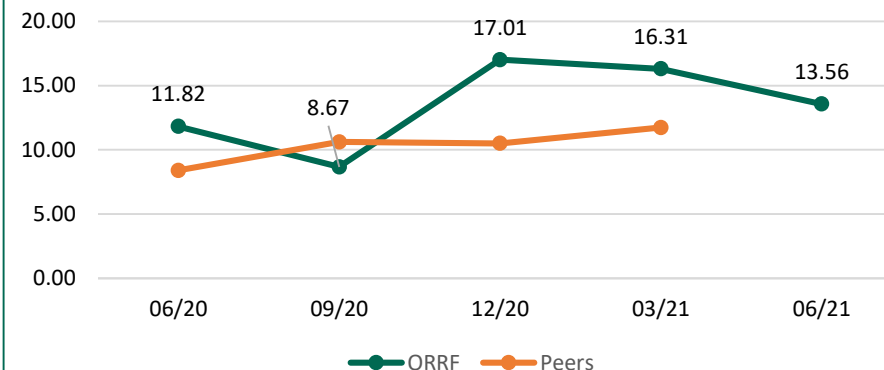
Reported: ROAA (%)



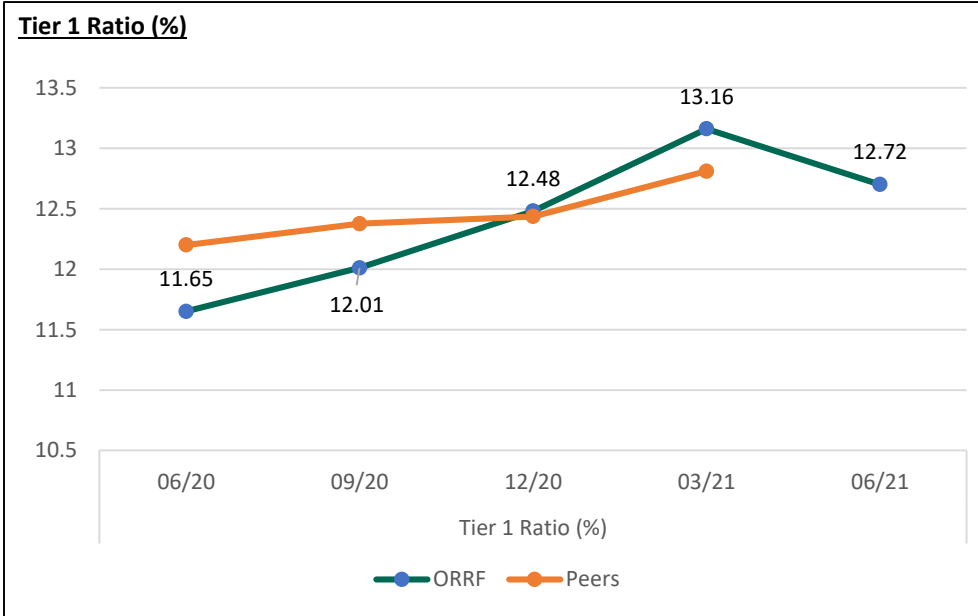
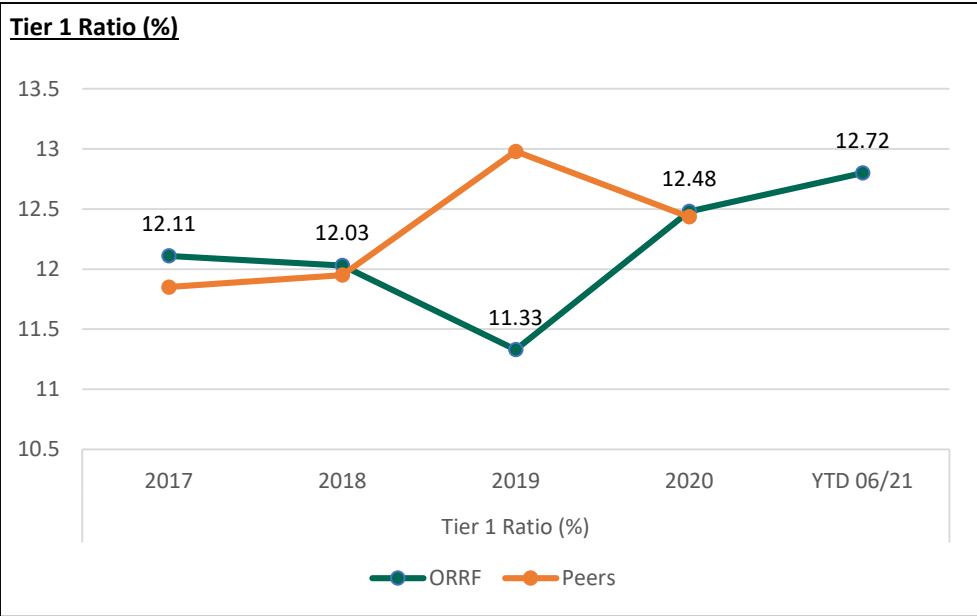
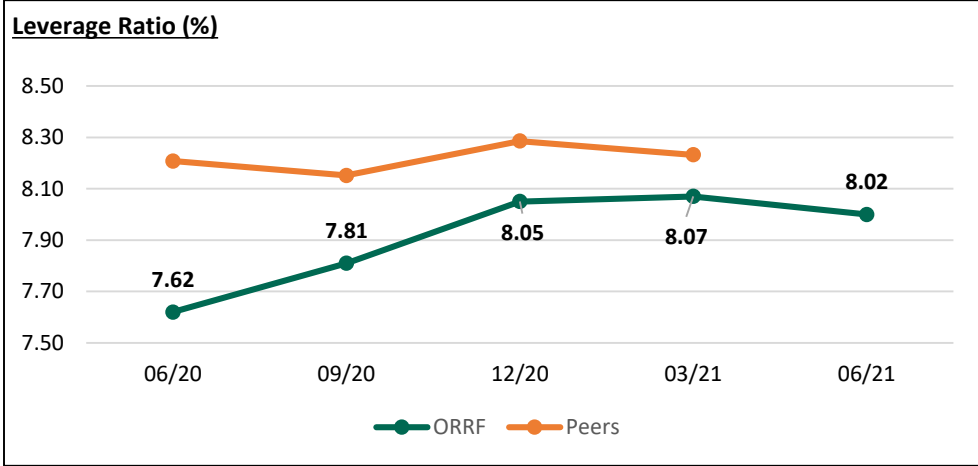
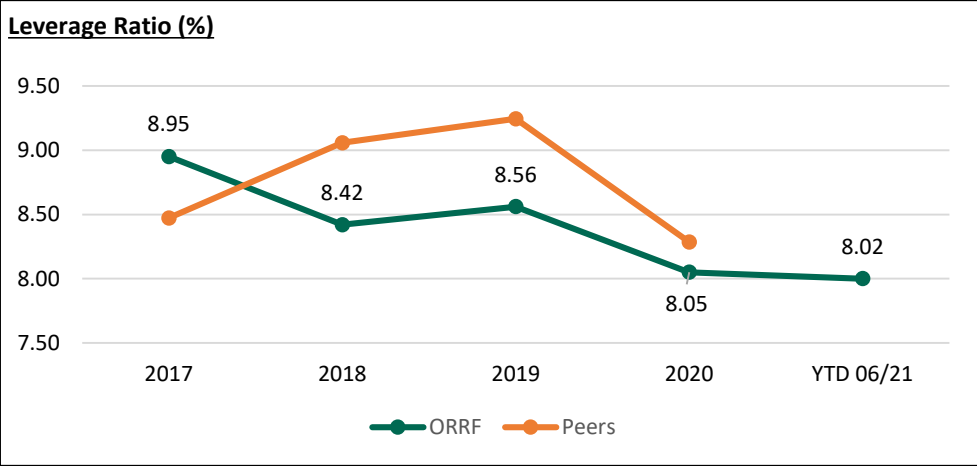
Reported: ROAE (%)



Reported: ROAE (%)

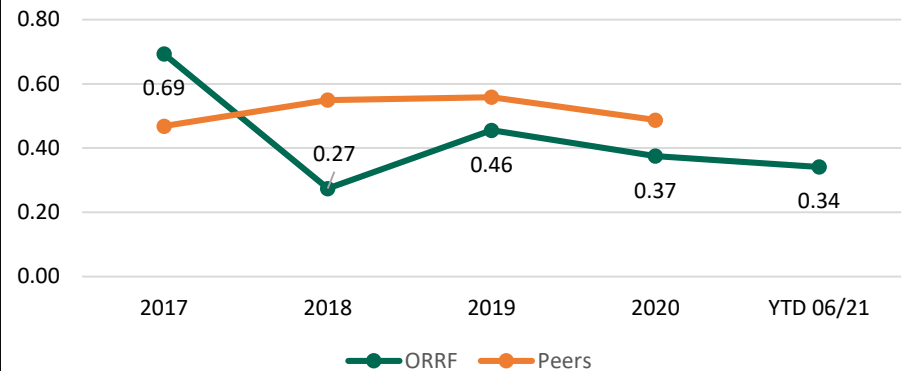


# Capital Trends

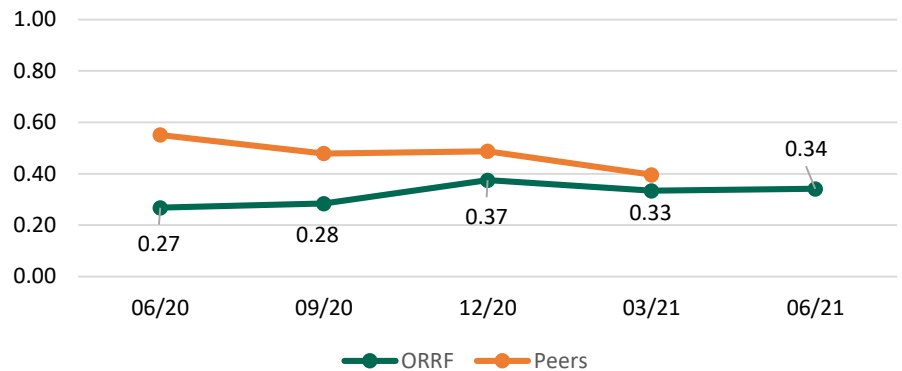


# Asset Quality Trends

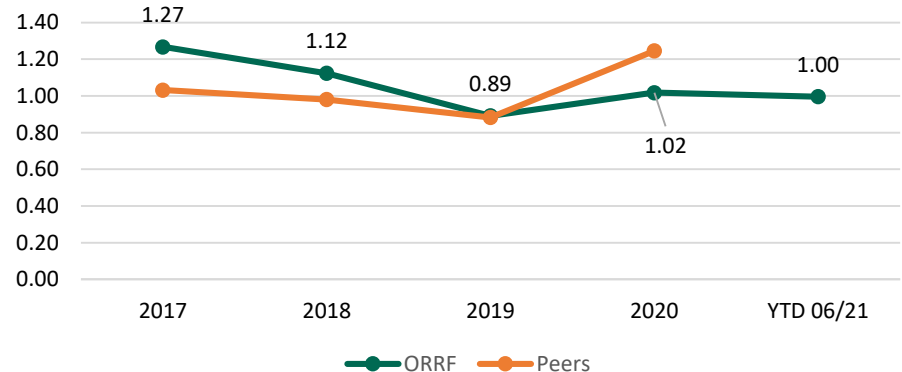
**NPA's / Assets (%)**



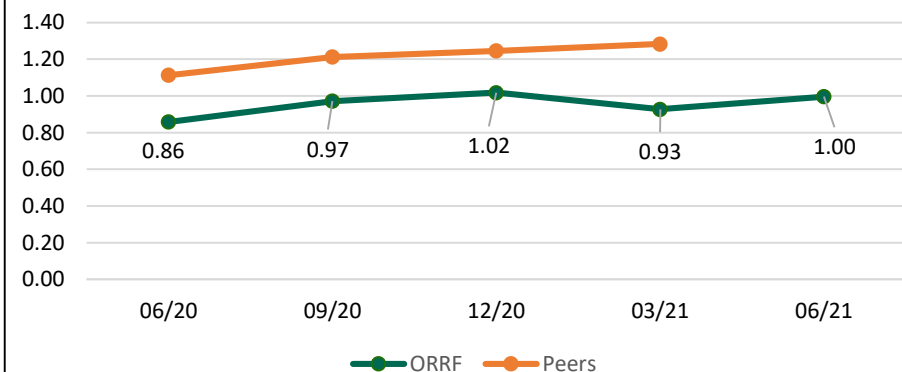
**NPA's / Assets (%)**



**Reserves / Loans Held For Investment (%)**



**Reserves / Loans Held For Investment (%)**



# Income Statement Trends

<i>dollars in millions</i>							
Income Statement	2016	2017	2018	2019	2020	Growth 1 Year	Growth 3 Year
Net Interest Income	36.5	43.8	52.2	69.3	83.6	21%	91%
Non-Interest Income	18.3	18.8	20.0	23.8	28.3	19%	51%
Net Securities Gains	1.4	1.2	1.0	4.7	0.0	(100%)	-101%
<b>Total Revenue</b>	<b>56.3</b>	<b>63.8</b>	<b>73.2</b>	<b>97.8</b>	<b>111.9</b>	<b>14%</b>	<b>76%</b>
Non-Interest Expense	48.1	50.3	54.7	68.3	72.8	6%	45%
Merger & Consolidation Charges	0.0	0.0	3.2	9.0	1.3	(85%)	NM
<b>Total Expenses</b>	<b>48.1</b>	<b>50.3</b>	<b>57.9</b>	<b>77.3</b>	<b>74.1</b>	<b>(4%)</b>	<b>47%</b>
Provision for Loan Losses	0.3	1.0	0.8	0.9	5.3	492%	433%
<b>Pretax Income</b>	<b>7.9</b>	<b>12.4</b>	<b>14.4</b>	<b>19.6</b>	<b>32.5</b>	<b>66%</b>	<b>162%</b>
<b>Net Income</b>	<b>6.6</b>	<b>8.1</b>	<b>12.8</b>	<b>16.9</b>	<b>26.5</b>	<b>56%</b>	<b>227%</b>

<i>in dollars</i>							
Core Revenue <sup>1</sup>	54.9	62.6	72.2	93.1	111.9	20%	79%
Core Expense <sup>1</sup>	48.1	50.3	54.7	68.3	72.8	6%	45%
<b>Core Pre-tax Pre-provision Income</b>	<b>6.7</b>	<b>12.2</b>	<b>17.4</b>	<b>24.7</b>	<b>39.2</b>	<b>58%</b>	<b>220%</b>
<i>per diluted share</i>							
Core Revenue <sup>1</sup>	6.74	7.61	8.45	8.85	10.14	15%	33%
Core Expense <sup>1</sup>	5.91	6.12	6.41	6.50	6.60	1%	8%
<b>Core Pre-tax Pre-provision Income</b>	<b>0.83</b>	<b>1.49</b>	<b>2.04</b>	<b>2.35</b>	<b>3.55</b>	<b>51%</b>	<b>139%</b>
(000's)							

1 Non-GAAP based financial measure. Please refer to the slide 31 for additional information. Core income statement measures exclude investment security gains, merger related charges and branch consolidation expenses.



# Balance Sheet Trends & Select Loan Metrics

<i>dollars in millions</i>							
Loan Portfolio Mix	2016	2017	2018	2019	2020	Growth 1 Year	Growth 3 Year
<b>Total Gross Loans</b>	<b>886</b>	<b>1,016</b>	<b>1,251</b>	<b>1,654</b>	<b>1,991</b>	<b>20%</b>	<b>96%</b>
Residential Mortgage	16%	16%	19%	20%	12%		
Home Equity	15%	14%	12%	11%	8%		
Other Consumer	1%	2%	3%	3%	1%		
<b>Total Consumer Loans</b>	<b>32%</b>	<b>33%</b>	<b>34%</b>	<b>34%</b>	<b>22%</b>		
<b>Construction Loans</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>		
Commercial Real Estate	49%	49%	45%	46%	41%		
Commercial & Industrial	10%	11%	13%	13%	33%		
Other Commercial	6%	4%	4%	3%	1%		
<b>Total Commercial Loans</b>	<b>65%</b>	<b>64%</b>	<b>62%</b>	<b>62%</b>	<b>75%</b>		
<b>Total Loans (HFI)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		

<i>dollars in millions</i>							
Deposit Portfolio Mix	2016	2017	2018	2019	2020	Growth 1 Year	Growth 3 Year
<b>Total Deposits</b>	<b>1,152</b>	<b>1,220</b>	<b>1,559</b>	<b>1,876</b>	<b>2,357</b>	<b>26%</b>	<b>93%</b>
Non-Interest DDA	13%	13%	13%	13%	19%		
Interest DDA	39%	39%	36%	33%	38%		
<b>Total DDA</b>	<b>52%</b>	<b>52%</b>	<b>49%</b>	<b>46%</b>	<b>57%</b>		
Money Market & Savings	23%	25%	26%	26%	26%		
<b>Total Core Deposits</b>	<b>74%</b>	<b>78%</b>	<b>75%</b>	<b>72%</b>	<b>83%</b>		
CD	26%	22%	25%	28%	17%		
<b>Total Deposits</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		

# Capital Adequacy

<i>dollars in millions</i>						Growth	Growth
Capital Adequacy	2016	2017	2018	2019	2020	1 Year	3 Year
Tier 1 Capital	\$127.0	\$138.8	\$160.1	\$196.5	\$217.6	11%	57%
Tier 2 Capital	\$ 12.0	\$ 13.6	\$ 46.9	\$ 47.6	\$ 53.6	13%	294%
<b>Total Regulatory Capital</b>	<b>\$139.0</b>	<b>\$152.4</b>	<b>\$207.0</b>	<b>\$244.0</b>	<b>\$271.2</b>	<b>11%</b>	<b>78%</b>
Tier 1 Leverage Ratio	9.3%	9.0%	8.4%	8.6%	8.1%		
Common Equity Tier 1 Ratio	13.3%	12.1%	12.0%	11.3%	12.5%		
Tier 1 Capital Ratio	13.3%	12.1%	12.0%	11.3%	12.5%		
Total Risk Based Capital Ratio	14.6%	13.3%	15.6%	14.1%	15.6%		

# ESG Initiatives and Focus

Environmental	Social	Governance
<p><b>General Philosophy</b></p> <p>Environmental responsibility is in alignment with strong business practices and our core values. Being good stewards of the environment, reducing energy consumption and eliminating waste through proactive and conscious planning reduces costs, enhances our profitability and helps mitigate negative environmental impacts.</p>	<p><b>General Philosophy</b></p> <p>As a community bank, caring for our communities is not a policy, it's part of our DNA and our social responsibilities are included in our mission statement and core values.</p>	<p><b>General Philosophy</b></p> <ul style="list-style-type: none"> <li>• Our Governance worldview is best summarized in our Mission statement: We create value for our shareholders by providing outstanding client experiences through community engagement and local decisions from people you know and trust.</li> <li>• Our Board actively assesses the Company's strategic direction, growth, financial performance, and risks</li> <li>• We work to align executive compensation with building a company for the long-term benefit of shareholders</li> </ul>
<p><b>Examples of Impact</b></p> <ul style="list-style-type: none"> <li>• Strategic focus on alternative energy (Solar) lending</li> <li>• Recycling programs at all facilities</li> <li>• No direct exposure to fracking or fossil fuel extraction industry</li> </ul>	<ul style="list-style-type: none"> <li>• Top down focus on Diversity, Equity, and Inclusion efforts and meaningful impacts</li> <li>• First time homebuyer program and outreach</li> <li>• Launched BankOn certified checking account for un-banked/underbanked outreach</li> <li>• Outperformed peers with PPP lending efforts in 2020-2021</li> <li>• Participant in Baltimore's Healthy Neighborhoods program</li> <li>• Significant volunteer activity and leadership of socially conscious community organizations</li> <li>• Feet-on-the-ground approach to disaster relief. Filled, drove, and delivered full tractor trailer loads of needed supplies for three different recent hurricanes in Texas, the Carolinas, and the Florida Keys area</li> </ul>	<p><u>Board Composition:</u></p> <ul style="list-style-type: none"> <li>• 90% of Board members are independent directors; some live outside the Company's market and bring considerable industry knowledge</li> <li>• 20% of independent directors are women</li> </ul> <p><u>Executive Compensation:</u></p> <ul style="list-style-type: none"> <li>• All bonuses have clawback features</li> <li>• Supplemental Executive Retirement Plans (SERPs) are funded through whole life insurance policies on which the Company earns a return and is the beneficiary</li> </ul>

# Summary Financial Trends

<i>dollars in millions (except for per share information)</i>							Growth	Growth
Summary Trends (as of and for the year ended December 31, )	2016	2017	2018	2019	2020		1 Year	3 Year
Assets	\$1,415	\$1,559	\$1,934	\$2,383	\$2,751		15%	76%
Net Loans	873	1,003	1,237	1,630	1,960		20%	95%
Deposits	1,152	1,220	1,559	1,876	2,357		26%	93%
Equity	135	145	173	223	246		10%	70%
Tangible Book Value / Share <sup>1</sup>	16.15%	17.22%	16.73%	17.66%	19.93%		13%	16%
Diluted Earnings / Share	\$0.81	\$0.98	\$1.50	\$1.61	\$2.40		49%	145%
Dividend / Share	\$0.35	\$0.42	\$0.51	\$0.60	\$0.68		13%	62%
Market Capitalization	\$186	\$211	\$172	\$253	\$185		(27%)	(12%)
Employees	319	330	376	450	418		(7%)	(27%)

1. Non-GAAP based financial measure. Please refer to slide 31 for additional information

# GAAP to Non-GAAP Reconciliation

## **APPENDIX - Supplemental Reporting of Non-GAAP Measures and GAAP to Non-GAAP Reconciliations**

Management believes providing certain “non-GAAP” financial information will assist investors in their understanding of the effect of acquisition activity on reported results, particularly to overcome comparability issues related to the influence of intangibles (principally goodwill) created in acquisitions. Management also believes providing certain other “non-GAAP” financial information will assist investors in their understanding of the effect on recent financial results of non-recurring charges associated with increasing operational efficiencies for the long-term, and provide investors with clarity on its allowance for loan losses to total loans ratio. The Company believes that excluding SBA PPP loans, due to its credit enhancement, from loans held for investment is useful to investors due to the size and effect on the total and ratio.

Tangible book value per share, various core earnings measures and allowance to non-SBA guaranteed loans, as used by the Company in this presentation, are determined by methods other than in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). While we believe this information is a useful supplement to GAAP based measures presented in this presentation, readers are cautioned that this non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for financial measures determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of our results and financial condition as reported under GAAP, nor are such measures necessarily comparable to non-GAAP performance measures that may be presented by other companies. This supplemental presentation should not be construed as an indication that our future results will be unaffected by similar adjustments to be determined in accordance with GAAP.

# GAAP to Non-GAAP Reconciliation (continued)

(\$ in millions, except per share data)

## Non GAAP Financial Measure Reconciliation

Reported	2016	2017	2018	2019	2020
Net Interest Income	36.5	43.8	52.2	69.3	83.6
Plus Non-Interest Income	19.7	19.9	21.0	28.5	28.3
<b>Total Revenue (A)</b>	<b>56.3</b>	<b>63.8</b>	<b>73.2</b>	<b>97.8</b>	<b>111.9</b>
<b>Total Non-Interest Expense (B)</b>	<b>48.1</b>	<b>50.3</b>	<b>57.9</b>	<b>77.3</b>	<b>74.1</b>
Efficiency Ratio (B / A)	86%	79%	79%	79%	66%

Income Statement / Diluted Share	2016	2017	2018	2019	2020
Core Revenue (C)	54.9	62.6	72.2	93.1	111.9
Core Non-Interest Expense (D)	48.1	50.3	54.7	68.3	72.8
<b>Core Pre-tax pre-provision Income (C - D)</b>	<b>6.7</b>	<b>12.2</b>	<b>17.4</b>	<b>24.7</b>	<b>39.2</b>
Diluted Shares (E)	8.1	8.2	8.5	10.5	11.0
Core Revenue / Diluted Share (C / E)	6.74	7.61	8.45	8.85	10.14
Core Non-Interest Expense / Diluted Share (D / E)	5.91	6.12	6.41	6.50	6.60
<b>Core Pre-tax Pre-provision Income / Diluted Share (C - D)</b>	<b>0.83</b>	<b>1.49</b>	<b>2.04</b>	<b>2.35</b>	<b>3.55</b>

Core	2016	2017	2018	2019	2020
Net Interest Income	36.5	43.8	52.2	69.3	83.6
Plus Non-Interest Income	19.7	19.9	21.0	28.5	28.3
Minus Security Gains	-1.4	-1.2	-1.0	-4.7	0.0
<b>Total Core Revenue (C)</b>	<b>54.9</b>	<b>62.6</b>	<b>72.2</b>	<b>93.1</b>	<b>111.9</b>
Non-Interest Expense	48.1	50.3	57.9	77.3	74.1
Minus Branch Consolidation & Merger Exp	0.0	0.0	-3.2	-9.0	-1.3
<b>Total Core Non-Interest Expense (D)</b>	<b>48.1</b>	<b>50.3</b>	<b>54.7</b>	<b>68.3</b>	<b>72.8</b>
Core Efficiency Ratio (D / C)	88%	80%	76%	73%	65%

Tangible Book Value	2016	2017	2018	2019	2020
Total Shareholders Equity	134.9	144.8	173.4	223.2	246.2
Minus Goodwill	-0.8	-0.8	-12.6	-19.9	-18.7
Minus Intangible Assets	-0.2	-0.2	-3.1	-5.6	-4.2
<b>Tangible Book Value (F)</b>	<b>133.8</b>	<b>143.8</b>	<b>157.7</b>	<b>197.8</b>	<b>223.3</b>
<b>Ending Period Shares (G)</b>	<b>8.3</b>	<b>8.3</b>	<b>9.4</b>	<b>11.2</b>	<b>11.2</b>
Tangible Book Value / Share (F / G)	16.15	17.22	16.73	17.66	19.93



# GAAP to Non-GAAP Reconciliation (continued)

(\$ in thousands)

Efficiency Ratio Reconciliation	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Non-interest expense (A)	\$ 17,033	\$ 17,783	\$ 18,080	\$ 19,265	\$ 18,431
Net interest income (B)	21,901	21,855	23,728	20,818	20,798
Non-interest income (C)	6,664	7,544	7,181	6,861	7,193
<b>Total revenue (B + C) = D</b>	<b>28,565</b>	<b>29,399</b>	<b>30,909</b>	<b>27,679</b>	<b>27,991</b>
<b>Efficiency ratio (A / D)</b>	<b>59.63%</b>	<b>60.49%</b>	<b>58.49%</b>	<b>69.60%</b>	<b>65.85%</b>

Efficiency Ratio Reconciliation	2020	2019	2018	2017	2016
Non-interest expense (A)	\$ 74,080	\$ 77,300	\$ 57,935	\$ 50,330	\$ 48,140
Net interest income (B)	83,607	69,295	52,156	43,809	36,545
Non-interest income (C)	28,309	28,539	21,024	19,949	19,739
<b>Total revenue (B + C) = D</b>	<b>111,916</b>	<b>97,834</b>	<b>73,180</b>	<b>63,758</b>	<b>56,284</b>
<b>Efficiency ratio (A / D)</b>	<b>66.19%</b>	<b>79.01%</b>	<b>79.17%</b>	<b>78.94%</b>	<b>85.53%</b>

Allowance to Non-SBA Guaranteed Loans	6/30/2021	3/31/2021
Allowanc for loan losses (A)	\$ 19,381	\$ 18,967
Gross loans (B)	1,945,383	2,045,021
SBA guaranteed loans (C)	356,905	506,296
<b>Non-SBA guaranteed loans (B - C) = D</b>	<b>1,588,478</b>	<b>1,538,725</b>
<b>Allowance to non-SBA guaranteed loans (A / D)</b>	<b>1.2%</b>	<b>1.2%</b>