

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934**

April 24, 2024

Date of Report (Date of earliest event reported)

TOWNE BANK

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation)

35095

(FDIC Insurance Cert. No.)

54-1910608

(IRS Employer Identification No.)

5716 High Street, Portsmouth, Virginia

(Address of principal executive offices)

23703

(Zip Code)

(757) 638-7500

(Registrant's telephone number, including area code)

No Change

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| Common Stock, par value \$1.667 per share | TOWN | The Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On April 24, 2024, TowneBank issued a press release announcing its results of operations and financial condition for the first quarter ended March 31, 2024. The press release is being furnished as Exhibit 99.1 to this report and incorporated by reference into this Item 2.02.

Item 7.01 Regulation FD Disclosure.

On April 24, 2024, TowneBank issued an earnings presentation, which contains information that the members of TowneBank management will use during visits with investors, analysts, and other interested parties to assist their understanding of TowneBank. The earnings presentation is being furnished as Exhibit 99.2 to this report and incorporated by reference into this Item 7.01.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.* The following exhibits are being furnished, and not filed, as part of this report.

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|--|
| 99.1 | Press release, dated April 24, 2024 |
| 99.2 | Earnings Presentation 1 st Quarter 2024 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TowneBank
(Registrant)

Date: April 25, 2024

By: /s/ William B. Littreal
William B. Littreal
Senior Executive Vice President
and Chief Financial Officer



News Release

FOR IMMEDIATE RELEASE

TOWNEBANK REPORTS FIRST QUARTER 2024 EARNINGS

Suffolk, VA., April 24, 2024 - TowneBank (the "Company" or "Towne") (NASDAQ: TOWN) today reported earnings for the quarter ended March 31, 2024 of \$34.69 million, or \$0.46 per diluted share, compared to \$38.33 million, or \$0.52 per diluted share, for the quarter ended March 31, 2023. Excluding acquisition-related items and the incremental FDIC special assessment, adjusted earnings (non-GAAP) for first quarter 2024 were \$36.27 million, or \$0.48 per diluted share, compared to \$46.30 million, or \$0.62 per diluted share, for first quarter 2023.

"TowneBank had a solid start to the year with our continued focus on maintaining healthy levels of capital and liquidity. While we continue to see migration to interest-bearing accounts, it was encouraging to generate overall annualized deposit growth of nearly 7% for the first quarter, demonstrating the durability of the TowneBank operating mode. Our ongoing growth strategy for our ancillary lines of business, including insurance and property management, continues to serve as a partial hedge to offset rising deposit costs," said G. Robert Aston, Jr., Executive Chairman.

Highlights for First Quarter 2024:

- Total revenues were \$167.10 million, a decrease of \$17.04 million, or 9.25%, compared to first quarter 2023. Net interest income declined \$20.16 million, driven by higher rates on deposits and the continuation a migration from noninterest-bearing to interest-bearing deposits. The decrease was partially offset by an increase in noninterest income of \$3.12 million.
- Total deposits were \$14.13 billion, an increase of \$527.94 million, or 3.88%, compared to first quarter 2023. Total deposits increased 1.68%, or \$232.87 million, in comparison to December 31, 2023, 6.74% on an annualized basis.
- Noninterest-bearing deposits decreased 17.27%, to \$4.19 billion, compared to first quarter 2023 and represented 29.69% of total deposits. Compared to the linked quarter, noninterest-bearing deposits decreased 3.42%.

- Loans held for investment were \$11.45 billion, an increase of \$278.56 million, or 2.49%, compared to March 31, 2023, and \$123.32 million, or 1.09%, compared to December 31, 2023, 4.38% on an annualized basis.
- Annualized return on common shareholders' equity was 6.89% compared to 8.05% in first quarter 2023. Annualized return on average tangible common shareholders' equity (non-GAAP) was 9.98% compared to 11.83% in first quarter 2023.
- Net interest margin was 2.72% for the quarter and tax-equivalent net interest margin (non-GAAP) was 2.75%, including purchase accounting accretion of 4 basis points, compared to the prior year quarter net interest margin of 3.36% and tax-equivalent net interest margin (non-GAAP) of 3.39%, including purchase accounting accretion of 3 basis points.
- The effective tax rate was 17.31% in the quarter compared to 20.03% in first quarter 2023 and 8.46% in the linked quarter. The lower tax rate in the linked quarter was due to a decline in state tax expense in fourth quarter 2023, increases in tax-advantaged income investments, and deferred taxes related to the sale of Berkshire Hathaway HomeServices ("BHHS") Towne Realty.

"We reported strong asset quality metrics for the quarter and continued to focus on our strategy to align loan and deposit growth, which is reflective of our conservative approach to Main Street banking. Additionally, we were excited to close our first property management acquisition in Florida adding another market to our unique portfolio of property management companies," stated William I. Foster III, President and Chief Executive Officer.

Quarterly Net Interest Income:

- Net interest income was \$103.22 million compared to \$123.38 million for the quarter ended March 31, 2023. The decrease was driven by interest-bearing deposit growth, coupled with increased deposit costs, outpacing higher earning asset yields.
- On an average basis, loans held for investment, with a yield of 5.37%, represented 74.54% of earning assets at March 31, 2024 compared to a yield of 4.88% and 74.61% of earning assets in the first quarter of 2023.
- The cost of interest-bearing deposits was 3.24% for the quarter ended March 31, 2024, compared to 1.66% in 2023. Interest expense on deposits increased \$44.45 million, or 131.00%, over the prior year quarter driven by the increase in rate.
- Our total cost of deposits increased to 2.26% from 1.02% for the quarter ended March 31, 2023 due to a combination of higher interest-bearing deposit costs and the decline in noninterest-bearing deposits.

- Average interest-earning assets totaled \$15.27 billion at March 31, 2024 compared to \$14.87 billion at March 31, 2023, an increase of 2.64%. The Company anticipates \$550 million of cash flows from its securities portfolio to be available for reinvestment in the next two years.
- Average interest-bearing liabilities totaled \$10.21 billion, an increase of \$1.30 billion, or 14.60% from prior year. Average short term FHLB borrowings were \$174.73 million during the quarter compared to \$263.33 million one year prior.

Quarterly Provision for Credit Losses:

- The quarterly provision for credit losses was a benefit of \$0.88 million compared to an expense of \$11.67 million in the prior year quarter and \$2.45 million in the linked quarter. Prior year quarter included \$4.01 million in provision related to the acquisition of Farmers Bankshares, Inc. and its wholly owned subsidiary Farmers Bank ("Farmers").
- The allowance for credit losses on loans decreased \$0.63 million in first quarter 2024, compared to the linked quarter. The decrease in the allowance was driven by continued strength in credit quality and modest improvements in the macroeconomic forecast scenarios utilized in our models, partially offset by modest loan growth.
- Net loan charge-offs were \$520 thousand in the quarter compared to \$3.87 million in the prior year quarter and \$68 thousand in the linked quarter.
- The ratio of net charge-offs to average loans on an annualized basis was 0.02% in first quarter 2024, 0.14% in first quarter 2023, and zero percent in the linked quarter.
- The allowance for credit losses on loans represented 1.10% of total loans at March 31, 2024, 1.07% at March 31, 2023, and 1.12% at December 31, 2023. The allowance for credit losses on loans was 18.01 times nonperforming loans compared to 12.87 times at March 31, 2023 and 18.48 times at December 31, 2023.

Quarterly Noninterest Income:

- Total noninterest income was \$63.88 million compared to \$60.77 million in 2023, an increase of \$3.12 million, or 5.13%.
- Residential mortgage banking income was \$10.48 million compared to \$9.37 million in first quarter 2023. Loan volume increased to \$424.39 million in first quarter 2024 from \$416.22 million in first quarter 2023. The number of loans originated was consistent with first quarter 2023, but higher per-loan average balances resulted in higher production volume. Residential purchase activity

comprised 95.66% of production volume in the first quarter of 2024 compared to 94.99% in the prior year quarter.

- Gross margins on residential mortgage sales increased 23 basis points to 3.34% in the current quarter from 3.11% in first quarter 2023.
- Total net insurance commissions increased \$2.72 million, or 11.90%, to \$25.54 million in first quarter 2024 compared to 2023. This increase was attributable to increases in property and casualty commissions which were driven by organic growth and a full quarter of income in 2024 related to the 2023 Manry-Rawls, LLC acquisition.
- Property management fee revenue increased 7.97%, or \$1.24 million, to \$16.77 million in first quarter 2024 compared to 2023. Reservation income increased compared to the prior year due to an acquisition in March 2024 and a full quarter of revenue from an acquisition in March 2023.

Quarterly Noninterest Expense:

- Total noninterest expense was \$125.59 million compared to \$124.40 million in 2023, an increase of \$1.19 million, or 0.96%. Increases in salaries and employee benefits of \$1.96 million, FDIC and other insurance of \$2.75 million, and various expense line items, were partially offset by a decrease in acquisition expenses of \$5.37 million.
- Salaries and benefits expense increases were driven by annual base salary adjustments effective third quarter 2023, acquisition-related increases in the number of employees, and higher health insurance costs. The increases were partially offset by a decline in incentive accruals and decreases in our Realty segment related to cost reductions in our mortgage business and the sale of BHHS Towne Realty in 2023.
- FDIC and other insurance increased due to a higher assessment rate and an additional expense accrual of \$1.29 million before taxes, pursuant to the revised estimated FDIC special assessment.

Consolidated Balance Sheet Highlights:

- In first quarter 2024, management continued its focus on strategic balance sheet management with a concentration on controlled loan growth and maintaining liquidity.
- Total assets were \$16.88 billion for the quarter ended March 31, 2024, a \$49.20 million increase compared to \$16.84 billion at December 31, 2023. Total assets increased \$153.76 million, or 0.92%, from \$16.73 billion at March 31, 2023.
- Loans held for investment increased \$278.56 million, or 2.49%, compared to prior year and \$123.32 million, or 1.09%, compared to the linked quarter, 4.38% on an annualized basis.

- Mortgage loans held for sale decreased \$6.43 million, or 4.09%, compared to prior year but increased \$0.74 million, or 0.49%, compared to the linked quarter.
- Total deposits increased \$527.94 million, or 3.88%, compared to prior year, primarily in interest-bearing demand and time deposits. In the linked quarter comparison, total deposits increased \$232.87 million, or 6.74% on an annualized basis.
- Noninterest-bearing deposits decreased \$875.23 million or 17.27%, compared to prior year, and \$148.57 million, or 3.42%, compared to the linked quarter.
- Total borrowings decreased \$515.27 million, or 63.91%, compared to first quarter 2023 and \$201.60 million, or 40.93%, compared to the linked quarter driven by declines in short-term FHLB advances.

Investment Securities:

- Total investment securities were \$2.54 billion compared to \$2.64 billion at December 31, 2023 and \$2.67 billion at March 31, 2023. The weighted average duration of the portfolio at March 31, 2024 was 3.3 years. The carrying value of the available for sale debt securities portfolio included net unrealized losses of \$170.84 million at March 31, 2024, compared to \$162.12 million at December 31, 2023 and \$165.71 million at March 31, 2023, with the changes related to market valuation adjustments due to changing interest rates.

Loans and Asset Quality:

- Total loans held for investment were \$11.45 billion at March 31, 2024 compared to \$11.33 billion at December 31, 2023 and \$11.17 billion at March 31, 2023.
- Nonperforming assets were \$7.77 million, or 0.05% of total assets, compared to \$9.89 million, or 0.06%, at March 31, 2023.
- Nonperforming loans were 0.06% of period end loans at March 31, 2024, compared to 0.08% at March 31, 2023.
- Foreclosed property increased to \$780 thousand from \$564 thousand at March 31, 2023.

Deposits and Borrowings:

- Total deposits were \$14.13 billion compared to \$13.89 billion at December 31, 2023 and \$13.60 billion at March 31, 2023.
- The ratio of period end loans held for investment to deposits was 81.07% compared to 81.54% at December 31, 2023 and 82.17% at March 31, 2023.

- Noninterest-bearing deposits were 29.69% of total deposits at March 31, 2024 compared to 31.26% at December 31, 2023 and 37.28% at March 31, 2023. Noninterest-bearing deposits declined \$0.88 billion, or 17.27%, compared to March 31, 2023, primarily in commercial and escrow accounts.
- Total borrowings were \$290.98 million compared to \$492.58 million at December 31, 2023 and \$806.25 million at March 31, 2023.

Capital:

- Common equity tier 1 capital ratio of 12.20%⁽¹⁾.
- Tier 1 leverage capital ratio of 10.15%⁽¹⁾.
- Tier 1 risk-based capital ratio of 12.32%⁽¹⁾.
- Total risk-based capital ratio of 15.10%⁽¹⁾.
- Book value per common share was \$27.33 compared to \$27.24 at December 31, 2023 and \$26.40 at March 31, 2023.
- Tangible book value per common share (non-GAAP) was \$20.31 compared to \$20.28 at December 31, 2023 and \$19.04 at March 31, 2023.

⁽¹⁾ Preliminary.

About TowneBank:

Founded in 1999, TowneBank is a company built on relationships, offering a full range of banking and other financial services, with a focus of serving others and enriching lives. Dedicated to a culture of caring, Towne values all employees and members by embracing their diverse talents, perspectives, and experiences.

Now celebrating 25 years, TowneBank operates 50 banking offices throughout Hampton Roads and Central Virginia, as well as Northeastern and Central North Carolina – serving as a local leader in promoting the social, cultural, and economic growth in each community. Towne offers a competitive array of business and personal banking solutions, delivered with only the highest ethical standards. Experienced local bankers providing a higher level of expertise and personal attention with local decision-making are key to the TowneBank strategy. TowneBank has grown its capabilities beyond banking to provide expertise through its affiliated companies that include Towne Wealth Management, Towne Insurance Agency, Towne Benefits, TowneBank Mortgage, TowneBank Commercial Mortgage, Berkshire Hathaway HomeServices RW Towne Realty, Towne 1031 Exchange, LLC, and Towne Vacations. With total assets of \$16.88 billion as of March 31, 2024, TowneBank is one of the largest banks headquartered in Virginia.

Non-GAAP Financial Measures:

This press release contains certain financial measures determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such non-GAAP financial measures include the following: fully tax-equivalent net interest margin, core operating earnings, core net income, tangible book value per common share, total risk-based capital ratio, tier one leverage ratio, tier one capital ratio, and the tangible common equity to tangible assets ratio. Management uses these non-GAAP financial measures to assess the performance of TowneBank's core business and the strength of its capital position. Management believes that these non-GAAP financial measures provide meaningful additional information about TowneBank to assist investors in evaluating operating results, financial strength, and capitalization. The non-GAAP financial measures should be considered as additional views of the way our financial measures are affected by significant charges for credit costs and other factors. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of the non-GAAP financial measures used in this presentation are referenced in a footnote or in the appendix to this presentation.

Forward-Looking Statements:

This press release contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the beliefs, expectations, or opinions of TowneBank and its management regarding future events, many of which, by their nature, are inherently uncertain. Forward-looking statements may be identified by the use of such words as: "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional terms, such as "will," "would," "should," "could," "may," "likely," "probably," or "possibly." These statements may address issues that involve significant risks, uncertainties, estimates, and assumptions made by management. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include among others, competitive pressures in the banking industry that may increase significantly; changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize our overall liquidity or capitalization; changes in the creditworthiness of customers and the possible impairment of the collectability of loans; insufficiency of our allowance for credit losses due to market conditions, inflation, changing interest rates or other factors; adverse developments in the financial

industry generally, such as the recent bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior; general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; geopolitical instability, including wars, conflicts, civil unrest, and terrorist attacks and the potential impact, directly or indirectly, on our business; the effects of weather-related or natural disasters, which may negatively affect our operations and/or our loan portfolio and increase our cost of conducting business; public health events (such as the COVID-19 pandemic) and governmental and societal responses to them; changes in the legislative or regulatory environment, including changes in accounting standards and tax laws, that may adversely affect our business; costs or difficulties related to the integration of the businesses we have acquired may be greater than expected; expected cost savings associated with pending or recently completed acquisitions may not be fully realized or realized within the expected time frame; cybersecurity threats or attacks, the implementation of new technologies, and the ability to develop and maintain reliable electronic systems; our competitors may have greater financial resources and develop products that enable them to compete more successfully; changes in business conditions; changes in the securities market; and changes in our local economy with regard to our market area. Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events, or otherwise. For additional information on factors that could materially influence forward-looking statements included in this report, see the "Risk Factors" in TowneBank's Annual Report on Form 10-K for the year ended December 31, 2023, and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.

Media contact:

G. Robert Aston, Jr., Executive Chairman, 757-638-6780

William I. Foster III, President and Chief Executive Officer, 757-417-6482

Investor contact:

William B. Littreal, Chief Financial Officer, 757-638-6813

TOWNEBANK
Selected Financial Highlights (unaudited)
(dollars in thousands, except per share data)

| | Three Months Ended | | | | |
|--|--------------------|----------------------|-----------------------|-------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
| Income and Performance Ratios: | | | | | |
| Total revenue | \$ 167,102 | \$ 155,546 | \$ 172,864 | \$ 181,568 | \$ 184,144 |
| Net income | 35,127 | 28,545 | 44,745 | 43,368 | 38,478 |
| Net income available to common shareholders | 34,687 | 28,804 | 44,862 | 41,716 | 38,333 |
| Net income per common share - diluted | 0.46 | 0.39 | 0.60 | 0.56 | 0.52 |
| Book value per common share | 27.33 | 27.24 | 26.28 | 26.36 | 26.40 |
| Book value per common share - tangible ^(non-GAAP) | 20.31 | 20.28 | 19.28 | 19.31 | 19.04 |
| Return on average assets | 0.83 % | 0.68 % | 1.06 % | 0.99 % | 0.95 % |
| Return on average assets - tangible ^(non-GAAP) | 0.92 % | 0.77 % | 1.17 % | 1.10 % | 1.05 % |
| Return on average equity | 6.84 % | 5.75 % | 8.96 % | 8.46 % | 7.99 % |
| Return on average equity - tangible ^(non-GAAP) | 9.87 % | 8.53 % | 12.97 % | 12.35 % | 11.71 % |
| Return on average common equity | 6.89 % | 5.79 % | 9.04 % | 8.52 % | 8.05 % |
| Return on average common equity - tangible ^(non-GAAP) | 9.98 % | 8.62 % | 13.11 % | 12.48 % | 11.83 % |
| Noninterest income as a percentage of total revenue | 38.23 % | 30.74 % | 34.60 % | 37.43 % | 33.00 % |
| Regulatory Capital Ratios (1): | | | | | |
| Common equity tier 1 | 12.20 % | 12.18 % | 12.19 % | 11.99 % | 11.68 % |
| Tier 1 | 12.32 % | 12.29 % | 12.31 % | 12.11 % | 11.80 % |
| Total | 15.10 % | 15.06 % | 15.09 % | 14.88 % | 14.55 % |
| Tier 1 leverage ratio | 10.15 % | 10.17 % | 10.06 % | 9.85 % | 9.86 % |
| Asset Quality: | | | | | |
| Allowance for credit losses on loans to nonperforming loans | 18.01x | 18.48x | 17.60x | 18.09x | 12.87x |
| Allowance for credit losses on loans to period end loans | 1.10 % | 1.12 % | 1.12 % | 1.10 % | 1.07 % |
| Nonperforming loans to period end loans | 0.06 % | 0.06 % | 0.06 % | 0.06 % | 0.08 % |
| Nonperforming assets to period end assets | 0.05 % | 0.05 % | 0.05 % | 0.05 % | 0.06 % |
| Net charge-offs (recoveries) to average loans (annualized) | 0.02 % | — % | (0.04)% | — % | 0.14 % |
| Net charge-offs (recoveries) | \$ 520 | \$ 68 | \$ (1,074) | \$ 9 | \$ 3,874 |
| Nonperforming loans | \$ 6,987 | \$ 6,843 | \$ 7,110 | \$ 6,827 | \$ 9,322 |
| Former bank premises | — | — | — | 1,782 | — |
| Foreclosed property | 780 | 908 | 766 | 738 | 564 |
| Total nonperforming assets | <u>\$ 7,767</u> | <u>\$ 7,751</u> | <u>\$ 7,876</u> | <u>\$ 9,347</u> | <u>\$ 9,886</u> |
| Loans past due 90 days and still accruing interest | <u>\$ 323</u> | <u>\$ 735</u> | <u>\$ 970</u> | <u>\$ 360</u> | <u>\$ 206</u> |
| Allowance for credit losses on loans | \$ 125,835 | \$ 126,461 | \$ 125,159 | \$ 123,513 | \$ 120,002 |
| Mortgage Banking: | | | | | |
| Loans originated, mortgage | \$ 289,191 | \$ 302,616 | \$ 348,387 | \$ 409,050 | \$ 280,401 |
| Loans originated, joint venture | 135,197 | 126,332 | 172,021 | 207,450 | 135,818 |
| Total loans originated | <u>\$ 424,388</u> | <u>\$ 428,948</u> | <u>\$ 520,408</u> | <u>\$ 616,500</u> | <u>\$ 416,219</u> |
| Number of loans originated | 1,247 | 1,237 | 1,487 | 1,715 | 1,249 |
| Number of originators | 176 | 181 | 192 | 196 | 194 |
| Purchase % | 95.66 % | 95.06 % | 95.96 % | 96.32 % | 94.99 % |
| Loans sold | \$ 410,895 | \$ 468,014 | \$ 567,291 | \$ 525,078 | \$ 346,288 |
| Rate lock asset | \$ 1,681 | \$ 895 | \$ 1,348 | \$ 1,551 | \$ 1,435 |
| Gross realized gain on sales and fees as a % of loans originated | 3.34 % | 3.06 % | 3.17 % | 2.96 % | 3.11 % |
| Other Ratios: | | | | | |
| Net interest margin | 2.72 % | 2.83 % | 2.95 % | 2.98 % | 3.36 % |
| Net interest margin-fully tax equivalent ^(non-GAAP) | 2.75 % | 2.86 % | 2.98 % | 3.01 % | 3.39 % |
| Average earning assets/total average assets | 90.52 % | 90.48 % | 90.73 % | 90.96 % | 90.98 % |
| Average loans/average deposits | 81.48 % | 80.72 % | 80.75 % | 83.72 % | 82.40 % |
| Average noninterest deposits/total average deposits | 30.25 % | 31.69 % | 33.50 % | 36.07 % | 38.35 % |
| Period end equity/period end total assets | 12.24 % | 12.21 % | 11.90 % | 11.56 % | 11.89 % |
| Efficiency ratio ^(non-GAAP) | 73.25 % | 76.17 % | 66.21 % | 70.41 % | 65.64 % |

(1) Current reporting period regulatory capital ratios are preliminary.

TOWNEBANK
Selected Data (unaudited)
(dollars in thousands)

| <u>Investment Securities</u> | % Change | | | | |
|---|----------------------|----------------------|----------------------|----------------------------|----------------------------|
| | Q1 2024 | Q1 2023 | Q4 2023 | Q1 24 vs. Q1 23 | Q1 24 vs. Q4 23 |
| <i>Available-for-sale securities, at fair value</i> | | | | | |
| U.S. agency securities | \$ 294,723 | \$ 334,211 | \$ 306,386 | (11.82)% | (3.81)% |
| U.S. Treasury notes | 27,534 | 27,272 | 27,684 | 0.96 % | (0.54)% |
| Municipal securities | 447,323 | 508,439 | 510,134 | (12.02)% | (12.31)% |
| Trust preferred and other corporate securities | 87,983 | 76,965 | 86,011 | 14.32 % | 2.29 % |
| Mortgage-backed securities issued by GSEs and GNMA | 1,347,920 | 1,132,746 | 1,200,625 | 19.00 % | 12.27 % |
| Allowance for credit losses | (1,382) | (1,150) | (1,498) | 20.17 % | (7.74)% |
| Total | \$ 2,204,101 | \$ 2,078,483 | \$ 2,129,342 | 6.04 % | 3.51 % |
| <i>Gross unrealized gains (losses) reflected in financial statements</i> | | | | | |
| Total gross unrealized gains | \$ 1,868 | \$ 2,218 | \$ 3,740 | (15.78)% | (50.05)% |
| Total gross unrealized losses | (172,708) | (167,929) | (165,863) | 2.85 % | 4.13 % |
| Net unrealized gains (losses) and other adjustments on AFS securities | \$ (170,840) | \$ (165,711) | \$ (162,123) | 3.10 % | 5.38 % |
| <i>Held-to-maturity securities, at amortized cost</i> | | | | | |
| U.S. agency securities | \$ 102,042 | \$ 101,281 | \$ 101,850 | 0.75 % | 0.19 % |
| U.S. Treasury notes | 197,356 | 433,584 | 362,593 | (54.48)% | (45.57)% |
| Municipal securities | 5,294 | 5,203 | 5,272 | 1.75 % | 0.42 % |
| Trust preferred corporate securities | 2,159 | 2,210 | 2,172 | (2.31)% | (0.60)% |
| Mortgage-backed securities issued by GSE | 5,659 | 5,948 | 5,705 | (4.86)% | (0.81)% |
| Allowance for credit losses | (82) | (88) | (84) | (6.82)% | (2.38)% |
| Total | \$ 312,428 | \$ 548,138 | \$ 477,508 | (43.00)% | (34.57)% |
| Total gross unrealized gains | \$ 265 | \$ 392 | \$ 380 | (32.40)% | (30.26)% |
| Total gross unrealized losses | (14,262) | (24,018) | (15,316) | (40.62)% | (6.88)% |
| Net unrealized gains (losses) in HTM securities | \$ (13,997) | \$ (23,626) | \$ (14,936) | (40.76)% | (6.29)% |
| Total unrealized gains (losses) on AFS and HTM securities | \$ (184,837) | \$ (189,337) | \$ (177,059) | (2.38)% | 4.39 % |
| | | | | | |
| <u>Loans Held For Investment</u> | % Change | | | | |
| | Q1 2024 | Q1 2023 | Q4 2023 | Q1 24 vs. Q1 23 | Q1 24 vs. Q4 23 |
| Real estate - construction and development | \$ 1,255,741 | \$ 1,473,034 | \$ 1,249,735 | (14.75)% | 0.48 % |
| Commercial real estate - owner occupied | 1,700,753 | 1,675,119 | 1,699,386 | 1.53 % | 0.08 % |
| Commercial real estate - non owner occupied | 3,178,947 | 2,908,791 | 3,117,071 | 9.29 % | 1.99 % |
| Real estate - multifamily | 595,075 | 505,237 | 583,209 | 17.78 % | 2.03 % |
| Residential 1-4 family | 1,882,296 | 1,734,698 | 1,852,891 | 8.51 % | 1.59 % |
| HELOC | 386,361 | 387,967 | 382,979 | (0.41)% | 0.88 % |
| Commercial and industrial business (C&I) | 1,288,550 | 1,297,707 | 1,265,169 | (0.71)% | 1.85 % |
| Government | 528,341 | 510,494 | 525,261 | 3.50 % | 0.59 % |
| Indirect | 555,482 | 582,306 | 558,789 | (4.61)% | (0.59)% |
| Consumer loans and other | 80,797 | 98,432 | 94,531 | (17.92)% | (14.53)% |
| Total | \$ 11,452,343 | \$ 11,173,785 | \$ 11,329,021 | 2.49 % | 1.09 % |
| | | | | | |
| <u>Deposits</u> | % Change | | | | |
| | Q1 2024 | Q1 2023 | Q4 2023 | Q1 24 vs. Q1 23 | Q1 24 vs. Q4 23 |
| Noninterest-bearing demand | \$ 4,194,132 | \$ 5,069,363 | \$ 4,342,701 | (17.27)% | (3.42)% |
| Interest-bearing: | | | | | |
| Demand and money market accounts | 6,916,701 | 6,284,184 | 6,757,619 | 10.07 % | 2.35 % |
| Savings | 326,179 | 389,173 | 336,492 | (16.19)% | (3.06)% |
| Certificates of deposits | 2,689,062 | 1,855,411 | 2,456,394 | 44.93 % | 9.47 % |
| Total | 14,126,074 | 13,598,131 | 13,893,206 | 3.88 % | 1.68 % |

TOWNEBANK
Average Balances, Yields and Rate Paid (unaudited)
(dollars in thousands)

| | Three Months Ended March 31, 2024 | | | Three Months Ended December 31, 2023 | | | Three Months Ended March 31, 2023 | | |
|---|--------------------------------------|--------------------------------|-------------------------------|---|--------------------------------|-------------------------------|--------------------------------------|--------------------------------|-------------------------------|
| | Average Balance | Interest Income/ Expense | Average Yield/ Rate (1) | Average Balance | Interest Income/ Expense | Average Yield/ Rate (1) | Average Balance | Interest Income/ Expense | Average Yield/ Rate (1) |
| Assets: | | | | | | | | | |
| Loans (net of unearned income and deferred costs) | \$ 11,379,323 | \$151,811 | 5.37 % | \$ 11,229,965 | \$147,647 | 5.22 % | \$ 11,097,626 | \$133,536 | 4.88 % |
| Taxable investment securities | 2,440,652 | 18,716 | 3.07 % | 2,365,928 | 18,820 | 3.18 % | 2,438,489 | 16,816 | 2.76 % |
| Tax-exempt investment securities | 161,538 | 1,549 | 3.84 % | 195,603 | 1,989 | 4.07 % | 188,033 | 1,887 | 4.01 % |
| Total securities | 2,602,190 | 20,265 | 3.12 % | 2,561,531 | 20,809 | 3.25 % | 2,626,522 | 18,703 | 2.85 % |
| Interest-bearing deposits | 1,167,322 | 14,234 | 4.90 % | 1,141,086 | 13,967 | 4.86 % | 1,044,538 | 10,649 | 4.13 % |
| Mortgage loans held for sale | 116,868 | 1,716 | 5.87 % | 162,543 | 2,886 | 7.10 % | 105,018 | 1,604 | 6.11 % |
| Total earning assets | 15,265,703 | 188,026 | 4.95 % | 15,095,125 | 185,309 | 4.87 % | 14,873,704 | 164,492 | 4.49 % |
| Less: allowance for loan losses | (127,413) | | | (126,205) | | | (114,447) | | |
| Total nonearning assets | 1,725,945 | | | 1,714,122 | | | 1,589,783 | | |
| Total assets | <u>\$ 16,864,235</u> | | | <u>\$ 16,683,042</u> | | | <u>\$ 16,349,040</u> | | |
| Liabilities and Equity: | | | | | | | | | |
| Interest-bearing deposits | | | | | | | | | |
| Demand and money market | \$ 6,828,053 | \$ 47,985 | 2.83 % | \$ 6,786,850 | \$ 46,833 | 2.74 % | \$ 6,217,754 | \$ 23,302 | 1.52 % |
| Savings | 329,036 | 881 | 1.08 % | 345,172 | 962 | 1.11 % | 401,776 | 844 | 0.85 % |
| Certificates of deposit | 2,583,938 | 29,522 | 4.60 % | 2,370,723 | 25,405 | 4.25 % | 1,683,354 | 9,788 | 2.36 % |
| Total interest-bearing deposits | 9,741,027 | 78,388 | 3.24 % | 9,502,745 | 73,200 | 3.06 % | 8,302,884 | 33,934 | 1.66 % |
| Borrowings | 212,375 | 3,078 | 5.73 % | 114,151 | 958 | 3.28 % | 355,833 | 3,915 | 4.40 % |
| Subordinated debt, net | 255,878 | 2,236 | 3.50 % | 255,663 | 2,236 | 3.50 % | 250,066 | 2,169 | 3.47 % |
| Total interest-bearing liabilities | 10,209,280 | 83,702 | 3.30 % | 9,872,559 | 76,394 | 3.07 % | 8,908,783 | 40,018 | 1.82 % |
| Demand deposits | 4,224,104 | | | 4,408,712 | | | 5,164,415 | | |
| Other noninterest-bearing liabilities | 390,576 | | | 413,469 | | | 329,840 | | |
| Total liabilities | 14,823,960 | | | 14,694,740 | | | 14,403,038 | | |
| Shareholders' equity | 2,040,275 | | | 1,988,302 | | | 1,946,002 | | |
| Total liabilities and equity | <u>\$ 16,864,235</u> | | | <u>\$ 16,683,042</u> | | | <u>\$ 16,349,040</u> | | |
| Net interest income (tax-equivalent basis) (4) | | \$104,324 | | | \$108,915 | | | \$124,474 | |
| Reconciliation of Non-GAAP Financial Measures | | | | | | | | | |
| Tax-equivalent basis adjustment | | (1,106) | | | (1,182) | | | (1,096) | |
| Net interest income (GAAP) | | <u>\$103,218</u> | | | <u>\$107,733</u> | | | <u>\$123,378</u> | |
| Interest rate spread (2)(4) | | | 1.65 % | | | 1.80 % | | | 2.67 % |
| Interest expense as a percent of average earning assets | | | 2.21 % | | | 2.01 % | | | 1.09 % |
| Net interest margin (tax equivalent basis) (3)(4) | | | 2.75 % | | | 2.86 % | | | 3.39 % |
| Total cost of deposits | | | 2.26 % | | | 2.09 % | | | 1.02 % |

(1) Yields and interest income are presented on a taxable-equivalent basis using the federal statutory tax rate of 21%.

(2) Interest spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities. Fully tax equivalent.

(3) Net interest margin is net interest income expressed as a percentage of average earning assets. Fully tax equivalent.

(4) Non-GAAP.

TOWNEBANK
Consolidated Balance Sheets
(dollars in thousands, except share data)

| | March 31, 2024 | December 31, 2023 |
|--|-----------------------------|------------------------------|
| | (unaudited) | (audited) |
| ASSETS | | |
| Cash and due from banks | \$ 75,802 | \$ 85,584 |
| Interest-bearing deposits at FRB - Richmond | 926,635 | 939,356 |
| Federal funds sold and interest-bearing deposits in financial institutions | 98,673 | 103,417 |
| Total Cash and Cash Equivalents | <u>1,101,110</u> | <u>1,128,357</u> |
| Securities available for sale, at fair value (amortized cost of \$2,376,323 and \$2,292,963, and allowance for credit losses of \$1,382 and \$1,498 at March 31, 2024 and December 31, 2023, respectively) | 2,204,101 | 2,129,342 |
| Securities held to maturity, at amortized cost (fair value \$298,513 and \$462,656 at March 31, 2024 and December 31, 2023, respectively) | 312,510 | 477,592 |
| Less: allowance for credit losses | (82) | (84) |
| Securities held to maturity, net of allowance for credit losses | 312,428 | 477,508 |
| Other equity securities | 13,661 | 13,792 |
| FHLB stock | 12,139 | 21,372 |
| Total Securities | <u>2,542,329</u> | <u>2,642,014</u> |
| Mortgage loans held for sale | 150,727 | 149,987 |
| Loans, net of unearned income and deferred costs | 11,452,343 | 11,329,021 |
| Less: allowance for credit losses | (125,835) | (126,461) |
| Net Loans | <u>11,326,508</u> | <u>11,202,560</u> |
| Premises and equipment, net | 342,569 | 337,598 |
| Goodwill | 457,619 | 456,335 |
| Other intangible assets, net | 68,758 | 64,634 |
| BOLI | 279,293 | 277,445 |
| Other assets | 615,324 | 576,109 |
| TOTAL ASSETS | <u><u>\$ 16,884,237</u></u> | <u><u>\$ 16,835,039</u></u> |
| LIABILITIES AND EQUITY | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 4,194,132 | \$ 4,342,701 |
| Interest-bearing: | | |
| Demand and money market accounts | 6,916,701 | 6,757,619 |
| Savings | 326,179 | 336,492 |
| Certificates of deposit | 2,689,062 | 2,456,394 |
| Total Deposits | <u>14,126,074</u> | <u>13,893,206</u> |
| Advances from the FHLB | 3,775 | 203,958 |
| Subordinated debt, net | 256,011 | 255,796 |
| Repurchase agreements and other borrowings | 31,198 | 32,826 |
| Total Borrowings | <u>290,984</u> | <u>492,580</u> |
| Other liabilities | 401,307 | 393,375 |
| TOTAL LIABILITIES | <u>14,818,365</u> | <u>14,779,161</u> |
| Preferred stock, authorized and unissued shares - 2,000,000 | — | — |
| Common stock, \$1.667 par value: 150,000,000 shares authorized 74,990,437 and 74,893,462 shares issued at March 31, 2024 and December 31, 2023, respectively | 125,009 | 124,847 |
| Capital surplus | 1,114,038 | 1,112,761 |
| Retained earnings | 937,065 | 921,126 |
| Common stock issued to deferred compensation trust, at cost 1,008,276 and 1,004,717 shares at March 31, 2024 and December 31, 2023, respectively | (20,915) | (20,813) |
| Deferred compensation trust | 20,915 | 20,813 |
| Accumulated other comprehensive income (loss) | (126,586) | (118,762) |
| TOTAL SHAREHOLDERS' EQUITY | <u>2,049,526</u> | <u>2,039,972</u> |
| Noncontrolling interest | 16,346 | 15,906 |
| TOTAL EQUITY | <u>2,065,872</u> | <u>2,055,878</u> |
| TOTAL LIABILITIES AND EQUITY | <u><u>\$ 16,884,237</u></u> | <u><u>\$ 16,835,039</u></u> |

TOWNEBANK
Consolidated Statements of Income (unaudited)
(dollars in thousands, except per share data)

| | Three Months Ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2024 | 2023 |
| INTEREST INCOME: | | |
| Loans, including fees | \$ 150,974 | \$ 132,768 |
| Investment securities | 19,996 | 18,375 |
| Interest-bearing deposits in financial institutions and federal funds sold | 14,234 | 10,649 |
| Mortgage loans held for sale | 1,716 | 1,604 |
| Total interest income | 186,920 | 163,396 |
| INTEREST EXPENSE: | | |
| Deposits | 78,388 | 33,934 |
| Advances from the FHLB | 2,438 | 2,992 |
| Subordinated debt, net | 2,236 | 2,169 |
| Repurchase agreements and other borrowings | 640 | 923 |
| Total interest expense | 83,702 | 40,018 |
| Net interest income | 103,218 | 123,378 |
| PROVISION FOR CREDIT LOSSES | (877) | 11,670 |
| Net interest income after provision for credit losses | 104,095 | 111,708 |
| NONINTEREST INCOME: | | |
| Residential mortgage banking income, net | 10,477 | 9,372 |
| Insurance commissions and other income, net | 25,539 | 22,823 |
| Property management income, net | 16,773 | 15,535 |
| Real estate brokerage income, net | — | 1,791 |
| Service charges on deposit accounts | 3,061 | 2,851 |
| Credit card merchant fees, net | 1,551 | 1,545 |
| BOLI | 1,842 | 1,672 |
| Other income | 4,567 | 5,177 |
| Net gain/(loss) on investment securities | 74 | — |
| Total noninterest income | 63,884 | 60,766 |
| NONINTEREST EXPENSE: | | |
| Salaries and employee benefits | 71,377 | 69,420 |
| Occupancy | 9,422 | 9,064 |
| Furniture and equipment | 4,478 | 4,244 |
| Amortization - intangibles | 3,246 | 3,524 |
| Software | 6,100 | 5,624 |
| Data processing | 3,916 | 3,353 |
| Professional fees | 3,180 | 3,011 |
| Advertising and marketing | 4,582 | 4,401 |
| Other expenses | 19,290 | 21,756 |
| Total noninterest expense | 125,591 | 124,397 |
| Income before income tax expense and noncontrolling interest | 42,388 | 48,077 |
| Provision for income tax expense | 7,261 | 9,599 |
| Net income | \$ 35,127 | \$ 38,478 |
| Net income attributable to noncontrolling interest | (440) | (145) |
| Net income attributable to TowneBank | \$ 34,687 | \$ 38,333 |
| Per common share information | | |
| Basic earnings | \$ 0.46 | \$ 0.52 |
| Diluted earnings | \$ 0.46 | \$ 0.52 |
| Cash dividends declared | \$ 0.25 | \$ 0.23 |

TOWNEBANK
Consolidated Balance Sheets - Five Quarter Trend
(dollars in thousands, except share data)

| | March 31, 2024 (unaudited) | December 31, 2023 (audited) | September 30, 2023 (unaudited) | June 30, 2023 (unaudited) | March 31, 2023 (unaudited) |
|--|----------------------------------|-----------------------------------|--------------------------------------|---------------------------------|----------------------------------|
| ASSETS | | | | | |
| Cash and due from banks | \$ 75,802 | \$ 85,584 | \$ 83,949 | \$ 106,994 | \$ 97,502 |
| Interest-bearing deposits at FRB - Richmond | 926,635 | 939,356 | 1,029,276 | 1,427,044 | 1,040,112 |
| Federal funds sold and interest-bearing deposits in financial institutions | 98,673 | 103,417 | 102,527 | 102,231 | 104,924 |
| Total Cash and Cash Equivalents | 1,101,110 | 1,128,357 | 1,215,752 | 1,636,269 | 1,242,538 |
| Securities available for sale | 2,204,101 | 2,129,342 | 1,963,453 | 2,005,851 | 2,078,483 |
| Securities held to maturity | 312,510 | 477,592 | 547,854 | 548,017 | 548,226 |
| Less: allowance for credit losses | (82) | (84) | (85) | (87) | (88) |
| Securities held to maturity, net of allowance for credit losses | 312,428 | 477,508 | 547,769 | 547,930 | 548,138 |
| Other equity securities | 13,661 | 13,792 | 14,062 | 13,798 | 13,341 |
| FHLB stock | 12,139 | 21,372 | 16,634 | 40,454 | 29,837 |
| Total Securities | 2,542,329 | 2,642,014 | 2,541,918 | 2,608,033 | 2,669,799 |
| Mortgage loans held for sale | 150,727 | 149,987 | 188,048 | 229,502 | 157,161 |
| Loans, net of unearned income and deferred costs | 11,452,343 | 11,329,021 | 11,172,971 | 11,208,014 | 11,173,785 |
| Less: allowance for credit losses | (125,835) | (126,461) | (125,159) | (123,513) | (120,002) |
| Net Loans | 11,326,508 | 11,202,560 | 11,047,812 | 11,084,501 | 11,053,783 |
| Premises and equipment, net | 342,569 | 337,598 | 335,522 | 326,686 | 321,944 |
| Goodwill | 457,619 | 456,335 | 456,684 | 456,695 | 477,234 |
| Other intangible assets, net | 68,758 | 64,634 | 67,496 | 71,106 | 73,238 |
| BOLI | 279,293 | 277,445 | 275,240 | 273,435 | 271,704 |
| Other assets | 615,324 | 576,109 | 551,884 | 538,848 | 463,076 |
| TOTAL ASSETS | \$ 16,884,237 | \$ 16,835,039 | \$ 16,680,356 | \$ 17,225,075 | \$ 16,730,477 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits: | | | | | |
| Noninterest-bearing demand | \$ 4,194,132 | \$ 4,342,701 | \$ 4,444,861 | \$ 4,774,830 | \$ 5,069,363 |
| Interest-bearing: | | | | | |
| Demand and money market accounts | 6,916,701 | 6,757,619 | 6,764,415 | 6,529,336 | 6,284,184 |
| Savings | 326,179 | 336,492 | 350,031 | 361,891 | 389,173 |
| Certificates of deposit | 2,689,062 | 2,456,394 | 2,321,498 | 2,100,604 | 1,855,411 |
| Total Deposits | 14,126,074 | 13,893,206 | 13,880,805 | 13,766,661 | 13,598,131 |
| Advances from the FHLB | 3,775 | 203,958 | 104,139 | 754,319 | 504,497 |
| Subordinated debt, net | 256,011 | 255,796 | 255,580 | 255,365 | 255,151 |
| Repurchase agreements and other borrowings | 31,198 | 32,826 | 47,315 | 49,898 | 46,602 |
| Total Borrowings | 290,984 | 492,580 | 407,034 | 1,059,582 | 806,250 |
| Other liabilities | 401,307 | 393,375 | 408,305 | 408,333 | 336,201 |
| TOTAL LIABILITIES | 14,818,365 | 14,779,161 | 14,696,144 | 15,234,576 | 14,740,582 |
| Preferred stock | — | — | — | — | — |
| Common stock, \$1.667 par value | 125,009 | 124,847 | 124,837 | 124,805 | 124,682 |
| Capital surplus | 1,114,038 | 1,112,761 | 1,111,152 | 1,109,526 | 1,109,387 |
| Retained earnings | 937,065 | 921,126 | 911,042 | 884,901 | 861,905 |
| Common stock issued to deferred compensation trust, at cost | (20,915) | (20,813) | (20,740) | (20,134) | (18,839) |
| Deferred compensation trust | 20,915 | 20,813 | 20,740 | 20,134 | 18,839 |
| Accumulated other comprehensive income (loss) | (126,586) | (118,762) | (179,043) | (145,392) | (121,297) |
| TOTAL SHAREHOLDERS' EQUITY | 2,049,526 | 2,039,972 | 1,967,988 | 1,973,840 | 1,974,677 |
| Noncontrolling interest | 16,346 | 15,906 | 16,224 | 16,659 | 15,218 |
| TOTAL EQUITY | 2,065,872 | 2,055,878 | 1,984,212 | 1,990,499 | 1,989,895 |
| TOTAL LIABILITIES AND EQUITY | \$ 16,884,237 | \$ 16,835,039 | \$ 16,680,356 | \$ 17,225,075 | \$ 16,730,477 |

TOWNEBANK
Consolidated Statements of Income - Five Quarter Trend (unaudited)
(dollars in thousands, except share data)

| | Three Months Ended | | | | |
|--|--------------------|----------------------|-----------------------|------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
| INTEREST INCOME: | | | | | |
| Loans, including fees | \$ 150,974 | \$ 146,810 | \$ 143,605 | \$ 138,977 | \$ 132,768 |
| Investment securities | 19,996 | 20,464 | 20,292 | 18,851 | 18,375 |
| Interest-bearing deposits in financial institutions and federal funds sold | 14,234 | 13,967 | 15,031 | 14,488 | 10,649 |
| Mortgage loans held for sale | 1,716 | 2,886 | 3,928 | 2,547 | 1,604 |
| Total interest income | 186,920 | 184,127 | 182,856 | 174,863 | 163,396 |
| INTEREST EXPENSE: | | | | | |
| Deposits | 78,388 | 73,200 | 64,171 | 48,671 | 33,934 |
| Advances from the FHLB | 2,438 | 917 | 3,438 | 10,407 | 2,992 |
| Subordinated debt, net | 2,236 | 2,236 | 2,245 | 2,236 | 2,169 |
| Repurchase agreements and other borrowings | 640 | 41 | (56) | (62) | 923 |
| Total interest expense | 83,702 | 76,394 | 69,798 | 61,252 | 40,018 |
| Net interest income | 103,218 | 107,733 | 113,058 | 113,611 | 123,378 |
| PROVISION FOR CREDIT LOSSES | (877) | 2,446 | 1,007 | 3,556 | 11,670 |
| Net interest income after provision for credit losses | 104,095 | 105,287 | 112,051 | 110,055 | 111,708 |
| NONINTEREST INCOME: | | | | | |
| Residential mortgage banking income, net | 10,477 | 8,035 | 10,648 | 11,360 | 9,372 |
| Insurance commissions and other income, net | 25,539 | 21,207 | 23,777 | 22,498 | 22,823 |
| Property management income, net | 16,773 | 7,358 | 12,800 | 12,098 | 15,535 |
| Real estate brokerage income, net | — | (32) | (63) | 1,834 | 1,791 |
| Service charges on deposit accounts | 3,061 | 3,035 | 2,802 | 3,018 | 2,851 |
| Credit card merchant fees, net | 1,551 | 1,476 | 2,006 | 1,682 | 1,545 |
| BOLI | 1,842 | 2,206 | 1,814 | 1,710 | 1,672 |
| Other income | 4,567 | 4,528 | 6,022 | 13,757 | 5,177 |
| Net gain/(loss) on investment securities | 74 | — | — | — | — |
| Total noninterest income | 63,884 | 47,813 | 59,806 | 67,957 | 60,766 |
| NONINTEREST EXPENSE: | | | | | |
| Salaries and employee benefits | 71,377 | 66,035 | 67,258 | 67,445 | 69,420 |
| Occupancy | 9,422 | 9,308 | 9,027 | 9,487 | 9,064 |
| Furniture and equipment | 4,478 | 4,445 | 4,100 | 4,389 | 4,244 |
| Amortization - intangibles | 3,246 | 3,411 | 3,610 | 3,610 | 3,524 |
| Software expense | 6,100 | 6,743 | 6,130 | 6,169 | 5,624 |
| Data processing | 3,916 | 3,529 | 4,140 | 4,011 | 3,353 |
| Professional fees | 3,180 | 3,339 | 2,770 | 3,166 | 3,011 |
| Advertising and marketing | 4,582 | 3,377 | 3,653 | 3,959 | 4,401 |
| Other expenses | 19,290 | 21,708 | 17,014 | 22,992 | 21,756 |
| Total noninterest expense | 125,591 | 121,895 | 117,702 | 125,228 | 124,397 |
| Income before income tax expense and noncontrolling interest | 42,388 | 31,205 | 54,155 | 52,784 | 48,077 |
| Provision for income tax expense | 7,261 | 2,660 | 9,410 | 9,416 | 9,599 |
| Net income | 35,127 | 28,545 | 44,745 | 43,368 | 38,478 |
| Net income attributable to noncontrolling interest | (440) | 259 | 117 | (1,652) | (145) |
| Net income attributable to TowneBank | \$ 34,687 | \$ 28,804 | \$ 44,862 | \$ 41,716 | \$ 38,333 |
| Per common share information | | | | | |
| Basic earnings | \$ 0.46 | \$ 0.39 | \$ 0.60 | \$ 0.56 | \$ 0.52 |
| Diluted earnings | \$ 0.46 | \$ 0.39 | \$ 0.60 | \$ 0.56 | \$ 0.52 |
| Basic weighted average shares outstanding | 74,816,420 | 74,773,335 | 74,750,294 | 74,691,121 | 74,363,222 |
| Diluted weighted average shares outstanding | 74,979,501 | 74,793,557 | 74,765,515 | 74,699,810 | 74,390,614 |
| Cash dividends declared | \$ 0.25 | \$ 0.25 | \$ 0.25 | \$ 0.25 | \$ 0.23 |

TOWNEBANK
Banking Segment Financial Information (unaudited)
(dollars in thousands)

| | Three Months Ended | | | Increase/(Decrease) | |
|--|--------------------|------------|--------------|---------------------|-----------|
| | March 31, | | December 31, | YTD 2024 over 2023 | |
| | 2024 | 2023 | 2023 | Amount | Percent |
| Revenue | | | | | |
| Net interest income | \$ 102,682 | \$ 123,650 | \$ 106,906 | \$ (20,968) | (16.96)% |
| Service charges on deposit accounts | 3,061 | 2,851 | 3,035 | 210 | 7.37 % |
| Credit card merchant fees | 1,551 | 1,545 | 1,476 | 6 | 0.39 % |
| Other income | 5,790 | 5,740 | 6,544 | 50 | 0.87 % |
| Subtotal | 10,402 | 10,136 | 11,055 | 266 | 2.62 % |
| Net gain/(loss) on investment securities | 74 | — | — | 74 | N/M |
| Total noninterest income | 10,476 | 10,136 | 11,055 | 340 | 3.35 % |
| Total revenue | 113,158 | 133,786 | 117,961 | (20,628) | (15.42)% |
| Provision for credit losses | (976) | 11,754 | 2,831 | (12,730) | (108.30)% |
| Expenses | | | | | |
| Salaries and employee benefits | 46,474 | 43,193 | 42,573 | 3,281 | 7.60 % |
| Occupancy | 7,061 | 6,233 | 6,981 | 828 | 13.28 % |
| Furniture and equipment | 3,648 | 3,333 | 3,621 | 315 | 9.45 % |
| Amortization of intangible assets | 1,162 | 1,281 | 1,236 | (119) | (9.29)% |
| Other expenses | 26,953 | 28,444 | 29,602 | (1,491) | (5.24)% |
| Total expenses | 85,298 | 82,484 | 84,013 | 2,814 | 3.41 % |
| Income before income tax, corporate allocation and noncontrolling interest | 28,836 | 39,548 | 31,117 | (10,712) | (27.09)% |
| Corporate allocation | 1,069 | 1,200 | 1,054 | (131) | (10.92)% |
| Income before income tax provision and noncontrolling interest | 29,905 | 40,748 | 32,171 | (10,843) | (26.61)% |
| Provision for income tax expense | 4,105 | 7,651 | 2,661 | (3,546) | (46.35)% |
| Net income | 25,800 | 33,097 | 29,510 | (7,297) | (22.05)% |
| Noncontrolling interest | 120 | — | — | 120 | N/M |
| Net income attributable to TowneBank | \$ 25,920 | \$ 33,097 | \$ 29,510 | \$ (7,177) | (21.68)% |
| Efficiency ratio ^(non-GAAP) | 74.40 % | 60.70 % | 70.17 % | 13.70 % | 22.57 % |

TOWNEBANK
Realty Segment Financial Information (unaudited)
(dollars in thousands)

| | Three Months Ended | | | Increase/(Decrease) | |
|---|--------------------|----------|--------------|---------------------|------------|
| | March 31, | | December 31, | YTD 2024 over 2023 | |
| | 2024 | 2023 | 2023 | Amount | Percent |
| Revenue | | | | | |
| Residential mortgage brokerage income, net | \$ 10,798 | \$ 9,794 | \$ 8,322 | \$ 1,004 | 10.25 % |
| Real estate brokerage income, net | — | 1,791 | (32) | (1,791) | (100.00)% |
| Title insurance and settlement fees | — | 291 | — | (291) | (100.00)% |
| Property management fees, net | 16,773 | 15,535 | 7,358 | 1,238 | 7.97 % |
| Income (loss) from unconsolidated subsidiary | 30 | 66 | (425) | (36) | (54.55)% |
| Net interest and other income | 784 | 184 | 1,111 | 600 | 326.09 % |
| Total revenue | 28,385 | 27,661 | 16,334 | 724 | 2.62 % |
| Provision for credit losses | 99 | (84) | (385) | 183 | (217.86)% |
| Expenses | | | | | |
| Salaries and employee benefits | 12,188 | 14,839 | 11,288 | (2,651) | (17.87)% |
| Occupancy | 1,569 | 2,021 | 1,600 | (452) | (22.37)% |
| Furniture and equipment | 594 | 693 | 611 | (99) | (14.29)% |
| Amortization of intangible assets | 677 | 683 | 737 | (6) | (0.88)% |
| Other expenses | 8,199 | 8,437 | 7,240 | (238) | (2.82)% |
| Total expenses | 23,227 | 26,673 | 21,476 | (3,446) | (12.92)% |
| Income (loss) before income tax, corporate allocation and noncontrolling interest | 5,059 | 1,072 | (4,757) | 3,987 | 371.92 % |
| Corporate allocation | (348) | (600) | (352) | 252 | (42.00)% |
| Income (loss) before income tax provision and noncontrolling interest | 4,711 | 472 | (5,109) | 4,239 | 898.09 % |
| Provision for income tax expense | 1,156 | 182 | (1,072) | 974 | 535.16 % |
| Net income (loss) | 3,555 | 290 | (4,037) | 3,265 | 1,125.86 % |
| Noncontrolling interest | (560) | (145) | 259 | (415) | (286.21)% |
| Net income (loss) attributable to TowneBank | \$ 2,995 | \$ 145 | \$ (3,778) | 2,850 | 1,965.52 % |
| Efficiency ratio excluding gain on equity investment <small>(non-GAAP)</small> | 79.44 % | 93.96 % | 126.97 % | (14.52)% | (15.45)% |

TOWNEBANK
Insurance Segment Financial Information (unaudited)
(dollars in thousands)

| | Three Months Ended | | | Increase/(Decrease) | |
|--|--------------------|-----------|--------------|---------------------|----------|
| | March 31, | | December 31, | YTD 2024 over 2023 | |
| | 2024 | 2023 | 2023 | Amount | Percent |
| Commission and fee income | | | | | |
| Property and casualty | \$ 20,722 | \$ 18,129 | \$ 19,795 | \$ 2,593 | 14.30 % |
| Employee benefits | 4,826 | 4,587 | 4,332 | 239 | 5.21 % |
| Specialized benefit services | 9 | 159 | 36 | (150) | (94.34)% |
| Total commissions and fees | 25,557 | 22,875 | 24,163 | 2,682 | 11.72 % |
| Contingency and bonus revenue | 4,503 | 4,369 | 1,276 | 134 | 3.07 % |
| Other income | 11 | 6 | 8 | 5 | 83.33 % |
| Total revenue | 30,071 | 27,250 | 25,447 | 2,821 | 10.35 % |
| Employee commission expense | 4,512 | 4,553 | 4,197 | (41) | (0.90)% |
| Revenue, net of commission expense | 25,559 | 22,697 | 21,250 | 2,862 | 12.61 % |
| Salaries and employee benefits | 12,715 | 11,388 | 12,174 | 1,327 | 11.65 % |
| Occupancy | 792 | 810 | 727 | (18) | (2.22)% |
| Furniture and equipment | 236 | 218 | 213 | 18 | 8.26 % |
| Amortization of intangible assets | 1,407 | 1,560 | 1,438 | (153) | (9.81)% |
| Other expenses | 1,916 | 1,264 | 1,853 | 652 | 51.58 % |
| Total operating expenses | 17,066 | 15,240 | 16,405 | 1,826 | 11.98 % |
| Income before income tax, corporate allocation and noncontrolling interest | 8,493 | 7,457 | 4,845 | 1,036 | 13.89 % |
| Corporate allocation | (721) | (600) | (702) | (121) | 20.17 % |
| Income before income tax provision and noncontrolling interest | 7,772 | 6,857 | 4,143 | 915 | 13.34 % |
| Provision for income tax expense | 2,000 | 1,766 | 1,071 | 234 | 13.25 % |
| Net income | 5,772 | 5,091 | 3,072 | 681 | 13.38 % |
| Noncontrolling interest | — | — | — | — | N/M |
| Net income attributable to TowneBank | \$ 5,772 | \$ 5,091 | \$ 3,072 | 681 | 13.38 % |
| Provision for income taxes | 2,000 | 1,766 | 1,071 | 234 | 13.25 % |
| Depreciation, amortization and interest expense | 1,553 | 1,706 | 1,588 | (153) | (8.97)% |
| EBITDA ^(non-GAAP) | \$ 9,325 | \$ 8,563 | \$ 5,731 | 762 | 8.90 % |
| Efficiency ratio ^(non-GAAP) | 61.27 % | 60.27 % | 70.43 % | 1.00 % | 1.66 % |

TOWNEBANK
Reconciliation of Non-GAAP Financial Measures
(dollars in thousands)

| | Three Months Ended | | |
|---|--------------------|-------------------|----------------------|
| | March 31, 2024 | March 31, 2023 | December 31, 2023 |
| Return on average assets (GAAP) | 0.83 % | 0.95 % | 0.68 % |
| Impact of excluding average goodwill and other intangibles and amortization | 0.09 % | 0.10 % | 0.09 % |
| Return on average tangible assets (non-GAAP) | 0.92 % | 1.05 % | 0.77 % |
| Return on average equity (GAAP) | 6.84 % | 7.99 % | 5.75 % |
| Impact of excluding average goodwill and other intangibles and amortization | 3.03 % | 3.72 % | 2.78 % |
| Return on average tangible equity (non-GAAP) | 9.87 % | 11.71 % | 8.53 % |
| Return on average common equity (GAAP) | 6.89 % | 8.05 % | 5.79 % |
| Impact of excluding average goodwill and other intangibles and amortization | 3.09 % | 3.78 % | 2.83 % |
| Return on average tangible common equity (non-GAAP) | 9.98 % | 11.83 % | 8.62 % |
| Book value (GAAP) | \$ 27.33 | \$ 26.40 | \$ 27.24 |
| Impact of excluding average goodwill and other intangibles and amortization | (7.02) | (7.36) | (6.96) |
| Tangible book value (non-GAAP) | \$ 20.31 | \$ 19.04 | \$ 20.28 |
| Efficiency ratio (GAAP) | 75.16 % | 67.55 % | 78.36 % |
| Impact of exclusions | (1.91)% | (1.91)% | (2.19)% |
| Efficiency ratio (non-GAAP) | 73.25 % | 65.64 % | 76.17 % |
| Average assets (GAAP) | \$ 16,864,235 | \$ 16,349,040 | \$16,683,041 |
| Less: average goodwill and intangible assets | 522,675 | 521,972 | 523,086 |
| Average tangible assets (non-GAAP) | \$ 16,341,560 | \$ 15,827,068 | \$16,159,955 |
| Average equity (GAAP) | \$ 2,040,275 | \$ 1,946,002 | \$ 1,988,302 |
| Less: average goodwill and intangible assets | 522,675 | 521,972 | 523,086 |
| Average tangible equity (non-GAAP) | \$ 1,517,600 | \$ 1,424,030 | \$ 1,465,216 |
| Average common equity (GAAP) | \$ 2,024,169 | \$ 1,931,063 | \$ 1,972,138 |
| Less: average goodwill and intangible assets | 522,675 | 521,972 | 523,086 |
| Average tangible common equity (non-GAAP) | \$ 1,501,494 | \$ 1,409,091 | \$ 1,449,052 |
| Net income (GAAP) | \$ 34,687 | \$ 38,333 | \$ 28,804 |
| Amortization of intangibles, net of tax | 2,564 | 2,784 | 2,695 |
| Tangible net income (non-GAAP) | \$ 37,251 | \$ 41,117 | \$ 31,499 |
| Total revenue (GAAP) | \$ 167,102 | \$ 184,144 | \$ 155,546 |
| Net (gain)/loss on investment securities | (74) | — | — |
| Other nonrecurring (income) loss | — | — | 10 |
| Total Revenue for efficiency calculation (non-GAAP) | \$ 167,028 | \$ 184,144 | \$ 155,556 |
| Noninterest expense (GAAP) | \$ 125,591 | \$ 124,397 | \$ 121,895 |
| Less: amortization of intangibles | 3,246 | 3,524 | 3,411 |
| Noninterest expense net of amortization (non-GAAP) | \$ 122,345 | \$ 120,873 | \$ 118,484 |

TOWNEBANK
Reconciliation of Non-GAAP Financial Measures
(dollars in thousands, except per share data)

Reconciliation of GAAP Earnings to Operating Earnings Excluding Certain Items Affecting Comparability

| | Three Months Ended | | | | |
|--|--------------------|----------------------|-----------------------|------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
| Net income (GAAP) | \$ 34,687 | \$ 28,804 | \$ 44,862 | \$ 41,716 | \$ 38,333 |
| <u>Adjustments</u> | | | | | |
| Plus: Acquisition-related expenses, net of tax | 564 | 56 | 458 | 2,457 | 4,803 |
| Plus: Initial provision for acquired loans, net of tax | — | — | — | — | 3,166 |
| Plus: FDIC special assessment, net of tax | 1,021 | 4,083 | — | — | — |
| Less: Gain on sale of equity investments, net of noncontrolling interest | — | (1,846) | (438) | (5,513) | — |
| Core operating earnings, excluding certain items affecting comparability (non-GAAP) | <u>\$ 36,272</u> | <u>\$ 31,097</u> | <u>\$ 44,882</u> | <u>\$ 38,660</u> | <u>\$ 46,302</u> |
| Weighted average diluted shares | 74,979,501 | 74,793,557 | 74,765,515 | 74,699,810 | 74,390,614 |
| Diluted EPS (GAAP) | \$ 0.46 | \$ 0.39 | \$ 0.60 | \$ 0.56 | \$ 0.52 |
| Diluted EPS, excluding certain items affecting comparability (non-GAAP) | \$ 0.48 | \$ 0.42 | \$ 0.60 | \$ 0.52 | \$ 0.62 |
| Average assets | \$ 16,864,235 | \$ 16,683,041 | \$ 16,762,859 | \$ 16,826,965 | \$ 16,349,040 |
| Average tangible equity | \$ 1,517,600 | \$ 1,465,216 | 1,460,024 | \$ 1,447,955 | \$ 1,424,030 |
| Average common tangible equity | \$ 1,501,494 | \$ 1,449,052 | \$ 1,443,453 | \$ 1,432,506 | \$ 1,409,091 |
| Return on average assets, excluding certain items affecting comparability (non-GAAP) | 0.87 % | 0.74 % | 1.06 % | 0.92 % | 1.15 % |
| Return on average tangible equity, excluding certain items affecting comparability (non-GAAP) | 10.29 % | 9.15 % | 12.97 % | 11.50 % | 13.98 % |
| Return on average common tangible equity, excluding certain items affecting comparability (non-GAAP) | 10.40 % | 9.25 % | 13.13 % | 11.62 % | 14.13 % |
| Efficiency ratio, excluding certain items affecting comparability (non-GAAP) | 74.84 % | 78.33 % | 67.76 % | 67.32 % | 64.32 % |



Earnings Presentation

1st Quarter 2024



Cautionary Statements

Forward Looking:

This presentation contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the beliefs, expectations, or opinions of TowneBank and its management regarding future events, many of which, by their nature, are inherently uncertain. Forward-looking statements may be identified by the use of such words as: "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional terms, such as "will," "would," "should," "could," "may," "likely," "probably," or "possibly." These statements may address issues that involve significant risks, uncertainties, estimates, and assumptions made by management. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include competitive pressures in the banking industry that may increase significantly; changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize our overall liquidity or capitalization; changes in the creditworthiness of customers and the possible impairment of the collectability of loans; insufficiency of our allowance for credit losses due to market conditions, inflation, changing interest rates or other factors; adverse developments in the financial industry generally, such as the recent bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior; general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; unusual and infrequently occurring events, such as weather-related or natural disasters, acts of war or terrorism, or public health events (such as the COVID-19 pandemic); changes in the legislative or regulatory environment, including changes in accounting standards and tax laws, that may adversely affect our business; costs or difficulties related to the integration of the businesses we have acquired may be greater than expected; expected cost savings associated with pending or recently completed acquisitions may not be fully realized or realized within the expected time frame; cybersecurity threats or attacks, the implementation of new technologies, and the ability to develop and maintain reliable electronic systems; our competitors may have greater financial resources and develop products that enable them to compete more successfully; changes in business conditions; changes in the securities market; and changes in our local economy with regard to our market area. Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events, or otherwise. For additional information on factors that could materially influence forward-looking statements included in this report, see the "Risk Factors" in TowneBank's Annual Report on Form 10-K for the year ended December 31, 2023 and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.

Non-GAAP Financial Measures:

This presentation contains certain financial measures determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such non-GAAP financial measures include the following: fully tax-equivalent net interest margin, core operating earnings, core net income, tangible book value per common share, total risk-based capital ratio, tier one leverage ratio, tier one capital ratio, and the tangible common equity to tangible assets ratio. Management uses these non-GAAP financial measures to assess the performance of TowneBank's core business and the strength of its capital position. Management believes that these non-GAAP financial measures provide meaningful additional information about TowneBank to assist investors in evaluating operating results, financial strength, and capitalization. The non-GAAP financial measures should be considered as additional views of the way our financial measures are affected by significant charges for credit costs and other factors. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of the non-GAAP financial measures used in this presentation are referenced in a footnote or in the appendix to this presentation.

TowneBank at a Glance

Consistent Focus on Earnings and Growth

Earnings Growth

23.5%

CAGR FY00 – FY23

#1 Deposit Market Share
in Hampton Roads¹

Ranked on

Forbes

Best Banks List²

6 Years in a Row

Total Assets

\$16.9B

Total Loans

\$11.5B

Total Deposits

\$14.1B

Core ROAA

0.87%

Core ROTCE

10.40%

NIM (FTE)

2.75%

NIB Deposits /
Total Deposits

30%

10 Year Total Shareholder
Return³

138%

(1) Source: FDIC Summary of Deposits for the VA Beach-Norfolk-Newport News, VA MSA, data as of June 30, 2023

(2) © 2024, Forbes Media LLC. Used with permission.

(3) Total Return as of 2/29/2024; Source: S&P Global, data collected 4/15/2024.

(4) Financial results for the quarter ending March 31, 2024.



1st Quarter 2024 Financial Results

Performance Highlights

| | Q1-FY24 | Q4-FY23 | Q/Q Change | Q1-FY23 | Y/Y Change |
|---|-----------------|-----------------|------------|-----------------|------------|
| Total Revenue | \$167.1 million | \$155.5 million | 7.4% | \$184.1 million | -9.3% |
| Provision for Credit Losses | -\$0.9 million | \$2.4 million | -135.8% | \$11.7 million | -107.5% |
| Net Income Attributable to TowneBank | \$34.7 million | \$28.8 million | 20.4% | \$38.3 million | -9.5% |
| Earnings Per Share–Diluted | \$0.46 | \$0.39 | 17.9% | \$0.52 | -11.5% |
| Return on Avg Assets | 0.83% | 0.68% | +15 bps | 0.95% | -12 bps |
| Return on Avg Tangible Common Equity ¹ | 9.98% | 8.62% | +136 bps | 11.83% | -185 bps |
| Net Interest Margin (TE) ¹ | 2.75% | 2.86% | -11 bps | 3.39% | -64 bps |
| Assets | \$16.9 billion | \$16.8 billion | 0.3% | \$16.7 billion | 0.9% |
| Loans | \$11.5 billion | \$11.3 billion | 1.1% | \$11.2 billion | 2.5% |
| Deposits | \$14.1 billion | \$13.9 billion | 1.7% | \$13.6 billion | 3.9% |
| Loans / Deposits | 81.07% | 81.54% | -47 bps | 82.17% | -110 bps |
| Noninterest Bearing Deposits / Deposits | 29.69% | 31.26% | -157 bps | 37.28% | -759 bps |
| Nonperforming Assets / Assets | 0.05% | 0.05% | 0 bps | 0.06% | -1 bps |
| Book Value per Share | \$27.33 | \$27.24 | 0.3% | \$26.40 | 3.5% |
| Tangible Book Value per Share ¹ | \$20.31 | \$20.28 | 0.1% | \$19.04 | 6.7% |
| Tangible Common Equity to Tangible Assets | 9.31% | 9.31% | +0 bps | 8.80% | +51 bps |
| Total Risk Based Capital Ratio ² | 15.10% | 15.06% | +4 bps | 14.55% | +55 bps |

(1) Non-GAAP financial measure – see non-GAAP reconciliations
(2) Current reporting period regulatory capital ratios are preliminary

Income Statement Summary

| Dollars in millions, except per share data | QTD | | | | |
|--|-----------------|-----------------|---------------|-----------------|----------------|
| | Q1-FY24 | Q4-FY23 | Q/Q Change | Q1-FY23 | Y/Y Change |
| Interest Income | \$ 186.92 | \$ 184.13 | 1.5% | \$ 163.40 | 14.4% |
| Interest Expense | 83.70 | 76.39 | 9.6% | 40.02 | 109.2% |
| Net Interest Income | 103.22 | 107.73 | (4.2%) | 123.38 | (16.3%) |
| Provision for Credit Losses | (0.88) | 2.45 | (135.8%) | 11.67 | (107.5%) |
| Net Interest Income after Provision for Credit Losses | 104.10 | 105.29 | (1.1%) | 111.71 | (6.8%) |
| Noninterest Income | 63.88 | 47.81 | 33.6% | 60.77 | 5.1% |
| Noninterest Expense | 125.59 | 121.89 | 3.0% | 124.40 | 1.0% |
| Minority Interest in Unconsolidated Subs | 0.44 | (0.26) | (270.7%) | 0.14 | 204.5% |
| Income Before Taxes | 41.95 | 31.46 | 33.3% | 47.93 | (12.5%) |
| Provision for Income Tax Expense | 7.26 | 2.66 | 172.9% | 9.60 | (24.3%) |
| Net Income Attributable to TowneBank | \$ 34.69 | \$ 28.80 | 20.4% | \$ 38.33 | (9.5%) |
| Earnings Per Share-Diluted | \$ 0.46 | \$ 0.39 | 17.9% | \$ 0.52 | (11.5%) |

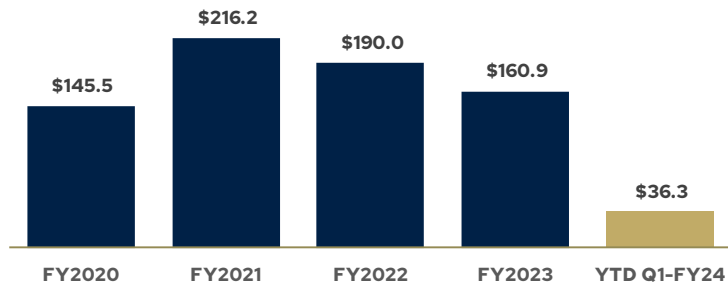
Core Net Income⁽¹⁾

| | | | | | |
|----------------------------------|---------|---------|---------|---------|---------|
| One-time Adjustments After Taxes | \$ 1.58 | \$ 2.29 | (30.9%) | \$ 7.97 | (80.1%) |
| Core Net Income | 36.27 | 31.10 | 16.6% | 46.30 | (21.7%) |
| Core Earnings Per Share-Diluted | \$ 0.48 | \$ 0.42 | 14.3% | \$ 0.62 | (22.6%) |

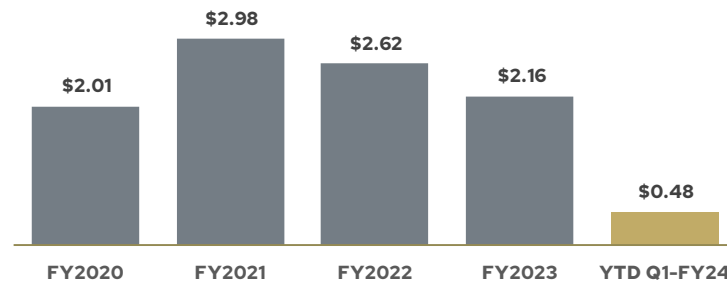
(1) Non-GAAP financial measure – see non-GAAP reconciliations

Financial Performance Trends

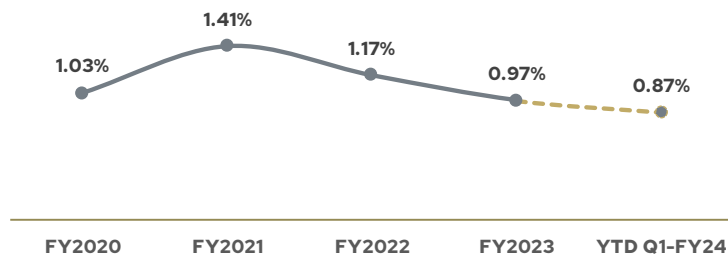
Core Net Income¹ [Dollars in millions]



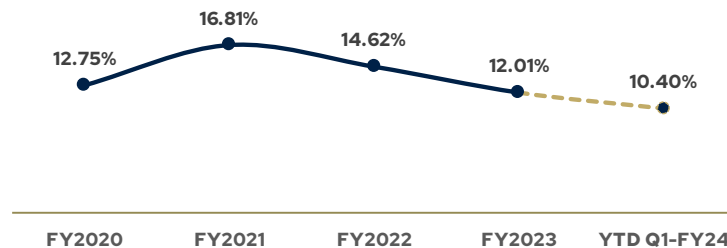
Core EPS¹



Core ROAA¹



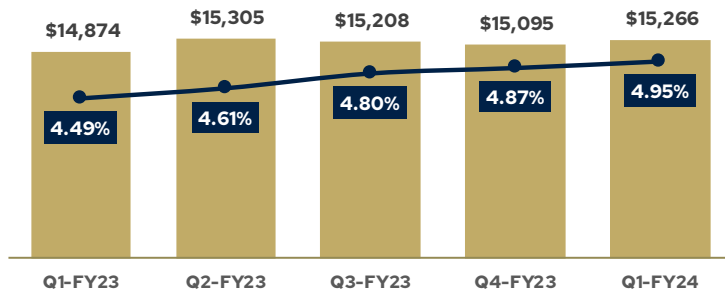
Core ROATCE¹



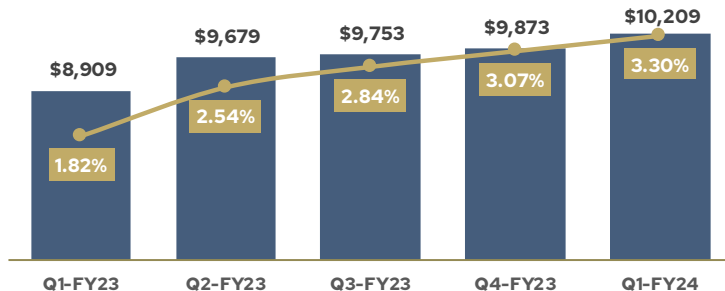
(1) Non-GAAP financial measure – see non-GAAP reconciliations

Net Interest Income

Avg. Earning Assets & Yield (TE)¹ [Dollars in millions]

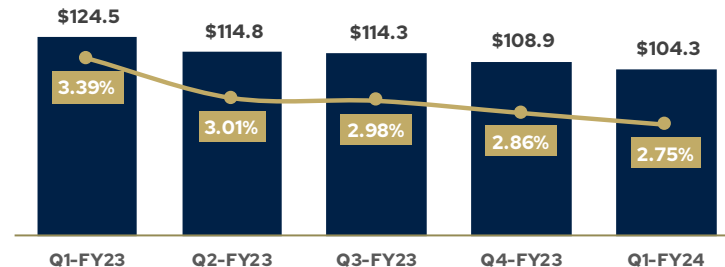


Avg. Interest Bearing Liabilities & Cost [Dollars in millions]

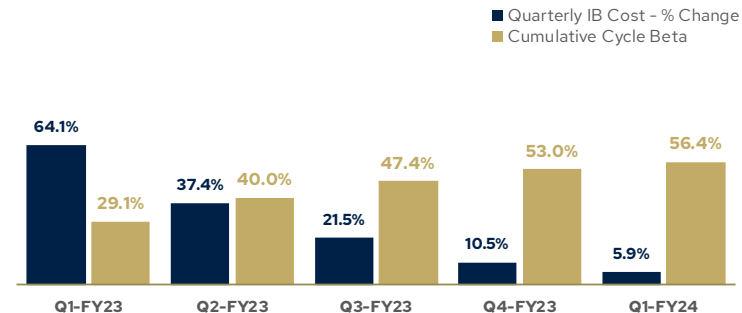


(1) Non-GAAP financial measures - see non-GAAP reconciliations

Net Interest Income & NIM (TE)¹ [Dollars in millions]



Interest Bearing Deposit Costs

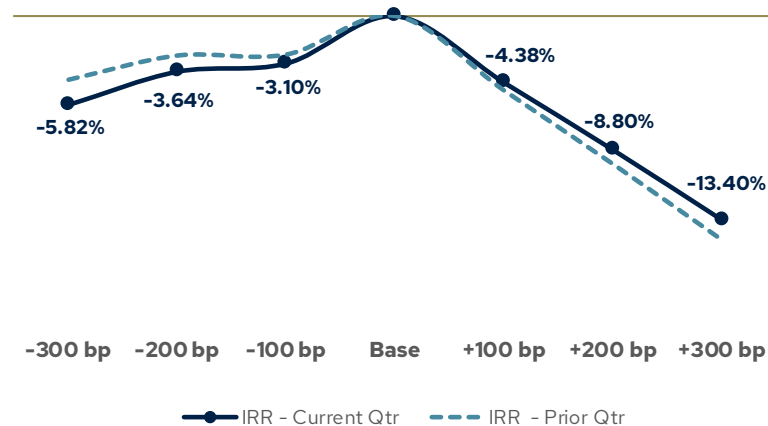


NIM & Net Interest Income Sensitivity

Net Interest Income & NIM (TE)¹

| Dollars in millions | Amount | NIM (%) |
|------------------------------|-----------------|--------------|
| Q4-FY23 | \$ 108.9 | 2.86% |
| Loans HFI | 4.2 | 0.11% |
| Recurring Accretion | (0.0) | 0.00% |
| Loans HFS | (1.2) | -0.01% |
| Investments & Cash | (0.3) | -0.02% |
| Earning Assets Mix | | 0.00% |
| Deposits | (5.2) | -0.12% |
| Borrowings | (2.1) | -0.03% |
| Sub Debt | - | 0.00% |
| Interest Bearing Funding Mix | | 0.00% |
| Other | (0.0) | -0.04% |
| Q1-FY24 | \$ 104.3 | 2.75% |

Net Interest Income Sensitivity²



Comments

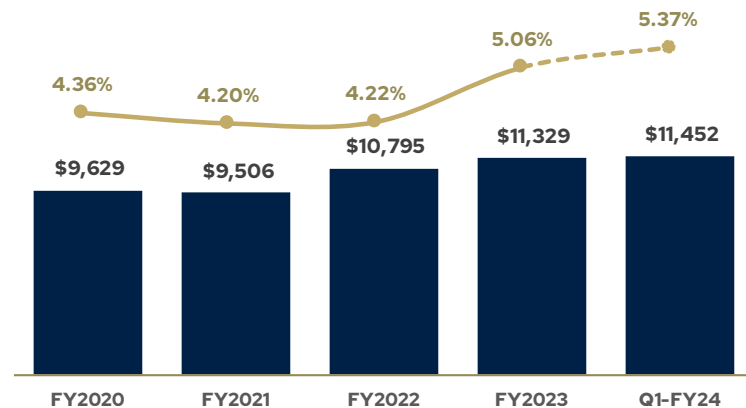
- Cumulative cycle-to-date beta of approximately 56%
- Rising rate risk attributable to 100% beta against further hikes on all money markets
- 60% of IB transaction account balances above 3%

(1) Non-GAAP financial measure - see non-GAAP reconciliations

(2) The interest sensitivity chart is a one-year result on net interest income of an instantaneous and permanent rate shock. The results include assumptions about deposit rate changes that may or may not occur.

Loans

Loans Balances & Yield (TE)¹ [Dollars in millions]



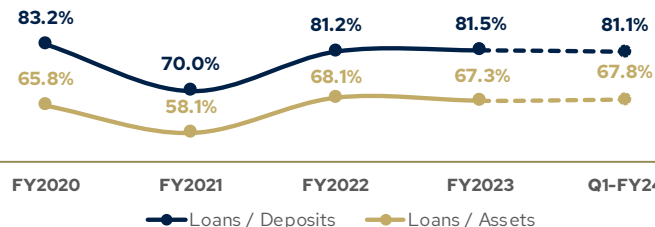
| Loans | Q1-FY24 | % Total | Q/Q % | Y/Y % |
|------------------------------|------------------|-------------|-------------|-------------|
| (Dollars in millions) | | | | |
| Construction and Development | \$ 1,256 | 11% | 0.5% | -14.8% |
| Commercial Real Estate | 5,475 | 48% | 1.4% | 7.6% |
| Residential 1-4 Family | 2,269 | 20% | 1.5% | 6.9% |
| Commercial and Industrial | 1,289 | 11% | 1.8% | -0.7% |
| Government | 528 | 5% | 0.6% | 3.5% |
| Indirect | 555 | 5% | -0.6% | -4.6% |
| Consumer & Other | 81 | 0% | -14.5% | -17.9% |
| Total Loans | \$ 11,452 | 100% | 1.1% | 2.5% |

(1) Non-GAAP financial measure – see non-GAAP reconciliations

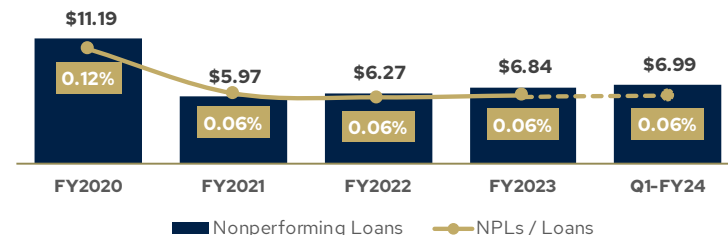
Portfolio Highlights

- Variable portfolio of \$3.1 billion at the end of Q1-24
- Scheduled maturities and amortization of \$1.6 billion for the remainder of FY2024 with the potential to rise to \$2.5 billion depending on the prepayments

Loans % of Deposits and Assets

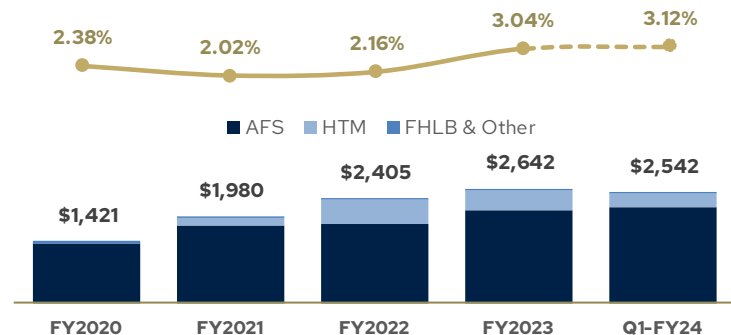


Nonperforming Loans



Investments

Investment Balances & Yield (TE)¹ [Dollars in millions]



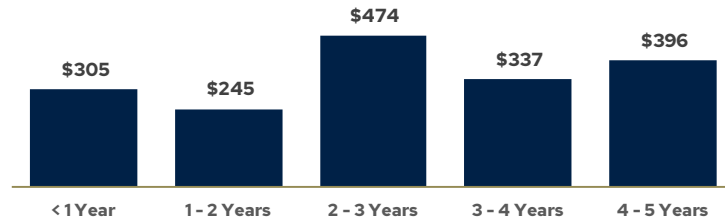
| AFS and HTM Securities ² | AFS | HTM | Total |
|-------------------------------------|-----------------|---------------|-----------------|
| (Dollars in millions) | | | |
| US Treasuries | \$ 29 | \$ 197 | \$ 226 |
| US Agencies | 326 | 102 | 428 |
| Municipals | 482 | 5 | 488 |
| Trust Preferred & Oth Corp | 102 | 2 | 104 |
| MBS Issued by GSE/GNMA | 1,438 | 6 | 1,443 |
| Securities - Amortized Cost | 2,376 | 313 | 2,689 |
| Valuation Adjustment | (171) | - | (171) |
| Credit Loss Reserve | (1) | (0) | (1) |
| Total | \$ 2,204 | \$ 312 | \$ 2,517 |

(1) Non-GAAP financial measure – see non-GAAP reconciliations
 (2) AFS and HTM portfolio, excludes FHLB and other equity securities
 (3) Amortized Costs

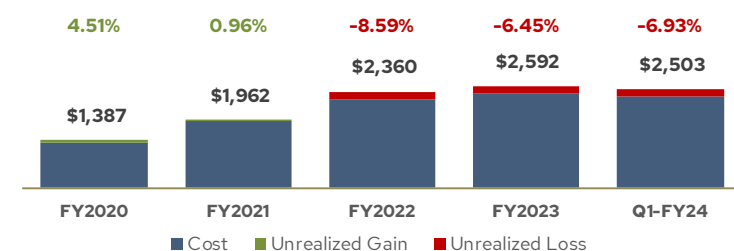
Portfolio Highlights

- \$550 million of expected cash flow from securities portfolio in the next two years
- Weighted avg. runoff yield in 2024 = 3.48% and in 2025 = 3.38%
- Portfolio duration of 3.3 years at the end of Q1-24
- Portfolio: 88%/12% - AFS/HTM and 78%/22% - Fixed/Floating

Expected Cashflows from Investments (As of Mar 31, 2024)

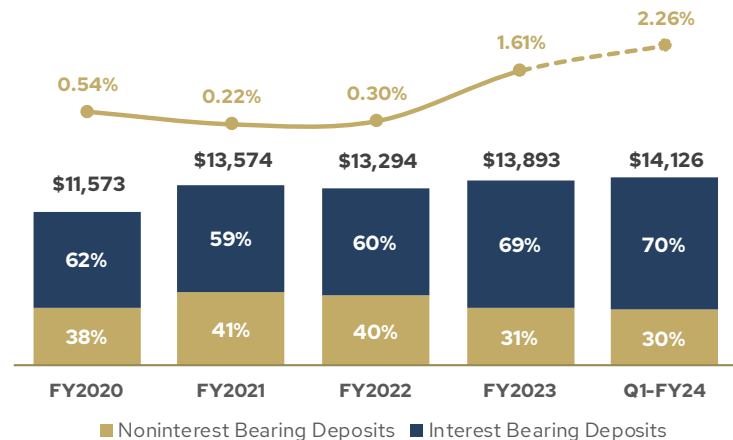


Securities FV and Unrealized Gain (Loss)²



Deposits

Deposit Balances and Cost [Dollars in millions]



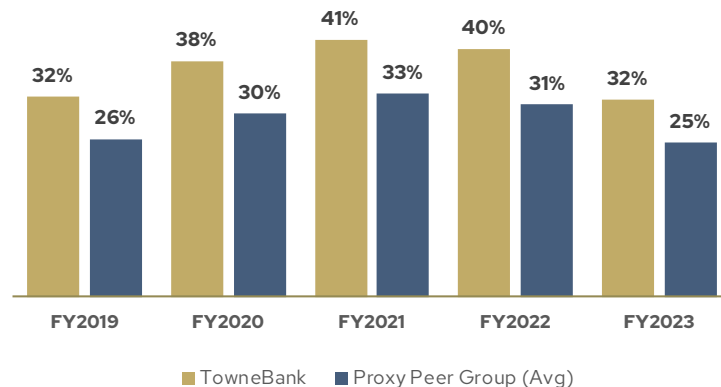
| Deposits | Q1-FY24 | % Total | Cost | Q/Q % | Y/Y % |
|----------------------------------|------------------|-------------|--------------|-------------|--------------|
| (Dollars in millions) | | | | | |
| Interest Bearing Demand | 1,646 | 12% | 0.47% | 2.2% | -3.3% |
| Money Market | 5,270 | 37% | 3.55% | 2.4% | 15.0% |
| Savings | 326 | 2% | 1.08% | -3.1% | -16.2% |
| Time Deposits | 2,689 | 19% | 4.60% | 9.5% | 44.9% |
| Interest Bearing Deposits | 9,932 | 70% | 3.24% | 4.0% | 16.5% |
| Noninterest Bearing Deposits | 4,194 | 30% | na | -3.4% | -17.3% |
| Total Deposits | \$ 14,126 | 100% | 2.26% | 1.7% | 3.9% |

(1) Source: S&P Global, data as of 04/15/2024. Peers as disclosed in the most recent TOWN proxy statement

Portfolio Highlights

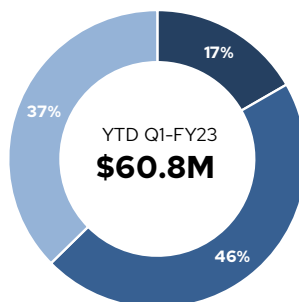
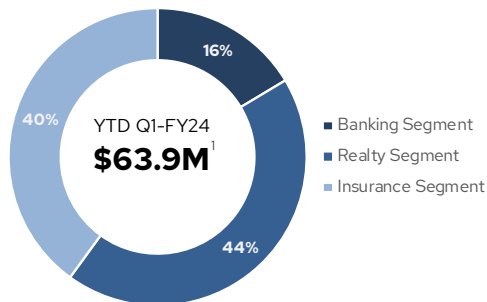
- Continued migration from NIB into IB deposits, specifically into time deposits. Additionally, new branch openings along with grand opening CD specials impacting CD mix and cost
- NIB deposits in legacy Hampton Roads region equal to 36% of total regional deposits
- Top 50 deposit relationships = \$1.7 billion, 12% of total

NIB Deposits % of Total Deposits TowneBank vs Peers¹

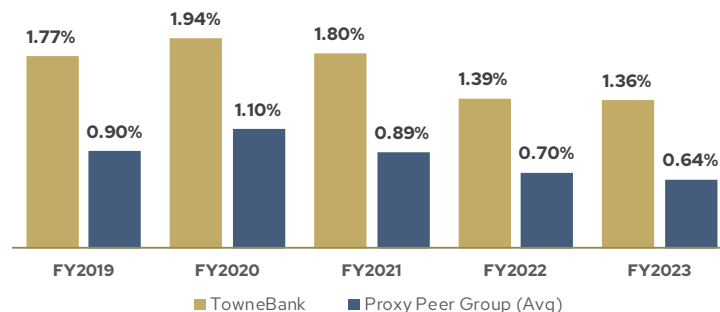


Noninterest Income

| Dollars in millions | QTD | | | | |
|--|-----------------|-----------------|--------------|-----------------|-------------|
| | Q1-FY24 | Q4-FY23 | Q/Q Change | Q1-FY23 | Y/Y Change |
| Residential Mortgage Banking Income Net | \$ 10.48 | \$ 8.03 | 30.4% | \$ 9.37 | 11.8% |
| Insurance Commissions and Other Title Fees and Income, Net | 25.54 | 21.21 | 20.4% | 22.82 | 11.9% |
| Property Mgmt Income, Net | 16.77 | 7.36 | 128.0% | 15.53 | 8.0% |
| Real Estate Brokerage Income Net | - | (0.03) | (100.0%) | 1.79 | (100.0%) |
| Service Charges on Deposit Accounts | 3.06 | 3.03 | 0.9% | 2.85 | 7.4% |
| Credit Card Merchant Fees, Net | 1.55 | 1.48 | 5.0% | 1.54 | 0.4% |
| Bank-owned Life Insurance | 1.84 | 2.21 | (16.5%) | 1.67 | 10.2% |
| Other Income | 4.57 | 4.53 | 0.9% | 5.18 | (11.8%) |
| Gain (Loss) on Investment Securities | 0.07 | - | - | - | - |
| Noninterest Income | \$ 63.88 | \$ 47.81 | 33.6% | \$ 60.77 | 5.1% |



Noninterest Income % Avg Assets
TowneBank vs Peers²



(1) Core noninterest income excluding gain (loss) on equity investment

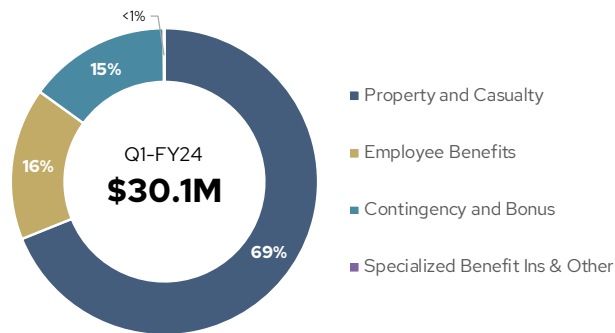
(2) Source: S&P Global, data as of 04/15/2024. Peers as disclosed in the most recent TOWN proxy statement

Towne Insurance

Highlights

- Insurance revenue of \$30.1 million in Q1-24 compared to \$27.3 million in Q1-23
- FY2023 surpassed \$100 million in total revenue with a continued focus on organic growth and expansion in growth markets
- CAGR of 12.3% from 2018 to 2023
- 27 Acquisitions since 2001
Most recent - Manry Rawls - was completed 1/13/2023

Insurance Revenue Composition

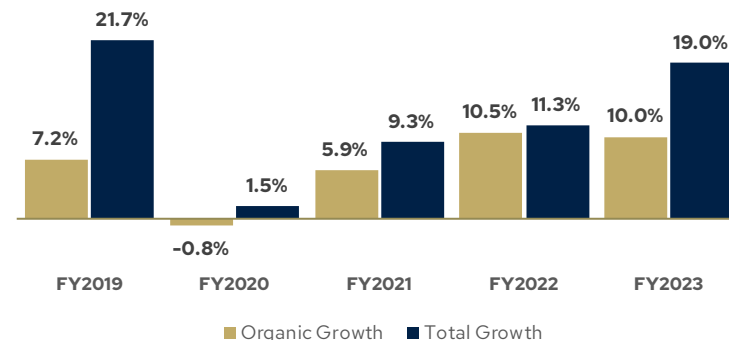


(1) Income does not include travel insurance income or gains from the sales of Red Sky Travel Insurance (FY2020) and Beneflex (FY2023)

Revenues¹ [Dollars in millions]



Revenue Growth Trend

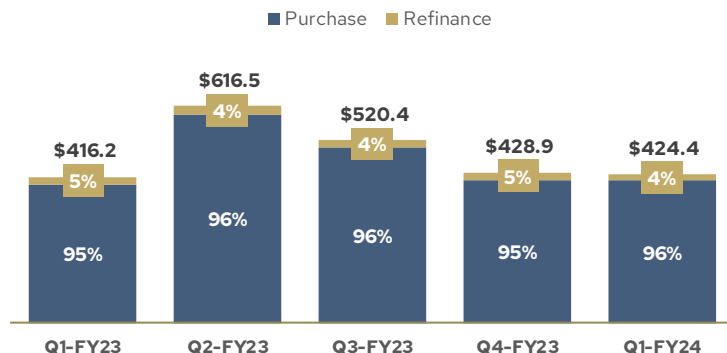


TowneBank Mortgage

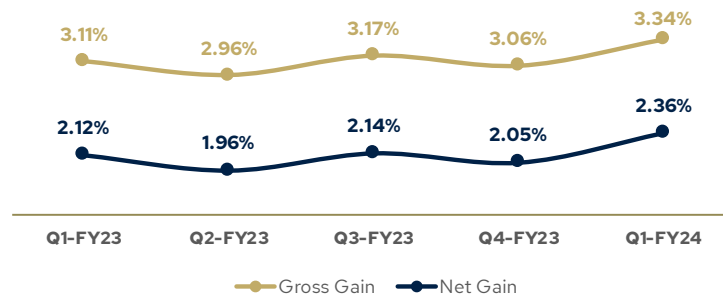
Highlights

- Mortgage banking income of \$10.8 million in Q1-24 compared to \$9.8 million in Q1-23
- Pretax loss of \$881 thousand in Q1-24 compared to a pretax loss of \$5.1 million in Q1-23
- Gain on sales & fees as a % of loans originated up 23 bps compared to Q1-23
- Noninterest expense levels reduced to align with expected volumes in the current environment

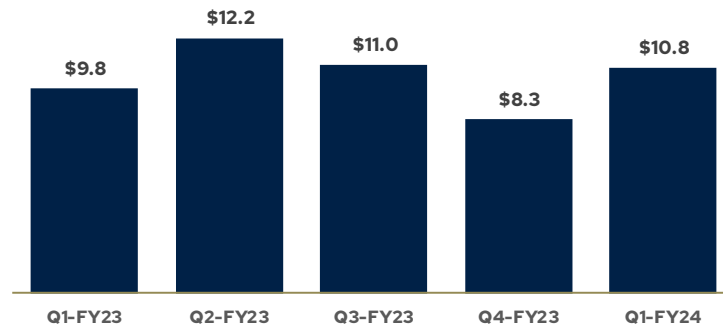
Mortgage Production [Dollars in millions]



Gain on Sales & Fees as a % of Loans Originated



Mortgage Banking Income Net [Dollars in millions]

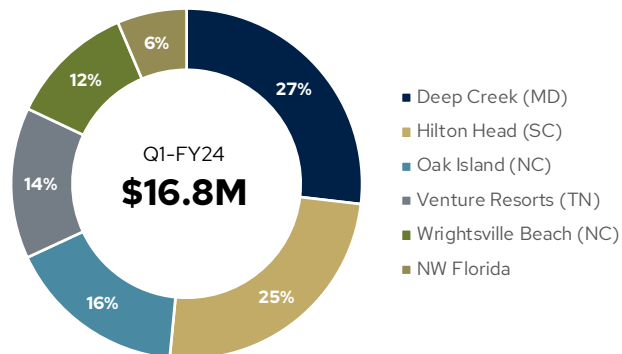


Towne Vacations

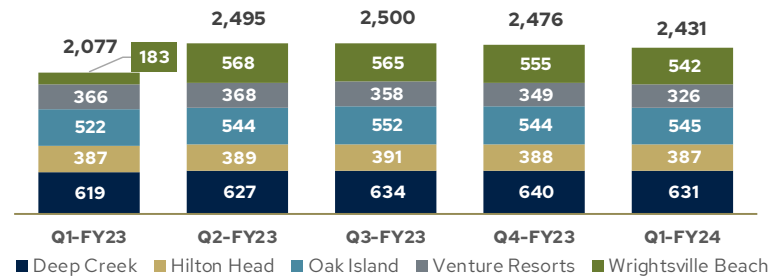
Highlights

- Property management income net of \$16.8 million in Q1-24 compared to \$15.2 million in Q1-23
- Property management locations in North Carolina, South Carolina, Maryland, Tennessee and Florida
- My Vacation Haven acquired March 1, 2024 (NW Florida)
 - Expect \$5.4 million of net revenue in FY2024
- Reservation activity has returned to pre-pandemic levels offset by acquisition growth

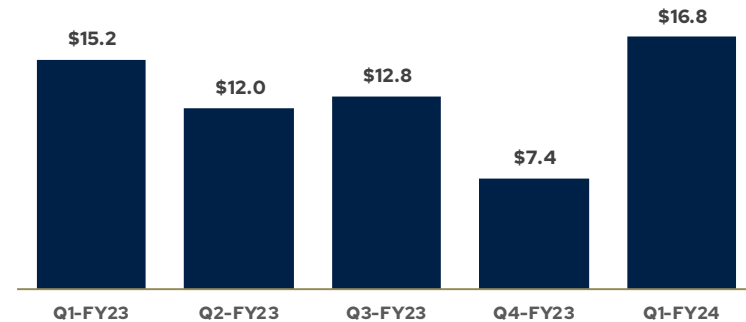
Property Management Income Net



Home Count [Quarterly Average]

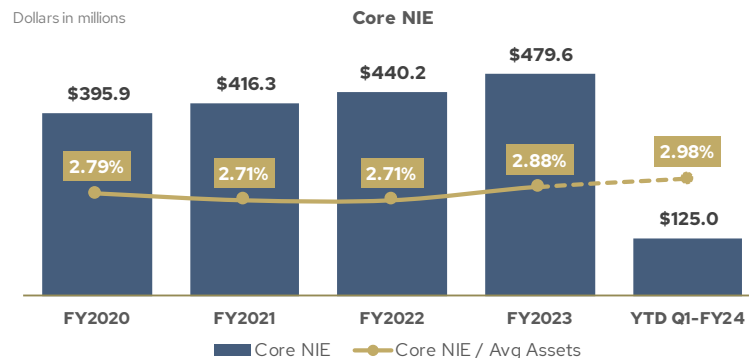
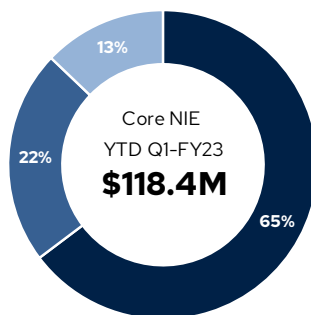
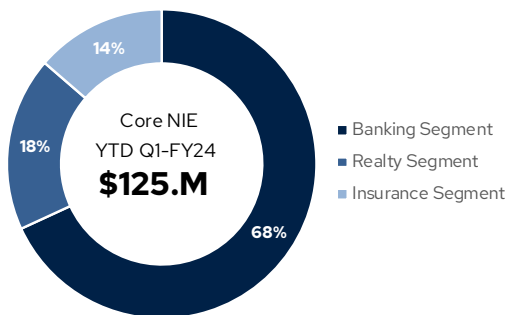


Property Management Income Net [Dollars in millions]



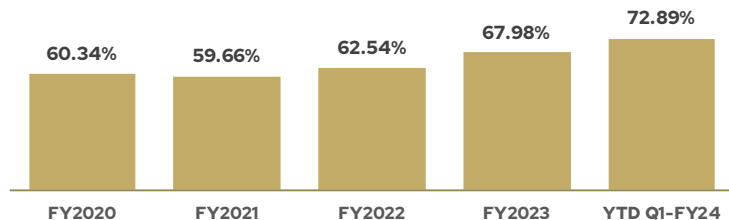
Noninterest Expense

| Dollars in millions | QTD | | | | |
|------------------------------------|------------------|------------------|-------------|------------------|-------------|
| | Q1-FY24 | Q4-FY23 | Q/Q Change | Q1-FY23 | Y/Y Change |
| Employee Compensation | \$ 71.38 | \$ 66.03 | 8.1% | \$ 69.42 | 2.8% |
| Occupancy, Furniture and Equipment | 13.90 | 13.75 | 1.1% | 13.31 | 4.4% |
| Software and Data Processing | 10.02 | 10.27 | (2.5%) | 8.98 | 11.6% |
| Advertising and Marketing | 4.58 | 3.38 | 35.6% | 4.40 | 4.1% |
| Other Expenses | 25.72 | 28.46 | (9.6%) | 28.29 | (9.1%) |
| Noninterest Expense | \$ 125.59 | \$ 121.89 | 3.0% | \$ 124.40 | 1.0% |
| Acquisition Related Expenses | 0.59 | 0.06 | 892.7% | 5.96 | (90.0%) |
| Core Noninterest Expense | \$ 125.00 | \$ 121.83 | 2.6% | \$ 118.43 | 5.5% |

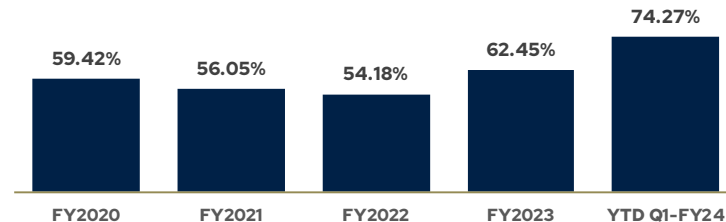


Core Efficiency Ratio¹

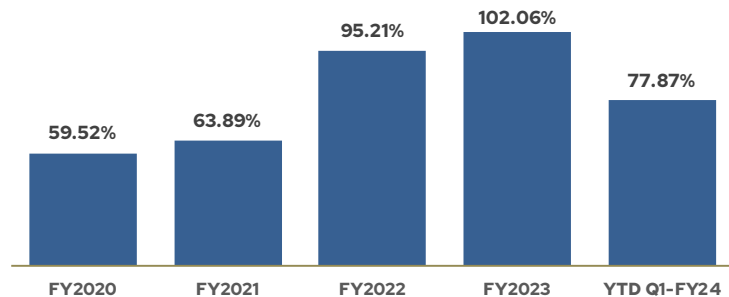
TowneBank Consolidated



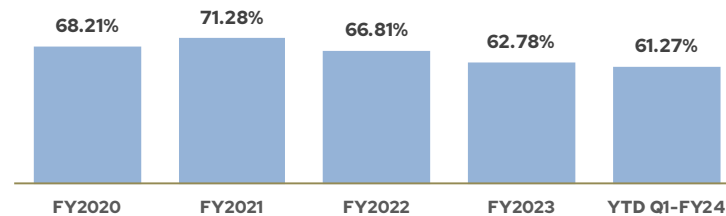
Banking Segment



Realty Segment



Insurance Segment



(1) Non-GAAP financial measure – see non-GAAP reconciliations

Balance Sheet Summary

| Dollars in millions | Q1-FY24 | Q4-FY23 | Q/Q Change | Q1-FY23 | Y/Y Change |
|---------------------------------|------------------|------------------|-------------|------------------|-------------|
| Cash and Cash Equivalents | \$ 1,101 | \$ 1,128 | (2.4%) | \$ 1,243 | (11.4%) |
| Securities | 2,542 | 2,642 | (3.8%) | 2,670 | (4.8%) |
| Loans Held for Sale | 151 | 150 | 0.5% | 157 | (4.1%) |
| Loans | 11,452 | 11,329 | 1.1% | 11,174 | 2.5% |
| Allowance for Credit Losses | (126) | (126) | (0.5%) | (120) | 4.9% |
| Net Loans | 11,327 | 11,203 | 1.1% | 11,054 | 2.5% |
| Premises and Equipment Net | 343 | 338 | 1.5% | 322 | 6.4% |
| Goodwill | 458 | 456 | 0.3% | 477 | (4.1%) |
| Intangible Assets | 69 | 65 | 6.4% | 73 | (6.1%) |
| Bank-owned Life Insurance | 279 | 277 | 0.7% | 272 | 2.8% |
| Other Assets | 615 | 576 | 6.8% | 463 | 32.9% |
| Assets | 16,884 | 16,835 | 0.3% | 16,730 | 0.9% |
| Noninterest Bearing Deposits | 4,194 | 4,343 | (3.4%) | 5,069 | (17.3%) |
| Interest Bearing Deposits | 9,932 | 9,551 | 4.0% | 8,529 | 16.5% |
| Deposits | 14,126 | 13,893 | 1.7% | 13,598 | 3.9% |
| Borrowings | 291 | 493 | (40.9%) | 806 | (63.9%) |
| Other Liabilities | 401 | 393 | 2.0% | 336 | 19.4% |
| Liabilities | 14,818 | 14,779 | 0.3% | 14,741 | 0.5% |
| Shareholders' Equity | 2,050 | 2,040 | 0.5% | 1,975 | 3.8% |
| Noncontrolling Interest | 16 | 16 | 2.8% | 15 | 7.4% |
| Equity | 2,066 | 2,056 | 0.5% | 1,990 | 3.8% |
| Liabilities and Equities | \$ 16,884 | \$ 16,835 | 0.3% | \$ 16,730 | 0.9% |



\$16.9B

Total Assets

81.07%

Loans / Deposits

1.10%

ACL / Loans

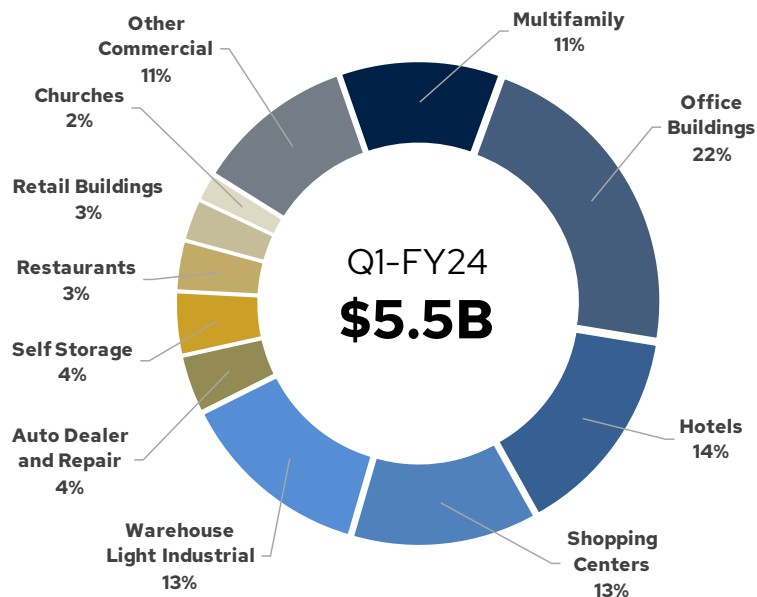
0.05%

Nonperforming Assets /
Total Assets

30%

Noninterest Bearing
Deposits / Total Deposits

Commercial Real Estate

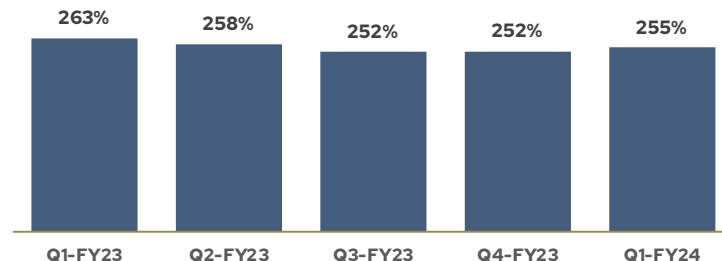


| Dollars in millions | Q1-FY24 | % Total | Q/Q % | Y/Y % |
|-------------------------------|-----------------|-------------|-------------|-------------|
| CRE-Owner Occupied | \$ 1,701 | 31% | 0.1% | 1.5% |
| CRE-Non Owner Occupied | 3,179 | 58% | 2.0% | 9.3% |
| Multifamily | 595 | 11% | 2.0% | 17.8% |
| Commercial Real Estate | \$ 5,475 | 100% | 1.4% | 7.6% |

Owner and Non-Owner Occupied

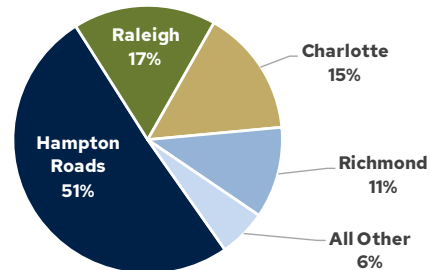
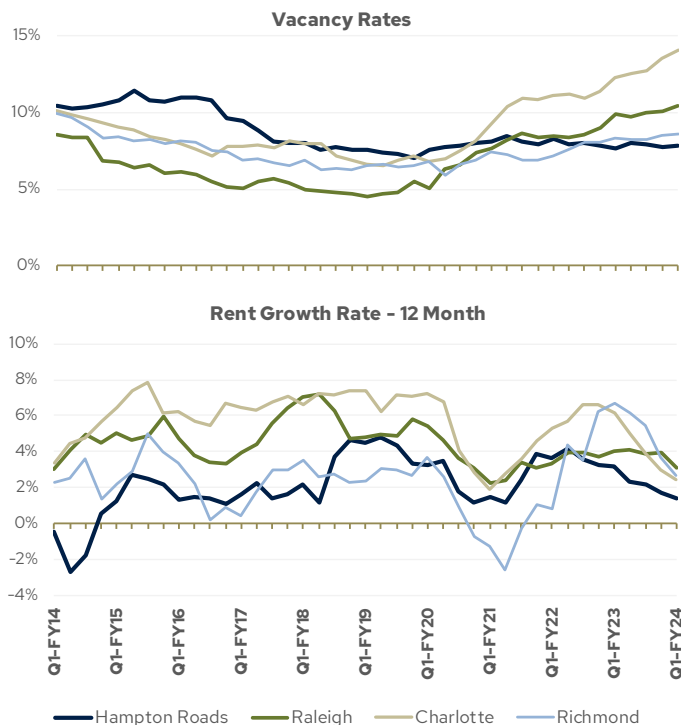
| Dollars in millions | Owner | Non-owner | Total |
|----------------------------|-----------------|-----------------|-----------------|
| Office Buildings | \$ 444 | \$ 761 | \$ 1,205 |
| Hotels | - | 785 | 785 |
| Shopping Centers | - | 690 | 690 |
| Warehouse Light Industrial | 370 | 347 | 717 |
| Auto Dealer and Repair | 184 | 31 | 215 |
| Self Storage | - | 234 | 234 |
| Restaurants | 127 | 60 | 186 |
| Retail Buildings | 75 | 80 | 155 |
| Churches | 100 | 2 | 103 |
| Other Commercial | 401 | 189 | 590 |
| Total | \$ 1,701 | \$ 3,179 | \$ 4,880 |

CRE / Total Risk Based Capital



CRE – Office Buildings

Market Trends¹



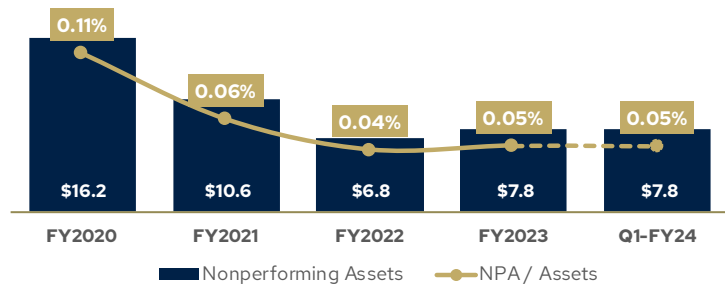
Market Comments

- Hampton Roads vacancy rates remain near 10-year lows at 7.8%, asking rent growth of 1.4% as office owners focus on retaining tenants rather than increasing rents, fully recovered all jobs lost at the start of the pandemic, minimal supply-side impacts due to limited office development and the market is forecasted to perform better than larger macroeconomy due to defense spending, tourism, and the Port.
- Richmond vacancy rates have stabilized in the mid-8% range and remain below long-term averages. Rents continue to grow in the mid-2% range as office owners pass along their increased operating expenses. Jobs lost at the beginning of the pandemic have been fully recovered and the economy continues to improve. Asking rents and an educated workforce leave Richmond as an attractive alternative along this section of the East Coast from Charlotte to Baltimore.
- While vacancy rates have generally increased throughout most of our North Carolina footprint since 2019, they continue to benefit from full jobs recovery, strong population growth and an educated workforce, particularly in office-using sectors. Annual rent growth in the 2.5-3.5% range remains well above the 1.2% national growth rate. Raleigh and the Research Triangle are among the fastest growing metros in the US.

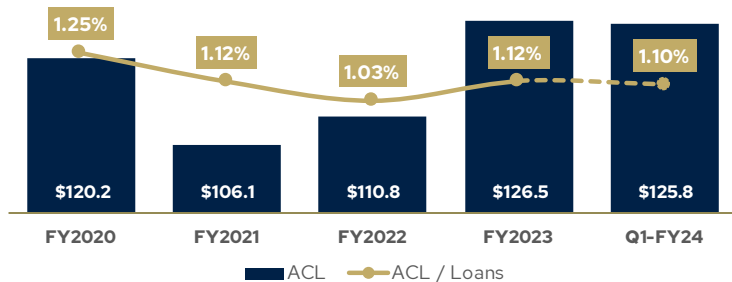
(1) Source: CoStar[®], data collected 4/17/2024

Asset Quality

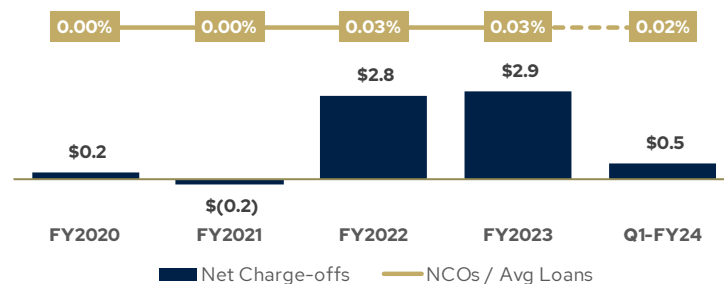
Nonperforming Assets¹ [Dollars in millions]



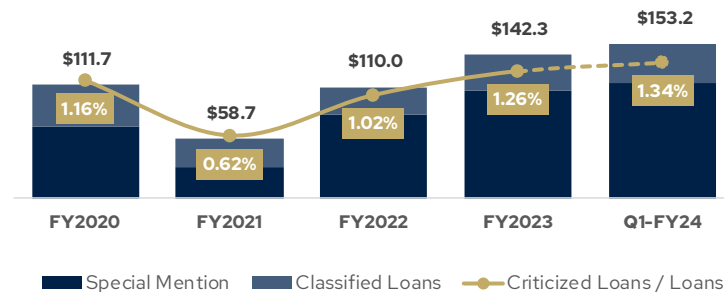
Allowance for Credit Losses [Dollars in millions]



Net Charge-offs [Dollars in millions]



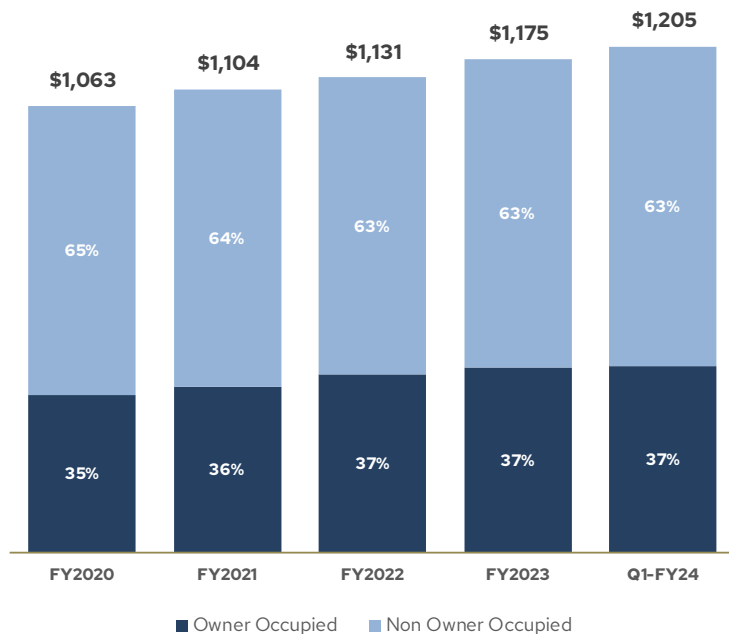
Criticized Loans [Dollars in millions]



(1) Non-performing assets (Non-accrual loans/leases, repossessed assets, and real estate owned) as a percent of assets

Asset Quality – Office Buildings

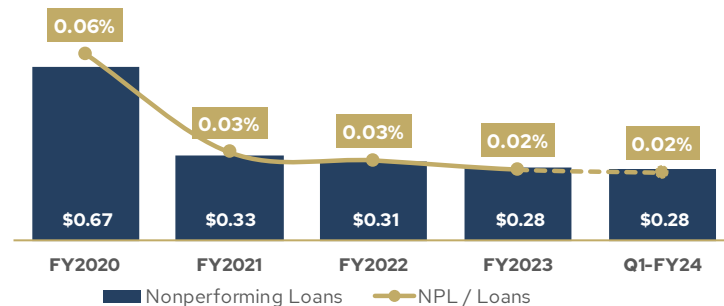
Office Buildings Portfolio [Dollars in millions]



Portfolio Statistics [Dollars in millions]

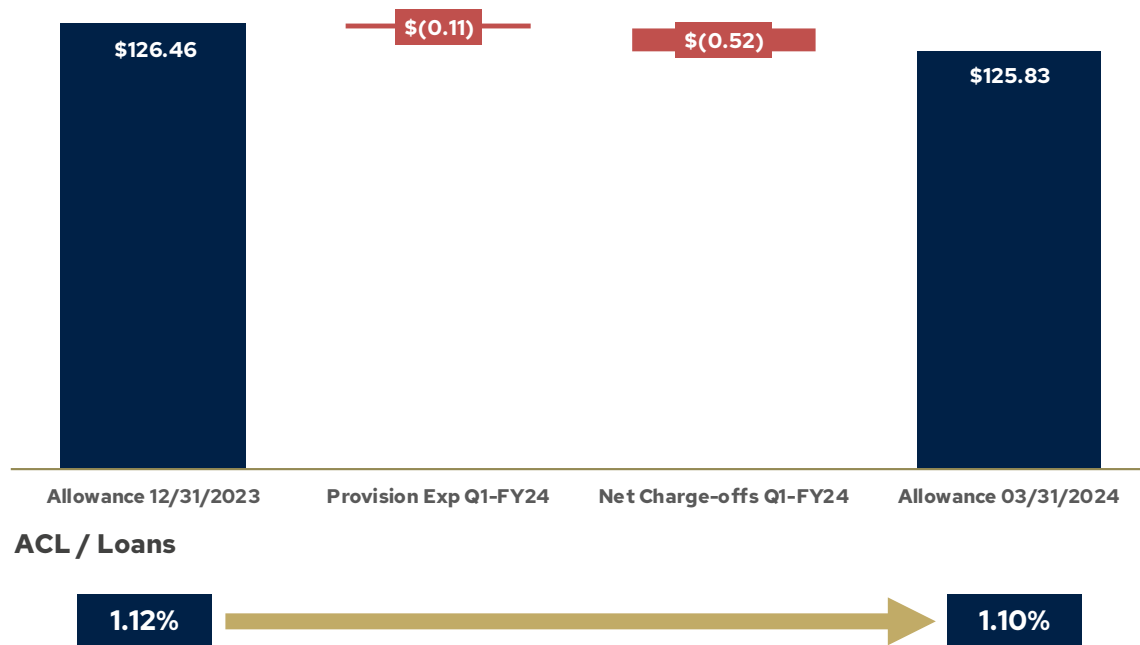
| | FY2020 | FY2021 | FY2022 | FY2023 | Q1-FY24 |
|-----------------------|---------|---------|-----------|-----------|-----------|
| 30-89 Delinquencies | \$ 0.86 | \$ 0.11 | \$ 0.70 | \$ - | \$ 0.10 |
| 30-89 Delinquencies % | 0.08% | 0.01% | 0.06% | 0.00% | 0.01% |
| 90+ Delinquencies | \$ - | \$ - | \$ - | \$ - | \$ - |
| 90+ Delinquencies % | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Net Charge-offs | \$ 0.02 | \$ 0.00 | \$ (0.02) | \$ (0.01) | \$ (0.01) |
| Net Charge-offs % | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Nonperforming Loans [Dollars in millions]



Current Expected Credit Loss (CECL)

Allowance for Credit Losses [Dollars in millions]



MACROECONOMIC FORECAST

Weighted Moody's economic sectors

REASONABLE & SUPPORTABLE FORECAST PERIOD

2 Years

REVERSION PERIOD AND APPROACH

4 quarter reversion period with a blended transition approach

KEY MACROECONOMIC VARIABLES

Price Indices
GDP
Interest Rates
Disposable Income

Liquidity

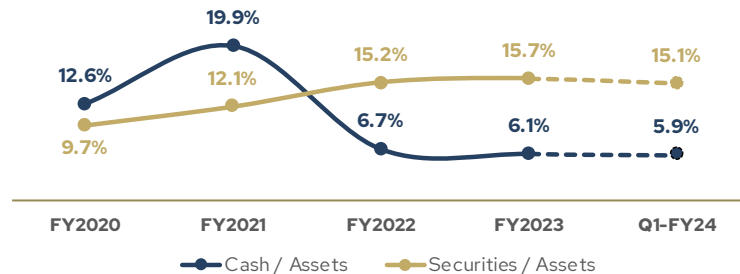
Liquidity Sources [Dollars in millions]

| | Q1-FY24 |
|--|-----------------|
| Available Liquid Funds: | |
| Cash and cash equivalents | \$ 995 |
| Unencumbered investment securities | 1,568 |
| Availability of Borrowings: | |
| Amount available from FHLB with loan collateral | 1,628 |
| Amount available from unsecured lines of credit with correspondent banks | 150 |
| Amount available from Federal Reserve discount window | 1,722 |
| Total Liquidity Sources | \$ 6,064 |

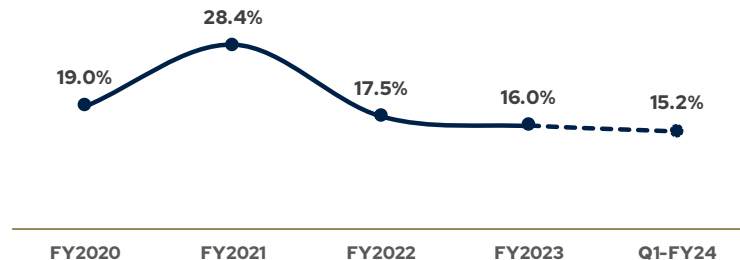
Uninsured Deposits [Dollars in millions]

| | Q1-FY24 |
|--|--------------|
| TowneBank Uninsured Deposits | \$ 6,589 |
| Less Collateralized Deposits | 732 |
| Adjusted Uninsured Deposits | 5,857 |
| TowneBank Total Deposits | 14,126 |
| Adjusted Uninsured Deposits / Total Deposits | 41% |
| Total Liquidity Sources / Adjusted Uninsured Deposits | 104% |

Cash and Securities



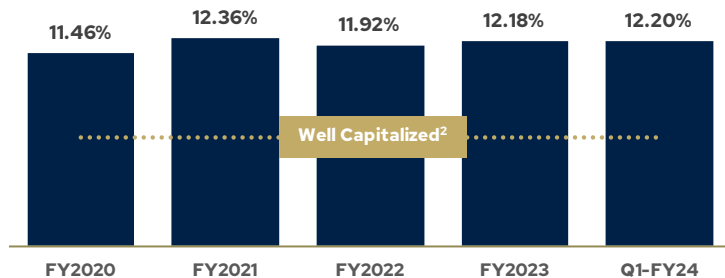
Liquidity Buffer¹



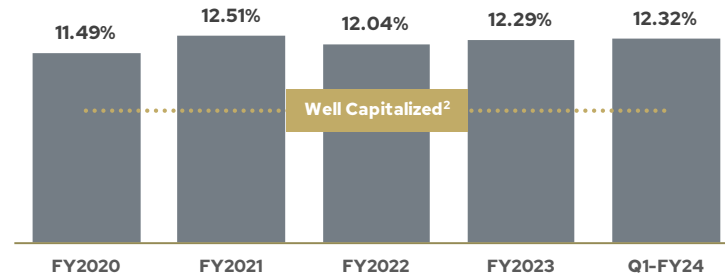
(1) Primary liquidity / total assets; primary liquidity is sum of cash & cash equivalents (excl. deferred comp and escrow at other banks) plus unencumbered investment securities

Capital

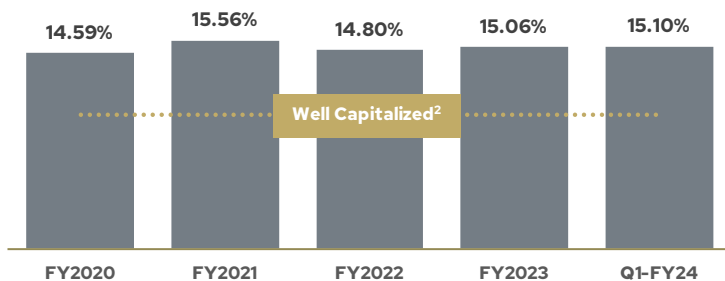
Common Equity Tier 1¹



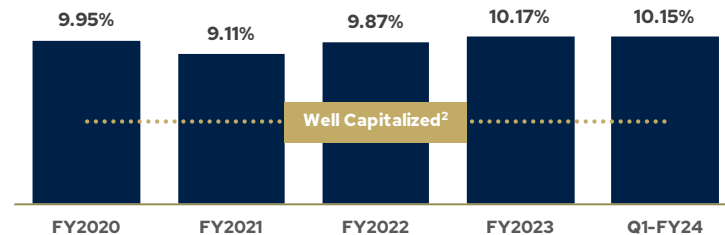
Tier 1 Risk-Based¹



Total Risk-Based¹



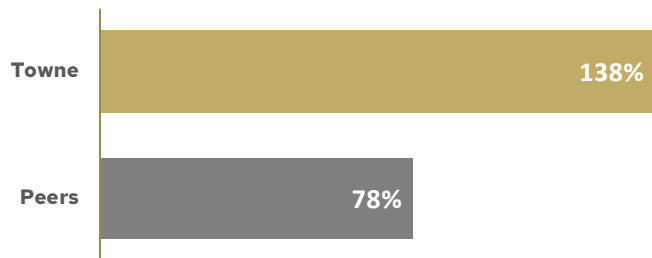
Tier 1 Leverage¹



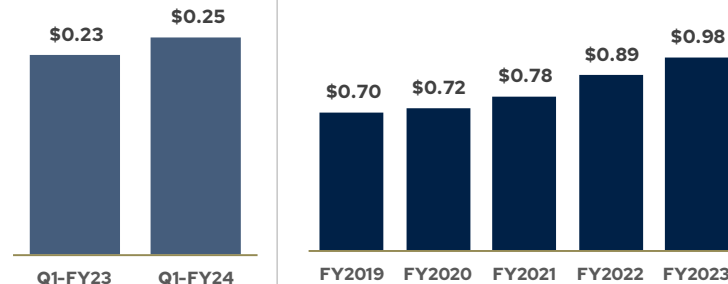
(1) Current reporting period regulatory capital ratios are preliminary
(2) FDIC "Well Capitalized" under prompt corrective action rules

Shareholder Value

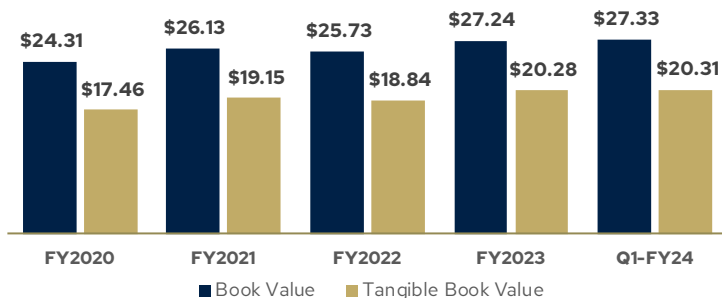
10Yr Total Shareholder Return - TowneBank vs Peers⁽¹⁾



Dividends



Book Value and Tangible Book Value per Share



Tangible Book Value Roll Forward



(1) 10Yr Total Return as of 2/29/2024; Source: S&P Global, data collected 4/15/2024. Peer group median - peers as disclosed in the most recent TOWN proxy statement

Outlook Summary

Loans and Asset Quality

- Targeting annualized loan and deposit growth in the low to mid - single digits
- Relative stable reserve levels for the short-term based on loan growth, credit quality and economic forecasts

Profitability

- Net interest income expected to range between \$106-112 million for Q2 2024⁽¹⁾⁽²⁾
- Net interest income expected to range between \$460-\$475 million for FY2024⁽¹⁾⁽²⁾
- Noninterest income of \$240-\$245 million for FY2024
- Quarterly noninterest expense run rate projected at \$120-125 million

Strategic

- Strong capital and liquidity levels to support continued growth
- Diversified business model with proven ability to capitalize during disruptive economic environments
- Valuable deposit franchise
- Opportunistic M&A across all lines of business

⁽¹⁾Tax equivalent

⁽²⁾Assumes three rate cuts in 2024





Non-GAAP Reconciliations

Non-GAAP Reconciliations

Core Net Income and Related Metrics

| Amounts in millions except per share data | QTD | | | Year | | | |
|---|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| | Q1-FY24 | Q4-FY23 | Q1-FY23 | FY2023 | FY2022 | FY2021 | FY2020 |
| Net Income Attributable to TowneBank | \$ 34.69 | \$ 28.80 | \$ 38.33 | \$ 153.72 | \$ 188.99 | \$ 215.38 | \$ 145.53 |
| <u>Adjustments</u> | | | | | | | |
| Plus: Acquisition Related Expenses | 0.59 | 0.06 | 5.96 | 9.59 | 1.06 | 1.02 | (0.07) |
| Plus: Initial Provision for Credit Losses | - | - | - | 4.01 | - | - | - |
| Plus: FDIC Special Assessment | 1.29 | 5.17 | | 5.17 | - | - | - |
| Less: Gain (Loss) on Equity Investment ¹ | - | (0.01) | - | 7.52 | - | - | - |
| Plus: Income Tax & Other Adjustments | (0.30) | (2.95) | 2.00 | (4.02) | (0.04) | (0.20) | 0.00 |
| Core Net Income | \$ 36.27 | \$ 31.10 | \$ 46.30 | \$ 160.94 | \$ 190.01 | \$ 216.20 | \$ 145.47 |
| Avg Assets | \$ 16,864.23 | \$ 16,683.04 | \$ 16,349.04 | \$ 16,656.69 | \$ 16,268.01 | \$ 15,384.66 | \$ 14,172.21 |
| Return on Avg Assets | 0.83% | 0.68% | 0.95% | 0.92% | 1.16% | 1.40% | 1.03% |
| Core Return on Avg Assets | 0.87% | 0.74% | 1.15% | 0.97% | 1.17% | 1.41% | 1.03% |
| Avg Common Shares Outstanding-Diluted | 74.98 | 74.79 | 74.39 | 74.66 | 72.58 | 72.56 | 72.35 |
| Earnings Per Share-Diluted | \$ 0.46 | \$ 0.39 | \$ 0.52 | \$ 2.06 | \$ 2.60 | \$ 2.97 | \$ 2.01 |
| Core Earnings Per Share-Diluted | \$ 0.48 | \$ 0.42 | \$ 0.62 | \$ 2.16 | \$ 2.62 | \$ 2.98 | \$ 2.01 |
| Avg Tangible Common Equity | \$ 1,501.49 | \$ 1,449.05 | \$ 1,409.09 | \$ 1,433.66 | \$ 1,357.33 | \$ 1,338.57 | \$ 1,211.93 |
| Intangible Amort Net of Tax | 2.56 | 2.69 | 2.78 | 11.18 | 8.39 | 8.79 | 9.08 |
| Return on Avg Tangible Common Equity | 9.98% | 8.62% | 11.83% | 11.50% | 14.54% | 16.75% | 12.76% |
| Core Return on Avg Tangible Common Equity | 10.40% | 9.25% | 14.13% | 12.01% | 14.62% | 16.81% | 12.75% |

(1) Gain on sale of Beneflex in Q3-23 and BHHS Towne Realty (79% ownership stake) in Q2-23

Non-GAAP Reconciliations

Core Efficiency Ratio – TowneBank Consolidated

| Amounts in millions | YTD | Year | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | Q1-FY24 | FY2023 | FY2022 | FY2021 | FY2020 |
| Total Revenue | \$ 167.10 | \$ 694.12 | \$ 686.93 | \$ 680.33 | \$ 664.33 |
| Less: Gain (Loss) on Securities Investments | 0.07 | - | - | 1.25 | 9.63 |
| Less: Gain (Loss) on Equity Investments | - | 9.38 | - | (0.03) | 17.63 |
| Total Revenue Adjusted | 167.03 | 684.75 | 686.93 | 679.11 | 637.08 |
| Noninterest Expense | \$ 125.59 | \$ 489.22 | \$ 441.28 | \$ 417.27 | \$ 395.83 |
| Less: Intangible Amortization | 3.25 | 14.15 | 10.62 | 11.13 | 11.50 |
| Noninterest Expense Adjusted | 122.34 | 475.07 | 430.66 | 406.15 | 384.33 |
| Efficiency Ratio | 73.25% | 69.38% | 62.69% | 59.81% | 60.33% |
| Less: Acquisition Related Expenses | 0.59 | 9.59 | 1.06 | 1.02 | (0.07) |
| Core Efficiency Ratio | 72.89% | 67.98% | 62.54% | 59.66% | 60.34% |

Core Efficiency Ratio – Realty Segment

| Amounts in millions | YTD | Year | | | |
|---|--------------|--------------|---------------|---------------|---------------|
| | Q1-FY24 | FY2023 | FY2022 | FY2021 | FY2020 |
| Total Revenue | \$ 28.39 | \$ 103.67 | \$ 117.11 | \$ 184.46 | \$ 170.46 |
| Less: Gain (Loss) on Securities Investments | - | - | - | - | - |
| Less: Gain (Loss) on Equity Investments | - | 8.83 | - | - | - |
| Total Revenue Adjusted | 28.39 | 94.84 | 117.11 | 184.46 | 170.46 |
| Noninterest Expense | \$ 23.23 | \$ 100.12 | \$ 114.65 | \$ 121.66 | \$ 104.12 |
| Less: Intangible Amortization | 0.68 | 2.90 | 3.10 | 2.81 | 2.63 |
| Noninterest Expense Adjusted | 22.55 | 97.22 | 111.54 | 118.85 | 101.49 |
| Efficiency Ratio | 79.44% | 102.51% | 95.25% | 64.43% | 59.54% |
| Less: Acquisition Related Expenses | 0.45 | 0.43 | 0.05 | 0.99 | 0.03 |
| Core Efficiency Ratio | 77.87% | 102.06% | 95.21% | 63.89% | 59.52% |

Core Efficiency Ratio – Banking Segment

| Amounts in millions | YTD | Year | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | Q1-FY24 | FY2023 | FY2022 | FY2021 | FY2020 |
| Total Revenue | \$ 113.16 | \$ 499.53 | \$ 495.49 | \$ 430.21 | \$ 411.99 |
| Less: Gain (Loss) on Securities Investments | 0.07 | - | - | 1.25 | 9.63 |
| Less: Gain (Loss) on Equity Investments | - | - | - | (0.03) | - |
| Total Revenue Adjusted | 113.08 | 499.53 | 495.49 | 428.99 | 402.35 |
| Noninterest Expense | \$ 85.30 | \$ 326.17 | \$ 272.39 | \$ 244.01 | \$ 243.45 |
| Less: Intangible Amortization | 1.16 | 5.15 | 3.01 | 3.55 | 4.35 |
| Noninterest Expense Adjusted | 84.14 | 321.02 | 269.39 | 240.46 | 239.10 |
| Efficiency Ratio | 74.40% | 64.26% | 54.37% | 56.05% | 59.42% |
| Less: Acquisition Related Expenses | 0.15 | 9.08 | 0.96 | - | - |
| Core Efficiency Ratio | 74.27% | 62.45% | 54.18% | 56.05% | 59.42% |

Core Efficiency Ratio – Insurance Segment

| Amounts in millions | YTD | Year | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | Q1-FY24 | FY2023 | FY2022 | FY2021 | FY2020 |
| Total Revenue | \$ 25.56 | \$ 90.92 | \$ 74.34 | \$ 65.66 | \$ 81.89 |
| Less: Gain (Loss) on Securities Investments | - | - | - | - | - |
| Less: Gain (Loss) on Equity Investments | - | 0.54 | - | - | 17.63 |
| Total Revenue Adjusted | 25.56 | 90.38 | 74.34 | 65.66 | 64.26 |
| Noninterest Expense | \$ 17.07 | \$ 62.93 | \$ 54.24 | \$ 51.60 | \$ 48.25 |
| Less: Intangible Amortization | 1.41 | 6.10 | 4.51 | 4.77 | 4.51 |
| Noninterest Expense Adjusted | 15.66 | 56.83 | 49.73 | 46.83 | 43.74 |
| Efficiency Ratio | 61.27% | 62.88% | 66.89% | 71.32% | 68.06% |
| Less: Acquisition Related Expenses | 0.00 | 0.09 | 0.06 | 0.03 | (0.10) |
| Core Efficiency Ratio | 61.27% | 62.78% | 66.81% | 71.28% | 68.21% |

Non-GAAP Reconciliations

Tax Equivalent (TE) Adjustments

| Amounts in millions | Q1-FY24 | Q4-FY23 | Q3-FY23 | Q2-FY23 | Q1-FY23 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Loans TE Adjustment | \$ 0.84 | \$ 0.84 | \$ 0.85 | \$ 0.84 | \$ 0.77 |
| Securities TE Adjustment | 0.27 | 0.35 | 0.35 | 0.35 | 0.33 |
| Tax-Equivalent Adjustment | 1.11 | 1.18 | 1.20 | 1.18 | 1.10 |
| <u>Yield & Margin Impacts:</u> | | | | | |
| Loan Yield | 5.34% | 5.19% | 5.10% | 4.97% | 4.85% |
| Loan Yield (TE) | 5.37% | 5.22% | 5.13% | 5.00% | 4.88% |
| Securities Investment Yield | 3.07% | 3.20% | 3.15% | 2.83% | 2.80% |
| Securities Investment Yield (TE) | 3.12% | 3.25% | 3.20% | 2.89% | 2.85% |
| Earning Asset Yield | 4.92% | 4.84% | 4.77% | 4.58% | 4.46% |
| Earning Asset Yield (TE) | 4.95% | 4.87% | 4.80% | 4.61% | 4.49% |
| Net Interest Margin (GAAP) | 2.72% | 2.83% | 2.95% | 2.98% | 3.36% |
| Net Interest Margin (TE) | 2.75% | 2.86% | 2.98% | 3.01% | 3.39% |

Tangible Book Value per Share

| Amounts in millions except per share data | Q1-FY24 | Q4-FY23 | Q3-FY23 | Q2-FY23 | Q1-FY23 |
|---|-------------|-------------|-------------|-------------|-------------|
| Shareholders' Equity (Common) | \$ 2,049.53 | \$ 2,039.97 | \$ 1,967.99 | \$ 1,973.84 | \$ 1,974.68 |
| Goodwill and Intangible Assets | 526.38 | 520.97 | 524.18 | 527.80 | 550.47 |
| Tangible Common Equity | \$ 1,523.15 | \$ 1,519.00 | \$ 1,443.81 | \$ 1,446.04 | \$ 1,424.20 |
| Common Shares Outstanding | 74.99 | 74.89 | 74.89 | 74.88 | 74.80 |
| Tangible Book Value per Share | \$ 20.31 | \$ 20.28 | \$ 19.28 | \$ 19.31 | \$ 19.04 |



Member FDIC