2024 PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 22, 2024 • 11:30 AM • Virginia Beach Convention Center

Your vote is important. Please vote your shares soon!

TOWNEBANK

TowneBank

April 11, 2024

Dear Fellow Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of TowneBank. It will be held on **Wednesday, May 22, 2024,** at 11:30 a.m. Eastern Time at the Virginia Beach Convention Center, 1000 19th Street, Virginia Beach, Virginia.

At the meeting, we will vote to elect 9 directors; ratify the appointment of FORVIS, LLP as TowneBank's independent auditors for 2024; approve, on a non-binding advisory basis, TowneBank's Named Executive Officer compensation; and approve, on a non-binding advisory basis, the frequency with which TowneBank will hold a shareholder vote to approve TowneBank's Named Executive Officer compensation.

We encourage you to take a few minutes to review the 2023 Chairman's Report that accompanies this Proxy Statement where we share our perspective on 2023 and highlight many of the successes we experienced during this past year.

We are excited to gather in person for our traditional meeting, which gives us the opportunity to see so many of you and to thank you personally for your loyalty.

Whether or not you plan to attend, please cast your vote over the Internet or by telephone, or you may complete, sign, date, and return the enclosed proxy card as soon as possible in the postage-paid envelope provided.

As always, we deeply appreciate and value your continuing support which keeps our hometown spirit of caring alive. Together we are *Serving Others and Enriching Lives*.

Sincerely,

G. Robert Aston, Jr.
Executive Chairman

Wm I Foster III

William I. Foster III
President and Chief Executive Officer

TowneBank

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date and Time	Location	Record Date
Wednesday, May 22, 2024 11:30 a.m., Eastern Time	Virginia Beach Convention Center, 1000 19th Street, Virginia Beach, Virginia	March 27, 2024

1. To elect 9 directors;
2. To ratify the selection of FORVIS, LLP, certified public accountants, as independent auditors of TowneBank for 2024;
3. To approve, on a non-binding advisory basis, TowneBank's Named Executive Officer compensation;
4. To approve, on a non-binding advisory basis, the frequency with which TowneBank will hold a shareholder vote to approve Named Executive Officer compensation; and
5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

A copy of TowneBank's Annual Report for fiscal year 2023 is included for your information.

The Board of Directors has fixed March 27, 2024, as the record date for determination of shareholders entitled to notice of and to vote at the meeting and any adjournments thereof.

How to Vote

You may vote in any of the following ways.

BY INTERNET | **BY PHONE** | **BY MAIL** | **IN PERSON**

YOUR VOTE IS IMPORTANT

VOTE

Whether or not you plan to attend the Annual Meeting of Shareholders, we urge you to vote by submitting your proxy by telephone, the Internet or mail as promptly as possible to ensure the presence of a quorum for the meeting. For additional instructions on voting by telephone or the Internet, please refer to your proxy card. To vote and submit your proxy by mail, please complete, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope. If you attend the meeting, you may, if you desire, revoke the proxy and vote in person during the meeting. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares. You may access our proxy materials at www.proxyvote.com, which does not have "cookies" that identify visitors to the site.

By Order of the Board of Directors

Robyn S. Leavy

Robyn S. Leavy
Secretary to the Board

April 11, 2024

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PROXY STATEMENT SUMMARY

This summary highlights information that is contained elsewhere in this Proxy Statement. You should carefully read this Proxy Statement in its entirety before voting, as this is a summary and does not contain all of the information that you should consider.

Annual Meeting of Shareholders

Date and Time:
Wednesday, May 22, 2024
11:30 a.m. Eastern Time

Meeting Site:
Virginia Beach Convention Center
1000 19th Street
Virginia Beach, Virginia

Record Date and Voting:
TowneBank shareholders as of the record date, March 27, 2024, are entitled to vote on the matters presented at the meeting. Each share of common stock of the Company is entitled to one vote for each director nominee and one vote on each other matter presented.

Meeting Agenda and Voting Matters

Proposal		Board's Recommendation	Page references
1.	Election of 9 directors	✓ FOR	2
2.	Ratification of FORVIS, LLP as our independent auditors for 2024	✓ FOR	48
3.	Advisory vote to approve the compensation of our named executive officers	✓ FOR	49
4	Advisory vote to approve the frequency with which TowneBank will hold a shareholder vote to approve compensation of our named executive officers	✓ 1 YEAR	50

DIRECTOR NOMINEES

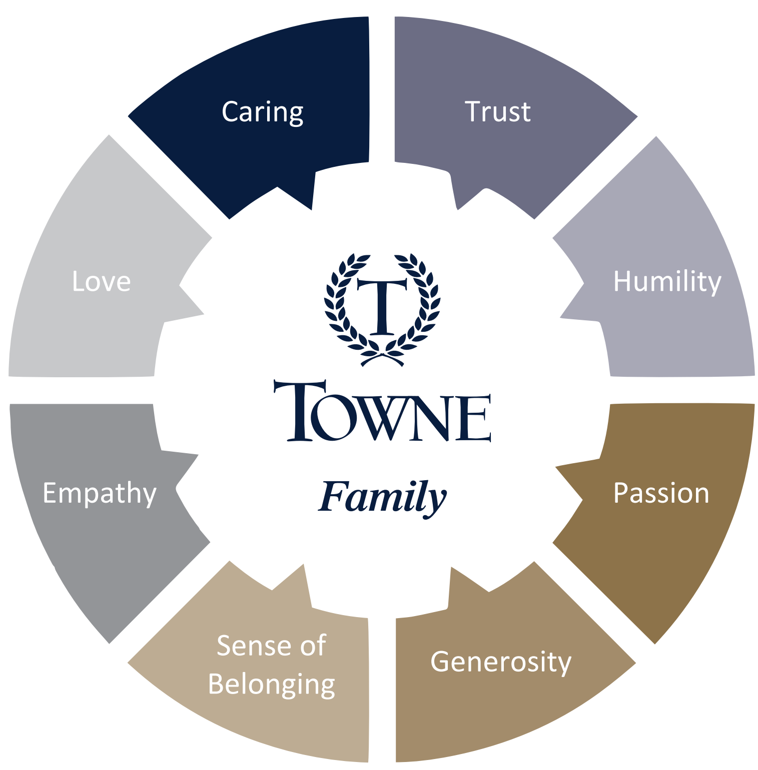
			Board Committees				
Name	**Director Since**	**Independent**	**Audit**	**Compensation**	**Nominating**	**Enterprise Risk Management**	**Executive**
DIRECTOR NOMINEES—CLASS I—TERM TO EXPIRE IN 2027							
Richard S. Bray	2006	✓	✓	✓	✓		✓
Andrew S. Fine	1999						✓
John R. Lawson, II	2004	✓					✓
Aubrey L. Layne, Jr.	2023	✓	✓				
W. Ashton Lewis	1999	✓	✓	✓	✓	✓	
R. Scott Morgan	1999					✓	✓
Robert M. Oman	2016	✓					
R.V. Owens, III	2011	✓					
DIRECTOR NOMINEES—CLASS III—TERM TO EXPIRE IN 2025							
Sachin S. Shetty	2024	✓				✓	

ABOUT TOWNEBANK

TowneBank (Nasdaq: TOWN) was founded in 1999, based on the idea of personal relationships, excellent service, and having the most respected and experienced bankers in each market we serve. We offer a full range of banking and financial services through our controlled divisions and subsidiaries.

Our Commitment	We value all employees and members by embracing their diverse talents, perspectives, and experiences, and by fostering inclusion that inspires innovation, encourages respect, and promotes success.
Our Mission Statement	We will be a relationship and friendship driven local bank focused on basic human values that will serve to create a warm sense of belonging and financial well-being among our family members.
Our Strategy	We will offer a competitive array of business and personal financial services, delivered with only the highest ethical standards. Our commitment to exquisite service for our members will lead to our ability to create a reasonable rate of return for our shareholders, a bright future for our dedicated bankers, and a leadership role for our bank in promoting the social, cultural, and economic well-being of our community.
Community Commitment	We will strive to be a source of community pride by being a leader in community support activities through involvement of Towne family members, and the funding and fundraising activities of the TowneBank Foundation.

THE TOWNEBANK CULTURE



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

As a relationship-driven and community-focused company, we are committed to delivering on each of our guiding principles while balancing the interests of our shareholders, our communities, our customers (whom we call our members), and our employees. We believe our employees are one of our most important and valuable assets, and we strive to create a warm sense of belonging. We believe our strong culture strengthens our bond with the communities we serve.

Highlights

Community Engagement and Impact

- TowneBank seeks to enhance the quality of life in the communities we serve.
- Committed to invest over $76 million in Federal low-income housing tax credits, providing families with more than 700 affordable housing opportunities.
- Over $11.80 million in charitable contributions supporting over 120 nonprofit organizations.

Social Engagement and Impact

- “Going to Towne” program provides many opportunities for employees to give back through volunteering, board service, and donations.
- Over 9,000 self-reported volunteer hours at more than 350 different organizations.
- Employees personally donated over $680,000 through the United Way Workplace Giving Campaign.

Business Ethics Code of Conduct

- Executive Code of Ethics certified annually.
- Employee handbook includes the Company Code of Conduct and employees must certify receipt annually.
- Both the Code of Ethics and the Code of Conduct approved by the Board annually.

Governance

- Enterprise Risk Management Committee led by independent director with oversight of ERM policies and standards.
- Retaliation-free whistleblower policy for employees with annual training.
- Conflict of Interest policy for directors and executive officers with Audit Committee oversight.

Data Privacy and Cybersecurity

- Employees receive mandatory annual training in information security.
- Engage independent third parties to conduct internal and external penetration testing and risk assessments.
- Routinely conduct exercises to raise data security awareness.

Human Capital Management

- Periodic employee engagement surveys are conducted on topics such as career satisfaction and member experience.
- Career development training programs readily available.
- Competitive compensation and employee benefits plans.

Diversity, Equity and Inclusion

- Diversity, Equity & Inclusion Council chaired by Chief Executive Officer.
- College focused recruitment programs in place.
- Approximately 67% of the Company’s workforce self identify as women and approximately 17% self identify as minorities.

Employee Well-Being

- Non-Discrimination and Harassment Policy updated annually.
- Networking circles exist to create safe spaces for colleagues to celebrate victories and embrace differences.
- Unconscious bias training occurs annually.

TowneBank at a Glance

Consistent Focus on Earnings and Growth
Earnings Growth
23.5%
CAGR FY00 - FY23

#1 Deposit Market Share in Hampton Roads[1]

Ranked on **Forbes** **Top 50** Best Banks List[2]

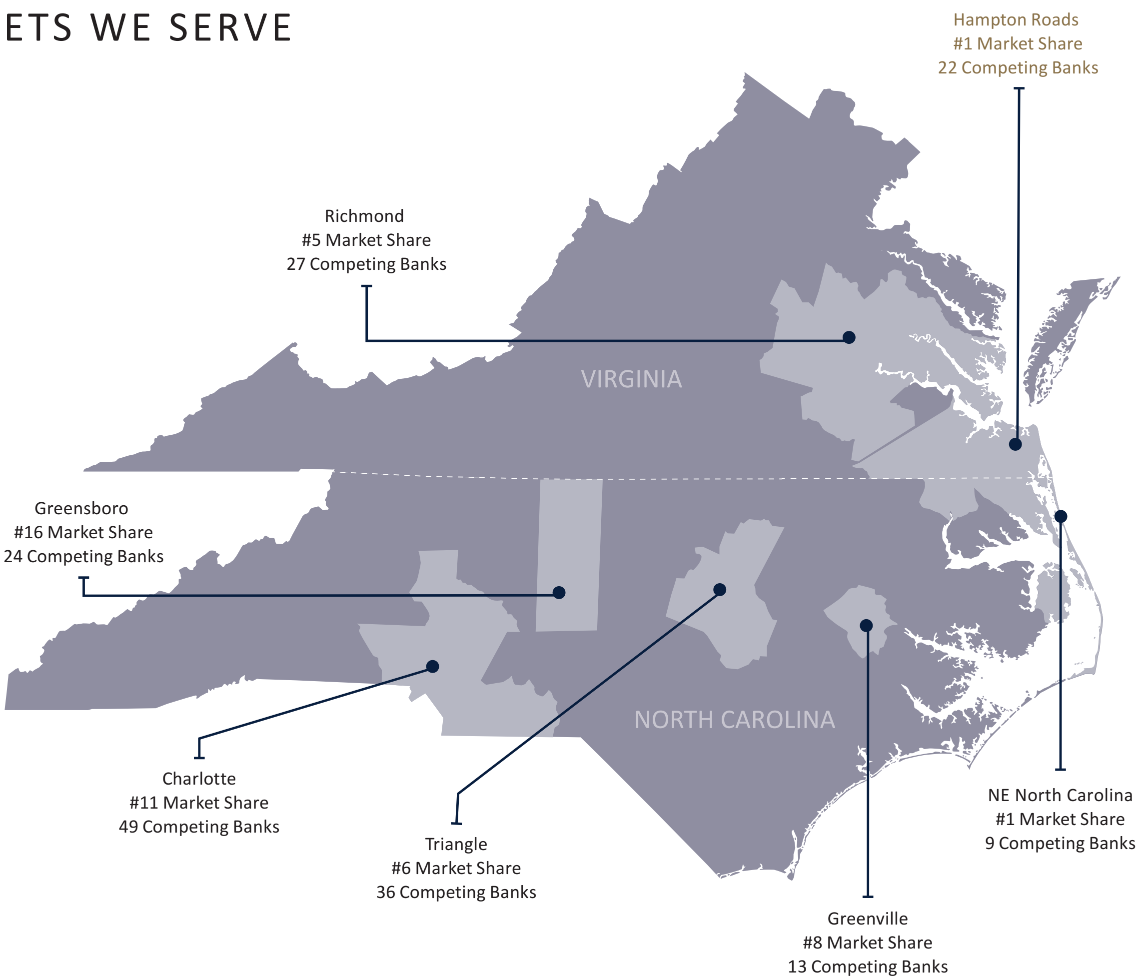
Total Assets	Total Loans	Total Deposits
$16.8B	$11.3B	$13.9B

Core ROAA	Core ROTCE	NIM (FTE)	NIB Deposits / Total Deposits	10 Year Total Shareholder Return[3]
0.97%	12.01%	3.06%	31.26%	160%

Results for the year ending December 31, 2023

(1) Source: FDIC Summary of Deposits for the VA Beach-Norfolk-Newport News, VA MSA, data as of June 30, 2023
(2) © 2023, Forbes Media LLC. Used with permission.
(3) Total Return as of 12/29/2023; Source: S&P Global, data collected 1/16/2024.
(4) Financial results for the year ending December 31, 2023.

MARKETS WE SERVE



Deposit data from FDIC Deposit Market Share Report as of June 30, 2023; Competing Banks' count excludes institutions with no deposits in stated market regardless of physical or other presence.

GOVERNANCE AND BUSINESS CONDUCT

Our Board of Directors ("Board") works in partnership with our management team to serve all our stakeholders. Our directors, who live and work in the local communities we serve, represent a variety of skills, knowledge, experience, and perspectives. In particular, they have considerable community banking experience, which gives them valuable insight into the increasingly complex regulatory and operating environment that banking institutions must navigate. The Board is committed to overseeing our efforts to integrate ESG principles and practices throughout the organization.

Governance highlights include:

BOARD STRUCTURE AND INDEPENDENCE

- Three classes of Directors (I, II, III) who stand for three-year terms, on a rotating basis
- Strong, independent Lead Director with explicit duties and responsibilities
- Long tenured Directors with diverse experience and qualifications
- All Directors attend annually at least 75% of the Board and Board committee meetings
- Independent Audit, Compensation, and Nominating Committees of the Board

BOARD OVERSIGHT

- Oversees the Company's annual budget, business plan, succession planning and corporate strategy
- Monitors the Company's values, culture and "tone at the top"
- Key executive management talent reviewed on an annual basis
- Risk-aware culture overseen by a separate Enterprise Risk Committee comprised primarily of Directors
- Director access to experts and advisors, both internal and external

CORPORATE GOVERNANCE PRACTICES

- Prohibition on hedging transactions by executive officers and directors
- Comprehensive Code of Conduct for members of the Board, including annual certification
- Clawback policy for executive management
- Annual risk assessment of executive compensation, policies, and practices
- Annual engagement of an independent Compensation Consultant to facilitate the executive officer compensation process
- Policy on public office and public company board service established
- Established share ownership requirements for executive management and directors
- Commitment to diversity and inclusion and workspace safety

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
May 22, 2024

GENERAL

We are providing these proxy materials in connection with the solicitation of proxies by the Board of Directors of TowneBank for the 2024 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on Wednesday, May 22, 2024. In this Proxy Statement, we refer to the Board of Directors as the “Board” and to TowneBank as “we,” “us,” or “the Company.” The approximate mailing date of this Proxy Statement and accompanying proxy is April 15, 2024.

Voting Rights of Shareholders

Only shareholders of record of the Company’s common stock at the close of business on March 27, 2024, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. As of the close of business on March 27, 2024, there were 74,990,724 shares of the Company’s common stock outstanding and entitled to vote at the Annual Meeting. The Company has no other class of voting stock outstanding. Each share of common stock entitles the record holder thereof to one vote upon each matter to be voted upon at the Annual Meeting.

A majority of the votes entitled to be cast, represented by attendance at the meeting or by proxy, will constitute a quorum for the transaction of business. Shares for which the holder has elected to abstain or to withhold the proxies’ authority to vote on a matter will count toward a quorum, but will not be included in determining the number of votes cast with respect to such matter. Shares held by brokers, banks or other nominees in street name (“broker shares”) that are voted on any matter are included in the quorum. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

Voting of Proxies

We encourage you to complete and return the proxy card accompanying this Proxy Statement, regardless of whether you plan to attend the Annual Meeting. For your convenience, a postage-paid return envelope is enclosed. You may also vote over the Internet at the website shown on your proxy card, or by telephone through the number shown on your proxy card. Proxies will extend to, and will be voted at, any adjourned session of the Annual Meeting.

Revocation of Proxies

Execution of a proxy will not affect a shareholder’s right to attend the Annual Meeting and to vote in person during the meeting. Any shareholder who has executed and returned a proxy may revoke it by attending the Annual Meeting and voting in person during the meeting. A shareholder may also revoke his or her proxy at any time before it is exercised by filing a written notice with the Company or by submitting a proxy bearing a later date.

Solicitation of Proxies

The cost of solicitation of proxies will be paid by the Company. Solicitation is being made by mail and, if necessary, may be made in person, by telephone or other electronic communication or by special letter by officers and employees of the Company, acting without compensation other than regular compensation. The Company will also request brokerage firms, banks, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares of common stock as of the record date and will reimburse such persons for the cost of forwarding the proxy materials in accordance with customary practice. The Company has engaged Regan & Associates, Inc. to assist the Company in the solicitation of proxies for the Annual Meeting for a fee of $20,000, plus certain expenses.

ELECTION OF DIRECTORS — PROPOSAL ONE

The Company's Board of Directors is divided into three classes (I, II and III), with staggered terms, and the term of office for the Class II directors will expire at the Annual Meeting. Each of the nominees in the election of directors currently serves as a director of the Company. Sachin S. Shetty was appointed to the Board in February 2024 and is being presented to shareholders for the first time. He has been placed in Class III to keep the number of directors in each class as equal as possible. If elected, the Class II nominees will serve until the Annual Meeting of Shareholders held in 2027 and the Class III nominee will serve until the Annual Meeting of Shareholders held in 2025.

The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. This means that the nominees receiving the greatest number of affirmative votes cast at the Annual Meeting will be elected. A properly returned proxy indicating "withhold" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Broker non-votes will not be counted as votes cast on the proposal and will have no effect on the election of directors.

Each of the nominees has indicated the willingness to serve if elected. If any nominee is unable or unwilling to serve as a director at the time of the Annual Meeting, then shares represented by properly executed proxies will be voted at the discretion of the persons named in those proxies for such other person as the Board may designate. We do not presently expect that any of the nominees will be unavailable.

Jacqueline B. Amato is not standing for re-election at the Annual Meeting and will transition to emeritus status. Bradford L. Cherry is retiring as of the annual meeting and will transition to emeritus status. Our Board is deeply grateful for the extraordinary contributions each of these Board members made to aid in the growth and success of the Company.

✓ **The Board of Directors recommends the nominees, as set forth below, for election and that shareholders vote "FOR" these nominees.**

The following table provides the business experience for at least the past five years and other information with respect to each director and director nominee for election at the Annual Meeting, followed by a statement regarding the specific experience, qualifications, attributes or skills that led the Board to conclude that each director or director nominee should serve as a director of the Company. An asterisk (*) notes that the director is an "independent director" as defined in Rule 5605(a)(2) of the Marketplace Rules of The Nasdaq Stock Market, LLC ("Nasdaq").

2024 Class II (Director Nominees to Serve Until the 2027 Annual Meeting):

Richard S. Bray (78)* — **Director since 2006**

Ret. Judge Bray has served as Chairman of Beazley Foundation, Inc. (private foundation), Portsmouth, Virginia, since 2002. He retired as Senior Judge, Court of Appeals of Virginia, in 2002. Judge Bray has served as Lead Director of the Board of Directors of TowneBank since 2017.

Judge Bray's legal career spanned 32 years, culminating with him serving as Senior Judge on the Court of Appeals of Virginia. He has over 20 years of experience serving on the boards of three banking institutions, including TowneBank. Judge Bray's experience in the legal community and his experience gained serving as a director in the banking industry are valuable assets to the Board.

Andrew S. Fine (87) — **Director since 1999**

Mr. Fine serves as Co-Chair of The Runnymede Corporation (real estate development), Virginia Beach, Virginia.

Mr. Fine has an extensive legal, business, and banking background. He has over 40 years of experience serving as a bank director, including 20 years with TowneBank. Mr. Fine's business background and his expertise in banking and legal matters make him a valuable member of the Board.

John R. Lawson, II (72)* — **Director since 2004**

Mr. Lawson serves as Executive Chairman of W.M. Jordan Company, Inc. (general construction contractor), Newport News, Virginia. Prior to assuming the Executive Chairman position in 2018, he served as President and Chief Executive Officer of the company. He was a director of Harbor Bank from 1996 to 2004, when it was acquired by TowneBank.

Mr. Lawson provides the valuable perspective gained from more than 48 years of leading a large, general construction firm as the Chief Executive Officer.

Aubrey L. Layne, Jr. (67)* — **Director since 2023**

Mr. Layne has been the Executive Vice President and Chief Administrative Officer for Sentara Healthcare (not-for-profit health care delivery system), Norfolk, Virginia, since 2021. Mr. Layne was Secretary of Finance for the Commonwealth of Virginia from 2018 to 2021 and Secretary of Transportation for the Commonwealth of Virginia from 2014 to 2018. He currently serves as the Chair of the Board of Commissioners of the Virginia Port Authority. Mr. Layne served on TowneBank's regional Peninsula Board of Directors until 2014.

Mr. Layne brings years of leadership and business expertise to the TowneBank Board. He has also served on the boards of numerous civic and business organizations. His experience in both the local community and throughout Virginia, combined with his past service as a TowneBank regional director, has created an innovative leader that will help move our Company forward.

W. Ashton Lewis (78)* — **Director since 1999**

Mr. Lewis has served as President of Lewis Gibbs Corporation (automobile dealership holding company), Chesapeake, Virginia, and Treasurer of First Team Automotive Group, Chesapeake, Virginia, since 1999.

Mr. Lewis has over 45 years of experience as the owner/operator of new auto dealerships and over 35 years of experience as a director of banking institutions. Mr. Lewis' experience as a local entrepreneur and his banking industry experience make him an asset to the Board.

R. Scott Morgan (79)

Director since 1999

Mr. Morgan retired from TowneBank in 2011. He served as President and Senior Credit Officer of TowneBank from 1999 until his retirement in 2011.

During Mr. Morgan's 47 years in banking and financial services, he served in numerous leadership roles focusing on lending, policy, review, and management. As one of the founding officers of TowneBank, Mr. Morgan brings to our Board a deep understanding of our Company's business, history, and organization, as well as extensive leadership, community banking expertise, and management experience.

Robert M. Oman (69)*

Director since 2016

Mr. Oman retired in 2020, upon the sale of his business, Oman Funeral Homes, Inc., Chesapeake, Virginia, where he had served as President since 1985. Mr. Oman served as a director of Monarch Financial Holdings, Inc. ("Monarch") until the merger with TowneBank in 2016. He is a former board member and Chairman of the Chesapeake Hospital Authority, which serves as the governing body for the Chesapeake Regional Medical Center.

As a former small business owner and native of Chesapeake. Mr. Oman brings value and insight into our business banking focus as well as the community.

R.V. Owens, III (67)*

Director since 2011

Mr. Owens is President and Chief Executive Officer of Honey Badger OBX, LLC (real estate investment firm), Kill Devil Hills, North Carolina.

Mr. Owens' experience as the owner and President of a local retail business, combined with his extensive knowledge of our market area in northeastern North Carolina, makes him a valuable asset to the Board.

2025 Class III (Director Nominee to Serve Until the 2025 Annual Meeting):

Sachin S. Shetty, Ph.D. (46)*

Director since 2024

Dr. Shetty has been an Executive Director for the Center for Secure and Intelligent Critical Systems and Professor with the Electrical and Computer Engineering Department at Old Dominion University, where he leads a research team focused on developing and integrating secure and intelligent technologies designed to ensure safe, reliable, and resilient critical infrastructure, since 2021. He was an Associate Director for the Virginia Modeling, Analysis and Simulation Center and Associate Professor with the Electrical and Computer Engineering Department from 2019 to 2021. Dr. Shetty, whose research interests lie at the intersection of computer networking, network security and machine learning, has published over 300 research articles.

Dr. Shetty's extensive experience in cybersecurity and data privacy brings significant value to our Board.

2025 Class III (Continuing Directors to Serve Until the 2025 Annual Meeting):

G. Robert Aston, Jr. (79)

Director since 1999

Mr. Aston served as Chairman of the Board and Chief Executive Officer from the founding of TowneBank in 1998 until 2018. In 2018, in connection with the formation of a new Corporate Management Group as part of a long-term management succession plan, Mr. Aston assumed the position of Executive Chairman of the Board. Prior to the founding of TowneBank, Mr. Aston served as President and Chief Executive Officer of BB&T of Virginia from 1995 to 1998 and as President and Chief Executive Officer of Commerce Bank, Virginia Beach, Virginia, from 1985 until its acquisition by BB&T in 1995. Mr. Aston began his career at Citizens Trust Company in 1964 and rose through the ranks to serve as President and Chief Executive Officer from 1981 to 1985.

Through his over 55 years of service to the community as a hometown banker and the leader of several community banks, Mr. Aston has gained a significant level of management experience in all aspects of community banking.

J. Morgan Davis (73)

Director since 1999

Mr. Davis has served as an employee senior adviser with TowneBank since January 1, 2023. Mr. Davis served as Chief Executive Officer of the Company from 2018 to 2022 and as President of the Company from 2011 to 2021. He also served as Chief Banking Officer from 2011 until 2018. Mr. Davis served as President of Towne Financial Services Group ("TFSG"), which oversees the Company's non-banking businesses (mortgage, insurance, and real estate brokerage), from 2005 to 2011, and as President of TowneBank Virginia Beach from 1999 to 2005.

Mr. Davis is a 40-year banking veteran and served as the founding President of a local banking institution for 13 years before becoming a founding member of TowneBank in 1998. Mr. Davis has served on the boards of several prominent community organizations. Mr. Davis provides vital senior management experience and business acumen to our Board of Directors.

Harry T. Lester (78)*

Director since 2010

Mr. Lester served as President of Eastern Virginia Medical School ("EVMS"), Norfolk, Virginia, from 2005 until his retirement in 2013. Previously, Mr. Lester was a member of the EVMS Board of Visitors for five years and served a portion of that time as Rector of the EVMS Board.

Previously, he served as an officer in the U.S. Navy and had a successful career in commercial real estate of over 30 years. An active community leader, he serves on numerous boards, including serving 20 years as a regional director for TowneBank. Mr. Lester's extensive senior management and community service experience, coupled with his knowledge of banking and commercial real estate, provides significant benefits to our Board.

William T. Morrison (61)

Director since 2016

Mr. Morrison has served as President and Chief Executive Officer of TFSG since January 1, 2023. Mr. Morrison served as the Chairman and Chief Executive Officer of the TowneBank Mortgage and Realty Group from the merger of Monarch with TowneBank in 2016 until 2022. Previously, he served as Chief Executive Officer of Monarch Mortgage from 2011 until the merger with TowneBank.

Mr. Morrison has over 30 years of banking experience and has previously served as Chief Operating Officer and Chief Credit Officer at local community banks. He has served on the boards of several prominent community and educational organizations. Mr. Morrison's experience, leadership, and skills in the financial and mortgage lending industries are critical in leading our mortgage division and bring significant value to our Board.

J. Christopher Perry (50)*

Director since 2023

Mr. Perry is the founder and has served as Chief Executive Officer of Suburban Capital (privately held hospitality company), Virginia Beach, Virginia, since 1999. Mr. Perry served on TowneBank's regional Virginia Beach Board of Directors until 2015.

Mr. Perry brings years of management experience and expertise to the TowneBank Board, and he understands the needs of developing businesses. His service on the boards of various organizations in the local community, combined with his service as a TowneBank regional director, is invaluable as TowneBank continues to carry out its mission.

Elizabeth W. Robertson (71)*

Director since 2015

Ms. Robertson retired in 2018 as Chief Financial Officer of Monument Restaurants, LLC, Richmond, Virginia, upon the sale of the company. She was a director of Franklin Financial Corporation and Franklin Savings Bank until their merger with TowneBank in 2015. Previously, she worked with KPMG LLP and Virginia Resources Authority.

Ms. Robertson has extensive experience in audit and public accounting. Her involvement in multiple business and civic organizations in the Richmond, Virginia community provides valuable insight regarding our business and operations.

Dwight C. Schaubach (81)*

Director since 2016

Mr. Schaubach has served as Chief Executive Officer and President of Schaubach Companies of Virginia, Inc. (operations include home and business security systems, HVAC and oil systems, real estate management and development), Norfolk, Virginia, since 1975. Mr. Schaubach served as a director of Monarch until its merger with TowneBank in 2016.

Mr. Schaubach's entrepreneurial experience includes real estate development and management, residential and commercial security systems, HVAC and oil systems, owning and operating two golf and country clubs, as well as 43 years in the solid waste management business. In 2019, he sold Bay Disposal, based out of Norfolk, Virginia. Additionally, he has given back to the community supporting various charities and noble causes. His past and present business and philanthropic endeavors allow him to provide insight into the community and bring meaningful value to our business banking focus.

Richard B. Thurmond (72)*

Director since 2000

Mr. Thurmond currently serves as the Southeast Regional Chairman of Howard Hanna Real Estate Services realty company and previously served as the Southeast Regional President. He also served as President of William E. Wood and Associates (realty company), Virginia Beach, Virginia, from 1990 until its merger with Howard Hanna Real Estate Services in 2013.

Mr. Thurmond's background as an executive officer and his extensive knowledge of the real estate industry bring a valuable perspective to the Board.

2026 Class I (Continuing Directors to Serve Until the 2026 Annual Meeting):

Jeffrey F. Benson (62)*

Director since 2016

Mr. Benson has served as Vice Chairman of the Board of Directors of TowneBank since the merger of Monarch with TowneBank in 2016. Mr. Benson has served as a partner of The Overton Group, Inc. (real estate development and management), Suffolk, Virginia, since 1985. He served as a director of Monarch until the merger with TowneBank in 2016.

Mr. Benson's companies are involved in the development and management of commercial real estate, residential development and construction, as well as office and industrial development. Mr. Benson is active in local youth activities. He also serves on the Board of Trustees of Liberty University. Mr. Benson's significant involvement in the residential and commercial real estate markets provides meaningful value and insight to the Board.

Douglas D. Ellis (79)*

Director since 2010

Mr. Ellis has served as President of Ellis-Gibson Development Group (real estate development and property management), Virginia Beach, Virginia, since 1988.

Mr. Ellis has over 40 years of experience in commercial real estate, including over 25 years as founder and President of the Ellis-Gibson Development Group. He has also served on the boards of several civic and business organizations, including the Virginia Beach Development Authority. Mr. Ellis' extensive business, civic, and real estate experience in the local community, combined with his service as a TowneBank regional director, makes him a valuable asset to the Board.

John W. Failes (79)*

Director since 1999

Mr. Failes has served as Vice Chairman of the Board of Directors of TowneBank since 2017. Mr. Failes, a retired certified public accountant, was the founder and owner of one of the largest local public accounting firms in the state of Virginia.

Mr. Failes spent over 30 years in public accounting, working with a diverse cross-section of businesses in the local community, including banking institutions. Mr. Failes also has two decades of experience as a director of banking institutions and has served as a member on many civic and nonprofit boards.

William I. Foster III (68)

Director since 2005

Mr. Foster became President and Chief Executive Officer of TowneBank on January 1, 2023. Mr. Foster served as President, Central Virginia and the Carolinas, from 2020 to 2022 and as President, Commercial and Real Estate Banking, from 2018 to 2020. He served as President of TowneBank Virginia Beach from 2011 to 2018 and as President of TowneBank Norfolk from 2005 to 2011.

Mr. Foster has over 35 years of experience in the banking industry, with a background in retail, commercial and industrial, and commercial real estate. Mr. Foster's extensive experience in banking and commercial real estate provides significant insight and expertise to our Board.

Robert C. Hatley (73)

Director since 2018

Mr. Hatley retired from TowneBank in 2019. He had served as President of TowneBank North Carolina since 2018, when Paragon Commercial Corporation ("Paragon") and its wholly owned subsidiary, Paragon Commercial Bank ("Paragon Bank"), were merged into TowneBank. Previously, he served as President, CEO, and a director of Paragon and Paragon Bank since 1998. Mr. Hatley founded Paragon in 1998 and has a total of over 40 years of banking experience.

Mr. Hatley's extensive banking experience and knowledge of our North Carolina market makes him a valuable addition to the Board.

Howard J. Jung (77)*

Director since 2018

Mr. Jung joined TowneBank as a director in 2018 when Paragon was merged into TowneBank. He previously served as Chairman of the Board of Directors of Paragon Bank since 1999, and as Chairman of the Board of Directors of Paragon since 2001, until their merger with TowneBank. He has extensive prior experience as a corporate director, having served as a director of the Ace Hardware Corporation from 1987 to 1996 and as Chairman of the Board at Ace Hardware Corporation from 1998 to 2003. Mr. Jung also owned and served as Vice President of Ace Hardware Stores, Inc., Raleigh, North Carolina, from 1997 to 2016.

Mr. Jung's extensive board and executive management experience, as well as his knowledge of our North Carolina markets, make him an important member of the Board.

Stephanie J. Marioneaux, M.D. (65)*

Director since 2010

Dr. Marioneaux has served as an ophthalmologist in Chesapeake, Virginia, since 1989.

Dr. Marioneaux has been active in numerous civic and professional organizations. Dr. Marioneaux was one of five recipients of the Benjamin F. Boyd Humanitarian Medal for Services to the Americas in 2011, presented by the Pan-American Association of Ophthalmology, for her successful efforts to ship over $500,000 of ophthalmology equipment to Haiti after the earthquake in 2011. Dr. Marioneaux provides our Board with a valuable combination of community service experience and banking industry expertise gained through her tenure as a member of the Board and the Company's Chesapeake Regional Board.

Juan M. Montero, II, M.D. (82)*

Director since 1999

Dr. Montero is retired from practice as a General and Thoracic Surgeon. Dr. Montero is the Founder and Chairman of Montero Medical Missions, which provides medical missions and creates sustainable healthcare projects through physicians and allied health professionals in the U.S. and abroad.

Dr. Montero has over 30 years of experience serving on the boards of banking institutions, including TowneBank. He also served the local community as a general/thoracic surgeon for 35 years. Dr. Montero brings a unique perspective to our Board by combining banking industry expertise with a strong focus on service in the community.

Thomas K. Norment, Jr. (78)*

Director since 2009

Mr. Norment has served as a Commissioner of Accounts for the City of Williamsburg, Virginia, and James City County, Virginia, since 2009. He also served as a professor at the College of William & Mary from 2008 to 2020. In addition, he is “of counsel” to the law firm of Kaufman & Canoles, P. C., where he was formerly a partner. Mr. Norment has represented the 3rd Senatorial District as a Virginia State Senator since 1992.

Mr. Norment’s experience as an elected public official provides insight into the workings of state government and the issues facing the citizens living and working in our Hampton Roads and Richmond markets.

Alan S. Witt (68)*

Director since 2004

Mr. Witt has served as Dean of the Luter School of Business at Christopher Newport University, Newport News, Virginia, since 2021. Previously, Mr. Witt served as Chief Executive Officer of PBMares, LLP (accounting and business consulting firm), Newport News, Virginia, from its formation in 2013 until his retirement from the firm in 2020. He previously served as Chief Executive Officer of Witt Mares, PLC from 1989 until its merger with PBGH, LLP in 2013. He also served as a director of Harbor Bank from 1996 to 2004, when it was acquired by TowneBank.

Mr. Witt is a licensed CPA and has served numerous clients in various industries, giving him broad-based experience and expertise in financial operating and reporting matters. Mr. Witt provides an expertise in technical auditing and reporting matters related to financial institutions, which, combined with his experience as Chief Executive Officer of a large regional public accounting and business consulting firm, is a unique and valuable asset to the Board.

Board of Directors and Committees

Each director is expected to devote sufficient time, energy and attention to ensure diligent performance of the director’s duties, including attendance at Board and committee meetings. There were 16 meetings of the Board of Directors in 2023. Each director attended at least 75% of the aggregate number of meetings of the Board of Directors and meetings of the committees of which the director was a member during 2023.

The Company encourages each member of the Board to attend the annual meeting of shareholders. Of the 28 current directors who were serving at the time, 26 attended the 2023 annual meeting of shareholders.

The Board has reviewed the definition of “independent director” as defined in Nasdaq Marketplace Rule 5605(a)(2) and determined that of the 9 director nominees and 20 other directors, 21 are independent.

The information provided in the Board Diversity Matrix below is based on the voluntary self-identification of each member of the Board, who all chose to participate in this disclosure.

Board Diversity Matrix			
Part I: Gender Identity	**Female**	**Male**	**Total**
Directors	3	26	29
Part II: Demographic Background (1)			
African American or Black	1	—	1
Asian	—	2	2
White	2	24	26

(1) Inapplicable categories are omitted.
(2) Total number of Directors is 29.

The average age of the directors is 72 and the average tenure is 15 years.

There are no family relationships among any of the directors or among any director and any executive officer.

The Board of Directors of the Company has established various committees, including Executive, Audit, Compensation, Nominating, and Enterprise Risk Management.

Lead Director. Ret. Judge Richard S. Bray serves as the Company's Lead Director. The responsibilities and duties of the Lead Director include (i) presiding at meetings of the Board of Directors at which the Chairman is not present, including executive sessions of the independent directors; (ii) serving as the principal liaison between the Chairman and the independent directors on sensitive issues; (iii) calling special meetings or executive sessions of the independent directors; (iv) facilitating communication between the Board and senior management, including advising the Chairman of the Board's informational needs regarding meeting agendas and schedules and the types and forms of information supplied to directors; (v) serving as an additional point of contact for Board members and shareholders and being available for consultation and direct communication with major shareholders; and (vi) working with the Chairman to ensure that the Board is provided with the resources, including external advisors and consultants as considered appropriate, to permit the Board to carry out its responsibilities and duties. The Lead Director is elected annually by a majority vote of the independent directors. Although elected annually, the Lead Director is generally expected to serve for more than one year. The Lead Director may be removed or replaced at any time with or without cause by a majority vote of the independent members of the Board of Directors.

Board's Role in Risk Oversight. While each of the Company's Board committees oversees the management of the risks that are within their areas of responsibility, the Company's Enterprise Risk Management Committee is responsible for overseeing the development and implementation of the Company's Enterprise Risk Management program.

The program takes an ongoing enterprise view of risk tolerances, risk limits, and key risk indicators towards the development and refinement of the Company's risk appetite framework, as approved by the Board of Directors. The program includes consistent processes for identifying, assessing, managing, monitoring and reporting risks of all types, including credit risk, market risk, liquidity risk, cyber and security risk, operational risk, compliance risk, strategic risk and reputation risk, as well as Bank Secrecy Act/Anti-Money Laundering compliance and environmental, social and governance matters. The Board of Directors is regularly informed about the Company's risk profile through management presentations, committee reports and minutes of the meetings of the Enterprise Risk Management Committee. Although risk management is primarily the responsibility of the Company's management, the Enterprise Risk Management Committee actively engages with management to establish risk management principles and to determine risk appetite.

As a financial institution entrusted with safeguarding sensitive customer information, the Board of Directors is actively engaged in the oversight of the Company's cyber risk profile and key cyber initiatives. Under the direction of its Chief Information Security Officer, the Company maintains a formal information security management program, which is subject to oversight by, and reporting to, the Enterprise Risk Management Committee. The Enterprise Risk Management Committee oversees and reviews reports on significant matters of actual, threatened or potential breaches of corporate security, including cybersecurity. The Company maintains cyber insurance through its corporate insurance program.

Other committees of the Board of Directors consider the risks within their areas of responsibility. The Audit Committee has responsibility for oversight of risks associated with financial accounting and reporting, including the system of internal controls. The Audit Committee also oversees the Company's internal audit function. To better coordinate its risk oversight function, the Chair of the Audit Committee is a member of the Enterprise Risk Management Committee. The Compensation Committee oversees risks relating to the Company's compensation plans and programs.

In addition to reviewing committee reports and minutes concerning the Company's risk management program, the Board of Directors also monitors and reviews reports presented by management, internal and external auditors, and regulatory examiners.

While the Company believes that its risk oversight structure is designed to provide an effective risk management program, the Board of Directors and the management team are committed to the continuous strengthening of the Company's risk management practices.

Executive Committee. The Executive Committee is composed of Messrs. Bray (Chair), Aston, Benson, Davis, Ellis, Fine, Foster, Hatley, Jung, Lawson, and Morgan, and Ms. Robertson. The committee, which is subject to the supervision and control of the Board of Directors, has been delegated substantially all of the powers of the Board of Directors to act between meetings of the Board, except for certain matters reserved to the Board by law. In 2023, there were six meetings of the Executive Committee.

***Audit Committee*.** The Audit Committee is composed of Ms. Robertson (Chair), Messrs. Bray, Failes, Jung, Layne, Lewis, Montero, and Witt. Serving as consultants to the Audit Committee are Michael J. Blachman, a Director of the Portsmouth TowneBanking Group board; Daniel N. Ryan, Sr., a Director of the Virginia Beach TowneBanking Group board; and Robert E. Yancey, a Director of the Peninsula TowneBanking Group board. The eight committee members are considered "independent directors" as defined by Nasdaq Marketplace Rule 5605(a)(2). The Board of the Company has established that the Company has three Audit Committee financial experts: Mr. Failes, Ms. Robertson, and Mr. Witt. The Board has determined that Mr. Failes, Ms. Robertson, and Mr. Witt possess the requisite accounting and related financial management expertise to qualify for the position. Pursuant to the written charter of the Audit Committee, the functions of the committee are to review and approve the selection of independent auditors; to remain apprised of the status and results of examination by the regulatory agencies, the independent auditors and the internal auditor, as well as monitor remediation progress if applicable; and to issue its report to the Board of Directors.

The Audit Committee is responsible for reviewing all transactions between the Company and any officer or director of the Company or any entity in which an officer or director has a material interest. Any such transactions must be on terms no less favorable than those that could be obtained on an arm's-length basis from independent third parties. The Audit Committee met eight times in 2023. The Audit Committee Report begins on page 47. A copy of the charter of the Audit Committee is available on the "Investor Relations" page of the Company's website at www.townebank.com under the heading "*Governance Documents*."

Compensation Committee. The Compensation Committee is composed of Messrs. Lewis (Chair), Benson, Bray, Ellis, Lester, and Montero. The six committee members are considered "independent directors" as defined by Nasdaq Marketplace Rule 5605(a)(2). Pursuant to the written charter of the Compensation Committee, the primary function of the committee is to provide independent oversight of TowneBank's compensation practices and to determine compensation or provide recommendations to the Board for the compensation of the Executive Chairman, the Chief Executive Officer and all other executive officers of TowneBank. The committee also monitors all incentive and equity compensation plans for the benefit of Company officers and directors eligible to participate in such plans. The Compensation Committee met two times in 2023. The Compensation Committee Report is included on page 19. A copy of the charter of the Compensation Committee is available on the "Investor Relations" page of the Company's website at www.townebank.com under the heading "*Governance Documents*."

Compensation Committee Interlocks and Insider Participation. During 2023, there were transactions between TowneBank and certain members of the Compensation Committee, or their associates, primarily consisting of extensions of credit and purchases of goods and services by the Company in the ordinary course of its business. Each transaction was made on substantially the same terms, including interest rates, lease rates, purchase prices, collateral and repayment terms, as those prevailing at the time for comparable transactions with the general public. In the opinion of management, none of the transactions involve more than the normal risk of collectibility or present other unfavorable features.

Enterprise Risk Management Committee. The Enterprise Risk Management Committee is composed of Messrs. Witt (Chair), Aston, Davis, Lewis, Morgan, Shetty and Ms. Robertson. R. Lee Clark, Senior Executive Vice President and Chief Operating Officer, William I. Foster III, President and Chief Executive Officer, and Ernest S. Piccioli, Senior Executive Vice President and Chief Risk Officer, also serve as members of the committee. The Enterprise Risk Management Committee was formed to be primarily responsible for overseeing the Company's risk management function on behalf of the Board.

The Enterprise Risk Management Committee is responsible for aligning the Company's risk profile, inclusive of risk appetite, with the Company's strategic plans and objectives. This involves identifying, assessing, managing, monitoring and reporting risks of all types, including credit risk, market risk, liquidity risk, operational risk, cyber and security risk, strategic risk, and reputation risk.

The Enterprise Risk Management Committee also has responsibility to oversee and review with management, the Company's goals, strategies and commitments related to environmental, social and governance ("ESG") matters and initiatives and to monitor and assess the Company's performance related to such ESG goals, strategies and commitments.

In carrying out its responsibilities, the Enterprise Risk Management Committee works closely with TowneBank's Chief Risk Officer, internal audit, and other members of TowneBank's management team. The Enterprise Risk Management Committee met four times in 2023.

In addition to the Enterprise Risk Management Committee, the other committees of the Board consider the risks within their areas of responsibility. For example, the Compensation Committee considers the risks that may be implicated by our executive compensation programs. For a discussion of the Compensation Committee's review of TowneBank's senior executive officer compensation plans and employee incentive compensation plans and the risks associated with these plans, see "Compensation Discussion and Analysis" beginning on page 20. A copy of the charter of the Enterprise Risk Management Committee is available on the "Investor Relations" page of the Company's website at www.townebank.com under the heading "*Governance Documents*."

Director Nominations Process

The Company's Board of Directors has adopted a Director Nominations Policy (the "Nominations Policy"). The purpose of the Nominations Policy is to describe the process by which candidates for possible inclusion in the Company's recommended slate of director nominees are selected. The Nominations Policy is administered by the Nominating Committee.

Nominating Committee. The Nominating Committee is composed of Messrs. Lewis (Chair), Bray, Ellis and Lester. The committee members are considered independent directors "as defined by Nasdaq Marketplace Rule 5605(a)(2)". The Nominating Committee met one time in 2023. The Nominating Committee reviews the qualifications of potential candidates and makes recommendations to the full Board. The factors considered by the committee and the Board in its review of potential candidates include the following:

Minimum Criteria for Board Members. Each candidate must possess at least the following specific minimum qualifications:

- Each candidate shall be prepared to represent the best interests of all of the Company's shareholders and not just one particular constituency.
- Each candidate shall be an individual who has demonstrated integrity and ethics in his or her personal and professional life and has established a record of professional accomplishment in his or her chosen field.
- No candidate, family member (as defined by Nasdaq rules), affiliate or associate (each as defined in Rule 405 under the Securities Act of 1933) of a candidate shall have any material personal, financial or professional interest in any present or potential significant competitor of the Company.
- Each candidate shall be prepared to participate fully in Board activities, including committee assignments. Attendance at, and active participation in, meetings of the Board and the committee of which he or she is a member is expected. There should be no other personal or professional commitments that would, in the Nominating Committee's sole judgment, interfere with or limit his or her ability to do so.

Desirable Qualities and Skills. In addition, the Company also considers it desirable that candidates possess the following qualities or skills:

- Each candidate should contribute to the Board's overall diversity – diversity being broadly construed to mean a variety of opinions, perspectives, personal and professional experiences and backgrounds, such as gender, race and ethnicity differences, as well as other differentiating characteristics.
- Each candidate should contribute positively to the existing chemistry and collaborative culture among Board members.

Internal Process for Identifying Candidates. The Company has a primary method for identifying candidates (other than those proposed by the Company's shareholders, as discussed below). On a periodic basis, the Company solicits ideas for possible candidates from a number of sources: members of the Board, senior-level Company executives, individuals personally known to the members of the Board, and research.

The Nominations Policy divides the process for candidates proposed by shareholders into the general nomination right of all shareholders and proposals by "Qualified Shareholders" (as defined below).

General Nomination Right of All Shareholders. Any shareholder of the Company may nominate one or more persons for election as a director of the Company at the annual meeting of shareholders if the shareholder complies with the notice, information and consent provisions contained in the Company's bylaws. The Company has an advance notice bylaw provision. In order for the director nomination to be timely, a shareholder's notice must be delivered to the Company's principal executive offices not less than 60 nor more than 90 days prior to the anniversary of the preceding year's annual meeting, subject to certain exceptions if the meeting date is not held within the same general time period.

The procedures described in the next section are meant to establish additional means by which certain shareholders can have access to the Company's process for identifying and evaluating candidates, before they become nominees, and are not meant to replace or limit shareholders' general nomination rights in any way.

Proposals by Qualified Shareholders. In addition to those candidates identified through the Company's own internal processes, in accordance with the Nominations Policy, the Nominating Committee will evaluate a candidate proposed by any single shareholder or group of affiliated shareholders who has beneficially owned more than 5% of the Company's common stock for at least one year (and will hold the required number of shares through the annual shareholders' meeting) and who satisfies the notice, information and consent provisions in the Nominations Policy (a "Qualified Shareholder").

In order to be considered by the Nominating Committee during the identification and evaluation process for an upcoming annual meeting of shareholders, a notice from a Qualified Shareholder regarding a potential candidate must be received by the Company not less than 120 calendar days before the anniversary of the date of the Company's proxy statement released to shareholders in connection with the previous year's annual meeting. If the Company changes its annual meeting date by more than 30 days from year to year, the notice must be received by the Company no later than the close of business on the 10th day following the day on which notice of the date of the upcoming annual meeting is publicly disclosed.

All candidates (whether identified internally or by a Qualified Shareholder) who, after evaluation, are then recommended by the Nominating Committee and approved by the Board, will be included in the Company's recommended slate of director nominees in its proxy statement.

Any candidate proposed by a Qualified Shareholder must be independent of the Qualified Shareholder in all respects as determined by the Nominating Committee or by applicable law. Any candidate submitted by a Qualified Shareholder must also meet the definition of an "independent director" under Nasdaq Marketplace Rule 5605(a)(2).

Evaluation of Candidates. The Nominating Committee will consider all candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria. If, based on the committee's initial evaluation, a candidate continues to be of interest, certain members of the Nominating Committee will interview the candidate and communicate their evaluation to the other committee members, the Chairman of the Board, and the Chief Executive Officer.

The Nominating Committee and senior management will conduct later reviews. Ultimately, background and reference checks will be conducted and the Nominating Committee will meet to finalize a list of recommended candidates for the Board's consideration.

Timing of the Identification and Evaluation Process. The Company's fiscal year ends each year on December 31. The Nominating Committee meets on an as-needed basis to consider, among other things, candidates to be recommended to the Board for inclusion in the Company's recommended slate of director nominees for the next annual meeting and the Company's proxy statement.

Future Revisions to the Nominations Policy. The Nominations Policy is intended to provide a flexible set of guidelines for the effective functioning of the Company's director nominations process. The Nominating Committee intends to review the Nominations Policy periodically and anticipates that modifications will be necessary from time to time as the Company's needs and circumstances evolve.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS

As a relationship driven and community focused company, TowneBank is committed to delivering on each of our guiding principles while balancing the interests of our shareholders, our communities, our customers (whom we call our members), and our employees. We believe our employees are one of our most important and valuable assets, and we strive to create a warm sense of belonging. We believe our strong culture strengthens our bond with the communities we serve.

At TowneBank, we empower consumers—both individual consumers and businesses—to make financial decisions with confidence. We believe that our environmental, social and governance initiatives contribute to our success in achieving the Company's goals for all our shareholders. We have identified the following topics of focus: Human Capital Management, Diversity, Equity and Inclusion (DEI), Community Engagement, Climate and Environmental Operations, Governance and Business Conduct, and Data Privacy and Cybersecurity. The following summary highlights some of these initiatives.

Human Capital Management

TowneBank's ability to deliver value to our members starts with our people. The success of the Company is directly attributable to an exceptional team of people who are clearly committed to a caring and nurturing environment centered on serving others. Continuing to build a passionate team with adherence to our culture of caring, vision, and opportunity for all will be the cornerstone of our ongoing success.

We have a strategic focus on designing our compensation and incentive programs to ensure they are competitive and effective in attracting and retaining diverse talent across all lines of business. In addition to competitive base and incentive compensation plans, the Company offers all full-time employees competitive benefits including paid vacation and sick leave, parental leave, 401(k) plan, health, dental, and vision plans, life and disability coverage, wellness plan, paid training opportunities, pre-tax flexible spending accounts, and tuition reimbursement.

As part of the Company's governance framework for human capital, the Board of Directors has a Compensation Committee composed of independent directors. Pursuant to the written charter of the Compensation Committee, the primary function of the committee is to provide independent oversight of TowneBank's compensation practices and to determine compensation or provide recommendations to the Board for the compensation of the Executive Chairman, the Chief Executive Officer, and all other executive officers of TowneBank. The committee also monitors all incentive and equity compensation plans for the benefit of Company officers and directors eligible to participate in such plans.

The Company's strategic plan has dedicated objectives and tactics to ensure we recruit, retain, and develop a diverse and talented team, with a specific focus on enhancing diversity, equity, and inclusion. None of our employees are represented by any collective bargaining agreements.

Periodically, we send Company-wide surveys to our employees on topics such as career satisfaction and member experience, inviting confidential feedback on our benefits, processes and opportunities. We have used this feedback to develop and enhance employee benefits and opportunities.

The Company has active learning and development programs designed to develop skills and knowledge, provide ongoing opportunities for teams to grow in existing roles, and to be prepared for future opportunities. For over 15 years, the Company has had a management development program designed to develop leadership and managerial talent for the future. Over this time, 175 employees have participated in this program, and many of these graduates have moved into leadership roles in the Company.

Diversity, Equity and Inclusion

Our mission statement includes this commitment, "to create a warm sense of belonging for everyone." To ensure that all our employees feel valued and respected, and to recognize the vital importance of having a workforce that reflects the communities we serve, we created the Diversity, Equity and Inclusion Council. Led by our Chief Executive Officer and comprised of leaders and representatives from business lines and regions across our enterprise, the council met eight times in 2023.

The Diversity, Equity and Inclusion Council's primary focus is to ensure that we maintain an environment of respect and value, allowing all team members to contribute to their full potential.

Through this program, we aim to achieve the following objectives:

- Build and maintain a diverse workforce;
- Cultivate and support an inclusive culture;
- Provide resources to promote professional and career development opportunities; and
- Provide access to mentorship opportunities.

To achieve these objectives, we have launched a number of initiatives. For example, we have formed recruiting partnerships with local colleges and universities to develop and advance diversity within our workforce.

The DEI Council supports a Diversity and Inclusion coaching series. The series is available to all employees and supervisors and aims to highlight areas where people might hold biases while providing information to help counter those biases and ensure fair and respectful experiences for all team and family members.

In addition to coaching programs, we have seven active Networking Circles: NOIR, Pride, Women's, Working Parents & Caregivers, Emerging Leaders, New Family Members, and an Administrative Professional Business Resource Group. These groups serve as safe spaces for our people to discuss their concerns and challenges, celebrate victories and embrace differences.

The DEI Council also oversees our Supplier Diversity Program, which seeks to encourage and provide fair opportunities for minority-owned and women-owned businesses to compete for the procurement of our business and services.

At December 31, 2023, approximately 67% of our colleagues self-identify as women and approximately 17% of our colleagues self-identify as minorities.

Community Engagement

Robust community engagement, volunteerism and philanthropy are some of the ways in which TowneBank continues to serve our communities. Here are some highlights of our initiatives.

- In 2023, we committed to invest over $76 million in Federal low-income housing tax credits, providing families with more than 700 affordable housing opportunities.
- Our employees self-reported over 9,000 volunteer hours last year at more than 350 different organizations throughout the regions we serve.
- Our employees personally donated over $680,000 through the United Way Workplace Giving Campaign.
- Our charitable contributions in 2023 totaled over $11.80 million, which went to support over 120 organizations in the communities we serve that are dedicated to a wide variety of causes, including health care, childhood development, education, food banks, veterans, and job creation.
- We ranked 3rd in total corporate philanthropic donations to Virginia nonprofits in 2022, the most recent year for this ranking, with total donations of $9.44 million according to the Generous Virginians Project sponsored by Virginia Business magazine.
- We have received six consecutive "Outstanding" ratings, the highest possible, on our Community Reinvestment Act performance evaluation since 2007, demonstrating our ongoing commitment to support the communities we serve through community development loans, support of affordable housing, philanthropic donations and volunteer services.
- With a designated Financial Engagement Officer on the team, we conduct financial literacy, credit, mortgage, and business financing seminars on topics such as: entrepreneurship, budgeting, mortgage basics, business financing, homeownership basics, managing debt, and work readiness, for non-profit organizations, individuals, and the general public. In 2023, we conducted more than 30 sessions, reaching approximately 2,500 individuals.

- We have an active interest in Junior Achievement programs throughout our footprint. TowneBank is a multi-year financial sponsor of Junior Achievement of the Central Carolinas' "Build On Opportunity" campaign. In 2023, our bankers volunteered in multiple regions and we provided additional financial sponsorships in Greater Hampton Roads, Central Virginia, Eastern and the Central Carolinas.
- We are also active in many financial literacy programs for children and young adults, including Making Money Count ("MMC"), which we believe has reached over 107,000 second graders in our central Virginia market since it launched in 2010.
- We are involved with multiple American Bankers Association education programs. In 2023, an estimated 5,800 students were reached as part of the "Teach Children to Save" program for elementary schools and an estimated 693 middle-schoolers were reached as part of the "Get Smart About Credit" program. Additionally, TowneBank employees visited local schools as part of the "Virginia Reads One Book" program, reaching an estimated 2,000 students.

Climate and Environmental Operations

We recognize the importance of climate, environmental sustainability, and the heightened interest in companies' environmental footprints. As we evolve our environmental program and strategy, we look forward to sharing our progress. Highlights of our initiatives include:

- We encourage our members to use online and mobile banking and to opt-in for electronic statements;
- More than 60% of the approximate 7,500 mortgage loan applicants in 2023 applied using our online application portal, and over 89% of our mortgage borrowers received, completed, and signed electronically the mortgage loan package, which includes a substantial number of disclosure related forms required by law;
- We utilize energy-saving LED bulbs and fixtures throughout our facilities;
- In late 2021, we entered into a four-year energy procurement arrangement that provides electricity generated from 100% renewable energy sources for a majority of our banking facilities located in Virginia;
- New and renovated locations include energy efficient time-controlled HVAC systems and light fixtures with motion-detecting sensors;
- We have pledged our financial support to a number of environmental conservation organizations and projects that are active in our communities, including:
  - The Elizabeth River Project (a $500,000 commitment over five years starting in 2021),
  - Chesapeake Bay Foundation (a $250,000 commitment over five years starting in 2019),
  - The James River Association (a $50,000 commitment over four years starting in 2022),
  - The Nansemond River Preservation Alliance (a $60,000 commitment over three years starting in 2023),
  - The Science Museum of Virginia Foundation (a $25,000 donation in 2023); and
- We have no credit exposure involving the exploration, mining or extraction of coal, oil or natural gas.

Governance and Business Conduct

Our Board of Directors works in partnership with our management team to serve all our stakeholders. Our directors, who live and work in the local communities we serve, represent a well-rounded variety of skills, knowledge, experience and perspectives. In particular, they have considerable community banking experience which gives them valuable insight into the increasingly complex regulatory and operating environment that banking institutions must navigate. The Board is committed to overseeing our efforts to integrate ESG principles and practices throughout the organization.

Governance highlights include:

- All of our board committees are chaired by independent directors;
- Strong independent Lead Director with clearly delineated duties;
- Our directors maintain a high level of engagement with the Company with a monthly meeting cadence (16 meetings held in 2023) and an average attendance of approximately 89% for board and committee meetings in 2023;
- Our directors and executive officers own Company stock and as a group, they beneficially own 7.16% of our outstanding shares as of the record date (March 27, 2024),

- Each share of our common stock has equal voting rights with one vote per share;
- The Board of Directors has adopted a conflicts of interest policy that requires actual or potential conflicts of interest of any director or executive officer be disclosed to and reviewed by the Audit Committee;
- Directors and executive officers are prohibited from hedging Company stock;
- In keeping with our policy of non-partisanship, we do not contribute any corporate funds to candidates for public office or to political parties, and do not allow members of executive management to occupy any elective public office;
- Our Employee Handbook includes standards of conduct that address the Company’s values, which include, among other things, integrity, ethical behavior, and conflicts of interest;
- We maintain a retaliation-free whistleblower policy for employees to communicate concerns regarding accounting, auditing or other matters relating to violations of law or fraud to the Audit Committee. The Audit Committee provides oversight of the Company’s whistleblower policy and reviews complaints in accordance with the policy;
- Executive officers are asked to certify annually their receipt of the Company Code of Ethics; and
- All our employees receive annual compliance training in our key policies and procedures.

Data Privacy and Cybersecurity

The security of our members’ private information is one of our key priorities. We have put in place corporate policies and operating procedures that govern how we collect, use, retain and protect private and personal data. Information security highlights include:

- Our Enterprise Risk Management Committee, a Board level committee chaired by an independent director, oversees the Company’s cybersecurity risk program and reports periodically to the Board of Directors;
- The cybersecurity program utilizes multiple levels of preventive and detective tools, rigorous systems testing, software patch management, and a dedicated information security staff led by our Chief Information Security Officer;
- We engage independent third parties to conduct internal and external system penetration testing and conduct internal security risk assessments;
- We have an incident response program that enables a coordinated response to mitigate the impact of, and recover from, any cyber-attacks and facilitates communications to internal and external stakeholders; and
- Employees receive mandatory annual training in information security, and we routinely conduct exercises to raise data security awareness.

OWNERSHIP OF COMPANY COMMON STOCK

The following table sets forth, as of March 27, 2024, certain information with respect to the beneficial ownership of the Company's common stock held by each director and director nominee, each executive officer named in the "Summary Compensation Table" on page 30, the current directors and all executive officers as a group, and persons known by the Company to be beneficial owners of more than 5% of the outstanding shares of the Company's common stock.

Name	Number of Shares Beneficially Owned[1]	Percent of Class
Jacqueline B. Amato	130,134[2]	*
G. Robert Aston, Jr.	413,415[2][3]	*
Jeffrey F. Benson	118,517[2]	*
Richard S. Bray	81,618[2]	*
Bradford L. Cherry	158,424[2]	*
J. Morgan Davis	49,454[2]	*
Douglas D. Ellis	156,765	*
John W. Failes	79,544[2]	*
Andrew S. Fine	448,903[2]	*
William I. Foster III	39,357[2][3]	*
Robert C. Hatley	74,428[2]	*
Howard J. Jung	203,206[2]	*
John R. Lawson, II	1,977,962[2]	2.64%
Aubrey L. Layne, Jr.	24,156	*
Harry T. Lester	42,403	*
W. Ashton Lewis	187,316[2]	*
William B. Littreal	67,137[3]	*
Stephanie J. Marioneaux, M.D.	50,292[2]	*
Juan M. Montero, II, M.D.	19,993	*
R. Scott Morgan	253,853[2]	*
William T. Morrison	154,525	*
Thomas K. Norment, Jr.	67,803[2]	*
Robert M. Oman	47,229[2]	*
R.V. Owens, III	20,688	*
J. Christopher Perry	8,014[2]	*
Elizabeth W. Robertson	60,863[2]	*
Dwight C. Schaubach	39,033[2]	*
Sachin S. Shetty	1,342[9]	*
Brian K. Skinner	47,698[2][3]	*
Richard B. Thurmond	84,802[2]	*
Alan S. Witt	93,648	*
All directors, director nominees and executive officers as a group (38 persons)	5,371,133[4]	7.16%
5% Shareholders		
BlackRock, Inc. 55 East 52nd Street New York, New York 10055	5,901,924[5]	7.87%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	3,862,042[6]	5.15%
The Vanguard Group 100 Vanguard Boulevard Malvern, Pennsylvania 19355	7,416,407[7]	9.89%
Dimensional Fund Advisors 6300 Bee Caves Road, Building 1 Austin, TX 78746	4,036,878[8]	5.38%

(Footnotes appear on the next page.)

* Represents less than 1% of the Company's common stock.

(1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or direct the voting of the security, the power to dispose of or direct the disposition of the security, or the right to acquire beneficial ownership of the security within 60 days. The mailing address of the directors and executive officers included in the table is 6001 Harbour View Blvd., Suffolk, Virginia 23435.

(2) Includes shares held by affiliated corporations, close relatives and children, and shares held jointly with spouses or as custodians or trustees, as follows: Ms. Amato, 2,660 shares; Mr. Aston, 78,870 shares; Mr. Benson, 17,597 shares; Mr. Bray, 3,025 shares; Mr. Cherry, 2,432 shares; Mr. Davis, 560 shares; Mr. Failes, 21,920 shares; Mr. Fine, 289,480 shares; Mr. Foster, 209 shares; Mr. Hatley, 8,193 shares; Mr. Jung, 70,008 shares; Mr. Lawson, 1,561,132 shares; Mr. Lewis, 44,964 shares; Dr. Marioneaux, 107 shares; Mr. Morgan, 3,388 shares; Mr. Norment, 1,984 shares; Mr. Oman, 29,562 shares; Mr. Perry, 3,350 shares; Ms. Robertson, 60,463 shares; Mr. Schaubach, 2,936 shares; Mr. Skinner 2,731 shares; and Mr. Thurmond, 5,560 shares.

(3) Includes shares of common stock that are restricted stock holdings as follows: Mr. Aston, 3,854; Mr. Foster, 22,634 shares; Mr. Littreal, 28,989 shares; and Mr. Skinner 9,910 shares. The shares are subject to a vesting schedule, forfeiture risk and other restrictions. These shares can be voted at the Annual Meeting.

(4) Includes 21,952 shares of common stock that are restricted stock holdings for other executive officers not included in footnote three above. These shares can be voted at the Annual Meeting.

(5) This information is based on a Schedule 13F-HR filed with the Securities and Exchange Commission on February 13, 2024, which reported sole voting power over 5,664,517 shares, shared voting power over 0 shares, sole dispositive power over 5,901,924 shares and shared dispositive power over 0 shares at December 31, 2023.

(6) This information is based on a Schedule 13F-HR filed with the Securities and Exchange Commission on February 14, 2024, which reported sole voting power over 3,792,924 shares, shared voting power over 0 shares, sole dispositive power over 3,862,042 shares and shared dispositive power over 0 shares at December 31, 2023.

(7) This information is based on a Schedule 13F-HR filed with the Securities and Exchange Commission on February 14, 2024, which reported sole voting power over 0 shares, shared voting power over 67,534 shares, sole dispositive power over 7,272,258 shares and shared dispositive power over 144,149 shares at December 31, 2023.

(8) This information is based on a Schedule 13F-HR filed with the Securities and Exchange Commission on February 7, 2024, which reported sole voting power over 3,807,187 shares, shared voting power over 160,702 shares, sole dispositive power over 3,873,211 shares and shared dispositive power over 163,667 shares at December 31, 2023.

(9) Dr. Shetty joined the Board on March 1, 2024.

Stock Ownership Guidelines

The Board of Directors believes that it is in the best interests of the Company to align the financial interests of the directors and executive officers with those of the Company's shareholders and has adopted minimum stock ownership guidelines applicable to directors and the Named Executive Officers listed in the "Summary Compensation Table" on page 30.

The ownership threshold for directors is $100,000 aggregate value of the Company's common stock. The ownership threshold for the Named Executive Officers is based on the following multiples of their base salaries: three times base salary for the Executive Chairman and the Chief Executive Officer; two times base salary for the President (if not also the Chief Executive Officer), and one times base salary for the other Named Executive Officers. There is a five year accumulation period for new directors and Named Executive Officers.

Shares owned directly by a director and Named Executive Officer or indirectly (e.g., by a spouse, trust or affiliated company) count towards the ownership targets. Restricted stock awards, restricted stock units and other equity-based awards granted under the Company's stock incentive plans that are time-vested awards involving the issuance of shares of common stock are also included as owned for the purposes of the guidelines. Unexercised stock options, unearned performance shares, and any shares pledged to secure a loan or held in a margin account are not counted toward meeting the guidelines. If any director or officer is not in compliance with the ownership guidelines, any shares acquired upon the exercise of a stock option or any shares that vest and are no longer subject to any time-based or performance-based vesting requirement may not be sold or transferred, except for the limited purpose of paying any applicable tax withholding or exercise price.

The value of the Company's common stock held by a director or Named Executive Officer is based on the average closing price of the Company's common stock for the last 10 trading days of the applicable year. As of January 1, 2024, with one exception, all of the directors and Named Executive Officers satisfied their respective stock ownership requirements. Mr. Foster became the Chief Executive Officer as of January 1, 2023, and is taking appropriate steps to accumulate ownership as permitted for a new Chief Executive Officer by the ownership guidelines.

No Hedging Policy

The Company has an anti-hedging policy that prohibits directors and executive officers from engaging in hedging transactions designed to hedge or offset any decrease in the market value of the Company's common stock including prepaid variable forward contracts, equity swaps, puts, calls, collars, forwards, exchange funds and other derivative instruments. The policy also prohibits directors and executive officers from engaging in short sale transactions in the Company's common stock.

Delinquent Section 16(a) Reports

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, as adopted by the Federal Deposit Insurance Corporation (the "FDIC"), directors and executive officers of the Company are required to file reports with the FDIC indicating their holdings of and transactions in the Company's equity securities.

Based upon a review of filings with the FDIC and written representation that no other reports were required, the Company believes that all of its directors and executive officers were in compliance with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 during 2023 with the following exceptions:

Directors: one late Form 4 report was filed by Jacqueline B. Amato reporting the acquisition of shares in one transaction; one late Form 4 report was filed by Bradford L. Cherry reporting the acquisition of shares in three transactions; two late Form 4 reports were filed by Douglas D. Ellis, one reporting the disposition of shares in two transactions, and one reporting the acquisition of shares in two transactions; two late Form 4 reports were filed by Andrew S. Fine, one reporting the acquisition of shares in one transaction, and one reporting the disposition of shares in three transactions; one late Form 4 report was filed by Robert C. Hatley reporting the disposition of shares in one transaction; two late Form 4 reports were filed by John R. Lawson, II, one reporting the disposition of shares in two transactions, and one reporting the disposition of shares in one transaction; two late Form 4 reports were filed by Aubrey L. Layne, Jr., one reporting the acquisition of shares in four transactions, and one reporting the acquisition of shares in one transaction; one late Form 4 report was filed by W. Ashton Lewis reporting the acquisition of shares in one transaction; four late Form 4 reports were filed by Thomas K. Norment, Jr., one reporting the acquisition of shares in two transactions and the disposition of shares in one transaction, two reporting the acquisition of shares in one transaction, and one reporting the acquisition of shares in two transactions; one late Form 4 report was filed by J. Christopher Perry reporting the acquisition of shares in one transaction; one late Form 4 report was filed by R. Scott Morgan reporting the acquisition of shares in one transaction and the disposition of shares in one transaction; one late Form 4 report was filed by Elizabeth W. Robertson reporting the disposition of shares in one transaction; and one late Form 4 report was filed by Richard B. Thurmond reporting the acquisition of shares in two transactions.

Executive Officers: one late Form 4 report was filed by Denys D. Diaz reporting the acquisition of shares in one transaction, and one late Form 4 report was filed by Dawn S. Glynn reporting the acquisition of shares in one transaction.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis for the year ended December 31, 2023 with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is provided by the following independent directors, who comprise the Compensation Committee:

W. Ashton Lewis, Chair
Jeffery F. Benson
Richard S. Bray
Douglas D. Ellis
Harry T. Lester
Juan M. Montero, II, M.D.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our 2023 executive compensation programs and decisions with respect to our executive officers and, in particular, our Named Executive Officers (sometimes referred to as our "NEOs") listed in the "Summary Compensation Table" on page 30. In this discussion, we explain, among other things, our compensation philosophy and programs, factors considered by the Compensation Committee in making compensation decisions, and additional information about our compensation programs and practices.

Focus on Management Succession and Leadership Changes

Several years ago, the Company implemented a strategy to enhance its management structure to help prepare the Company for its next decade of growth and to continue to build out its long-term management succession plan. A key component of this strategy involved the formation of a new Corporate Management Group.

With J. Morgan Davis, a founding officer and director of the Company, stepping down as Chief Executive Officer at the end of 2022, the Company appointed William (Billy) I. Foster III to succeed Mr. Davis as President and Chief Executive Officer effective as of January 1, 2023. Mr. Foster joined TowneBank in 2004 as a regional president to lead its expansion into the Norfolk, Virginia metropolitan market. Since then, Mr. Foster has served in several executive roles, including his most recent one as president of our markets in Central Virginia and the Carolinas.

In late 2022 and early 2023, and in furtherance of the comprehensive management succession plan, the Company announced several additional promotions involving members of the Corporate Management Group and their new roles and responsibilities.

- Dawn S. Glynn was selected as President of the Company's new Corporate Services Group and as its first Chief Experience Officer. In her role, Mrs. Glynn has Company-wide responsibility for executive oversight of human resources, marketing, private banking, retail banking, product development, and process improvement, along with setting the standards for exquisite member and employee experiences.
- Brian K. Skinner was appointed President and Regional Banking Director for all markets in Virginia and Northeastern North Carolina and has executive oversight for the specialty banking lines of real estate finance, commercial real estate finance, and automotive dealer finance.
- Matthew C. Davis was named President and Regional Banking Director for the Company's fast growing North Carolina markets, including the Company's Triangle (Raleigh/Cary/Durham/Chapel Hill), Charlotte, Triad (Greensboro/Winston-Salem/High Point), and Greenville markets.
- William T. Morrison was appointed President and Chief Executive Officer of TFSG and oversees the Company's non-banking lines of business, including residential mortgage, insurance, real estate brokerage, wealth management, and vacation property management. He was also appointed to the Corporate Management Group.
- R. Lee Clark was appointed as the Company's Chief Operating Officer. In his role, Mr. Clark has responsibility for bank operations and continues to have day to day responsibility for human resources. He was also appointed to the Corporate Management Group.
- Ernest S. Piccioli joined the Company from Truist Bank to serve as the Company's Chief Risk Officer. He was also appointed to the Corporate Management Group.

The Corporate Management Group consists of the following executive officers:

Executive Officers	Principal Position	Years of Service at TowneBank
G. Robert Aston, Jr. (79)	Executive Chairman	24
William I. Foster III (68)	President and Chief Executive Officer	19
R. Lee Clark (56)	Senior Executive Vice President and Chief Operating Officer	18
Matthew C. Davis (56)	President and Regional Banking Director, North Carolina	7
Denys J. Diaz (57)	Senior Executive Vice President and Chief Information Officer	8
Dawn S. Glynn (56)	President, Corporate Services Group and Chief Experience Officer	24
William B. Littreal (53)	Senior Executive Vice President and Chief Financial Officer	16
William T. Morrison (61)	President and Chief Executive Officer, Towne Financial Services Group	8
Ernest S. Piccioli (57)	Senior Executive Vice President and Chief Risk Officer	1
Phillip M. Rudisill (58)	Senior Executive Vice President and Chief Credit Officer	18
Brian K. Skinner (53)	President and Regional Banking Director, Virginia and Northeastern North Carolina	17

The Named Executive Officers for 2023 include Messrs. Aston, Foster, Littreal, Morrison, and Skinner.

Executive Summary

TowneBank's executive compensation programs are designed to attract, retain and motivate exceptional leaders with the ability to foster strong business results and ensure the long-term success of the Company. The goal of the Compensation Committee in setting compensation is to motivate executives to achieve a range of performance consistent with strategic and business plans approved by the Board of Directors while ensuring that the financial costs of current or proposed compensation and benefit programs are reasonable and consistent with industry standards and shareholders' interests.

2023 Performance Highlights. During 2023, the Company delivered a solid financial and operational performance that included total revenue growth, loan growth, and strong credit quality. We had anticipated 2023 would be a challenging year, given the uncertain economic environment and headwinds related to noninterest income, particularly with respect to our mortgage operations. In response, we turned our attention to maintaining balance sheet strength and enhanced liquidity. Management focused on controlled loan growth to align with deposits and maintain a healthy loan to deposit ratio. These measures and margin compression, driven by higher liability costs, led to a decline in earnings, compared to the prior year. Our 2023 financial results are more fully described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations"* in our 2023 Annual Report to Shareholders (the "2023 Annual Report"), which is included as Exhibit 13 to the Annual Report on Form 10-K for the year ended December 31, 2023. Performance highlights for 2023 include:

- Net income of $153.72 million, or $2.06 per fully-diluted share, compared to $188.99 million, or $2.60 per fully-diluted share, for the prior year.
- Total revenues increased by $7.19 million to $694.12 million, despite a $3.59 million, or 0.78%, decrease in net interest income to $457.78 million.
- At December 31, 2023, excess liquidity, in the form of cash and cash equivalents, unencumbered investment securities, long- and short- term borrowing facilities at the Federal Reserve, Federal Home Loan Bank, and correspondent banks, was $6.01 billion.
- Total deposits were $13.89 billion at December 31, 2023. Noninterest bearing deposits totaled $4.34 billion and represented 31.26% of total deposits.
- Loans held for investment increased 4.95%, to $11.33 billion at December 31, 2023.
- Loan to deposit ratio of 81.54% at December 31, 2023.
- Under the guidelines of Basel III, TowneBank operates in excess of well-capitalized levels.

- Towne Insurance, with total annual revenue in 2023 of $109.46 million, continued its pattern of growth and is slated to become the largest bank-owned insurance agency after completion of the divestiture by Truist Financial Corporation of its remaining stake in its insurance brokerage subsidiary which Truist expects to close in the second quarter of 2024.
- Asset quality showed continued strength with nonperforming assets totaling $7.75 million, or 0.05%, of total assets, at December 31, 2023, and nonperforming loans at 0.06% of period end loans.
- Total equity at year-end was $2.06 billion, an 8.85% increase from 2022 year-end.
- In January 2023, the Company completed its acquisition of Farmers Bankshares, Inc., and its wholly owned bank subsidiary, Farmers Bank, Windsor, Virginia.

2023 Compensation Highlights. The Compensation Committee took the following compensation-related actions for 2023:

- Base Salaries. In view of the adjustments made in September 2022 to the base salaries of Messrs. Foster, Littreal, Skinner and certain other members of the Corporate Management Group in connection with their new roles and responsibilities and their leadership contributions, the Compensation Committee did not make any adjustments in 2023 to the base salaries of the NEOs, other than for Mr. Morrison. The Compensation Committee increased Mr. Morrison's base salary to $800,000, effective January 1, 2023, in connection with his appointment as President and Chief Executive Officer of TFSG where he oversees the Company's non-banking lines of business.
- Incentive Compensation. Although the Company posted a solid financial and operational performance in 2023, it did not achieve the targets set in the annual incentive plan that are heavily weighted towards earnings per share growth. The Compensation Committee considered the positive performance of the Company relative to the strategic quality measures in the incentive plan, and particularly the steps management took to strengthen the Company's balance sheet in response to the notable bank failures that occurred in the first half of the year. Based on management's recommendation, the Compensation Committee exercised its discretion and concluded not to make an incentive award to the NEOs and the other members of the Corporate Management Group.

Say-On-Pay Results. We held an advisory vote on the compensation of our NEOs ("say-on-pay") at our 2023 annual shareholders meeting. At that meeting, 98.14% of the votes cast on the say-on-pay proposal were cast in support of the compensation of the Company's NEOs.

While the 2023 shareholder vote reflected strong support for our executive compensation programs, the Compensation Committee, the Board of Directors and executive management have evaluated compensation programs each year to ensure the programs have continued to align the interests of the executives with those of the Company's shareholders and continued to strengthen the linkage of pay to performance. The Compensation Committee plans to continue considering our shareholders' perspectives on an annual basis.

Compensation Governance. The Company has instituted and maintained policies and practices that promote strong compensation governance. These policies and procedures require the Company to:

- Use various performance metrics to deter excessive risk taking by eliminating any incentive focus on a single performance goal.
- Balance short-term (cash) and long-term (equity) compensation to discourage short-term risk taking at the expense of long-term results.
- Use equity incentive to promote total return to shareholders, Company performance, and executive retention.
- Require meaningful stock ownership from our executive officers.
- Apply clawback features to all executive officer incentive pay in the event of an accounting restatement, the material miscalculation of a financial measure used to determine the amount or vesting of incentive compensation, or reputational harm to the Company caused by the misconduct of an executive officer.
- Conduct reviews of annual incentive risks in conjunction with our Chief Risk Officer.
- Engage an independent compensation consultant who advises and reports directly to the Compensation Committee.
- Prohibit executive officers from engaging in hedging transactions in our common stock.
- Prohibit dividends on unvested equity awards, require one year minimum vesting period for equity awards, prohibit share recycling and repricing/discounting of stock options.
- Annual shareholder say-on-pay vote.

Executive Compensation Process

Compensation Philosophy and Objectives. TowneBank's primary goal is to create long-term value for our shareholders. We believe that the quality of our NEOs and their ability to successfully lead the Company is a critical component of achieving that goal. To that end, TowneBank's executive compensation program is designed to motivate, attract, and retain the leadership deemed essential to ensure the success of the Company. The program attempts to align executive compensation with Company objectives, business strategy, and financial performance while avoiding excessive risk. In applying these principles, the Company seeks to:

- Reward executives for enhancing shareholder value;
- Support an environment that rewards performance with respect to the achievement of Company goals, as well as Company performance relative to industry competitors;
- Integrate compensation programs with the short- and long-term strategic plans of the Company; and
- Align the interests of executives with the long-term interests of shareholders through award opportunities that can result in ownership of stock.

Role of the Compensation Committee. The executive compensation programs are administered by or under the direction of the Compensation Committee, with Mr. Aston making compensation recommendations for executive officers other than himself, and are reviewed on an annual basis to ensure that remuneration levels and benefits are competitive and reasonable using the principles described above. The particular elements of the compensation programs for such persons are set forth in more detail below.

The Compensation Committee generally targets the median of the total direct compensation (base, annual cash incentive, and equity) of our peer group in setting compensation levels of our NEOs, unless certain factors, such as performance or expertise, warrant a higher or lower competitive positioning.

In approving the compensation of the Named Executive Officers and other members of the Corporate Management Group, the Compensation Committee considers the overall financial, market, and competitive performance of the Company during the fiscal year under consideration. In addition, the Compensation Committee also considers the proper balance between certain financial performance measures, including loan growth, the level of and/or increases in return on assets and return on equity, without encouraging short-term profitability through unreasonable risk taking or a deterioration of long-term asset quality.

The Compensation Committee also takes into account individual as well as combined measures of progress of the Company, including the quality of the loan and investment portfolios, desirable changes in capital ratios, the overall growth of the Company, earnings per share, deposit market share positions, the level of non-performing loans and real estate owned, the performance of the non-bank financial service companies, the results of bank regulatory exams and ratings, and other objectives as may be established by the Board of Directors.

The Compensation Committee operates under a written charter that establishes its responsibilities. The Compensation Committee reviews the charter annually to ensure that the scope of the charter is consistent with its expected role. A copy of the charter can be found on the Company's website at www.townebank.com.

Role of the Executive Chairman. In 2023, the Compensation Committee made all compensation recommendations for Mr. Aston, in his role as Executive Chairman, after the annual review of his performance. Mr. Aston did not make recommendations with respect to his own compensation, nor was he present during the deliberations concerning his compensation.

With respect to the Company's other NEOs, the Compensation Committee considered salary and incentive recommendations prepared by Mr. Aston to establish compensation and approved equity awards to officers of the Company. The Compensation Committee may exercise its discretion in modifying any recommended adjustments to the compensation of the NEOs.

In 2024, it is anticipated that Mr. Aston, as Executive Chairman, will continue his role in making recommendations regarding the compensation of the Company's other NEOs and members of the Corporate Management Group. The Compensation Committee will continue to be solely responsible for determining Mr. Aston's compensation.

Role of the Independent Compensation Consultant. The Compensation Committee engages Pearl Meyer & Partners, LLC ("Pearl Meyer") to perform executive compensation consulting services. The Compensation Committee has utilized the consulting services of Pearl Meyer to facilitate the executive officer compensation process, including assisting with the development of a peer group consistent with the Company's strategies and objectives. Pearl Meyer is an independent compensation consultant without any previous relationship to the Company's management. Pearl Meyer reports directly to the Compensation Committee, which retains sole authority to select, retain, terminate, and approve the fees and other retention terms of its relationship with Pearl Meyer.

The Compensation Committee analyzes annually whether the work of Pearl Meyer as a compensation consultant has raised any conflict of interest, taking into consideration the factors set forth in Rule 10C-1 of the Securities Exchange Act of 1934 and applicable Nasdaq rules. The Compensation Committee has determined that the work of Pearl Meyer and the individual compensation advisors employed by Pearl Meyer as compensation consultants to the Company has not created any conflict of interest.

Role of Benchmarking. The Company competes against a wide range of financial institutions, including local, regional and national banks, as well as numerous other financial service providers. Due to the significant market share position of the regional and national banks in the Company's key markets, coupled with the Company's growth, the Company primarily competes with these larger institutions for executive talent.

The Compensation Committee reviewed the compensation programs and philosophies of the major banks operating in the Company's markets, and other competitive data available to the committee. The Compensation Committee seeks to provide a comprehensive compensation opportunity for its executives commensurate with the market for talent.

After the annual meeting of shareholders in 2022, the Compensation Committee retained Pearl Meyer to review and update the composition of the peer group of selected banking organizations. Potential peer group companies were considered using the following screening criteria:

- Geography: Initial screen for companies headquartered in the Mid-Atlantic and Southeast regions.
- Size: Initial range of approximately 0.5x – 2x the Company's asset size ($16.6 billion) at March 31, 2022. Banks below $10 billion in assets were ultimately excluded.
- Business Model: Reasonably similar business model as indicated by loan portfolio mix and revenue characteristics.
- Additional Considerations: Although they exceeded the desired 2x size-based parameters, Pinnacle Financial Partners, Inc. and SouthState Corporation were included for strategic reasons due to their overlapping market areas with TowneBank and the fact that we compete with each organization for talent and business.

The Compensation Committee ultimately approved a peer group that included the 20 banking organizations listed below with median assets of $18.9 billion and ranging in assets from $10.6 billion to $46.2 billion as of March 31, 2022, and with operations weighted towards the Mid-Atlantic and Southeast regions. For purposes of setting compensation levels in 2023, the Compensation Committee determined that the banking organizations listed below continued to serve as an appropriate basis of comparison.

Company Name	Ticker	Company Name	Ticker
Ameris Bancorp	ABCB	Pinnacle Financial Partners, Inc.	PNFP
Atlantic Union Bankshares Corp.	AUB	Renasant Corporation	RNST
Bank OZK	OZK	Sandy Spring Bancorp, Inc.	SASR
Customers Bancorp, Inc.	CUBI	ServisFirst Bancshares, Inc.	SFBS
Eagle Bancorp, Inc.	EGBN	Simmons First National Corporation	SFNC
First Bancorp	FBNC	SouthState Corporation	SSB
First Financial Bancorp	FFBC	Trustmark Corporation	TRMK
FB Financial Corp	FBK	United Bankshares, Inc.	UBSI
Fulton Financial Corporation	FULT	United Community Banks, Inc.	UCBI
Home BancShares, Inc.	HOMB	WesBanco, Inc.	WSBC

2023 Executive Compensation Decisions

Base Salary. The Company provides the NEOs and other employees with a base salary to compensate them for services rendered during the year. Base salary levels for the NEOs are primarily determined by the Compensation Committee for each executive based on his position and responsibility and what the committee deems necessary or appropriate to attract the level of competence needed for the position. Length of service, experience, and job performance are also considered.

The Compensation Committee reviews base salary levels annually and focuses on individual performance from prior years, current industry conditions, and current market considerations to ensure that base salary levels for the Company's NEOs and other executive officers are competitive within a range that the committee considers to be reasonable and necessary.

The Compensation Committee generally targets the median of the total direct compensation (base, annual cash incentive and equity) of our peer group in setting compensation levels for our NEOs, unless certain factors, such as performance or expertise, warrant a higher or lower competitive positioning. Compared to our peer group, the mix of the elements of total direct compensation has typically been more heavily weighted towards base salary.

In view of the adjustments the Compensation Committee made in September 2022 to the base salaries of Messrs. Foster, Littreal, Skinner, and certain other members of the Corporate Management Group in connection with their new roles and responsibilities and their leadership contributions, the Compensation Committee, based on the recommendation of management, made no adjustments to the base salaries of the NEOs in 2023, except for the base salary increase for Mr. Morrison. Prior to these adjustments in 2022, the base salaries for Messrs. Foster and Littreal were last increased on April 1, 2021, and the base salary for Mr. Skinner was last increased on May 1, 2021. Mr. Aston's base salary was last increased on January 1, 2019. Despite the Compensation Committee's insistence that his base salary be increased, Mr. Aston respectfully declined to accept an increase in his base salary in 2023 and for several prior years.

Prior to his appointment as President and Chief Executive Officer of TFSG effective as of January 1, 2023, Mr. Morrison served as Chairman and Chief Executive Officer of TowneBank Mortgage. In that role, Mr. Morrison's compensation was largely performance-based with commissions and bonuses tied to mortgage loan production and profitability. During his past five years in that role (2018 – 2022), Mr. Morrison's average incentive bonus was $1.68 million. In his new role overseeing the non-banking lines of business of TFSG, Mr. Morrison's incentive compensation is no longer tied to mortgage loan production and profitability. He participates with the other members of the Corporate Management Group in the Company's annual incentive plan that is based on overall corporate performance. The Compensation Committee considered these and other factors in setting his new base salary.

The table below shows the base salary levels of the NEOs in effect at December 31, 2023 and 2022. As noted above, the base salaries for Messrs. Foster, Littreal, and Skinner were increased, effective September 1, 2022, to the levels shown below that were in place at December 31, 2022. Taking these base salary increases into account for the last four months of 2022, the adjusted base salaries for these NEOs in 2022 were as follows: Mr. Foster – $603,000; Mr. Littreal – $640,000; and Mr. Skinner – $646,667. See the Summary Compensation Table on page 30 for more information.

	Base Salary Level at December 31, 2023	Base Salary Level at December 31, 2022
G. Robert Aston, Jr.	$1,000,000	$1,000,000
William I. Foster III	$ 900,000	$ 900,000
William B. Littreal	$ 750,000	$ 750,000
William T. Morrison	$ 800,000	$ 450,000
Brian K. Skinner	$ 700,000	$ 700,000

No Incentive Awards Paid in 2024 for 2023 Performance. Under the 2023 incentive plan established by the Compensation Committee, each NEO had a target incentive opportunity equal in value to 40% of base salary in effect at December 31, 2023, with a maximum incentive opportunity equal in value to 50% of base salary and a threshold incentive opportunity equal in value to 20% of base salary.

The 2023 incentive plan was 80% weighted towards achieving certain earnings per share levels, with threshold, target, and superior performance levels. The plan was 20% weighted towards the satisfaction of certain strategic quality measures, including revenue growth, credit quality, regulatory ratings, and deposit market share position.

The Compensation Committee reserves the right to decrease, modify, or eliminate the incentive opportunity based on the Company's performance and other factors the committee wishes to consider.

The company did not achieve the targeted level of growth in earnings per share set forth in the incentive plan. However, the Compensation Committee considered the Company's positive performance relative to the strategic quality measures and, in particular, the steps taken by management to strengthen the Company's balance sheet in response to the several notable bank failures that occurred in the first half of the year. These steps included, among others:

- tightening loan growth to better align with deposit levels to stay within a targeted loan-to-deposit ratio range;
- prudently built loan reserve levels to reflect portfolio risk in the current economic environment;
- enhancing liquidity through strategic balance sheet management and
- maintaining strong capital levels.

The Compensation Committee noted that the combined effect of certain of these measures put downward pressure on earning per share growth for the year.

Based on management's recommendation, however, the Compensation Committee exercised its discretion and decided not to make an incentive award to the NEOs and other members of the Corporate Management Group tied to the 20% weighting of the strategic quality measures included in the incentive plan. As a result, the NEOs and other members of the Corporate Management Group did not receive an annual incentive award in 2024 for 2023 performance.

The Company does not disclose the earnings per share performance targets because such disclosure could be construed as earnings guidance and could mislead investors as to the Company's expected future performance.

Incentive Awards Paid/Granted in 2023 for 2022 Performance. The 2022 incentive plan established by the Compensation Committee was similar in structure to the 2023 incentive plan, with each NEO having a target incentive opportunity equal in value to 40% of their base salary, a maximum incentive opportunity equal in value to 50% of base salary and a threshold incentive opportunity equal in value to 20% of base salary.

The 2022 incentive plan was 80% weighted towards achieving certain earnings per share levels, with threshold, target and superior performance levels. The plan was 20% weighted towards the satisfaction of certain strategic quality measures, including revenue growth, credit quality, regulatory ratings, and deposit market share position.

The Compensation Committee determined that the Company exceeded the target performance level in 2022, but did not achieve the superior performance level. Accordingly, the Compensation Committee approved incentive awards in February 2023 to the NEOs and other members of the Corporate Management Group equal in value to 45% of base salary. In the exercise of its discretion, and as disclosed in last year's proxy statement, the Compensation Committee approved 75% of the incentive award to be paid in cash and 25% in the form of a restricted stock award, vesting in equal annual installments over a three-year period. Because the Summary Compensation Table reports equity-based awards only in the year in which they were granted, the value of these restricted stock awards are reported as compensation to the Named Executive Officers in this Proxy Statement.

Other Aspects of Our Executive Compensation Program

Stock Ownership Guidelines*.* The Company's stock ownership guidelines call for the NEOs to own equity representing a multiple of their salary and to retain this equity throughout their tenure with the Company. The specific ownership guidelines are:

- Executive Chairman – three times base salary;
- Chief Executive Officer – three times base salary;
- President (if not also the Chief Executive Officer) – two times base salary; and
- Other NEOs – one times base salary.

The value of the Company's common stock held by a director or NEO is based on the average closing price of the Company's common stock for the last 10 trading days of the applicable year. As of January 1, 2024, with one exception, all of the directors and NEOs satisfied their respective stock ownership requirements. Mr. Foster became the President and Chief Executive Officer as of January 1, 2023, and is taking appropriate steps to accumulate ownership as permitted for a new Chief Executive Officer by the ownership guidelines.

Clawback of Incentive-Based Compensation*.* The Board of Directors believes that it is in the best interests of the Company and its shareholders to maintain a culture that emphasizes integrity and accountability. Consistent with that philosophy, the Company has adopted a policy that provides for the recovery of incentive-based compensation paid to the Company's executive officers and certain other employees if the Company has to prepare an accounting restatement or correct a material miscalculation of a financial measure used to determine the amount or vesting of incentive compensation. The policy also allows for the recovery of incentive-based compensation if the misconduct of an executive officer causes serious reputational harm to the Company.

In the event of a restatement or material miscalculation of a financial measure, the policy will be triggered and will apply to any incentive-based cash or equity compensation granted, earned or vested, the amount of which was calculated based wholly or in part on the attainment of any financial reporting measure based on: (i) accounting principles using the Company's financial statements and any measures derived wholly or in part from such measures; (ii) stock price; or (iii) total shareholder return. The Company will recover any incentive compensation that is in excess of what would have been paid or granted based on the restated financial information or corrected financial measure, as the case may be, during the three completed fiscal years preceding the date on which the Board of Directors determines an accounting restatement is required to be filed or that a material miscalculation of any financial performance measure used to determine the amount or vesting of incentive compensation occurred. The policy applies to each executive officer of the Company, regardless of whether the individual was responsible for the accounting restatement or miscalculation of any financial performance measure. The policy also applies to an employee who the Board determines was directly responsible for such restatement or miscalculation.

If the Board of Directors determines that an executive officer has engaged in misconduct that causes, or is reasonably likely to cause, serious reputational harm to the Company or any client or former client of the Company, the Company may recover any incentive-based compensation received by the executive officer during the three completed fiscal years preceding such determination.

The Company's incentive compensation clawback policy complies with Nasdaq's final listing standards implementing the incentive compensation clawback rule adopted by the Securities and Exchange Commission as mandated by the Dodd-Frank Act.

Compensation Programs that Affect Risk Management. The Company uses incentive compensation plans for a large number of its employees in addition to our executive officers. The Company has business unit incentive plans that reward measurable performance across its three major business segments: Banking, Realty, and Insurance. The Company has employment compensation plans and arrangements with non-executive employees that provide for variable cash compensation bonus, commission, or incentive payments. Each arrangement is available to a different set of employees, and the amount received differs depending on level of job responsibility and plan objectives. The majority of these arrangements related to commissions paid to mortgage loan officers, insurance agents, and investment brokers are in lieu of or in addition to a base salary. The mortgage loan officers are compensated based on loan origination volume, which is subject to approval by a separate credit underwriting approval process. The Company does not believe that the risks which may arise from its compensation policies and practices are reasonably likely to have a material adverse effect on the Company.

Benefits. During 2023, the Company maintained various employee benefit plans that constitute a portion of the total compensation package available to NEOs and all eligible employees of the Company. These plans consist of the following:

- Stock Incentive Plan. The Company maintains a stock incentive plan that is designed to attract and retain qualified personnel in key positions and provide employees with a proprietary interest in the Company as an incentive to contribute to the success of the Company. The stock incentive plan provides for the grant of stock options and stock awards, including restricted stock awards and restricted stock units. The plan prohibits the payment of dividends or similar distributions on awards, whether subject to time-based or performance-based vesting, unless and until the vesting requirements have been met, requires a minimum one-year vesting period for awards granted under the plan, prohibits the repricing of stock options, and prohibits share recycling.

  The Compensation Committee administers the plan, and each member of the committee is a "non-employee director" as defined in Rule 16b-3 under the Securities Exchange Act of 1934. Unless sooner terminated, the stock incentive plan will remain in effect until March 2027.

- 401(k) Plan. The Company has adopted a defined contribution plan established in accordance with Section 401(k) of the Internal Revenue Code of 1986 (the "401(k) Plan"). Employees of the Company are eligible to participate in their second month of employment. Under the 401(k) Plan, employees may contribute a percentage of their annual salary, subject to statutory limitations. The Company may make matching and discretionary contributions under the 401(k) Plan. Employer contributions, if any, vest 20% after each year of service, until fully vested after five years of service.

  In 2023, the Company matched employee contributions up to 3.0% of their salary. There were no additional discretionary contributions in 2023.

- Supplemental Executive Retirement Plan. The Company established a SERP on December 1, 2008, to provide supplemental retirement benefits to certain officers covered under the plan as selected by the committee.

  The SERP agreements with the officers generally provide that upon the later of separation of service or the attainment of retirement age, usually at age 65, the participating officer will be entitled to receive a retirement benefit equal to either (1) a designated percentage, ranging from 30% to 50% of their designated base salary depending on their level of seniority, with an annual 4% increase until retirement, or (2) a fixed targeted benefit amount.

  The retirement benefit is payable over a 15-year period, beginning at attainment of retirement age. The SERP agreements provide for an annual vesting schedule until the participating officer reaches the planned retirement age.

  In the case of a participating officer's voluntary termination of employment, disability, or termination for cause, the annual amount payable under the SERP is equal to the amount of the vested benefit earned as of the date of termination of employment. In the case of involuntary termination without cause or termination of employment for good reason by the participating officer, the participating officer becomes fully vested in the full retirement benefit. Upon termination of employment, payment of the retirement benefit does not begin until the participating officer reaches the designated retirement age set forth in the SERP agreement and is subject to certain loyalty and confidentiality covenants, including non-competition, non-solicitation, and other restrictions. In the event of death, the full amount of the retirement benefit is payable.

  The Company invested in bank-owned life insurance as a financing strategy to offset the cost of the nonqualified benefits through a combination of incremental tax-effected earnings and tax-free death benefits to the Company as beneficiary.

- Nonqualified Deferred Compensation. The NEOs, in addition to certain other eligible executives, are entitled to participate in the TowneBank Deferred Compensation Plan. Pursuant to the Deferred Compensation Plan, eligible employees can defer up to 100% of base salary and/or annual bonus on an annual basis. Deferral elections are made by eligible executives in November of each year for amounts to be earned in the following year.

  The Company has the option to match an employee's nonqualified deferred compensation deferrals up to a maximum of 6% of his or her salary. In addition, the Company has the option to make additional matching contributions to employees whose matching contributions were limited in the 401(k) plan due to statutory limitations. The Company does not match deferrals made by employees who are participants in the Supplemental Executive Retirement Plan. Compensation deferred pursuant to the program is invested in a rabbi trust and participants are credited with an annual return equal to 120% of the long-term applicable federal rate as published and effective each July.

  There was no Company match of contributions made by Named Executive Officers in 2023.

- Health and Welfare Plans. The NEOs are eligible to participate in Company-sponsored benefit plans on the same terms and conditions as those generally provided to salaried employees. Basic health benefits, dental benefits and similar programs are provided to make certain that access to healthcare and income protection is available to employees and their family members.

  The cost of Company-sponsored benefit plans is negotiated with the providers of such benefits, and the executive officers contribute to the cost of the benefits. In accordance with terms of their respective employment agreements, the Company also provides postretirement benefits other than pensions for Mr. Aston. These postretirement benefits include healthcare, dental care, Medicare Part B reimbursement and life insurance benefits.

- Other. The Company has no other long-term incentive, defined benefit or actuarial plans covering employees of the Company.

Tax Deductibility of Compensation. The Compensation Committee annually reviews and considers the deductibility under the Internal Revenue Code of 1986 of the compensation paid to our executive officers, which includes each of the NEOs. Generally, compensation paid to our executive officers (on or after January 1, 2018) in excess of $1 million may not be deductible for tax purposes. While the Company will monitor guidance and developments in this area, the Compensation Committee believes that its primary responsibility is to provide a compensation program that attracts, retains and rewards the executive talent necessary for our success. Consequently, the Compensation Committee may pay or provide, and has paid or provided, compensation that is not tax deductible or is otherwise limited as to tax deductibility.

NAMED EXECUTIVE OFFICERS COMPENSATION

The following table sets forth information regarding compensation for services rendered by the Named Executive Officers for the periods indicated.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Non-Equity Incentive Plan Compensation(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(3)	All Other Compensation(4)	Total
G. Robert Aston, Jr. Executive Chairman	2023	$1,000,000	—	$ 112,524	—	$470,186	$65,862	$1,648,572
	2022	$1,000,000	—	$ 125,021	$ 337,500	—	$75,593	$1,538,114
	2021	$1,000,000	—	$ 125,000	$ 375,000	$ 6,910	$75,431	$1,582,341
William I. Foster III President & Chief Executive Officer	2023	$ 900,000	—	$ 67,879	—	$457,917	$38,737	$1,464,533
	2022	$ 603,333	—	$ 806,933	$ 203,625	—	$40,439	$1,654,330
	2021	$ 451,250	—	$ 36,683	$ 170,625	$137,614	$44,304	$ 840,476
William B. Littreal Senior Executive Vice President & Chief Financial Officer	2023	$ 750,000	—	$ 72,003	—	$233,371	$44,225	$1,099,599
	2022	$ 640,000	—	$1,223,173	$ 216,000	—	$47,112	$2,126,285
	2021	$ 575,000	—	$ 68,125	$ 219,375	$173,409	$48,906	$1,084,815
William T. Morrison President & CEO Towne Financial Services Group	2023	$ 800,000	—	$ 400,022	—	$170,919	$40,872	$1,411,813
	2022	$ 450,000	—	—	$ 3,683	—	$34,930	$ 488,613
	2021	$ 450,000	—	—	$2,922,169	$206,069	$37,697	$3,615,935
Brian Skinner President & Regional Banking Director, Virginia and Northeastern North Carolina	2023	$ 700,000	—	$ 72,762	—	$ 44,884	$33,839	$ 851,485
	2022	$ 646,667	—	$ 327,522	$ 218,250	—	$35,507	$1,227,946
	2021	$ 562,500	—	$ 55,024	$ 232,500	$108,289	$30,565	$ 988,878

(1) Amounts reflect the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. The assumptions made in the valuation of the restricted stock awards are set forth in Note 15 of the Notes to Consolidated Financial Statements in TowneBank's Annual Report on Form 10-K for the year ended December 31, 2023.

(2) Consists of cash incentive compensation paid to the officers as described under "Compensation Discussion and Analysis" beginning on page 20. For 2023 performance, the officers did not earn an incentive award. In 2022, the officers earned an incentive award equal in value to 45% of their average base salary, 75% of which was paid as a cash award and 25% of which was paid through the issuance of restricted stock granted in February 2023 and which vests in equal installments over a three year period. For 2021 performance, the officers earned an incentive award equal in value to 50% of base salary, which was the maximum incentive award opportunity, 75% of which was paid as a cash award and 25% of which was paid through the issuance of restricted stock granted in February 2022 and which vests in equal installments over a three year period.

(3) Reflects the change in actuarial present value of SERP benefits. All amounts are paid in equal monthly installments over a 15-year period upon attainment of retirement age, other than the amounts for Mr. Morrison, which includes his Monarch SERP that consists of amounts to be paid in equal monthly installments over a 10 year period. Accounting rules require that the expense be recorded over the participant's remaining service period prior to attainment of retirement eligibility.

(4) For 2023, amounts include (i) 401(k) plan contributions and group life and long-term disability insurance payments; (ii) personal usage of a company automobile for Mr. Aston, $4,602; Mr. Foster, $6,048; Mr. Littreal, $15,235; Mr. Morrison, $6,660; and Mr. Skinner, $5,578; (iii) Company-paid travel for Mr. Foster, $9,736; Mr. Morrison, $15,686; and Mr. Skinner, $9,752 and (iv) bank owned life insurance for Mr. Aston, $38,900. Each NEO is responsible for paying income tax on the amounts other than with respect to plan contributions and insurance premiums.

Grants of Plan-Based Awards

The Company's stock incentive plan provides for the grant of both incentive and nonqualified stock options and stock awards, including restricted stock and restricted stock units, to executives and key employees of the Company. Executives and key employees of the Company may also receive incentive compensation in the form of annual cash bonuses.

The following table shows: (i) the non-equity (cash) incentive awards granted to the NEOs for 2023 performance; and (ii) the equity incentive awards granted to the NEOs in 2023 for 2022 performance, which represented 25% of their total incentive award value.

With respect to 2023 performance, the Compensation Committee determined that the Company's performance in 2023 did not support the payment of any incentive compensation to the NEOs.

Name	Grant Date	Actual Cash Payout[(1)]	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[(2)]			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards[(3)]
			Threshold	Target	Maximum	Threshold	Target	Maximum		
G. Robert Aston, Jr.	N/A	—	150,000	300,000	375,000	—	—	—	—	—
	2/28/23	—	—	—	—	—	—	—	3,710	$112,524
William I. Foster III	N/A	—	135,000	270,000	337,500	—	—	—	—	—
	2/28/23	—	—	—	—	—	—	—	2,238	$ 67,879
William B. Littreal	N/A	—	112,500	225,000	281,250	—	—	—	—	—
	2/28/23	—	—	—	—	—	—	—	2,374	$ 72,003
William T. Morrison	N/A	—	120,000	240,000	300,000	—	—	—	—	—
	2/28/23	—	—	—	—	—	—	—	13,189	400,022
Brian K. Skinner	N/A	—	105,000	210,000	262,500	—	—	—	—	—
	2/28/23	—	—	—	—	—	—	—	2,399	72,762

(1) Actual cash awards paid in 2024 for the 2023 incentive are reflected in the "Summary Compensation Table" under the Non-Equity Incentive Compensation column. See that table and related footnote (2) for more information.

(2) Amounts represent the range of possible annual cash incentive payouts for 2023 performance.

(3) Amounts reflect the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. The assumptions made in the valuation of the restricted stock awards are set forth in note 15 of the Notes to Consolidated Financial Statements in TowneBank's Annual Report on Form 10-K for the year ended December 31, 2023. The awards were granted in 2023 for 2022 performance pursuant to the 2022 incentive plan.

Outstanding Equity Awards at Fiscal Year-End

The following table provides certain information on the unexercised options and value of restricted stock previously awarded to the NEOs at December 31, 2023.

	Stock Awards			
Name	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(1)
G. Robert Aston, Jr.	1,499(3)	$ 44,610	—	—
	2,765(4)	$ 82,286	—	—
	3,710(8)	$110,410	—	—
William I. Foster III	1,129(2)	$ 33,599	—	—
	660(3)	$ 19,642	—	—
	1,258(4)	$ 37,438	—	—
	20,513(6)	$610,467	—	—
	2,238(8)	$ 66,603	—	—
William B. Littreal	1,882(2)	$ 56,008	—	—
	817(3)	$ 24,314	—	—
	1,618(4)	$ 48,152	—	—
	10,617(5)	$315,962	—	—
	18,636(7)	$554,607	—	—
	2,374(8)	$ 70,650	—	—
William T. Morrison	13,189(9)	$392,505	—	—
Brian K. Skinner	1,882(2)	$ 56,008	—	—
	660(3)	$ 19,642	—	—
	1,714(4)	$ 51,009	—	—
	7,454(7)	$221,831	—	—
	2,399(8)	$ 71,394	—	—

(1) The market value of unearned shares that have not vested is based on the closing market price of the Company's common stock on December 31, 2023 ($29.76 per share).

(2) The restricted stock awards vest at the rate of one-fifth/year beginning on the first anniversary of the grant date of December 2018, based on a service requirement, which requires each executive to remain continuously employed through the applicable vesting date. In the event of retirement in accordance with the Company's retirement policy, the shares will continue to vest in accordance with the described vesting components.

(3) The restricted stock award vests at the rate of one-third/year beginning on the first anniversary of the grant date of February 2021, based on a service requirement, which requires the executive to remain continuously employed through the applicable vesting date.

(4) The restricted stock award vests at the rate of one-third/year beginning on the first anniversary of the grant date of February 2022, based on a service requirement, which requires the executive to remain continuously employed through the applicable vesting date.

(5) The restricted stock award vests at the rate of one-fifth/year beginning on the first anniversary of the grant date of February 2022, based on a service requirement, which requires the executive to remain continuously employed through the applicable vesting date.

(6) The restricted stock award vests at the rate of one-fifth/year beginning on the first anniversary of the grant date of August 2022, based on a service requirement, which requires the executive to remain continuously employed through the applicable vesting date.

(7) The restricted stock award vests at the rate of one-third/year beginning on the first anniversary of the grant date of September 2022, based on a service requirement, which requires the executive to remain continuously employed through the applicable vesting date.

(8) The restricted stock award vests at the rate of one-third/year beginning on the first anniversary of the grant date of February 2023, based on a service requirement, which requires the executive to remain continuously employed through the applicable vesting date.

(9) The restricted stock units vest at the rate of one-fifth/year beginning on the first anniversary of the grant date of February 2023, based on a service requirement, which requires the executive to remain continuously employed through the applicable vesting date.

Option Exercises and Stock Vested

The following table provides certain information concerning exercises of stock options and the vesting of restricted stock on an aggregate basis for each of the NEOs during 2023.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting[(1)]
G. Robert Aston, Jr.	—	—	2,883	$ 84,620
William I. Foster III	—	—	7,548	$193,286
William B. Littreal	—	—	17,178	$453,493
William T. Morrison	—	—	—	—
Brian K. Skinner	—	—	5,264	$146,259

(1) Value represents the market value of TowneBank's common stock on the vesting date (closing market price).

Supplemental Executive Retirement Plan

The following table shows the actuarial present value of accumulated benefits payable to each of the participating NEOs as of December 31, 2023, including the number of years of service credited to each such NEO, under the SERP using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements. Benefits under these plans are generally payable as a monthly annuity for a 15-year period upon attainment of retirement age and remain subject to certain loyalty and confidentiality covenants, including non-competition, non-solicitation, and other restrictions. Mr. Morrison's SERP agreement is payable as an annual annuity for a 15-year period and his Monarch SERP agreements that were assumed by TowneBank in conjunction with the Monarch merger are payable as an annual annuity for a 10-year period.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
G. Robert Aston, Jr.	SERP	15.09	$7,713,637	—
William I. Foster III	SERP	15.09	$1,907,665	—
	SERP	1.00	$ 516,873	—
William B. Littreal	SERP	11.39	$ 982,677	—
William T. Morrison	SERP	7.52	$ 886,655	—
	SERP[(1)]	16.34	$ 195,444	—
	SERP[(1)]	13.01	$ 293,166	—
Brian K. Skinner	SERP	13.01	$ 542,726	—

(1) Plans were assumed by TowneBank in the Monarch merger.

Nonqualified Deferred Compensation

The following table provides certain information on nonqualified deferred compensation contributions by the NEOs, as well as earnings on such compensation, with respect to the NEOs during 2023. The amounts included in the Executive Contributions column represent voluntary deferrals of salary amounts that are included in the Salary column of the Summary Compensation Table on page 30.

Name	Executive Contributions in Last Fiscal Year(1)	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year-End
G. Robert Aston, Jr.	—	—	$44,070	—	$1,061,212
William I. Foster III	—	—	—	—	—
William B. Littreal	—	—	—	—	—
William T. Morrison	$80,000	—	$13,598	—	$ 366,858
Brian K. Skinner	—	—	—	—	—

(1) The amounts in this column are included in the Salary column of the Summary Compensation Table.

Employment Agreements and Change-in-Control Agreements

The Company has or had employment agreements and/or change-in-control agreements with each of the persons named in the Summary Compensation Table. The agreements were entered into to provide protection for, and thus retain, its well-qualified executive officers notwithstanding any actual or threatened change in control of TowneBank.

Employment Agreements. The Company has employment agreements with each of its NEOs. The employment agreements for the officers are substantially similar, except for the different levels of base salary, and include the following terms and conditions.

The employment agreements have an initial three-year term and renew automatically for additional periods of three years unless either party elects not to renew the agreement prior to the renewal date. The agreements provide for an annual base salary, which may be adjusted annually by the Board of Directors, an annual cash bonus and stock compensation in such amounts as may be determined by the Board, and are subject to non-competition and non-solicitation covenants.

The Company may terminate the employment of an officer at any time for “cause” (as defined in each agreement) without incurring any additional obligations. If the Company terminates the employment of an officer for any reason other than for “cause” or if an officer terminates his or her employment for “good reason” (as defined in each agreement), the Company will be obligated to continue to provide the compensation and benefits specified in each agreement until the expiration of its term.

The employment agreements will terminate in the event that there is a change in control of the Company, at which time the change-in-control agreements described below between the Company and the executives will become effective, and any termination benefits will be determined and paid solely pursuant to the change-in-control agreements.

Until March 3, 2023, the Company had an employment agreement with Mr. Foster for his roles and responsibilities before becoming President and Chief Executive Officer. The employment agreement was amended and restated effective March 3, 2023 and is substantially the same as the Company’s employment agreements with its Named Executive Officers.

Change-in-Control Agreements. The Company also has change-in-control agreements with each of its NEOs. The change-in-control agreements become effective upon a change in control of the Company and protect income for key executives who would likely be involved in decisions regarding and/or successful implementation of merger/acquisition activity and who are at risk for job loss if a takeover occurs. The Board believed it was important to adopt such agreements in order to keep executives employed with the Company.

Under the terms of these agreements, the Company or its successor must continue to employ each officer for a term of three years after the date of a change in control. During such period, the officer is entitled to retain commensurate authority, responsibilities, and compensation benefits. The officers will receive base salaries at least equal to their salaries for the immediate prior year and bonuses at least equal to the annual bonuses paid prior to the change in control. If an officer's employment is terminated during the three years other than for "cause" or "disability" (as defined in each agreement), or if the officer should terminate employment because a material term of his or her contract is breached by the Company or its successor, the officer will be entitled to a lump-sum payment, in cash, within 30 days after the date of termination. This lump sum amount will be equal to 2.99 times (in the case of Messrs. Aston and Littreal) or 2.90 times (in the case of Messrs. Foster, Skinner, and Morrison) the sum of the officer's base salary, annual bonus and equivalent benefits.

Until March 3, 2023, the Company had a change-in-control agreement with Mr. Foster for his roles and responsibilities before becoming President and Chief Executive Officer. The agreement was amended and restated effective March 3, 2023 and is substantially the same as the Company's change-in-control agreements with its Named Executive Officers.

The following table provides information on the potential payment upon termination of employment or a change in control of the Company for the NEOs, assuming a termination or change in control occurred on December 31, 2023.

Potential Payments Upon Termination or Change in Control Table

Name	Benefit	Before Change in Control Termination Without Cause or for Good Reason	After Change in Control Termination Without Cause or for Good Reason[1]	Death Benefit[2]	Disability Benefit[2]
G. Robert Aston, Jr.	Post-Termination Compensation	$ 3,000,000	$ 4,485,000	$ 250,000	$ 250,000
	Early Vesting of Restricted Stock	237,306	237,306	237,306	237,306
	Health Care Benefits Continuation	55,166	55,166	55,166	55,166
	Retirement Benefit[3]	7,731,177	7,731,177	7,731,177	7,731,177
	Excise Tax Gross-up	—	—	—	—
	Total Value	$11,023,649	$12,508,649	$8,273,649	$8,273,649
William I. Foster III	Post-Termination Compensation	$ 2,700,000	$ 3,397,350	$ 225,000	$ 900,000
	Early Vesting of Restricted Stock	734,149	734,149	734,149	734,149
	Health Care Benefits Continuation	28,473	28,473	28,473	28,473
	Retirement Benefit[3]	2,563,957	2,563,657	2,539,008	2,563,957
	Excise Tax Gross-up	—	—	—	—
	Total Value	$ 6,026,579	$ 6,723,629	$3,526,630	$4,226,579
William B. Littreal	Post-Termination Compensation	$ 2,250,000	$ 3,117,075	$ 187,500	$ 187,500
	Early Vesting of Restricted Stock	1,098,043	1,098,043	1,098,043	1,098,043
	Health Care Benefits Continuation	57,236	57,236	57,236	57,236
	Retirement Benefit[3]	3,099,090	3,099,090	5,971,640	1,678,043
	Excise Tax Gross-up	—	—	—	—
	Total Value	$ 6,504,369	$ 7,371,444	$7,314,419	$3,020,822
William T. Morrison	Post-Termination Compensation	$ 1,600,000	$10,794,290	$ 200,000	$ 800,000
	Early Vesting of Restricted Stock	392,505	392,505	392,505	392,505
	Health Care Benefits Continuation	29,441	44,162	44,162	44,162
	Retirement Benefit[3]	2,048,774	2,048,774	2,405,068	1,307,637
	Excise Tax Gross-up	—	—	—	—
	Total Value	$ 4,070,720	$13,279,731	$3,041,735	$2,544,304
Brian K. Skinner	Post-Termination Compensation	$ 2,100,000	$ 2,873,900	$ 175,000	$ 700,000
	Early Vesting of Restricted Stock	71,394	71,394	71,394	71,394
	Health Care Benefits Continuation	3,783	7,566	7,566	7,566
	Retirement Benefit[3]	1,644,260	1,644,260	3,278,751	1,027,000
	Excise Tax Gross-up	—	—	—	—
	Total Value	$ 3,819,437	$ 4,597,120	$3,532,711	$1,805,960

(1) The change-in-control agreements include a “best-net” provision regarding Internal Revenue Code Section 280G, which could result in a reduction in the amounts paid by the Company following a change in control. The amounts shown do not reflect the potential impact of those provisions.

(2) The Post-Termination Compensation and Health Care Benefits Continuation shown reflect amounts payable on death or disability termination, as applicable, following a change in control. In such termination circumstances prior to a change in control, salary generally is payable for a maximum of 30 days with no welfare benefit supplement (except that, in the case of Mr. Morrison, up to six months’ salary continuation and 12 months welfare benefit continuation will apply).

(3) The amounts shown reflect the total of payments to be made to the executive. SERP benefits vest immediately upon death or termination without cause or for good reason. All amounts are paid in equal monthly installments over a 15-year period commencing within 90 days of the death of a participant or upon attainment of retirement age, other than Mr. Morrison’s amounts, which consist of annual payments for 10 years under his Monarch SERPs and annual payments for 15 years under his TowneBank SERPs that, when combined, result in an equal amount being paid for each year of the 15-year payment period. Under Mr. Morrison’s Monarch SERPs, upon early retirement, termination, death or disability, amounts are paid in a single lump sum based on the present value of the payments that would be made following normal retirement.

Pay Versus Performance

As required by Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(v) of Regulation S-K, we are providing the following information about the relationship between executive compensation actually paid and certain measures of the Company's financial performance. For further information concerning the Company's pay-for-performance philosophy and how our Compensation Committee aligns executive compensation with the Company's performance, refer to the Compensation Discussion and Analysis section beginning on page 20.

The tabular and narrative disclosures provided below are intended to be calculated in a manner consistent with the applicable SEC rules and may reflect reasonable estimates and assumptions where appropriate.

The following table provides information required under the SEC's Item 402(v) of Regulation S-K disclosing (i) a measure of total compensation and a measure reflecting "compensation actually paid" for our principal executive officer ("PEO") and, as an average, for our other NEOs, and (ii) select financial performance measures, in each case, for our four most recently completed fiscal years.

Pay Versus Performance Table

					Value of Initial Fixed $100 Investment Based On:			
Year A	Summary Compensation Table Total for PEO (1) B	Compensation Actually Paid to PEO (2) C	Average Summary Compensation Table Total for Non-PEO NEOs (3) D	Average Compensation Actually Paid to Non-PEO NEOs (4) E	Total Shareholder Return (5) F	Peer Group Total Shareholder Return (6) G	Net Income (Loss) ($ in thousands) (7) H	Revenue ($ in thousands) (8) I
2023	$1,464,533	$ 968,144	$1,252,867	$1,214,038	$122.17	$106.26	$153,715	$694,122
2022	$1,382,590	$1,716,479	$1,640,720	$1,792,361	$121.85	$ 97.46	$188,987	$686,935
2021	$1,761,871	$2,029,224	$1,939,291	$2,197,098	$121.04	$117.87	$215,383	$680,330
2020	$1,561,769	$1,617,835	$2,147,971	$1,832,622	$ 87.73	$ 86.86	$145,535	$664,335

(1) The dollar amounts reported in column B are the amounts of total compensation reported in the "Total" column of the Summary Compensation Table for Mr. Davis in 2020, 2021, and 2022 and Mr. Foster in 2023. Refer to the Summary Compensation Table on page 30.

(2) The dollar amounts reported in column C represent the amount of "compensation actually paid" to Mr. Davis in 2020, 2021, and 2022 and to Mr. Foster in 2023, as computed in accordance with Item 402(v) of Regulation S-K and as further described below. The dollar amounts do not reflect the actual amount of compensation earned by or paid to Mr. Davis in 2020, 2021, and 2022 or Mr. Foster in 2023. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to Mr. Davis' total compensation for 2020, 2021, and 2022 and to Mr. Foster's total compensation for 2023 to determine the compensation actually paid:

Year	Reported Summary Compensation Table Total for PEO	Reported Value of Equity Awards (a)	Equity Award Adjustments (b)	Reported Change in the Actuarial Present Value of Pension Benefits (c)	Pension Benefit Adjustments (d)	Compensation Actually Paid to PEO
2023	$1,464,533	$ (67,879)	$ 29,407	$(457,917)	—	$ 968,144
2022	$1,382,590	—	$ (2,734)	—	$336,623	$1,716,479
2021	$1,761,871	$(106,250)	$140,004	$(228,861)	$462,460	$2,029,224
2020	$1,561,769	—	$ (89,682)	$(335,284)	$481,032	$1,617,835

a. The grant date fair value of equity awards represents the total of the amounts reported in the "Stock Awards" column in the Summary Compensation Table for the applicable year. Refer to the Summary Compensation Table on page 30.

b. The equity award adjustments for each applicable year include the addition (or subtraction, as applicable) of the following: (i) the year-end fair value of any equity awards granted in the applicable year that are outstanding and unvested as of the end of the year; (ii) the amount of change as of the end of the applicable year (from the end of the prior fiscal year) in fair value of any awards granted in prior years that are outstanding and unvested as of the end of the applicable year; (iii) for awards that are granted and vest in the same applicable year, the fair value as of the vesting date; (iv) for awards granted in prior years that vest in the applicable year, the amount equal to the change as of the vesting date (from the end of the prior fiscal year) in fair value; (v) for awards granted in prior years that are determined to fail to meet the applicable vesting conditions during the applicable year, a deduction for the amount equal to the fair value at the end of the prior fiscal year; and (vi) the dollar value of any dividends or other earnings paid on stock or option awards in the applicable year prior to the vesting date that are not otherwise reflected in the fair value of such award or included in any other component of total compensation for the applicable year. The valuation assumptions used to calculate the fair value were updated as of each measurement date and will differ from those disclosed as of the grant date. The methodology used to develop the valuation assumptions as of each applicable measurement date is consistent with those disclosed at the time of grant. The amounts deducted or added in calculating the equity award adjustments are as follows:

Year	Year-End Fair Value of Equity Awards Granted in the Year and that are Unvested	Year-over-Year Change in Fair Value of Equity Awards Granted in Prior Years that are Unvested	Fair Value as of Vesting Date of Equity Awards Granted and Vested in the Year	Year-over-Year Change in Fair Value of Equity Awards Granted in Prior Years that Vested in the Year	Prior Year-End Fair Value of Equity Awards that Failed to Meet Vesting Conditions in the Year	Value of Dividends or other Earnings Paid on Equity Awards not Otherwise Reflected in Fair Value or Total Compensation	Total Equity Award Adjustments
2023	$ 66,603	$(25,445)	—	$(39,495)	—	$27,744	$ 29,407
2022	—	$ (1,912)	—	$ (3,091)	—	$ 2,269	$ (2,734)
2021	$120,800	$ 73,947	—	$ 3,963	$(66,754)	$ 8,048	$140,004
2020	—	$(85,429)	—	$(18,425)	—	$14,172	$ (89,682)

c. The reported change in the actuarial present value of defined benefit pension benefits reported in the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” column in the Summary Compensation Table for the applicable year. Refer to the Summary Compensation Table on page 30.

d. The pension benefit adjustment is the value attributable to the applicable year’s service cost.

(3) The dollar amounts reported in column D represent the average of the amounts reported for the non-PEO NEOs in the “Total” column of the Summary Compensation Table in each applicable year. The names of each of the non-PEO NEOs included for purposes of calculating the average amounts in each applicable year are as follows: Mr. Aston, Mr. Littreal, Mr. Schwartz, and Mr. Morrison for 2020, Mr. Aston, Mr. Littreal, Brad E. Schwartz, who was President and Chief Operating Officer until December 31, 2022, and Mr. Morrison for 2021, Mr. Aston, Mr. Foster, Mr. Littreal, and Mr. Schwartz for 2022, and Mr. Aston, Mr. Littreal, Mr. Morrison, and Mr. Skinner for 2023.

(4) The dollar amounts reported in column E represent the average amount of “compensation actually paid” to the non-PEO NEOs specified in footnote (3), as computed in accordance with Item 402(v) of Regulation S-K. The dollar amounts do not reflect the actual average amount of compensation earned by or paid to the non-PEO NEOs during the applicable year. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to average total compensation for the non-PEO NEOs for each year to determine the compensation actually paid, using the same methodology described above in footnote (2):

Year	Average Reported Summary Compensation Table Total for Non-PEO NEOs	Average Reported Value of Equity Awards	Average Equity Award Adjustments (a)	Reported Change in the Actuarial Present Value of Pension Benefits (b)	Pension Benefit Adjustments (c)	Average Compensation Actually Paid to Non-PEO NEOs
2023	$1,252,867	$(164,328)	$ 139,957	$(229,840)	$215,382	$1,214,038
2022	$1,640,720	$(560,663)	$ 609,847	—	$102,457	$1,792,361
2021	$1,939,291	$ (68,594)	$ 333,541	$(197,879)	$190,739	$2,197,098
2020	$2,147,971	—	$(140,086)	$(431,827)	$256,564	$1,832,622

a. The amounts deducted or added in calculating the total average equity award adjustments are as follows:

Year	Average Year-End Fair Value of Equity Awards Granted in the Year and that are Unvested	Average Year-over-Year Change in Fair Value of Equity Awards Granted in Prior Years that are Unvested	Average Fair Value as of Vesting Date of Equity Awards Granted and Vested in the Year	Average Year-over-Year Change in Fair Value of Equity Awards Granted in Prior Years that Vested in the Year	Average Prior Year-End Fair Value of Equity Awards that Failed to Meet Vesting Conditions in the Year	Average Value of Dividends or other Earnings Paid on Equity Awards not Otherwise Reflected in Fair Value or Total Compensation	Average Equity Award Adjustments
2023	$161,240	$ (13,377)	—	$(24,163)	—	$16,257	$ 139,957
2022	$603,192	$ (3,635)	—	$ (5,669)	—	$15,959	$ 609,847
2021	$ 77,988	$ 246,140	—	$ 37,910	$(44,207)	$15,710	$ 333,541
2020	—	$(111,601)	—	$(47,295)	—	$18,810	$(140,086)

b. The reported change in the actuarial present value of defined benefit pension benefits reported in the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” column in the Summary Compensation Table for the applicable year. Refer to the Summary Compensation Table on page 30.

c. The pension benefit adjustment is the value attributable to the applicable year’s service cost.

(5) Total shareholder return (“TSR”) is the value of $100 at the end of the measurement period assuming invested in TowneBank’s stock as of December 31, 2019.

(6) Peer group TSR, is the value of $100 at the end of the measurement period assuming invested in the peer group index as of December 31, 2019. The peer group used for this purpose is the following published industry index: S&P Composite 1500 Banks Index.

(7) The dollar amounts reported represent our net income, as reflected in the Company's audited financial statements for the applicable year.

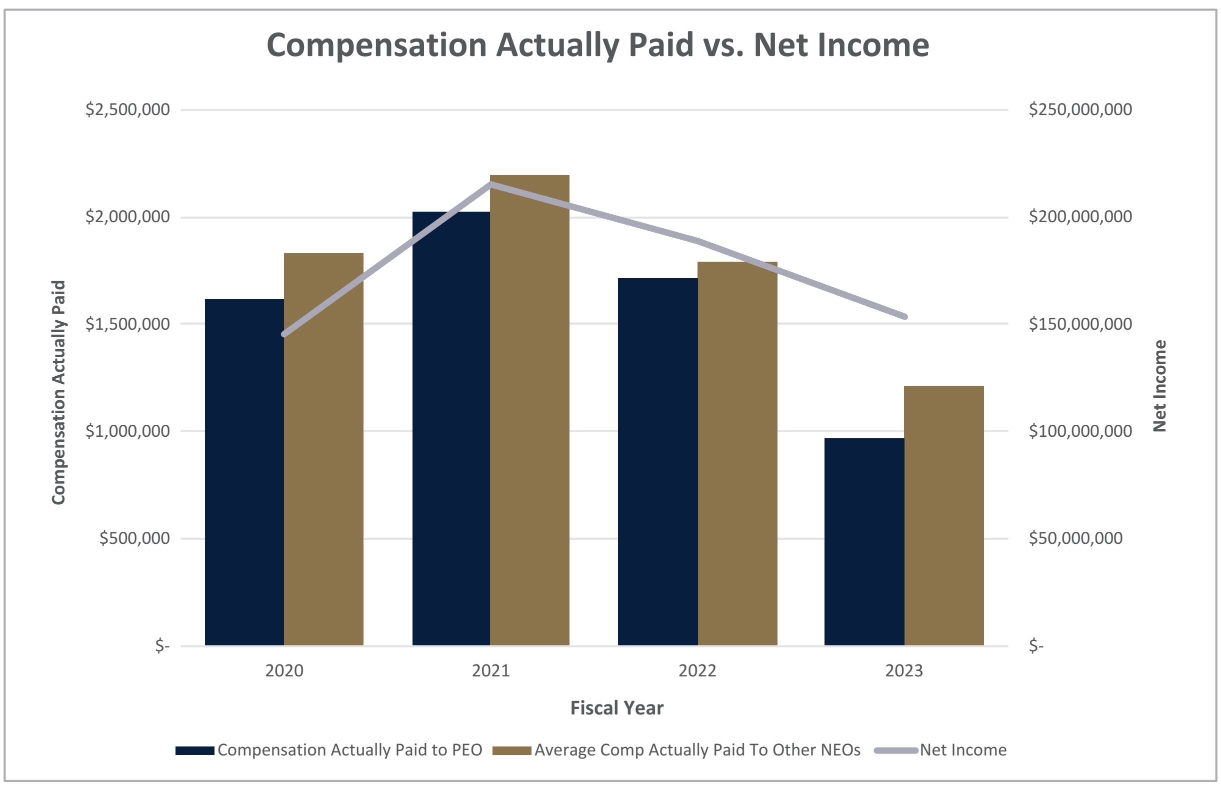
(8) The dollar amounts reported represent our operating revenue, as reflected in the Company's audited financial statements for the applicable year. While the Company uses several financial performance measures for the purpose of evaluating performance for the Company's compensation programs, the Company has determined that revenue is the financial performance measure that, in the Company's assessment, represents the most important performance measure (that is not otherwise required to be disclosed in the table) used by the Company to link compensation actually paid to the NEOs, for the most recently completed fiscal year, to the Company's performance.

List of Most Important Financial Performance Measures to Determine 2023 Compensation Actually Paid. As described in more detail in the "Compensation Discussion and Analysis" section starting on page 20, our executive compensation program reflects a pay-for-performance philosophy and includes performance metrics that are intended to incentivize our NEOs and align our NEOs' interests with those of our shareholders. With respect to the 2023 fiscal year, the most important financial performance measures used to link executive compensation actually paid to our performance overall are as follows:

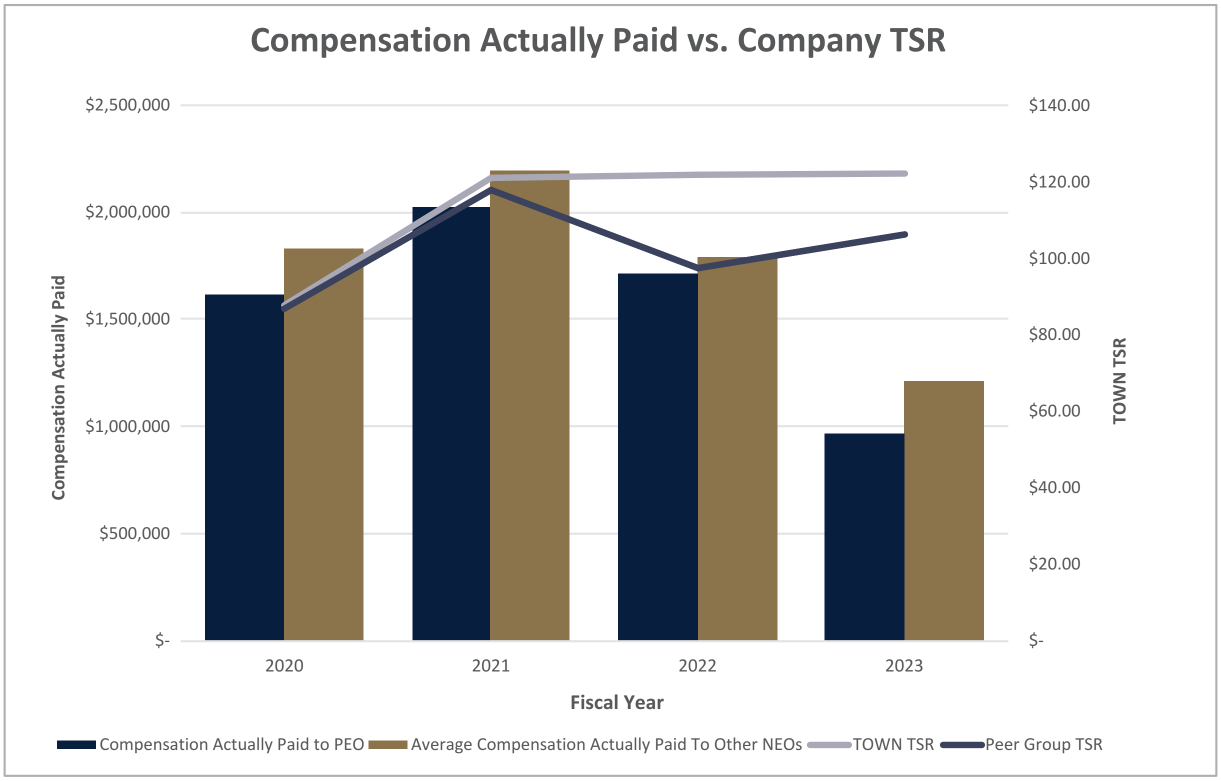
Metrics Used in Determining NEO Pay
Total Revenue
Earnings Per Share (EPS)
Credit Quality
Market Share
Return on Assets (ROA)

Analysis of the Information Presented in the Pay Versus Performance Table. As described in more detail in the "Compensation Discussion and Analysis" section, the Company's executive compensation program reflects a variable pay-for-performance philosophy. While the Company utilizes several financial performance measures to align executive compensation with Company performance, all of those Company measures are not presented in the Pay Versus Performance Table. Moreover, the Company generally seeks to incentivize creation of long-term shareholder value, and, therefore, does not specifically align the Company's performance measures with compensation that is actually paid (as computed in accordance with Item 402(v) of Regulation S-K) for a particular year. In accordance with Item 402(v) of Regulation S-K, the Company is providing the following descriptions of the relationships between information presented in the Pay Versus Performance Table.

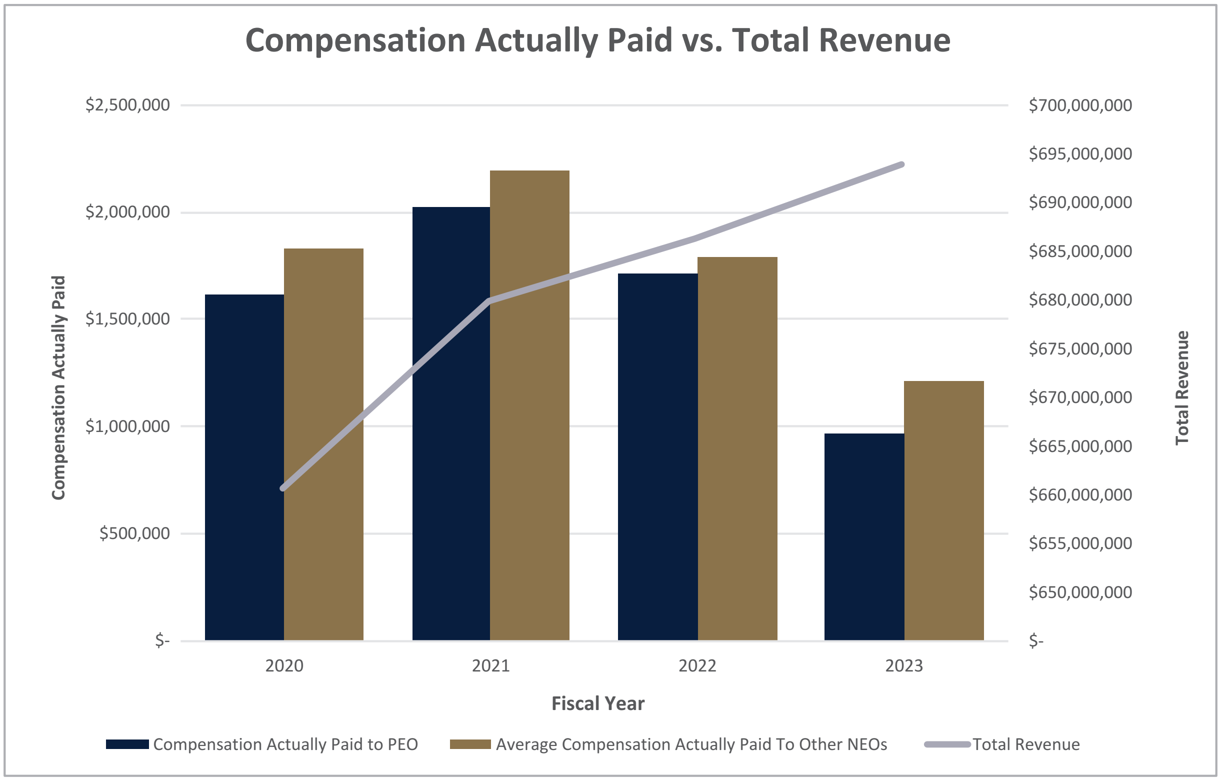
Compensation Actually Paid and Net Income. As demonstrated by the following graph, the compensation actually paid to Mr. Foster and Mr. Davis and the average amount of compensation actually paid to the non-PEO NEOs is trending with the Company's net income over the four years presented in the Pay Versus Performance Table.



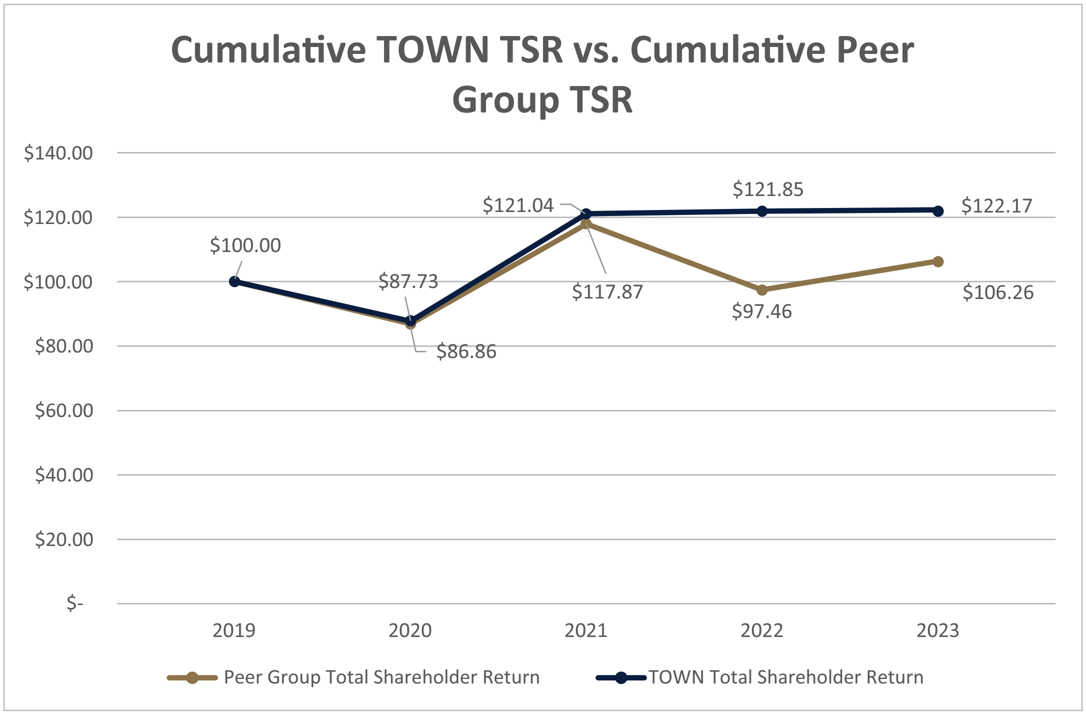
Compensation Actually Paid and Total Shareholder Return (TSR). As demonstrated by the following graph, the compensation actually paid to Mr. Foster and Mr. Davis and the average amount of compensation actually paid to the non-PEO NEOs is trending with the Company's TSR over the first two years presented in the Pay Versus Performance Table, but unlike the Company's TSR, the average compensation actually paid to PEOs and non-PEO NEOs had decreased in 2022 and 2023. The alignment of compensation actually paid with the Company's TSR over the period presented is because a significant portion of the compensation actually paid to Mr. Foster, Mr. Davis, and to the other NEOs is comprised of equity awards. For more information regarding the elements of our executive compensation program and, in particular, our pay mix, refer to the Compensation Discussion and Analysis section on page 20.



Compensation Actually Paid and Total Revenue. As demonstrated by the following graph, the compensation actually paid to Mr. Foster and Mr. Davis and the average amount of compensation actually paid to the non-PEO NEOs is trending with the Company's revenue over the first two years presented in the Pay Versus Performance Table but unlike revenue, the average compensation actually paid to PEOs and non-PEO NEOs had decreased in 2022 and 2023.



Cumulative TSR of the Company and Cumulative TSR of the Peer Group. As demonstrated by the following graph, the Company's cumulative TSR overperformed compared to the Index in each fiscal year. For more information regarding the Company's performance and the companies that the Compensation Committee considers when determining compensation, refer to the Compensation Discussion and Analysis section on page 20.



CEO Pay Ratio

Rules enacted by the Securities and Exchange Commission and adopted by the FDIC require us to disclose the ratio of the annual total compensation of our Chief Executive Officer during the last fiscal year to the median annual total compensation of all our employees. For 2023, the annual total compensation of William I. Foster III was $1,464,533, and the median employee's annual total compensation was $60,860. Based on these amounts, the ratio of the annual total compensation of Mr. Foster to the median of the annual total compensation of all our employees was approximately 24 to 1.

We believe our compensation programs for both our executive and non-executive level employees must be internally consistent and equitable to motivate our employees to create shareholder value. While the Compensation Committee monitors the relationship between the compensation levels of our executive officers and our non-executive employees, the Compensation Committee does not view this ratio as a meaningful tool in evaluating the appropriateness of the Chief Executive Officer's compensation, either on an internal or external basis.

We completed the following steps to identify the median of the annual total compensation of all our employees and to determine the annual total compensation of our median employee and Chief Executive Officer:

- As of December 31, 2023, our employee population consisted of approximately 2,784 employees, including full-time, part-time, temporary, or seasonal employees employed on that date.
- To find the median of the annual total compensation of all our employees (other than our Chief Executive Officer), we used wages from our payroll records as reported to the Internal Revenue Service on Form W-2 for 2023. In making this determination, we annualized the compensation for full-time and part-time permanent employees who were employed on December 31, 2023, but did not work for us the entire year. No full-time equivalent adjustments were made for part-time employees.
- After identifying the median employee, we added together all of the elements of such employee's compensation for 2023 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K. Total compensation for Mr. Foster is the amount reported in the "Total" column of our 2023 Summary Compensation Table on page 30.

Pay ratios that are reported by our peers may not be directly comparable to ours because of differences in the composition of each company's workforce, as well as the assumptions and methodologies used in calculating the pay ratio, as permitted by Securities and Exchange Commission rules.

COMPENSATION OF DIRECTORS

As compensation for their services during 2023, each member of the Board of Directors of the Company received an annual retainer of $55,000 and $300 for each Board meeting attended through February 2023. In addition, the members of each standing Board committee received $175 for each committee meeting attended through February 2023. Each member of the Board of Directors received a grant of common stock in the amount of $30,000 (rounded up to the nearest whole share) in June 2023. That amount represented an additional annual retainer that in part would replace all cash fees for Board and committee meetings after February 2023.

Each Vice Chair of the Board of Directors received an annual retainer of $5,000, and the Lead Director received an annual retainer of $40,000.

Members of the Audit Committee received an annual retainer of $8,000, and the Chair of the Audit Committee received an annual retainer of $30,000. The Chair of the Enterprise Risk Management Committee received an annual retainer of $20,000, and the Chairs of the other standing Board committees received an annual retainer of $3,000.

Board members who are also officers of the Company did not receive any additional compensation above their regular compensation for service on the Board or any committee.

The Company also paid board fees for service on the TFSG Board and on its Regional Boards.

Towne Financial Services Group. The three non-employee members of the Board of Directors (Messrs. Benson, Bray, and Failes) who also serve on the TFSG Board, which meets monthly and has responsibility for the Company's fee-based lines of business, received a $6,500 annual retainer and $300 for each meeting attended. Mr. Benson received an additional $3,000 annual retainer for serving as Chair of the TFSG Board.

Regional Boards of Directors. Members of the Board of Directors also received payment for each meeting of the Regional Board of Directors of which they are a member. In addition, the three members of the Board of Directors who serve as Chair of a Regional Board (Messrs. Ellis (Virginia Beach) and Norment (Williamsburg) and Ms. Robertson (Richmond)) received an annual retainer of $3,000.

2023 Director Compensation

Name	Fees Earned or Paid in Cash	Stock Awards	Change in Pension Value and Nonqualified Deferred Compensation Earnings(1)	All Other Compensation	Total
Jeffrey F. Benson	$ 71,175	$ 30,014	—	—	$ 101,189
Richard S. Bray	$ 144,875	—	—	—	$ 144,875
Bradford L. Cherry	$ 55,600	$ 30,014	—	—	$ 85,614
Douglas D. Ellis	$ 59,425	$ 30,014	—	—	$ 89,439
John W. Failes	$ 76,650	$ 30,014	—	—	$ 106,664
Andrew S. Fine	$ 56,075	$ 30,014	—	—	$ 86,089
Howard J. Jung	$ 65,025	$ 30,014	—	—	$ 95,039
John R. Lawson, II	$ 56,075	$ 30,014	—	—	$ 86,089
Aubrey L. Layne, Jr.	$ 55,000	$ 30,014	—	—	$ 85,014
Harry T. Lester	$ 56,250	$ 30,014	—	—	$ 86,264
W. Ashton Lewis	$ 71,200	$ 30,014	—	—	$ 101,214
Stephanie J. Marioneaux, M.D.	$ 56,200	$ 30,014	—	—	$ 86,214
Juan M. Montero, II, M.D.	$ 63,600	$ 30,014	—	—	$ 93,614
Thomas K. Norment, Jr.	$ 58,600	$ 30,014	—	—	$ 88,614
Robert M. Oman	$ 55,900	$ 30,014	—	—	$ 85,914
R.V. Owens, III	$ 56,200	$ 30,014	—	—	$ 86,214
J. Christopher Perry	$ 55,000	$ 30,014	—	—	$ 85,014
Elizabeth W. Robertson	$ 89,425	$ 30,014	—	—	$ 119,439
Dwight C. Schaubach	$ 55,900	$ 30,014	—	—	$ 85,914
Richard B. Thurmond	$ 55,600	$ 30,014	—	—	$ 85,614
Alan S. Witt	$ 84,850	$ 30,014	—	—	$ 114,864
Total	$1,398,625	$600,280	—	—	$1,998,905
Non-NEO Directors Who Are Employees or Former Employees of the Company					
Jacqueline B. Amato	—	—	—	—	$ —
J. Morgan Davis	—	—	$658,836	$688,748(2)	$1,347,584
Robert C. Hatley	$ 55,900	$ 30,014	—	$ 21,647(2)	$ 107,561
R. Scott Morgan	$ 56,375	$ 30,014	—	$ 23,566(2)	$ 109,955

(1) Reflects the change in actuarial present value of SERP benefits. The SERP benefit is paid in equal monthly installments over a 15-year period upon attainment of retirement age. Accounting rules require that the expense be recorded over the participant's remaining service period prior to attainment of retirement eligibility.

(2) For work performed or consulting services in 2023, reflects the aggregate amount of (i) cash fees (including bonus of $30,000) for Mr. Davis, $655,000; (ii) personal usage of automobile for Mr. Davis, $3,787 and Mr. Hatley, $20,612; (iii) Company-paid travel for Mr. Davis, $10,488; and (iv) other payments for Mr. Davis, $19,473; Mr. Hatley, $1,035; and Mr. Morgan, $23,566. See "Related Party Transactions" beginning on page 45.

RELATED PARTY TRANSACTIONS

Certain directors and officers of the Company and members of their immediate families, and corporations, partnerships, and other entities with which such persons are associated, are customers of the Company. As such, these persons engaged in transactions with the Company in the ordinary course of business during 2023, and will have additional transactions with the Company in the future.

All loans extended and commitments to lend by the Company to directors, officers and members of their immediate families and corporations, partnerships and other entities with which such persons are affiliated are made in the ordinary course of business upon substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and do not involve more than the normal risk of collectibility or present other unfavorable features.

All related party transactions that would require disclosure under Item 404(a) of Regulation S-K of the Securities and Exchange Commission are identified and reviewed. The terms of all transactions of at least $120,000 in which related persons had or will have direct or indirect material interests, including, on a sample basis, taking into account whether the transactions are on terms no less favorable to the Company than terms generally available to an unaffiliated third party under the same or similar circumstances are reviewed. Once this review is complete, a list of related party transactions is presented to the Audit Committee. The Audit Committee reviews this list and is given the opportunity to ask questions regarding the related party transactions on the list.

Office Space Owned by Directors. The Company rents space for various financial centers from companies affiliated with certain directors. All leases are made in the ordinary course of business upon substantially the same terms as those prevailing at the time for comparable transactions with unaffiliated persons. The Company rents space from OverYork, LLC, which is a wholly-owned subsidiary of The Overton Group. Jeffrey F. Benson is a partner and, together with his spouse, has a 21% ownership interest in The Overton Group. Rent expense and other payments related to this lease made by TowneBank for the year ended December 31, 2023 totaled $291,000. The Company also rents space from Pavilion Center Associates, LLC, a company in which Andrew S. Fine is a manager and has a 1% ownership interest that is held in a trust with his wife as the sole beneficiary. In addition, Mr. Fine and his wife, collectively, have a 21% ownership interest in The Runnymede Corporation that is held in two trusts for which they and their children are the beneficiaries. The Runnymede Corporation, for which Mr. Fine serves as Co-Chair, charges management fees to Pavilion Center Associates, LLC. Rent expense related to this lease was $681,000 for the year ended December 31, 2023. The Company also rents space from Pavilion Center II, LLC, which is 31% owned by Pavilion Center Associates, LLC and 69% by The Runnymede Corporation. Rent expense related to this lease was $1,222,000 for the year ended December 31, 2023.

Services Provided by Directors. In the ordinary course of its business, the Company obtains certain goods and services from companies affiliated with certain directors. Such transactions are made in the ordinary course of business upon substantially the same terms as those prevailing at the time for comparable transactions with unaffiliated persons. In 2023, the Company made payments to W.M. Jordan Company, Inc. in connection with several office construction projects for the Company. Payments made to W.M. Jordan totaled $1,271,000 for the year ended December 31, 2023. John R. Lawson, II has a 59% ownership interest in W.M. Jordan Company, Inc., for which he serves as Executive Chairman.

Transition Agreement with J. Morgan Davis. On November 2, 2022, the Company entered into a letter agreement (the "Davis Advisory Agreement") with J. Morgan Davis in connection with his stepping down as Chief Executive Officer on December 31, 2022 and transition to a senior advisory role. The Davis Advisory Agreement confirms the terms of Mr. Davis's service as a senior advisor through June 30, 2026.

Under the Davis Advisory Agreement, Mr. Davis served as an employee senior advisor of the Company from the Succession Date through June 30, 2023 (the "Retirement Date"). During that time, his base salary was reduced to an annualized rate of $750,000, and he was not eligible for incentive awards or bonuses. Subject to Mr. Davis's continued employment through the Retirement Date, 1,274 otherwise unvested shares of restricted stock vested, and he received full credit for service for 2023 under his SERP (Supplemental Executive Retirement Plan Agreement). During that time, Mr. Davis remained eligible to continue to participate in standard Company benefit plans through the Retirement Date, subject to his eligibility under the terms of such plans, and he continued to be reimbursed for reasonable business expenses and provided with a Company owned automobile. He also received a supplemental payment of $30,000 at the Retirement Date to help cover on-going health insurance costs. Mr. Davis's duties as an employee senior advisor included, among other things, the provision of transitional support in connection with the management succession, the maintenance and development of certain external Company relationships, and involvement with the operation and expansion of the Company's non-banking lines of business, including residential mortgage, insurance brokerage, vacation property management and real estate brokerage.

Under the Davis Advisory Agreement, Mr. Davis serves as a non-employee senior advisor to the Company during the three-year period commencing on July 1, 2023 and ending on June 30, 2026 (the "Davis Advisor Period"). Mr. Davis's duties as a non-employee advisor are consistent with his duties as an employee senior advisor; however, the expected time commitment is reduced. For each 12-month period during the three-year Davis Advisor Period, Mr. Davis earns an annual retainer of $500,000. During the Davis Advisor Period, Mr. Davis continues to be reimbursed for reasonable business expenses and provided with a Company owned automobile and is eligible to be reimbursed for an annual physical examination. Mr. Davis is expected to continue to serve, with no additional compensation, during the Davis Advisor Period, on the board of directors of the Company and the board of directors of its subsidiary, Towne Financial Services Group, which oversees the Company non-banking lines of business. See "Compensation of Directors" beginning on page 43.

Transition Agreement with Brad E. Schwartz. On November 23, 2022, the Company entered into a letter agreement (the "Schwartz Advisory Agreement") with Mr. Schwartz that confirmed the terms of his ongoing service through his retirement as President and Chief Operating Officer on December 31, 2022 and thereafter as a senior advisor through December 31, 2025. Under the Schwartz Advisory Agreement, Mr. Schwartz's existing employment agreement and change in control agreement were terminated on December 31, 2022. He also served as a member of the board of directors until May 24, 2023.

Under the Schwartz Advisory Agreement, Mr. Schwartz serves as a non-employee senior advisor to the Company during the three-year period commencing on January 1, 2023 and ending on December 31, 2025 (the "Schwartz Advisor Period"). Mr. Schwartz's duties as a senior advisor will include, among other things, contributing to the Company's strategic and operational plans and its various business initiatives, including in the areas of technology infrastructure, digital delivery of banking services, and business integration plans in connection with corporate acquisition transactions, assisting in maintaining and developing business, customer, and community relationships, and assisting with special projects as reasonably requested by the executive chairman or the chief executive officer. During the three-year Schwartz Advisor Period, Mr. Schwartz will earn an annual retainer of $700,000 in 2023, $500,000 in 2024, and $300,000 in 2025. He will also receive a supplemental payment of $30,000 in connection with his retirement to help cover on-going health insurance costs. Mr. Schwartz will continue to be reimbursed for reasonable business expenses.

Other Consulting Arrangements with Directors. In connection with the merger of Paragon into the Company, Robert C. Hatley, the former President and Chief Executive Officer of Paragon, was appointed to serve on the Company's Board of Directors. The Company also entered into an employment and consulting agreement, dated April 26, 2017, with Mr. Hatley pursuant to which he agreed to serve as President of TowneBank North Carolina and, thereafter, as a consultant to the Company. The agreement became effective on January 26, 2018, the effective date of the merger, and continued until January 26, 2023. Immediately following the end of Mr. Hatley's employment in January 2019, he began providing services as a special consultant to the Company and continued providing these services until January 26, 2023. See "Compensation of Directors" beginning on page 43.

Jacqueline B. Amato, Robert C. Hatley and R. Scott Morgan are former employees of the Company. During 2023, the payments under the Company's SERP to Ms. Amato and Messrs. Hatley and Morgan totaled $50,690, $110,165 and $182,985, respectively.

Family Relationships. C. Ross Morgan, President of the Company's Real Estate Finance Group, is the son of R. Scott Morgan, a director of the Company. In 2023, Mr. Ross Morgan received total compensation of approximately $331,000, including base salary and incentive bonus payments. Calley Ormsby, Senior Vice President and Regional Operations Manager for TowneBank Mortgage, is the daughter of Jacqueline B. Amato, a director of the Company. In 2023, Ms. Ormsby received total compensation of approximately $200,000, including base salary and incentive bonus payments. Chelsea Copan, Vice President and Private Banking Officer, is the daughter of Dawn S. Glynn, a member of the Corporate Management Group. In 2023, Ms. Copan received total compensation of approximately $184,000, including base salary and incentive bonus payments. Each of these employees participates in Company benefit plans available to all other employees in similar positions. Each is compensated in a manner consistent with the Company's compensation practices applicable to employees with similar qualifications, responsibilities, and contributions to the Company.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board of Directors of the Company in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company. During the year ended December 31, 2023, the committee met eight times. In addition to regularly scheduled meetings, the Audit Committee is available either as a group or individually to discuss any matters that might affect the financial statements, internal controls or other financial aspects of the operations of the Company. Each member of the Audit Committee is an "independent director" as defined by Nasdaq Marketplace Rule 5605(a)(2).

In the performance of its oversight responsibility, the Audit Committee discusses the results of the internal audit examinations and may discuss with management and the independent auditors the results of the internal audit examinations. The Audit Committee also discussed and reviewed with the independent auditors all communications required by generally accepted accounting standards in the United States, the Public Company Accounting Oversight Board, the Securities and Exchange Commission and the FDIC.

The Audit Committee has received from the independent auditors the written disclosures and the letter required by the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, discussed with the independent auditors any relationships that may impact their objectivity and independence, and satisfied itself as to the auditors' independence. The committee also discussed the quality and adequacy of the Company's internal controls with management, the internal auditor and the independent auditors and the internal audit function's organization, responsibilities, budget and staffing. The committee reviewed with both the independent and internal auditors its audit plans, audit scope and identification of audit risks.

The Audit Committee discussed and reviewed the audited financial statements of the Company as of and for the fiscal year ended December 31, 2023, with management and the independent auditors. Management has the responsibility for the preparation of the Company's financial statements, and the independent auditors have the responsibility for the examination of those statements.

Based on the above-mentioned review and discussions with management and the independent auditors, the Audit Committee recommended to the Board that the Company's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2023, for filing with the FDIC.

Submitted by the Audit Committee of TowneBank:

Elizabeth W. Robertson, Chair
Richard S. Bray
John W. Failes
Howard J. Jung
Aubrey L. Layne, Jr.
W. Ashton Lewis
Juan M. Montero, II, M.D.
Alan S. Witt

Consultants to the Audit Committee:
Michael J. Blachman
Daniel N. Ryan, Sr.
Robert E. Yancey

ACCOUNTING FIRM FEES

The following table shows the fees billed for the audit and other services provided by FORVIS, LLP for fiscal years ended December 31, 2023 and 2022. All non-audit services were reviewed by the Audit Committee, which concluded that the provision of such services by FORVIS, LLP was compatible with maintaining the accounting firm's independence. It is the Audit Committee's policy to approve fees for services rendered by the Company's independent auditors only upon a review of such fees.

	2023	2022
Audit Fees (1)	$1,041,340	$943,368
Audit-related Fees (2)	18,000	17,000
Tax Fees	—	—
All Other Fees	—	—
Total	$1,059,340	$960,368

(1) Audit fees represent professional services rendered in connection with the audit of the Company's annual financial statements and reviews of the financial statements included in the Company's Forms 10-Q for the fiscal years. Also included in the total amount billed are fees related to the report on effectiveness of internal control as required by the Federal Deposit Insurance Corporation Improvement Act of 1991, the report on internal control as required by the Sarbanes-Oxley Act Section 404, and services performed in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees consisted primarily of accounting consultations and other attestation services, including employee benefit plan audits and its due diligence, accounting assistance and other attestation services in connection with proposed or consummated mergers or acquisitions.

Pre-Approval Policy

Under the Audit Committee's pre-approval policy, the Audit Committee is required to review the services expected to be provided by the independent auditor to ensure that the provision of such services will not impair the auditor's independence. For other services provided by the independent auditor that are not specifically excluded, pre-approval by the Audit Committee on an individual project basis is required. Approval for such services may be requested at the next Audit Committee meeting. If earlier approval is necessary, it may be obtained in accordance with the Audit Committee's delegation to the Chair of the Audit Committee, in which case the decision must be presented to the full Audit Committee at its next meeting. For any financial or other consulting or advisory services to be provided by an outside firm, other than the independent auditor, and which services are within the purview of the Audit Committee, pre-approval by the Audit Committee on an individual project basis is required if the estimated fees for such project exceed $25,000. A summary of all fees paid for any financial services, whether to the independent auditor or to other outside providers, must be presented annually to the Audit Committee.

RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS — PROPOSAL TWO

The Board of Directors, upon recommendation of the Audit Committee, has appointed FORVIS, LLP as the Company's independent auditors for the year ending December 31, 2024, and has further directed that management submit the selection of independent auditors for ratification by the shareholders at the Annual Meeting.

Representatives of the firm are expected to be present at the Annual Meeting and will be given an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The ratification of the appointment of FORVIS, LLP requires that the votes cast "for" exceed the number of votes cast "against" the proposal. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

✓ **The Board of Directors recommends that you vote "FOR" the ratification of the appointment of FORVIS, LLP as independent auditors for the fiscal year ending December 31, 2024.**

ADVISORY VOTE ON TOWNEBANK'S EXECUTIVE COMPENSATION — PROPOSAL THREE

Shareholders are being given the opportunity to vote on an advisory (non-binding) resolution at the Annual Meeting to approve TowneBank's executive compensation policies and procedures as described in the Compensation Discussion and Analysis, the compensation tables, and related discussion in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to endorse or not endorse TowneBank's executive pay program through the following resolution:

> *"Resolved, that TowneBank's shareholders approve the compensation of the Named Executive Officers as disclosed in the Summary Compensation Table, the other compensation tables, the Compensation Discussion and Analysis and the related disclosures in this Proxy Statement."*

We have included this proposal in the Proxy Statement pursuant to the requirements of Section 14A of the Securities Exchange Act of 1934. Because this vote is advisory, it will not be binding upon the Board. However, the Compensation Committee of the Board of Directors will take into account the outcome of the vote when considering future executive compensation arrangements.

The Compensation Committee respectfully requests that you consider the following:

- Since the founding of the Company in 1998, TowneBank's ultimate strategic business concept has been to attract, recruit and retain the best bankers in its market areas. It was and remains our belief that extraordinary people will achieve extraordinary results.
- Since the founding of the Company, the leadership of TowneBank has created a locally focused bank with approximately $16.84 billion in total assets as of December 31, 2023, making it one of the top performing banks in the United States. Additionally, the Company enjoys a stellar reputation based on honesty, integrity, and doing the right thing.
- We believe our employees are our most important and valuable asset.

The approval of the advisory vote on the compensation of the Company's Named Executive Officers as described in this Proxy Statement requires that the votes cast "for" exceed the number of votes cast "against" the proposal. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

✓ **The Board of Directors recommends that shareholders vote "FOR" approval of the compensation of the Company's Named Executive Officers as described in this Proxy Statement pursuant to the Securities and Exchange Commission's compensation disclosure rules, which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the related disclosures in this Proxy Statement.**

ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION – PROPOSAL FOUR

The Securities and Exchange Commission rules adopted under the Dodd-Frank Act require that, at least once every six years, the Company provide shareholders with the opportunity to vote, on a nonbinding, advisory basis, for their preference as to how frequently the Company should conduct an advisory say-on-pay vote. This Proposal Four is commonly known as a "say-when-on-pay" proposal, and we last conducted a say-when-on-pay vote in 2018. Accordingly, we are asking our shareholders to indicate whether they would prefer that the Company conduct future say-on-pay votes every year, every two years, or every three years. Shareholders also may abstain from casting a vote on this proposal.

The Board of Directors has determined that a say-on-pay vote that occurs once every year is the most appropriate alternative for the Company and, therefore, the Board of Directors recommends that you vote in favor of conducting a say-on-pay vote every year. The Board of Directors believes that a say-on-pay vote occurring every year allows our shareholders to provide timely input regarding the compensation of the Company's Named Executive Officers and is consistent with the Company's efforts to engage in an ongoing dialogue with shareholders on executive compensation and corporate governance matters. This vote is advisory, which means that it is not binding on the Company, the Board of Directors or the Compensation Committee. The Company recognizes that the shareholders may have different views as to the best approach and looks forward to hearing from the shareholders as to their preferences on the frequency of the say-on-pay vote. The Board of Directors and the Compensation Committee will carefully review the outcome of the frequency vote; however, when considering the frequency of future say-on-pay votes, the Board of Directors may decide that it is in the Company's and the shareholders' long-term best interest to hold a say-on-pay vote more or less frequently than the frequency receiving the most votes cast by our shareholders.

Shareholders have the opportunity to choose among four options (holding the say-on-pay vote every year, every two years, or every three years, or abstain from voting). Shareholders are not being asked to approve or disapprove the recommendation of the Board of Directors.

✓ **The Board of Directors unanimously recommends that shareholders vote FOR the option of "1 Year" as the preferred frequency for say-on-pay votes.**

SHAREHOLDER PROPOSALS

The Company expects its 2025 Annual Meeting of Shareholders will be held on May 21, 2025. To be considered for inclusion in the Company's proxy statement relating to the 2025 Annual Meeting of Shareholders, shareholder proposals must be received no later than December 6, 2024, and comply with the Company's bylaws. To be considered for presentation at such meeting, although not included in the Company's proxy statement, a shareholder proposal must comply with the Company's bylaws and must be delivered to the Company not less than 60 nor more than 90 days before May 21, 2025. All shareholder proposals should be marked to the attention of Corporate Secretary, TowneBank, 6001 Harbour View Boulevard, Suffolk, Virginia 23435.

SHAREHOLDERS SHARING THE SAME ADDRESS

The Company has adopted a procedure called "householding," which has been approved by the Securities and Exchange Commission. Under this procedure, the Company will deliver only one copy of the Company's 2023 Annual Report and this Proxy Statement to multiple shareholders who share the same address (if they appear to be members of the same family) unless the Company has received contrary instructions from an affected shareholder. Shareholders who participate in householding will continue to receive separate proxy cards. This procedure reduces the Company's printing costs, mailing costs, and fees.

Copies of the 2023 Annual Report and this Proxy Statement are available on the "Investor Relations" page of the Company's website at www.townebank.com under the heading "*Financials*" and the subheading "*Filing Documents*". The Company will deliver promptly upon written or oral request a separate copy of the 2023 Annual Report and this Proxy Statement to any shareholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the 2023 Annual Report or this Proxy Statement, shareholders should contact the Company at:

Investor Relations—TowneBank
6001 Harbour View Blvd.
Suffolk, Virginia 23435
(757) 638-6700
investor.relations@townebank.net

If you are a shareholder and share an address and last name with one or more other shareholders and would like to revoke your householding consent and receive a separate copy of the Company's annual report or proxy statement in the future, please contact our transfer agent, Computershare Trust Company, N.A., at (800) 368-5948 or by email at Shareholder@computershare.com. You will be removed from the householding program within 30 days of receipt of the revocation of your consent.

A number of brokerage firms have instituted householding. If you hold your shares in "street name," please contact your bank, broker or other holder of record to request information about householding.

SHAREHOLDER COMMUNICATIONS

Shareholders and other parties interested in communicating directly with the non-management directors as a group may do so by writing to Corporate Secretary, TowneBank, 6001 Harbour View Boulevard, Suffolk, Virginia 23435. The Corporate Secretary of the Company reviews all such correspondence and regularly forwards to the Board a summary of all such correspondence and copies of all correspondence that, in the opinion of the Corporate Secretary, deals with the functions of the Board or committees thereof or otherwise requires its attention.

Directors may, at any time, review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's internal audit division and handled in accordance with procedures established by the Audit Committee with respect to such matters.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING

A complete set of proxy materials relating to the Annual Meeting is available on the Internet. These materials can be viewed at www.proxyvote.com.

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, excluding exhibits, as filed with the FDIC, is available on the "Investor Relations" page of the Company's website at www.townebank.com under the heading "*Financials*" and the subheading "*Filing Documents*". Upon request by any shareholder to the following address, a copy of the 2023 Form 10-K will be furnished without charge:

Investor Relations—TowneBank
6001 Harbour View Boulevard
Suffolk, Virginia 23435
(757) 638-6700
investor.relations@townebank.net