News Release

FOR IMMEDIATE RELEASE

TOWNEBANK REPORTS THIRD QUARTER 2022 EARNINGS

Suffolk, VA, October 27, 2022 - TowneBank (the "Company" or "Towne") (NASDAQ: TOWN) today reported earnings for the quarter ended September 30, 2022 of $50.17 million, or $0.69 per diluted share, compared to $50.40 million, or $0.69 per diluted share, for the quarter ended September 30, 2021. Excluding acquisition-related expenses, earnings (non-GAAP) for the quarter ended September 30, 2022 were $50.78 million, or $0.70 per diluted share, compared to $51.08 million, or $0.70 per diluted share for the quarter ended September 30, 2021.

"TowneBank's solid third quarter results demonstrate the strength and durability of our business model. Continued loan growth and positive impacts from higher interest rates led to significant margin expansion during the quarter. While credit quality continues to perform well, we remain diligent in maintaining a healthy balance sheet and strong capital levels given the uncertain economic environment. Notwithstanding some of the current headwinds facing our Realty segment, we believe our diverse business mix, disciplined expense management and long-term view of managing our company position TowneBank to enjoy continued success," said G. Robert Aston, Jr., Executive Chairman.

Highlights for Third Quarter 2022 Compared to Third Quarter 2021:

- Total revenues were $179.24 million, an increase of $9.16 million, or 5.39%. This year-over-year increase was driven primarily by a $23.60 million increase in net interest income partially offset by a $13.45 million decline in residential mortgage banking income.
- Pre-provision, pre-tax, net revenues (non-GAAP), were $66.70 million, an increase of $3.05 million, or 4.80%.
- Loans held for investment were $10.56 billion, an increase of $1.26 billion, or 13.57%, compared to September 30, 2021, and $0.13 billion, or 5.09% on an annualized basis, compared to June 30, 2022. Excluding the decline in loans from the Paycheck Protection Program ("PPP"), loans held for investment increased $1.50 billion, or 16.59%, compared to September 30, 2021, and $0.16 billion,

or 6.01% on an annualized basis, from the linked quarter. Total loans on September 30, 2022, September 30, 2021, and June 30, 2022 included $12.65 million, $251.45 million, and $36.19 million, respectively, of PPP loans.

- Total deposits were $13.41 billion, an increase of $0.40 billion, or 3.06%, compared to prior year but a decrease of $0.58 billion, or 4.17%, from June 30, 2022.
- Noninterest bearing deposits increased by 3.33%, to $5.57 billion, representing 41.56% of total deposits. Compared to the linked quarter, noninterest bearing deposits decreased 2.60%.
- Annualized return on common shareholders' equity was 10.69% compared to 10.68% in third quarter 2021. Annualized return on average tangible common shareholders' equity (non-GAAP) was 15.27% compared to 15.27% in third quarter 2021.
- Net interest margin was 3.28% for the quarter and 2.76% for third quarter 2021 and taxable equivalent net interest margin (non-GAAP) was 3.30% and 2.77%.
- Effective tax rate of 20.08% in the quarter compared to 22.73% in third quarter 2021 and 19.32% in the linked quarter.

"We remain excited about our Farmers Bank partnership. Our teams have begun working on the integration planned for early 2023. We believe our complimentary approach to serving the needs of our members and communities will lead to a successful partnership and post integration opportunities for continued growth," stated J. Morgan Davis, Chief Executive Officer.

Quarterly Net Interest Income Compared to Third Quarter 2021:

- Net interest income was $124.04 million compared to $100.44 million as of September 30, 2021. The increase was driven by higher interest rates and increased loan and investment securities balances partially offset by increased deposit costs.
- Tax-equivalent net interest margin (non-GAAP) was 3.30%, including purchase accounting accretion of 1 basis point and PPP interest and fees of 1 basis point, compared to 2.77%, including purchase accounting accretion of 3 basis points and PPP interest and fees of 15 basis points for third quarter 2021.
- On an average basis, loans held for investment, with a yield of 4.25%, represented 69.83% of earning assets at September 30, 2022 compared to a yield of 4.24% and 64.04% of earning assets in the third quarter of 2021. Excluding PPP loans, loan yields were 4.24% in third quarter 2022 compared to 4.06% in third quarter 2021.
- Interest and fee income on PPP loans was $0.62 million in third quarter 2022, compared to $7.77 million in third quarter 2021 and $1.52 million in the linked quarter.

- Total cost of deposits increased to 0.30% from 0.19% at September 30, 2021. Management expects continued pressure on the cost of deposits.
- On August 1, 2022, the Company redeemed its 4.50% fixed to floating rate subordinated notes due 2027 that had a total principal amount of $250 million. The Company recognized interest expense related to the notes of $0.99 million in third quarter 2022 and $2.96 million in third quarter 2021.
- Average interest-earning assets totaled $14.99 billion at September 30, 2022 compared to $14.44 billion at September 30, 2021, an increase of 3.77%.
- Average interest-bearing liabilities totaled $8.35 billion, an increase of $0.11 billion from prior year.

Quarterly Provision for Credit Losses:

- The quarterly provision for credit losses for on-balance-sheet loans was an expense of $3.29 million compared to a provision benefit of $1.60 million one year ago and an expense of $0.11 million in the linked quarter.
- In the linked quarter comparison, third quarter 2022 included an increase in the allowance for credit losses on loans of $3.48 million that was driven by loan growth and weakening in the macroeconomic forecast scenarios.
- Net loan recoveries were $0.19 million compared to net recoveries of $0.64 million one year prior and $0.08 million in the linked quarter. The ratio of net charge-offs to average loans on an annualized basis was (0.01)% in third quarter 2022, (0.03)% in third quarter 2021, and zero percent in the linked quarter.
- The allowance for credit losses on loans represented 1.02% of total loans at September 30, 2022, 1.15% at September 30, 2021, and 1.00% on June 30, 2022. The allowance for credit losses on loans was 20.48 times nonperforming loans compared to 12.68 times at September 30, 2021 and 18.94 times at June 30, 2022.

Quarterly Noninterest Income Compared to Third Quarter 2021:

- Total noninterest income was $55.20 million compared to $69.63 million in 2021, a decrease of $14.44 million, or 20.73%. The decrease was driven by declines in residential mortgage banking income of $13.45 million and real estate brokerage income of $0.85 million, partially offset by increased insurance commissions of $2.04 million.
- Residential mortgage banking income was $11.97 million compared to $25.42 million in third quarter 2021. Loan volume decreased to $0.69 billion in third quarter 2022 compared to

$1.31 billion in 2021. Increases in mortgage rates have resulted in refinance activities dropping below 10% of our total mortgage production volume, the lowest level since second quarter 2018. Residential purchase activity comprised 93.20% of production volume in the third quarter of 2022 compared to 77.45% in the prior year quarter.

- Gross margins on residential mortgages declined 59 basis points from 3.61% in third quarter 2021 to 3.02% in the current quarter.
- Total net insurance commissions increased $2.04 million, or 11.71%, to $19.44 million in third quarter 2022 compared to 2021. This resulted from increases in property and casualty commissions, which were driven by organic growth and higher rates.
- Property management fee revenue decreased 5.82%, or $0.61 million, to $9.89 million compared to third quarter 2021 but increased $0.44 million, or 4.64%, compared to the linked quarter. Reservation income is down compared to the prior year quarter due to decreased bookings at some of our property management locations. Compared to the linked quarter, reservation income increased at one location while others held level with prior quarter.

Quarterly Noninterest Expense Compared to Third Quarter 2021:

- Total noninterest expense was $112.03 million compared to $104.09 million in 2021, an increase of $7.95 million, or 7.64%. Growth in salaries and employee benefits of $4.23 million, occupancy expense of $1.09 million, charitable contributions of $1.02 million, and advertising and marketing expense of $0.43 million was the primary sources of the increase.
- Salary and benefits expense increases were driven by annual base salary adjustments that went into effect July 2022 and increases in health insurance costs.
- The increase in occupancy expense was driven by lower tenant income in 2022.
- Advertising and marketing expense increases were primarily related to internet advertising in our realty segment and post-COVID increases in client business development.

Consolidated Balance Sheet Highlights:

- Total assets were $15.95 billion for the quarter ended September 30, 2022, a $0.91 billion decrease compared to $16.86 billion at June 30, 2022. Total assets increased $0.14 billion, or 0.89%, from $15.81 billion at September 30, 2021. Our asset mix has changed in the year-over-year comparison, with growth in investment securities and loans offset by declines in mortgage loans held for sale and total cash and cash equivalents.
- Loans held for investment increased $1.26 billion, or 13.57%, compared to prior year, and

$0.13 billion, or 1.28%, compared to the linked quarter. Excluding PPP loans of $12.65 million in third quarter 2022, $251.45 million in third quarter 2021, and $36.19 million in the linked quarter, loans held for investment increased $1.50 billion, or 16.59%, compared to prior year, and $0.16 billion, or 1.51%, compared to June 30, 2022, or 6.01% on an annualized basis.

- Average loans held for investment, excluding PPP loans, were $10.45 billion in the third quarter of 2022, an increase of $1.56 billion, or 17.49%, compared to prior year. In the linked quarter comparison, average loans held for investment, excluding PPP loans, increased 3.04%, or $0.31 billion, and 12.08% on an annualized basis.
- Mortgage loans held for sale decreased $266.82 million, or 61.79%, compared to the prior year and $46.69 million, or 22.05%, compared to the linked quarter.
- Total deposits increased $0.40 billion, or 3.06%, compared to the prior year and decreased $0.58 billion, or 4.17%, compared to the linked quarter.
- Total borrowings decreased $167.17 million, or 34.30%, from prior year and $279.73 million, or 46.62%, compared to the linked quarter.

Investment Securities:

- Total investment securities were $2.45 billion compared to $2.48 billion at June 30, 2022 and $1.59 billion at September 30, 2021. The weighted average duration of the portfolio at September 30, 2022 was 3.6 years. The carrying value of the available for sale debt securities portfolio included $199.84 million and $120.41 million in net unrealized losses, related to rising rates, at September 30, 2022 and June 30, 2022, respectively, compared to net unrealized gains of $32.06 million at September 30, 2021.

Loans and Asset Quality:

- Total loans held for investment were $10.56 billion at September 30, 2022 compared to $10.43 billion at June 30, 2022 and $9.30 billion at September 30, 2021.
- Nonperforming assets were $5.44 million, or 0.03% of total assets, compared to $13.86 million, or 0.09%, at September 30, 2021.
- Nonperforming loans were 0.05% of period end loans compared to 0.09% at September 30, 2021.
- Foreclosed property decreased to $0.19 million from $5.41 million at September 30, 2021. The Company had no OREO properties at September 30, 2022.

Deposits and Borrowings:

- Total deposits were $13.41 billion compared to $14.00 billion at June 30, 2022 and $13.01 billion at September 30, 2021.
- Total loans held for investment to deposits were 78.73% compared to 74.49% at June 30, 2022 and 71.44% at September 30, 2021.
- Non-interest bearing deposits were 41.56% of total deposits at September 30, 2022 compared to 40.89% at June 30, 2022 and 41.45% at September 30, 2021.
- Total borrowings were $0.32 billion compared to $0.60 billion at June 30, 2022 and $0.49 billion at September 30, 2021.

Capital:

- Common equity tier 1 capital ratio of 11.92%.
- Tier 1 leverage capital ratio of 9.52%.
- Tier 1 risk-based capital ratio of 12.05%.
- Total risk-based capital ratio of 14.80%.
- Book value per common share was $25.08 compared to $25.48 at June 30, 2022 and $25.91 at September 30, 2021.
- Tangible book value per common share (non-GAAP) was $18.17 compared to $18.58 at June 30, 2022 and $18.92 at September 30, 2021.

About TowneBank:

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

Today, TowneBank operates over 40 banking offices throughout Hampton Roads and Central Virginia, as well as Northeastern and Central North Carolina – serving as a local leader in promoting the social, cultural, and economic growth in each community. Towne offers a competitive array of business and personal banking solutions, delivered with only the highest ethical standards. Experienced local bankers providing a higher level of expertise and personal attention with local decision-making are key to the TowneBank strategy. TowneBank has grown its capabilities beyond banking to provide expertise through its controlled divisions and subsidiaries that include Towne Wealth Management, Towne Insurance

Agency, Towne Benefits, TowneBank Mortgage, TowneBank Commercial Mortgage, Berkshire Hathaway HomeServices Towne Realty, Towne 1031 Exchange, LLC, and Towne Vacations. With total assets of $15.95 billion as of September 30, 2022, TowneBank is one of the largest banks headquartered in Virginia.

Non-GAAP Financial Measures:

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

Forward-Looking Statements:

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

general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; unusual and infrequently occurring events, such as weather-related disasters, terrorist acts or public health events (such as the COVID-19 pandemic); changes in the legislative or regulatory environment, including changes in accounting standards and tax laws, that may adversely affect our business; costs or difficulties related to the integration of the businesses we have acquired may be greater than expected; expected cost savings associated with pending or recently completed acquisitions may not be fully realized or realized within the expected time frame; cybersecurity threats or attacks, the implementation of new technologies, and the ability to develop and maintain reliable electronic systems; our competitors may have greater financial resources and develop products that enable them to compete more successfully; changes in business conditions; changes in the securities market; and changes in our local economy with regard to our market area. Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events, or otherwise. For additional information on factors that could materially influence forward-looking statements included in this report, see the "Risk Factors" in TowneBank's Annual Report on Form 10-K for the year ended December 31, 2021 and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.

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Selected Financial Highlights (unaudited)

(dollars in thousands, except per share data)

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Income and Performance Ratios:					
Total revenue	$ 179,236	$ 166,980	$ 165,412	$ 160,424	$ 170,076
Net income	50,671	47,054	46,250	41,657	52,743
Net income available to common shareholders	50,169	46,547	45,586	40,183	50,400
Pre-provision, pre-tax, net revenues (non-GAAP)	66,700	57,748	55,369	48,483	63,647
Net income per common share - diluted	0.69	0.64	0.63	0.55	0.69
Book value per common share	25.08	25.48	25.61	26.13	25.91
Book value per common share - tangible (non-GAAP)	18.17	18.58	18.67	19.15	18.92
Return on average assets	1.22 %	1.13 %	1.13 %	0.99 %	1.27 %
Return on average assets - tangible (non-GAAP)	1.31 %	1.22 %	1.23 %	1.08 %	1.37 %
Return on average equity	10.60 %	9.94 %	9.73 %	8.38 %	10.59 %
Return on average equity - tangible (non-GAAP)	15.08 %	14.20 %	13.91 %	12.08 %	15.09 %
Return on average common equity	10.69 %	10.03 %	9.81 %	8.45 %	10.68 %
Return on average common equity - tangible (non-GAAP)	15.27 %	14.37 %	14.08 %	12.22 %	15.27 %
Noninterest income as a percentage of total revenue	30.80 %	34.52 %	40.03 %	37.17 %	40.94 %
Regulatory Capital Ratios (1):					
Common equity tier 1	11.92 %	11.83 %	12.16 %	12.36 %	12.53 %
Tier 1	12.05 %	11.97 %	12.31 %	12.51 %	12.69 %
Total	14.80 %	16.76 %	17.34 %	15.56 %	15.85 %
Tier 1 leverage ratio	9.52 %	9.19 %	9.16 %	9.11 %	9.18 %
Asset Quality:					
Allowance for credit losses on loans to nonperforming loans	20.48x	18.94x	21.52x	17.75x	12.68x
Allowance for credit losses on loans to period end loans	1.02 %	1.00 %	1.05 %	1.12 %	1.15 %
Allowance for credit losses on loans to period end loans excluding PPP loans (non-GAAP)	1.02 %	1.00 %	1.06 %	1.13 %	1.18 %
Nonperforming loans to period end loans	0.05 %	0.05 %	0.05 %	0.06 %	0.09 %
Nonperforming assets to period end assets	0.03 %	0.04 %	0.03 %	0.06 %	0.09 %
Net charge-offs (recoveries) to average loans (annualized)	(0.01)%	— %	0.01 %	— %	(0.03)%
Net charge-offs (recoveries)	$ (187)	$ (80)	$ 126	$ (60)	$ (644)
Nonperforming loans	$ 5,250	$ 5,493	$ 4,825	$ 5,973	$ 8,451
Foreclosed property	186	563	560	4,583	5,409
Total nonperforming assets	$ 5,436	$ 6,056	$ 5,385	$ 10,556	$ 13,860
Loans past due 90 days and still accruing interest	$ 725	$ 232	$ 40	$ 372	$ 143
Allowance for credit losses on loans	$ 107,497	$ 104,019	$ 103,833	$ 106,059	$ 107,177
Mortgage Banking:					
Loans originated, mortgage	$ 458,254	$ 588,529	$ 583,008	$ 851,021	$ 939,272
Loans originated, joint venture	234,443	249,279	236,980	303,362	370,865
Total loans originated	$ 692,697	$ 837,808	$ 819,988	$ 1,154,383	$ 1,310,137
Number of loans originated	1,983	2,282	2,237	3,408	3,917
Number of originators	194	201	207	213	219
Purchase %	93.20 %	92.27 %	77.93 %	79.36 %	77.45 %
Loans sold	$ 701,908	$ 759,073	$ 853,808	$ 1,150,996	$ 1,394,166
Rate lock asset	$ 859	$ 1,935	$ 3,009	$ 3,455	$ 6,087
Gross realized gain on sales and fees as a % of loans originated	3.02 %	2.92 %	3.01 %	3.42 %	3.61 %
Other Ratios:					
Net interest margin	3.28 %	2.88 %	2.67 %	2.70 %	2.76 %
Net interest margin-fully tax equivalent (non-GAAP)	3.30 %	2.89 %	2.69 %	2.72 %	2.77 %
Average earning assets/total average assets	91.92 %	92.22 %	92.24 %	92.13 %	91.95 %
Average loans/average deposits	76.82 %	74.57 %	71.61 %	70.68 %	71.69 %
Average noninterest deposits/total average deposits	41.77 %	40.56 %	40.49 %	41.42 %	40.40 %
Period end equity/period end total assets	11.56 %	11.09 %	11.28 %	11.71 %	12.02 %
Efficiency ratio (non-GAAP)	61.03 %	63.51 %	64.42 %	67.03 %	59.58 %

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

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Selected Data (unaudited)

(dollars in thousands)

Investment Securities				% Change	
	Q3	**Q3**	**Q2**	**Q3 22 vs.**	**Q3 22 vs.**
Available-for-sale securities, at fair value	**2022**	**2021**	**2022**	**Q3 21**	**Q2 22**
U.S. agency securities	$ 331,297	$ 207,949	$ 342,702	59.32 %	(3.33)%
U.S. Treasury notes	26,399	1,007	27,496	2,521.55 %	(3.99)%
Municipal securities	426,720	350,980	447,927	21.58 %	(4.73)%
Trust preferred and other corporate securities	79,501	31,591	84,307	151.66 %	(5.70)%
Mortgage-backed securities issued by GSE and GNMA	1,027,331	969,017	1,012,690	6.02 %	1.45 %
Allowance for credit losses	(1,112)	(142)	(1,111)	683.10 %	0.09 %
Total	$ 1,890,136	$ 1,560,402	$ 1,914,011	21.13 %	(1.25)%
Gross unrealized gains (losses) reflected in financial statements					
Total gross unrealized gains	$ 1,292	$ 40,906	$ 1,840	(96.84)%	(29.78)%
Total gross unrealized losses	(201,127)	(8,845)	(122,253)	2,173.91 %	64.52 %
Net unrealized gains (losses) and other adjustments on AFS securities	$ (199,835)	$ 32,061	$ (120,413)	(723.30)%	65.96 %
Held-to-maturity securities, at amortized cost					
U.S. agency securities	$ 100,905	$ —	$ 100,718	N/M	0.19 %
U.S. Treasury notes	434,148	—	434,432	N/M	(0.07)%
Municipal securities	5,159	5,074	5,138	1.68 %	0.41 %
Trust preferred corporate securities	2,235	2,285	2,248	(2.19)%	(0.58)%
Mortgage-backed securities issued by GSE and GNMA	6,298	7,539	6,547	(16.46)%	(3.80)%
Allowance for credit losses	(83)	(94)	(85)	(11.70)%	(2.35)%
Total	$ 548,662	$ 14,804	$ 548,998	3,606.17 %	(0.06)%
Total gross unrealized gains	$ 153	$ 1,591	$ 448	(90.38)%	(65.85)%
Total gross unrealized losses	(31,116)	—	(18,615)	— %	67.16 %
Net unrealized gains (losses) in HTM securities	$ (30,963)	$ 1,591	$ (18,167)	(2,046.13)%	70.44 %

Loans Held For Investment (1)				% Change	
	Q3	**Q3**	**Q2**	**Q3 22 vs.**	**Q3 22 vs.**
	2022	**2021**	**2022**	**Q3 21**	**Q2 22**
Real estate - construction and development	$ 1,324,831	$ 1,005,592	$ 1,383,791	31.75 %	(4.26)%
Commercial real estate - owner occupied	1,590,371	1,463,000	1,579,464	8.71 %	0.69 %
Commercial real estate - non owner occupied	2,799,363	2,647,625	2,757,651	5.73 %	1.51 %
Real estate - multifamily	458,803	363,733	371,658	26.14 %	23.45 %
Residential 1-4 family	1,567,024	1,233,125	1,513,662	27.08 %	3.53 %
HELOC	388,305	389,974	386,067	(0.43)%	0.58 %
Commercial and industrial business (C&I)	1,251,350	1,253,972	1,261,279	(0.21)%	(0.79)%
Government	520,198	471,037	527,230	10.44 %	(1.33)%
Indirect	572,710	348,864	555,638	64.16 %	3.07 %
Consumer loans and other	86,656	120,643	89,320	(28.17)%	(2.98)%
Total	$ 10,559,611	$ 9,297,565	$ 10,425,760	13.57 %	1.28 %

(1) Paycheck Protection Program loans totaling $0.01 billion, $0.25 billion, and $0.04 billion, primarily in C&I, are included in Q3 22, Q3 21, and Q2 22, respectively.

Deposits				% Change	
	Q3	**Q3**	**Q2**	**Q3 22 vs.**	**Q3 22 vs.**
	2022	**2021**	**2022**	**Q3 21**	**Q2 22**
Noninterest-bearing demand	$ 5,574,528	$ 5,394,952	$ 5,723,415	3.33 %	(2.60)%
Interest-bearing:					
Demand and money market accounts	6,042,417	5,681,181	6,384,818	6.36 %	(5.36)%
Savings	387,622	366,165	388,364	5.86 %	(0.19)%
Certificates of deposits	1,407,495	1,571,752	1,499,514	(10.45)%	(6.14)%
Total	$ 13,412,062	$ 13,014,050	$ 13,996,111	3.06 %	(4.17)%

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

	Three Months Ended September 30, 2022			Three Months Ended June 30, 2022			Three Months Ended September 30, 2021		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)
Assets:									
Loans (net of unearned income and deferred costs) (2)(3)	$ 10,465,441	$112,225	4.25 %	$ 10,199,019	$101,463	3.99 %	$ 9,248,867	$ 98,733	4.24 %
Taxable investment securities	2,385,218	12,943	2.17 %	2,331,410	11,388	1.95 %	1,421,347	6,560	1.85 %
Tax-exempt investment securities	147,184	1,054	2.86 %	132,304	879	2.66 %	125,523	487	1.55 %
Total securities	2,532,402	13,997	2.21 %	2,463,714	12,267	1.99 %	1,546,870	7,047	1.82 %
Interest-bearing deposits	1,800,798	9,509	2.09 %	2,368,147	4,616	0.78 %	3,179,010	1,182	0.15 %
Loans held for sale	188,737	2,446	5.18 %	213,109	2,217	4.16 %	468,323	3,405	2.91 %
Total earning assets	14,987,378	138,177	3.66 %	15,243,989	120,563	3.17 %	14,443,070	110,367	3.03 %
Less: allowance for credit losses	(104,178)			(103,871)			(108,478)		
Total nonearning assets	1,421,094			1,389,692			1,372,406		
Total assets	$ 16,304,294			$ 16,529,810			$ 15,706,998		
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	$ 6,084,753	$ 6,542	0.43 %	$ 6,349,725	$ 3,094	0.20 %	$ 5,486,788	$ 2,095	0.15 %
Savings	391,437	628	0.64 %	387,498	526	0.54 %	358,739	533	0.59 %
Certificates of deposit	1,456,746	3,060	0.83 %	1,392,474	1,953	0.56 %	1,842,948	3,400	0.73 %
Total interest-bearing deposits	7,932,936	10,230	0.51 %	8,129,697	5,573	0.27 %	7,688,475	6,028	0.31 %
Borrowings	94,411	139	0.58 %	128,276	135	0.42 %	300,505	412	0.54 %
Subordinated debt, net	320,518	3,117	3.89 %	496,862	5,091	4.10 %	249,405	2,962	4.75 %
Total interest-bearing liabilities	8,347,865	13,486	0.64 %	8,754,835	10,799	0.49 %	8,238,385	9,402	0.45 %
Demand deposits	5,690,020			5,547,936			5,212,271		
Other noninterest-bearing liabilities	387,835			348,678			367,891		
Total liabilities	14,425,720			14,651,449			13,818,547		
Shareholders' equity	1,878,574			1,878,361			1,888,451		
Total liabilities and equity	$ 16,304,294			$ 16,529,810			$ 15,706,998		
Net interest income (tax-equivalent basis) (6)		$124,691			$109,764			$100,965	
Reconciliation of Non-GAAP Financial Measures									
Tax-equivalent basis adjustment		(653)			(424)			(522)	
Net interest income (GAAP)		$124,038			$109,340			$100,443	
Interest rate spread (4)(6)			3.02 %			2.68 %			2.58 %
Interest expense as a percent of average earning assets			0.36 %			0.28 %			0.26 %
Net interest margin (tax equivalent basis) (5)(6)			3.30 %			2.89 %			2.77 %
Total cost of deposits			0.30 %			0.16 %			0.19 %

(1) Yields and interest income are presented on a taxable-equivalent basis using the federal statutory tax rate of 21%.
(2) Average loan balances for September 30, 2021 and related yields have been restated to include, previously excluded, nonaccrual loans of $9.95 million.
(3) September 30, 2022, September 30, 2021, and June 30, 2022 includes average PPP balances of $18.68 million, $357.17 million and $60.89 million, respectively, and related interest and fee income of $0.62 million, $7.77 million, and $1.52 million, respectively.
(4) Interest spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities. Fully tax equivalent.
(5) Net interest margin is net interest income expressed as a percentage of average earning assets. Fully tax equivalent.
(6) Non-GAAP.

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

	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2022 Compared with 2021		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Increase (Decrease)	Change Due to Rate	Change Due to Volume
Assets:									
Loans (net of unearned income and deferred costs) (2)(3)	$ 10,113,980	$309,283	4.09 %	$ 9,507,082	$302,182	4.25 %	$ 7,101	$(11,730)	$ 18,831
Taxable investment securities	2,259,940	33,344	1.97 %	1,359,366	19,640	1.93 %	13,704	425	13,279
Tax-exempt investment securities	130,196	2,613	2.68 %	131,106	1,462	1.49 %	1,151	1,161	(10)
Total securities	2,390,136	35,957	2.01 %	1,490,472	21,102	1.89 %	14,855	1,586	13,269
Interest-bearing deposits	2,362,155	15,472	0.88 %	2,426,468	2,218	0.12 %	13,254	13,314	(60)
Loans held for sale	225,777	7,038	4.16 %	502,758	10,477	2.78 %	(3,439)	3,839	(7,278)
Total earning assets	15,092,048	367,750	3.26 %	13,926,780	335,979	3.23 %	31,771	7,009	24,762
Less: allowance for credit losses	(104,733)			(115,100)					
Total nonearning assets	1,394,691			1,340,170					
Total assets	$ 16,382,006			$ 15,151,850					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	$ 6,203,889	$ 11,898	0.26 %	$ 5,192,658	$ 6,175	0.16 %	$ 5,723	$ 4,343	$ 1,380
Savings	387,290	1,664	0.57 %	345,739	1,583	0.61 %	81	(101)	182
Certificates of deposit	1,440,661	7,134	0.66 %	1,872,393	13,963	1.00 %	(6,829)	(4,050)	(2,779)
Total interest-bearing deposits	8,031,840	20,696	0.34 %	7,410,790	21,721	0.39 %	(1,025)	192	(1,217)
Borrowings	119,336	412	0.46 %	445,399	1,798	0.53 %	(1,386)	(229)	(1,157)
Subordinated debt, net	401,195	12,328	4.10 %	249,261	8,854	4.74 %	3,474	(1,327)	4,801
Total interest-bearing liabilities	8,552,371	33,436	0.52 %	8,105,450	32,373	0.53 %	1,063	(1,364)	2,427
Demand deposits	5,569,186			4,880,493					
Other noninterest-bearing liabilities	374,794			325,639					
Total liabilities	14,496,351			13,311,582					
Shareholders' equity	1,885,655			1,840,268					
Total liabilities and equity	$ 16,382,006			$ 15,151,850					
Net interest income (tax-equivalent basis)(6)		$334,314			$303,606		$ 30,708	$ 8,373	$ 22,335
Reconciliation of Non-GAAP Financial Measures									
Tax-equivalent basis adjustment		(1,732)			(2,029)		297		
Net interest income (GAAP)		$332,582			$301,577		$ 31,005		
Interest rate spread (4)(6)			2.74 %			2.70 %			
Interest expense as a percent of average earning assets			0.30 %			0.31 %			
Net interest margin (tax equivalent basis) (5)(6)			2.96 %			2.91 %			
Total cost of deposits			0.20 %			0.24 %			

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

(2) Average loan balances for September 30, 2021 and related yields have been restated to include, previously excluded, nonaccrual loans of $11.63 million.

(3) Average loan balances for September 30, 2022 and September 30, 2021 includes average PPP balances of $64.67 million and $641.82 million, respectively, and related interest income of $4.24 million and $29.42 million, respectively.

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

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

(6) Non-GAAP.

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

	September 30, 2022	December 31, 2021
	(unaudited)	(audited)
ASSETS		
Cash and due from banks	$ 97,290	$ 17,373
Interest-bearing deposits at FRB - Richmond	1,245,067	3,244,484
Interest-bearing deposits in financial institutions	96,862	34,779
Total Cash and Cash Equivalents	1,439,219	3,296,636
Securities available for sale, at fair value (amortized cost of $2,091,083 and $1,788,853, and allowance for credit losses of $1,112 and $210 at September 30, 2022 and December 31, 2021, respectively.)	1,890,136	1,806,183
Securities held to maturity, at amortized cost (fair value $517,782 and $155,676 at September 30, 2022 and December 31, 2021, respectively.)	548,745	154,221
Less: allowance for credit losses	(83)	(94)
Securities held to maturity, net of allowance for credit losses	548,662	154,127
Other equity securities	6,360	6,759
FHLB stock	9,475	13,146
Total Securities	2,454,633	1,980,215
Mortgage loans held for sale	165,023	358,303
Loans, net of unearned income and deferred costs	10,559,611	9,506,252
Less: allowance for credit losses	(107,497)	(106,059)
Net Loans	10,452,114	9,400,193
Premises and equipment, net	295,345	270,772
Goodwill	458,482	457,187
Other intangible assets, net	44,854	50,379
BOLI	256,074	251,805
Other assets	386,053	295,897
TOTAL ASSETS	$ 15,951,797	$ 16,361,387
LIABILITIES AND EQUITY		
Deposits:		
Noninterest-bearing demand	$ 5,574,528	$ 5,546,665
Interest-bearing:		
Demand and money market accounts	6,042,417	6,139,714
Savings	387,622	371,356
Certificates of deposit	1,407,495	1,515,891
Total Deposits	13,412,062	13,573,626
Advances from the FHLB	29,850	155,367
Subordinated debt, net	247,265	249,652
Repurchase agreements and other borrowings	43,165	76,797
Total Borrowings	320,280	481,816
Other liabilities	375,869	389,771
TOTAL LIABILITIES	14,108,211	14,445,213
Preferred stock, authorized and unissued shares - 2,000,000	—	—
Common stock, $1.667 par: 150,000,000 shares authorized 72,839,291 and 72,683,985 shares issued at September 30, 2022 and December 31, 2021, respectively	121,423	121,164
Capital surplus	1,052,374	1,050,948
Retained earnings	810,845	716,605
Common stock issued to deferred compensation trust, at cost 927,176 and 911,458 shares at September 30, 2022 and December 31, 2021, respectively	(18,862)	(18,257)
Deferred compensation trust	18,862	18,257
Accumulated other comprehensive income (loss)	(157,980)	10,597
TOTAL SHAREHOLDERS' EQUITY	1,826,662	1,899,314
Noncontrolling interest	16,924	16,860
TOTAL EQUITY	1,843,586	1,916,174
TOTAL LIABILITIES AND EQUITY	$ 15,951,797	$ 16,361,387

TOWNEBANK

Consolidated Statements of Income (unaudited)

(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
INTEREST INCOME:				
Loans, including fees	$ 111,590	$ 98,258	$ 307,595	$ 300,268
Investment securities	13,979	7,000	35,913	20,987
Interest-bearing deposits in financial institutions and federal funds sold	9,509	1,182	15,472	2,218
Mortgage loans held for sale	2,446	3,405	7,038	10,477
Total interest income	137,524	109,845	366,018	333,950
INTEREST EXPENSE:				
Deposits	10,230	6,028	20,696	21,721
Advances from the FHLB	83	247	261	1,017
Subordinated debt, net	3,117	2,962	12,328	8,854
Repurchase agreements and other borrowings	56	165	151	781
Total interest expense	13,486	9,402	33,436	32,373
Net interest income	124,038	100,443	332,582	301,577
PROVISION FOR CREDIT LOSSES	3,925	(1,582)	2,532	(15,665)
Net interest income after provision for credit losses	120,113	102,025	330,050	317,242
NONINTEREST INCOME:				
Residential mortgage banking income, net	11,968	25,422	39,782	88,359
Insurance commissions and other title fees and income, net	19,435	17,398	58,255	52,055
Property management income, net	9,891	10,502	36,489	33,076
Real estate commission income, net	2,932	3,781	8,899	10,125
Service charges on deposit accounts	2,455	2,524	7,474	7,104
Credit card merchant fees, net	1,658	1,660	4,940	4,630
BOLI	1,585	2,301	5,155	5,361
Other income	5,274	6,045	18,052	16,367
Net gain/(loss) on investment securities	—	—	—	1,252
Total noninterest income	55,198	69,633	179,046	218,329
NONINTEREST EXPENSE:				
Salaries and employee benefits	65,463	61,230	194,318	181,030
Occupancy expense	8,748	7,656	25,417	23,286
Furniture and equipment	3,764	3,513	11,097	10,647
Amortization - intangibles	2,644	2,750	8,145	8,192
Software expense	4,594	4,209	13,848	12,896
Data processing	3,628	3,603	10,778	10,255
Professional fees	2,627	2,227	6,416	6,826
Advertising and marketing	4,290	3,865	12,508	10,090
Other expenses	16,276	15,033	47,612	43,583
Total noninterest expense	112,034	104,086	330,139	306,805
Income before income tax expense and noncontrolling interest	63,277	67,572	178,957	228,766
Provision for income tax expense	12,606	14,829	34,983	45,388
Net income	$ 50,671	$ 52,743	$ 143,974	$ 183,378
Net income attributable to noncontrolling interest	(502)	(2,343)	(1,672)	(8,177)
Net income attributable to TowneBank	$ 50,169	$ 50,400	$ 142,302	$ 175,201
Per common share information				
Basic earnings	$ 0.69	$ 0.70	$ 1.96	$ 2.42
Diluted earnings	$ 0.69	$ 0.69	$ 1.97	$ 2.41
Cash dividends declared	$ 0.23	$ 0.20	$ 0.66	$ 0.58

TOWNEBANK

Consolidated Balance Sheets - Five Quarter Trend

(dollars in thousands, except share data)

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)
ASSETS					
Cash and due from banks	$ 97,290	$ 72,592	$ 74,991	$ 17,373	$ 75,370
Interest-bearing deposits at FRB - Richmond	1,245,067	2,341,942	2,857,327	3,244,484	3,155,039
Interest-bearing deposits in financial institutions	96,862	35,087	34,684	34,779	33,506
Total Cash and Cash Equivalents	1,439,219	2,449,621	2,967,002	3,296,636	3,263,915
Securities available for sale	1,890,136	1,914,011	1,846,540	1,806,183	1,560,402
Securities held to maturity	548,745	549,083	433,384	154,221	14,898
Less: allowance for credit losses	(83)	(85)	(92)	(94)	(94)
Securities held to maturity, net of allowance for credit losses	548,662	548,998	433,292	154,127	14,804
Other equity securities	6,360	6,679	6,789	6,759	6,621
FHLB stock	9,475	10,432	10,432	13,146	13,146
Total Securities	2,454,633	2,480,120	2,297,053	1,980,215	1,594,973
Mortgage loans held for sale	165,023	211,716	234,620	358,303	431,846
Loans, net of unearned income and deferred costs	10,559,611	10,425,760	9,909,308	9,506,252	9,297,565
Less: allowance for credit losses	(107,497)	(104,019)	(103,833)	(106,059)	(107,177)
Net Loans	10,452,114	10,321,741	9,805,475	9,400,193	9,190,388
Premises and equipment, net	295,345	289,753	277,764	270,772	270,810
Goodwill	458,482	457,162	457,162	457,187	457,187
Other intangible assets, net	44,854	44,878	47,562	50,379	50,839
BOLI	256,074	254,478	253,112	251,805	249,862
Other assets	386,053	354,570	326,838	295,897	301,552
TOTAL ASSETS	$ 15,951,797	$ 16,864,039	$ 16,666,588	$ 16,361,387	$ 15,811,372
LIABILITIES AND EQUITY					
Deposits:					
Noninterest-bearing demand	$ 5,574,528	$ 5,723,415	$ 5,532,337	$ 5,546,665	$ 5,394,952
Interest-bearing:					
Demand and money market accounts	6,042,417	6,384,818	6,432,005	6,139,714	5,681,181
Savings	387,622	388,364	393,119	371,356	366,165
Certificates of deposit	1,407,495	1,499,514	1,414,339	1,515,891	1,571,752
Total Deposits	13,412,062	13,996,111	13,771,800	13,573,626	13,014,050
Advances from the FHLB	29,850	55,024	55,196	155,367	155,537
Subordinated debt, net	247,265	497,061	496,757	249,652	249,503
Repurchase agreements and other borrowings	43,165	47,922	75,988	76,797	82,413
Total Borrowings	320,280	600,007	627,941	481,816	487,453
Other liabilities	375,869	397,388	387,087	389,771	409,435
TOTAL LIABILITIES	14,108,211	14,993,506	14,786,828	14,445,213	13,910,938
Preferred stock					
Authorized shares - 2,000,000	—	—	—	—	—
Common stock, $1.667 par value	121,423	121,265	121,231	121,164	121,163
Capital surplus	1,052,374	1,051,384	1,050,387	1,050,948	1,049,367
Retained earnings	810,845	777,430	747,614	716,605	690,960
Common stock issued to deferred compensation trust, at cost	(18,862)	(19,349)	(18,323)	(18,257)	(18,076)
Deferred compensation trust	18,862	19,349	18,323	18,257	18,076
Accumulated other comprehensive income (loss)	(157,980)	(96,358)	(56,712)	10,597	21,597
TOTAL SHAREHOLDERS' EQUITY	1,826,662	1,853,721	1,862,520	1,899,314	1,883,087
Noncontrolling interest	16,924	16,812	17,240	16,860	17,347
TOTAL EQUITY	1,843,586	1,870,533	1,879,760	1,916,174	1,900,434
TOTAL LIABILITIES AND EQUITY	$ 15,951,797	$ 16,864,039	$ 16,666,588	$ 16,361,387	$ 15,811,372

TOWNEBANK

Consolidated Statements of Income - Five Quarter Trend (unaudited)

(dollars in thousands, except share data)

	Three Months Ended				
	September 30, 2022	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**
INTEREST INCOME:					
Loans, including fees	$ 111,590	$ 101,043	$ 94,962	$ 95,054	$ 98,258
Investment securities	13,979	12,263	9,671	10,484	7,000
Interest-bearing deposits in financial institutions and federal funds sold	9,509	4,616	1,347	1,215	1,182
Mortgage loans held for sale	2,446	2,217	2,375	2,750	3,405
Total interest income	137,524	120,139	108,355	109,503	109,845
INTEREST EXPENSE:					
Deposits	10,230	5,573	4,894	5,389	6,028
Advances from the FHLB	83	86	92	206	247
Subordinated debt, net	3,117	5,091	4,120	2,962	2,962
Repurchase agreements and other borrowings	56	49	45	154	165
Total interest expense	13,486	10,799	9,151	8,711	9,402
Net interest income	124,038	109,340	99,204	100,792	100,443
PROVISION FOR CREDIT LOSSES	3,925	56	(1,449)	(1,110)	(1,582)
Net interest income after provision for credit losses	120,113	109,284	100,653	101,902	102,025
NONINTEREST INCOME:					
Residential mortgage banking income, net	11,968	13,176	14,638	20,945	25,422
Insurance commissions and other title fees and income, net	19,435	19,746	19,074	15,486	17,398
Property management income, net	9,891	9,452	17,147	9,099	10,502
Real estate commission income, net	2,932	3,412	2,554	3,165	3,781
Service charges on deposit accounts	2,455	2,446	2,574	2,479	2,524
Credit card merchant fees, net	1,658	1,906	1,375	1,412	1,660
BOLI	1,585	1,853	1,717	1,904	2,301
Other income	5,274	5,649	7,129	5,142	6,045
Total noninterest income	55,198	57,640	66,208	59,632	69,633
NONINTEREST EXPENSE:					
Salaries and employee benefits	65,463	64,892	63,963	64,814	61,230
Occupancy expense	8,748	8,342	8,327	8,371	7,656
Furniture and equipment	3,764	3,643	3,690	3,528	3,513
Amortization - intangibles	2,644	2,684	2,817	2,935	2,750
Software expense	4,594	4,762	4,492	4,014	4,209
Data processing	3,628	3,556	3,594	3,524	3,603
Professional fees	2,627	1,761	2,027	2,723	2,227
Advertising and marketing	4,290	4,091	4,127	3,414	3,865
Other expenses	16,276	14,994	16,342	17,144	15,033
Total noninterest expense	112,034	108,725	109,379	110,467	104,086
Income before income tax expense and noncontrolling interest	63,277	58,199	57,482	51,067	67,572
Provision for income tax expense	12,606	11,145	11,232	9,410	14,829
Net income	50,671	47,054	46,250	41,657	52,743
Net income attributable to noncontrolling interest	(502)	(507)	(664)	(1,474)	(2,343)
Net income attributable to TowneBank	$ 50,169	$ 46,547	$ 45,586	$ 40,183	$ 50,400
Per common share information					
Basic earnings	$ 0.69	$ 0.64	$ 0.63	$ 0.55	$ 0.70
Diluted earnings	$ 0.69	$ 0.64	$ 0.63	$ 0.55	$ 0.69
Basic weighted average shares outstanding	72,578,736	72,559,537	72,498,075	72,525,504	72,506,877
Diluted weighted average shares outstanding	72,594,474	72,568,886	72,562,122	72,624,610	72,591,281
Cash dividends declared	$ 0.23	$ 0.23	$ 0.20	$ 0.20	$ 0.20

TOWNEBANK

Banking Segment Financial Information (unaudited)

(dollars in thousands)

	Three Months Ended			Nine Months Ended		Increase/(Decrease)	
	September 30,		June 30,	September 30,		2022 over 2021	
	2022	2021	2022	2022	2021	Amount	Percent
Revenue							
Net interest income	$123,039	$ 97,668	$107,417	$327,226	$293,407	$ 33,819	11.53 %
Service charges on deposit accounts	2,455	2,524	2,446	7,474	7,104	370	5.21 %
Credit card merchant fees	1,658	1,660	1,906	4,940	4,630	310	6.70 %
Other income	5,332	6,334	5,042	17,083	16,706	377	2.26 %
Subtotal	9,445	10,518	9,394	29,497	28,440	1,057	3.72 %
Net gain/(loss) on investment securities	—	—	—	—	1,252	(1,252)	(100.00)%
Total noninterest income	9,445	10,518	9,394	29,497	29,692	(195)	(0.66)%
Total revenue	132,484	108,186	116,811	356,723	323,099	33,624	10.41 %
Provision for credit losses	4,240	(1,728)	(160)	2,247	(14,661)	16,908	(115.33)%
Expenses							
Salaries and employee benefits	39,349	34,791	38,673	115,082	102,427	12,655	12.36 %
Occupancy expense	6,109	5,098	5,633	17,401	15,657	1,744	11.14 %
Furniture and equipment	2,803	2,602	2,747	8,259	8,086	173	2.14 %
Amortization of intangibles	726	862	777	2,330	2,737	(407)	(14.87)%
Other expenses	21,075	16,580	17,856	57,158	49,020	8,138	16.60 %
Total expenses	70,062	59,933	65,686	200,230	177,927	22,303	12.53 %
Income before income tax, corporate allocation and noncontrolling interest	58,182	49,981	51,285	154,246	159,833	(5,587)	(3.50)%
Corporate allocation	902	1,241	1,325	3,520	3,782	(262)	(6.93)%
Income before income tax provision and noncontrolling interest	59,084	51,222	52,610	157,766	163,615	(5,849)	(3.57)%
Provision for income tax expense	11,507	10,225	9,756	29,782	30,461	(679)	(2.23)%
Net income	47,577	40,997	42,854	127,984	133,154	(5,170)	(3.88)%
Noncontrolling interest	—	2	—	—	(1)	1	(100.00)%
Net income attributable to TowneBank	$ 47,577	$ 40,999	$ 42,854	$127,984	$133,153	$ (5,169)	(3.88)%
Efficiency ratio [(non-GAAP)]	52.34 %	54.60 %	55.57 %	55.48 %	54.43 %	1.05 %	1.93 %

TOWNEBANK

Realty Segment Financial Information (unaudited)

(dollars in thousands)

	Three Months Ended			Nine Months Ended		Increase/(Decrease)	
	September 30,		June 30,	September 30,		2022 over 2021	
	2022	2021	2022	2022	2021	Amount	Percent
Revenue							
Residential mortgage brokerage income, net	$ 12,726	$ 26,637	$ 14,858	$ 43,491	$ 90,898	$ (47,407)	(52.15)%
Real estate brokerage income, net	2,932	3,781	3,412	8,899	10,125	(1,226)	(12.11)%
Title insurance and settlement fees	525	706	561	1,590	1,917	(327)	(17.06)%
Property management fees, net	9,891	10,502	9,452	36,489	33,076	3,413	10.32 %
Income from unconsolidated subsidiary	77	269	115	359	964	(605)	(62.76)%
Net interest and other income	1,508	3,154	2,411	6,851	9,223	(2,372)	(25.72)%
Total revenue	27,659	45,049	30,809	97,679	146,203	(48,524)	(33.19)%
Provision for credit losses	(315)	146	216	285	(1,004)	1,289	(128.39)%
Expenses							
Salaries and employee benefits	15,854	17,375	16,501	49,646	50,240	(594)	(1.18)%
Occupancy expense	1,919	1,926	1,997	5,814	5,732	82	1.43 %
Furniture and equipment	765	693	707	2,232	1,934	298	15.41 %
Amortization of intangible assets	817	702	816	2,449	1,882	567	30.13 %
Other expenses	8,687	11,103	9,932	29,472	30,774	(1,302)	(4.23)%
Total expenses	28,042	31,799	29,953	89,613	90,562	(949)	(1.05)%
Income before income tax, corporate allocation and noncontrolling interest	(68)	13,104	640	7,781	56,645	(48,864)	(86.26)%
Corporate allocation	(602)	(1,000)	(1,000)	(2,602)	(3,000)	398	(13.27)%
Income before income tax provision and noncontrolling interest	(670)	12,104	(360)	5,179	53,645	(48,466)	(90.35)%
Provision for income tax expense	(120)	3,546	(144)	1,110	12,017	(10,907)	(90.76)%
Net income	(550)	8,558	(216)	4,069	41,628	(37,559)	(90.23)%
Noncontrolling interest	(502)	(2,345)	(507)	(1,672)	(8,176)	6,504	(79.55)%
Net income attributable to TowneBank	$ (1,052)	$ 6,213	$ (723)	$ 2,397	$ 33,452	$ (31,055)	(92.83)%
Efficiency ratio [(non-GAAP)]	98.43 %	69.03 %	94.57 %	89.24 %	60.66 %	28.58 %	47.12 %

TOWNEBANK

Insurance Segment Financial Information (unaudited)

(dollars in thousands)

	Three Months Ended			Nine Months Ended		Increase/(Decrease)	
	September 30,		June 30,	September 30,		2022 over 2021	
	2022	2021	2022	2022	2021	Amount	Percent
Commission and fee income							
Property and casualty	$ 17,567	$ 15,338	$ 16,546	$ 49,451	$ 44,467	$ 4,984	11.21 %
Employee benefits	4,020	3,820	3,924	12,105	11,135	970	8.71 %
Specialized benefit services	160	164	160	489	494	(5)	(1.01)%
Total commissions and fees	21,747	19,322	20,630	62,045	56,096	5,949	10.61 %
Contingency and bonus revenue	1,654	1,664	2,994	8,052	6,746	1,306	19.36 %
Other income	23	40	15	72	157	(85)	(54.14)%
Total revenue	23,424	21,026	23,639	70,169	62,999	7,170	11.38 %
Employee commission expense	4,331	4,185	4,279	12,943	12,395	548	4.42 %
Revenue, net of commission expense	19,093	16,841	19,360	57,226	50,604	6,622	13.09 %
Salaries and employee benefits	10,260	9,064	9,718	29,590	28,363	1,227	4.33 %
Occupancy expense	720	632	712	2,202	1,897	305	16.08 %
Furniture and equipment	196	218	189	606	626	(20)	(3.19)%
Amortization of intangible assets	1,101	1,186	1,091	3,366	3,573	(207)	(5.79)%
Other expenses	1,653	1,254	1,376	4,532	3,857	675	17.50 %
Total operating expenses	13,930	12,354	13,086	40,296	38,316	1,980	5.17 %
Income before income tax, corporate allocation and noncontrolling interest	5,163	4,487	6,274	16,930	12,288	4,642	37.78 %
Corporate allocation	(300)	(241)	(325)	(918)	(782)	(136)	17.39 %
Income before income tax provision and noncontrolling interest	4,863	4,246	5,949	16,012	11,506	4,506	39.16 %
Provision for income tax expense	1,219	1,058	1,533	4,091	2,910	1,181	40.58 %
Net income	3,644	3,188	4,416	11,921	8,596	3,325	38.68 %
Noncontrolling interest	—	—	—	—	—	—	N/M
Net income attributable to TowneBank	$ 3,644	$ 3,188	$ 4,416	$ 11,921	$ 8,596	3,325	38.68 %
Provision for income taxes	1,219	1,058	1,533	4,091	2,910	1,181	40.58 %
Depreciation, amortization and interest expense	1,228	1,330	1,220	3,767	3,999	(232)	(5.80)%
EBITDA (non-GAAP)	$ 6,091	$ 5,576	$ 7,169	$ 19,779	$ 15,505	$ 4,274	27.57 %
Efficiency ratio (non-GAAP)	67.19 %	66.31 %	61.96 %	64.53 %	68.66 %	(4.13)%	(6.02)%

TOWNEBANK

Reconciliation of Non-GAAP Financial Measures

(dollars in thousands)

	Three Months Ended			Nine Months Ended	
	September 30, 2022	September 30, 2021	June 30, 2022	September 30, 2022	September 30, 2021
Return on average assets (GAAP)	1.22 %	1.27 %	1.13 %	1.16 %	1.55 %
Impact of excluding average goodwill and other intangibles and amortization	0.09 %	0.10 %	0.09 %	0.09 %	0.11 %
Return on average tangible assets (non-GAAP)	1.31 %	1.37 %	1.22 %	1.25 %	1.66 %
Return on average equity (GAAP)	10.60 %	10.59 %	9.94 %	10.09 %	12.73 %
Impact of excluding average goodwill and other intangibles and amortization	4.48 %	4.50 %	4.26 %	4.31 %	5.39 %
Return on average tangible equity (non-GAAP)	15.08 %	15.09 %	14.20 %	14.40 %	18.12 %
Return on average common equity (GAAP)	10.69 %	10.68 %	10.03 %	10.18 %	12.84 %
Impact of excluding average goodwill and other intangibles and amortization	4.58 %	4.59 %	4.34 %	4.39 %	5.49 %
Return on average tangible common equity (non-GAAP)	15.27 %	15.27 %	14.37 %	14.57 %	18.33 %
Book value (GAAP)	$ 25.08	$ 25.91	$ 25.48	$ 25.08	$ 25.91
Impact of excluding average goodwill and other intangibles and amortization	(6.91)	(6.99)	(6.90)	(6.91)	(6.99)
Tangible book value (non-GAAP)	$ 18.17	$ 18.92	$ 18.58	$ 18.17	$ 18.92
Efficiency ratio (GAAP)	62.51 %	61.20 %	65.11 %	64.53 %	59.01 %
Impact of exclusions	(1.48)%	(1.62)%	(1.60)%	(1.59)%	(1.44)%
Efficiency ratio (non-GAAP)	61.03 %	59.58 %	63.51 %	62.94 %	57.57 %
Average assets (GAAP)	$ 16,304,294	$ 15,706,998	$16,529,810	$ 16,382,006	$ 15,151,850
Less: average goodwill and intangible assets	504,000	506,231	503,678	504,715	499,944
Average tangible assets (non-GAAP)	$ 15,800,294	$ 15,200,767	$16,026,132	$ 15,877,291	$ 14,651,906
Average equity (GAAP)	$ 1,878,574	$ 1,888,451	$ 1,878,361	$ 1,885,655	$ 1,840,268
Less: average goodwill and intangible assets	504,000	506,231	503,678	504,715	499,944
Average tangible equity (non-GAAP)	$ 1,374,574	$ 1,382,220	$ 1,374,683	$ 1,380,940	$ 1,340,324
Average common equity (GAAP)	$ 1,861,845	$ 1,871,820	$ 1,861,635	$ 1,869,112	$ 1,824,753
Less: average goodwill and intangible assets	504,000	506,231	503,678	504,715	499,944
Average tangible common equity (non-GAAP)	$ 1,357,845	$ 1,365,589	$ 1,357,957	$ 1,364,397	$ 1,324,809
Net income (GAAP)	$ 50,169	$ 50,400	$ 46,547	$ 142,302	$ 175,201
Amortization of intangibles, net of tax	2,089	2,172	2,120	6,435	6,472
Tangible net income (non-GAAP)	$ 52,258	$ 52,572	$ 48,667	$ 148,737	$ 181,673
Net income (GAAP)	$ 50,169	$ 50,400	$ 46,547	$ 142,302	$ 175,201
Provision for credit losses	3,925	(1,582)	56	2,532	(15,665)
Provision for income tax	12,606	14,829	11,145	34,983	45,388
Other nonrecurring (income) loss	—	—	—	—	30
Pre-provision, pre-tax net revenues (non-GAAP)	$ 66,700	$ 63,647	$ 57,748	$ 179,817	$ 204,954
Total revenue (GAAP)	$ 179,236	$ 170,076	$ 166,980	$ 511,628	$ 519,906
Net (gain)/loss on investment securities	—	—	—	—	(1,252)
Other nonrecurring (income) loss	—	—	—	—	30
Total Revenue for efficiency calculation (non-GAAP)	$ 179,236	$ 170,076	$ 166,980	$ 511,628	$ 518,684
Noninterest expense (GAAP)	$ 112,034	$ 104,086	$ 108,725	$ 330,139	$ 306,805
Less: amortization of intangibles	2,644	2,750	2,684	8,145	8,192
Noninterest expense net of amortization (non-GAAP)	$ 109,390	$ 101,336	$ 106,041	$ 321,994	$ 298,613

TOWNEBANK

Reconciliation of Non-GAAP Financial Measures

(dollars in thousands, except per share data)

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

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Net income (GAAP)	$ 50,169	$ 46,547	$ 45,586	$ 40,183	$ 50,400
Acquisition-related expenses	616	51	59	50	719
Income tax expense (benefit)	(6)	(1)	(12)	(7)	(41)
Total charges, net of taxes	610	50	47	43	678
Operating earnings, excluding certain items affecting comparability (non-GAAP)	$ 50,779	$ 46,597	$ 45,633	$ 40,226	$ 51,078
Weighted average diluted shares	72,594,474	72,568,886	72,562,122	72,624,610	72,591,281
Diluted EPS (GAAP)	$ 0.69	$ 0.64	$ 0.63	$ 0.55	$ 0.69
Diluted EPS, excluding certain items affecting comparability (non-GAAP)	$ 0.70	$ 0.64	$ 0.63	$ 0.55	$ 0.70
Average assets	$ 16,304,294	$ 16,529,810	$ 16,311,998	$ 16,075,509	$ 15,706,998
Average tangible equity	$ 1,374,574	$ 1,374,683	1,393,771	$ 1,395,607	$ 1,382,220
Average common tangible equity	$ 1,357,845	$ 1,357,957	$ 1,377,605	$ 1,379,412	$ 1,365,589
Return on average assets, excluding certain items affecting comparability (non-GAAP)	1.24 %	1.13 %	1.13 %	0.99 %	1.29 %
Return on average tangible equity, excluding certain items affecting comparability (non-GAAP)	15.26 %	14.21 %	13.93 %	12.09 %	15.28 %
Return on average common tangible equity, excluding certain items affecting comparability (non-GAAP)	15.45 %	14.39 %	14.09 %	12.24 %	15.47 %
Efficiency ratio, excluding certain items affecting comparability (non-GAAP)	62.16 %	65.08 %	66.09 %	68.83 %	60.78 %

TOWNEBANK

Reconciliation of Non-GAAP Financial Measures

(dollars in thousands, except per share data)

Reconciliation of GAAP Earnings to Operating Earnings Excluding Certain Items Affecting Comparability	**Nine Months Ended**	
	September 30, 2022	**September 30, 2021**
Net income (GAAP)	$ 142,302	$ 175,201
Acquisition-related expenses	726	972
Income tax expense (benefit)	(21)	(50)
Total charges, net of taxes	705	922
Operating earnings, excluding certain items affecting comparability (non-GAAP)	$ 143,007	$ 176,123
Weighted average diluted shares	72,567,596	72,547,478
Diluted EPS (GAAP)	$ 1.97	$ 2.41
Diluted EPS, excluding certain items affecting comparability (non-GAAP)	$ 1.97	$ 2.43
Average assets	$ 16,382,006	$ 15,151,850
Average tangible equity	$ 1,380,940	$ 1,340,324
Average tangible common equity	$ 1,364,397	$ 1,324,809
Return on average assets, excluding certain items affecting comparability (non-GAAP)	1.17 %	1.55 %
Return on average tangible equity, excluding certain items affecting comparability (non-GAAP)	14.47 %	18.21 %
Return on average common tangible equity, excluding certain items affecting comparability (non-GAAP)	14.64 %	18.43 %
Efficiency ratio, excluding certain items affecting comparability (non-GAAP)	64.39 %	58.96 %