



News Release

FOR IMMEDIATE RELEASE

TOWNEBANK REPORTS THIRD QUARTER 2023 EARNINGS

Suffolk, VA., October 26, 2023 - TowneBank (the "Company" or "Towne") (NASDAQ: TOWN) today reported earnings for the quarter ended September 30, 2023 of \$44.86 million, or \$0.60 per diluted share, compared to \$50.17 million, or \$0.69 per diluted share, for the quarter ended September 30, 2022.

"We were pleased to deliver a solid performance for the quarter which reflected the strength of our core deposit franchise, diversified revenue model and robust capital levels. TowneBank continues to retain and grow its leading 28% deposit market share position in our home market in the Hampton Roads region, along with maintaining a top tier position in the Richmond, Raleigh, and Charlotte metropolitan markets, which validates our Main Street banking strategy. Average deposits were up \$326 million versus the sequential quarter, excluding brokered deposits, which allowed us to reduce higher cost borrowings. Highlighting the value of our diversified revenue model, fee income benefited from stronger insurance revenues as we continue to build the intrinsic value of our insurance agency. While earnings will likely remain under pressure in the short run, we believe our conservative approach to balance sheet management will position our Company to benefit from opportunities despite a challenging operating environment," said G. Robert Aston, Jr., Executive Chairman.

Highlights for Third Quarter 2023:

- Total revenues were \$172.86 million, a decrease of \$6.37 million, or 3.56%, compared to third quarter 2022. A decline in net interest income of \$10.98 million, driven by an increase in interest expense, was partially offset by an increase in noninterest income of \$4.61 million.
- Loans held for investment were \$11.17 billion, an increase of \$0.61 billion, or 5.81%, compared to September 30, 2022, and a decrease of \$35.04 million, or 0.31%, compared to June 30, 2023, 1.24% on an annualized basis. The increase from the prior year was primarily due to the January 2023 acquisition of Farmers Bankshares, Inc., ("Farmers"). Excluding loans acquired in the first quarter, total loans would have increased \$335.47 million, or 3.18%, compared to September 30, 2022.

- Total deposits were \$13.88 billion, an increase of \$468.74 million, or 3.49%, compared to third quarter 2022, driven by the Farmers acquisition. In comparison to June 30, 2023, total deposits increased 0.83%, or \$114.14 million, 3.29% on an annualized basis.
- Noninterest bearing deposits decreased 20.26%, to \$4.44 billion, compared to third quarter 2022 and represented 32.02% of total deposits. Compared to the linked quarter, noninterest bearing deposits decreased 6.91%.
- Annualized return on common shareholders' equity was 9.04% compared to 10.69% in third quarter 2022. Annualized return on average tangible common shareholders' equity (non-GAAP) was 13.11% compared to 15.27% in third quarter 2022.
- Net interest margin was 2.95% for the quarter and taxable equivalent net interest margin (non-GAAP) was 2.98%, compared to the prior year quarter net interest margin of 3.28% and taxable equivalent net interest margin (non-GAAP) of 3.31%.
- The effective tax rate was 17.34% in the quarter compared to 20.08% in third quarter 2022 and 18.41% in the linked quarter.

"We continue to prudently manage the Company during the uncertain economic environment. Seasonality in noninterest revenues and member deposit balances may create some volatility in the next few quarters, however, we believe in our conservative approach to growth, liquidity and capital deployment will prove to be the right strategy for our long-term success," stated William I. Foster III, President and Chief Executive Officer.

Quarterly Net Interest Income:

- Net interest income was \$113.06 million compared to \$124.04 million for the quarter ended September 30, 2022. The decrease was driven by increased deposit costs outpacing higher earning asset yields.
- Tax-equivalent net interest margin (non-GAAP) was 2.98%, including purchase accounting accretion of 5 basis points, compared to 3.31%, including purchase accounting accretion of 2 basis points, for third quarter 2022.
- On an average basis, loans held for investment, with a yield of 5.13%, represented 73.45% of earning assets at September 30, 2023 compared to a yield of 4.25% and 69.83% of earning assets in the third quarter of 2022.
- Total cost of deposits increased to 1.84% from 0.30% for the quarter ended September 30, 2022. Interest expense on deposits increased \$53.94 million, or 527.28%, over the prior year quarter driven by the increase in rate.

- Higher mortgage rates and low home sale inventory have adversely impacted our residential mortgage banking business.
- Average interest-earning assets totaled \$15.21 billion at September 30, 2023 compared to \$14.99 billion at September 30, 2022, an increase of 1.47%.
- Average interest-bearing liabilities totaled \$9.75 billion, an increase of \$1.40 billion, or 16.83% from prior year. Average short term FHLB borrowings were \$248.91 million during the quarter.

Quarterly Provision for Credit Losses:

- The quarterly provision for credit losses was an expense of \$1.01 million compared to \$3.93 million one year ago and \$3.56 million in the linked quarter.
- The allowance for credit losses on loans increased \$1.65 million in third quarter 2023, compared to the linked quarter. The increase in the allowance was driven by changes in our portfolio composition, combined with changes to the macroeconomic forecast scenarios utilized in our models.
- Net loan recoveries were \$1.07 million in the quarter compared to net recoveries of \$187 thousand in the prior year quarter and net charge-offs of \$9 thousand in the linked quarter. Two notable recoveries in third quarter 2023 were related to charge-offs that occurred in the fourth quarter of 2022 and first quarter of 2023.
- The ratio of net charge-offs (recoveries) to average loans on an annualized basis was (0.04)% in third quarter 2023, (0.01)% in third quarter 2022, and zero percent in the linked quarter.
- The allowance for credit losses on loans represented 1.12% of total loans at September 30, 2023, 1.02% at September 30, 2022, and 1.10% at June 30, 2023. The allowance for credit losses on loans was 17.60 times nonperforming loans compared to 20.48 times at September 30, 2022 and 18.09 times at June 30, 2023.

Quarterly Noninterest Income:

- Total noninterest income was \$59.81 million compared to \$55.20 million in 2022, an increase of \$4.61 million, or 8.35%.
- Residential mortgage banking income was \$10.65 million compared to \$11.97 million in third quarter 2022. Loan volume decreased to \$520.41 million in third quarter 2023 from \$692.70 million in 2022. Higher mortgage rates coupled with low home sale inventory levels have adversely impacted production. Residential purchase activity comprised 95.96% of production volume in the third quarter of 2023 compared to 93.20% in the prior year quarter.

- Gross margins on residential mortgage sales increased 15 basis points from 3.02% in third quarter 2022 to 3.17% in the current quarter.
- Total net insurance commissions increased \$4.34 million, or 22.34%, to \$23.78 million in third quarter 2023 compared to 2022. This resulted from increases in property and casualty commissions, which were driven by organic growth and commissions from a recent acquisition.
- Property management fee revenue increased 29.41%, or \$2.91 million, to \$12.80 million in third quarter 2023 compared to 2022. Reservation income increased compared to the prior year due to higher rental inventories and income from a recent acquisition.

Quarterly Noninterest Expense:

- Total noninterest expense was \$117.70 million compared to \$112.03 million in 2022, an increase of \$5.67 million, or 5.06%. Increases in salaries and employee benefits of \$1.80 million, FDIC and other insurance of \$1.37 million, software expense of \$1.54 million, and amortization expense of \$0.97 million were the primary sources of the increase.
- Salaries and benefits expense increases were driven by annual base salary adjustments that went into effect July 2023 and an increase in the year-over-year number of employees, primarily related to the Farmers Bankshares, Inc. acquisition.
- FDIC and other insurance increased due to an increased assessment rate in 2023.
- Software expense increased due to growth related cost increases and a number of ongoing projects throughout the Company.
- Amortization expense increased driven by the recent Farmers Bankshares, Inc. acquisition.

Consolidated Balance Sheet Highlights:

- Total assets were \$16.68 billion for the quarter ended September 30, 2023, a \$544.72 million decrease compared to \$17.23 billion at June 30, 2023. Total assets increased \$728.56 million, or 4.57%, from \$15.95 billion at September 30, 2022.
- Loans held for investment increased \$0.61 billion, or 5.81%, compared to prior year but decreased \$35.04 million, or 0.31%, compared to the linked quarter, 1.24% on an annualized basis.
- Mortgage loans held for sale increased \$23.03 million, or 13.95%, compared to prior year but declined \$41.45 million, or 18.06%, compared to the linked quarter.
- Total deposits increased \$468.74 million, or 3.49%, compared to prior year, primarily in interest-bearing demand and time deposits. In the linked quarter comparison, total deposits increased \$114.14 million, or 3.29% on an annualized basis.

- Total borrowings increased \$86.75 million, or 27.09%, over third quarter 2022 but decreased \$0.65 billion, or 61.59%, compared to the linked quarter. FHLB advances, which are included in total borrowings, decreased \$0.65 billion in third quarter 2023, compared to the linked quarter.

Investment Securities:

- Total investment securities were \$2.54 billion compared to \$2.61 billion at June 30, 2023 and \$2.45 billion at September 30, 2022. The weighted average duration of the portfolio at September 30, 2023 was 3.3 years. The carrying value of the available for sale debt securities portfolio included net unrealized losses of \$238.52 million at September 30, 2023, compared to \$195.98 million at June 30, 2023 and \$199.84 million at September 30, 2022, with the increases related to market valuation adjustments due to rising interest rates.

Loans and Asset Quality:

- Total loans held for investment were \$11.17 billion at September 30, 2023 compared to \$11.21 billion at June 30, 2023 and \$10.56 billion at September 30, 2022.
- Total loans for commercial real estate non-owner occupied office buildings were \$714.20 million at September 30, 2023. The average loan balance was \$1.83 million with less than \$1.0 million total criticized or classified loans.
- Nonperforming assets were \$7.88 million, or 0.05% of total assets, compared to \$5.44 million, or 0.03%, at September 30, 2022.
- Nonperforming loans were 0.06% of period end loans compared to 0.05% at September 30, 2022.
- Other real estate owned increased to \$766 thousand from \$186 thousand at September 30, 2022.

Deposits and Borrowings:

- Total deposits were \$13.88 billion compared to \$13.77 billion at June 30, 2023 and \$13.41 billion at September 30, 2022.
- Total loans held for investment to deposits was 80.49% compared to 81.41% at June 30, 2023 and 78.73% at September 30, 2022.
- Noninterest-bearing deposits were 32.02% of total deposits at September 30, 2023 compared to 34.68% at June 30, 2023 and 41.56% at September 30, 2022. Noninterest-bearing deposits declined \$1.13 billion, or 20.26%, compared to September 30, 2022, primarily in commercial and escrow accounts.
- Total borrowings were \$0.41 billion compared to \$1.06 billion at June 30, 2023 and \$0.32 billion at

September 30, 2022.

Capital:

- Common equity tier 1 capital ratio of 12.19%.
- Tier 1 leverage capital ratio of 10.06%.
- Tier 1 risk-based capital ratio of 12.31%.
- Total risk-based capital ratio of 15.09%.
- Book value per common share was \$26.28 compared to \$26.36 at June 30, 2023 and \$25.08 at September 30, 2022.
- Tangible book value per common share (non-GAAP) was \$19.28 compared to \$19.31 at June 30, 2023 and \$18.17 at September 30, 2022.

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.

TowneBank operates over 45 banking offices throughout Hampton Roads and Central Virginia, as well as Northeastern and Central North Carolina – serving as a local leader in promoting the social, cultural, and economic growth in each community. Towne offers a competitive array of business and personal banking solutions, delivered with only the highest ethical standards. Experienced local bankers providing a higher level of expertise and personal attention with local decision-making are key to the TowneBank strategy. TowneBank has grown its capabilities beyond banking to provide expertise through its affiliated companies that include Towne Wealth Management, Towne Insurance Agency, Towne Benefits, TowneBank Mortgage, TowneBank Commercial Mortgage, Berkshire Hathaway HomeServices, RW Towne Realty, Towne 1031 Exchange, LLC, and Towne Vacations. With total assets of \$16.68 billion as of September 30, 2023, TowneBank is one of the largest banks headquartered in Virginia.

Non-GAAP Financial Measures:

This press release contains certain financial measures determined by methods other than in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Such non-GAAP financial measures include the following: fully tax-equivalent net interest margin, core operating earnings,

core net income, tangible book value per common share, total risk-based capital ratio, tier one leverage ratio, tier one capital ratio, and the tangible common equity to tangible assets ratio. Management uses these non-GAAP financial measures to assess the performance of TowneBank's core business and the strength of its capital position. Management believes that these non-GAAP financial measures provide meaningful additional information about TowneBank to assist investors in evaluating operating results, financial strength, and capitalization. The non-GAAP financial measures should be considered as additional views of the way our financial measures are affected by significant charges for credit costs and other factors. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of the non-GAAP financial measures used in this presentation are referenced in a footnote or in the appendix to this presentation.

Forward-Looking Statements:

This press release contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the beliefs, expectations, or opinions of TowneBank and its management regarding future events, many of which, by their nature, are inherently uncertain. Forward-looking statements may be identified by the use of such words as: "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional terms, such as "will," "would," "should," "could," "may," "likely," "probably," or "possibly." These statements may address issues that involve significant risks, uncertainties, estimates, and assumptions made by management. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include competitive pressures in the banking industry that may increase significantly; changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize our overall liquidity or capitalization; changes in the creditworthiness of customers and the possible impairment of the collectability of loans; insufficiency of our allowance for credit losses due to market conditions, inflation, changing interest rates or other factors; adverse developments in the financial industry generally, such as the recent bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior; general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; unusual and infrequently occurring events, such as weather-related or natural

disasters, acts of war or terrorism, or public health events (such as the COVID-19 pandemic); changes in the legislative or regulatory environment, including changes in accounting standards and tax laws, that may adversely affect our business; costs or difficulties related to the integration of the businesses we have acquired may be greater than expected; expected cost savings associated with pending or recently completed acquisitions may not be fully realized or realized within the expected time frame; cybersecurity threats or attacks, the implementation of new technologies, and the ability to develop and maintain reliable electronic systems; our competitors may have greater financial resources and develop products that enable them to compete more successfully; changes in business conditions; changes in the securities market; and changes in our local economy with regard to our market area. Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events, or otherwise. For additional information on factors that could materially influence forward-looking statements included in this report, see the "Risk Factors" in TowneBank's Annual Report on Form 10-K for the year ended December 31, 2022, our Quarterly Report on Form 10-Q for the period ended June 30, 2023, 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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TOWNEBANK
Selected Financial Highlights (unaudited)
(dollars in thousands, except per share data)

	Three Months Ended				
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Income and Performance Ratios:					
Total revenue	\$ 172,864	\$ 181,568	\$ 184,144	\$ 175,307	\$ 179,236
Net income	44,745	43,368	38,478	46,494	50,671
Net income available to common shareholders	44,862	41,716	38,333	46,685	50,169
Net income per common share - diluted	0.60	0.56	0.52	0.64	0.69
Book value per common share	26.28	26.36	26.40	25.73	25.08
Book value per common share - tangible ^(non-GAAP)	19.28	19.31	19.04	18.84	18.17
Return on average assets	1.06 %	0.99 %	0.95 %	1.16 %	1.22 %
Return on average assets - tangible ^(non-GAAP)	1.17 %	1.10 %	1.05 %	1.25 %	1.31 %
Return on average equity	8.96 %	8.46 %	7.99 %	9.98 %	10.60 %
Return on average equity - tangible ^(non-GAAP)	12.97 %	12.35 %	11.71 %	14.26 %	15.08 %
Return on average common equity	9.04 %	8.52 %	8.05 %	10.07 %	10.69 %
Return on average common equity - tangible ^(non-GAAP)	13.11 %	12.48 %	11.83 %	14.44 %	15.27 %
Noninterest income as a percentage of total revenue	34.60 %	37.43 %	33.00 %	26.54 %	30.80 %
Regulatory Capital Ratios (1):					
Common equity tier 1	12.19 %	11.99 %	11.68 %	11.92 %	11.92 %
Tier 1	12.31 %	12.11 %	11.80 %	12.04 %	12.05 %
Total	15.09 %	14.88 %	14.55 %	14.80 %	14.80 %
Tier 1 leverage ratio	10.06 %	9.85 %	9.86 %	9.87 %	9.52 %
Asset Quality:					
Allowance for credit losses on loans to nonperforming loans	17.60x	18.09x	12.87x	17.67x	20.48x
Allowance for credit losses on loans to period end loans	1.12 %	1.10 %	1.07 %	1.03 %	1.02 %
Nonperforming loans to period end loans	0.06 %	0.06 %	0.08 %	0.06 %	0.05 %
Nonperforming assets to period end assets	0.05 %	0.05 %	0.06 %	0.04 %	0.03 %
Net charge-offs (recoveries) to average loans (annualized)	(0.04)%	— %	0.14 %	0.11 %	(0.01)%
Net charge-offs (recoveries)	\$ (1,074)	\$ 9	\$ 3,874	\$ 2,904	\$ (187)
Nonperforming loans	\$ 7,110	\$ 6,827	\$ 9,322	\$ 6,273	\$ 5,250
Former bank premises	—	1,782	—	—	—
Foreclosed property	766	738	564	560	186
Total nonperforming assets	<u>\$ 7,876</u>	<u>\$ 9,347</u>	<u>\$ 9,886</u>	<u>\$ 6,833</u>	<u>\$ 5,436</u>
Loans past due 90 days and still accruing interest	\$ 970	\$ 360	\$ 206	\$ 324	\$ 725
Allowance for credit losses on loans	\$ 125,159	\$ 123,513	\$ 120,002	\$ 110,816	\$ 107,497
Mortgage Banking:					
Loans originated, mortgage	\$ 348,387	\$ 409,050	\$ 280,401	\$ 299,298	\$ 458,254
Loans originated, joint venture	172,021	207,450	135,818	157,511	234,443
Total loans originated	<u>\$ 520,408</u>	<u>\$ 616,500</u>	<u>\$ 416,219</u>	<u>\$ 456,809</u>	<u>\$ 692,697</u>
Number of loans originated	1,487	1,715	1,249	1,355	1,983
Number of originators	192	196	194	186	194
Purchase %	95.96 %	96.32 %	94.99 %	95.08 %	93.20 %
Loans sold	\$ 567,291	\$ 525,078	\$ 346,288	\$ 483,254	\$ 701,908
Rate lock asset	\$ 1,348	\$ 1,551	\$ 1,435	\$ 482	\$ 859
Gross realized gain on sales and fees as a % of loans originated	3.17 %	2.96 %	3.11 %	2.93 %	3.02 %
Other Ratios:					
Net interest margin	2.95 %	2.98 %	3.36 %	3.51 %	3.28 %
Net interest margin-fully tax equivalent ^(non-GAAP)	2.98 %	3.01 %	3.39 %	3.53 %	3.31 %
Average earning assets/total average assets	90.73 %	90.96 %	90.98 %	91.51 %	91.92 %
Average loans/average deposits	80.75 %	83.72 %	82.40 %	80.14 %	76.82 %
Average noninterest deposits/total average deposits	33.50 %	36.07 %	38.35 %	41.07 %	41.77 %
Period end equity/period end total assets	11.90 %	11.56 %	11.89 %	11.92 %	11.56 %
Efficiency ratio ^(non-GAAP)	66.21 %	70.41 %	65.64 %	61.99 %	61.03 %

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

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Selected Data (unaudited)
(dollars in thousands)

Investment Securities	% Change				
	Q3 2023	Q3 2022	Q2 2023	Q3 23 vs. Q3 22	Q3 23 vs. Q2 23
<i>Available-for-sale securities, at fair value</i>					
U.S. agency securities	\$ 300,161	\$ 331,297	\$ 318,354	(9.40)%	(5.71)%
U.S. Treasury notes	26,721	26,399	26,874	1.22 %	(0.57)%
Municipal securities	484,587	426,720	503,792	13.56 %	(3.81)%
Trust preferred and other corporate securities	74,024	79,501	71,116	(6.89)%	4.09 %
Mortgage-backed securities issued by GSE	1,079,303	1,027,331	1,086,947	5.06 %	(0.70)%
Allowance for credit losses	(1,343)	(1,112)	(1,232)	20.77 %	9.01 %
Total	\$ 1,963,453	\$ 1,890,136	\$ 2,005,851	3.88 %	(2.11)%
<i>Gross unrealized gains (losses) reflected in financial statements</i>					
Total gross unrealized gains	\$ 475	\$ 1,292	\$ 975	(63.24)%	(51.28)%
Total gross unrealized losses	(238,993)	(201,127)	(196,954)	18.83 %	21.34 %
Net unrealized gains (losses) and other adjustments on AFS securities	\$ (238,518)	\$ (199,835)	\$ (195,979)	19.36 %	21.71 %
<i>Held-to-maturity securities, at amortized cost</i>					
U.S. agency securities	\$ 101,659	\$ 100,905	\$ 101,469	0.75 %	0.19 %
U.S. Treasury notes	433,015	434,148	433,298	(0.26)%	(0.07)%
Municipal securities	5,249	5,159	5,226	1.74 %	0.44 %
Trust preferred corporate securities	2,185	2,235	2,198	(2.24)%	(0.59)%
Mortgage-backed securities issued by GSE	5,746	6,298	5,826	(8.76)%	(1.37)%
Allowance for credit losses	(85)	(83)	(87)	2.41 %	(2.30)%
Total	\$ 547,769	\$ 548,662	\$ 547,930	(0.16)%	(0.03)%
Total gross unrealized gains	\$ 82	\$ 153	\$ 272	(46.41)%	(69.85)%
Total gross unrealized losses	(23,505)	(31,116)	(25,914)	(24.46)%	(9.30)%
Net unrealized gains (losses) in HTM securities	\$ (23,423)	\$ (30,963)	\$ (25,642)	(24.35)%	(8.65)%
Total unrealized (losses) gains on AFS and HTM securities	\$ (261,941)	\$ (230,798)	\$ (221,621)	13.49 %	18.19 %
				% Change	
Loans Held For Investment	Q3 2023	Q3 2022	Q2 2023	Q3 23 vs. Q3 22	Q3 23 vs. Q2 23
Real estate - construction and development	\$ 1,325,976	\$ 1,324,831	\$ 1,364,575	0.09 %	(2.83)%
Commercial real estate - owner occupied	1,686,888	1,590,371	1,687,261	6.07 %	(0.02)%
Commercial real estate - non owner occupied	3,025,985	2,799,363	3,034,548	8.10 %	(0.28)%
Real estate - multifamily	542,611	458,803	520,464	18.27 %	4.26 %
Residential 1-4 family	1,818,843	1,567,024	1,790,225	16.07 %	1.60 %
HELOC	371,861	388,305	380,501	(4.23)%	(2.27)%
Commercial and industrial business (C&I)	1,237,524	1,251,350	1,259,282	(1.10)%	(1.73)%
Government	523,456	520,198	520,994	0.63 %	0.47 %
Indirect	548,621	572,710	562,161	(4.21)%	(2.41)%
Consumer loans and other	91,206	86,656	88,003	5.25 %	3.64 %
Total	\$ 11,172,971	\$ 10,559,611	\$ 11,208,014	5.81 %	(0.31)%
				% Change	
Deposits	Q3 2023	Q3 2022	Q2 2023	Q3 23 vs. Q3 22	Q3 23 vs. Q2 23
Noninterest-bearing demand	\$ 4,444,861	\$ 5,574,528	\$ 4,774,830	(20.26)%	(6.91)%
Interest-bearing:					
Demand and money market accounts	6,764,415	6,042,417	6,529,336	11.95 %	3.60 %
Savings	350,031	387,622	361,891	(9.70)%	(3.28)%
Certificates of deposits	2,321,498	1,407,495	2,100,604	64.94 %	10.52 %
Total	13,880,805	13,412,062	13,766,661	3.49 %	0.83 %

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

	Three Months Ended September 30, 2023			Three Months Ended June 30, 2023			Three Months Ended September 30, 2022		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)
Assets:									
Loans (net of unearned income and deferred costs)	\$ 11,169,924	\$144,457	5.13 %	\$ 11,209,641	\$139,814	5.00 %	\$ 10,465,441	\$112,225	4.25 %
Taxable investment securities	2,373,731	18,645	3.14 %	2,450,393	17,195	2.81 %	2,385,218	12,943	2.17 %
Tax-exempt investment securities	206,639	1,993	3.86 %	209,728	2,003	3.82 %	147,184	1,252	3.41 %
Total securities	2,580,370	20,638	3.20 %	2,660,121	19,198	2.89 %	2,532,402	14,195	2.24 %
Interest-bearing deposits	1,230,582	15,031	4.85 %	1,262,692	14,488	4.60 %	1,800,798	9,509	2.09 %
Loans held for sale	227,426	3,928	6.91 %	172,679	2,547	5.90 %	188,737	2,446	5.18 %
Total earning assets	15,208,302	184,054	4.80 %	15,305,133	176,047	4.61 %	14,987,378	138,375	3.66 %
Less: allowance for credit losses	(125,553)			(121,140)			(104,178)		
Total nonearning assets	1,680,110			1,642,972			1,421,094		
Total assets	<u>\$ 16,762,859</u>			<u>\$ 16,826,965</u>			<u>\$ 16,304,294</u>		
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	\$ 6,605,853	\$ 41,381	2.49 %	\$ 6,220,394	\$ 32,058	2.07 %	\$ 6,084,753	\$ 6,542	0.43 %
Savings	356,116	938	1.05 %	371,455	895	0.97 %	391,437	628	0.64 %
Certificates of deposit	2,236,102	21,852	3.88 %	1,968,623	15,718	3.20 %	1,456,746	3,060	0.83 %
Total interest-bearing deposits	9,198,071	64,171	2.77 %	8,560,472	48,671	2.28 %	7,932,936	10,230	0.51 %
Borrowings	299,105	3,382	4.42 %	863,255	10,345	4.74 %	94,411	139	0.58 %
Subordinated debt, net	255,446	2,245	3.52 %	255,264	2,236	3.50 %	320,518	3,117	3.89 %
Total interest-bearing liabilities	9,752,622	69,798	2.84 %	9,678,991	61,252	2.54 %	8,347,865	13,486	0.64 %
Demand deposits	4,633,856			4,829,395			5,690,020		
Other noninterest-bearing liabilities	389,912			339,966			387,835		
Total liabilities	14,776,390			14,848,352			14,425,720		
Shareholders' equity	1,986,469			1,978,613			1,878,574		
Total liabilities and equity	<u>\$ 16,762,859</u>			<u>\$ 16,826,965</u>			<u>\$ 16,304,294</u>		
Net interest income (tax-equivalent basis) (4)		\$114,256			\$114,795			\$124,889	
Reconciliation of Non-GAAP Financial Measures									
Tax-equivalent basis adjustment		(1,198)			(1,184)			(851)	
Net interest income (GAAP)		<u>\$113,058</u>			<u>\$113,611</u>			<u>\$124,038</u>	
Interest rate spread (2)(4)			1.96 %			2.07 %			3.02 %
Interest expense as a percent of average earning assets			1.82 %			1.61 %			0.36 %
Net interest margin (tax equivalent basis) (3)(4)			2.98 %			3.01 %			3.31 %
Total cost of deposits			1.84 %			1.46 %			0.30 %

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

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

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

(4) Non-GAAP.

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

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)
Assets:						
Loans (net of unearned income and deferred costs)	\$ 11,159,329	\$417,808	5.01 %	\$ 10,113,980	\$309,283	4.09 %
Taxable investment securities	2,420,634	52,656	2.90 %	2,259,940	33,344	1.97 %
Tax-exempt investment securities	201,535	5,883	3.89 %	130,196	3,090	3.16 %
Total securities	2,622,169	58,539	2.98 %	2,390,136	36,434	2.03 %
Interest-bearing deposits	1,179,952	40,168	4.55 %	2,362,155	15,472	0.88 %
Loans held for sale	168,822	8,079	6.38 %	225,777	7,038	4.16 %
Total earning assets	15,130,272	524,594	4.64 %	15,092,048	368,227	3.26 %
Less: allowance for credit losses	(120,420)			(104,733)		
Total nonearning assets	1,637,952			1,394,691		
Total assets	<u>\$ 16,647,804</u>			<u>\$ 16,382,006</u>		
Liabilities and Equity:						
Interest-bearing deposits						
Demand and money market	\$ 6,349,422	\$ 96,742	2.04 %	\$ 6,203,889	\$ 11,898	0.26 %
Savings	376,282	2,676	0.95 %	387,290	1,664	0.57 %
Certificates of deposit	1,964,718	47,358	3.22 %	1,440,661	7,134	0.66 %
Total interest-bearing deposits	8,690,422	146,776	2.26 %	8,031,840	20,696	0.34 %
Borrowings	505,856	17,644	4.60 %	119,336	412	0.46 %
Subordinated debt, net	253,612	6,650	3.50 %	401,195	12,328	4.10 %
Total interest-bearing liabilities	9,449,890	171,070	2.42 %	8,552,371	33,436	0.52 %
Demand deposits	4,873,945			5,569,186		
Other noninterest-bearing liabilities	353,459			374,794		
Total liabilities	14,677,294			14,496,351		
Shareholders' equity	1,970,510			1,885,655		
Total liabilities and equity	<u>\$ 16,647,804</u>			<u>\$ 16,382,006</u>		
Net interest income (tax-equivalent basis)(4)		\$353,524			\$334,791	
Reconciliation of Non-GAAP Financial Measures						
Tax-equivalent basis adjustment		(3,477)			(2,209)	
Net interest income (GAAP)		<u>\$350,047</u>			<u>\$332,582</u>	
Interest rate spread (2)(4)			2.22 %			2.74 %
Interest expense as a percent of average earning assets			1.51 %			0.30 %
Net interest margin (tax equivalent basis) (3)(4)			3.12 %			2.97 %
Total cost of deposits			1.45 %			0.20 %

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

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

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

(4) Non-GAAP.

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

	September 30, 2023	December 31, 2022
	(unaudited)	(audited)
ASSETS		
Cash and due from banks	\$ 83,949	\$ 55,381
Interest-bearing deposits at FRB - Richmond	1,029,276	1,000,205
Federal funds sold and interest-bearing deposits in financial institutions	102,527	97,244
Total Cash and Cash Equivalents	<u>1,215,752</u>	<u>1,152,830</u>
Securities available for sale, at fair value (amortized cost of \$2,203,314 and \$2,033,040, and allowance for credit losses of \$1,343 and \$1,086 at September 30, 2023 and December 31, 2022, respectively)	1,963,453	1,840,902
Securities held to maturity, at amortized cost (fair value \$524,431 and \$518,993 at September 30, 2023 and December 31, 2022, respectively)	547,854	548,475
Less: allowance for credit losses	(85)	(83)
Securities held to maturity, net of allowance for credit losses	<u>547,769</u>	<u>548,392</u>
Other equity securities	14,062	6,424
FHLB stock	16,634	9,617
Total Securities	<u>2,541,918</u>	<u>2,405,335</u>
Mortgage loans held for sale	188,048	102,339
Loans, net of unearned income and deferred costs	11,172,971	10,794,602
Less: allowance for credit losses	(125,159)	(110,816)
Net Loans	<u>11,047,812</u>	<u>10,683,786</u>
Premises and equipment, net	335,522	304,802
Goodwill	456,684	458,482
Other intangible assets, net	67,496	43,163
BOLI	275,240	258,069
Other assets	551,884	436,461
TOTAL ASSETS	<u>\$ 16,680,356</u>	<u>\$ 15,845,267</u>
LIABILITIES AND EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 4,444,861	\$ 5,265,186
Interest-bearing:		
Demand and money market accounts	6,764,415	6,185,075
Savings	350,031	374,987
Certificates of deposit	2,321,498	1,468,975
Total Deposits	<u>13,880,805</u>	<u>13,294,223</u>
Advances from the FHLB	104,139	29,674
Subordinated debt, net	255,580	247,420
Repurchase agreements and other borrowings	47,315	40,918
Total Borrowings	<u>407,034</u>	<u>318,012</u>
Other liabilities	408,305	344,275
TOTAL LIABILITIES	<u>14,696,144</u>	<u>13,956,510</u>
Preferred stock, authorized and unissued shares - 2,000,000	—	—
Common stock, \$1.667 par value: 150,000,000 shares authorized 74,887,083 and 72,841,379 shares issued at September 30, 2023 and December 31, 2022, respectively	124,837	121,426
Capital surplus	1,111,152	1,052,262
Retained earnings	911,042	840,777
Common stock issued to deferred compensation trust, at cost 1,001,376 and 931,030 shares at September 30, 2023 and December 31, 2022, respectively	(20,740)	(18,974)
Deferred compensation trust	20,740	18,974
Accumulated other comprehensive income (loss)	(179,043)	(140,505)
TOTAL SHAREHOLDERS' EQUITY	<u>1,967,988</u>	<u>1,873,960</u>
Noncontrolling interest	16,224	14,797
TOTAL EQUITY	<u>1,984,212</u>	<u>1,888,757</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 16,680,356</u>	<u>\$ 15,845,267</u>

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
INTEREST INCOME:				
Loans, including fees	\$ 143,605	\$ 111,590	\$ 415,351	\$ 307,595
Investment securities	20,292	13,979	57,519	35,913
Interest-bearing deposits in financial institutions and federal funds sold	15,031	9,509	40,168	15,472
Mortgage loans held for sale	3,928	2,446	8,079	7,038
Total interest income	182,856	137,524	521,117	366,018
INTEREST EXPENSE:				
Deposits	64,171	10,230	146,776	20,696
Advances from the FHLB	3,438	83	16,838	261
Subordinated debt, net	2,245	3,117	6,650	12,328
Repurchase agreements and other borrowings	(56)	56	806	151
Total interest expense	69,798	13,486	171,070	33,436
Net interest income	113,058	124,038	350,047	332,582
PROVISION FOR CREDIT LOSSES				
Net interest income after provision for credit losses	112,051	120,113	333,815	330,050
NONINTEREST INCOME:				
Residential mortgage banking income, net	10,648	11,968	31,380	39,782
Insurance commissions and other income, net	23,777	19,435	69,098	58,255
Property management income, net	12,800	9,891	40,433	36,489
Real estate brokerage income, net	(63)	2,932	3,562	8,899
Service charges on deposit accounts	2,802	2,455	8,671	7,474
Credit card merchant fees, net	2,006	1,658	5,232	4,940
BOLI	1,814	1,585	5,196	5,155
Other income	6,022	5,274	24,956	18,052
Total noninterest income	59,806	55,198	188,528	179,046
NONINTEREST EXPENSE:				
Salaries and employee benefits	67,258	65,463	204,124	194,318
Occupancy	9,027	8,748	27,579	25,417
Furniture and equipment	4,100	3,764	12,733	11,097
Amortization - intangibles	3,610	2,644	10,744	8,145
Software expense	6,130	4,594	17,922	13,848
Data processing	4,140	3,628	11,504	10,778
Professional fees	2,770	2,627	8,948	6,416
Advertising and marketing	3,653	4,290	12,012	12,508
Other expenses	17,014	16,276	61,762	47,612
Total noninterest expense	117,702	112,034	367,328	330,139
Income before income tax expense and noncontrolling interest	54,155	63,277	155,015	178,957
Provision for income tax expense	9,410	12,606	28,424	34,983
Net income	\$ 44,745	\$ 50,671	\$ 126,591	\$ 143,974
Net income attributable to noncontrolling interest	117	(502)	(1,680)	(1,672)
Net income attributable to TowneBank	\$ 44,862	\$ 50,169	\$ 124,911	\$ 142,302
Per common share information				
Basic earnings	\$ 0.60	\$ 0.69	\$ 1.67	\$ 1.96
Diluted earnings	\$ 0.60	\$ 0.69	\$ 1.67	\$ 1.96
Cash dividends declared	\$ 0.25	\$ 0.23	\$ 0.73	\$ 0.66

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

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	(unaudited)	(unaudited)	(unaudited)	(audited)	(unaudited)
ASSETS					
Cash and due from banks	\$ 83,949	\$ 106,994	\$ 97,502	\$ 55,381	\$ 97,290
Interest-bearing deposits at FRB - Richmond	1,029,276	1,427,044	1,040,112	1,000,205	1,245,067
Federal funds sold and interest-bearing deposits in financial institutions	102,527	102,231	104,924	97,244	96,862
Total Cash and Cash Equivalents	1,215,752	1,636,269	1,242,538	1,152,830	1,439,219
Securities available for sale	1,963,453	2,005,851	2,078,483	1,840,902	1,890,136
Securities held to maturity	547,854	548,017	548,226	548,475	548,745
Less: allowance for credit losses	(85)	(87)	(88)	(83)	(83)
Securities held to maturity, net of allowance for credit losses	547,769	547,930	548,138	548,392	548,662
Other equity securities	14,062	13,798	13,341	6,424	6,360
FHLB stock	16,634	40,454	29,837	9,617	9,475
Total Securities	2,541,918	2,608,033	2,669,799	2,405,335	2,454,633
Mortgage loans held for sale	188,048	229,502	157,161	102,339	165,023
Loans, net of unearned income and deferred costs	11,172,971	11,208,014	11,173,785	10,794,602	10,559,611
Less: allowance for credit losses	(125,159)	(123,513)	(120,002)	(110,816)	(107,497)
Net Loans	11,047,812	11,084,501	11,053,783	10,683,786	10,452,114
Premises and equipment, net	335,522	326,686	321,944	304,802	295,345
Goodwill	456,684	456,695	477,234	458,482	458,482
Other intangible assets, net	67,496	71,106	73,238	43,163	44,854
BOLI	275,240	273,435	271,704	258,069	256,074
Other assets	551,884	538,848	463,076	436,461	386,053
TOTAL ASSETS	\$ 16,680,356	\$ 17,225,075	\$ 16,730,477	\$ 15,845,267	\$ 15,951,797
LIABILITIES AND EQUITY					
Deposits:					
Noninterest-bearing demand	\$ 4,444,861	\$ 4,774,830	\$ 5,069,363	\$ 5,265,186	\$ 5,574,528
Interest-bearing:					
Demand and money market accounts	6,764,415	6,529,336	6,284,184	6,185,075	6,042,417
Savings	350,031	361,891	389,173	374,987	387,622
Certificates of deposit	2,321,498	2,100,604	1,855,411	1,468,975	1,407,495
Total Deposits	13,880,805	13,766,661	13,598,131	13,294,223	13,412,062
Advances from the FHLB	104,139	754,319	504,497	29,674	29,850
Subordinated debt, net	255,580	255,365	255,151	247,420	247,265
Repurchase agreements and other borrowings	47,315	49,898	46,602	40,918	43,165
Total Borrowings	407,034	1,059,582	806,250	318,012	320,280
Other liabilities	408,305	408,333	336,201	344,275	375,869
TOTAL LIABILITIES	14,696,144	15,234,576	14,740,582	13,956,510	14,108,211
Preferred stock					
	—	—	—	—	—
Common stock, \$1.667 par value	124,837	124,805	124,682	121,426	121,423
Capital surplus	1,111,152	1,109,526	1,109,387	1,052,262	1,052,374
Retained earnings	911,042	884,901	861,905	840,777	810,845
Common stock issued to deferred compensation trust, at cost	(20,740)	(20,134)	(18,839)	(18,974)	(18,862)
Deferred compensation trust	20,740	20,134	18,839	18,974	18,862
Accumulated other comprehensive income (loss)	(179,043)	(145,392)	(121,297)	(140,505)	(157,980)
TOTAL SHAREHOLDERS' EQUITY	1,967,988	1,973,840	1,974,677	1,873,960	1,826,662
Noncontrolling interest	16,224	16,659	15,218	14,797	16,924
TOTAL EQUITY	1,984,212	1,990,499	1,989,895	1,888,757	1,843,586
TOTAL LIABILITIES AND EQUITY	\$ 16,680,356	\$ 17,225,075	\$ 16,730,477	\$ 15,845,267	\$ 15,951,797

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

	Three Months Ended				
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
INTEREST INCOME:					
Loans, including fees	\$ 143,605	\$ 138,977	\$ 132,768	\$ 123,395	\$ 111,590
Investment securities	20,292	18,851	18,375	15,294	13,979
Interest-bearing deposits in financial institutions and federal funds sold	15,031	14,488	10,649	11,387	9,509
Mortgage loans held for sale	3,928	2,547	1,604	1,842	2,446
Total interest income	182,856	174,863	163,396	151,918	137,524
INTEREST EXPENSE:					
Deposits	64,171	48,671	33,934	20,118	10,230
Advances from the FHLB	3,438	10,407	2,992	665	83
Subordinated debt, net	2,245	2,236	2,169	2,108	3,117
Repurchase agreements and other borrowings	(56)	(62)	923	244	56
Total interest expense	69,798	61,252	40,018	23,135	13,486
Net interest income	113,058	113,611	123,378	128,783	124,038
PROVISION FOR CREDIT LOSSES	1,007	3,556	11,670	6,074	3,925
Net interest income after provision for credit losses	112,051	110,055	111,708	122,709	120,113
NONINTEREST INCOME:					
Residential mortgage banking income, net	10,648	11,360	9,372	7,368	11,968
Insurance commissions and other income, net	23,777	22,498	22,823	17,324	19,435
Property management income, net	12,800	12,098	15,535	7,756	9,891
Real estate brokerage income, net	(63)	1,834	1,791	2,355	2,932
Service charges on deposit accounts	2,802	3,018	2,851	2,655	2,455
Credit card merchant fees, net	2,006	1,682	1,545	1,653	1,658
BOLI	1,814	1,710	1,672	1,985	1,585
Other income	6,022	13,757	5,177	5,428	5,274
Total noninterest income	59,806	67,957	60,766	46,524	55,198
NONINTEREST EXPENSE:					
Salaries and employee benefits	67,258	67,445	69,420	61,307	65,463
Occupancy	9,027	9,487	9,064	9,252	8,748
Furniture and equipment	4,100	4,389	4,244	3,983	3,764
Amortization - intangibles	3,610	3,610	3,524	2,475	2,644
Software expense	6,130	6,169	5,624	5,111	4,594
Data processing	4,140	4,011	3,353	3,096	3,628
Professional fees	2,770	3,166	3,011	3,605	2,627
Advertising and marketing	3,653	3,959	4,401	3,489	4,290
Other expenses	17,014	22,992	21,756	18,823	16,276
Total noninterest expense	117,702	125,228	124,397	111,141	112,034
Income before income tax expense and noncontrolling interest	54,155	52,784	48,077	58,092	63,277
Provision for income tax expense	9,410	9,416	9,599	11,598	12,606
Net income	44,745	43,368	38,478	46,494	50,671
Net income attributable to noncontrolling interest	117	(1,652)	(145)	191	(502)
Net income attributable to TowneBank	\$ 44,862	\$ 41,716	\$ 38,333	\$ 46,685	\$ 50,169
Per common share information					
Basic earnings	\$ 0.60	\$ 0.56	\$ 0.52	\$ 0.64	\$ 0.69
Diluted earnings	\$ 0.60	\$ 0.56	\$ 0.52	\$ 0.64	\$ 0.69
Basic weighted average shares outstanding	74,750,294	74,691,121	74,363,222	72,686,303	72,578,736
Diluted weighted average shares outstanding	74,765,515	74,699,810	74,390,614	72,724,189	72,594,474
Cash dividends declared	\$ 0.25	\$ 0.25	\$ 0.23	\$ 0.23	\$ 0.23

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

	Three Months Ended			Nine Months Ended		Increase/(Decrease)	
	September 30,		June 30,	September 30,		YTD 2023 over 2022	
	2023	2022	2023	2023	2022	Amount	Percent
Revenue							
Net interest income	\$ 112,189	\$ 123,039	\$ 113,327	\$ 349,165	\$ 327,226	\$ 21,939	6.70 %
Service charges on deposit accounts	2,802	2,455	3,018	8,671	7,474	1,197	16.02 %
Credit card merchant fees	2,006	1,658	1,682	5,232	4,940	292	5.91 %
Other income	6,608	5,332	6,153	18,499	17,083	1,416	8.29 %
Total noninterest income	11,416	9,445	10,853	32,402	29,497	2,905	9.85 %
Total revenue	123,605	132,484	124,180	381,567	356,723	24,844	6.96 %
Provision for credit losses	1,206	4,240	3,482	16,442	2,247	14,195	631.73 %
Expenses							
Salaries and employee benefits	42,727	39,349	42,240	128,161	115,082	13,079	11.36 %
Occupancy	6,637	6,109	6,846	19,717	17,401	2,316	13.31 %
Furniture and equipment	3,273	2,803	3,544	10,150	8,259	1,891	22.90 %
Amortization of intangible assets	1,296	726	1,341	3,918	2,330	1,588	68.15 %
Other expenses	22,595	21,075	29,178	80,215	57,158	23,057	40.34 %
Total expenses	76,528	70,062	83,149	242,161	200,230	41,931	20.94 %
Income before income tax, corporate allocation and noncontrolling interest	45,871	58,182	37,549	122,964	154,246	(31,282)	(20.28)%
Corporate allocation	1,291	902	1,271	3,763	3,520	243	6.90 %
Income before income tax provision and noncontrolling interest	47,162	59,084	38,820	126,727	157,766	(31,039)	(19.67)%
Provision for income tax expense	7,440	11,507	6,114	21,204	29,782	(8,578)	(28.80)%
Net income	39,722	47,577	32,706	105,523	127,984	(22,461)	(17.55)%
Noncontrolling interest	—	—	—	—	—	—	N/M
Net income attributable to TowneBank	\$ 39,722	\$ 47,577	\$ 32,706	\$ 105,523	\$ 127,984	\$ (22,461)	(17.55)%
Efficiency ratio ^(non-GAAP)	60.86 %	52.34 %	65.88 %	62.44 %	55.48 %	6.96 %	12.55 %

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

	Three Months Ended			Nine Months Ended		Increase/(Decrease)	
	September 30,		June 30,	September 30,		YTD 2023 over 2022	
	2023	2022	2023	2023	2022	Amount	Percent
Revenue							
Residential mortgage brokerage income, net	\$ 10,955	\$ 12,726	\$ 12,215	\$ 32,964	\$ 43,491	\$ (10,527)	(24.21)%
Real estate brokerage income, net	(63)	2,932	1,834	3,562	8,899	(5,337)	(59.97)%
Title insurance and settlement fees	—	525	152	443	1,590	(1,147)	(72.14)%
Property management fees, net	12,800	9,891	12,098	40,433	36,489	3,944	10.81 %
Income from unconsolidated subsidiary	(63)	77	(886)	(884)	359	(1,243)	(346.24)%
Net interest and other income	1,163	1,508	9,468	10,817	6,851	3,966	57.89 %
Total revenue	24,792	27,659	34,881	87,335	97,679	(10,344)	(10.59)%
Provision for credit losses	(199)	(315)	74	(210)	285	(495)	(173.68)%
Expenses							
Salaries and employee benefits	12,881	15,854	13,949	41,670	49,646	(7,976)	(16.07)%
Occupancy	1,669	1,919	1,869	5,559	5,814	(255)	(4.39)%
Furniture and equipment	600	765	640	1,933	2,232	(299)	(13.40)%
Amortization of intangible assets	742	817	741	2,166	2,449	(283)	(11.56)%
Other expenses	9,544	8,687	9,337	27,319	29,472	(2,153)	(7.31)%
Total expenses	25,436	28,042	26,536	78,647	89,613	(10,966)	(12.24)%
Income before income tax, corporate allocation and noncontrolling interest	(445)	(68)	8,271	8,898	7,781	1,117	14.36 %
Corporate allocation	(600)	(602)	(600)	(1,800)	(2,602)	802	(30.82)%
Income before income tax provision and noncontrolling interest	(1,045)	(670)	7,671	7,098	5,179	1,919	37.05 %
Provision for income tax expense	(99)	(120)	1,686	1,769	1,110	659	59.37 %
Net income	(946)	(550)	5,985	5,329	4,069	1,260	30.97 %
Noncontrolling interest	117	(502)	(1,652)	(1,680)	(1,672)	(8)	0.48 %
Net income attributable to TowneBank	\$ (829)	\$ (1,052)	\$ 4,333	\$ 3,649	\$ 2,397	\$ 1,252	52.23 %
Efficiency ratio excluding gain on equity investment ^(non-GAAP)	99.61 %	98.43 %	99.03 %	97.43 %	89.24 %	8.19 %	9.18 %

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

	Three Months Ended			Nine Months Ended		Increase/(Decrease)	
	September 30,		June 30,	September 30,		YTD 2023 over 2022	
	2023	2022	2023	2023	2022	Amount	Percent
Commission and fee income							
Property and casualty	\$ 22,103	\$ 17,567	\$ 20,028	\$ 60,259	\$ 49,451	\$ 10,808	21.86 %
Employee benefits	4,245	4,020	4,561	13,393	12,105	1,288	10.64 %
Specialized benefit services	133	160	153	445	489	(44)	(9.00)%
Total commissions and fees	26,481	21,747	24,742	74,097	62,045	12,052	19.42 %
Contingency and bonus revenue	2,335	1,654	2,638	9,343	8,052	1,291	16.03 %
Other income	557	23	8	573	72	501	695.83 %
Total revenue	29,373	23,424	27,388	84,013	70,169	13,844	19.73 %
Employee commission expense	4,906	4,331	4,881	14,340	12,943	1,397	10.79 %
Revenue, net of commission expense	24,467	19,093	22,507	69,673	57,226	12,447	21.75 %
Salaries and employee benefits	11,650	10,260	11,256	34,293	29,590	4,703	15.89 %
Occupancy	721	720	772	2,303	2,202	101	4.59 %
Furniture and equipment	227	196	205	650	606	44	7.26 %
Amortization of intangible assets	1,572	1,101	1,528	4,660	3,366	1,294	38.44 %
Other expenses	1,568	1,653	1,782	4,614	4,532	82	1.81 %
Total operating expenses	15,738	13,930	15,543	46,520	40,296	6,224	15.45 %
Income before income tax, corporate allocation and noncontrolling interest	8,729	5,163	6,964	23,153	16,930	6,223	36.76 %
Corporate allocation	(691)	(300)	(671)	(1,963)	(918)	(1,045)	113.83 %
Income before income tax provision and noncontrolling interest	8,038	4,863	6,293	21,190	16,012	5,178	32.34 %
Provision for income tax expense	2,069	1,219	1,616	5,451	4,091	1,360	33.24 %
Net income	5,969	3,644	4,677	15,739	11,921	3,818	32.03 %
Noncontrolling interest	—	—	—	—	—	—	N/M
Net income attributable to TowneBank	\$ 5,969	\$ 3,644	\$ 4,677	\$ 15,739	\$ 11,921	\$ 3,818	32.03 %
Provision for income taxes	2,069	1,219	1,616	5,451	4,091	1,360	33.24 %
Depreciation, amortization and interest expense	1,726	1,228	1,683	5,115	3,767	1,348	35.78 %
EBITDA ^(non-GAAP)	\$ 9,764	\$ 6,091	\$ 7,976	\$ 26,305	\$ 19,779	\$ 6,526	32.99 %
Efficiency ratio ^(non-GAAP)	59.21 %	67.19 %	62.27 %	60.55 %	64.53 %	(3.98)%	(6.17)%

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

	Three Months Ended			Nine Months Ended	
	September 30, 2023	September 30, 2022	June 30, 2023	September 30, 2023	September 30, 2022
Return on average assets (GAAP)	1.06 %	1.22 %	0.99 %	1.00 %	1.16 %
Impact of excluding average goodwill and other intangibles and amortization	0.11 %	0.09 %	0.11 %	0.11 %	0.09 %
Return on average tangible assets (non-GAAP)	1.17 %	1.31 %	1.10 %	1.11 %	1.25 %
Return on average equity (GAAP)	8.96 %	10.60 %	8.46 %	8.48 %	10.09 %
Impact of excluding average goodwill and other intangibles and amortization	4.01 %	4.48 %	3.89 %	3.87 %	4.31 %
Return on average tangible equity (non-GAAP)	12.97 %	15.08 %	12.35 %	12.35 %	14.40 %
Return on average common equity (GAAP)	9.04 %	10.69 %	8.52 %	8.54 %	10.18 %
Impact of excluding average goodwill and other intangibles and amortization	4.07 %	4.58 %	3.96 %	3.95 %	4.39 %
Return on average tangible common equity (non-GAAP)	13.11 %	15.27 %	12.48 %	12.49 %	14.57 %
Book value (GAAP)	\$ 26.28	\$ 25.08	\$ 26.36	\$ 26.28	\$ 25.08
Impact of excluding average goodwill and other intangibles and amortization	(7.00)	(6.91)	(7.05)	(7.00)	(6.91)
Tangible book value (non-GAAP)	\$ 19.28	\$ 18.17	\$ 19.31	\$ 19.28	\$ 18.17
Efficiency ratio (GAAP)	68.09 %	62.51 %	68.97 %	68.20 %	64.53 %
Impact of exclusions	(1.88)%	(1.48)%	1.44 %	(0.82)%	(1.59)%
Efficiency ratio (non-GAAP)	66.21 %	61.03 %	70.41 %	67.38 %	62.94 %
Average assets (GAAP)	\$ 16,762,859	\$ 16,304,294	\$ 16,826,965	\$ 16,647,804	\$ 16,382,006
Less: average goodwill and intangible assets	526,445	504,000	530,658	526,375	504,715
Average tangible assets (non-GAAP)	\$ 16,236,414	\$ 15,800,294	\$ 16,296,307	\$ 16,121,429	\$ 15,877,291
Average equity (GAAP)	\$ 1,986,469	\$ 1,878,574	\$ 1,978,613	\$ 1,970,510	\$ 1,885,655
Less: average goodwill and intangible assets	526,445	504,000	530,658	526,375	504,715
Average tangible equity (non-GAAP)	\$ 1,460,024	\$ 1,374,574	\$ 1,447,955	\$ 1,444,135	\$ 1,380,940
Average common equity (GAAP)	\$ 1,969,898	\$ 1,861,845	\$ 1,963,164	\$ 1,954,850	\$ 1,869,112
Less: average goodwill and intangible assets	526,445	504,000	530,658	526,375	504,715
Average tangible common equity (non-GAAP)	\$ 1,443,453	\$ 1,357,845	\$ 1,432,506	\$ 1,428,475	\$ 1,364,397
Net income (GAAP)	\$ 44,862	\$ 50,169	\$ 41,716	\$ 124,911	\$ 142,302
Amortization of intangibles, net of tax	2,852	2,089	2,852	8,488	6,435
Tangible net income (non-GAAP)	\$ 47,714	\$ 52,258	\$ 44,568	\$ 133,399	\$ 148,737
Noninterest expense (GAAP)	\$ 117,702	\$ 112,034	\$ 125,228	\$ 367,328	\$ 330,139
Less: amortization of intangibles	3,610	2,644	3,610	10,744	8,145
Noninterest expense net of amortization (non-GAAP)	\$ 114,092	\$ 109,390	\$ 121,618	\$ 356,584	\$ 321,994

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, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Net income (GAAP)	\$ 44,862	\$ 41,716	\$ 38,333	\$ 46,685	\$ 50,169
<u>Adjustments</u>					
Plus: Acquisition-related expenses, net of tax	458	2,457	4,803	320	610
Plus: Initial provision for acquired loans, net of tax	—	—	3,166	—	—
Less: Gain on sale of equity investments, net of noncontrolling interest and tax	(438)	(5,513)	—	—	—
Core operating earnings, excluding certain items affecting comparability (non-GAAP)	<u>\$ 44,882</u>	<u>\$ 38,660</u>	<u>\$ 46,302</u>	<u>\$ 47,005</u>	<u>\$ 50,779</u>
Weighted average diluted shares	74,765,515	74,699,810	74,390,614	72,724,189	72,594,474
Diluted EPS (GAAP)	\$ 0.60	\$ 0.56	\$ 0.52	\$ 0.64	\$ 0.69
Diluted EPS, excluding certain items affecting comparability (non-GAAP)	\$ 0.60	\$ 0.52	\$ 0.62	\$ 0.65	\$ 0.70
Average assets	\$ 16,762,859	\$ 16,826,965	\$ 16,349,040	\$ 15,929,756	\$ 16,304,294
Average tangible equity	\$ 1,460,024	\$ 1,447,955	1,424,030	\$ 1,352,891	\$ 1,374,574
Average common tangible equity	\$ 1,443,453	\$ 1,432,506	\$ 1,409,091	\$ 1,336,356	\$ 1,357,845
Return on average assets, excluding certain items affecting comparability (non-GAAP)	1.06 %	0.92 %	1.15 %	1.17 %	1.24 %
Return on average tangible equity, excluding certain items affecting comparability (non-GAAP)	12.97 %	11.50 %	13.98 %	14.36 %	15.26 %
Return on average common tangible equity, excluding certain items affecting comparability (non-GAAP)	13.12 %	11.62 %	14.13 %	14.54 %	15.45 %
Efficiency ratio, excluding certain items affecting comparability (non-GAAP)	67.76 %	67.32 %	64.32 %	63.20 %	62.16 %

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

<u>Reconciliation of GAAP Earnings to Operating Earnings Excluding Certain Items Affecting Comparability</u>	<u>Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>
	<u>2023</u>	<u>2022</u>
Net income (GAAP)	\$ 124,911	\$ 142,302
<u>Adjustments</u>		
Plus: Acquisition-related expenses, net of tax	7,718	705
Plus: Initial provision for acquired loans, net of tax	3,166	—
Less: Gain on sale of equity investments, net of noncontrolling interest and tax	(5,951)	—
Total charges, net of taxes	4,933	705
Core operating earnings, excluding certain items affecting comparability (non-GAAP)	\$ 129,844	\$ 143,007
Weighted average diluted shares	74,618,743	72,567,596
Diluted EPS (GAAP)	\$ 1.67	\$ 1.96
Diluted EPS, excluding certain items affecting comparability (non-GAAP)	\$ 1.74	\$ 1.96
Average assets	\$ 16,647,804	\$ 16,382,006
Average tangible equity	\$ 1,444,135	\$ 1,380,940
Average tangible common equity	\$ 1,428,475	\$ 1,364,397
Return on average assets, excluding certain items affecting comparability (non-GAAP)	1.04 %	1.17 %
Return on average tangible equity, excluding certain items affecting comparability (non-GAAP)	12.81 %	14.47 %
Return on average common tangible equity, excluding certain items affecting comparability (non-GAAP)	12.95 %	14.64 %
Efficiency ratio, excluding certain items affecting comparability (non-GAAP)	67.61 %	64.39 %