TowneBank

News Release

FOR IMMEDIATE RELEASE

TOWNEBANK REPORTS FIRST QUARTER 2024 EARNINGS

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

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

Highlights for First Quarter 2024:

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

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

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

Quarterly Net Interest Income:

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

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

Quarterly Provision for Credit Losses:

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

Quarterly Noninterest Income:

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

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

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

Quarterly Noninterest Expense:

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

Consolidated Balance Sheet Highlights:

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

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

Investment Securities:

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

Loans and Asset Quality:

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

Deposits and Borrowings:

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

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

Capital:

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

[1] Preliminary.

About TowneBank:

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

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

Non-GAAP Financial Measures:

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

Forward-Looking Statements:

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

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

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

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

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Selected Data (unaudited)

(dollars in thousands)

Investment Securities				% Change	
	Q1	**Q1**	**Q4**	**Q1 24 vs.**	**Q1 24 vs.**
Available-for-sale securities, at fair value	**2024**	**2023**	**2023**	**Q1 23**	**Q4 23**
U.S. agency securities	$ 294,723	$ 334,211	$ 306,386	(11.82)%	(3.81)%
U.S. Treasury notes	27,534	27,272	27,684	0.96 %	(0.54)%
Municipal securities	447,323	508,439	510,134	(12.02)%	(12.31)%
Trust preferred and other corporate securities	87,983	76,965	86,011	14.32 %	2.29 %
Mortgage-backed securities issued by GSEs and GNMA	1,347,920	1,132,746	1,200,625	19.00 %	12.27 %
Allowance for credit losses	(1,382)	(1,150)	(1,498)	20.17 %	(7.74)%
Total	$ 2,204,101	$ 2,078,483	$ 2,129,342	6.04 %	3.51 %
Gross unrealized gains (losses) reflected in financial statements					
Total gross unrealized gains	$ 1,868	$ 2,218	$ 3,740	(15.78)%	(50.05)%
Total gross unrealized losses	(172,708)	(167,929)	(165,863)	2.85 %	4.13 %
Net unrealized gains (losses) and other adjustments on AFS securities	$ (170,840)	$ (165,711)	$ (162,123)	3.10 %	5.38 %
Held-to-maturity securities, at amortized cost					
U.S. agency securities	$ 102,042	$ 101,281	$ 101,850	0.75 %	0.19 %
U.S. Treasury notes	197,356	433,584	362,593	(54.48)%	(45.57)%
Municipal securities	5,294	5,203	5,272	1.75 %	0.42 %
Trust preferred corporate securities	2,159	2,210	2,172	(2.31)%	(0.60)%
Mortgage-backed securities issued by GSE	5,659	5,948	5,705	(4.86)%	(0.81)%
Allowance for credit losses	(82)	(88)	(84)	(6.82)%	(2.38)%
Total	$ 312,428	$ 548,138	$ 477,508	(43.00)%	(34.57)%
Total gross unrealized gains	$ 265	$ 392	$ 380	(32.40)%	(30.26)%
Total gross unrealized losses	(14,262)	(24,018)	(15,316)	(40.62)%	(6.88)%
Net unrealized gains (losses) in HTM securities	$ (13,997)	$ (23,626)	$ (14,936)	(40.76)%	(6.29)%
Total unrealized gains (losses) on AFS and HTM securities	$ (184,837)	$ (189,337)	$ (177,059)	(2.38)%	4.39 %

				% Change	
Loans Held For Investment	**Q1**	**Q1**	**Q4**	**Q1 24 vs.**	**Q1 24 vs.**
	2024	**2023**	**2023**	**Q1 23**	**Q4 23**
Real estate - construction and development	$ 1,255,741	$ 1,473,034	$ 1,249,735	(14.75)%	0.48 %
Commercial real estate - owner occupied	1,700,753	1,675,119	1,699,386	1.53 %	0.08 %
Commercial real estate - non owner occupied	3,178,947	2,908,791	3,117,071	9.29 %	1.99 %
Real estate - multifamily	595,075	505,237	583,209	17.78 %	2.03 %
Residential 1-4 family	1,882,296	1,734,698	1,852,891	8.51 %	1.59 %
HELOC	386,361	387,967	382,979	(0.41)%	0.88 %
Commercial and industrial business (C&I)	1,288,550	1,297,707	1,265,169	(0.71)%	1.85 %
Government	528,341	510,494	525,261	3.50 %	0.59 %
Indirect	555,482	582,306	558,789	(4.61)%	(0.59)%
Consumer loans and other	80,797	98,432	94,531	(17.92)%	(14.53)%
Total	$ 11,452,343	$ 11,173,785	$ 11,329,021	2.49 %	1.09 %

				% Change	
Deposits	**Q1**	**Q1**	**Q4**	**Q1 24 vs.**	**Q1 24 vs.**
	2024	**2023**	**2023**	**Q1 23**	**Q4 23**
Noninterest-bearing demand	$ 4,194,132	$ 5,069,363	$ 4,342,701	(17.27)%	(3.42)%
Interest-bearing:					
Demand and money market accounts	6,916,701	6,284,184	6,757,619	10.07 %	2.35 %
Savings	326,179	389,173	336,492	(16.19)%	(3.06)%
Certificates of deposits	2,689,062	1,855,411	2,456,394	44.93 %	9.47 %
Total	14,126,074	13,598,131	13,893,206	3.88 %	1.68 %

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

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

(1) Yields and interest income are presented on a taxable-equivalent basis using the federal statutory tax rate of 21%.
(2) Interest spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities. Fully tax equivalent.
(3) Net interest margin is net interest income expressed as a percentage of average earning assets. Fully tax equivalent.
(4) Non-GAAP.

TOWNEBANK

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

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

TOWNEBANK

Consolidated Statements of Income (unaudited)

(dollars in thousands, except per share data)

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

TOWNEBANK

Consolidated Balance Sheets - Five Quarter Trend

(dollars in thousands, except share data)

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

TOWNEBANK

Consolidated Statements of Income - Five Quarter Trend (unaudited)

(dollars in thousands, except share data)

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

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

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

TOWNEBANK

Realty Segment Financial Information (unaudited)

(dollars in thousands)

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

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

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

TOWNEBANK

Reconciliation of Non-GAAP Financial Measures

(dollars in thousands)

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

TOWNEBANK

Reconciliation of Non-GAAP Financial Measures

(dollars in thousands, except per share data)

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