



2023 CHAIRMAN'S REPORT

*“All of our dreams can come true, if we have the courage to pursue them.”* — WALT DISNEY





## 2023 Chairman's Report



William I. Foster III, President & CEO | G. Robert Aston Jr., Executive Chairman

### *Dear Friends,*

As the Towne family celebrates our 25th anniversary on April 8, 2024, we reflect on the day that the dream to create a new bank designed to be a great community asset came to life. It was all made possible through the dedication, loyalty, and hard work of many and the support and faith of thousands.

From those first few "Dream Chasers" joining together in a Portsmouth, Virginia garage, to all those dreamers who joined along the way, the Towne story is one like no other. While some may scoff at the idea of chasing dreams, our Towne "Dream Chasers" had a deep belief in our mission and had the courage to follow their hearts with total faith in their ability to succeed. And yes, WIN!

To paraphrase a quote from the book, *The Founder's Mentality*, our plan was "to wage war on the banking industry on behalf of underserved customers." Our Main Street bank would be so unique with our approach to providing exquisite service that we quickly would become our competitors' worst nightmare.

While certainly not declaring victory, our market-leading 28% deposit market share in our coastal Virginia home market suggests we are continuing to win as we march onward and upward in our newer markets in Richmond and North Carolina.

At the same time, we humbly know the road to success is always under construction, and working hard never goes out of style.



## ANNUAL SHAREHOLDER MEETING

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

Your vote is important. Please remember to vote your shares as soon as possible!

*“Progress is cumulative in science and engineering, but cyclical in finance.”*

— JAMES GRANT, AUTHOR

## The Year in Review

We are currently in one of those cyclical periods unlike any your Chairman and CEO have seen in our combined 100 years in the banking industry. The rapid run-up in interest rates, the wildly fluctuating bank stock prices, the bank failures in California and New York, the geopolitical turmoil, and the rhetoric of an upcoming Presidential election combined for a bumpy year in 2023 that continues into 2024.

Our newly realigned Corporate Management Group entered 2023 with a burst of energy and numerous new ideas and initiatives to drive the growth of the company forward. Little did we know that risky business decisions by a California bank would quickly lead to “storm clouds” on the horizon as that bank failed and a shock wave came across the country from the West Coast.

At TowneBank, we manage the company conservatively and always focus on our greatest responsibility – protecting our shareholders’ investment. As storm clouds loomed, we quickly shifted the focus away from growth and earnings to maintaining strong liquidity, bolstering the balance sheet, and protecting our depositors.

While the increased liquidity impacted earnings negatively, the analysts covering our stock made very positive note of our safe and strong balance sheet, referring to TowneBank as a “safe ship in a sea of turmoil.”

As you review the remainder of this report along with the accompanying Annual Report and Proxy Statement, you will see great news on our credit quality, dividends, Towne Insurance performance, and many other accomplishments throughout the year.

We are extremely grateful and thankful for your loyalty, support, and friendship over these past 25 years. Rest assured we are excited about the next 25 years as we continue to serve others and enrich lives.

Most Sincerely,



G. Robert Aston Jr.  
Executive Chairman of the Board



William I. Foster III  
President & CEO



## Corporate Management Group

**Standing (l. to r.):** Will Morrison, Bill Littreal, Billy Foster, Denys Diaz, Dawn Glynn, Lee Clark, Matt Davis **Seated (l. to r.):** Ernest Piccioli, Phil Rudisill, Brian Skinner



Present at the ribbon cutting for TowneBank Tower, the headquarters for Towne Financial Services Group, were (l. to r.) Billy Foster, TowneBank president and CEO; Amy Sampson, CHKD president and CEO; Bob Aston, TowneBank executive chairman; Kenneth Alexander, Mayor of Norfolk; Jeff Benson, chair of the Towne Financial Services Group board; and Will Morrison, president and CEO of Towne Financial Services Group.

## Financial Results

For the year ended December 31, 2023, earnings were \$153.72 million representing \$2.06 per diluted share compared to \$188.99 million or \$2.60 per diluted share for the year ended December 31, 2022.

The contraction in earnings was partially driven by certain one-time charges, including the \$5.17 million FDIC Special Assessment covering losses from the California and New York bank failures and various merger-related expenses of the Farmers Bank acquisition. These were coupled with the ongoing impact of rising interest rates on deposit accounts outpacing the rising yields on the bank's loan portfolio.

Return on average assets for the year was 0.92% while the return on average tangible assets was 1.02%. Return on average equity was 7.78% with the return on average tangible equity of 11.38%.

## Balance Sheet

TowneBank assets as of December 31, 2023, were \$16.8 billion as compared to \$15.8 billion on December 31, 2022. Loans held for investment increased \$534.4 million to \$11.3 billion compared to \$10.8 billion for the prior year period.

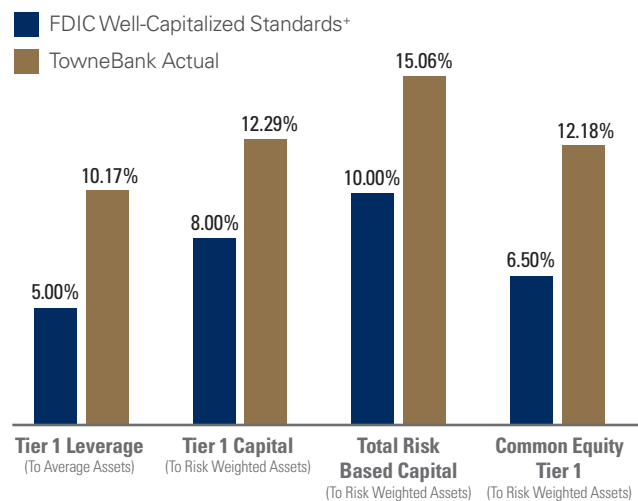
Total bank deposits on December 31, 2023, were \$13.9 billion as compared to \$13.3 billion for year-end 2022.

## Capital Strength

Protecting the interests of our shareholders and depositors represents the foundation of our capital management plan. As a result, the TowneBank goal is to maintain capital ratios substantially above the regulatory standards for well-capitalized banks.

Strong capital provides a significant safety net to protect dividend payments to our shareholders as well as providing the resources to take advantage of strategic growth opportunities that may arise.

### CAPITAL RATIO COMPARISON as of December 31, 2023



\*Regulatory minimums for "well-capitalized" under FDIC prompt corrective action rules

## Shareholder Value

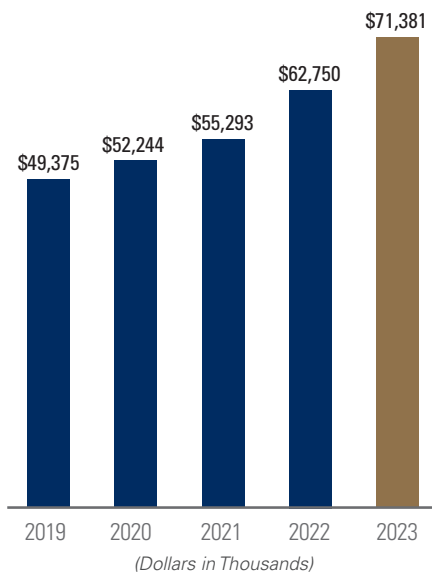
Financial stocks continued to experience volatility throughout the year as concerns about rising interest rates, potential credit issues, and bank liquidity weighed on the market.

Our share price rebounded nicely at year-end, closing the year at \$29.76 after experiencing volatility of 30.81% during the year.

Tangible book value on December 31, 2023 was \$20.28, up from \$18.84 last year. Book value was \$27.24 compared to \$25.73 at 2022 year-end.

During 2023, the bank once again increased the quarterly shareholder dividend to \$0.25, bringing the annualized dividend to \$1.00 per share.

### COMMON DIVIDENDS



## Credit Quality

To quote Warren Buffett,

*“You never know who is swimming naked until the tide goes out.”*

The credit team here at TowneBank strives to maintain high credit quality standards during good times and not so good times. As a result, we have been blessed with exceptional performance of our loan portfolio that continues to stand out among our peers.

Non-performing assets on December 31, 2023, were a modest 0.05% of assets. Net chargeoffs for the year were 0.03% of average loans. Classified loans, defined as loans classified in the substandard and doubtful categories, remained low at 0.32%.

In 2023, we increased the allowance for credit losses on funded loans by \$15.65 million, driven by loan growth, net chargeoffs, and the macro-economic forecast scenarios.

## Towne Financial Services Group

Beginning in 2001, Towne began a strategic initiative to diversify the bank’s source of non-interest income by engaging in low-risk, permissible banking activities through either acquisition or entering on a de novo basis.

Over the ensuing years, the bank has acquired or established TowneBank Mortgage, Towne Realty, Towne Insurance, Towne 1031 Exchange, TowneBank Commercial Mortgage, Towne Wealth Management\*, TowneBank Public Finance and Community Investment, Towne Vacations, and others.

In addition to the revenue generated and the value-added services for our members, the bank is building significant intrinsic value in excess of our investment through the continuing growth of these enterprises.

*“We find a strongly positive relationship between bank franchise value and the degree of diversification.”*

Baele, Lieven and De Jonghe, Olivier and Vander Venet, Rudi. “Does the Stock Market Value Bank Diversification?” (August 10, 2006).



## 2023 Highlights

**BHHS Towne Realty and Rose and Womble Realty**, the top two residential real estate firms in coastal Virginia, merged to form Berkshire Hathaway HomeServices RW Towne Realty. The new combined company becomes the number one real estate firm in the market with more than 750 agents and combined revenues of more than \$85 million. Total combined real estate transactions for the year represented sales of \$3 billion and included over 6,700 transactions. At the closing of the transaction in April 2023, Towne retained a 37% ownership in the new company along with a long-term mortgage joint venture with the bank owning 51%.

**Towne Insurance<sup>†</sup>** had a stellar year in 2023. Revenues surpassed the \$100 million milestone, ending the year at \$109.46 million. This includes the acquisition of Manry Rawls, one of the region's top agencies that joined our Towne family through the Farmers Bank merger. Since 2001, Towne Insurance has acquired 28 agencies that have produced a compound average growth rate of 12.2% since 2013. At year-end, Towne Insurance was the second-largest bank-owned agency in the country and remains one of the Top 50 agencies in the United States. Based on recent insurance agency sales transactions, it is estimated the value of our agency is in excess of \$500 million.

**TowneBank Mortgage** had yet another challenging year in 2023 as mortgage interest rates continued to rise and the supply of homes available for sale remained at very low levels. In spite of the market challenges, the TowneBank Mortgage team worked incredibly hard to reduce expenses while also being relentless in seeking new business. Through their extraordinary efforts, the pride of homeownership was made possible by originating 5,688 new mortgage loans with total production of \$1.98 billion and year-end revenue of \$41.29 million.



*Some of our Towne Insurance leadership gathered to celebrate the grand opening of the Towne Insurance and Towne Benefits offices at the new financial center in Greenville, NC. Pictured (l. to r.) are Suzanne O'Keefe, Doug Russell, Jim Clement, Debbie Russell, Will Morrison, and Chris Rogerson.*

During the year, **Towne Vacations** added to its available vacation experiences with the addition of Bryant Real Estate in Wrightsville Beach, North Carolina. Towne Vacations now manages over 2,000 homes from the mountains and lakes of Tennessee and Maryland to the North and South Carolina beaches of Hilton Head, Oak Island, and Wrightsville Beach. The combined resort destinations generated revenue of \$47.79 million for 2023.

**Towne 1031 Exchange<sup>§</sup>** assisted in providing services in 478 transactions, generating fees of \$336,000 in addition to \$72 million of deposits to the bank.

**Towne Wealth Management<sup>^\*</sup>** navigated their clients through the day-to-day movements of the market and ended the year with Assets Under Management of \$5.2 billion, an increase of 18.9% over 2022. Today, Towne Wealth Management has 23 experienced advisors and is ranked fourth in the Raymond James Financial Institutions Division.

<sup>†</sup>Top Assets Under Management (AUM) Raymond James FID is an internal Raymond James honor. This ranking is based on prior AUM. Re-qualification is required annually. This ranking is not based in anyway on the individual's abilities in regard to providing investment advice or management. This ranking is not indicative of advisor's future performance, is not an endorsement, and may not be representative of individual client's experience. No fee is paid in exchange for this award/rating.

*“There could be no definition of a successful life that does not include service to others.”* — PRESIDENT GEORGE H. W. BUSH

## Community Engagement

Here in the Towne family, serving those less fortunate and building better communities is a way of life. Our “Going to Towne” volunteers provide thousands of hours of volunteer services each year in addition to their personal financial contributions to various charities, including more than \$680,000 to the United Way last year.

Our TowneBank Public Finance and Community Investment team strives each day to seek out opportunities to assist in building affordable housing throughout our Virginia and North Carolina footprint. TowneBank, working through our developers, placed nearly 500 new housing units in service along with closing on new investments for an additional 752 units.

Upon completion of these new units, our total investment will have provided nearly 5,000 families with affordable housing. During 2023, TowneBank received an Outstanding Community Reinvestment Act rating, marking the 6th consecutive award covering the past 21 years.



*In 2023, TowneBank announced support for the Novant Health Upward Mobility RN Educational Assistance Fund in Charlotte. Pictured (l. to r.): Michelle Spreitzer, philanthropy manager at Novant Health Foundation; Ben Mears, TowneBank Ballantyne market executive; Brittney Weems, Upward Mobility scholar; Ben Broderson, Novant Health Ballantyne Medical Center president; and Ted Wolfe, TowneBank Charlotte president.*

Along with the company’s investment in housing, Towne also provided nearly \$12 million in charitable contributions to organizations throughout our communities, including major gifts to Novant Health, Hampton University, Bon Secours Foundation, ForKids, Lake Taylor Hospital, and The Valentine Museum, along with an economic development grant to NCInnovation.



*In September 2023, Hampton University welcomed chief regulatory risk officer and honored alumnus Tom Hasty and Peninsula president Alexis Swann as special guests at the home opener football game, where TowneBank was honored for its largest-ever gift to a Historically Black College and University. Also pictured are Hampton University President Darrell K. Williams, First Lady Myra R. Williams, and Hampton University Director of Athletics Anthony D. Henderson, Sr.*



## Expansion of Towne Network

The Towne Facilities Team had an exceptionally busy year in 2023 with multiple new facilities coming online or under construction.

A new TowneBank Financial Center came to life in the Short Pump Town Center. This sparkling new office was designed to bring the best of Towne to this dynamic growth corridor in the Richmond region, including private banking. In just a few short months, deposits have grown to an impressive \$60 million.

Excitement is high in the Raleigh region where the bank built its first new location, a two-story financial center in the North Ridge community. This facility houses Towne Insurance, Private Banking, Business Banking, Towne Wealth Management, and the retail banking center. The office has been extremely well received with total deposits of over \$100 million.

To the east, our Greenville team celebrated five years in the market with the grand opening of their new financial center in February 2024. This stunning two-story office houses our bankers and the Towne Insurance team led in the Carolinas by Jim Clement.

Also, the new Cary Downtown banking center is close to completion and is scheduled to open in early spring 2024. In addition, construction is underway on the new Cary Main office with an opening scheduled in early 2025.

Numerous other activities are underway including a facilities improvement plan for the Suffolk, Windsor, Smithfield, and Courtland, Virginia offices along with the purchase of a new location for the Hilton Head, South Carolina vacation property management company.



*In June 2023, we celebrated the grand opening of our Short Pump Financial Center in the west end of Richmond. Pictured are branch manager Reggie Crawford, Virginia regional banking director Brian Skinner, Richmond president Pat Collins, and Henrico County Three Chopt District Supervisor Thomas Branin.*

*“We believe we cannot build a business....we build people and people build the business.”* —SPENCER HAYS, FOUNDER, TOM JAMES COMPANY



## Honor the Past – Embrace the Future

It seems like only yesterday when TowneBank opened its doors on April 8, 1999. As we join together at the Annual Meeting on May 22, 2024, to celebrate our 25th Anniversary, our shareholders, the Towne family, our loyal bank members, and the communities we are blessed to serve should take great pride in the extraordinary company made possible by their time, talent, treasure, and belief in the dream to build a great community asset.

As we prepare for the next 25 years, we take pride in the memories etched in our minds on the incredible journey of building a company that would be named by *Forbes* as one of the Best Banks in America and named by *American Banker* as one of the Best Banks to Work For in America. Unimaginable!

At the same time, the future starts “tomorrow!” The next 25 years will take us places that are inconceivable today. Towne will embark on the journey with an extraordinarily talented team who will continue to live for the excitement of tomorrow just like we did in 1998. So, fasten your seatbelt, it’s going to be fun!

“Oh, The Places You’ll Go!” — DR. SEUSS

## Towne Family of Companies

TowneBank  
 Towne Insurance  
 Towne Benefits  
 Towne Wealth Management  
 TowneBank Commercial Mortgage  
 TowneBank Mortgage  
 Berkshire Hathaway HomeServices  
 RW Towne Realty  
 RW Towne Title  
 Towne Vacations  
 Towne 1031 Exchange

Forward Looking Statements: This document may contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements may address issues that involve significant risks, uncertainties, estimates and assumptions made by management. Certain factors may cause actual results to differ materially from those contemplated by such forward-looking statements. Discussion of these factors can be found in the company’s annual report filed with the Federal Deposit Insurance Corporation on Form 10-K for the fiscal year ended December 31, 2023.

† Insurance products offered through Towne Insurance and Towne Benefits, subsidiaries of TowneBank, are NOT a deposit, are NOT FDIC-Insured, are NOT guaranteed by TowneBank, and may go down in value.

\* Towne Wealth Management and TowneBank are not registered broker/dealers and are independent of **Raymond James Financial Services, Inc.** Investment advisory services are offered through Raymond James Financial Services Advisors, Inc. Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC, are not insured by bank insurance, the FDIC or any other government agency, are not deposits or obligations of TowneBank, are not guaranteed by TowneBank, and are subject to risks, including the possible loss of principal.

§ Towne 1031 Exchange LLC cannot provide legal or tax advice. Please consult an accountant or attorney.

25 YEARS OF  
SERVING OTHERS AND  
ENRICHING LIVES.





*Working hard and having fun.*

**\$114 Million** DONATED THROUGH TOWNEBANK AND ITS FOUNDATION | **2,726** FAMILY MEMBERS | **\$16.84 Billion** IN ASSETS | **108,000** BANK MEMBERS  
**70,000** ONLINE BANKING USERS | **41,000** PERSONAL DEBIT CARDS | **14,000** BUSINESS DEBIT CARDS | **51** BANK LOCATIONS | **23** FINANCIAL ADVISORS  
**11** TOWNE WEALTH MANAGEMENT LOCATIONS | **\$5.2 Billion** IN CLIENT ASSETS  
**108,878** INSURANCE MEMBERS | **2,000** VACATION RENTAL HOMES | **151,510** HOME LOANS | **\$39.4 Billion** HOME LOANS FINANCED | **\$306 Million** 401K PLAN ASSETS | **3,042** BUSINESS BEETLE MEMBERS | **\$1.2 Billion** BUSINESS BEETLE DEPOSITS | **IN 2023: \$1 Billion** IN ANNUAL INSURANCE BILLED PREMIUMS  
**9,000** NEW ONLINE BANKING ENROLLMENTS | **262,000** ATM WITHDRAWALS FOR OVER **\$55 Million** | **215,000** MOBILE CHECK DEPOSITS | **138,774** MEMBER CARE SUPPORT CALLS | **9,100** NEW CONSUMER LOANS BOOKED  
**87,000** ATM DEPOSITS FOR OVER **\$91 Million**





### 1998

Dream of building a great community asset begins.

Community invests \$50 million to start a Hometown Bank.

### 1999

TowneBank has its grand opening with three offices.

### 2000

TowneBank achieves profitability in its eleventh month of operation.



**2001**

TowneBank Mortgage doubles in size through the acquisition of Hampton Roads Funding, which included its strategic partnership with William E. Wood Realty.

TowneBank Commercial Mortgage is established.

Towne Insurance Agency is founded with Kellam Eaton Huey and The Chesapeake Agency.

First Annual Golf Tournament held to benefit the newly formed TowneBank Foundation.

**2002**

Community invests an additional \$45 million to fund growth.



**2003**

Towne adds benefits to its affiliate offerings when Benefit Design Group joins the Towne family.

**2004**

Harbor Bank, based on the Hampton Roads Peninsula, joins the TowneBank family.

Towne Investment Group opens when The Wren Group joins the Towne family.

GSH Real Estate joins TowneBank - first real estate/bank affiliation in Virginia.

First annual Fall Extravaganza held to benefit the TowneBank Foundation.



**2005**

Greenwich Associates first recognizes Towne for Small Business Excellence in the southern region.

Morgan Davis named president and CEO of newly formed Towne Financial Services Group, overseeing all affiliate business.

**2006**

TowneBank conducts its first member satisfaction survey and receives a 96% score of highly satisfied.

**2007**

TowneBank is listed on Nasdaq.



**2008**

TowneBank establishes Towne 1031 Exchange.  
  
TowneBank tops list of *Inside Business* Best Places to Work.

Towne purchases Corolla Classic Vacations, its first vacation property management company, in Corolla, NC.

**2009**

Prudential Decker Realty and Prudential McCardle Realty join with GSH to form Prudential Towne Realty.  
  
TowneBank Celebrates 10 Years!



**2010**

Bank of Currituck in northeastern NC and the Outer Banks joins Towne family.

**2011**

Morgan Davis named president of TowneBank following the retirement of founding president Scott Morgan.

**2012**

Towne University opens on the Member Service Center campus in Suffolk as the headquarters for learning and development across the family of companies.



### 2013

Towne Insurance purchases the Clement Companies, based in Greenville, NC, to expand insurance offerings into North Carolina markets.

### 2014

Towne celebrates 15 years!

At a surprise celebration honoring Bob Aston's 50 years in banking, Morgan Davis announces the creation of the G. Robert Aston Jr. Scholarship Fund to help with the undergraduate tuition of Towne family members' children or dependents.

### 2015

Towne expands to Richmond, welcoming Franklin Federal Savings Bank.  
Prudential Towne Realty becomes Berkshire Hathaway HomeServices Towne Realty.



I ensure your **money** is working as **hard** for you as you **worked** for it.

*Bank of Ananda*



- Amanda Ullstrey, Private Banker, TowneBank Williamsburg  
Call me direct at 564-4706

**TOWNEBANK**  
The Best Bankers. Hometown Banking.  
townebank.com



## 2016

Monarch Bank and its talented team join the Towne family.

TowneBank earns the #1 deposit market share in Hampton Roads.

## 2017

TowneBank celebrates 10 years on the Nasdaq stock exchange with Bob Aston and other founding employees ringing the opening bell in New York City.

## 2018

Paragon Bank, based in Raleigh, Cary, and Charlotte, expands the TowneBank footprint in North Carolina.

*American Banker* names TowneBank one of the Best Banks to Work For and features newly named CEO Morgan Davis on its cover.



**2019**

Forbes recognizes Towne as one of America's Best Banks.

TowneBank expands into Greenville and Greensboro, NC.

TowneBank celebrates its 20th Anniversary!

**2020**

During the coronavirus pandemic, TowneBank begins funding over 6,700 Paycheck Protection Program loans for more than \$1.1 billion.

**2021**

TowneBank expands presence in Charlotte with additional location in Myers Park.



**2022**

TowneBank adds third location in Charlotte, in Ballantyne.

**2023**

William I. "Billy" Foster III becomes the bank's 3rd CEO, following Bob Aston and Morgan Davis.

Farmers Bank joins the TowneBank family, expanding the bank's footprint in Hampton Roads.

Towne Realty and Rose & Womble join forces to become Berkshire Hathaway HomeServices RW Towne Realty.

TowneBank opens its 50th location, the first new office in the Triangle market, in the North Ridge area of Raleigh.



6001 Harbour View Boulevard, Suffolk, Virginia 23435 | [TowneBank.com](http://TowneBank.com)

Member FDIC | Only deposit products are FDIC insured | Equal Opportunity Employer | Equal Housing Lender  | NMLS#512138 |  Realtor®

*Investment and Insurance products are Not a deposit, Not FDIC insured, Not guaranteed by TowneBank, Not insured by any state or Federal government agency, subject to risk and may lose value.*

*Towne 1031 Exchange LLC cannot provide legal or tax advice. Please consult an accountant or attorney.*

