



Earnings Presentation

1st Quarter 2023



Cautionary Statements

Forward Looking:

This presentation contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the beliefs, expectations, or opinions of TowneBank and its management regarding future events, many of which, by their nature, are inherently uncertain. Forward-looking statements may be identified by the use of such words as: “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” or words of similar meaning, or future or conditional terms, such as “will,” “would,” “should,” “could,” “may,” “likely,” “probably,” or “possibly.” These statements may address issues that involve significant risks, uncertainties, estimates, and assumptions made by management. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include competitive pressures in the banking industry that may increase significantly; changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; changes in the creditworthiness of customers and the possible impairment of the collectability of loans; general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; unusual and infrequently occurring events such as weather-related 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 presentation, see the “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.

Non-GAAP Financial Measures:

This presentation 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.

TowneBank at a Glance

**Over
20 Years**
Consistent Earnings
and Growth

#1 Deposit Market Share
in Hampton Roads¹

Ranked on
Forbes
Top 50
Best Banks List²

Total Assets

\$16.7B

Total Loans

\$11.2B

Total Deposits

\$13.6B

Earnings Growth

25.9%

CAGR FY00 – FY22

Core ROAA

1.15%

Core ROTCE

14.13%

NIM (FTE)

3.39%

NIB Deposits /
Total Deposits

37.28%

10 Year Total Shareholder
Return³

169%

(1) Source: FDIC Summary of Deposits for the VA Beach-Norfolk-Newport News, VA MSA, data as of June 30, 2022

(2) © 2022, Forbes Media LLC. Used with permission.

(3) Total Return as of 2/27/2022; Source: S&P Global, data pulled 03/22/2023. Peers as disclosed in the most recent TOWN proxy statement

(4) Financial results for the quarter ending March 31, 2023.



1st Quarter 2023 Financial Results

Performance Highlights

	Q1-FY23	Q4-FY22	Q/Q Change	Q1-FY22	Y/Y Change
Total Revenue	\$184.1 million	\$175.3 million	5.0%	\$165.4 million	11.3%
Provision for Credit Losses	\$11.7 million	\$6.1 million	92.1%	-\$1.4 million	nm
Pre-tax Pre-Provision Net Revenue (PPNR) ¹	\$59.6 million	\$64.4 million	-7.4%	\$55.4 million	7.6%
Net Income Attributable to TowneBank	\$38.3 million	\$46.7 million	-17.9%	\$45.6 million	-15.9%
Earnings Per Share-Diluted	\$0.52	\$0.64	-19.7%	\$0.63	-18.0%
Return on Avg Assets	0.95%	1.16%	-21 bps	1.13%	-18 bps
Return on Avg Tangible Common Equity ¹	11.83%	14.44%	-261 bps	14.08%	-224 bps
Net Interest Margin (TE) ¹	3.39%	3.53%	-14 bps	2.69%	+70 bps
Assets	\$16.7 billion	\$15.8 billion	5.6%	\$16.7 billion	0.4%
Loans	\$11.2 billion	\$10.8 billion	3.5%	\$9.9 billion	12.8%
Deposits	\$13.6 billion	\$13.3 billion	2.3%	\$13.8 billion	-1.3%
Noninterest Bearing Deposits / Deposits	37.28%	39.61%	-233 bps	40.17%	-289 bps
Nonperforming Assets / Assets	0.06%	0.04%	+2 bps	0.03%	+3 bps
Book Value per Share	\$26.40	\$25.73	2.6%	\$25.61	3.1%
Tangible Book Value per Share ¹	\$19.04	\$18.84	1.1%	\$18.67	2.0%
Tangible Common Equity to Tangible Assets	8.80%	8.94%	-14 bps	8.40%	+40 bps
Total Risk Based Capital Ratio	14.55%	14.80%	-24 bps	17.34%	-279 bps

(1) Non-GAAP financial measure – see non-GAAP reconciliations

Income Statement Summary

Dollars in millions, except per share data	QTD				
	Q1-FY23	Q4-FY22	Q/Q Change	Q1-FY22	Y/Y Change
Interest Income	\$ 163.40	\$ 151.92	7.6%	\$ 108.36	50.8%
Interest Expense	40.02	23.13	73.0%	9.15	337.3%
Net Interest Income	123.38	128.78	(4.2%)	99.20	24.4%
Provision for Credit Losses	11.67	6.07	92.1%	(1.45)	(905.5%)
Net Interest Income after Provision for Credit Losses	111.71	122.71	(9.0%)	100.65	11.0%
Noninterest Income	60.77	46.52	30.6%	66.21	(8.2%)
Noninterest Expense	124.40	111.14	11.9%	109.38	13.7%
Minority Interest in Unconsolidated Subs	0.14	(0.19)	(176.0%)	0.66	(78.2%)
Income Before Taxes	47.93	58.28	(17.8%)	56.82	(15.6%)
Provision for Income Tax Expense	9.60	11.60	(17.2%)	11.23	(14.5%)
Net Income Attributable to TowneBank	\$ 38.33	\$ 46.69	(17.9%)	\$ 45.59	(15.9%)
Earnings Per Share-Diluted	\$ 0.52	\$ 0.64	(19.7%)	\$ 0.63	(18.0%)

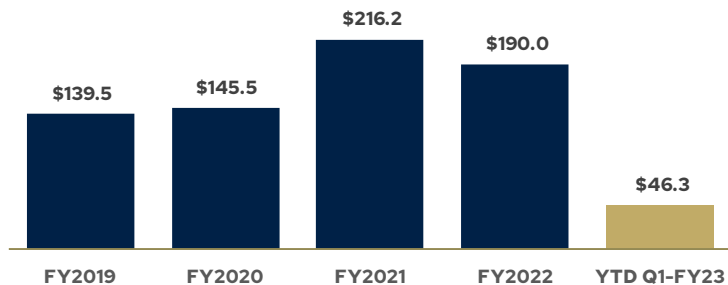
Core Net Income¹

One-time Acquisition Related Expenses After Taxes	\$ 7.97	\$ 0.33	nm	\$ 0.04	nm
Core Net Income	46.30	47.01	(1.5%)	45.63	1.5%
Core Earnings Per Share-Diluted	\$ 0.62	\$ 0.65	(3.7%)	\$ 0.63	(1.0%)

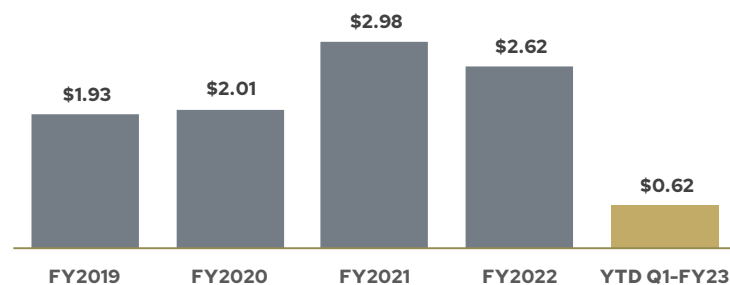
(1) Non-GAAP financial measure – see non-GAAP reconciliations

Financial Performance Trends

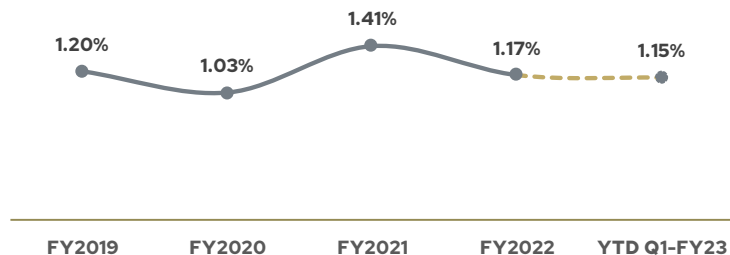
Core Net Income¹ [Dollars in millions]



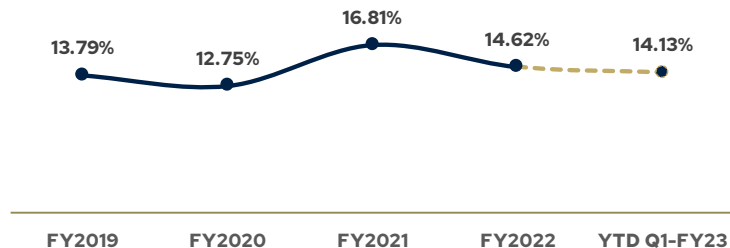
Core EPS¹



Core ROAA¹



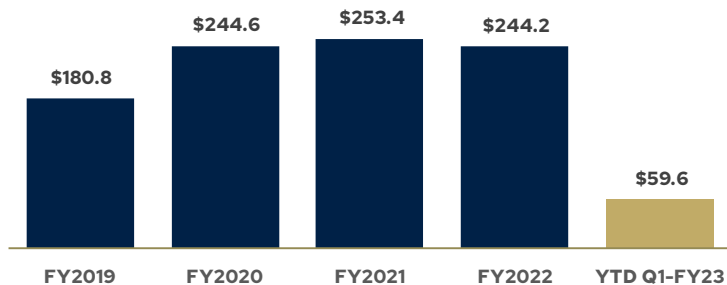
Core ROATCE¹



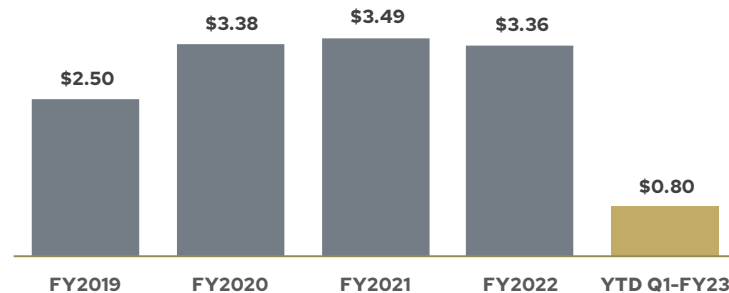
(1) Non-GAAP financial measure – see non-GAAP reconciliations

Pre-tax Pre-Provision Net Revenue (PPNR)

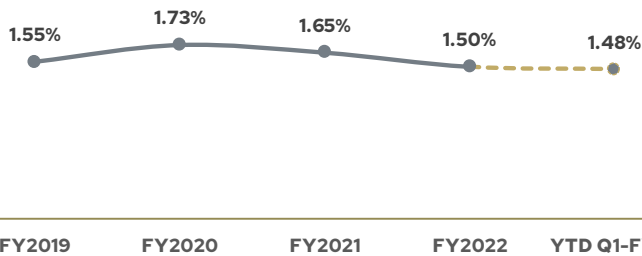
PPNR⁽¹⁾ [Dollars in millions]



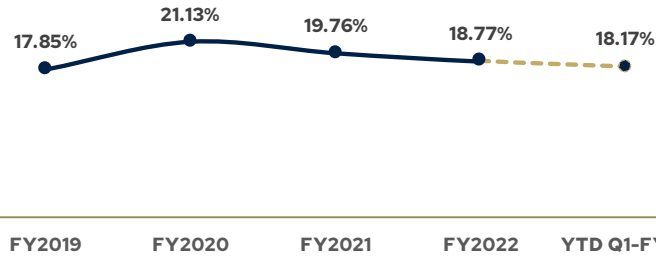
PPNR Earnings Per Share⁽¹⁾



PPNR ROAA⁽¹⁾



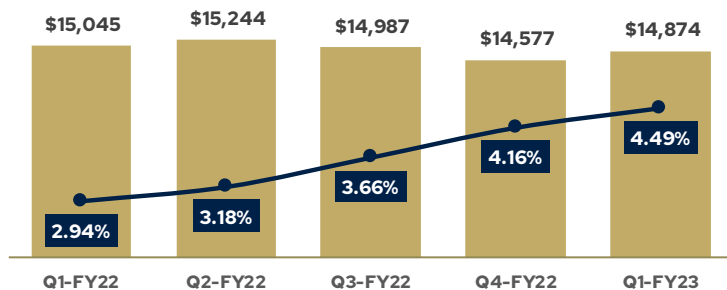
PPNR ROATCE⁽¹⁾



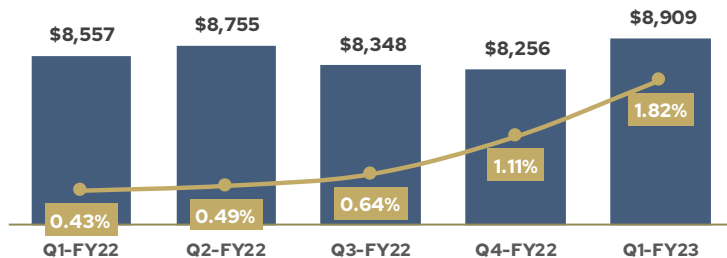
(1) Non-GAAP financial measure – see non-GAAP reconciliations

Net Interest Income

Avg. Earning Assets & Yield (TE)¹ [Dollars in millions]

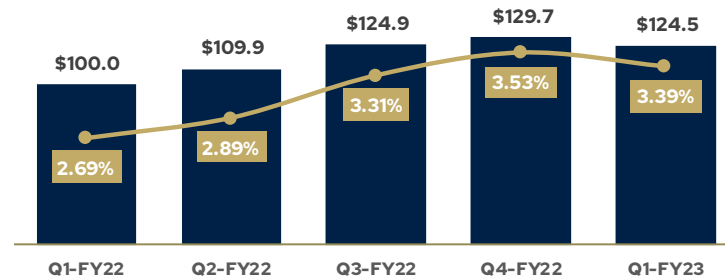


Avg. Interest Bearing Liabilities & Cost [Dollars in millions]

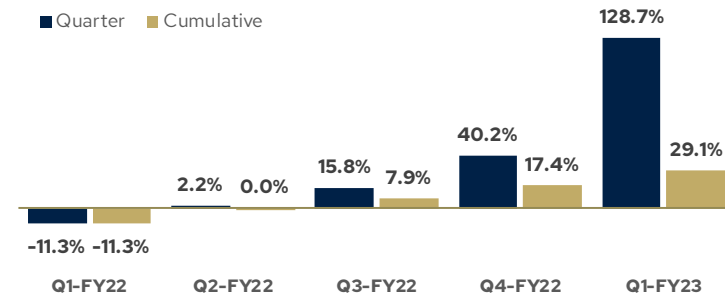


(1) Non-GAAP financial measures - see non-GAAP reconciliations

Net Interest Income & NIM (TE)¹ [Dollars in millions]



Interest Bearing Deposit Beta

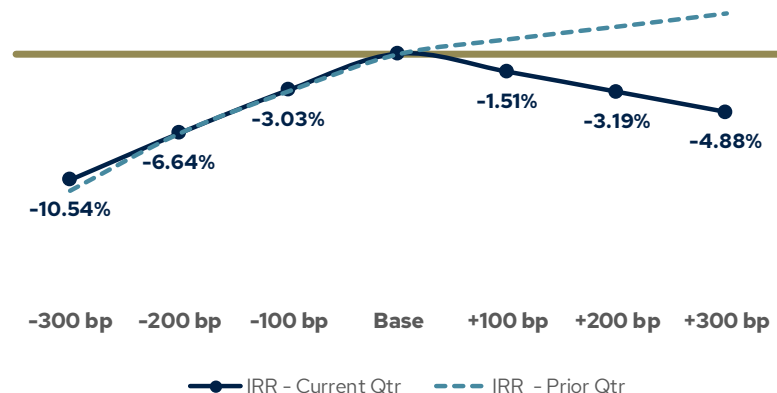


NIM & Net Interest Income Sensitivity

Net Interest Income & NIM (TE)¹

Dollars in millions	Amount	NIM (%)
Q4-FY22	\$ 129.7	3.53%
Loans HFI	9.2	0.20%
Recurring Accretion	0.8	0.02%
PPP Asset	(0.1)	0.00%
Loans HFS	(0.2)	0.00%
Investments & Cash	2.5	0.09%
Earning Assets Mix		0.03%
Deposits	(14.2)	-0.37%
Borrowings	(3.0)	-0.04%
Sub Debt	(0.1)	0.00%
Interest Bearing Funding Mix		-0.01%
Other	0.0	-0.06%
Q1-FY23	\$ 124.5	3.39%

Net Interest Income Sensitivity²



Comments

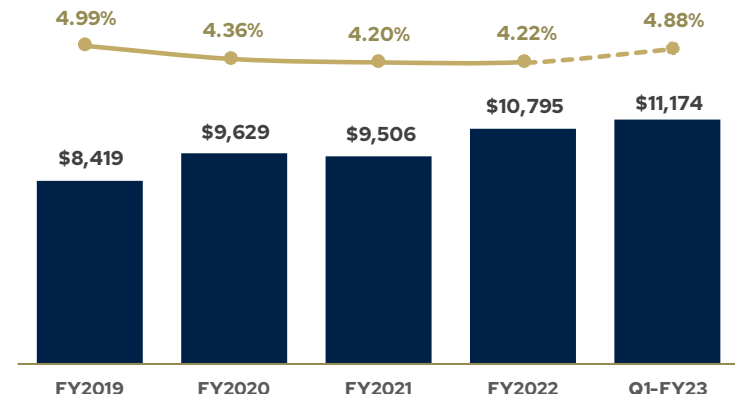
- Margin impacted by mix changes to interest-bearing deposit accounts
- Cumulative cycle beta of approximately 34%

(1) Non-GAAP financial measure - see non-GAAP reconciliations

(2) The interest sensitivity chart is a one-year result on net interest income of an instantaneous and permanent rate shock. The results include assumptions about deposit rate changes that may or may not occur.

Loans

Loans Balances & Yield (TE)¹ [Dollars in millions]



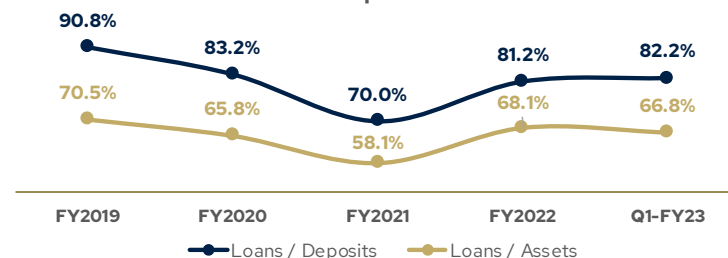
Loans	Q1-FY23	% Total	Q/Q %	Y/Y %
(Dollars in millions)				
Construction and Development	\$ 1,473	13%	3.1%	19.1%
Commercial Real Estate	5,089	46%	3.7%	10.7%
Residential 1-4 Family	2,123	19%	4.6%	20.0%
Commercial and Industrial	1,298	12%	3.3%	7.0%
Government	510	5%	-0.3%	-1.6%
Indirect	582	5%	2.5%	19.9%
Consumer & Other	98	0%	6.3%	10.9%
Total Loans	\$ 11,174	100%	3.5%	12.8%

(1) Non-GAAP financial measure – see non-GAAP reconciliations

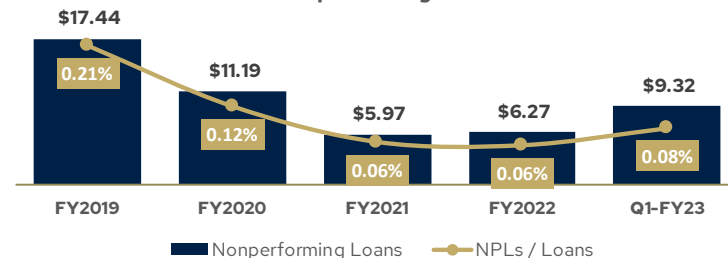
Portfolio Highlights

- Farmers Bank balances included in Q1-23 balances (Day 1 balances = \$277.9 million)
- Variable portfolio of \$3.2 billion at the end of Q1-23, 94% is currently floating (not at floor or ceiling)

Loans % of Deposits and Assets

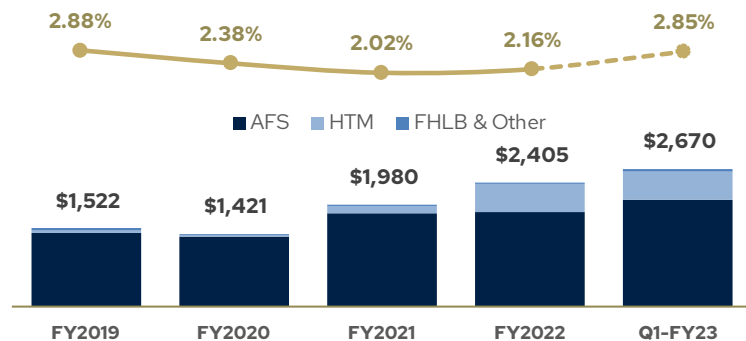


Nonperforming Loans



Investments

Investment Balances & Yield (TE)¹ [Dollars in millions]



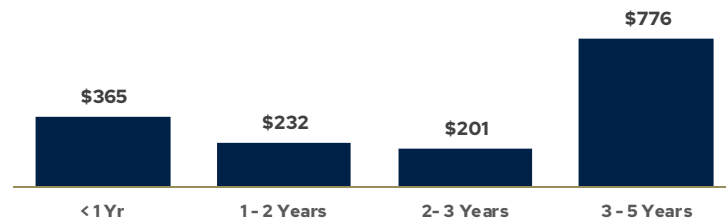
AFS and HTM Securities ²	AFS	HTM	Total
(Dollars in millions)			
US Treasuries	\$ 28	\$ 434	\$ 462
US Agencies	359	101	460
Municipals	549	5	554
Trust Preferred & Oth Corp	87	2	89
MBS Issued by GSE/GNMA	1,222	6	1,228
Securities - Amortized Cost	2,245	548	2,794
Valuation Adjustment	(166)	-	(166)
Credit Loss Reserve	(1)	(0)	(1)
Total	\$ 2,078	\$ 548	\$ 2,627

(1) Non-GAAP financial measure – see non-GAAP reconciliations
 (2) AFS and HTM portfolio, excludes FHLB and other equity securities
 (3) Amortized Costs

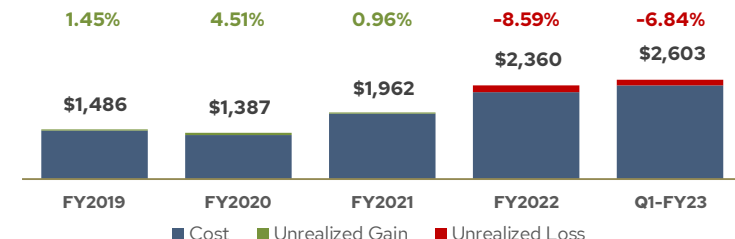
Portfolio Highlights

- \$597 million of expected cash flow from securities portfolio in the next two years
- Weighted avg. runoff yield in 2023 = 2.66% and in 2024 = 2.23%
- Portfolio duration of 3.6 years at the end of Q1-23
- Portfolio: 80%/20% - AFS/HTM and 83%/17% - Fixed/Floating

Expected Cashflows from Investments (5 Years)

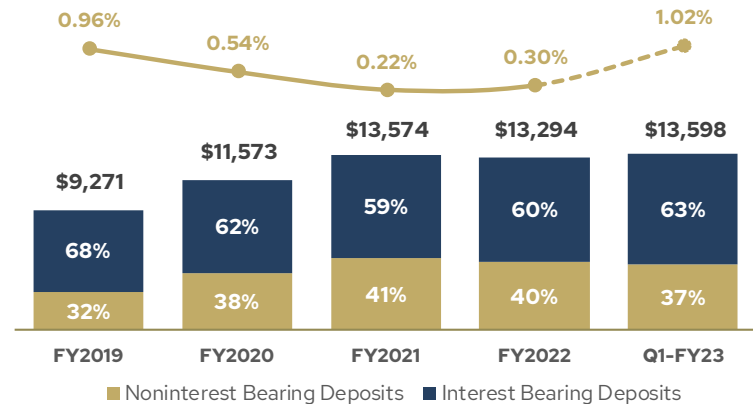


Securities FV and Unrealized Gain (Loss)²



Deposits

Deposit Balances and Cost [Dollars in millions]



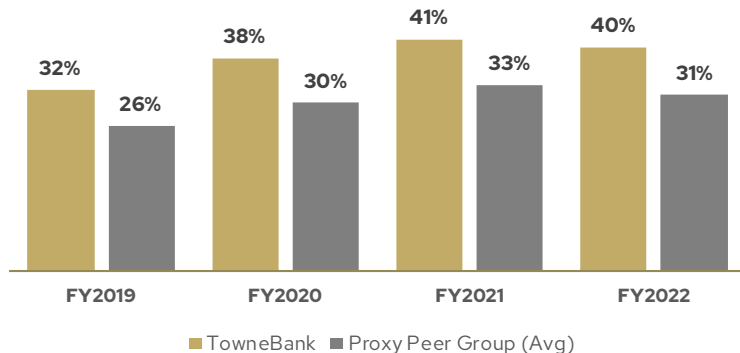
Deposits	Q1-FY23	% Total	Cost	Q/Q %	Y/Y %
(Dollars in millions)					
Interest Bearing Demand	1,702	13%	0.38%	7.0%	-6.0%
Money Market	4,582	34%	1.91%	-0.3%	-0.8%
Savings	389	3%	0.85%	3.8%	-1.0%
Time Deposits	1,855	14%	2.36%	26.3%	31.2%
Interest Bearing Deposits	8,529	63%	1.66%	6.2%	3.5%
Noninterest Bearing Deposits	5,069	37%	na	-3.7%	-8.4%
Total Deposits	\$ 13,598	100%	1.02%	2.3%	-1.3%

(1) Source: S&P Global, data as of 03/22/2023. Peers as disclosed in the most recent TOWN proxy statement

Portfolio Highlights

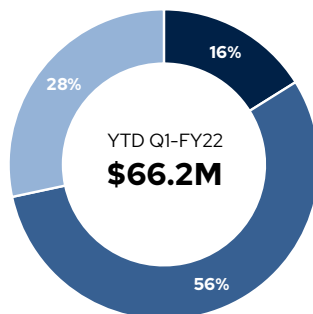
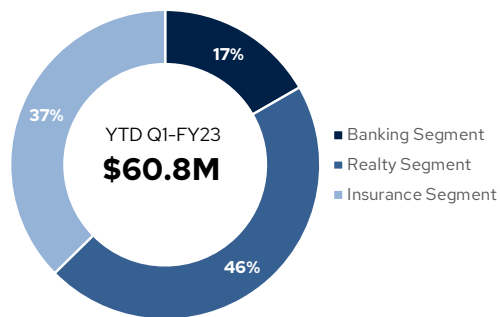
- Broadly stable deposits during period of industry stress, reflecting the strength of client relationships and deposit franchise
- Farmers Bank balances included in Q1-23 balances (Day 1 balances = \$514.6 million)
- Approximately \$340 million of deposit decline can be attributed to softness in real estate markets since June 2022 peak
- Top 50 deposit relationships = \$1.4 billion, 10% of total
- Effectively utilizing Insured Cash Sweep (ICS) products to proactively manage deposit relationships

NIB Deposits % of Total Deposits TowneBank vs Peers¹

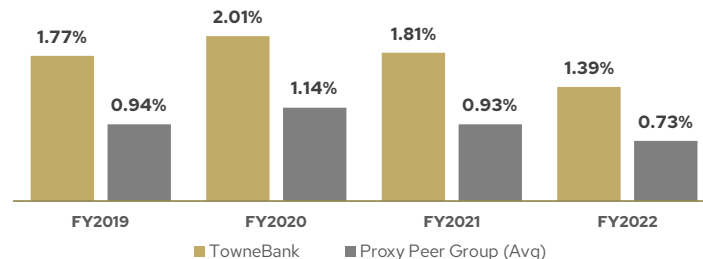


Noninterest Income

Dollars in millions	QTD				
	Q1-FY23	Q4-FY22	Q/Q Change	Q1-FY22	Y/Y Change
Residential Mortgage Banking Income Net	\$ 9.37	\$ 7.37	27.2%	\$ 14.64	(36.0%)
Insurance Commissions and Other Title Fees and Income, Net	22.82	17.32	31.7%	19.07	19.7%
Real Estate Brokerage and Property Mgmt Income, Net	17.33	10.11	71.4%	19.70	(12.1%)
Service Charges on Deposit Accounts	2.85	2.66	7.4%	2.57	10.8%
Credit Card Merchant Fees, Net	1.54	1.65	(6.5%)	1.38	12.3%
Bank-owned Life Insurance	1.67	1.98	(15.8%)	1.72	(2.6%)
Other Income	5.18	5.43	(4.6%)	7.13	(27.4%)
Noninterest Income	\$ 60.77	\$ 46.52	30.6%	\$ 66.21	(8.2%)



Noninterest Income % Avg Assets
TowneBank vs Peers⁽¹⁾



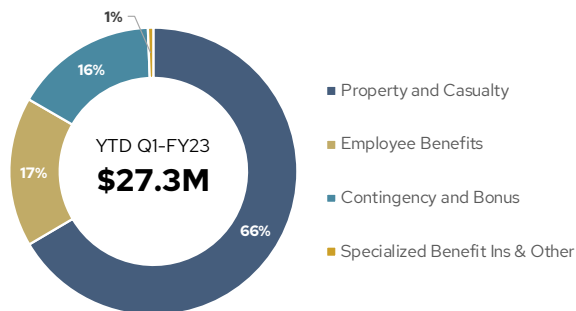
(1) Source: S&P Global, data as of 03/22/2023. Peers as disclosed in the most recent TOWN proxy statement

Towne Insurance

Highlights

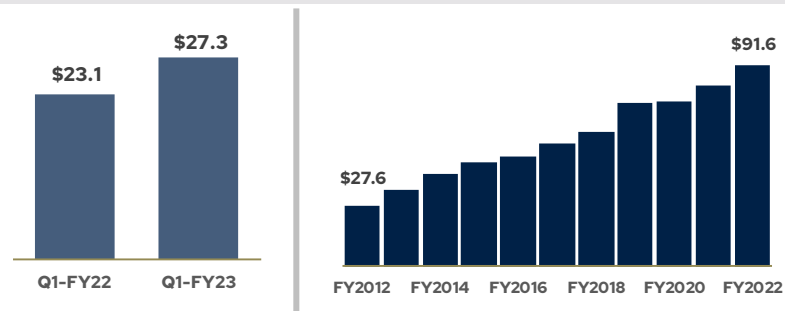
- Insurance revenue of \$27.3 million in Q1-23 compared to \$23.1 million in Q1-22
- CAGR of 12.7% from 2012 to 2022
- 27 Acquisitions since 2001
Most recent - Manry Rawls - was completed 1/13/2023
- Focused effort on organic growth and expansion in growth markets

Insurance Revenue Composition

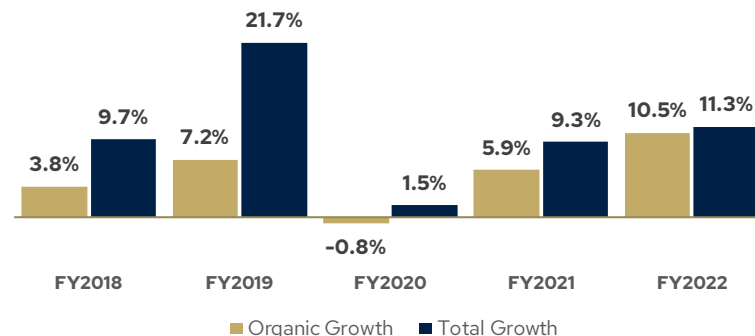


(1) Income does not include travel insurance income from Red Sky Travel Insurance, which was sold in FY2020

Revenues¹ [Dollars in millions]



Revenue Growth Trend

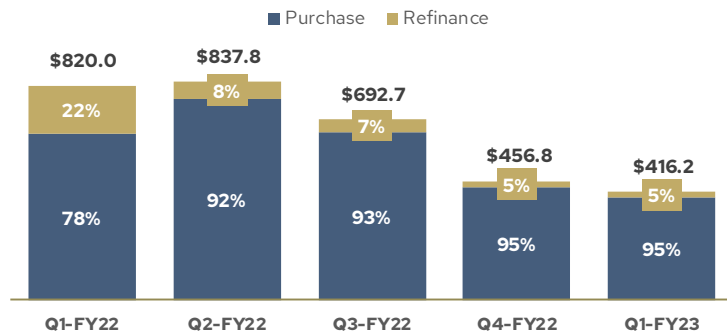


TowneBank Mortgage

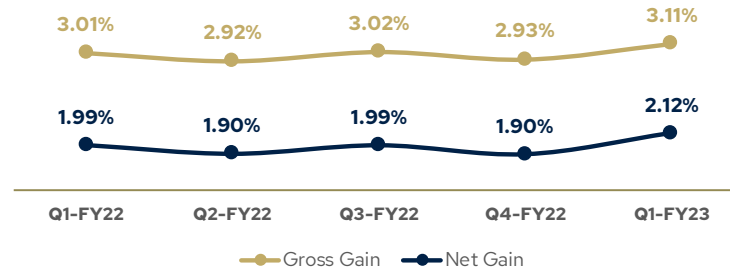
Highlights

- Mortgage banking income of \$9.8 million in Q1-23 compared to \$15.9 million in Q1-22
- Production volume of \$416.2 million in Q1-23, down from \$820.0 million in Q1-22
- Gain on sales & fees as a % of loans originated up 10 bps compared to Q1-22
- Noninterest expense levels reduced to align with current environment

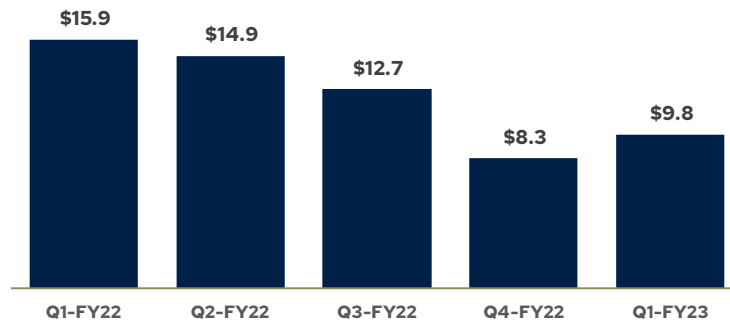
Mortgage Production [Dollars in millions]



Gain on Sales & Fees as a % of Loans Originated



Mortgage Brokerage Income Net [Dollars in millions]

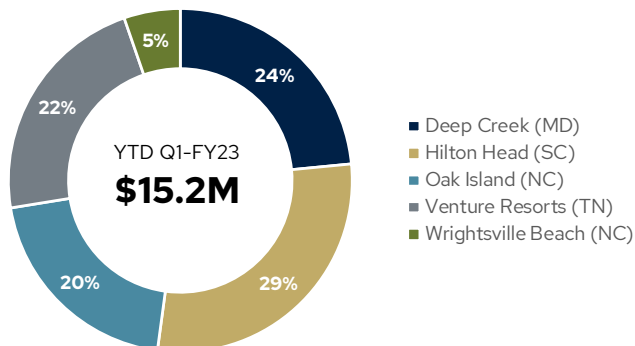


Towne Vacations

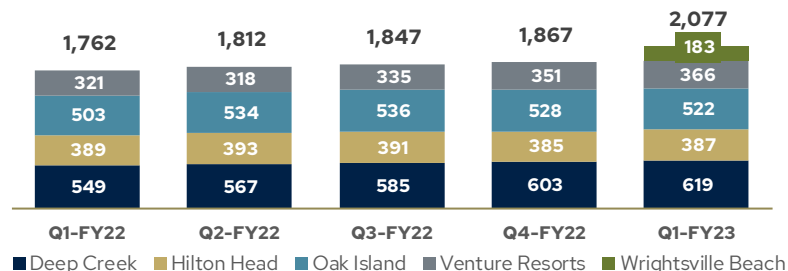
Highlights

- Property management income net of \$15.2 million in Q1-23 compared to \$16.8 million in Q1-22
- Property management locations in North Carolina, South Carolina, Maryland and Tennessee
- Bryant Properties in Wrightsville Beach, NC acquired March 1, 2023
- Expect reservation activity to return closer to pre-pandemic levels

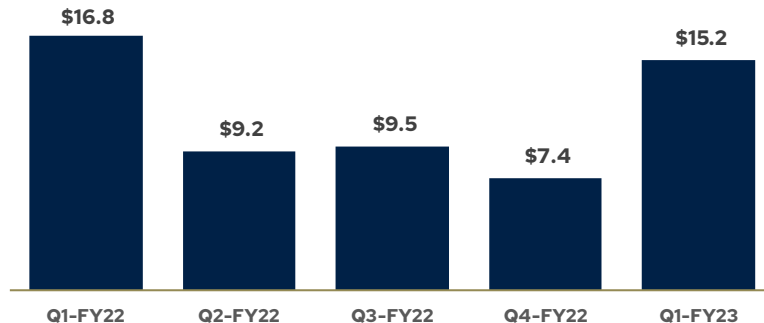
Property Management Income Net



Home Count [Quarterly Average]

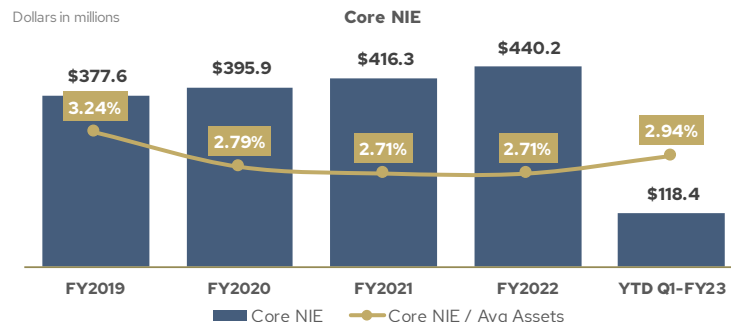
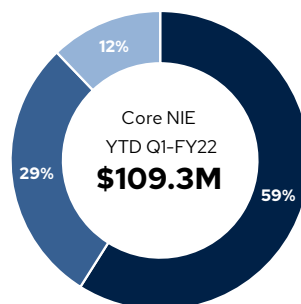
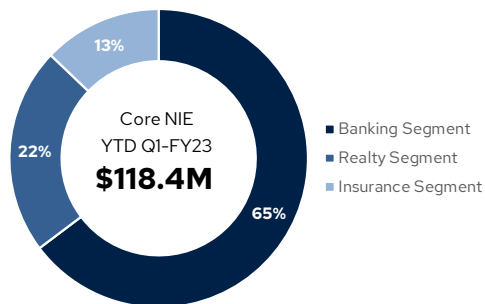


Property Management Income Net [Dollars in millions]



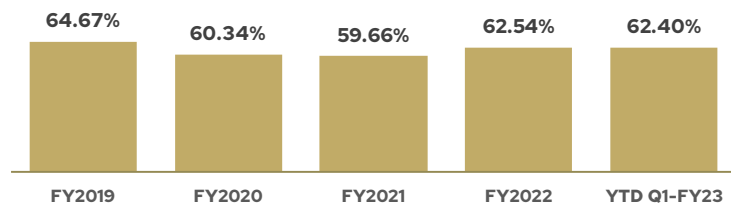
Noninterest Expense

Dollars in millions	QTD				
	Q1-FY23	Q4-FY22	Q/Q Change	Q1-FY22	Y/Y Change
Employee Compensation	\$ 69.42	\$ 61.31	13.2%	\$ 63.96	8.5%
Occupancy, Furniture and Equipment	13.31	13.23	0.6%	12.02	10.7%
Software and Data Processing	8.98	8.21	9.4%	8.09	11.0%
Advertising and Marketing	4.40	3.49	26.1%	4.13	6.6%
Other Expenses	28.29	24.90	13.6%	21.19	33.5%
Noninterest Expense	\$ 124.40	\$ 111.14	11.9%	\$ 109.38	13.7%
Acquisition Related Expenses	5.96	0.34	nm	0.06	nm
Core Noninterest Expense	\$ 118.43	\$ 110.80	6.9%	\$ 109.32	8.3%

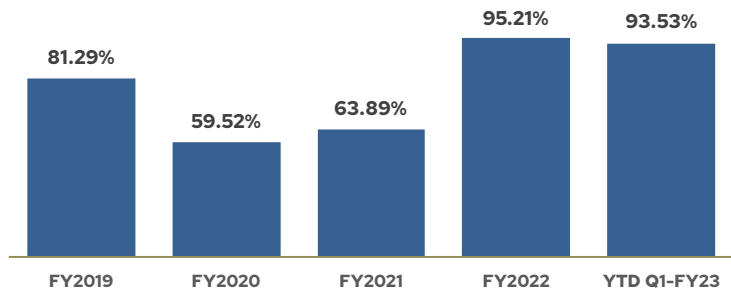


Core Efficiency Ratio¹

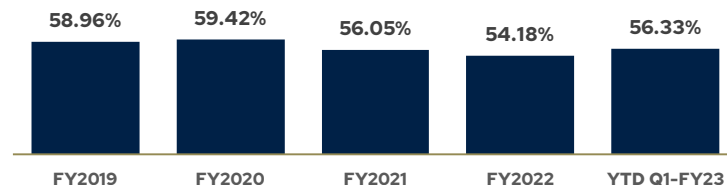
TowneBank Consolidated



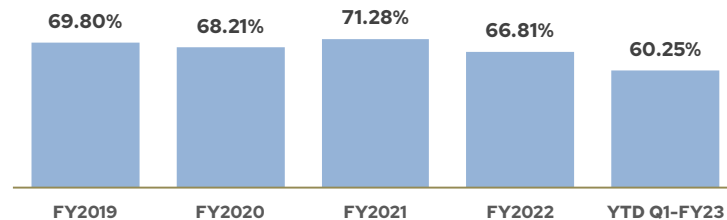
Realty Segment



Banking Segment



Insurance Segment



(1) Non-GAAP financial measure – see non-GAAP reconciliations

Balance Sheet Summary

Dollars in millions	Q1-FY23	Q4-FY22	Q/Q Change	Q1-FY22	Y/Y Change
Cash and Cash Equivalents	\$ 1,243	\$ 1,153	7.8%	\$ 2,967	(58.1%)
Securities	2,670	2,405	11.0%	2,297	16.2%
Loans Held for Sale	157	102	53.6%	235	(33.0%)
Loans	11,174	10,795	3.5%	9,909	12.8%
Allowance for Credit Losses	(120)	(111)	8.3%	(104)	15.6%
Net Loans	11,054	10,684	3.5%	9,805	12.7%
Premises and Equipment Net	322	305	5.6%	278	15.9%
Goodwill	477	458	4.1%	457	4.4%
Intangible Assets	73	43	69.7%	48	54.0%
Bank-owned Life Insurance	272	258	5.3%	253	7.3%
Other Assets	463	436	6.1%	327	41.7%
Assets	16,730	15,845	5.6%	16,667	0.4%
Noninterest Bearing Deposits	5,069	5,265	(3.7%)	5,532	(8.4%)
Interest Bearing Deposits	8,529	8,029	6.2%	8,239	3.5%
Deposits	13,598	13,294	2.3%	13,772	(1.3%)
Borrowings	806	318	153.5%	628	28.4%
Other Liabilities	336	344	(2.3%)	387	(13.1%)
Liabilities	14,741	13,957	5.6%	14,787	(0.3%)
Shareholders' Equity	1,975	1,874	5.4%	1,863	6.0%
Noncontrolling Interest	15	15	2.8%	17	(11.7%)
Equity	1,990	1,889	5.4%	1,880	5.9%
Liabilities and Equities	\$ 16,730	\$ 15,845	5.6%	\$ 16,667	0.4%



\$16.7B

Total Assets

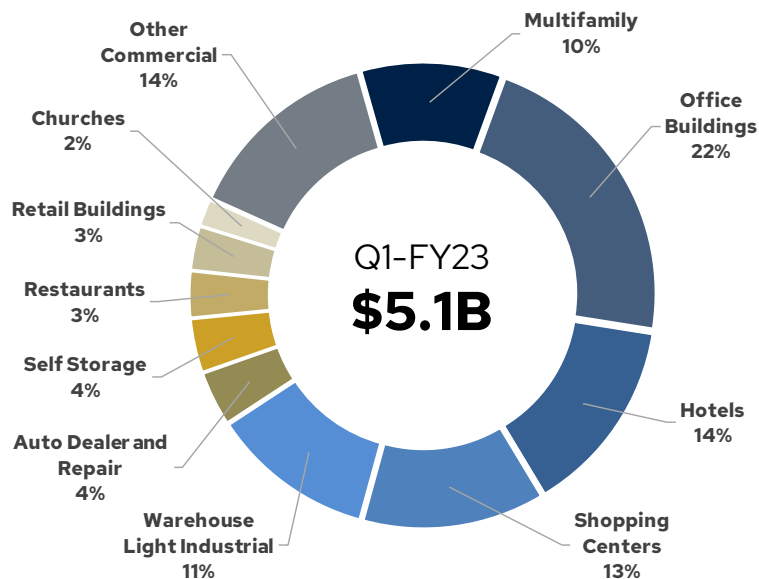
82.17%
Loans / Deposits

1.07%
ACL / Loans

0.06%
Nonperforming Assets /
Total Assets

37.28%
Noninterest Bearing
Deposits / Total Deposits

Commercial Real Estate

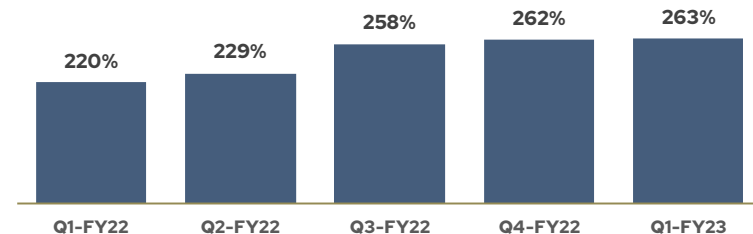


Dollars in millions	Q1-FY23	% Total	Q/Q %	Y/Y %
CRE-Owner Occupied	\$ 1,675	33%	6.0%	7.3%
CRE-Non Owner Occupied	2,909	57%	2.8%	7.8%
Multifamily	505	10%	1.8%	48.9%
Commercial Real Estate	\$ 5,089	100%	3.7%	10.7%

Owner and Non-Owner Occupied

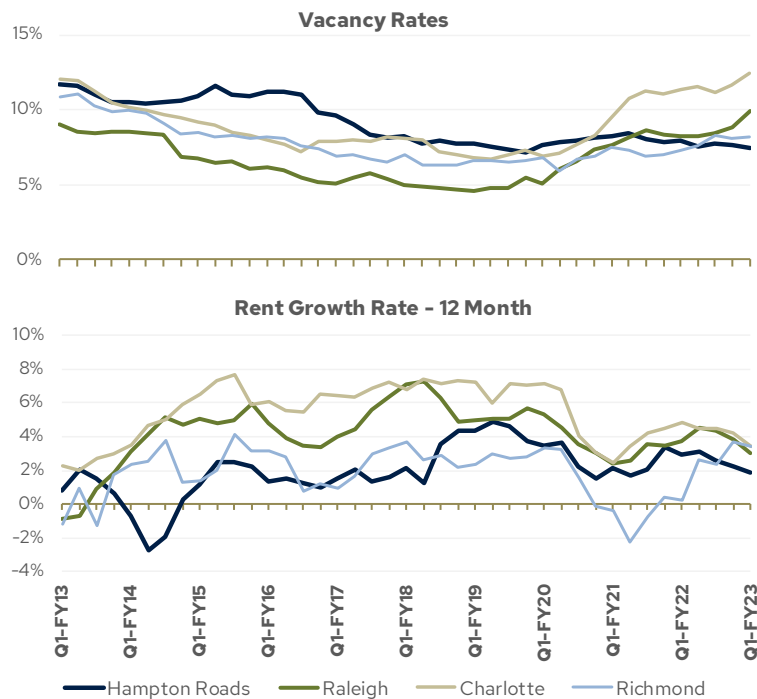
Dollars in millions	Owner	Non-owner	Total
Office Buildings	\$ 425	\$ 692	\$ 1,117
Hotels	-	706	706
Shopping Centers	-	655	655
Warehouse Light Industrial	332	254	586
Auto Dealer and Repair	166	30	196
Self Storage	-	194	194
Restaurants	119	48	167
Retail Buildings	84	74	158
Churches	95	3	98
Other Commercial	454	253	707
Total	\$ 1,675	\$ 2,909	\$ 4,584

CRE / Total Risk Based Capital



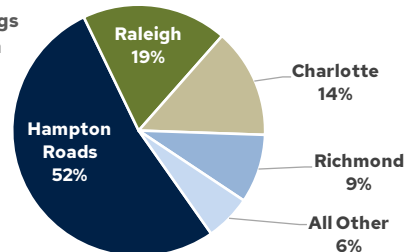
CRE – Office Buildings

Market Trends¹



(1) Source: CoStar[®]

CRE-Office Buildings
Portfolio by Region

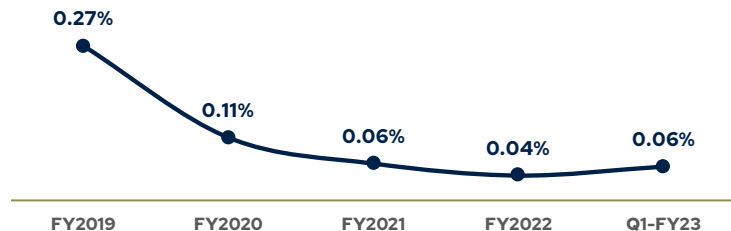


Market Comments

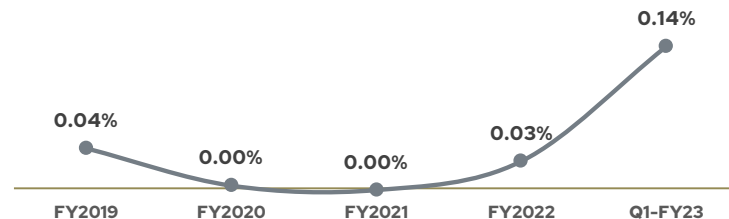
- Hampton Roads vacancy rates near 10-year lows at 7.5%, rent growth of 1-2% in line with long-term averages, fully recovered all jobs lost at the start of the pandemic, minimal supply-side impacts due to limited office development and the market is forecasted to perform better than larger macroeconomy due to defense spending, tourism, and the Port.
- Richmond vacancy rates have risen recently but still below long-term averages and forecasted to remain stable in the coming quarters. Despite the recent increase in vacancy rates, rents continue to grow in the mid-3% range. Jobs lost at the beginning of the pandemic have been fully recovered and the economy continues to improve. Asking rents and an educated workforce leave Richmond as an attractive alternative along this section of the East Coast from Charlotte to Baltimore (10-50% lower asking rents).
- While vacancy rates have increased throughout our North Carolina footprint since 2019, the area continues to benefit from full jobs recovery, strong population growth and an educated workforce, particularly in office-using sectors. Rent growth of 3% annual rate remains well above the 0.9% national growth rate. Raleigh and the Research Triangle are among the fastest growing metros in the US.

Asset Quality

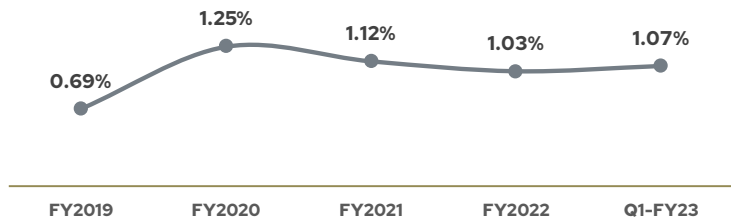
NPA¹ / Assets



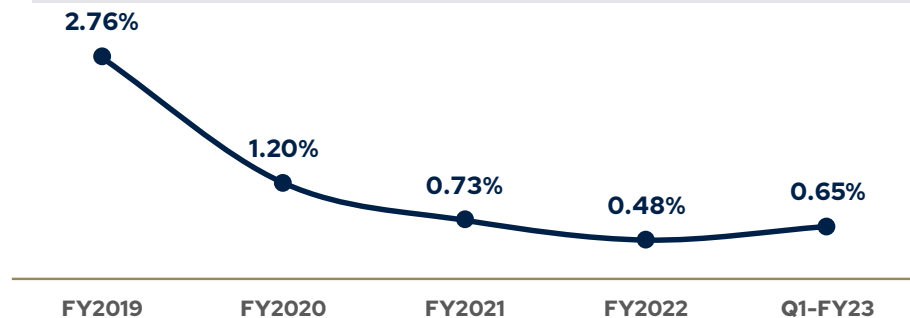
NCOs / Average Loans



Reserves / Loans



Texas Ratio²

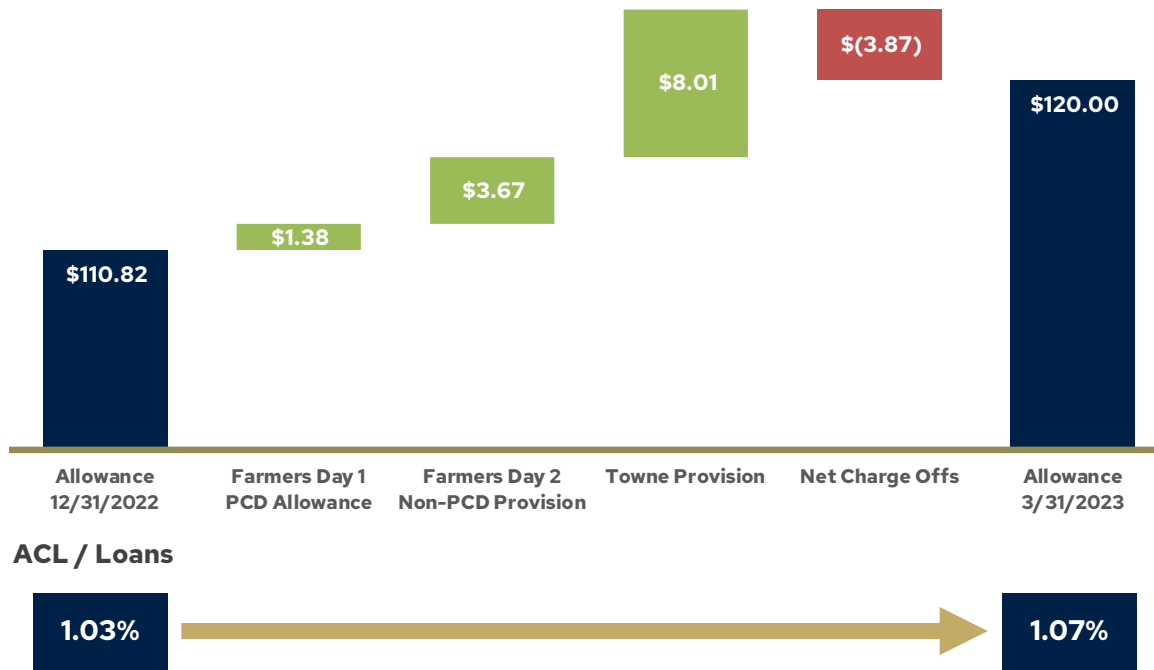


(1) Non-performing assets (Non-accrual loans/leases, repossessed assets, and real estate owned) as a percent of assets

(2) Calculated as the sum of non-performing assets and loans 90+ days past due and accruing divided by the sum of tangible common equity and loan loss reserves

Current Expected Credit Loss (CECL)

Allowance for Credit Losses [Dollars in millions]



MACROECONOMIC FORECAST

Weighted Moody's economic sectors

REASONABLE & SUPPORTABLE FORECAST PERIOD

2 Years

REVERSION PERIOD AND APPROACH

4 quarter reversion period with a blended transition approach

KEY MACROECONOMIC VARIABLES

Price Indices
GDP
Interest Rates
Disposable Income

Liquidity

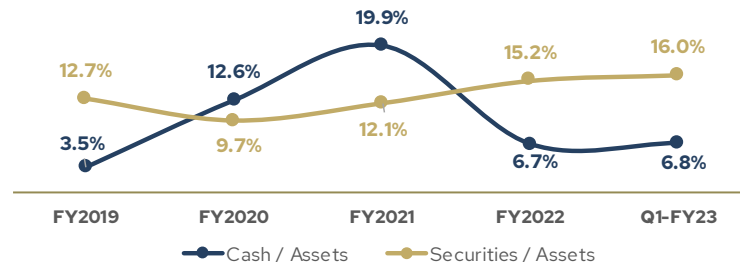
Liquidity Sources [Dollars in millions]

	Q1-FY23
Available Liquid Funds:	
Cash and cash equivalents	\$ 1,238
Unencumbered investment securities	1,799
Availability of Borrowings:	
Amount available from FHLB with loan collateral	1,423
Amount available from unsecured lines of credit with correspondent banks	158
Amount available from Federal Reserve discount window	1,946
Total Liquidity Sources	\$ 6,564

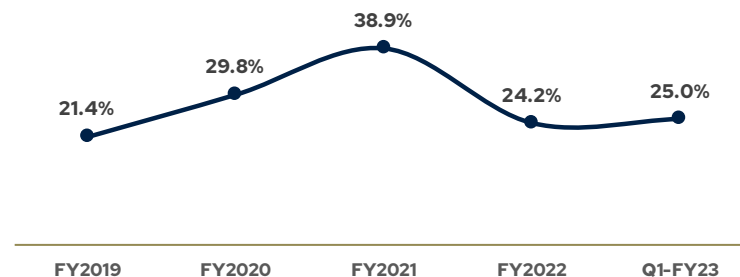
Uninsured Deposits [Dollars in millions]

	Q1-FY23
TowneBank Uninsured Deposits	\$ 6,821
Less Collateralized Deposits	651
Adjusted Uninsured Deposits	6,170
TowneBank Total Deposits	13,598
Adjusted Uninsured Deposits / Total Deposits	45%
Total Liquidity Sources / Adjusted Uninsured Deposits	106%

Cash and Securities

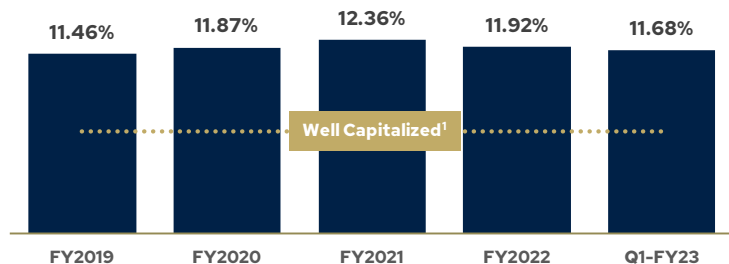


Liquidity Ratio

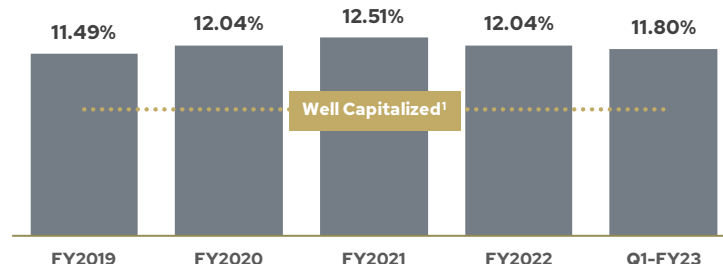


Capital

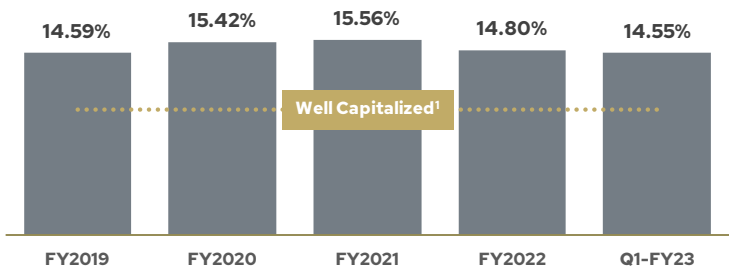
Common Equity Tier 1



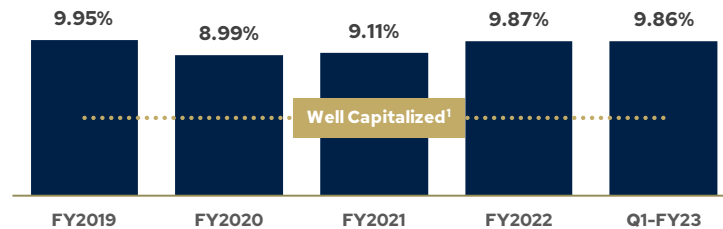
Tier 1 Risk-Based



Total Risk-Based



Tier 1 Leverage



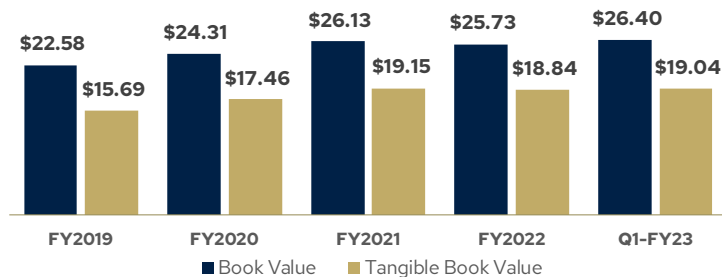
(1) FDIC "Well Capitalized" under prompt corrective action rules

Shareholder Value

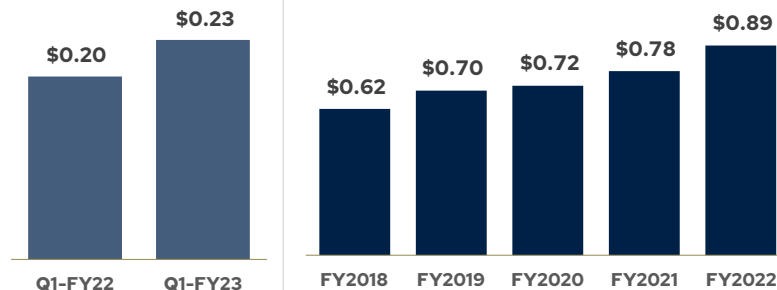
Total Shareholder Return TowneBank vs Peers¹

	TowneBank	Peers
3 Year	35%	33%
5 Year	19%	7%
10 Year	169%	133%

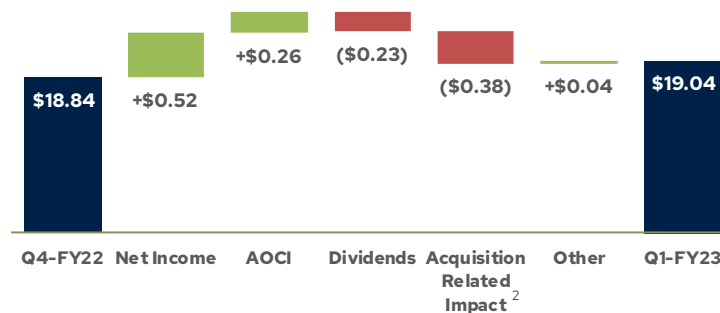
Book Value and Tangible Book Value per Share



Dividends



Tangible Book Value Roll Forward



(1) Total Return as of 2/27/2022; Source: S&P Global, data collected 03/22/2023. Peers as disclosed in the most recent TOWN proxy statement

(2) Acquisition related impact to balance sheet – changes to goodwill, intangibles, paid in capital and common stock shares outstanding

Outlook Summary

Loans and Asset Quality

- Targeting balanced loan and deposit growth in the mid-single digits
- Incremental increases in reserve levels based on loan growth and economic forecasts

Profitability

- Net interest income expected to range between \$120-\$125 million for Q2 2023 which assumes a Federal Funds of 5.00%
- Noninterest expense run rate projected at \$118-\$121 million for Q2 2023; excludes one-time charges associated with Farmers Bankshares acquisition

Strategic

- Diversified business model with proven ability to capitalize during disruptive economic environments
- Strong capital and liquidity levels to support continued growth
- Valuable deposit franchise
- Opportunistic M&A across all lines of business





Non-GAAP Reconciliations

Non-GAAP Reconciliations

Core Net Income and Related Metrics

Amounts in millions except per share data	QTD			Year			
	Q1-FY23	Q4-FY22	Q1-FY22	FY2022	FY2021	FY2020	FY2019
Net Income Attributable to TowneBank	\$ 38.33	\$ 46.69	\$ 45.59	\$ 188.99	\$ 215.38	\$ 145.53	\$ 138.78
Adjustments							
Acquisition Related Expenses	5.96	0.34	0.06	1.06	1.02	(0.07)	0.66
Initial Provision for Credit Losses	4.01	-	-	-	-	-	-
Income Tax & Other Adjustments	(2.00)	(0.01)	(0.01)	(0.04)	(0.20)	0.00	0.06
Core Net Income	\$ 46.30	\$ 47.01	\$ 45.63	\$ 190.01	\$ 216.20	\$ 145.47	\$ 139.50
Avg Assets	\$16,349.04	\$15,929.76	\$16,312.00	\$16,268.01	\$15,384.66	\$14,172.21	\$11,638.43
Return on Avg Assets	0.95%	1.16%	1.13%	1.16%	1.40%	1.03%	1.19%
Core Return on Avg Assets	1.15%	1.17%	1.13%	1.17%	1.41%	1.03%	1.20%
Avg Common Shares Outstanding-Diluted	74.39	72.72	72.56	72.58	72.56	72.35	72.19
Earnings Per Share-Diluted	\$ 0.52	\$ 0.64	\$ 0.63	\$ 2.60	\$ 2.97	\$ 2.01	\$ 1.92
Core Earnings Per Share-Diluted	\$ 0.62	\$ 0.65	\$ 0.63	\$ 2.62	\$ 2.98	\$ 2.01	\$ 1.93
Avg Tangible Common Equity	\$ 1,409.09	\$ 1,336.36	\$ 1,377.60	\$ 1,357.33	\$ 1,338.57	\$ 1,211.93	\$ 1,082.13
Intangible Amort Net of Tax	2.78	1.96	2.23	8.39	8.79	9.08	9.77
Return on Avg Tangible Common Equity	11.83%	14.44%	14.08%	14.54%	16.75%	12.76%	13.73%
Core Return on Avg Tangible Common Equity	14.13%	14.54%	14.09%	14.62%	16.81%	12.75%	13.79%

Non-GAAP Reconciliations

Pre-tax Pre-provision Net Revenue (PPNR)

Amounts in millions except per share data	QTD			Year			
	Q1-FY23	Q4-FY22	Q1-FY22	FY2022	FY2021	FY2020	FY2019
Net Income Attributable to TowneBank	\$ 38.33	\$ 46.69	\$ 45.59	\$ 188.99	\$ 215.38	\$ 145.53	\$ 138.78
Provision for Credit Losses	11.67	6.07	(1.45)	8.61	(16.77)	67.18	9.37
Provision for Income Tax Expense	9.60	11.60	11.23	46.58	54.80	31.90	32.60
Pre-tax Pre-Provision Net Revenue (PPNR)	\$ 59.60	\$ 64.36	\$ 55.37	\$ 244.17	\$ 253.41	\$ 244.61	\$ 180.75
Avg Assets	\$ 16,349.04	\$ 15,929.76	\$ 16,312.00	\$ 16,268.01	\$ 15,384.66	\$ 14,172.21	\$ 11,638.43
PPNR Return on Avg Assets	1.48%	1.60%	1.38%	1.50%	1.65%	1.73%	1.55%
Avg Common Shares Outstanding-Diluted	74.39	72.72	72.56	72.58	72.56	72.35	72.19
PPNR Earnings Per Share-Diluted	\$ 0.80	\$ 0.89	\$ 0.76	\$ 3.36	\$ 3.49	\$ 3.38	\$ 2.50
Avg Tangible Common Equity	\$ 1,409.09	\$ 1,336.36	\$ 1,377.60	\$ 1,357.33	\$ 1,338.57	\$ 1,211.93	\$ 1,082.13
Intangible Amort	3.52	2.48	2.82	10.62	11.13	11.50	12.37
PPNR Return on Avg Tangible Common Equity	18.17%	19.84%	17.13%	18.77%	19.76%	21.13%	17.85%

Non-GAAP Reconciliations

Core Efficiency Ratio – TowneBank Consolidated

Amounts in millions	YTD	Year			
	Q1-FY23	FY2022	FY2021	FY2020	FY2019
Total Revenue	\$ 184.14	\$ 686.93	\$ 680.33	\$ 664.33	\$ 563.94
Less: Gain (Loss) on Securities Investments	-	-	1.25	9.63	(0.84)
Less: Gain (Loss) on Equity Investments	-	-	(0.03)	17.63	-
Total Revenue Adjusted	184.14	686.93	679.11	637.08	564.79
Noninterest Expense	\$ 124.40	\$ 441.28	\$ 417.27	\$ 395.83	\$ 378.30
Less: Intangible Amortization	3.52	10.62	11.13	11.50	12.37
Noninterest Expense Adjusted	120.87	430.66	406.15	384.33	365.93
Efficiency Ratio	65.64%	62.69%	59.81%	60.33%	64.79%
Less: Acquisition Related Expenses	5.96	1.06	1.02	(0.07)	0.66
Core Efficiency Ratio	62.40%	62.54%	59.66%	60.34%	64.67%

Core Efficiency Ratio – Banking Segment

Amounts in millions	YTD	Year			
	Q1-FY23	FY2022	FY2021	FY2020	FY2019
Total Revenue	\$ 133.79	\$ 495.49	\$ 430.21	\$ 411.99	\$ 386.04
Less: Gain (Loss) on Securities Investments	-	-	1.25	9.63	(0.84)
Less: Gain (Loss) on Equity Investments	-	-	(0.03)	-	-
Total Revenue Adjusted	133.79	495.49	428.99	402.35	386.88
Noninterest Expense	\$ 82.48	\$ 272.39	\$ 244.01	\$ 243.45	\$ 233.26
Less: Intangible Amortization	1.28	3.01	3.55	4.35	5.16
Noninterest Expense Adjusted	81.20	269.39	240.46	239.10	228.10
Efficiency Ratio	60.70%	54.37%	56.05%	59.42%	58.96%
Less: Acquisition Related Expenses	5.84	0.96	-	-	-
Core Efficiency Ratio	56.33%	54.18%	56.05%	59.42%	58.96%

Core Efficiency Ratio – Realty Segment

Amounts in millions	YTD	Year			
	Q1-FY23	FY2022	FY2021	FY2020	FY2019
Total Revenue	\$ 27.66	\$ 117.11	\$ 184.46	\$ 170.46	\$ 113.08
Less: Gain (Loss) on Securities Investments	-	-	-	-	-
Less: Gain (Loss) on Equity Investments	-	-	-	-	-
Total Revenue Adjusted	27.66	117.11	184.46	170.46	113.08
Noninterest Expense	\$ 26.67	\$ 114.65	\$ 121.66	\$ 104.12	\$ 94.73
Less: Intangible Amortization	0.68	3.10	2.81	2.63	2.74
Noninterest Expense Adjusted	25.99	111.54	118.85	101.49	91.99
Efficiency Ratio	93.96%	95.25%	64.43%	59.54%	81.34%
Less: Acquisition Related Expenses	0.12	0.05	0.99	0.03	0.06
Core Efficiency Ratio	93.53%	95.21%	63.89%	59.52%	81.29%

Core Efficiency Ratio – Insurance Segment

Amounts in millions	YTD	Year			
	Q1-FY23	FY2022	FY2021	FY2020	FY2019
Total Revenue	\$ 22.70	\$ 74.34	\$ 65.66	\$ 81.89	\$ 64.82
Less: Gain (Loss) on Securities Investments	-	-	-	-	-
Less: Gain (Loss) on Equity Investments	-	-	-	17.63	-
Total Revenue Adjusted	22.70	74.34	65.66	64.26	64.82
Noninterest Expense	\$ 15.24	\$ 54.24	\$ 51.60	\$ 48.25	\$ 50.31
Less: Intangible Amortization	1.56	4.51	4.77	4.51	4.47
Noninterest Expense Adjusted	13.68	49.73	46.83	43.74	45.84
Efficiency Ratio	60.27%	66.89%	71.32%	68.06%	70.72%
Less: Acquisition Related Expenses	0.00	0.06	0.03	(0.10)	0.60
Core Efficiency Ratio	60.25%	66.81%	71.28%	68.21%	69.80%

Non-GAAP Reconciliations

Tax Equivalent (TE) Adjustments

Amounts in millions	Q1-FY23	Q4-FY22	Q3-FY22	Q2-FY22	Q1-FY22
Loans TE Adjustment	\$ 0.77	\$ 0.67	\$ 0.63	\$ 0.42	\$ 0.63
Securities TE Adjustment	0.33	0.22	0.22	0.18	0.12
Tax-Equivalent Adjustment	1.10	0.89	0.85	0.60	0.75
<u>Yield & Margin Impacts:</u>					
Loan Yield	4.85%	4.57%	4.23%	3.97%	3.98%
Loan Yield (TE)	4.88%	4.60%	4.25%	3.99%	4.01%
Securities Investment Yield	2.80%	2.52%	2.21%	1.99%	1.78%
Securities Investment Yield (TE)	2.85%	2.56%	2.24%	2.02%	1.80%
Earning Asset Yield	4.46%	4.13%	3.64%	3.16%	2.92%
Earning Asset Yield (TE)	4.49%	4.16%	3.66%	3.18%	2.94%
Net Interest Margin (GAAP)	3.36%	3.51%	3.28%	2.88%	2.67%
Net Interest Margin (TE)	3.39%	3.53%	3.31%	2.89%	2.69%

Tangible Book Value per Share

Amounts in millions except per share data	Q1-FY23	Q4-FY22	Q3-FY22	Q2-FY22	Q1-FY22
Shareholders' Equity (Common)	\$ 1,974.68	\$ 1,873.96	\$ 1,826.66	\$ 1,853.72	\$ 1,862.52
Goodwill and Intangible Assets	550.47	501.64	503.34	502.04	504.72
Tangible Common Equity	\$ 1,424.20	\$ 1,372.32	\$ 1,323.33	\$ 1,351.68	\$ 1,357.80
Common Shares Outstanding	74.80	72.84	72.84	72.74	72.72
Tangible Book Value per Share	\$ 19.04	\$ 18.84	\$ 18.17	\$ 18.58	\$ 18.67



Member FDIC