



INVESTOR PRESENTATION - SECOND QUARTER 2019

FORWARD-LOOKING STATEMENTS

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; 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 “Item 1A. Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2018.

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 net income, core efficiency ratio, tangible book value per common share, total risk-based capital ratio, tier one leverage ratio, tier one capital ratio, and return on average tangible common equity. 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.

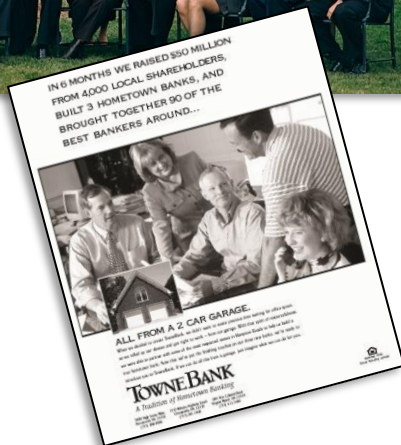
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WELCOME TO TOWNEBANK (TOWN)



The Towne story began in my home garage in the summer of 1998 when a small group of long-time friends and banking associates came together to lay the foundation for what was to become TowneBank. With caring as a specific business strategy and a deep-rooted passion for service to others, our defined culture for Towne set us on a course to begin building a great community asset for our hometown community in the Hampton Roads Region of Virginia. Over the past 5 years, we have expanded to the Richmond, VA MSA, as well as Raleigh, Charlotte, and Greenville, North Carolina.

Our initial stock offering was substantially oversubscribed as over 4,000 community shareholders invested over \$50 million in what was the largest capitalization of a new bank in Virginia history. In another first, we actually returned \$13 million to our subscribers and limited any one shareholder to a maximum investment of \$250,000. This extraordinary level of capital coupled with the reputation our bankers enjoyed with the banking regulators allowed the bank to open with 90 hometown bankers and three banking centers located in the cities of Virginia Beach, Chesapeake and Portsmouth. More than a bank, Towne has emerged as a family of companies providing wealth management, insurance, real estate brokerage, residential and vacation property management along with commercial and residential mortgage services.

As a tribute to our early investors and community supporters, Towne now has assets over \$11.9 billion, an enviable record of 19 consecutive years of increased earnings, and has returned over \$232 million in common dividends since our opening on April 8, 1999.

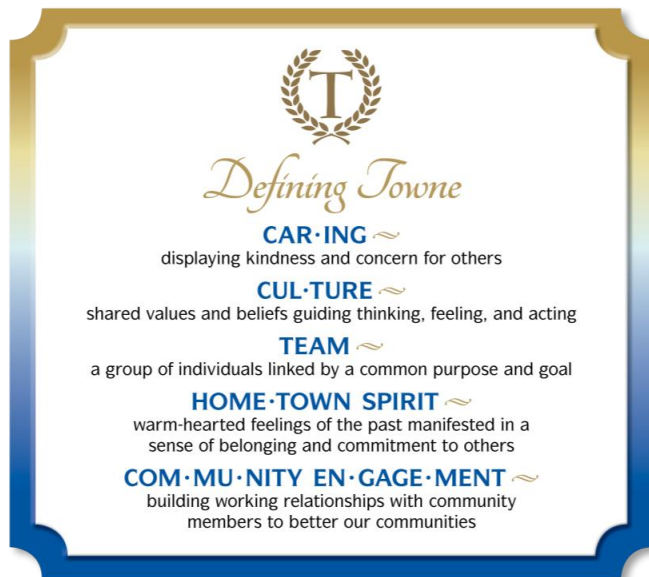
As you review the information contained in this Investor Presentation, please know that we welcome you to join our TowneBank family of investors and supporters as we embark on a new and continued journey as a growth company.

Sincerely,

G. Robert Aston, Jr.
Executive Chairman of the Board

THE TOWNE MODEL

- ◆ Caring as the Foundation for our Company Culture and as a Specific Marketing Strategy
- ◆ Deep Commitment to Community Engagement
- ◆ 12 Banking Regions with Local Decision Making and the “Best Bankers”
- ◆ “HomeTowne Banker” Approach to Delivering Exquisite Service
- ◆ \$200 Million Branch Strategy
- ◆ Diversified Financial Services Driving Noninterest Income



FORBES AMERICA'S BEST BANKS 2019



Forbes has listed the
top 100 banks for 2019.
TowneBank is #46 in our
first appearance on the list!

RANK	COMPANY	TOTAL ASSETS
1	Home BancShares	\$14.9 B
15	Bank OZK	\$22.1 B
30	South State	\$14.5 B
38	Capital One Financial	\$362.9 B
39	First Republic Bank	\$96.1 B
40	Pinnacle Financial Partners	\$24.6 B
44	Umpqua Holdings	\$26.6 B
46	TowneBank	\$11.1 B
52	JPMorgan Chase	\$2615.2 B
59	BB&T	\$222.9 B
60	Union Bankshares	\$13.4 B
77	PNC Financial Services	\$380.3 B
80	Citigroup	\$1925.2 B
85	Wells Fargo	\$1873 B
89	Bank of America	\$2338.9 B
94	SunTrust Banks	\$211.6 B
100	Fulton Financial	\$20.3 B

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WHY TOWNE BANK?

Dominant Deposit Market Share

Dominant deposit market share in legacy markets and a scalable deposit platform in North Carolina's high-growth Raleigh and Charlotte markets

Efficient Branch Strategy

*\$217.08 million
average branch size ¹*

Disciplined Acquirer and Experienced Integrator

Successfully completed and integrated three bank acquisitions since 2014 including the January 2018 acquisition and integration of Paragon Bank NC (PBNC)

Consistent Earnings Growth

*19 consecutive years
of earnings growth
(inclusive of the financial crisis)*

Diversified Business Model

37.9% of revenue base is comprised of non-interest income³ driven by insurance and mortgage banking businesses

Strong Asset Quality & Credit Focused Culture

*NPAs ²/ Assets - 0.29%³ &
NCOs / Avg. Loans HFI - 0.08%³*

1. Average branch size as of the 6/30/2018 FDIC Summary of Deposits for the Virginia Beach – Norfolk – Newport News, VA MSA

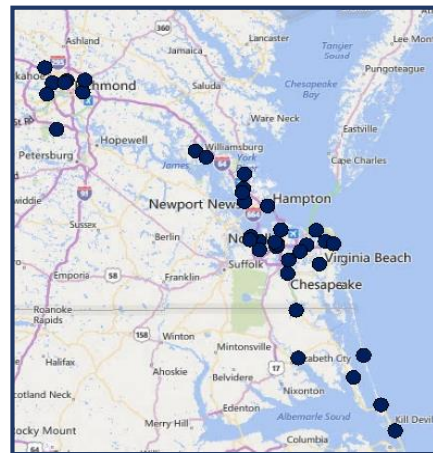
2. Nonperforming assets excluding restructured loans (nonaccrual loans, real estate owned and repossessed assets) as a percent of total assets

3. Financial information as of the quarter ended June 30, 2019

DOMINANT DEPOSIT MARKET SHARE

Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Market Share (%)	Avg. Branch Size (\$mm)
1	TowneBank (VA)	26	5,644	22.3	217.08
2	Wells Fargo Bank, NA (SD)	46	4,823	19.1	104.85
3	SunTrust Banks Inc. (GA)	33	4,121	16.3	124.88
4	BB&T Corp. (NC)	44	3,207	12.7	72.89
5	Bank of America Corp. (NC)	32	3,134	12.4	97.94
6	Union Bank & Trust (VA)	25	1,045	4.1	41.80
7	Old Point Financial Corp. (VA)	22	842	3.3	38.27
8	Southern Bank and Trust (NC)	11	469	1.9	42.64
9	Chesapeake Bank (VA)	8	405	1.6	50.63
10	PNC Bank (DE)	10	396	1.6	39.60
Total For Institutions In Market		307	25,321		

Institution	1999	2005	2010	2018
TowneBank (VA)	1.9	8.9	14.4	22.3
Wells Fargo	28.7	22.7	20.3	19.1
SunTrust	15.6	14.0	15.6	16.3
BB&T	22.1	14.5	12.2	12.7
Bank of America	15.6	15.2	10.2	12.4
Total	83.9	75.3	72.7	82.8



1. Data as of the 6/30/2018 FDIC Summary of Deposits for the Virginia Beach – Norfolk – Newport News, VA MSA

#1 MARKET SHARE BY CITY/COUNTY¹

Virginia Beach, VA				
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Avg. Branch Size (\$mm)
1	TowneBank (VA)	6	1,581	23.6
2	Wells Fargo & Co (CA)	14	1,403	21.0
3	Bank of America Corp. (NC)	9	951	14.2
4	BB&T Corp. (NC)	12	884	13.2
5	SunTrust Banks Inc. (GA)	8	822	12.3
6	Union Bank & Trust (VA)	6	299	4.5
7	PNC Bank (DE)	5	268	4.0
8	Southern Bank and Trust (NC)	4	183	2.7
9	Fulton Bank (PA)	3	135	2.0
10	Dollar Bank FSB (PA)	2	77	1.2
Total For Institutions In Market		76	6,697	

Chesapeake, VA				
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Avg. Branch Size (\$mm)
1	TowneBank (VA)	2	910	30.5
2	Wells Fargo & Co (CA)	7	591	19.8
3	BB&T Corp. (NC)	5	473	15.8
4	Bank of America Corp. (NC)	4	331	11.1
5	SunTrust Banks Inc. (GA)	3	225	7.5
6	Union Bank & Trust (VA)	6	215	7.2
7	Fulton Bank (PA)	2	72	2.4
8	Southern Bank and Trust (NC)	3	65	2.2
9	PNC Bank (DE)	1	43	1.4
10	Old Point Financial Corp. (VA)	2	30	1.0
Total For Institutions In Market		40	2,986	

Currituck County, NC				
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Avg. Branch Size (\$mm)
1	TowneBank (VA)	3	171	88.6
2	Union Bank & Trust (VA)	1	22	11.4
Total For Institutions In Market		4	193	

Portsmouth, VA				
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Avg. Branch Size (\$mm)
1	TowneBank (VA)	3	722	63.0
2	Wells Fargo & Co (CA)	3	174	15.2
3	BB&T Corp. (NC)	3	171	14.9
4	Bank of America Corp. (NC)	1	52	4.5
5	SunTrust Banks Inc. (GA)	1	27	2.3
6	Woodforest Financial Grp Inc. (TX)	1	1	0.1
Total For Institutions In Market		12	1,147	

Newport News, VA				
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Avg. Branch Size (\$mm)
1	TowneBank (VA)	2	622	32.3
2	Bank of America Corp. (NC)	3	288	15.0
3	Wells Fargo & Co (CA)	4	261	13.6
4	SunTrust Banks Inc. (GA)	4	239	12.4
5	BB&T Corp. (NC)	3	188	9.8
6	Old Point Financial Corp. (VA)	4	149	7.8
7	SONABANK (VA)	1	49	2.6
8	Union Bank & Trust (VA)	1	39	2.0
9	Citizens and Farmers Bank (VA)	1	33	1.7
10	PNC Bank (DE)	1	33	1.7
Total For Institutions In Market		26	1,925	

Dare County, NC				
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Avg. Branch Size (\$mm)
1	TowneBank (VA)	2	336	27.9
2	PNC Bank (DE)	5	208	17.3
3	Wells Fargo & Co (CA)	3	164	13.6
4	First National Bank of Pennsylvania	5	164	13.6
5	BB&T Corp. (NC)	2	111	9.3
6	Southern Bank and Trust (NC)	3	104	8.6
7	Union Bank & Trust (VA)	1	55	4.6
8	CresCom Bank	2	43	3.6
9	First Bank (NC)	1	19	1.6
Total For Institutions In Market		24	1,204	

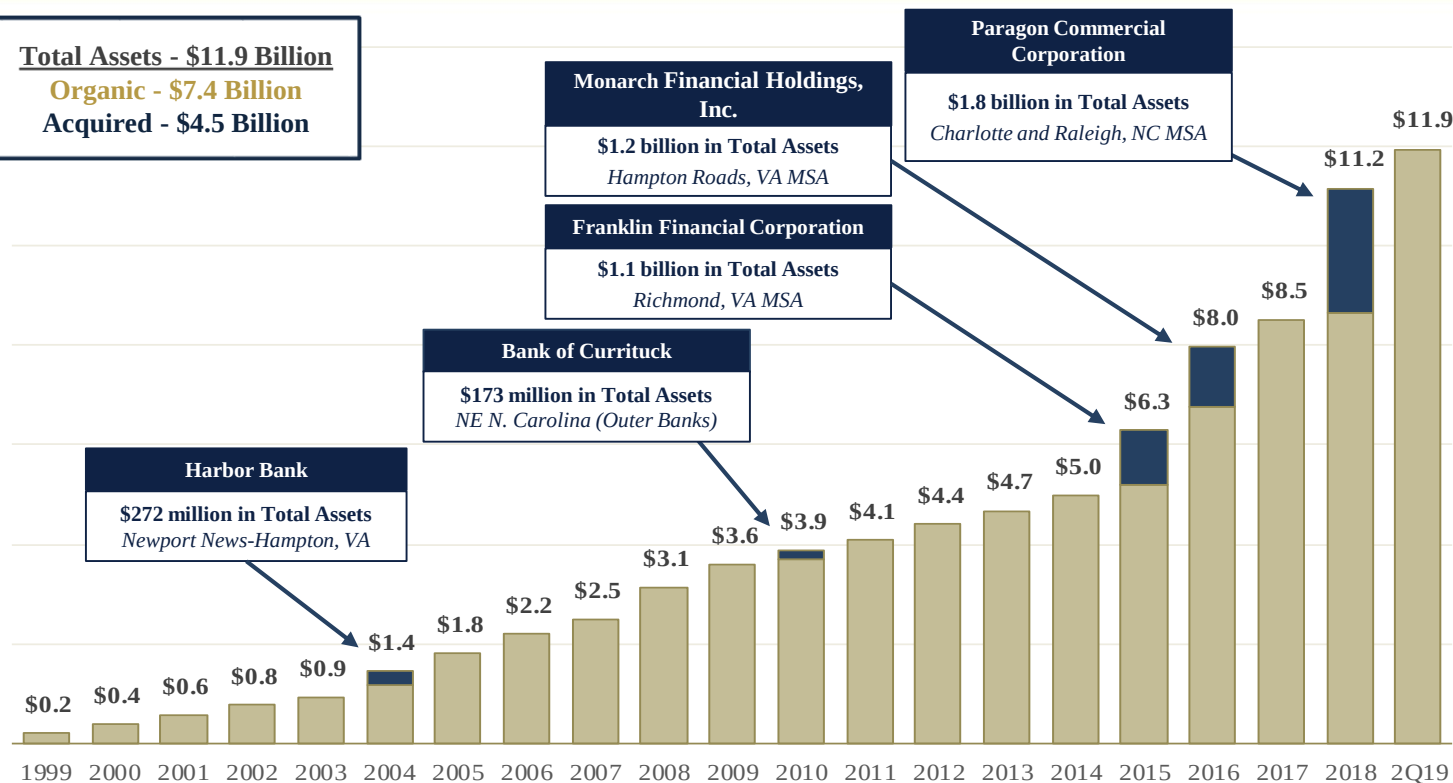
1. Data as of the 6/30/2018 FDIC Summary of Deposits

DISCIPLINED ACQUIRER AND EXPERIENCED INTEGRATOR

Total Assets - \$11.9 Billion

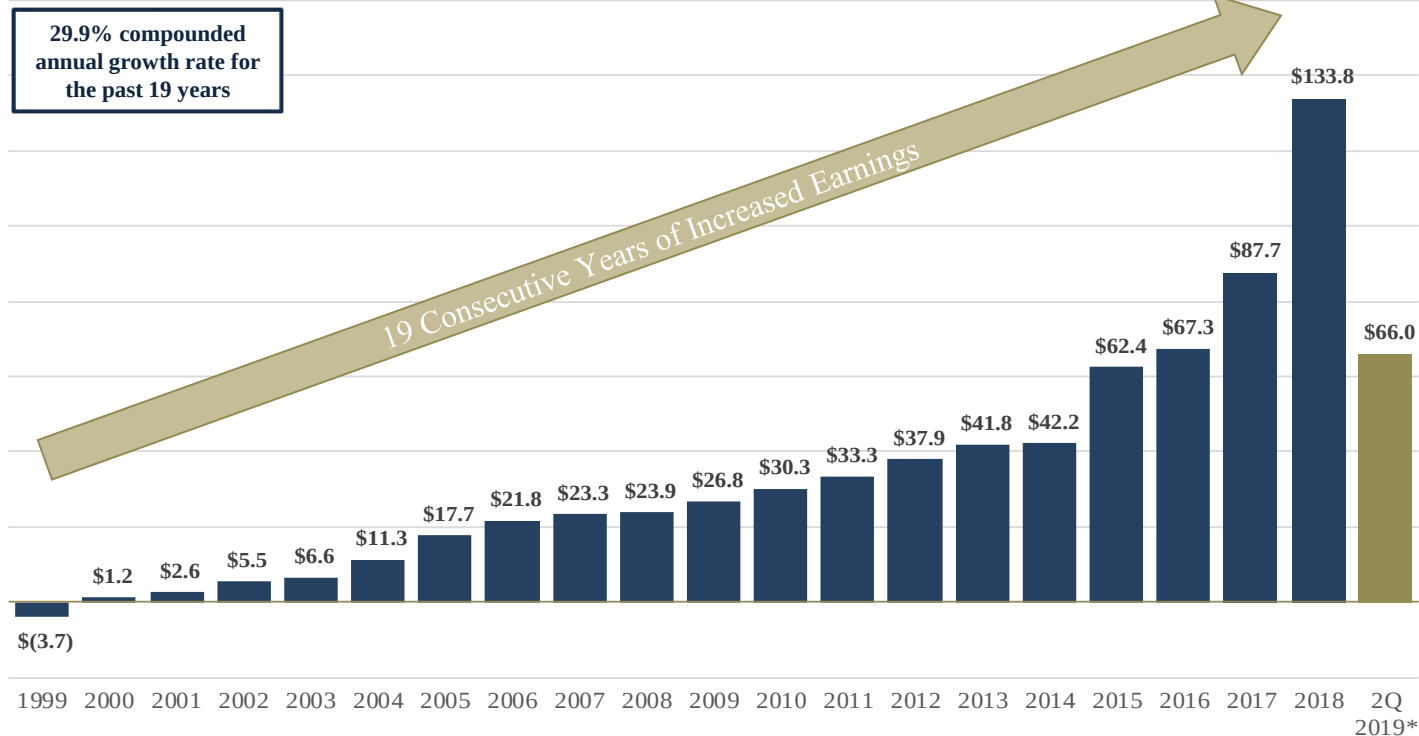
Organic - \$7.4 Billion

Acquired - \$4.5 Billion



Amounts in billions

CONSISTENT EARNINGS GROWTH



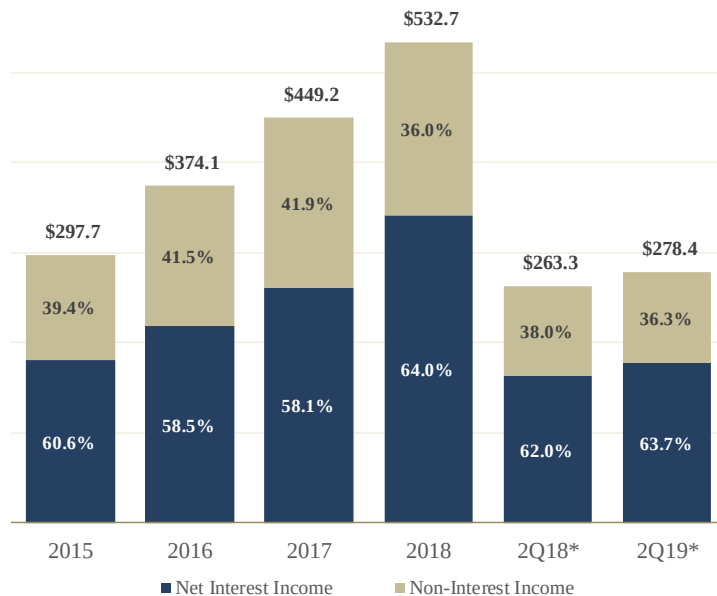
Amounts in millions

*YTD Results

DIVERSIFIED BUSINESS MODEL

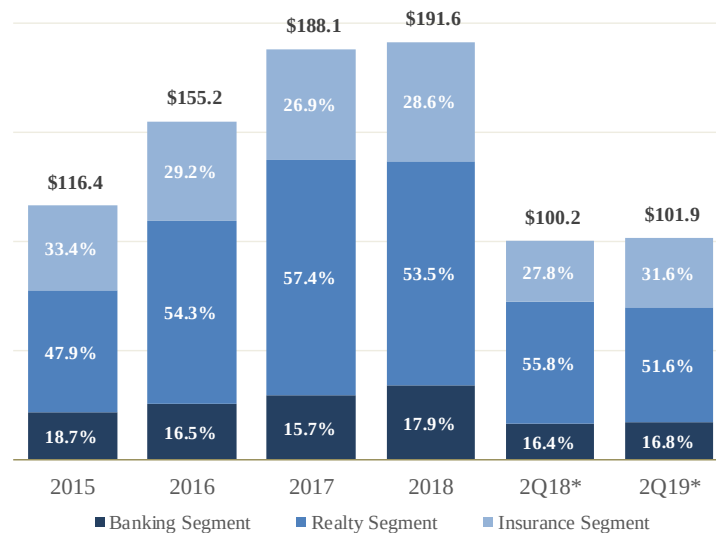
Total Revenue

Amounts in millions



Noninterest Income¹

Amounts in millions

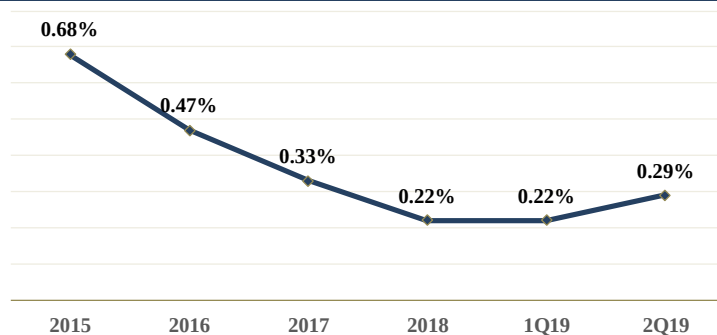


* YTD Results

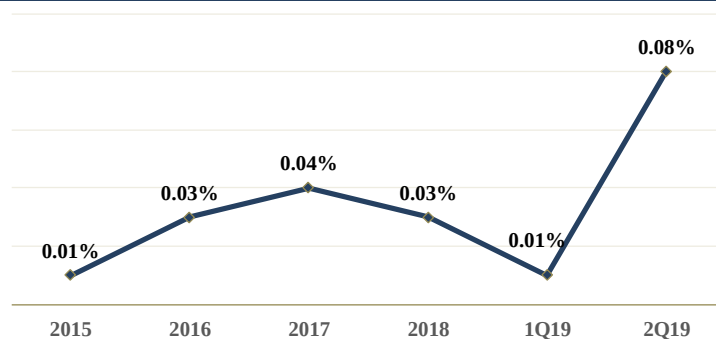
1. Excludes gain (loss) on investment securities

ASSET QUALITY & CREDIT FOCUS

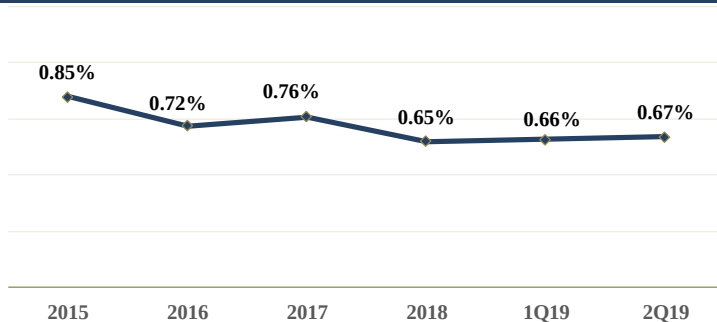
NPAs¹ / Assets



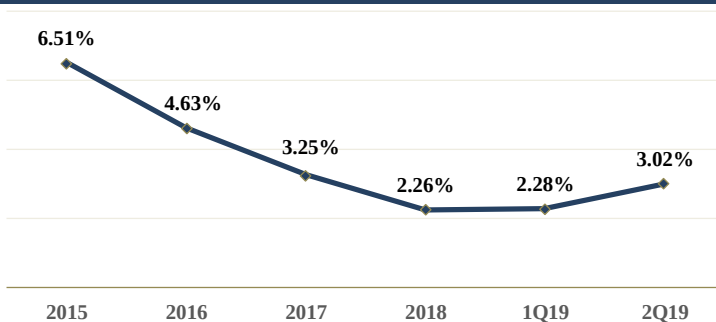
NCOs / Average Loans



Reserves / Loans



Texas Ratio²



1. Nonperforming assets (nonaccrual loans and 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

KEY TAKEAWAYS

- #1 market share in Virginia Beach-Norfolk-Newport News, VA-NC MSA¹
- Sustainability - efficient branching strategy; \$217.08 million average branch size ¹
- Consistency - 19 consecutive years of increased earnings
- Experienced and successful acquirer
- 37.9% noninterest income ²
- Historically strong credit culture
- Culture of Caring



1. Data as of 6/30/2018 FDIC Summary of Deposits for the Virginia Beach – Norfolk – Newport News, VA – NC MSA

2. Financial information as of the quarter ended June 30, 2019



TOWNE BANK

SECOND QUARTER 2019

FINANCIAL RESULTS

Serving Others. Enriching Lives.

PERFORMANCE HIGHLIGHTS

Amounts in millions, except per share data

	QTD					YTD		
	2Q19	1Q19	Change	2Q18	Change	2Q19	2Q18	Change
Net Interest Income	\$ 89.82	\$ 87.47	2.7%	\$ 86.82	3.5%	\$ 177.29	\$ 163.17	8.7%
Noninterest Income	54.72	46.38	18.0%	50.24	8.9%	101.10	100.17	0.9%
Total Revenue	144.54	133.85	8.0%	137.06	5.5%	278.39	263.34	5.7%
Noninterest Expense	96.56	92.12	4.8%	89.22	8.2%	188.68	181.52	3.9%
Net Income	34.64	31.41	10.3%	34.80	-0.5%	66.05	59.51	11.0%
Diluted Earnings Per Share	\$ 0.48	\$ 0.44	9.1%	\$ 0.48	0.0%	\$ 0.92	\$ 0.84	9.5%
Dividends Declared Per Share	0.18	0.16	12.5%	0.16	12.5%	0.34	0.30	13.3%
Tangible Book Value Per Share ¹	15.05	14.46	4.1%	13.50	11.5%	15.05	13.50	11.5%
Total Assets	\$11,942	\$11,568	3.2%	\$ 10,832	10.3%	\$ 11,942	\$ 10,832	10.3%
Total Loans	8,127	8,105	0.3%	7,775	4.5%	8,127	7,775	4.5%
Total Deposits	9,269	8,732	6.1%	7,991	16.0%	9,269	7,991	16.0%
Return on Average Assets	1.20%	1.14%		1.32%		1.17%	1.18%	
Return on Average Tangible Common Equity ¹	14.05%	13.39%		15.36%		13.73%	13.62%	
Net Interest Margin (TE) ¹	3.52%	3.57%		3.71%		3.54%	3.63%	
Nonperforming Assets / Total Assets	0.29%	0.22%		0.24%		0.29%	0.24%	
Allowance for Loan Losses / Total Loans	0.67%	0.66%		0.64%		0.67%	0.64%	
Net Loan Charge-offs / Average Loans	0.08%	0.01%		0.01%		0.05%	0.02%	
Common Equity Tier 1 Ratio ¹	11.58%	11.49%		11.33%		11.58%	11.33%	

1. Non-GAAP financial measures - see non-GAAP reconciliations

Highlights

- Net income YTD of \$66.05 million, an increase of \$6.54 million, or 11.0%, versus the first half of 2018
- Total revenues YTD climbed \$15.06 million, or 5.7%, from comparative 2018 to \$278.39 million
- Total loans outstanding up \$351.77 million, or 4.5%, year-over-year and \$108.50 million, or 1.4%, compared to 4Q18
- Total deposits up \$1.28 billion, or 16.0%, year-over-year and \$898.40, or 10.7%, compared to 4Q18
- Noninterest DDA up 13.6% and 12.5% year-over-year and compared to 4Q18, respectively

INCOME STATEMENT SUMMARY

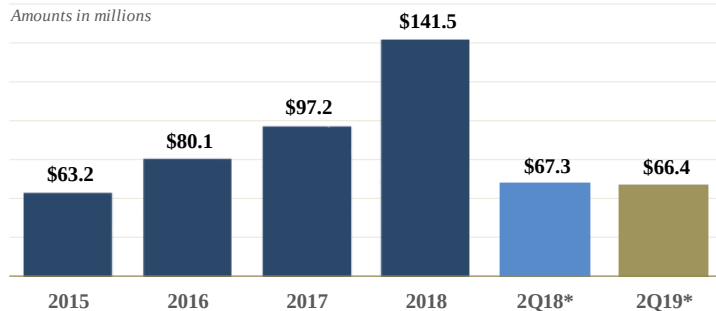
(Amounts in millions)

	QTD							YTD			
	2Q 19	1Q 19	Q/Q Change		2Q 18	Y/Y Change		2Q 19	2Q 18	Y/Y Change	
			Amount	%		Amount	%			Amount	%
Interest Income	\$ 117.88	\$ 113.83	\$ 4.05	3.6%	\$ 105.25	\$ 12.63	12.0%	\$ 231.71	\$ 197.12	\$ 34.59	17.5%
Interest Expense	28.06	26.36	1.71	6.5%	18.43	9.63	52.2%	54.42	33.95	20.47	60.3%
Net Interest Income	89.82	87.47	2.35	2.7%	86.82	3.00	3.5%	177.29	163.17	14.12	8.7%
Provisions for Loan Losses	2.82	1.44	1.39	96.4%	3.06	(0.23)	-7.6%	4.26	5.01	(0.75)	-14.9%
Net Interest Income after Provision for Loan Losses	87.00	86.04	0.96	1.1%	83.76	3.23	3.9%	173.03	158.16	14.87	9.4%
Noninterest Income	54.72	45.61	9.11	20.0%	50.24	4.48	8.9%	101.88	100.17	1.71	1.7%
Net Gain (Loss) on Investment Securities	-	0.78	(0.78)	[n/a]	-	-	-	(0.78)	-	(0.78)	-
Total Noninterest Income	54.72	46.38	8.34	18.0%	50.24	4.48	8.9%	101.10	100.17	0.93	0.9%
Noninterest Expense	96.54	91.71	4.83	5.3%	88.42	8.12	9.2%	188.25	172.00	16.25	9.4%
Merger and Acquisition Expense	0.02	0.41	(0.39)	-95.1%	0.80	(0.78)	-97.5%	0.43	9.52	(9.09)	-95.5%
Total Noninterest Expense	96.56	92.12	4.44	4.8%	89.22	7.34	8.2%	188.68	181.52	7.16	3.9%
Income Before Income Tax and Noncontrolling Interest	45.16	40.30	4.86	12.1%	44.78	0.38	0.9%	85.45	76.81	8.65	11.3%
Provision for Income Taxes	8.92	8.21	0.70	8.6%	8.64	0.27	3.1%	17.13	14.72	2.41	16.3%
Noncontrolling Interest	1.60	0.67	0.93	138.3%	1.33	0.27	20.2%	2.28	2.57	(0.30)	-11.5%
Net Income Attributable to TowneBank	\$ 34.64	\$ 31.41	\$ 3.23	10.3%	\$ 34.80	\$ (0.16)	-0.5%	\$ 66.05	\$ 59.51	\$ 6.53	11.0%

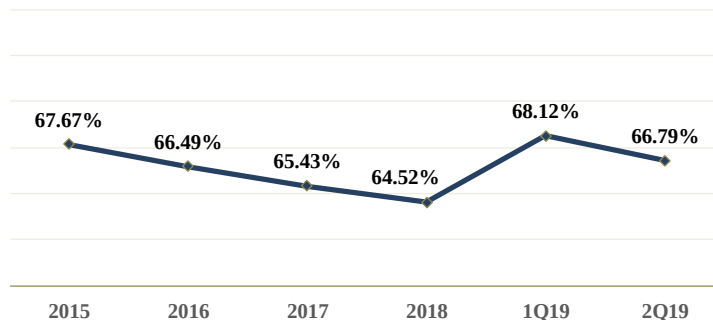
FINANCIAL PERFORMANCE TRENDS

Core Net Income¹

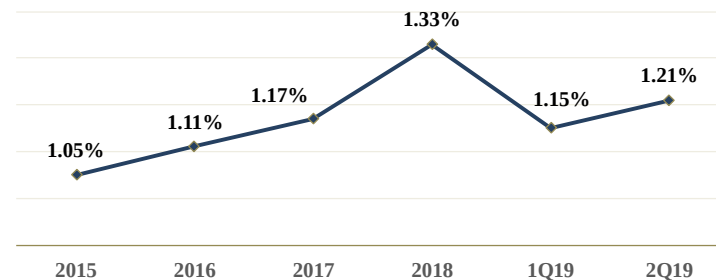
Amounts in millions



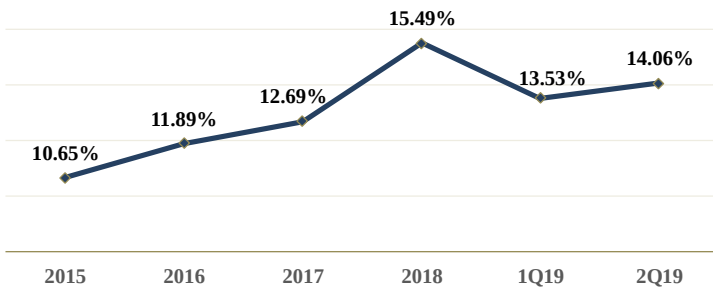
Core Efficiency Ratio¹



Core ROAA¹



Core ROATCE¹



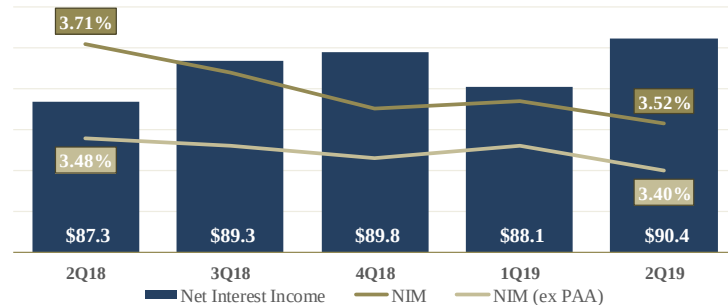
* YTD Results

1. Non-GAAP financial measures - see non-GAAP reconciliations

NET INTEREST INCOME & DRIVERS

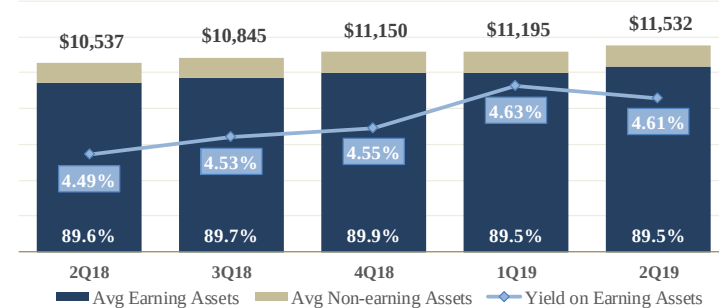
Net Interest Income & NIM (TE)¹

Amounts in millions



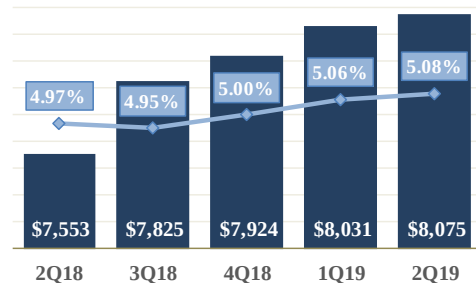
Average Asset Mix & Yield on Earning Assets (TE)

Amounts in millions



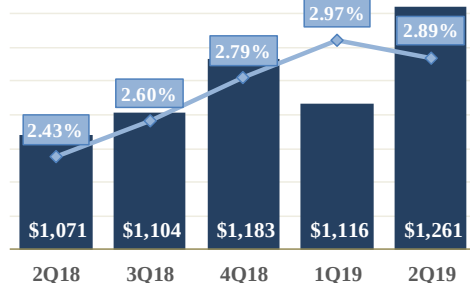
Average Loan Balances² & Yield (TE)

Amounts in millions



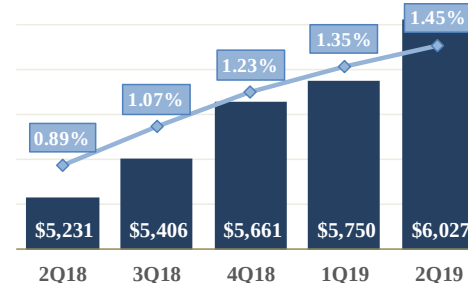
Average Investment Balances & Yield (TE)

Amounts in millions



Average IB Deposit Balances & Cost

Amounts in millions



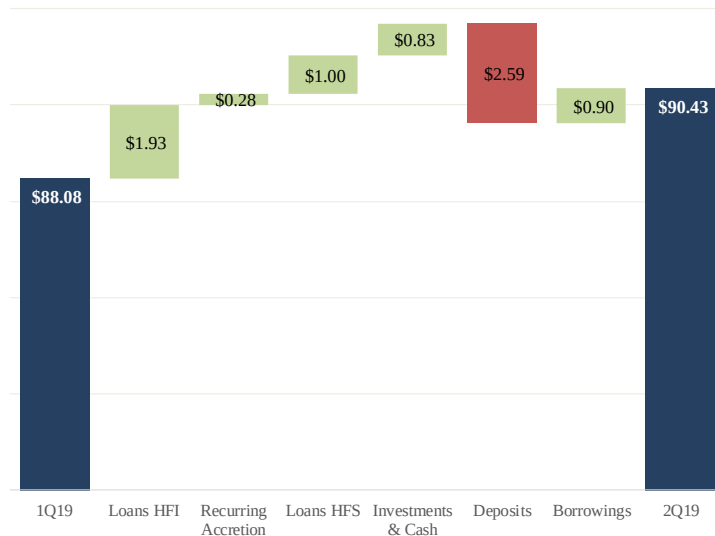
1. Non-GAAP financial measure - see non-GAAP reconciliations

2. Loan balances exclude non-accrual loans

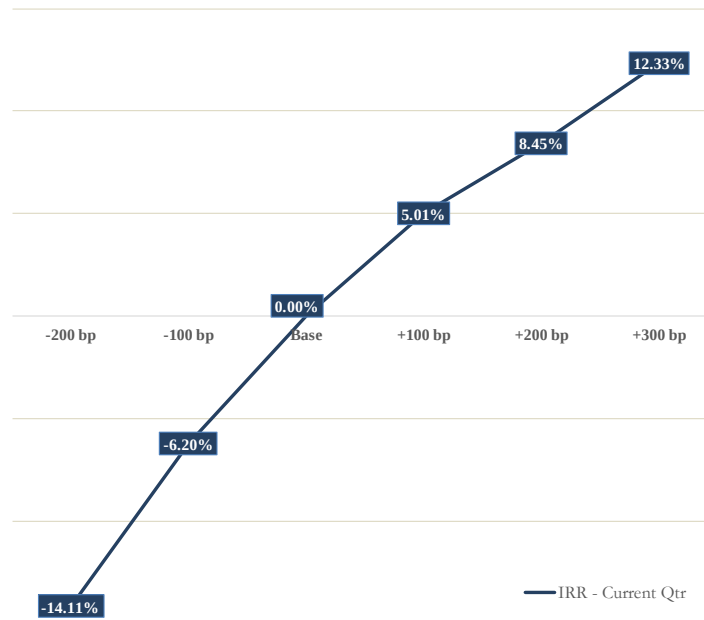
NET INTEREST INCOME & SENSITIVITY

Net Interest Income (TE)¹

Amounts in millions



Net Interest Income Sensitivity²



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

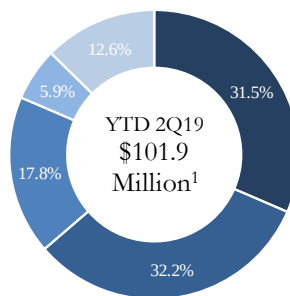
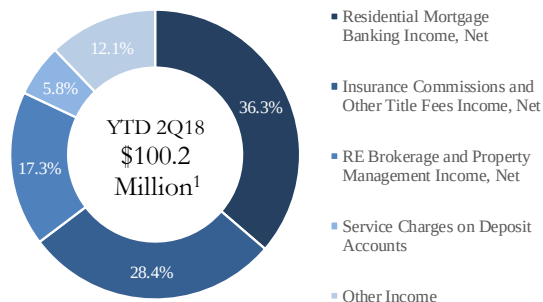
NONINTEREST INCOME

(Amounts in millions)

Residential Mortgage Banking Income, Net
Insurance Commissions and Other Title Fees and Income, Net
Real Estate Brokerage and Property Management Income, Net
Service Charges on Deposit Accounts
Credit Card Merchant Fees, Net
Bank-Owned Life Insurance
Other Income
Net Gain (Loss) on Investment Securities
Noninterest Income

QTD							
2Q19	1Q19	Q/Q Change		2Q18	Y/Y Change		
		Amount	%		Amount	%	
\$ 18.57	\$ 13.51	\$ 5.06	37.4%	\$ 18.75	\$ (0.18)	-1.0%	
17.21	15.58	1.63	10.5%	15.09	2.13	14.1%	
8.84	9.27	(0.43)	-4.6%	6.91	1.93	28.0%	
3.19	2.86	0.32	11.3%	2.97	0.22	7.3%	
0.66	1.18	(0.52)	-44.2%	1.44	(0.78)	-54.3%	
1.64	1.60	0.04	2.3%	1.63	0.00	0.1%	
4.62	3.16	1.46	46.2%	3.45	1.17	33.9%	
-	(0.78)	0.78	[n/a]	-	-	-	
\$ 54.72	\$ 46.38	\$ 8.34	18.0%	\$ 50.24	\$ 4.48	8.9%	

YTD				
2Q19	2Q18	Y/Y Change		
		Amount	%	
\$ 32.07	\$ 36.35	\$ (4.28)	-11.8%	
32.80	28.46	4.34	15.2%	
18.11	17.34	0.77	4.4%	
6.05	5.85	0.19	3.3%	
1.84	2.61	(0.77)	-29.4%	
3.23	3.17	0.07	2.1%	
7.77	6.39	1.39	21.7%	
(0.78)	0.00	(0.78)	[n/a]	
\$ 101.10	\$ 100.17	\$ 0.93	0.9%	



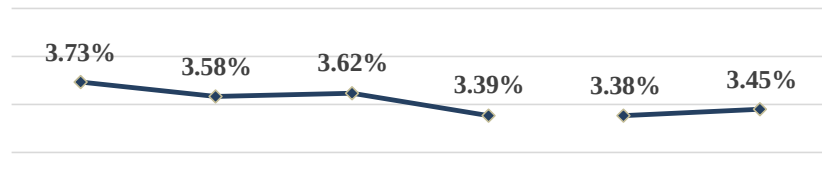
- Total noninterest income represented 37.9% and 36.3% of 2Q19 total revenue for QTD and YTD, respectively
- YTD noninterest income was up 0.9% as recent insurance acquisitions drove increased insurance commissions income
- Residential mortgage income was down 11.8% compared to prior year as a result of lower volumes

1. Excludes gain (loss) on investment securities

TOWNEBANK MORTGAGE

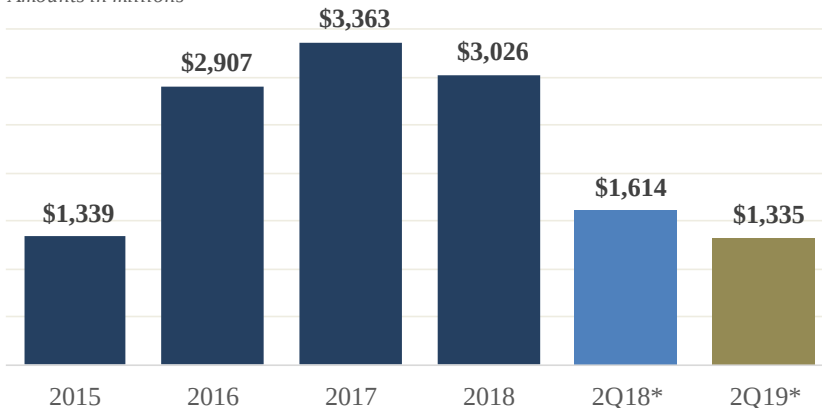
Mortgage Production¹

Gross Gain on Sales and Fees as a % of Loans Originated



Origination Volume

Amounts in millions



1. Includes Joint Venture volumes

* YTD Results

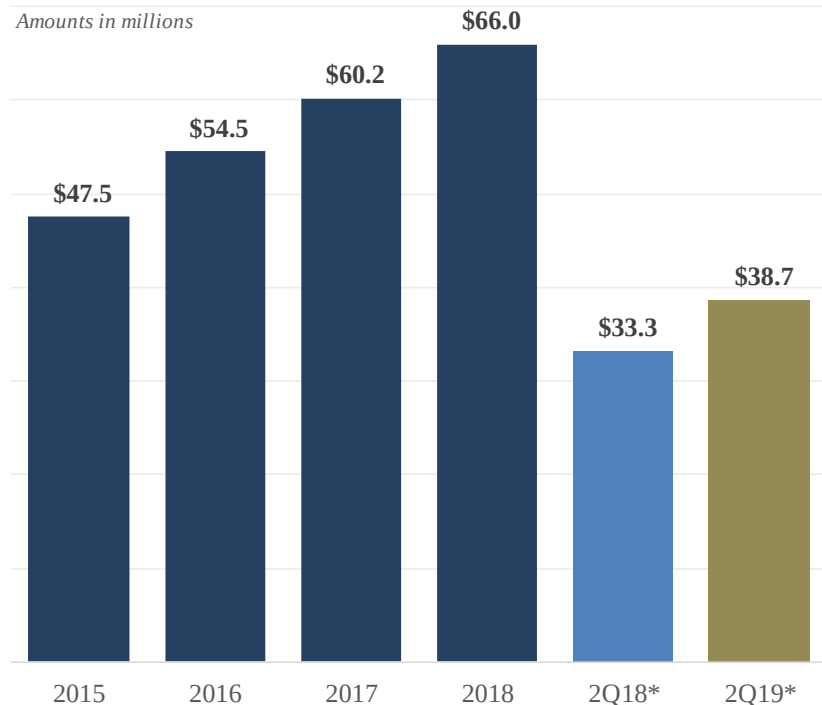
Mortgage Highlights

- 2019 impacted by lower volumes
- Purchase activity comprised 85.4% of volume
- Disciplined underwriting; no material losses through cycle
- Continued expansion in target markets; North Carolina
- Focusing on efficiencies and optimization of our operational platforms

TOWNE INSURANCE

Gross Commissions

Amounts in millions



Insurance Highlights

- Ranked 51st of Top 100 Business Insurance Agencies
- Broad areas of specialty and products
- Successful acquirer and integrator - 22 acquisitions since 2001; highly competitive landscape
- Strong consistent cash flows
- Opportunities to diversify in complementary markets
- Grow to \$100 million over next 3-5 years

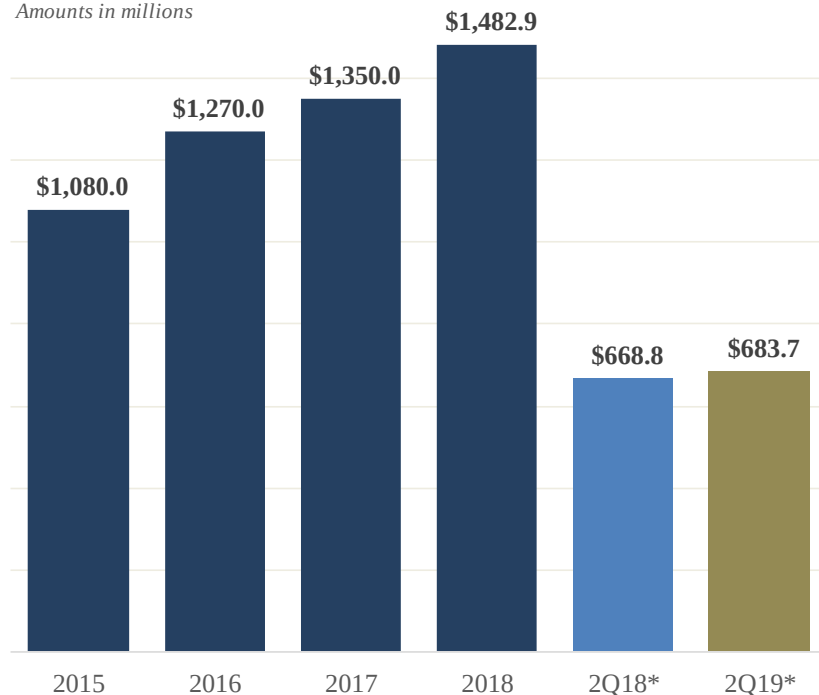


* YTD Results

BERKSHIRE HATHAWAY TOWNE REALTY / TOWNE VACATIONS

BHHS Towne Realty Sales Volume

Amounts in millions



* YTD Results

Realty and Vacations Highlights

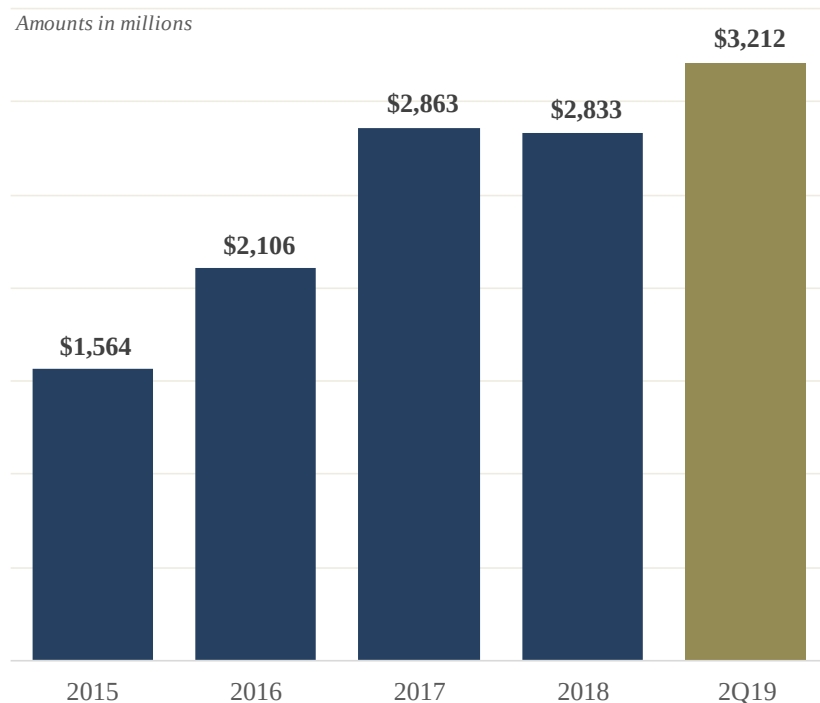
- A top 17 Berkshire Hathaway HomeServices affiliate
- 387 real estate agents
- No. 2 in market share
- Generates purchase money mortgage activity
- Manages 1,480 housing units
- Beach Properties manages 421 vacation homes in Hilton Head, South Carolina
- Oak Island Accommodations manages 585 vacation homes in Oak Island, North Carolina
- Railey Vacations manages 509 vacation homes in McHenry, Maryland



TOWNE INVESTMENT GROUP

Assets Under Management (Includes Direct Held Assets)

Amounts in millions



Wealth Management Highlights

- 2,700+ households
- Recurring revenue for 2019 was 85% of total revenue

TOWNE INVESTMENT GROUP



Top 5 in Assets Under Management
*Raymond James Financial
Institutions Division*

Securities are offered through **Raymond James Financial Services, Inc.**, Member FINRA/SIPC, an independent broker/dealer and are not insured by FDIC or any other governmental agency, are not deposits or obligations of the bank, are not guaranteed by the bank, and are subject to risks, including the possible loss of principal. Towne Investment Group, Towne Wealth Management, TowneBank and its affiliates are independent of Raymond James. Investment Advisory Services offered through Raymond James Financial Services Advisors, Inc. 5806 Harbor View Blvd., Suite 202, Suffolk, Va 23435. (757) 638-6850

NONINTEREST EXPENSE

(Amounts in millions)

Salaries and Employee Benefits

Occupancy Expense

Furniture and Equipment

Amortization - Intangibles

Software Expense

Outside Data Processing

Professional Fees

Advertising and Marketing

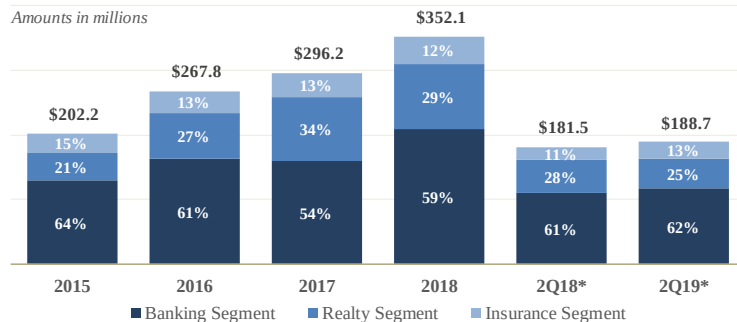
Other Expenses

Noninterest Expense

QTD							
2Q19	1Q19	Q/Q Change		2Q18	Y/Y Change		
		Amount	%		Amount	%	
\$ 54.26	\$ 52.86	\$ 1.40	2.7%	\$ 50.32	\$ 3.94	7.8%	
7.66	8.25	(0.59)	-7.1%	6.80	0.86	12.7%	
3.58	3.37	0.21	6.1%	3.55	0.03	0.9%	
3.11	3.19	(0.08)	-2.4%	3.00	0.12	3.9%	
2.79	2.75	0.04	1.4%	2.65	0.14	5.3%	
3.62	3.17	0.45	14.2%	2.86	0.76	26.5%	
3.71	2.68	1.03	38.3%	2.42	1.29	53.5%	
3.18	2.83	0.35	12.5%	3.12	0.06	1.9%	
14.65	13.02	1.63	12.5%	14.51	0.14	1.0%	
\$ 96.56	\$ 92.12	\$ 4.44	4.8%	\$ 89.22	\$ 7.34	8.2%	

YTD				
2Q19	2Q18	Y/Y Change		
		Amount	%	
\$ 107.12	\$ 101.11	\$ 6.02	5.9%	
15.91	13.28	2.63	19.8%	
6.95	7.24	(0.30)	-4.1%	
6.31	5.59	0.71	12.8%	
5.53	4.99	0.55	10.9%	
6.78	4.98	1.80	36.2%	
6.39	4.39	2.00	45.6%	
6.01	5.77	0.24	4.1%	
27.68	34.17	(6.50)	-19.0%	
\$ 188.68	\$ 181.52	\$ 7.16	3.9%	

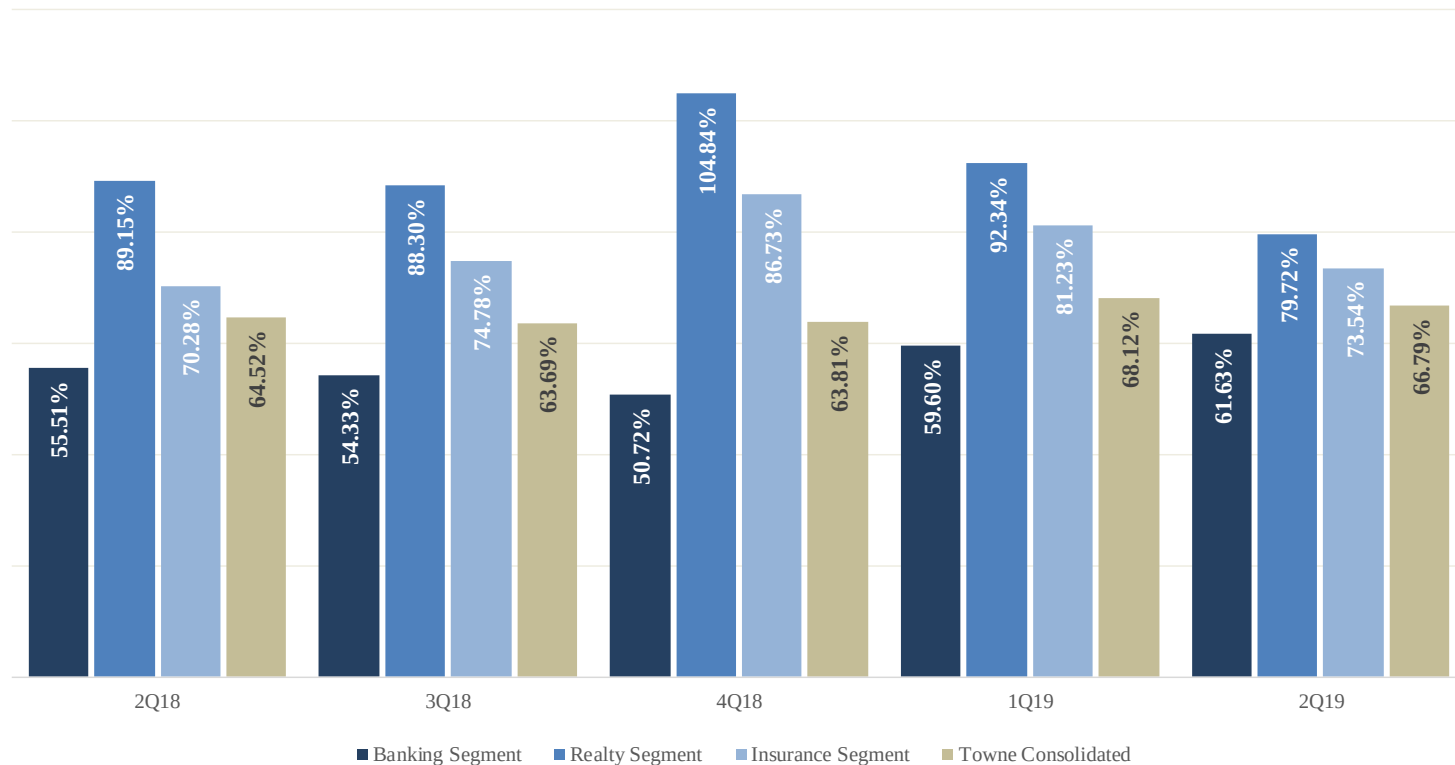
Amounts in millions



* YTD Results

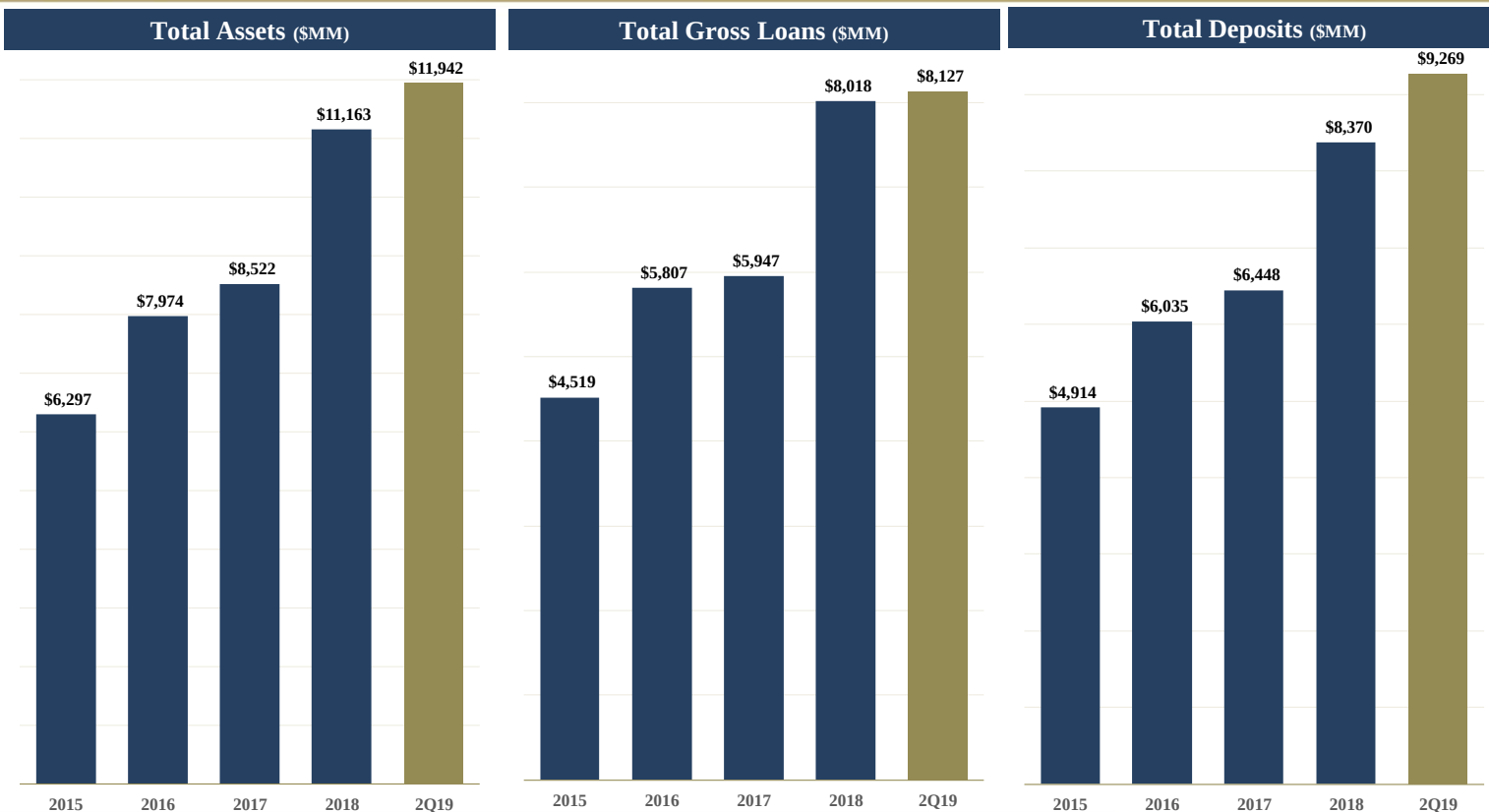
- Higher salaries and benefits expense was driven by expansion of functional support teams to: enhance technology infrastructure, continue recruitment of production teams and meet increased regulatory expectations related to exceeding \$10 billion in assets.
- Other factors contributing to the increased noninterest expense include: establishment of two new banking groups in Greenville and Greensboro, North Carolina and recent acquisitions in the Insurance Segment.

CORE EFFICIENCY RATIO¹



1. Core Efficiency Ratio excludes M&A/restructuring costs and securities gains (loss)
Non-GAAP financial measure - see non-GAAP reconciliations

BALANCE SHEET: GROWTH AND STABILITY



BALANCE SHEET SUMMARY

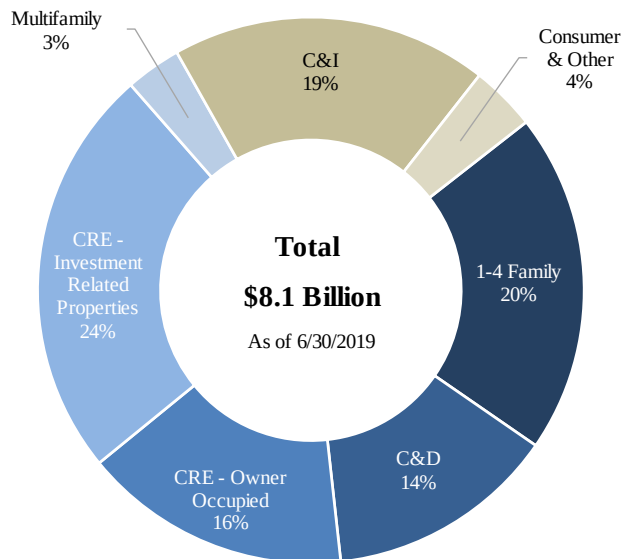
(Amounts in Millions)

	Jun 30, 2019	Mar 31, 2019	Q/Q Change		Jun 30, 2018	Y/Y Change	
			Amount	%		Amount	%
Cash, Cash Equivalents and Securities	\$ 2,316	\$ 2,096	\$ 220	10.5%	\$ 1,621	\$ 695	42.9%
Loans Held for Sale	363	247	116	46.9%	396	(33)	-8.4%
Gross Loans	8,127	8,105	21	0.3%	7,775	352	4.5%
Allowance for Loan Losses	(55)	(53)	(1)	2.3%	(50)	(5)	10.1%
Net Loans	8,072	8,052	20	0.3%	7,725	347	4.5%
Other Assets	1,191	1,173	19	1.6%	1,090	101	9.3%
Total Assets	\$ 11,942	\$ 11,568	\$ 374	3.2%	\$ 10,832	\$1,110	10.3%
Noninterest-Bearing Deposits	\$ 2,951	\$ 2,814	\$ 137	4.9%	\$ 2,597	\$ 353	13.6%
Interest-Bearing Deposits	6,318	5,918	400	6.8%	5,394	924	17.1%
Total Deposits	9,269	8,732	537	6.1%	7,991	1,278	16.0%
FHLB Advances	532	739	(207)	-28.0%	874	(342)	-39.1%
Debt and Other Borrowings	304	293	11	3.8%	299	5	1.8%
Other Liabilities	231	238	(7)	-2.9%	191	40	20.7%
Total Liabilities	10,336	10,002	334	3.3%	9,355	981	10.5%
Shareholders' Equity	1,594	1,554	40	2.6%	1,463	131	9.0%
Noncontrolling Interests	12	12	-	0.0%	14	(2)	-14.4%
Total Equity	1,606	1,566	40	2.6%	1,477	129	8.7%
Total Liabilities and Equity	\$ 11,942	\$ 11,568	\$ 374	3.2%	\$ 10,832	\$1,110	10.3%

Highlights

- Total assets climbed to \$11.94 billion
- Average earning assets are up \$8.75 billion, or 9.2%, compared to 2Q18
- Strong capital and liquidity to support growth
- Stable core funding; 31.8% noninterest DDA
- Conservative securities portfolio with 3.1 year average duration as of 2Q19

LOAN PORTFOLIO



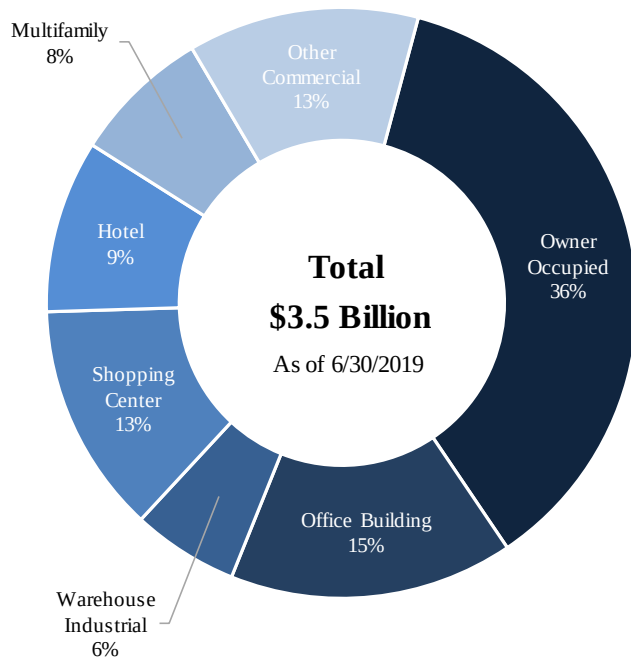
Loan Growth by Region

(Amounts in millions)	Jun 30, 2019	Dec 31, 2018	YTD Growth	Annualized Growth %
Hampton Roads	\$ 4,755	\$ 4,758	\$ (3)	-0.1%
North Carolina	2,114	2,025	89	8.8%
Richmond	932	904	28	6.2%
Other	326	331	(5)	-2.8%
Towne Consolidated	\$ 8,127	\$ 8,018	\$ 109	2.7%

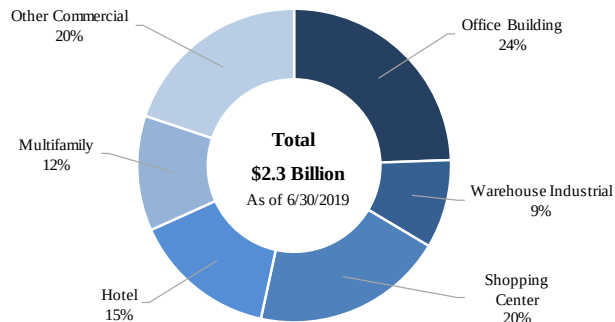
Loan Highlights

- Total loan balances up \$3.52 billion, or 4.5%, compared to 2Q18
- Fully taxable equivalent yield of 5.08% as of 2Q19
- NPAs / Assets of 0.29% as of 2Q19
- Allowance for Loan Losses / Loans HFI 0.67% as of 2Q19

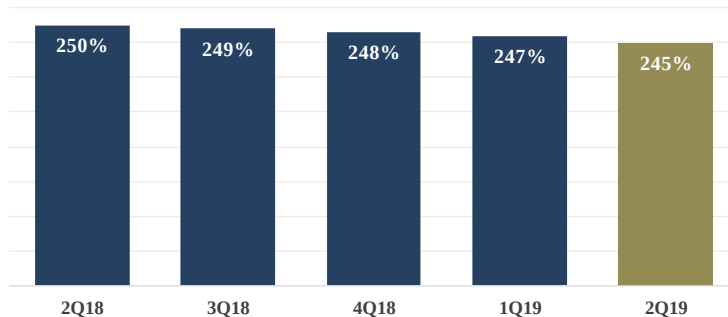
COMMERCIAL REAL ESTATE



Commercial Real Estate Excluding Owner Occupied

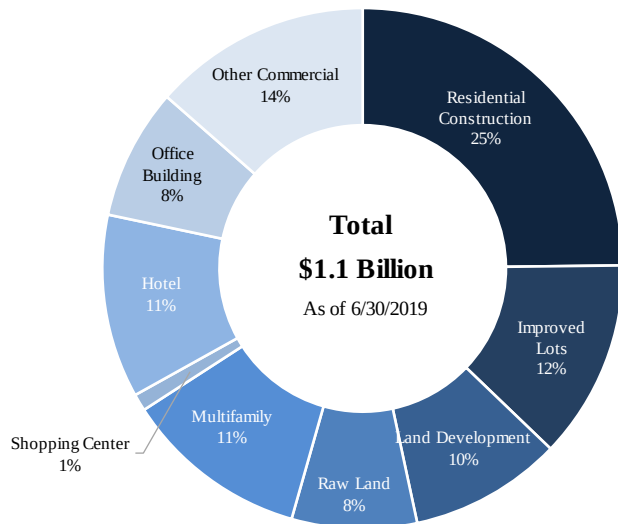


Commercial Real Estate Loans / Total Risk-Based Capital

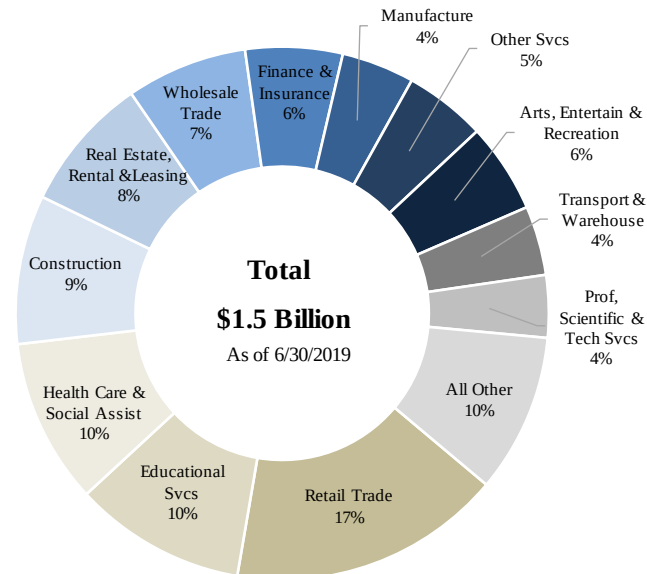


CONSTRUCTION & DEVELOPMENT/COMMERCIAL & INDUSTRIAL

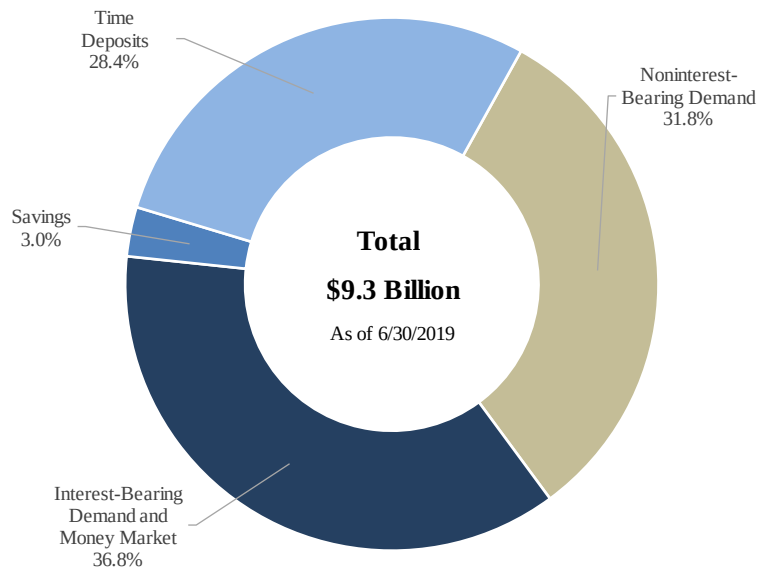
C&D



C&I



DEPOSITS



Deposit Growth by Region

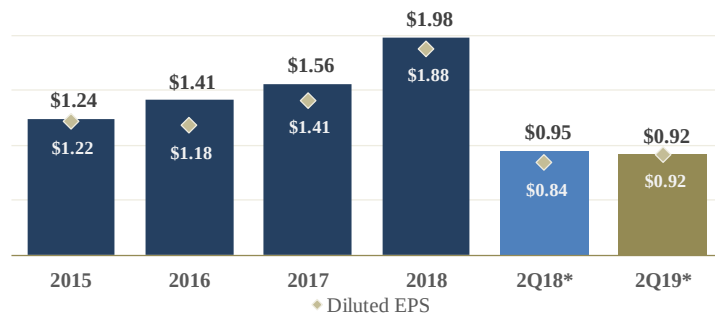
(Amounts in millions)	Jun 30, 2019	Dec 31, 2018	YTD Growth	Annualized Growth %
Hampton Roads	\$ 5,659	\$ 5,228	\$ 431	16.6%
North Carolina	2,131	1,689	442	52.8%
Richmond	1,102	992	110	22.4%
Other	377	461	(84)	-36.7%
Towne Consolidated	\$ 9,269	\$ 8,370	\$ 899	21.7%

Deposit Highlights

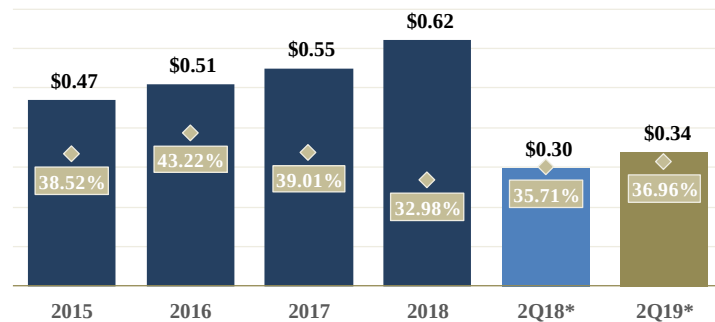
- Strong deposit growth
 - Up \$1.3 billion, or 16.0%, compared to 2Q18
 - Up \$899 million, or 21.7%, on an annualized basis compared to 4Q18
- Noninterest-bearing DDA 31.8% of total deposits

SHAREHOLDER VALUE

Core Diluted EPS¹



Dividends & Payout Ratio



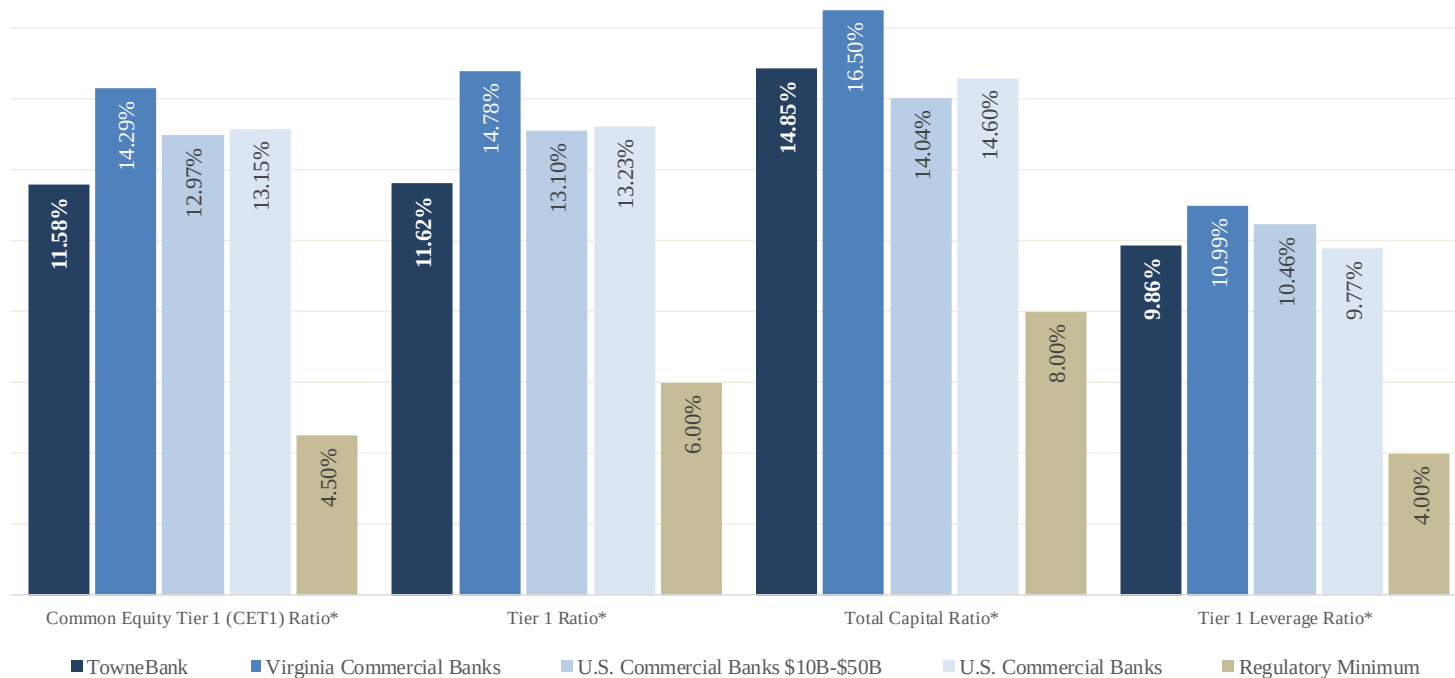
1. Non-GAAP financial measures - see non-GAAP reconciliations

Book Value & Tangible Book Value¹



STRONG CAPITAL POSITION

As of June 30, 2019



*Non-GAAP financial measures - see non-GAAP reconciliations

**SNL comparison groups include 2Q19 data as of 8/13/2019

2019 OUTLOOK SUMMARY

Loans and Asset Quality

- Targeting 3% to 5% annualized loan growth
- Balanced loan growth goals between legacy and new markets – 50% of growth from Hampton Roads and 50% from combined Richmond and Paragon markets
- Stable asset quality

Profitability

- Modest net interest margin compression expected after 2Q19
- Expense average quarterly run rate estimated at \$93-\$94 million
- Continued effort to drive Efficiency Ratio
- Near term return on average assets range of 1.20% - 1.30%

Strategic

- Continued recruitment of production teams in key markets
- Strong capital to support continued growth
- Opportunistic M&A



TOWNE BANK

NON-GAAP RECONCILIATIONS

Serving Others. Enriching Lives.

NON-GAAP RECONCILIATIONS

Core Net Income, Core Return on Average Assets, Core Diluted EPS and Core Return on Average Tangible Common Equity

(Amounts in millions except per share data)

	Quarter Ended			Year-to-Date		Year Ended			
	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Net Income (GAAP)	\$ 36.24	\$ 32.08	\$ 36.14	\$ 68.32	\$ 62.08	\$ 137.77	\$ 92.79	\$ 72.22	\$ 65.67
Less: Noncontrolling Interest	1.60	0.67	1.33	2.28	2.57	3.98	5.13	4.97	3.28
Net Income Available to Common (GAAP)	34.64	31.41	34.80	66.05	59.51	133.79	87.66	67.25	62.38
Adjustments:									
Acquisition Related Expenses	0.02	0.41	0.80	0.43	9.52	8.43	2.27	19.11	1.31
Other Adjustments	-	-	-	-	-	-	(3.89)	-	-
Income Tax Adjustments	(0.00)	(0.05)	(0.09)	(0.06)	(1.73)	(0.72)	11.14	(6.22)	(0.46)
Core Net Income Available to Common (Non-GAAP)	\$ 34.66	\$ 31.77	\$ 35.51	\$ 66.42	\$ 67.30	\$141.50	\$ 97.18	\$ 80.14	\$ 63.24
Average Assets	\$ 11,532	\$ 11,195	\$ 10,537	\$ 11,365	\$ 10,195	\$ 10,599	\$ 8,335	\$ 7,205	\$ 6,039
Return on Average Assets (ROAA)	1.20%	1.14%	1.32%	1.17%	1.18%	1.26%	1.05%	0.93%	1.03%
Core ROAA (Non-GAAP)	1.21%	1.15%	1.35%	1.18%	1.33%	1.33%	1.17%	1.11%	1.05%
Diluted Shares Outstanding	72.15	72.10	71.95	72.12	70.55	71.29	62.39	56.98	51.16
Diluted Earnings Per Share (EPS)	\$ 0.48	\$ 0.44	\$ 0.48	\$ 0.92	\$ 0.84	\$ 1.88	\$ 1.41	\$ 1.18	\$ 1.22
Core Diluted EPS (Non-GAAP)	\$ 0.48	\$ 0.44	\$ 0.49	\$ 0.92	\$ 0.95	\$ 1.98	\$ 1.56	\$ 1.41	\$ 1.24
<u>Tangible Common Equity:</u>									
Average Total Equity	\$1,574	\$1,546	\$1,462	\$1,560	\$1,409	\$1,454	\$1,124	\$964	\$805
Less: Average Goodwill	443	443	421	443	396	412	269	213	157
Less: Average Intangible Assets, Net	60	63	59	62	56	58	39	34	24
Average Tangible Equity	1,071	1,040	982	1,055	957	985	816	717	624
Less: Average Noncontrolling Interest	12	12	11	12	11	12	11	10	9
Average Tangible Common Equity	\$ 1,059	\$ 1,028	\$ 970	\$ 1,044	\$ 946	\$ 973	\$ 805	\$ 707	\$ 615
Income Adjustment for Intangible Amortization Expense, Net	2.46	2.52	2.37	4.98	4.42	9.24	4.98	3.91	2.30
Return on Average Tangible Common Equity (ROATCE)	14.05%	13.39%	15.36%	13.73%	13.62%	14.70%	11.51%	10.07%	10.51%
Core ROATCE (Non-GAAP)	14.06%	13.53%	15.66%	13.80%	15.29%	15.49%	12.69%	11.89%	10.65%

NON-GAAP RECONCILIATIONS

Core Efficiency Ratio - TowneBank Consolidated

(Amounts in millions)

	Quarter Ended					Year Ended			
	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total Revenue	\$ 144.54	\$ 133.85	\$ 131.42	\$ 137.91	\$ 137.06	\$ 532.67	\$ 449.24	\$ 374.10	\$ 297.72
Less: Net Gain / (Loss) on Investment Securities	-	(0.78)	-	-	-	0.01	-	0.01	0.90
Adjusted Total Revenue	144.54	134.63	131.42	137.91	137.06	532.66	449.24	374.09	296.82
Total Noninterest Expense	96.56	92.12	82.34	88.26	89.22	352.12	296.21	267.83	202.16
Less: Acquisition Related Expenses	0.02	0.41	(1.52)	0.42	0.80	8.43	2.27	19.11	1.31
Adjusted Total Noninterest Expense	\$ 96.54	\$ 91.71	\$ 83.86	\$ 87.84	\$ 88.42	\$ 343.70	\$ 293.95	\$ 248.72	\$ 200.85
Efficiency Ratio	66.80%	68.43%	62.65%	64.00%	65.10%	66.11%	65.94%	71.59%	68.11%
Core Efficiency Ratio	66.79%	68.12%	63.81%	63.69%	64.52%	64.52%	65.43%	66.49%	67.67%

Core Efficiency Ratio - Banking Segment, Realty Segment and Insurance Segment

(Amounts in millions)

	Banking Segment					Realty Segment					Insurance Segment				
	Quarter Ended					Quarter Ended					Quarter Ended				
	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Total Revenue	\$ 97.56	\$ 93.59	\$ 95.32	\$ 94.31	\$ 92.16	\$ 30.17	\$ 24.86	\$ 23.18	\$ 29.52	\$ 30.28	\$ 16.80	\$ 15.40	\$ 12.92	\$ 14.08	\$ 14.62
Less: Net Gain / (Loss) on Investment Securities	-	(0.78)	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Total Revenue	97.56	94.37	95.32	94.31	92.16	30.17	24.86	23.18	29.52	30.28	16.80	15.40	12.92	14.08	14.62
Total Noninterest Expense	60.13	56.25	46.50	51.43	51.50	24.07	22.97	24.35	26.11	27.03	12.36	12.90	11.48	10.72	10.69
Less: Acquisition Related Expenses	-	-	(1.85)	0.19	0.34	0.02	0.02	0.05	0.05	0.04	-	0.40	0.28	0.19	0.41
Adjusted Total Noninterest Expense	\$ 60.13	\$ 56.25	\$ 48.35	\$ 51.25	\$ 51.16	\$ 24.05	\$ 22.96	\$ 24.30	\$ 26.06	\$ 26.99	\$ 12.36	\$ 12.51	\$ 11.21	\$ 10.53	\$ 10.28
Efficiency Ratio	61.63%	59.60%	48.79%	54.53%	55.88%	79.77%	92.42%	105.07%	88.46%	89.29%	73.54%	83.79%	88.87%	76.11%	73.11%
Core Efficiency Ratio	61.63%	59.60%	50.72%	54.33%	55.51%	79.72%	92.34%	104.84%	88.30%	89.15%	73.54%	81.23%	86.73%	74.78%	70.28%

NON-GAAP RECONCILIATIONS

Net Interest Margin - Tax Equivalent (TE) Basis

(Amounts in millions)

	Quarter Ended					Year-to-Date	
	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Net Interest Income (GAAP)	\$ 89.82	\$ 87.47	\$ 89.21	\$ 88.70	\$ 86.82	\$ 177.29	\$ 163.17
Tax-Equivalent Basis Adjustment	0.61	0.61	0.59	0.64	0.51	1.22	1.01
Net Interest Income (Tax-Equivalent Basis)	\$ 90.43	\$ 88.08	\$ 89.79	\$ 89.34	\$ 87.34	\$ 178.51	\$ 164.18
Average Earning Assets	\$ 10,317	\$ 10,019	\$ 10,025	\$ 9,727	\$ 9,442	\$ 10,169	\$ 9,122
Net Interest Margin (GAAP)	3.49%	3.54%	3.53%	3.62%	3.69%	3.52%	3.61%
Net Interest Margin (TE)	3.52%	3.57%	3.55%	3.64%	3.71%	3.54%	3.63%

Tangible Book Value

(Amounts in millions except per share data)

Tangible Common Equity:

	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total Equity	\$ 1,606	\$ 1,566	\$ 1,477	\$ 1,538	\$ 1,143	\$ 1,087	\$ 820
Less: Noncontrolling Interest	12	12	14	13	11	12	9
Common Equity	1,594	1,554	1,463	1,526	1,131	1,075	811
Less: Goodwill	443	443	426	434	270	265	155
Less: Intangible Assets, Net	58	61	61	59	39	38	26
Tangible Common Equity	\$ 1,093	\$ 1,050	\$ 976	\$ 1,033	\$ 822	\$ 772	\$ 630
Common Shares	72.61	72.61	72.35	72.47	62.63	62.49	51.61
Book Value Per Share	\$ 21.95	\$ 21.40	\$ 20.22	\$ 21.05	\$ 18.06	\$ 17.20	\$ 15.71
Tangible Book Value Per Share	\$ 15.05	\$ 14.46	\$ 13.50	\$ 14.26	\$ 13.13	\$ 12.36	\$ 12.21

Risk-Based Capital

(Amounts in millions)

	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
Total Equity	\$ 1,606	\$ 1,566	\$ 1,477
Less:			
Disallowed Goodwill	440	441	424
Disallowed Intangible Assets, Net	54	56	54
Accumulated Other Comprehensive Income	15	(2)	(18)
Minority Interests	13	12	14
Total Tier 1 Common Equity	1,085	1,059	1,003
Included Minority Interests	3	3	3
Total Tier 1 Capital	1,088	1,062	1,006
Qualifying Allowance for Loan Losses	55	53	50
Qualifying Subordinated Debt	248	248	248
Total Risk-Based Capital	\$ 1,391	\$ 1,363	\$ 1,303
Risk Weighted Assets	9,366	9,219	8,853
Total Assets for Leverage Capital Purposes	11,039	10,709	10,059
Common Equity Tier 1 (CET1) Ratio	11.58%	11.49%	11.33%
Tier 1 Ratio	11.62%	11.52%	11.36%
Total Capital Ratio	14.85%	14.79%	14.71%
Tier 1 Leverage Ratio	9.86%	9.92%	10.00%



TowneBank ranked as one of the nation's **Best Banks to Work For.**



American Banker magazine recently published its sixth annual list of the best banks to work for. TowneBank was recognized as the 14th best bank among the 85 named, and was the Top Ranked Virginia bank on the list. Among financial institutions on the list with assets of \$10 billion or more, TowneBank was number one.

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