



INVESTOR PRESENTATION – FOURTH 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.

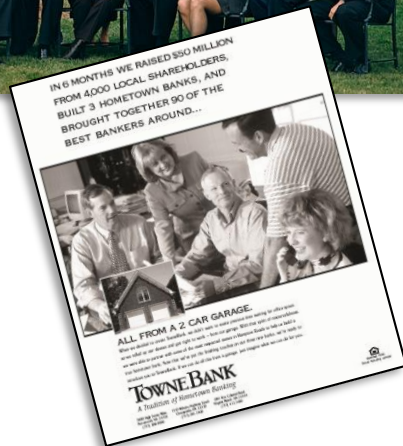
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Additional Information

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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 20 consecutive years of increased earnings, and has returned over \$258 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 2020



In Forbes' 2020 listing of the
100 Best Banks in America,
TowneBank was honored
to make the top 50
for the 2nd year in a row!

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RANK	COMPANY	TOTAL ASSETS
1	CVB Financial	\$11 B
4	Home BancShares	\$15 B
13	Bank OZK	\$23 B
21	Capital One Financial	\$379 B
28	Pinnacle Financial Partners	\$28 B
42	Umpqua Holdings	\$29 B
43	JPMorgan Chase	\$2765 B
44	M&T Bank	\$126 B
45	TowneBank	\$12 B
46	Truist Financial	\$237 B
47	South State	\$16 B
55	Union Bankshares	\$20 B
56	Atlantic Union Bank	\$17 B
72	Bank of America	\$2426 B
77	Citigroup	\$2015 B
87	PNC Financial Services	\$409 B
89	Wells Fargo	\$1944 B
95	Fulton Bank	\$22 B

WHY TOWNEBANK?

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

*\$ 232.82 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

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

Diversified Business Model

35.6% 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 - 0.27%³ &
NCOs / Avg. Loans HFI - 0.04% ³*

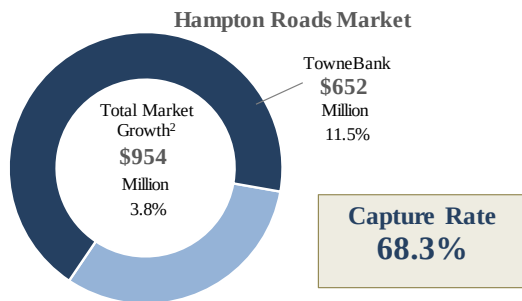
1. Average branch size as of the 6/30/2019 FDIC Summary of Deposits for the Virginia Beach – Norfolk – Newport News, VA MSA

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 December 31, 2019

DOMINANT DEPOSIT MARKET SHARE

Hampton Roads MSA Market Position ¹					
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Market Share (%)	Avg. Branch Size (\$mm)
1	TowneBank	27	6,286	23.9	232.82
2	Wells Fargo Bank	44	5,026	19.1	114.24
3	SunTrust Bank	31	3,974	15.0	128.20
4	BB&T	41	3,269	12.4	79.73
5	Bank of America	31	3,208	12.2	103.48
6	Atlantic Union Bank	24	981	3.7	40.88
7	Old Point Financial	22	850	3.2	38.64
8	Southern Bank and Trust	8	465	1.8	58.13
9	Chesapeake Bank	11	445	1.7	40.45
10	Farmers Bank	7	369	1.4	52.71
	All other institutions	61	1,401	5.5	22.96
Total For Institutions In Market		307	26,275		



Hampton Roads MSA Market Share (%) ¹					
Institution	1999	2005	2010	2015	2019
TowneBank (VA)	1.9	8.9	14.4	16.8	23.9
Wells Fargo	28.7	22.7	20.3	19.7	19.1
SunTrust	15.6	14.0	15.6	16.8	15.0
BB&T	22.1	14.5	12.2	13.0	12.4
Bank of America	15.6	15.2	10.2	11.9	12.2
Group Total	83.9	75.3	72.6	78.3	82.7

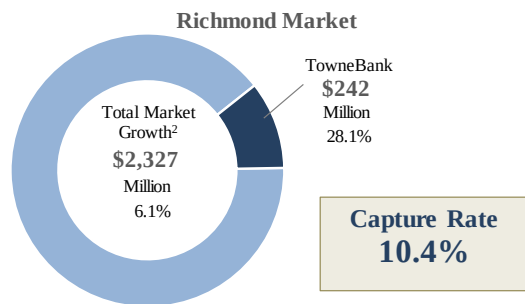
Hampton Roads MSA Market Share by Locality ¹			
Institution (ST)	Market Share (%)	Market Rank	Number of Institutions
Camden County (NC)	100.0	1	1
Currituck County (NC)	88.7	1	2
Portsmouth (VA)	65.8	1	6
Newport News (VA)	34.4	1	12
Chesapeake (VA)	32.2	1	13
Virginia Beach (VA)	25.7	1	15
Dare County (NC)	25.7	1	9
Suffolk (VA)	23.1	1	10
James City County (VA)	17.4	2	11
Williamsburg (VA)	17.4	3	7
Norfolk (VA)	16.1	3	12
York County (VA)	11.0	5	9
Hampton (VA)	8.9	6	10

1. Data as of the 6/30/2019 FDIC Summary of Deposits for the Virginia Beach – Norfolk – Newport News, VA MSA

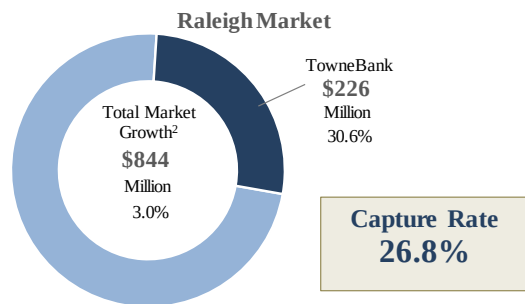
2. Growth for the period June 30, 2018-2019 - source: FDIC Summary of Deposits

SCALABLE DEPOSIT PLATFORM IN GROWTH MARKETS

Richmond MSA Market Position ¹					
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Market Share (%)	Avg. Branch Size (\$mm)
1	Capital One Bank	1	77,503	65.9	N/M
2	Bank of America	22	16,277	13.8	739.87
3	Wells Fargo Bank	56	6,735	5.7	120.27
4	SunTrust Bank	35	4,611	3.9	131.74
5	Atlantic Union Bank	28	3,230	2.8	115.36
6	BB&T	36	3,163	2.7	87.87
7	TowneBank	9	1,102	0.9	122.44
8	Citizens and Farmers Bank	16	870	0.7	54.39
9	Essex Bank	12	681	0.6	56.72
10	SONABANK	12	572	0.5	47.65
	All other institutions	75	2,914	2.5	38.85
Total For Institutions In Market		302	117,658		



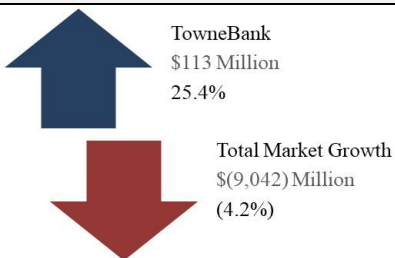
Raleigh MSA Market Position ¹					
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Market Share (%)	Avg. Branch Size (\$mm)
1	Wells Fargo Bank	43	6,819	23.9	158.57
2	BB&T	32	4,231	14.8	132.21
3	Bank of America	23	3,757	13.2	163.37
4	First Citizens Bank & Trust	34	3,374	11.8	99.22
5	PNC Bank	22	2,310	8.1	105.02
6	SunTrust Bank	20	1,564	5.5	78.18
7	First Tennessee Bank	14	1,133	4.0	80.94
8	TowneBank	2	962	3.4	481.04
9	North State Bank	6	715	2.5	119.12
10	First National Bank of PA	11	583	2.0	53.04
	All other institutions	89	3,135	11.0	35.23
Total For Institutions In Market		296	28,583		



1. Data as of the 6/30/2019 FDIC Summary of Deposits for the Richmond, VA MSA and Raleigh-Cary, NC MSA
 2. Growth for the period June 30, 2018-2019 - source: FDIC Summary of Deposits

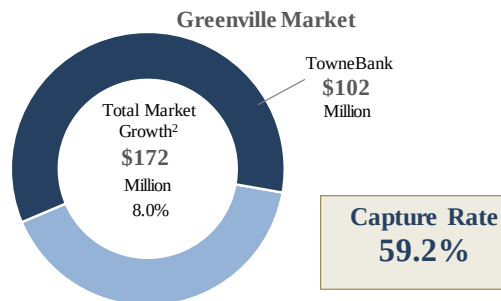
SCALABLE DEPOSIT PLATFORM IN GROWTH MARKETS

Charlotte MSA Market Position ¹					
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Market Share (%)	Avg. Branch Size (\$mm)
1	Bank of America	59	151,197	73.3	N/M
2	Wells Fargo Bank	81	30,414	14.8	375.48
3	BB&T	63	6,621	3.2	105.10
4	Fifth Third Bank	38	3,313	1.6	87.20
5	First Citizens Bank & Trust	43	2,700	1.3	62.78
6	SunTrust Bank	28	2,009	1.0	71.73
7	South State Bank	21	1,629	0.8	77.59
8	First National Bank of PA	14	866	0.4	61.85
9	First Tennessee Bank	14	833	0.4	59.48
10	Pinnacle Bank	8	820	0.4	102.51
11	PNC Bank	18	742	0.4	41.21
12	Farmers & Merchants Bank	11	567	0.3	51.51
13	TowneBank	1	559	0.3	559.11
All other institutions		107	3,954	1.9	36.96
Total For Institutions In Market		506	206,223		



1. Data as of the 6/30/2019 FDIC Summary of Deposits for Charlotte, NC MSA and Greenville, NC MSA
2. Growth for the period June 30, 2018-2019 - source: FDIC Summary of Deposits

Greenville MSA Market Position ¹					
Rank	Institution (ST)	Number of Branches	Deposits in Market (\$mm)	Market Share (%)	Avg. Branch Size (\$mm)
1	BB&T	6	495	21.4	82.55
2	Wells Fargo Bank	4	403	17.4	100.67
3	First Citizens Bank & Trust	6	307	13.2	51.11
4	Bank of America	2	235	10.1	117.36
5	Southern Bank & Trust	6	177	7.6	29.45
6	Select Bank & Trust	1	124	5.3	123.89
7	Union Bank	1	119	5.1	118.94
8	PNC Bank	3	111	4.8	37.14
9	First National Bank of PA	2	104	4.5	52.08
10	TowneBank	1	102	4.4	101.86
All other institutions		8	143	6.2	17.87
Total For Institutions In Market		40	2,319		



DISCIPLINED ACQUIRER AND EXPERIENCED INTEGRATOR

Total Assets - \$11.9 Billion

Organic - \$7.4 Billion

Acquired - \$4.5 Billion

Monarch Financial Holdings, Inc.

\$1.2 billion in Total Assets
Hampton Roads, VA MSA

Paragon Commercial Corporation

\$1.8 billion in Total Assets
Charlotte and Raleigh, NC MSA

Franklin Financial Corporation

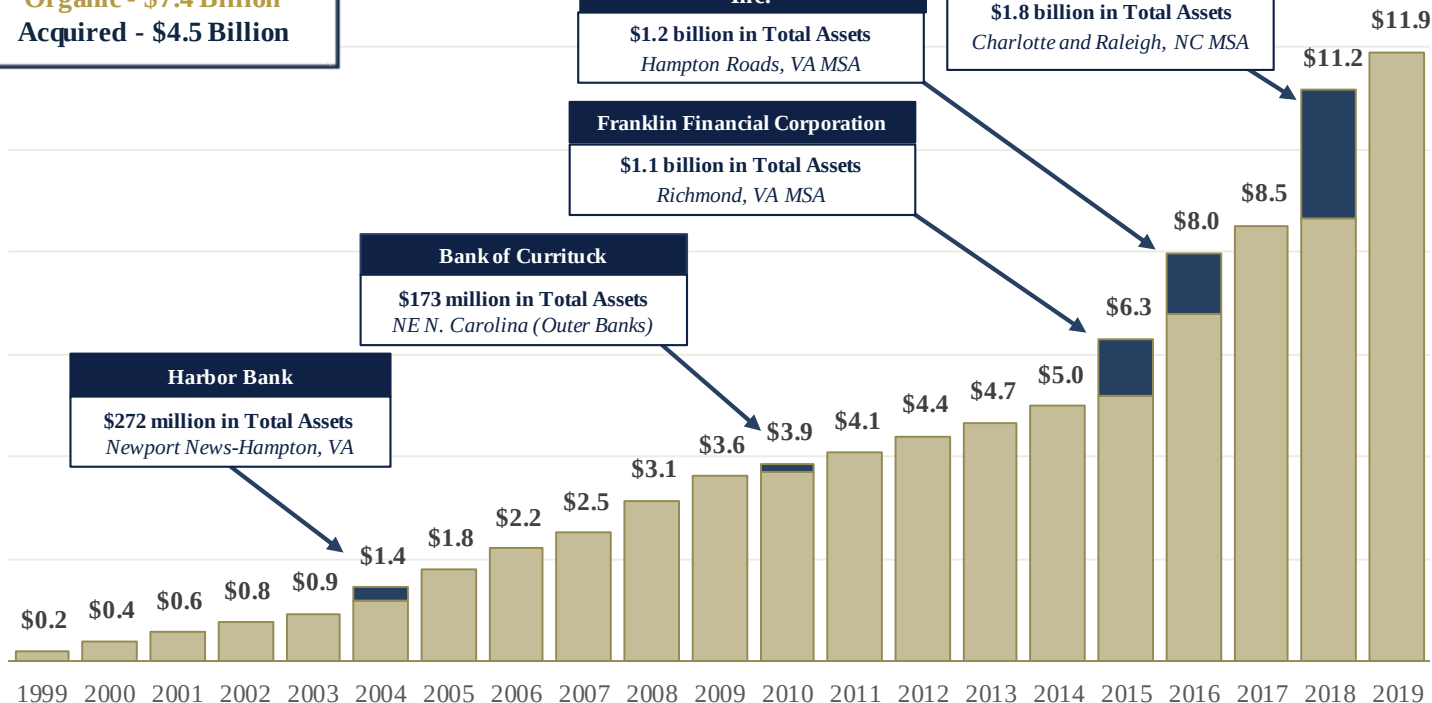
\$1.1 billion in Total Assets
Richmond, VA MSA

Bank of Currituck

\$173 million in Total Assets
NE N. Carolina (Outer Banks)

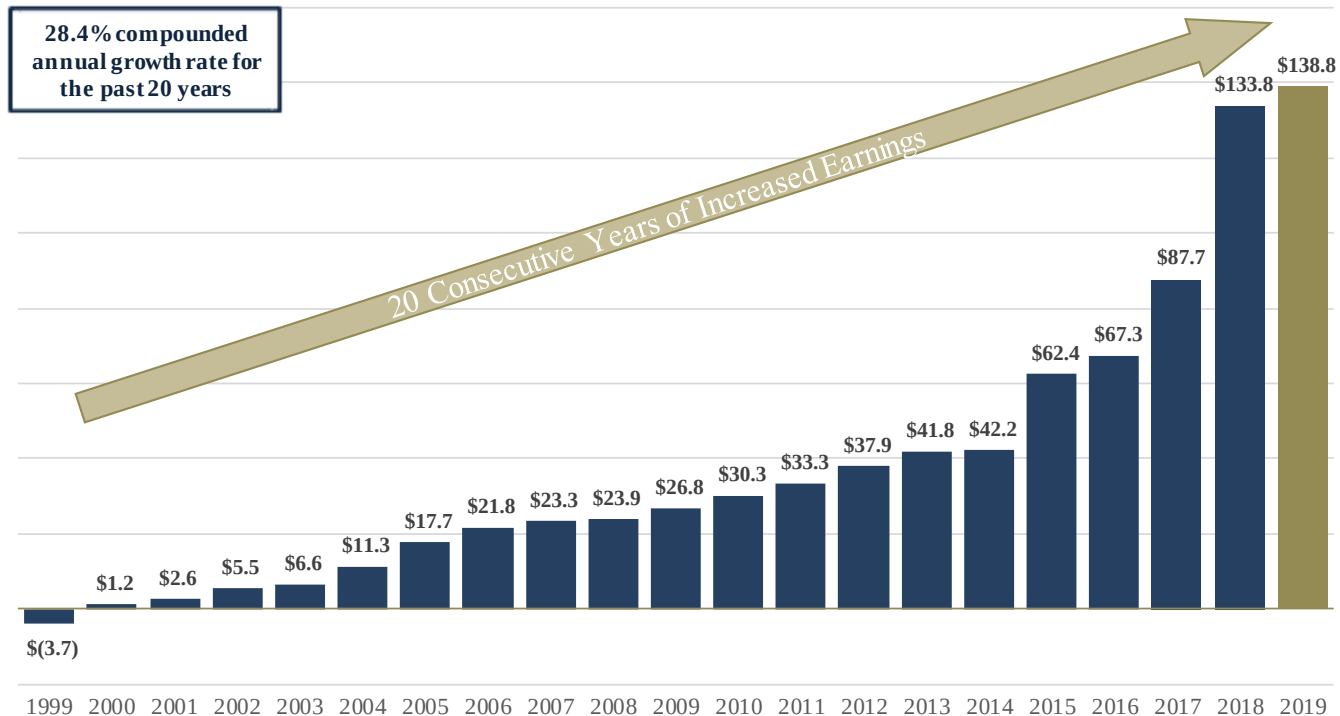
Harbor Bank

\$272 million in Total Assets
Newport News-Hampton, VA



Amounts in billions

CONSISTENT EARNINGS GROWTH



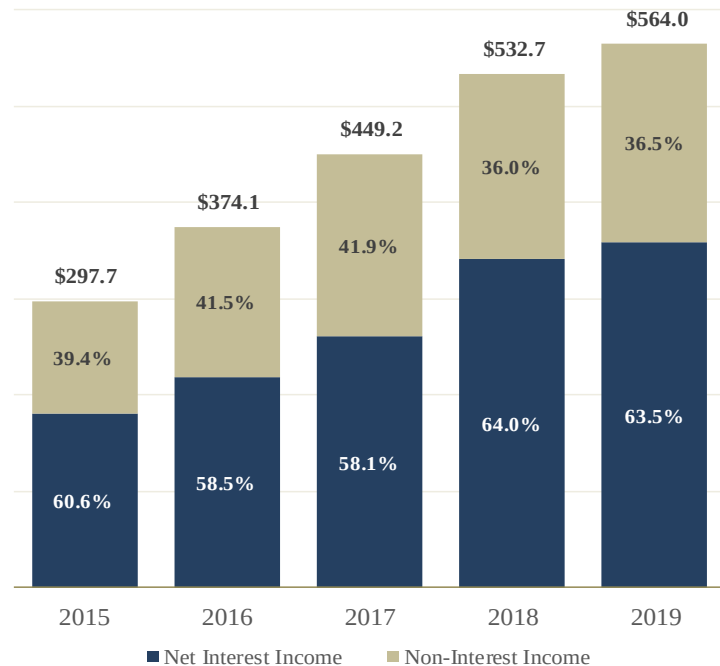
Amounts in millions

*YTD Results

DIVERSIFIED BUSINESS MODEL

Total Revenue

Amounts in millions

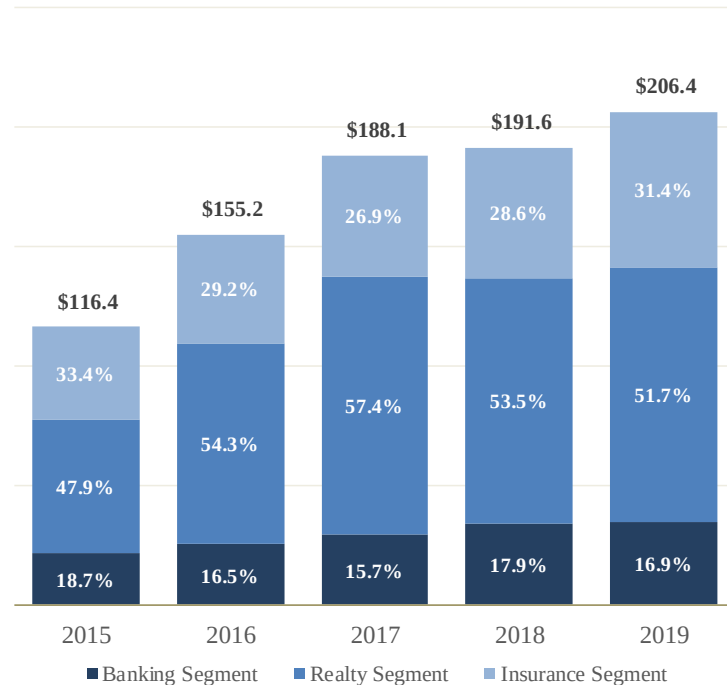


* YTD Results

1. Excludes gain (loss) on investment securities

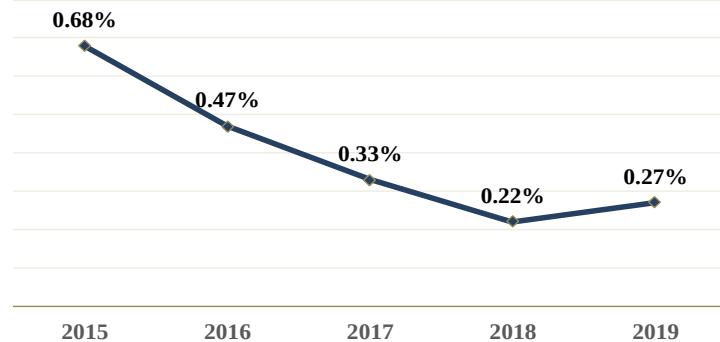
Noninterest Income¹

Amounts in millions

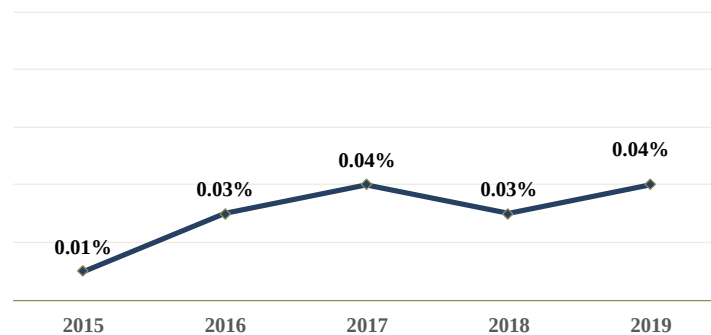


ASSET QUALITY & CREDIT FOCUS

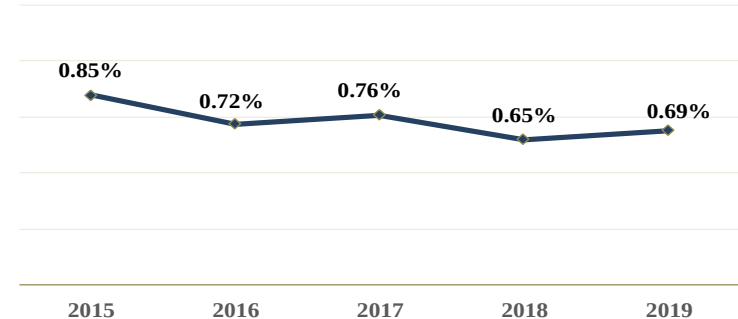
NPA¹ / Assets



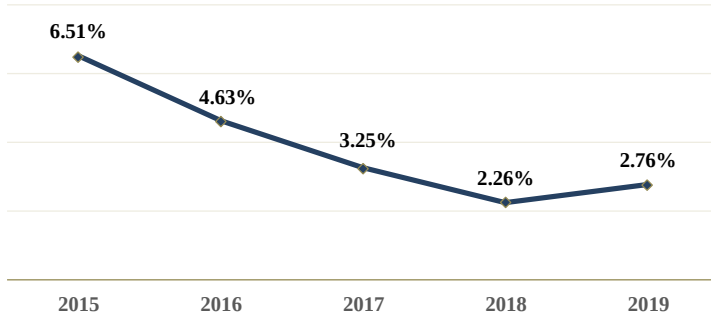
NCOs / Average Loans



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; \$232.82 million average branch size ¹
- Consistency - 20 consecutive years of increased earnings
- Experienced and successful acquirer
- 36.5% noninterest income ²
- Historically strong credit culture
- Culture of Caring



1. Data as of 6/30/2019 FDIC Summary of Deposits for the Virginia Beach – Norfolk – Newport News, VA – NC MSA

2. YTD December 31, 2019



TOWNE BANK

THIRD QUARTER 2019

FINANCIAL RESULTS

Serving Others. Enriching Lives.

PERFORMANCE HIGHLIGHTS

Amounts in millions, except per share data

	QTD					YTD		
	4Q19	3Q19	Change	4Q18	Change	4Q19	4Q18	Change
Net Interest Income	\$ 89.96	\$ 91.10	-1.3%	\$ 89.21	0.8%	\$ 358.35	\$ 341.07	5.1%
Noninterest Income	49.71	54.78	-9.3%	42.21	17.8%	205.59	191.59	7.3%
Total Revenue	139.67	145.88	-4.3%	131.42	6.3%	563.94	532.66	5.9%
Noninterest Expense	92.34	97.29	-5.1%	82.34	12.1%	378.30	352.12	7.4%
Net Income	35.08	37.66	-6.8%	35.99	-2.5%	138.78	133.79	3.7%
Diluted Earnings Per Share	\$ 0.49	\$ 0.52	-5.8%	\$ 0.50	-2.0%	\$ 1.92	\$ 1.88	2.1%
Dividends Declared Per Share	0.18	0.18	0.0%	0.16	12.5%	0.70	0.62	12.9%
Tangible Book Value Per Share ¹	15.69	15.44	1.6%	14.26	10.0%	15.69	14.26	10.0%
Total Assets	\$11,948	\$12,021	-0.6%	\$ 11,163	7.0%	\$ 11,948	\$ 11,163	7.0%
Total Loans	8,419	8,183	2.9%	8,018	5.0%	8,419	8,018	5.0%
Total Deposits	9,271	9,438	-1.8%	8,370	10.8%	9,271	8,370	10.8%
Return on Average Assets	1.16%	1.26%		1.28%		1.19%	1.26%	
Return on Average Tangible Common Equity ¹	13.12%	14.36%		15.11%		13.73%	14.70%	
Net Interest Margin (TE) ¹	3.35%	3.43%		3.55%		3.46%	3.61%	
Nonperforming Assets / Total Assets	0.27%	0.26%		0.22%		0.27%	0.22%	
Allowance for Loan Losses / Total Loans	0.69%	0.68%		0.65%		0.69%	0.65%	
Net Loan Charge-offs / Average Loans	0.04%	0.03%		0.02%		0.04%	0.03%	
Common Equity Tier 1 Ratio ¹	11.46%	11.52%		11.51%		11.46%	11.51%	

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

Highlights

- Net income YTD of \$138.78 million, an increase of \$4.99 million, or 3.7%, versus the same period of 2018
- Total revenues YTD climbed \$31.28 million, or 5.9%, from comparative 2018
- Total loans outstanding up \$401.06 million, or 5.0%, year-over-year
- Total deposits up \$900.49 million, or 10.8%, year-over-year
- Noninterest DDA up \$328.46 million, or 12.5% year-over-year

INCOME STATEMENT SUMMARY

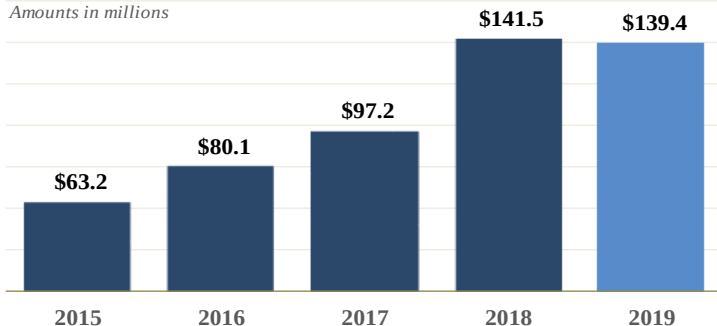
(Amounts in millions)

	QTD								YTD			
	4Q19	3Q19	Q/Q Change		4Q18	Y/Y Change			4Q19	4Q18	Y/Y Change	
			Amount	%		Amount	%				Amount	%
Interest Income	\$ 116.48	\$ 119.63	\$ (3.15)	-2.6%	\$ 114.31	\$ 2.17	1.9%		\$ 467.82	\$ 421.82	\$ 46.00	10.9%
Interest Expense	26.52	28.53	(2.01)	-7.0%	25.10	1.42	5.7%		109.47	80.75	28.72	35.6%
Net Interest Income	89.96	91.10	(1.14)	-1.3%	89.21	0.75	0.8%		358.35	341.07	17.28	5.1%
Provisions for Loan Losses	3.60	1.51	2.09	138.4%	2.29	1.31	57.2%		9.37	8.54	0.83	9.7%
Net Interest Income after Provision for Loan Losses	86.36	89.59	(3.23)	-3.6%	86.92	(0.56)	-0.6%		348.98	332.53	16.45	4.9%
Noninterest Income	49.71	54.85	(5.14)	-9.4%	42.21	7.50	17.8%		206.43	191.59	14.84	7.7%
Net Gain (Loss) on Investment Securities	-	(0.07)	0.07	[n/a]	-	-	-		(0.84)	-	(0.84)	-
Total Noninterest Income	49.71	54.78	(5.07)	-9.2%	42.21	7.50	17.8%		205.59	191.59	14.00	7.3%
Noninterest Expense	92.32	97.08	(4.76)	-4.9%	83.86	8.46	10.1%		377.64	343.69	33.95	9.9%
Merger and Acquisition Expense	0.02	0.21	(0.19)	-90.5%	(1.52)	1.54	-101.3%		0.66	8.43	(7.77)	-92.2%
Total Noninterest Expense	92.34	97.29	(4.95)	-5.1%	82.34	10.00	12.1%		378.30	352.12	26.18	7.4%
Income Before Income Tax and Noncontrolling Interest	43.74	47.08	(3.34)	-7.1%	46.79	(3.05)	-6.5%		176.27	172.00	4.27	2.5%
Provision for Income Taxes	7.79	7.68	0.10	1.3%	10.35	(2.56)	-24.8%		32.60	34.23	(1.63)	-4.8%
Noncontrolling Interest	0.87	1.74	(0.87)	-49.9%	0.45	0.42	94.0%		4.89	3.98	0.91	22.9%
Net Income Attributable to TowneBank	\$ 35.08	\$ 37.66	\$ (2.58)	-6.8%	\$ 35.99	\$ (0.91)	-2.5%		\$ 138.78	\$ 133.79	\$ 4.99	3.7%

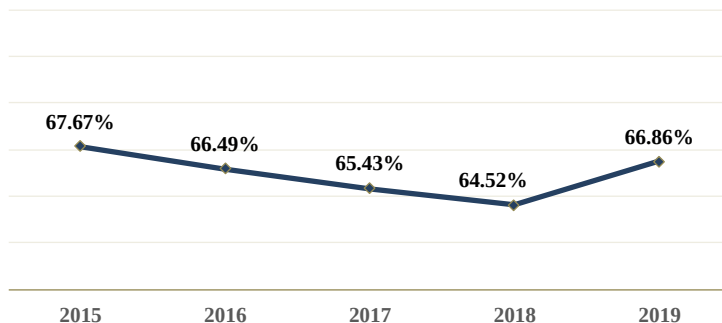
FINANCIAL PERFORMANCE TRENDS

Core Net Income¹

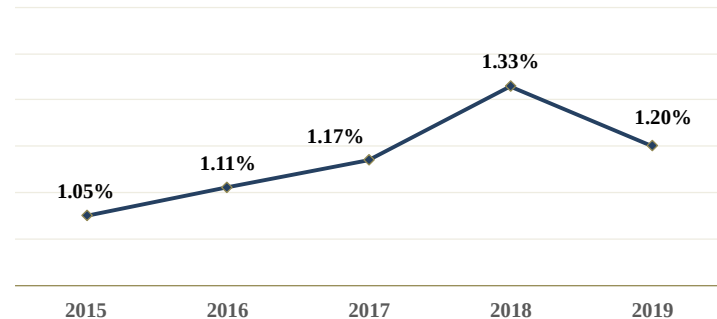
Amounts in millions



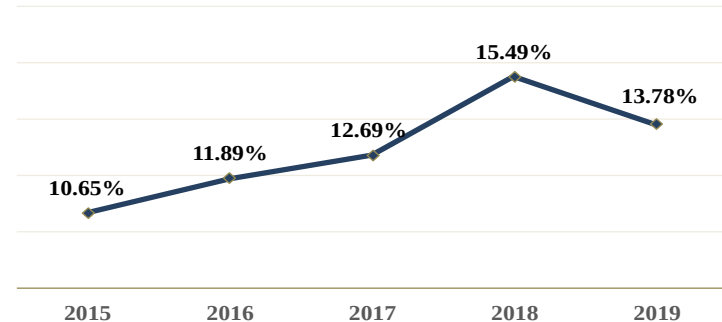
Core Efficiency Ratio¹



Core ROAA¹



Core ROATCE¹



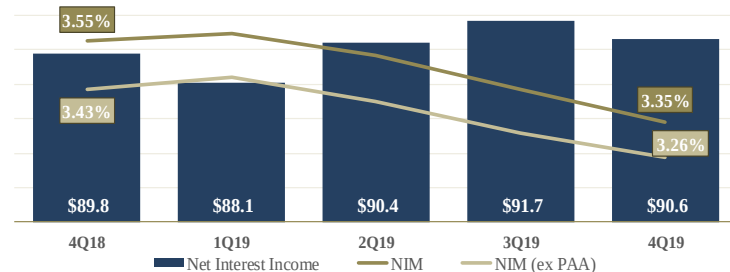
* YTD Results

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

NET INTEREST INCOME & DRIVERS

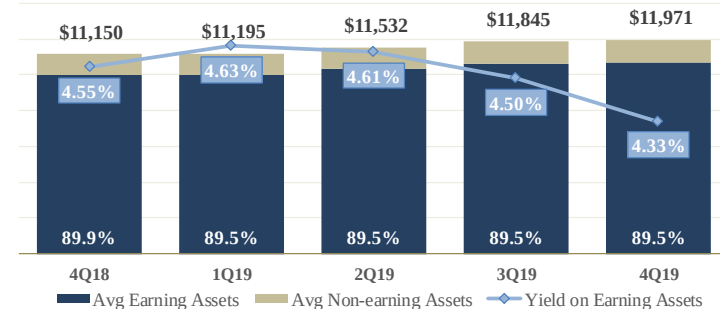
Net Interest Income & NIM (TE)¹

Amounts in millions



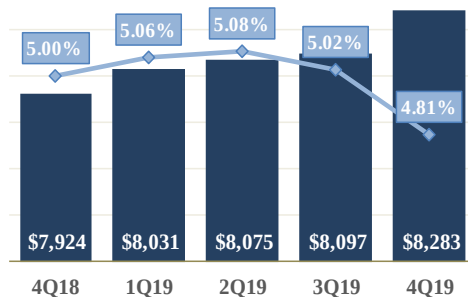
Average Asset Mix & Yield on Earning Assets (TE)

Amounts in millions



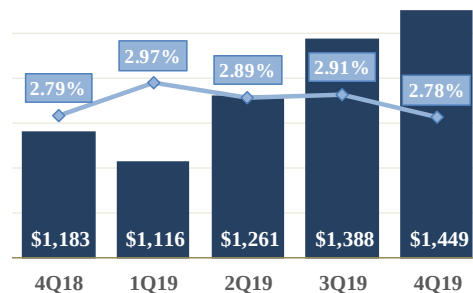
Average Loan Balances² & Yield (TE)

Amounts in millions



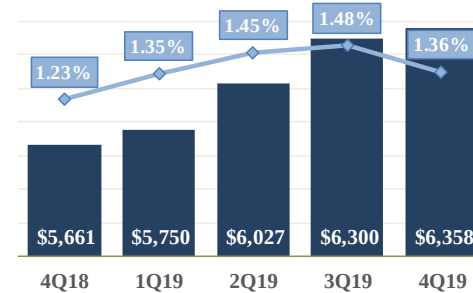
Average Investment Balances & Yield (TE)

Amounts in millions



Average IB³ Deposit Balances & Cost

Amounts in millions



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

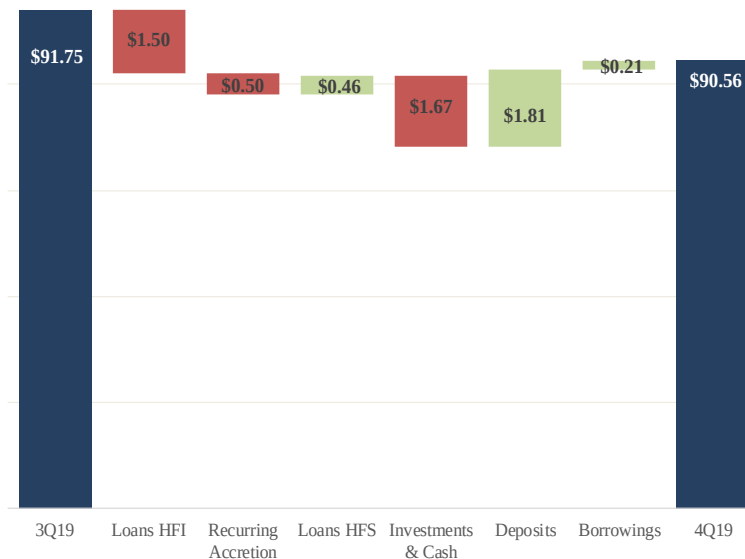
3. IB = Interest Bearing

2. Loan balances exclude non-accrual loans

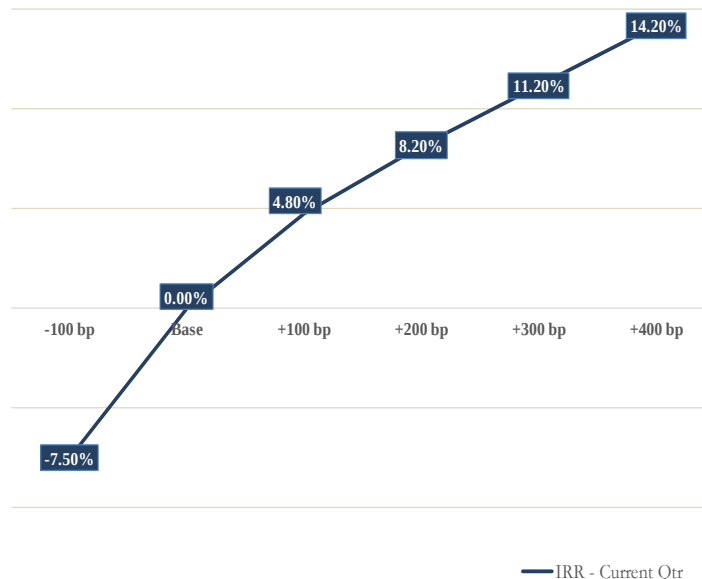
NET INTEREST INCOME & SENSITIVITY

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.

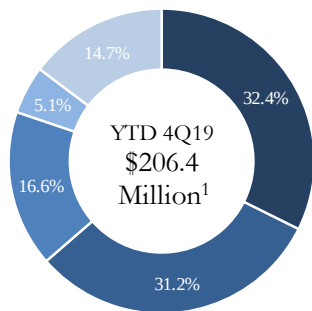
NONINTEREST INCOME

(Amounts in millions)

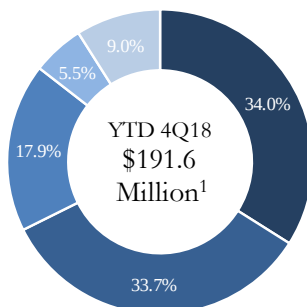
Residential Mortgage Banking Income, Net
Insurance Commissions and Other Title Fees and Income, Net
Real Estate Brokerage and Property Management Income, Net
Service Charges on Deposit Accounts
Credit Card Merchant Fees, Net
Bank-Owned Life Insurance
Other Income
Net Gain (Loss) on Investment Securities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

QTD						
4Q19	3Q19	Q/Q Change		4Q18	Y/Y Change	
		Amount	%		Amount	%
\$ 15.88	\$ 18.86	\$ (2.98)	-15.8%	\$ 12.95	\$ 2.93	22.6%
15.00	16.68	(1.68)	-10.1%	13.21	1.79	13.6%
6.74	9.44	(2.70)	-28.6%	5.98	0.76	12.7%
2.25	2.25	-	0.0%	2.93	(0.68)	-23.2%
1.39	1.51	(0.12)	-7.9%	1.30	0.09	6.9%
3.87	2.12	1.75	82.5%	2.01	1.86	92.5%
4.58	3.99	0.59	14.8%	3.83	0.75	19.6%
-	(0.07)	0.07	[n/a]	-	-	-
\$ 49.71	\$ 54.78	\$ (5.07)	-9.3%	\$ 42.21	\$ 7.50	17.8%

YTD				
4Q19	4Q18	Y/Y Change		
		Amount	%	
\$ 66.81	\$ 65.10	\$ 1.71	2.6%	
64.48	56.16	8.32	14.8%	
34.29	31.86	2.43	7.6%	
10.54	11.81	(1.27)	-10.8%	
4.75	5.47	(0.72)	-13.2%	
9.22	6.84	2.38	34.8%	
16.34	14.35	1.99	13.9%	
(0.84)	-	(0.84)	-	
\$ 205.59	\$ 191.59	\$ 14.00	7.3%	



- Residential Mortgage Banking Income, Net
- Insurance Commissions and Other Title Fees Income, Net
- RE Brokerage and Property Management Income, Net
- Service Charges on Deposit Accounts
- Other Income



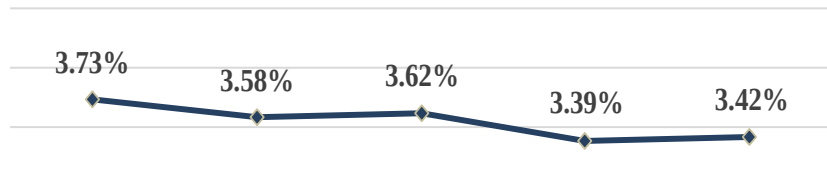
- Total noninterest income represented 35.6% and 36.5% of 4Q19 total revenue for QTD and YTD, respectively
- YTD noninterest income was up 7.3% due primarily to additional commission income from recent insurance acquisitions
- Net residential mortgage income for 4Q19 increased 22.6% versus 4Q18 driven by increased loan volume for the quarter.

1. Excludes gain (loss) on investment securities

TOWNEBANK MORTGAGE

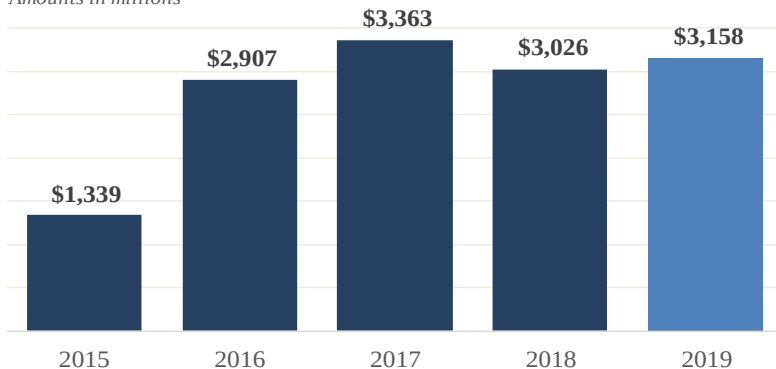
Mortgage Production¹

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



Origination Volume

Amounts in millions



1. Includes Joint Venture volumes

* YTD Results

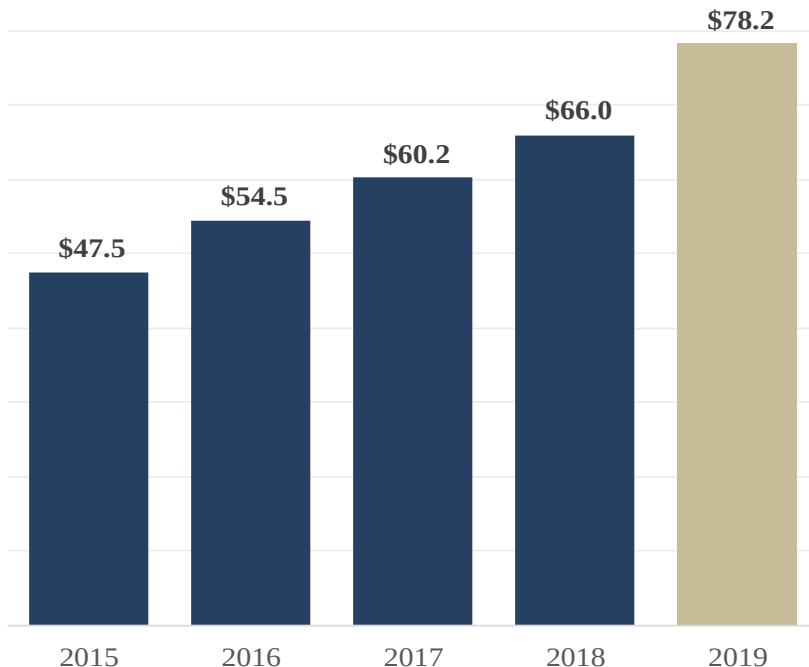
Mortgage Highlights

- Purchase activity comprised 70.3% and 76.2% of QTD and YTD volume, respectively
 - Increased refinance activity in 2H 2019
- 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

- Successful acquirer and integrator - 23 acquisitions since 2001, including the recent acquisition of Angel Insurance and Financial Services, Inc.
- Ranked 51st of Top 100 Business Insurance Agencies

Insurance Revenue - Top 10 Banks

Ranked by Dec 2019 YTD Insurance Revenue*

(Amounts in millions)

Truist Financial Corporation	\$ 2,072.00
Wells Fargo & Company	378.00
BancorpSouth Bank	123.29
Huntington Bancshares Incorporated	88.00
Towne Bank	64.48
Popular, Inc.	62.23
SVB Financial Group	56.35
Cullen/Frost Bankers, Inc.	52.35
Trustmark Corporation	42.40
People's United Financial, Inc.	37.00

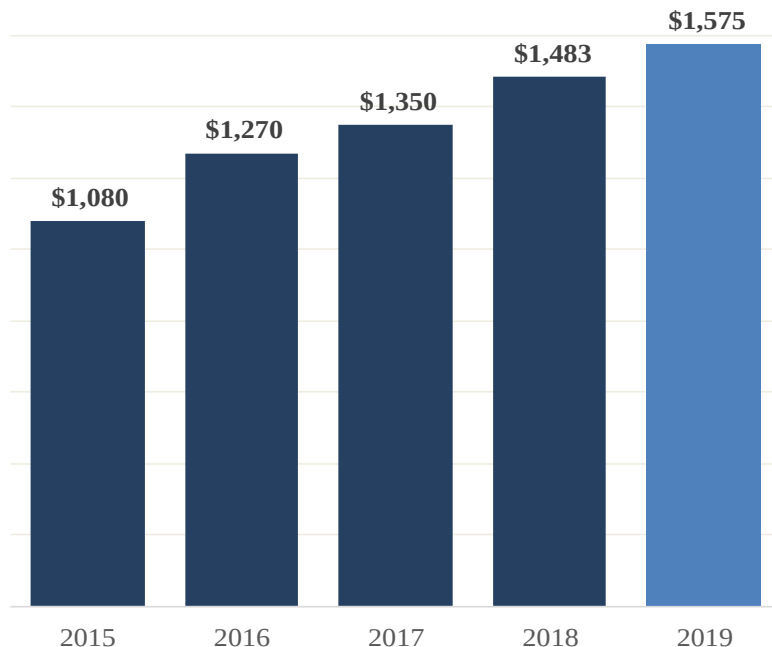
*SNL data as of 2/4/2020

* YTD Results

BERKSHIRE HATHAWAY TOWNE REALTY / TOWNE VACATIONS

BHHS Towne Realty Sales Volume

Amounts in millions



* YTD Results

Realty and Vacations Highlights

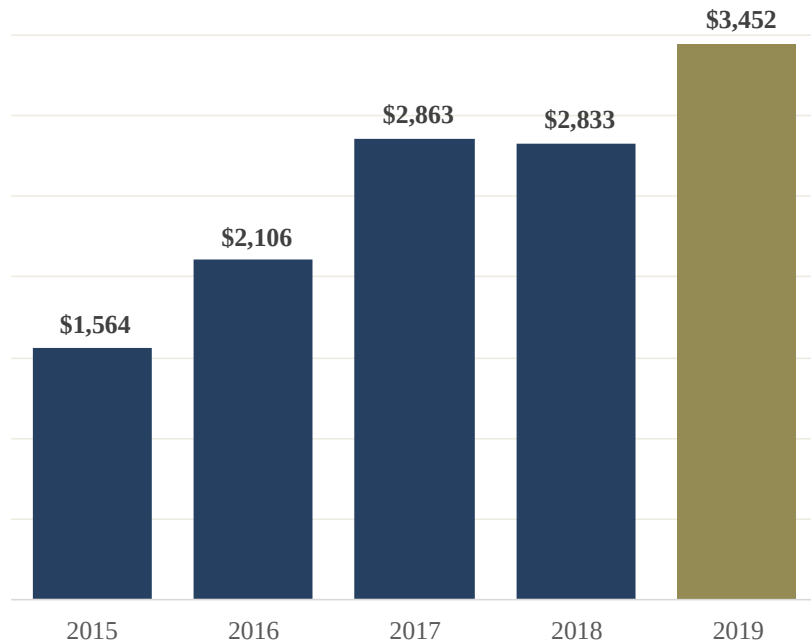
- A top 17 Berkshire Hathaway HomeServices affiliate
- 390 real estate agents
- No. 2 in market share
- Generates purchase money mortgage activity
- Manages 1,425 housing units
- Beach Properties manages 417 vacation homes in Hilton Head, South Carolina
- Oak Island Accommodations manages 547 vacation homes in Oak Island, North Carolina
- Railey Vacations manages 504 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 86% of total revenue

TOWNE INVESTMENT GROUP



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

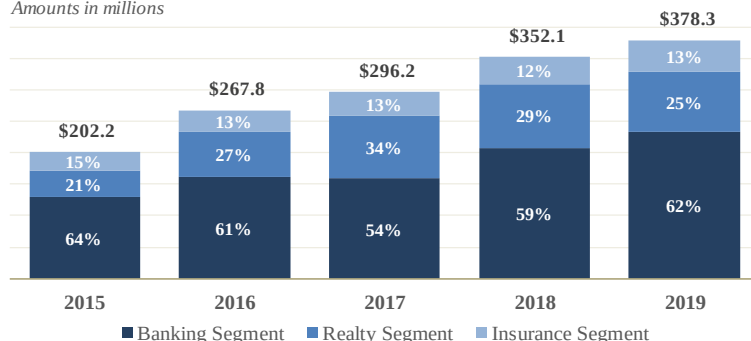
Securities are offered through **Raymond James Financial Services, Inc.**, Member FINRA/SIPC, an independent broker/dealer and are not insured by FDIC or any other governmental agency, are not deposits or obligations of the bank, are not guaranteed by the bank, and are subject to risks, including the 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)

	QTD							YTD			
	4Q19	3Q19	Q/Q Change		4Q18	Y/Y Change		4Q19	4Q18	Y/Y Change	
			Amount	%		Amount	%			Amount	%
Salaries and Employee Benefits	\$ 56.01	\$ 55.78	\$ 0.23	0.4%	\$ 50.23	\$ 5.78	11.5%	\$ 218.92	\$ 201.84	\$17.08	8.5%
Occupancy Expense	7.52	7.95	(0.43)	-5.4%	7.35	0.17	2.3%	31.38	27.64	3.74	13.5%
Furniture and Equipment	3.60	3.80	(0.20)	-5.3%	3.59	0.01	0.3%	14.35	14.48	(0.13)	-0.9%
Amortization - Intangibles	3.01	3.06	(0.05)	-1.6%	3.12	(0.11)	-3.5%	12.37	11.71	0.66	5.6%
Software Expense	2.98	3.21	(0.23)	-7.2%	2.69	0.29	10.8%	11.72	10.62	1.10	10.4%
Outside Data Processing	2.51	2.53	(0.02)	-0.8%	2.47	0.04	1.6%	11.83	10.36	1.47	14.2%
Professional Fees	2.99	3.57	(0.58)	-16.2%	2.03	0.96	47.3%	12.94	8.32	4.62	55.5%
Advertising and Marketing	2.84	3.43	(0.59)	-17.2%	2.55	0.29	11.4%	12.28	11.19	1.09	9.7%
Other Expenses	10.88	13.96	(3.08)	-22.1%	8.31	2.57	30.9%	52.51	55.96	(3.45)	-6.2%
Noninterest Expense	\$ 92.34	\$ 97.29	\$(4.95)	-5.1%	\$ 82.34	\$10.00	12.1%	\$ 378.30	\$ 352.12	\$26.18	7.4%

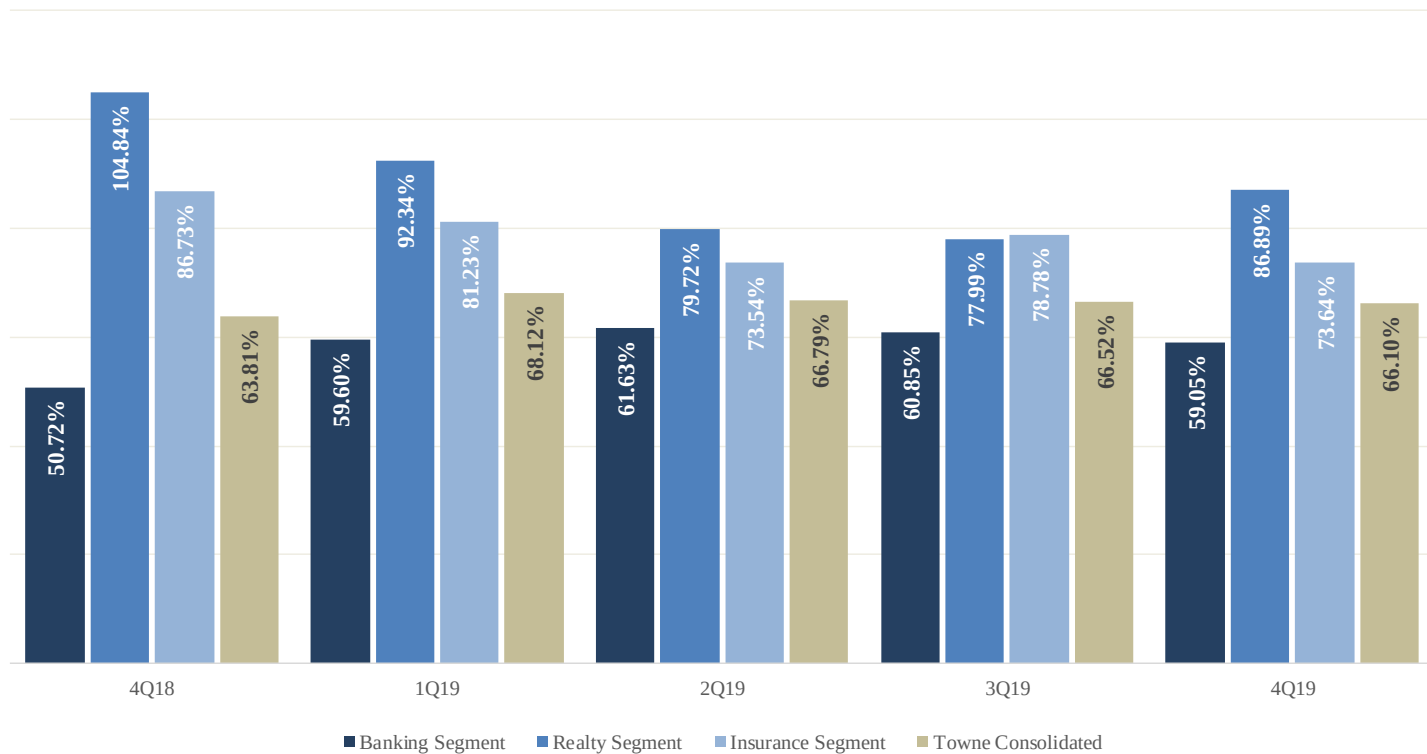
Amounts in millions



* YTD Results

- Expansion of production related teams in the Greensboro and Greenville, North Carolina markets
- Addition of Hampton Roads Corporate Banking team
- Enhancements to company infrastructure driven by changing industry standards and increased regulatory expectations due to crossing the \$10 billion asset threshold

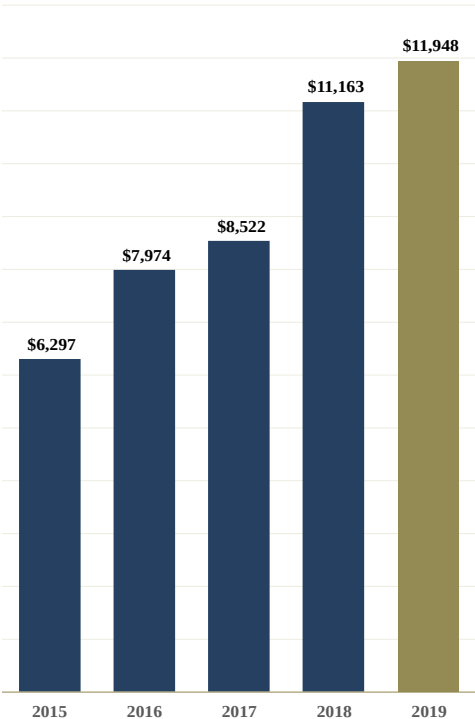
CORE EFFICIENCY RATIO¹



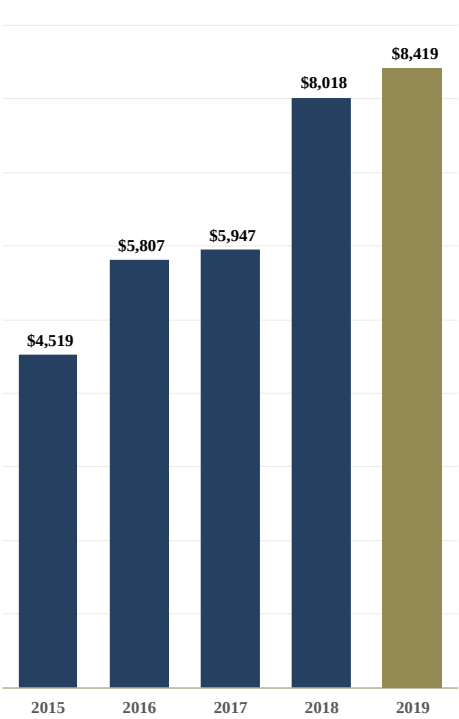
1. Core Efficiency Ratio excludes M&A/restructuring costs and securities gains (loss)
Non-GAAP financial measure - see non-GAAP reconciliations

BALANCE SHEET: GROWTH AND STABILITY

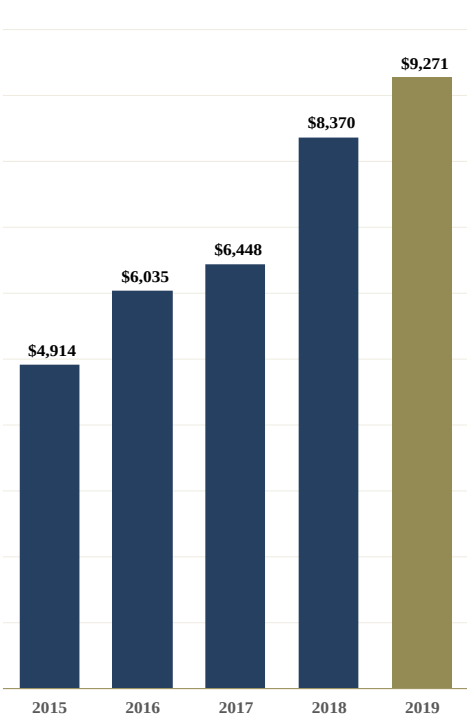
Total Assets (\$MM)



Total Gross Loans (\$MM)



Total Deposits (\$MM)



BALANCE SHEET SUMMARY

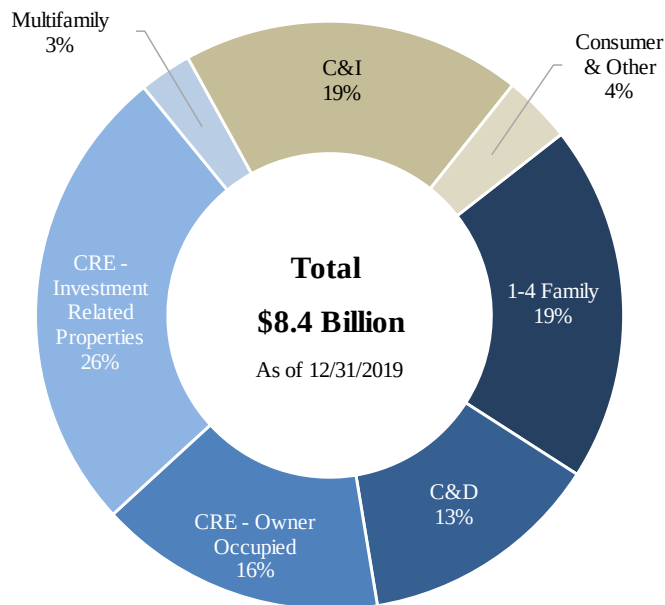
(Amounts in Millions)

	Dec 31, 2019	Sep 30, 2019	Q/Q Change		Dec 31, 2018	Y/Y Change	
			Amount	%		Amount	%
Cash, Cash Equivalents and Securities	\$ 1,964	\$ 2,235	\$ (271)	-12.1%	\$ 1,881	\$ 83	4.4%
Loans Held for Sale	419	457	(38)	-8.3%	221	198	89.6%
Gross Loans	8,419	8,182	237	2.9%	8,018	401	5.0%
Allowance for Loan Losses	(58)	(55)	(3)	6.3%	(52)	(6)	11.5%
Net Loans	8,361	8,128	233	2.9%	7,966	395	5.0%
Other Assets	1,204	1,201	3	0.2%	1,095	109	10.0%
Total Assets	\$ 11,948	\$ 12,021	\$ (73)	-0.6%	\$ 11,163	\$ 785	7.0%
Noninterest-Bearing Deposits	\$ 2,951	\$ 3,031	\$ (80)	-2.6%	\$ 2,623	\$ 328	12.5%
Interest-Bearing Deposits	6,320	6,407	(87)	-1.4%	5,748	572	10.0%
Total Deposits	9,271	9,438	(167)	-1.8%	8,371	900	10.8%
FHLB Advances	472	382	90	23.6%	799	(327)	-40.9%
Debt and Other Borrowings	300	291	9	3.1%	295	5	1.7%
Other Liabilities	251	272	(21)	-7.7%	160	91	56.9%
Total Liabilities	10,294	10,383	(89)	-0.9%	9,625	669	7.0%
Shareholders' Equity	1,641	1,625	16	1.0%	1,525	116	7.6%
Noncontrolling Interests	13	13	-	0.0%	13	-	0.0%
Total Equity	1,654	1,638	16	1.0%	1,538	116	7.5%
Total Liabilities and Equity	\$ 11,948	\$ 12,021	\$ (73)	-0.6%	\$ 11,163	\$ 785	7.0%

Highlights

- Total assets were \$11.95 billion at the end of 4Q19, an increase of \$784.63 million, or 7.0%, compared to 4Q18
- Average earning assets in 4Q19 were up \$697.61 million, or 7.0%, compared to 4Q18
- Capital and liquidity to support growth
- Stable core funding; noninterest deposits represent 31.8% of total deposits
- Securities portfolio with 3.90 year average duration as of 4Q19

LOAN PORTFOLIO

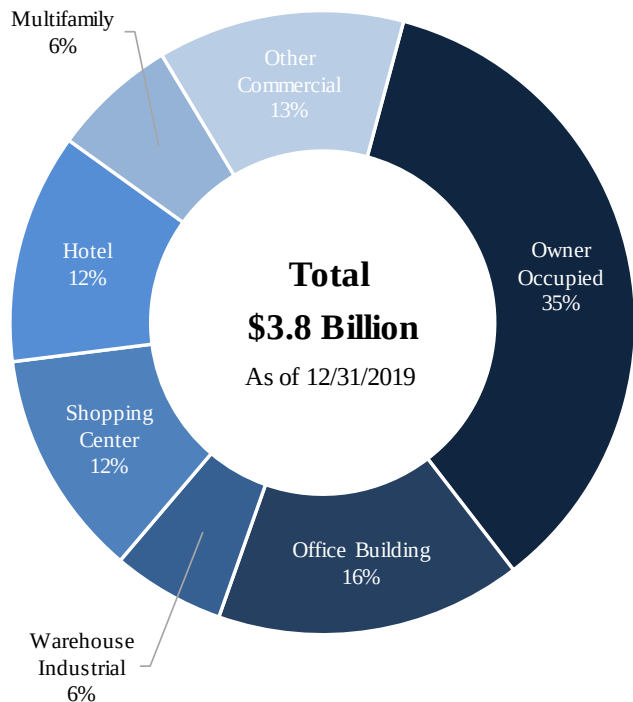


Loan Growth by Region				
(Amounts in millions)	Dec 31, 2019	Dec 31, 2018	YTD Growth	Annualized Growth %
Hampton Roads	\$ 4,820	\$ 4,758	\$ 62	1.3%
North Carolina	2,319	2,025	294	14.5%
Richmond	951	904	47	5.2%
Other	329	331	(2)	-0.5%
Towne Consolidated	\$ 8,419	\$ 8,018	\$ 401	5.0%

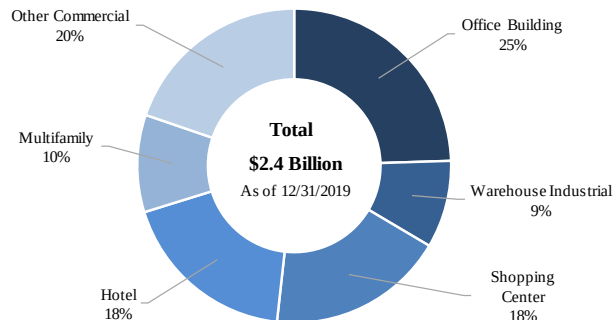
CECL Update

- Currently expect a 0-10% increase in ALLL
- Key Drivers include:
 - Longer life associated with real estate loans
 - Establishment of reserves for acquired portfolios and unfunded commitments
 - No significant impact in commercial portfolio
- Estimates subject to change based on continuing review of models and assumptions including changes in forecasted economic conditions

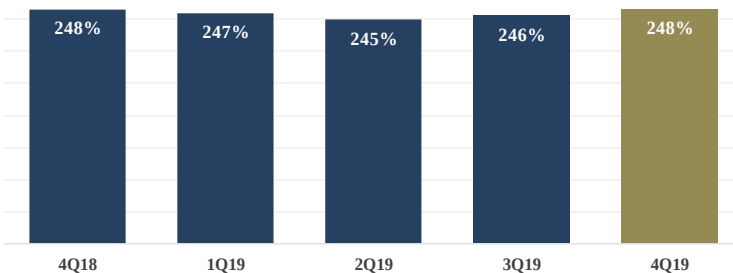
COMMERCIAL REAL ESTATE



Commercial Real Estate Excluding Owner Occupied

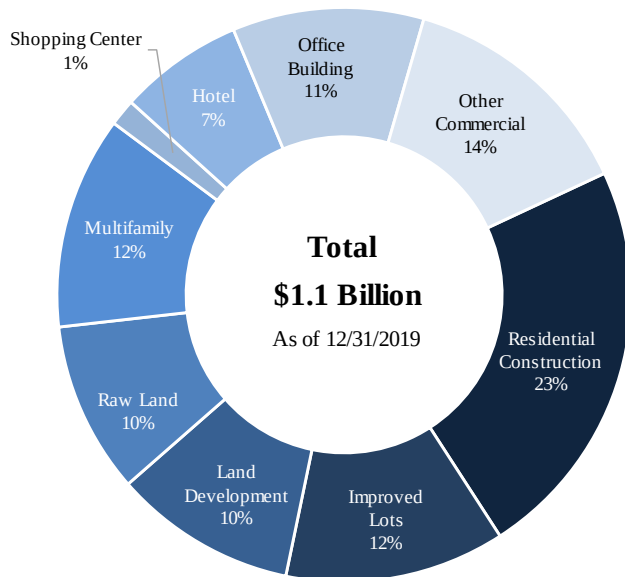


Commercial Real Estate Loans / Total Risk-Based Capital

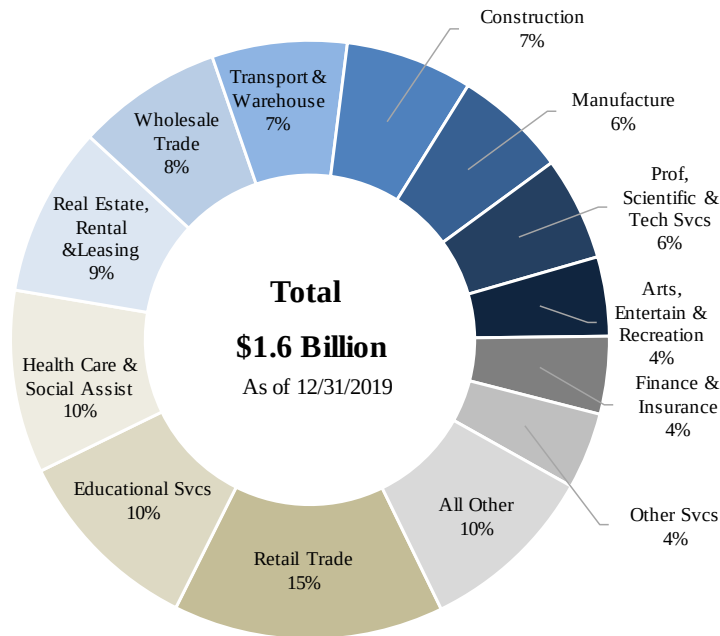


CONSTRUCTION & DEVELOPMENT/COMMERCIAL & INDUSTRIAL

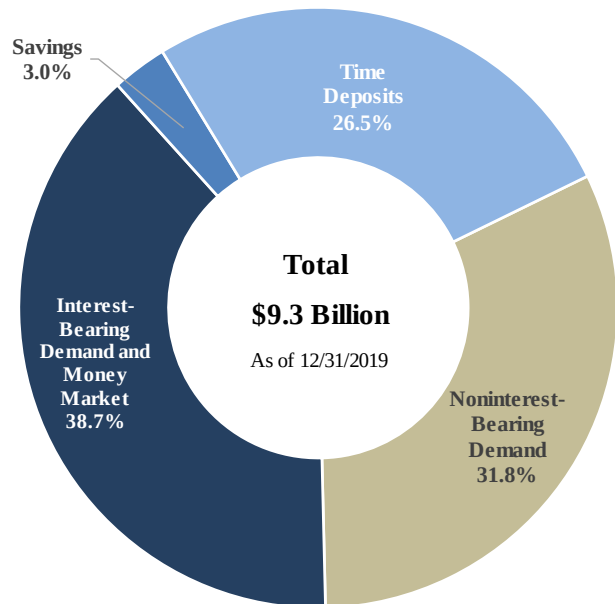
C & D



C & I



DEPOSITS



Deposit Growth by Region

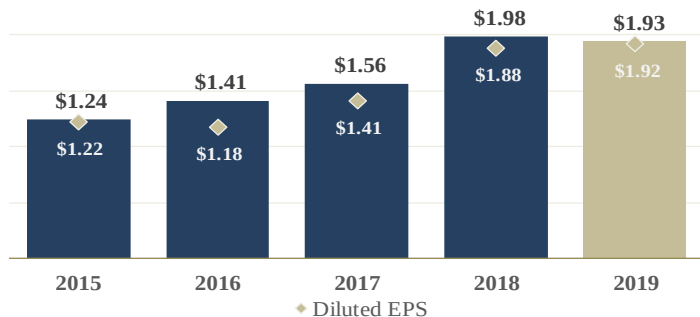
(Amounts in millions)	Dec 31, 2019	Dec 31, 2018	YTD Growth	Annualized Growth %
Hampton Roads	\$ 5,667	\$ 5,228	\$ 439	8.4%
North Carolina	2,142	1,689	453	26.8%
Richmond	1,084	992	92	9.3%
Other	378	461	(83)	-18.0%
Towne Consolidated	\$ 9,271	\$ 8,370	\$ 901	10.8%

Deposit Highlights

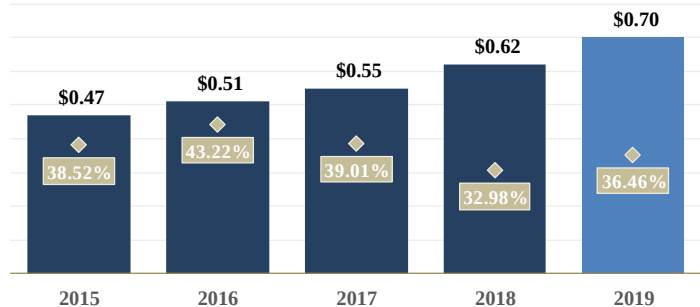
- Strong deposit growth
 - Total deposits up \$900.49 million , or 10.8%, compared to 4Q18
 - Noninterest-bearing deposits up \$328.46 million, or 12.5%, compared to 4Q18
- Noninterest-bearing deposits represent 31.8% of total deposits

SHAREHOLDER VALUE

Core Diluted EPS¹



Dividends & Payout Ratio



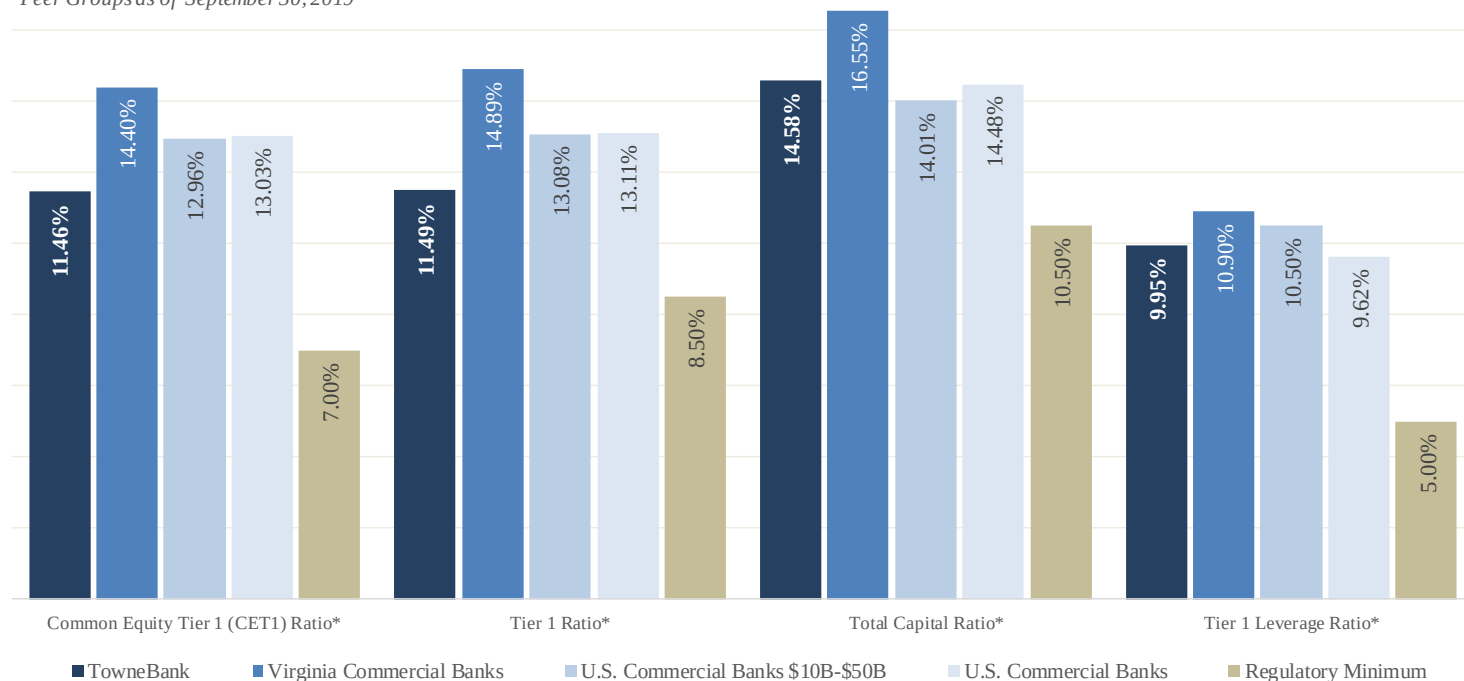
1. Non-GAAP financial measures - see non-GAAP reconciliations
 *YTD Results

Book Value & Tangible Book Value¹



CAPITAL POSITION

TowneBank as of December 31, 2019
Peer Groups as of September 30, 2019



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

**SNL comparison groups include 3Q19 data as of 1/28/2020

2020 OUTLOOK SUMMARY

Loans and Asset Quality

- Targeting mid-single digit annualized loan growth
- Stable asset quality
- CECL Day 1 impact 0-10% increase

Profitability

- Low single digit net interest margin compression expected in 2020
- Noninterest expense average quarterly run rate projected at \$94-\$97 million
- Continued effort to drive Efficiency Ratio
- Return on average assets range 1.10% - 1.20%

Strategic

- New branch openings in Charlotte 2H 2020
- New core banking system in Spring 2020
- Capital and liquidity 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 Ended				
	Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Net Income (GAAP)	\$ 35.95	\$ 39.40	\$ 36.44	\$ 143.67	\$ 137.77	\$ 92.79	\$ 72.22	\$ 65.67
Less: Noncontrolling Interest	0.87	1.74	0.45	4.89	3.98	5.13	4.97	3.28
Net Income Available to Common (GAAP)	35.08	37.66	35.99	138.78	133.79	87.66	67.25	62.38
Adjustments:								
Acquisition Related Expenses	0.02	0.21	(1.52)	0.66	8.43	2.27	19.11	1.31
Other Adjustments	-	-	-	-	-	(3.89)	-	-
Income Tax Adjustments	0.00	(0.02)	1.05	(0.08)	(0.72)	11.14	(6.22)	(0.46)
Core Net Income Available to Common (Non-GAAP)	\$ 35.09	\$ 37.85	\$ 35.52	\$139.36	\$141.50	\$ 97.18	\$ 80.14	\$ 63.24
Average Assets	\$ 11,971	\$ 11,845	\$ 11,150	\$ 11,638	\$ 10,599	\$ 8,335	\$ 7,205	\$ 6,039
Return on Average Assets (ROAA)	1.16%	1.26%	1.28%	1.19%	1.26%	1.05%	0.93%	1.03%
Core ROAA (Non-GAAP)	1.16%	1.27%	1.26%	1.20%	1.33%	1.17%	1.11%	1.05%
Diluted Shares Outstanding	72.31	72.22	72.04	72.17	71.29	62.39	56.98	51.16
Diluted Earnings Per Share (EPS)	\$ 0.49	\$ 0.52	\$ 0.50	\$ 1.92	\$ 1.88	\$ 1.41	\$ 1.18	\$ 1.22
Core Diluted EPS (Non-GAAP)	\$ 0.49	\$ 0.52	\$ 0.49	\$ 1.93	\$ 1.98	\$ 1.56	\$ 1.41	\$ 1.24
Tangible Common Equity:								
Average Total Equity	\$1,648	\$1,620	\$1,512	\$1,597	\$1,454	\$1,124	\$964	\$805
Less: Average Goodwill	446	443	430	444	412	269	213	157
Less: Average Intangible Assets, Net	56	57	59	59	58	39	34	24
Average Tangible Equity	1,145	1,120	1,023	1,094	985	816	717	624
Less: Average Noncontrolling Interest	13	12	13	12	12	11	10	9
Average Tangible Common Equity	\$ 1,133	\$ 1,108	\$ 1,010	\$ 1,082	\$ 973	\$ 805	\$ 707	\$ 615
Income Adjustment for Intangible Amortization Expense, Net	2.37	2.42	2.47	9.77	9.24	4.98	3.91	2.30
Return on Average Tangible Common Equity (ROATCE)	13.12%	14.36%	15.11%	13.73%	14.70%	11.51%	10.07%	10.51%
Core ROATCE (Non-GAAP)	13.12%	14.42%	14.93%	13.78%	15.49%	12.69%	11.89%	10.65%

NON-GAAP RECONCILIATIONS

Core Efficiency Ratio - TowneBank Consolidated

(Amounts in millions)

	Quarter Ended					Year Ended				
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total Revenue	\$ 139.67	\$ 145.88	\$ 144.54	\$ 133.85	\$ 131.42	\$ 563.94	\$ 532.67	\$ 449.24	\$ 374.10	\$ 297.72
Less: Net Gain / (Loss) on Investment Securities	-	(0.07)	-	(0.78)	-	(0.85)	0.01	-	0.01	0.90
Adjusted Total Revenue	139.67	145.95	144.54	134.63	131.42	564.79	532.66	449.24	374.09	296.82
Total Noninterest Expense	92.34	97.29	96.56	92.12	82.34	378.30	352.12	296.21	267.83	202.16
Less: Acquisition Related Expenses	0.02	0.21	0.02	0.41	(1.52)	0.66	8.43	2.27	19.11	1.31
Adjusted Total Noninterest Expense	\$ 92.32	\$ 97.08	\$ 96.54	\$ 91.71	\$ 83.86	\$ 377.64	\$ 343.70	\$ 293.95	\$ 248.72	\$ 200.85
Efficiency Ratio	66.11%	66.66%	66.80%	68.43%	62.65%	66.98%	66.11%	65.94%	71.59%	68.11%
Core Efficiency Ratio	66.10%	66.52%	66.79%	68.12%	63.81%	66.86%	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				
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Total Revenue	\$ 96.54	\$ 98.34	\$ 97.56	\$ 93.59	\$ 95.32	\$ 26.75	\$ 31.30	\$ 30.17	\$ 24.86	\$ 23.18	\$ 16.38	\$ 16.24	\$ 16.80	\$ 15.40	\$ 12.92
Less: Net Gain / (Loss) on Investment Securities	-	(0.07)	-	(0.78)	-	-	-	-	-	-	-	-	-	-	-
Adjusted Total Revenue	96.54	98.41	97.56	94.37	95.32	26.75	31.30	30.17	24.86	23.18	16.38	16.24	16.80	15.40	12.92
Total Noninterest Expense	57.01	59.88	60.13	56.25	46.50	23.26	24.43	24.07	22.97	24.35	12.07	12.98	12.36	12.90	11.48
Less: Acquisition Related Expenses	-	-	-	-	(1.85)	0.02	0.02	0.02	0.02	0.05	0.00	0.19	-	0.40	0.28
Adjusted Total Noninterest Expense	\$ 57.01	\$ 59.88	\$ 60.13	\$ 56.25	\$ 48.35	\$ 23.24	\$ 24.41	\$ 24.05	\$ 22.96	\$ 24.30	\$ 12.07	\$ 12.79	\$ 12.36	\$ 12.51	\$ 11.21
Efficiency Ratio	59.05%	60.85%	61.63%	59.60%	48.79%	86.95%	78.04%	79.77%	92.42%	105.07%	73.67%	79.96%	73.54%	83.79%	88.87%
Core Efficiency Ratio	59.05%	60.85%	61.63%	59.60%	50.72%	86.89%	77.99%	79.72%	92.34%	104.84%	73.64%	78.78%	73.54%	81.23%	86.73%

NON-GAAP RECONCILIATIONS

Net Interest Margin - Tax Equivalent (TE) Basis

(Amounts in millions)

	Quarter Ended					Year-to-Date	
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Net Interest Income (GAAP)	\$ 89.96	\$ 91.10	\$ 89.82	\$ 87.47	\$ 89.21	\$ 358.36	\$ 341.07
Tax-Equivalent Basis Adjustment	0.60	0.64	0.61	0.61	0.59	2.46	2.24
Net Interest Income (Tax-Equivalent Basis)	\$ 90.56	\$ 91.75	\$ 90.43	\$ 88.08	\$ 89.79	\$ 360.81	\$ 343.31
Average Earning Assets	\$ 10,722	\$ 10,605	\$ 10,317	\$ 10,019	\$ 10,025	\$ 10,429	\$ 9,505
Net Interest Margin (GAAP)	3.33%	3.41%	3.49%	3.54%	3.53%	3.44%	3.59%
Net Interest Margin (TE)	3.35%	3.43%	3.52%	3.57%	3.55%	3.46%	3.61%

Tangible Book Value

(Amounts in millions except per share data)

Tangible Common Equity:

	Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total Equity	\$ 1,654	\$ 1,639	\$ 1,538	\$ 1,143	\$ 1,087	\$ 820
Less: Noncontrolling Interest	13	13	13	11	12	9
Common Equity	1,641	1,625	1,526	1,131	1,075	811
Less: Goodwill	447	446	434	270	265	155
Less: Intangible Assets, Net	54	57	59	39	38	26
Tangible Common Equity	\$ 1,140	\$ 1,122	\$ 1,033	\$ 822	\$ 772	\$ 630
Common Shares	72.65	72.63	72.47	62.63	62.49	51.61
Book Value Per Share	\$ 22.58	\$ 22.38	\$ 21.05	\$ 18.06	\$ 17.20	\$ 15.71
Tangible Book Value Per Share	\$ 15.69	\$ 15.44	\$ 14.26	\$ 13.13	\$ 12.36	\$ 12.21

Risk-Based Capital

(Amounts in millions)

	Dec 31, 2019	Sep 30, 2019	Dec 31, 2018
Total Equity	\$ 1,654	\$ 1,639	\$ 1,538
Less:			
Disallowed Goodwill	443	443	432
Disallowed Intangible Assets, Net	50	53	53
Accumulated Other Comprehensive Income	11	20	(10)
Minority Interests	13	13	13
Total Tier 1 Common Equity	1,136	1,109	1,050
Included Minority Interests	3	3	3
Total Tier 1 Capital	1,139	1,113	1,053
Qualifying Allowance for Loan Losses	58	55	52
Qualifying Subordinated Debt	248	248	248
Total Risk-Based Capital	\$ 1,446	\$ 1,416	\$ 1,353
Risk Weighted Assets	9,916	9,632	9,125
Total Assets for Leverage Capital Purposes	11,452	11,304	10,665
Common Equity Tier 1 (CET1) Ratio	11.46%	11.52%	11.51%
Tier 1 Ratio	11.49%	11.55%	11.54%
Total Capital Ratio	14.58%	14.70%	14.83%
Tier 1 Leverage Ratio	9.95%	9.84%	9.87%

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