



Investor Presentation - Second Quarter 2020

CAUTIONARY STATEMENTS

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 the impacts of the ongoing coronavirus (COVID-19) pandemic; 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 TowneBank’s Annual Report on Form 10-K for the year ended December 31, 2019 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.

PERFORMANCE HIGHLIGHTS

<i>Dollars in millions, except per share data</i>	QTD					YTD		
	2Q20	1Q20	Change	2Q19	Change	2Q20	2Q19	Change
Net Interest Income	\$ 93.27	\$ 89.50	4.22%	\$ 89.82	3.85%	\$ 182.77	\$ 177.29	3.1%
Noninterest Income	69.38	48.20	43.95%	54.72	26.80%	117.58	101.10	16.3%
Total Revenue	162.66	137.70	18.12%	144.54	12.54%	300.35	278.39	7.9%
Noninterest Expense	91.02	96.89	(6.05%)	96.56	(5.73%)	187.91	188.68	-0.4%
Net Income	34.61	26.38	31.18%	34.64	(0.10%)	60.99	66.05	-7.7%
Diluted Earnings Per Share	\$ 0.48	\$ 0.36	33.33%	\$ 0.48	0.00%	\$ 0.84	\$ 0.82	2.4%
Dividends Declared Per Share	0.18	0.18	0.00%	0.18	0.00%	0.36	0.34	5.9%
Tangible Book Value Per Share	16.69	15.91	4.90%	15.05	10.90%	16.69	15.05	10.9%
Total Assets	\$ 15,580	\$ 12,624	23.42%	\$ 11,942	30.46%	\$ 15,580	\$ 11,942	30.5%
Total Loans	9,802	8,784	11.59%	8,127	20.61%	9,802	8,127	20.6%
Total Deposits	11,265	9,308	21.02%	9,269	21.54%	11,265	9,269	21.5%
Return on Average Assets	0.97%	0.88%	0.09%	1.20%	(0.23%)	0.93%	1.17%	
Return on Average Tangible Common Equity	12.44%	10.01%	2.43%	14.05%	(1.61%)	11.25%	13.73%	
Net Interest Margin (TE)	2.87%	3.37%	(0.50%)	3.52%	(0.65%)	3.25%	3.54%	
Nonperforming Assets / Total Assets	0.19%	0.24%	(0.05%)	0.29%	(0.10%)	0.19%	0.29%	
Allowance for Loan Losses / Total Loans	0.92%	0.73%	0.19%	0.67%	0.25%	0.92%	0.67%	
Net Loan Charge-offs / Average Loans	0.00%	0.03%	(0.03%)	0.08%	(0.08%)	0.01%	0.05%	
Common Equity Tier 1 Ratio	11.54%	10.98%	0.56%	11.58%	(0.04%)	11.54%	11.58%	

Highlights

- Total revenue of \$162.66 million, an increase of \$18.12 million versus the same period of 2019
- Loans held for investment up \$1.68 billion compared to Q2 2019, which includes PPP loans totaling \$1.09 billion
- Strong mortgage origination volumes of \$1.47 billion in Q2
- Margin of 2.87% included accretion of 8bp
- Insurance segment increased revenues 6.22% versus the same period of 2019

BALANCE SHEET SUMMARY

<i>(Dollars in Millions)</i>	June 30, 2020	Mar 31, 2020	Q/Q Change		June 30, 2019	Y/Y Change	
			Amount	%		Amount	%
Cash, Cash Equivalents and Securities	\$ 4,015	\$ 2,235	\$ 1,780	79.6%	\$ 2,317	\$ 1,698	73.3%
Loans Held for Sale	610	453	157	34.7%	363	247	68.0%
Gross Loans	9,801	8,784	1,017	11.6%	8,127	1,674	20.6%
Allowance for Loan Losses	(91)	(64)	(27)	42.2%	(55)	(36)	65.5%
Net Loans	9,710	8,720	990	11.4%	8,072	1,638	20.3%
Other Assets	1,245	1,216	29	2.4%	1,190	55	4.6%
Total Assets	\$ 15,580	\$ 12,624	\$ 2,956	23.4%	\$ 11,942	\$ 3,638	30.5%
Noninterest-Bearing Deposits	\$ 4,226	\$ 3,061	\$ 1,165	38.1%	\$ 2,951	\$ 1,275	43.2%
Interest-Bearing Deposits	7,039	6,247	792	12.7%	6,318	721	11.4%
Total Deposits	11,265	9,308	1,957	21.0%	9,269	1,996	21.5%
FHLB Advances	907	972	(65)	(6.7%)	533	374	70.2%
Debt and Other Borrowings	249	249	0	0.1%	248	1	0.3%
Other Liabilities	1,438	429	1,009	235.2%	286	1,152	402.8%
Total Liabilities	13,859	10,958	2,901	26.5%	10,336	3,523	34.1%
Shareholders' Equity	1,708	1,654	54	3.2%	1,594	114	7.1%
Noncontrolling Interests	14	12	2	12.2%	13	1	9.9%
Total Equity	1,722	1,666	56	3.4%	1,606	115	7.2%
Total Liabilities and Equity	\$ 15,580	\$ 12,624	\$ 2,956	23.4%	\$ 11,942	\$ 3,638	30.5%

Highlights:

- Total assets were \$15.58 billion, an increase of \$3.64 billion compared to 2Q19
- Average earning assets in 2Q20 were up \$2.84 million compared to 2Q19
- Continued liquidity build during Q2; total primary and secondary liquidity sources of \$6.61 billion
- Noninterest deposits represent 37.5% of total deposits
- Securities portfolio with 4.1 year average duration

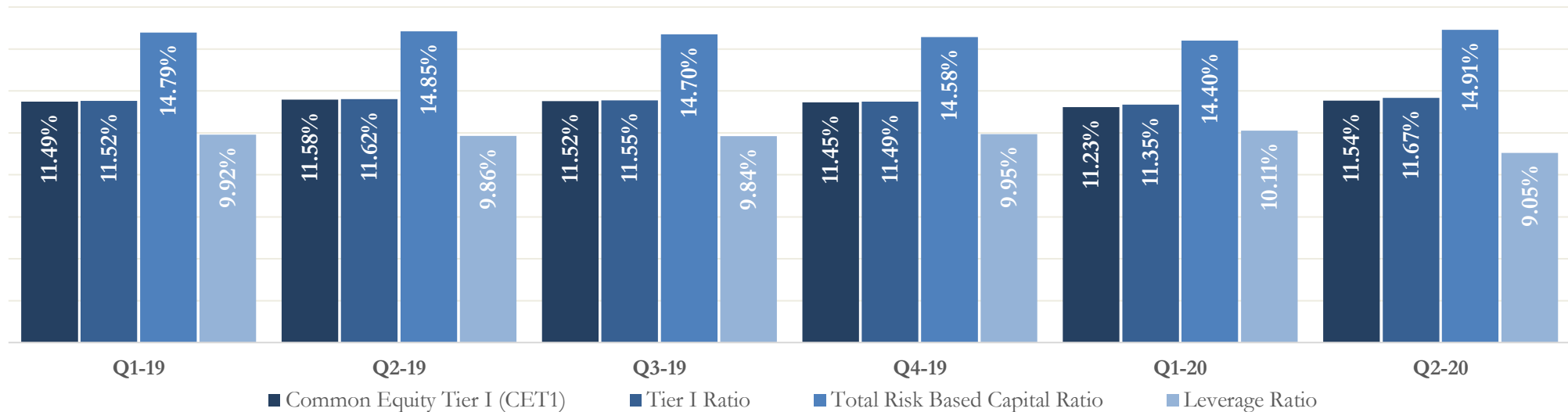
INCOME STATEMENT SUMMARY

(Dollars in millions)	QTD							YTD			
	2Q20	1Q20	Q/Q Change		2Q19	Y/Y Change		2Q20	2Q19	Y/Y Change	
			Amount	%		Amount	%			Amount	%
Interest Income	\$114.55	\$114.10	\$0.45	0.4%	\$117.90	(\$3.35)	(2.8%)	\$228.65	\$ 231.71	\$ (3.06)	-1.3%
Interest Expense	21.27	24.60	(3.33)	(13.5%)	28.10	(\$6.83)	(24.3%)	45.87	54.42	(8.55)	-15.7%
Net Interest Income	93.27	89.50	3.77	4.2%	89.82	\$3.45	3.8%	182.78	177.29	5.49	3.1%
Provisions for Credit Losses	26.94	7.02	19.92	283.8%	2.82	24.12	855.3%	33.96	4.26	29.70	697.2%
Net Interest Income after Provision for Loan Losses	66.33	82.48	(16.15)	(19.6%)	86.99	(\$20.66)	(23.7%)	148.82	173.03	(24.21)	-14.0%
Noninterest Income	66.45	43.20	23.25	53.8%	54.72	11.73	21.4%	109.65	101.88	7.77	7.6%
Net Gain (Loss) on Investment Securities	2.93	5.00	(2.07)	(41.4%)	-	2.93	-	7.93	(0.78)	8.71	[n/m]
Total Noninterest Income	69.38	48.20	21.18	43.9%	54.72	\$14.66	26.8%	117.58	101.10	16.48	16.3%
Noninterest Expense	91.15	97.04	(5.89)	(6.1%)	96.97	(\$5.82)	(6.0%)	188.19	188.25	(0.06)	0.0%
Merger and Acquisition Expense	(0.13)	(0.15)	0.02	(13.3%)	0.41	(\$0.54)	(131.7%)	(0.28)	0.43	(0.71)	-165.1%
Total Noninterest Expense	91.02	96.89	(5.87)	(6.1%)	96.56	(\$5.54)	(5.7%)	187.91	188.68	(0.77)	-0.4%
Income Before Income Tax and Noncontrolling Interest	44.69	33.79	10.90	32.3%	45.16	(\$0.47)	(1.0%)	78.49	85.45	(6.96)	-8.1%
Provision for Income Taxes	7.46	6.19	1.27	20.5%	8.91	(\$1.45)	(16.3%)	13.65	17.12	(3.47)	-20.3%
Noncontrolling Interest	2.62	1.22	1.40	114.8%	0.67	\$1.95	291.0%	3.84	2.28	1.56	68.4%
Net Income Attributable to TowneBank	\$34.61	\$26.38	\$8.23	31.2%	\$34.64	(\$0.03)	(0.1%)	\$ 61.00	\$ 66.05	\$ (5.05)	-7.6%

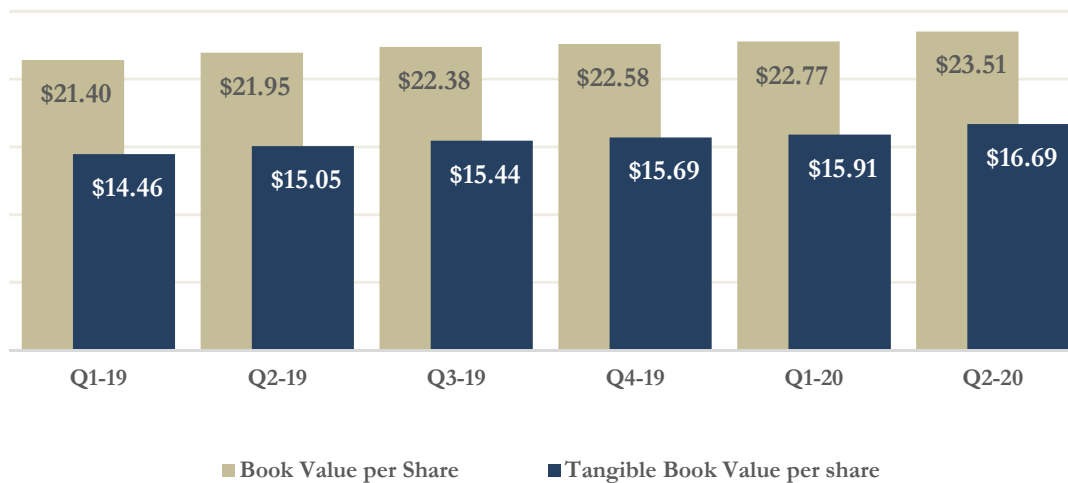
CAPITALIZATION

Risk Based Capital Ratios

Q2-20 Risk Based Capital Ratios are preliminary



Book Value and Tangible Book Value



Liquidity Sources	June 30, 2020
Available Liquid Funds: (in millions)	
Cash and cash equivalents	\$2,651
Unencumbered investment securities	886
Availability of Borrowings:	
Amount available from FHLB	2,370
Amount available from unsecured lines of credit with correspondent banks	155
Amount available from Federal Reserve discount window	551
Total	6,613

PAYCHECK PROTECTION PROGRAM (PPP)

- Proactive effort by “HomeTowne Bankers” to identify impacted members
- Over 6,500 loans booked for approximately \$1.1 billion
- Over 650 new relationships created through the process
- \$1.1 billion borrowed on the Federal Reserve’s PPP lending facility to fund the loans.

Fee Bands for PPP Loans (\$ in 000's)	Count	Total Loans
Loans less than \$350,000	5,790	435,951
Loans \$350k - \$2 million	673	472,764
Loans \$2 million and greater	53	181,288
Total	6,516	\$ 1,090,003

CURRENT EXPECTED CREDIT LOSS (CECL)

- Q2 2020 provision for on balance sheet loan losses of \$25.99 million, inclusive of net charge-offs.
- Expected loss estimates are subject to change based on continuing review of models and assumptions, portfolio performance, changes in forecasted macroeconomic conditions and loan mix which could result in material changes to the reserve in future periods.

Allowance for Credit Losses on Loans

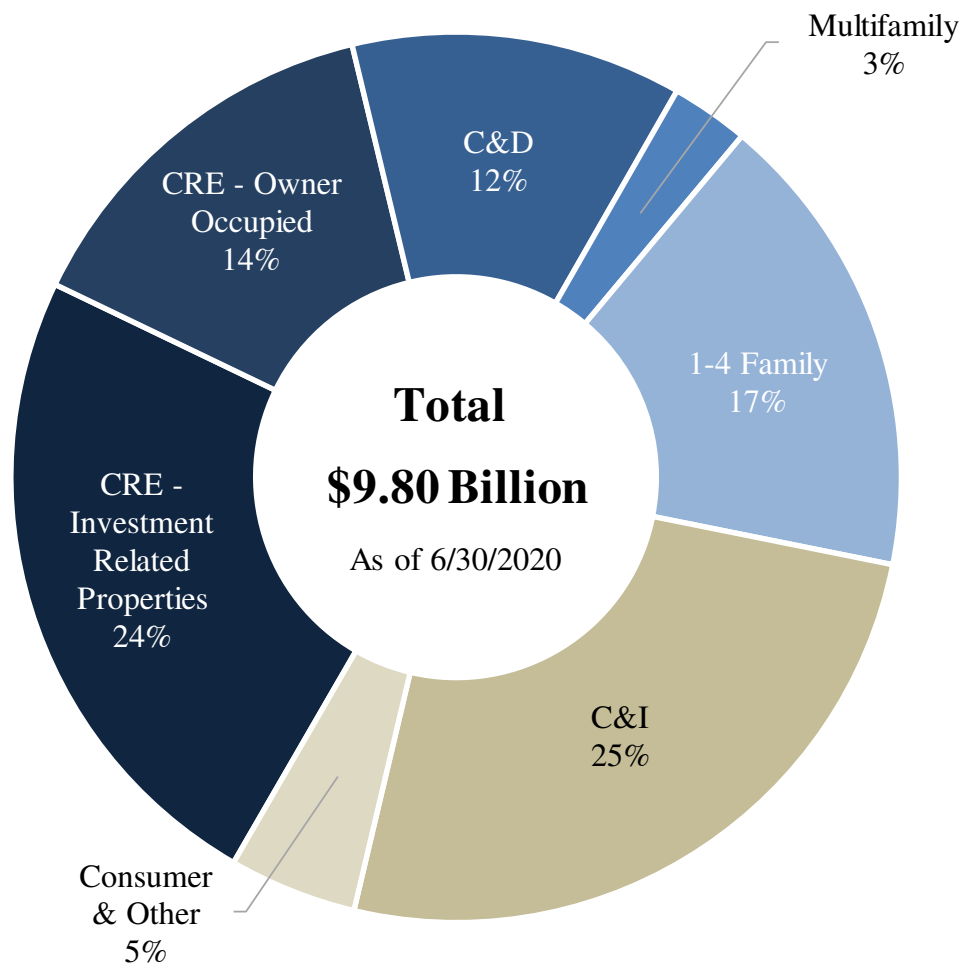
Amounts in millions



Macroeconomic forecast	Weighted Moody's economic scenarios*
Reasonable & supportable forecast period	2 year
Reversion period and approach	4 quarter reversion period with a blended transition approach
Key macroeconomic variables	Price Index GDP Interest Rates Residential Sales Trends

*Baseline scenario as of 6/9/2020; Alternative scenarios as of 6/11/2020

TOTAL LOAN PORTFOLIO



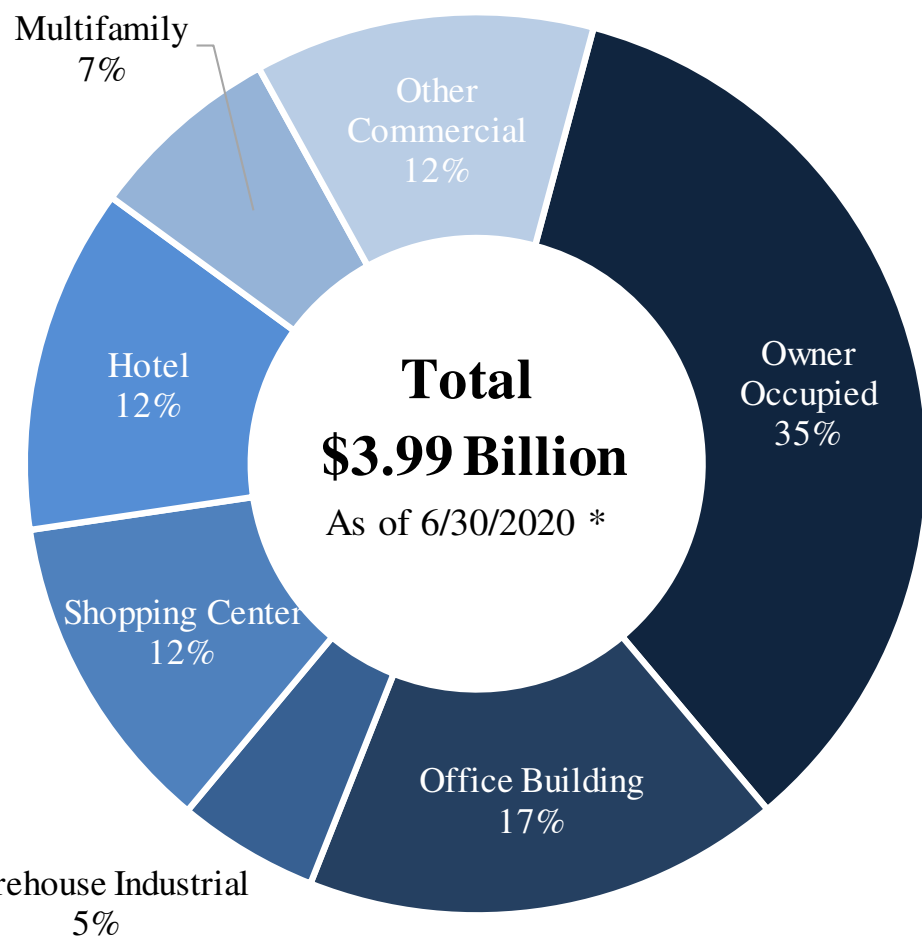
*Includes PPP loans of \$1.09 billion

Portfolio Highlights:

- Loans Held for Investment increased \$1.68 billion or 20.61% from 06/30/2019
- NPAs / Assets of 0.19%
- NCOs / Average Loans of 0.03%
- Allowance to NPLs of 5.34x

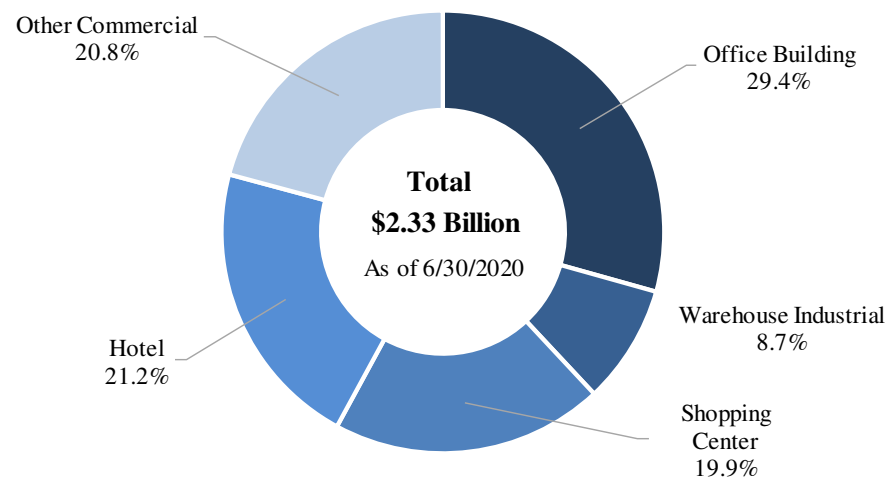
Variable Rate Portfolio	Outstanding Balance	% of Total Balance
No Floor	\$ 1,083	39.01%
Floor Reached	1,168	42.07%
0-25 bps to Reach Floor	91	3.28%
26-50 bps to Reach Floor	49	1.77%
51-75 bps to Reach Floor	81	2.92%
76-100 bps to Reach	32	1.15%
101+ bps to Reach Floor	272	9.80%
Total	\$ 2,776	100.00%

COMMERCIAL REAL ESTATE PORTFOLIO

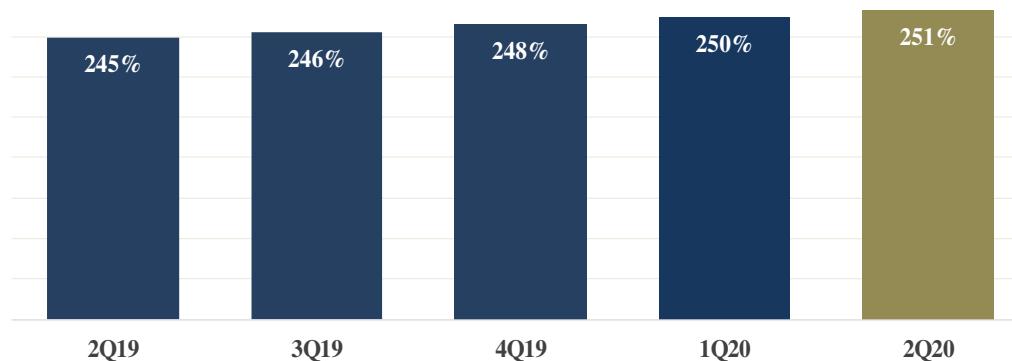


*Excludes C&D loans.

Non Owner Occupied Commercial Real Estate



Commercial Real Estate/ Total Risk-Based Capital



TEN LARGEST HOTEL EXPOSURES

(\$ in 000's)			
Location	Balance at 6/30/2020	Flag	In Deferral
VA	\$67,492	Marriott	Yes
VA	\$35,282	Hilton	Yes
VA	\$26,571	Boutique	Yes
VA	\$25,996	Marriott	Yes
VA	\$25,247	Hilton	Yes
MD	\$15,497	Hilton	Yes
VA	\$19,715	Marriott	Yes
NC	\$18,646	Marriott	No
NC	\$18,900	Boutique	Yes
VA	\$17,642	Marriott	Yes

Key Observations:

- Top hotel exposures are supported by strong guarantors.
- No nonrecourse exposure on hotel portfolio.
- We currently have no significant non-performance, delinquencies or TDRs.
- Hotel loans under construction are on budget and on time, and we are not experiencing any issues with construction supply chain.

LENDING RELIEF PROGRAM

- Balances under modification declined 46.5% from April 23, 2020.
- We have worked proactively with members seeking flexibility on loan terms.
- Pace of new forbearance requests has slowed dramatically across all loan categories.
- Many of our customers in forbearance have continued to pay us during the relief period.
- Loan modifications detailed below are related to eligible loan modifications in accordance with section 4013 of the CARES Act.

Loan Category (\$ in 000's)	7/17/20 Balance	#	4/23/20 Balance	#
Hotels	\$ 421,505	70	\$ 594,947	113
Real Estate and Equipment Leasing	253,852	180	517,486	461
Restaurants	45,970	67	123,457	222
Medical	23,867	70	96,304	243
Arts, Entertainment and Recreation	55,538	22	103,906	50
Others	198,501	443	432,277	1,425
Total Modifications	\$ 999,233	852	\$ 1,868,377	2,514

