



Investor Presentation - Third 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 our Annual Report on Form 10-K for the year ended December 31, 2019, our Quarterly Report on Form 10-Q for the period ended June 30, 2020, 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		
	3Q20	2Q20	Change	3Q19	Change	3Q20	3Q19	Change
Net Interest Income	\$ 96.76	\$ 93.27	3.74%	\$ 91.10	6.21%	\$ 279.53	\$ 268.40	4.1%
Noninterest Income	95.38	69.38	37.46%	54.78	74.12%	212.96	155.88	36.6%
Total Revenue	192.14	162.66	18.12%	145.88	31.71%	492.49	424.27	16.1%
Noninterest Expense	101.98	91.02	12.04%	97.29	4.83%	289.89	285.97	1.4%
Net Income	34.46	34.61	(0.41%)	37.66	(8.49%)	95.45	103.71	-8.0%
Diluted Earnings Per Share	0.48	\$ 0.48	0.00%	\$ 0.52	(8.01%)	\$ 1.32	\$ 1.44	-8.1%
Dividends Declared Per Share	0.18	0.18	0.00%	0.18	0.00%	0.54	0.52	3.8%
Tangible Book Value Per Share	17.06	16.69	2.21%	15.44	10.47%	17.06	15.44	10.5%
Total Assets	\$ 14,795	\$ 15,580	(5.04%)	\$ 12,021	23.08%	\$ 14,779	\$ 12,021	22.9%
Total Loans	9,771	9,802	(0.32%)	8,183	19.40%	9,771	8,183	19.4%
Total Deposits	11,705	11,265	3.91%	9,438	24.02%	11,705	9,438	24.0%
Return on Average Assets	0.89%	0.97%	(0.08%)	1.26%	(0.38%)	0.91%	1.20%	
Return on Average Tangible Common Equity	11.79%	12.44%	(0.65%)	14.36%	(2.57%)	11.44%	13.95%	
Net Interest Margin (TE)	2.72%	2.87%	(0.15%)	3.43%	(0.71%)	3.19%	3.50%	
Nonperforming Assets / Total Assets	0.20%	0.19%	0.01%	0.26%	(0.06%)	0.20%	0.26%	
Allowance for Loan Losses / Total Loans	1.22%	0.92%	0.30%	0.68%	0.54%	1.22%	0.68%	
Net Loan Charge-offs / Average Loans	-0.01%	0.00%	(0.01%)	0.03%	(0.04%)	0.00%	0.04%	
Common Equity Tier 1 Ratio	11.75%	11.54%	0.21%	11.52%	0.23%	11.75%	11.52%	

Highlights

- Total revenue of \$192.14 million, an increase of \$46.26 million versus the same period of 2019
- Allowance for credit losses to total loans is 1.22%, excluding PPP loans is 1.37%
- Margin of 2.72% included accretion of 5bp
- Strong mortgage origination volumes of \$1.79 billion in Q3
- Gain of \$6.5 million on disposition of non-strategic travel insurance joint venture

BALANCE SHEET SUMMARY

<i>(Dollars in Millions)</i>	Sep 30, 2020	June 30, 2020	Q/Q Change		Sep 30, 2019	Y/Y Change	
			Amount	%		Amount	%
Cash, Cash Equivalents and Securities	\$ 3,186	\$ 4,015	\$ (829)	-20.7%	\$ 2,235	\$ 950	42.5%
Loans Held for Sale	669	610	59	9.7%	457	212	46.5%
Gross Loans	9,771	9,801	(30)	-0.3%	8,183	1,588	19.4%
Allowance for Loan Losses	(119)	(91)	(28)	30.8%	(55)	(64)	114.8%
Net Loans	9,652	9,710	(58)	-0.6%	8,127	1,524	18.8%
Other Assets	1,289	1,245	44	3.5%	1,202	87	7.2%
Total Assets	\$ 14,795	\$ 15,580	\$ (785)	-5.0%	\$ 12,021	\$2,774	23.1%
Noninterest-Bearing Deposits	\$ 4,464	\$ 4,226	\$ 238	5.6%	\$ 3,031	\$ 1,434	47.3%
Interest-Bearing Deposits	7,241	7,039	202	2.9%	6,408	833	13.0%
Total Deposits	11,705	11,265	440	3.9%	9,438	2,267	24.0%
FHLB Advances	731	907	(176)	(19.4%)	381	350	91.9%
Debt and Other Borrowings	307	1,421	(1,114)	(78.4%)	291	16	5.4%
Other Liabilities	304	266	38	14.3%	272	31	11.5%
Total Liabilities	13,047	13,859	(812)	(5.9%)	10,383	2,664	25.7%
Shareholders' Equity	1,732	1,708	24	1.4%	1,625	106	6.5%
Noncontrolling Interests	17	14	3	21.6%	13	4	28.9%
Total Equity	1,749	1,722	27	1.6%	1,639	110	6.7%
Total Liabilities and Equity	\$ 14,795	\$ 15,580	\$ (785)	-5.0%	\$ 12,021	\$2,774	23.1%

Highlights:

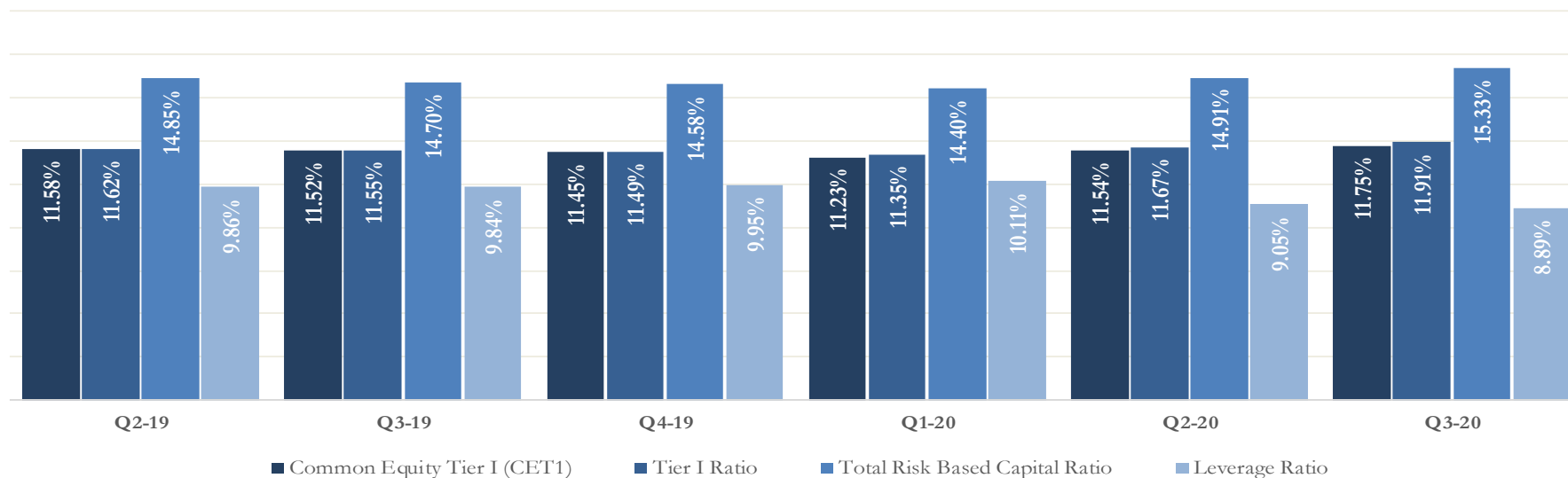
- Loans held for investment up \$1.59 billion compared to Q3 2019, which includes PPP loans totaling \$1.10 billion
- Average earning assets in 3Q20 were up \$3.66 billion compared to 3Q19
- Deployed excess liquidity to reduce borrowings during the quarter
- Noninterest deposits represent 38.14% of total deposits
- Securities portfolio with 4.1 year average duration

INCOME STATEMENT SUMMARY

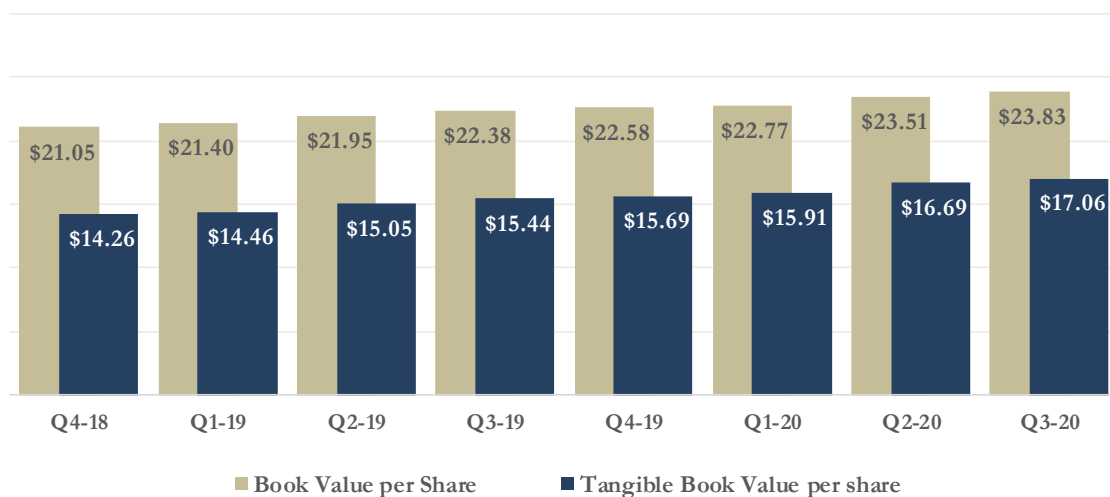
(Amounts in millions)	QTD							YTD			
	3Q20	2Q20	Q/Q Change		3Q19	Y/Y Change		3Q20	3Q19	Y/Y Change	
			Amount	%		Amount	%			Amount	%
Interest Income	\$ 115.53	\$ 114.55	\$ 0.98	0.9%	\$ 119.64	\$ (4.11)	-3.4%	\$ 344.18	\$ 351.35	\$ (7.17)	-2.0%
Interest Expense	18.77	21.27	(2.50)	-11.8%	28.53	(9.77)	-34.2%	64.65	82.95	(18.31)	-22.1%
Net Interest Income	96.76	93.27	3.49	3.7%	91.10	5.66	6.2%	279.53	268.40	11.13	4.1%
Provisions for Loan Losses	31.60	26.95	4.65	17.3%	1.51	30.09	[n/a]	65.56	5.77	59.79	[n/a]
Net Interest Income after Provision for Loan Losses	65.16	66.33	(1.17)	-1.8%	89.60	(24.43)	-27.3%	213.97	262.63	(48.66)	-18.5%
Noninterest Income	93.68	66.45	27.22	41.0%	54.85	38.83	70.8%	203.33	156.72	46.60	29.7%
Net Gain (Loss) on Investment Securities	1.70	2.93	(1.23)	[n/a]	(0.07)	1.77	[n/a]	9.63	(0.84)	10.48	[n/a]
Total Noninterest Income	95.38	69.38	25.99	37.5%	54.78	40.60	74.1%	212.96	155.88	57.08	36.6%
Noninterest Expense	101.98	91.01	10.97	12.1%	97.08	4.90	5.0%	290.03	285.33	4.70	1.6%
Merger and Acquisition Expense	-	0.02	(0.02)	-100.0%	0.21	(0.21)	-100.0%	(0.13)	0.64	(0.77)	-121.0%
Total Noninterest Expense	101.98	91.02	10.96	12.0%	97.29	4.69	4.8%	289.89	285.97	3.93	1.4%
Income Before Income Tax and Noncontrolling Interest	58.56	44.69	13.87	31.0%	47.08	11.47	24.4%	137.03	132.54	4.49	3.4%
Provision for Income Taxes	7.84	7.46	0.38	5.0%	7.68	0.16	2.0%	21.49	24.81	(3.32)	-13.4%
Noncontrolling Interest	16.25	2.62	13.63	[n/a]	1.74	14.51	[n/a]	20.09	4.02	16.07	400.0%
Net Income Attributable to TowneBank	\$ 34.47	\$ 34.60	\$ (0.14)	-0.4%	\$ 37.66	\$ (3.19)	-8.5%	\$ 95.45	\$ 103.71	\$ (8.26)	-8.0%

CAPITALIZATION

Risk Based Capital Ratios



Book Value and Tangible Book Value



Liquidity Sources

Sep 30, 2020

Available Liquid Funds: (in millions)

Cash and cash equivalents \$1,810

Unencumbered investment securities 969

Availability of Borrowings:

Amount available from FHLB 1,403

Amount available from unsecured lines of credit with correspondent banks 155

Amount available from Federal Reserve discount window 455

Amount available from Federal Reserve PPP Liquidity Facility 1,127

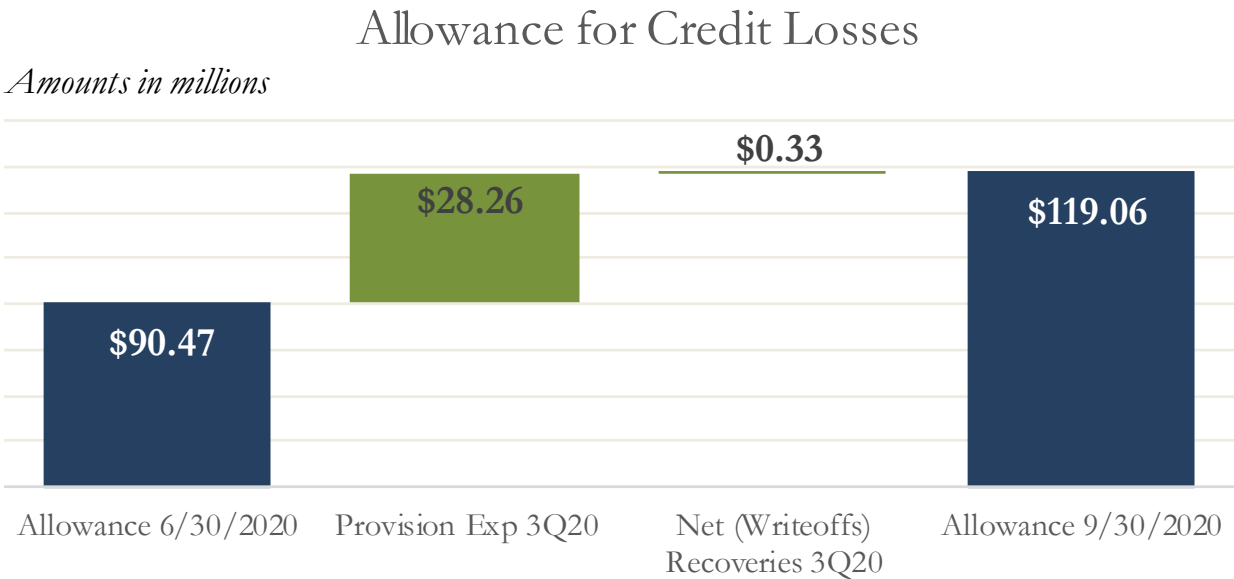
PAYCHECK PROTECTION PROGRAM (PPP)

- 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
- Anticipate forgiveness process to begin in Q4 2020

Fee Bands for PPP Loans (\$ in 000's)	Count	Total Loans
Loans less than \$50,000	3,163	\$ 69,421
Loans \$50k - \$350,000	2,812	371,078
Loans \$350k - \$2 million	677	480,334
Loans \$2 million and greater	53	182,306
Total	6,705	\$ 1,103,139

CURRENT EXPECTED CREDIT LOSS (CECL)

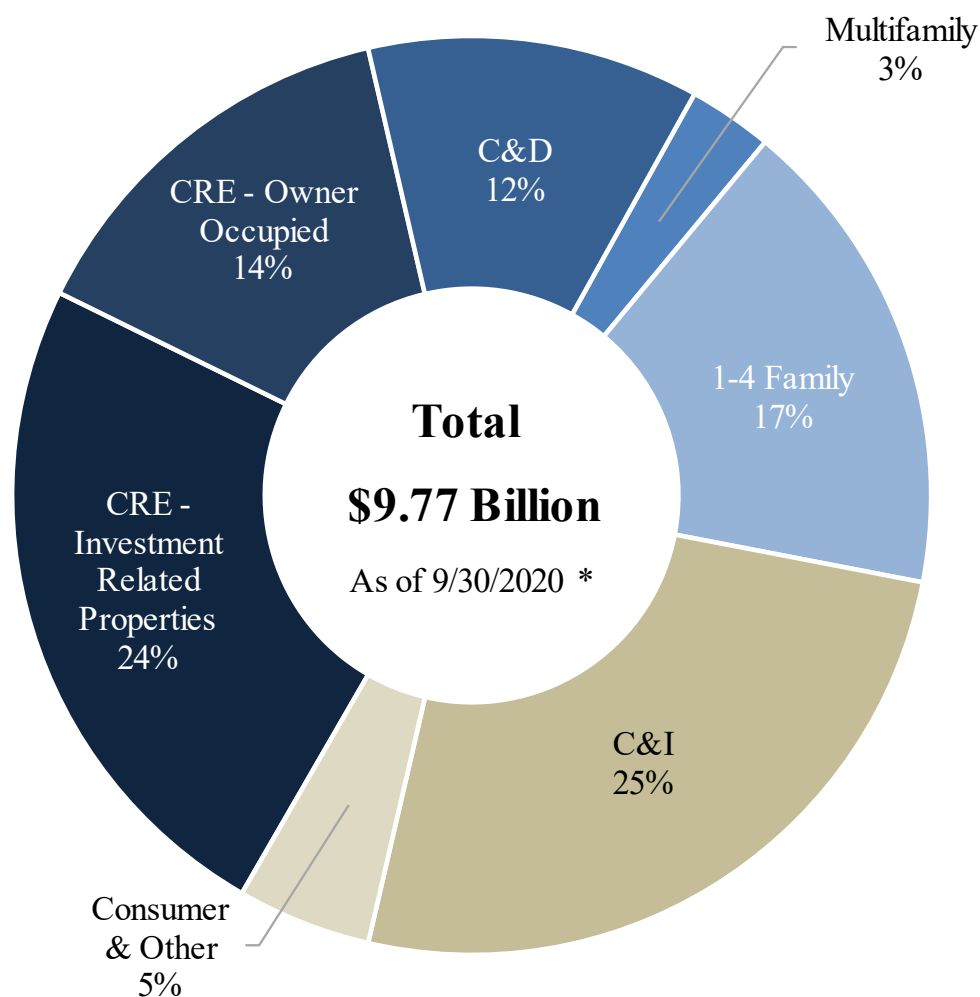
- Q3 2020 provision for on balance sheet loan losses of \$28.26 million.
- Q3 2020 baseline macroeconomic forecasts deteriorated slightly, additionally management weighted downside economic risk more heavily leading to reserve build.
- Management also utilizes overlays to supplement the reserve in certain portfolios.
- 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.



Macroeconomic forecast	Weighted Moody's economic scenarios*
Reasonable & supportable forecast period	2 years
Reversion period and approach	4-quarter reversion period with a blended transition approach
Key macroeconomic variables	Price Indices GDP Interest Rates Disposable Income

*Baseline scenario as of 9/8/2020; Alternative scenarios as of 9/11/2020

TOTAL LOAN PORTFOLIO



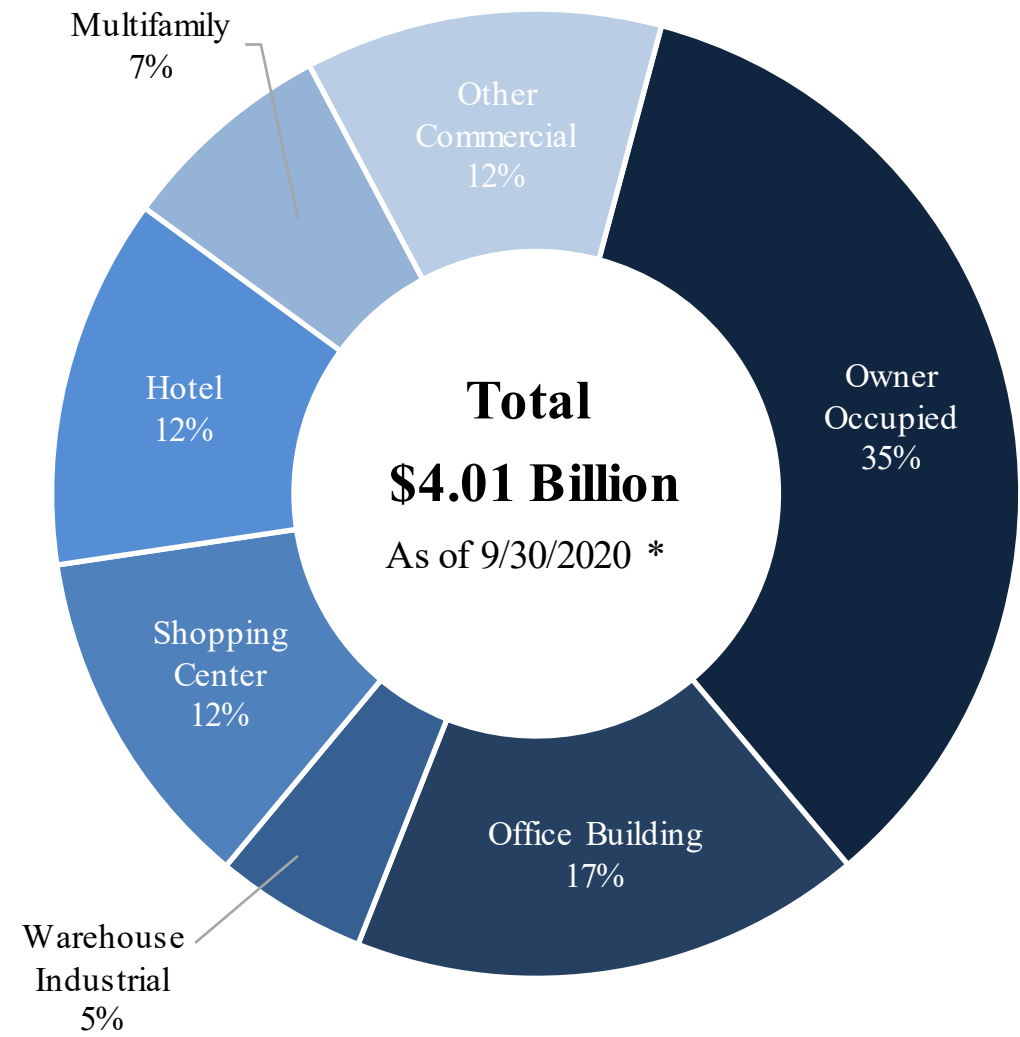
*Includes PPP loans of \$1.10 billion

Portfolio Highlights:

- Loans Held for Investment increased \$1.59 billion or 19.41% from 09/30/2019
- NPAs / Assets of 0.19%
- NCOs / Average Loans of (0.01)%
- Allowance to NPLs of 7.31x

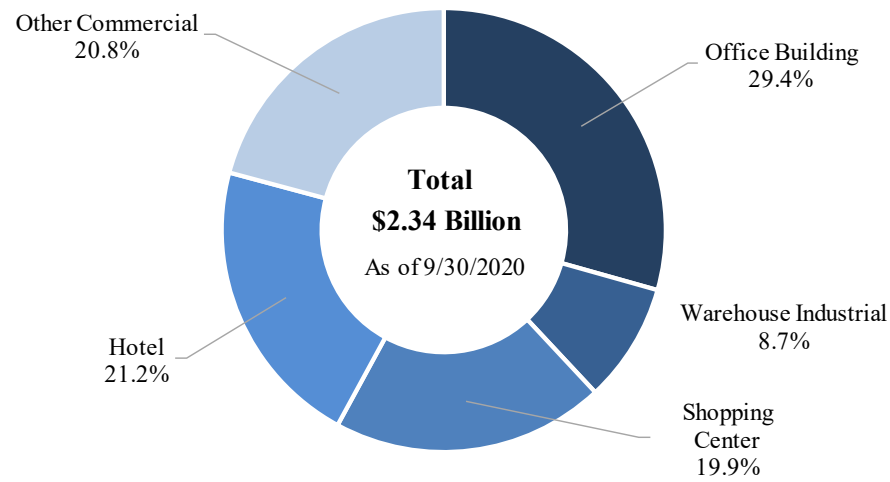
Variable Rate Portfolio (\$ in 000's)	Outstanding Balance	% of Total Balance
No Floor	\$ 965	35.64%
Floor Reached	1,216	44.90%
0-25 bps to Reach Floor	120	4.43%
26-50 bps to Reach Floor	51	1.88%
51-75 bps to Reach Floor	71	2.62%
76-100 bps to Reach	31	1.14%
101+ bps to Reach Floor	254	9.38%
Total	\$ 2,708	100.00%

COMMERCIAL REAL ESTATE PORTFOLIO

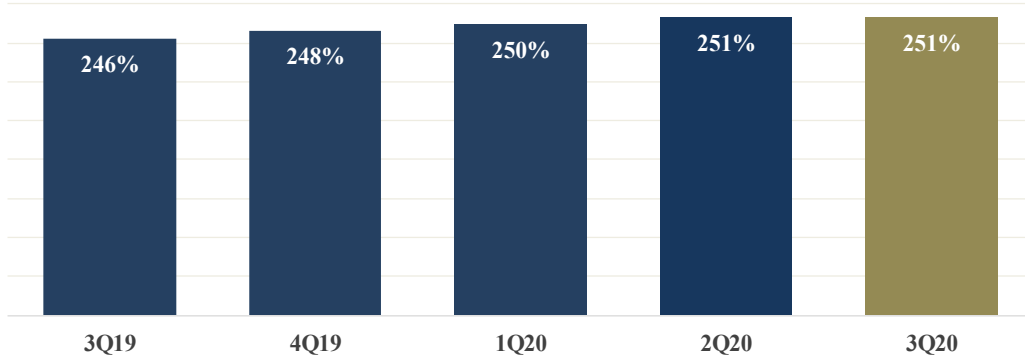


*Excludes C&D loans.

Non Owner Occupied Commercial Real Estate



Commercial Real Estate/ Total Risk-Based Capital



TEN LARGEST HOTEL EXPOSURES

(\$ in 000's)			
Location	Balance at 9/30/2020	Flag	In Deferral
VA	\$69,561	Marriott	No
VA	\$35,409	Hilton	Yes
VA	\$26,757	Boutique	Yes
VA	\$25,750	Marriott	No
VA	\$25,209	Hilton	Yes
VA	\$19,676	Marriott	No
NC	\$18,900	Boutique	No
NC	\$18,801	Marriott	Yes
VA	\$17,601	Marriott	No
MD	\$15,474	Hilton	No

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.
- Loan modifications detailed below are related to eligible loan modifications in accordance with section 4013 of the CARES Act.

Loan Category (\$ in 000's)	10/16/20 Balance	#	7/17/20 Balance	#	4/23/20 Balance	#
Hotels	\$ 75,970	11	\$ 421,505	70	\$ 594,947	113
Real Estate and Equipment Leasing	26,425	25	253,852	180	517,486	461
Restaurants	11,559	15	45,970	67	123,457	222
Medical	2,559	27	23,867	70	96,304	243
Arts, Entertainment and Recreation	10,059	8	55,538	22	103,906	50
Others	54,400	120	198,501	443	432,277	1,425
Total Modifications	\$ 180,972	206	\$ 999,233	852	\$ 1,868,377	2,514

2020 OUTLOOK SUMMARY

Loans and Asset Quality

- Targeting mid-single digit annualized loan growth, excluding PPP loans
- Experiencing favorable trends in asset quality
- Continued reduction in deferral balances

Profitability

- Net interest margin expected to stabilize around 3% in Q4
- Noninterest expense average quarterly run rate projected at \$94-\$97 million
- Continued effort to drive Efficiency Ratio

Strategic

- New branch openings in Charlotte 1H 2021
- New core banking system successfully implemented October 2020
- Capital and liquidity to support continued growth
- Opportunistic M&A

