



Full Year and Fourth Quarter 2020 Earnings Presentation

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 September 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

Highlights

- 21st consecutive year of increased earnings. Net income was \$145.53 million, or \$2.01 per share in 2020 versus \$138.78 million, or \$1.92 per share in 2019
- Total revenue of \$664.33 million, an increase of \$100.38 million versus the same period of 2019
- Allowance for loan losses to total loans is 1.25%, excluding PPP loans is 1.37%
- Margin of 2.98% included accretion of 5bp
- Strong mortgage origination volumes of \$5.88 billion

<i>Dollars in millions, except per share data</i>	QTD					YTD		
	4Q20	3Q20	Change	4Q19	Change	4Q20	4Q19	Change
Net Interest Income	\$ 100.61	\$ 96.76	3.98%	\$ 89.96	11.84%	\$ 380.14	\$ 358.36	6.1%
Noninterest Income	71.23	95.37	(25.31%)	49.71	43.30%	284.19	205.59	38.2%
Total Revenue	171.85	192.13	(10.56%)	139.67	23.04%	664.33	563.95	17.8%
Noninterest Expense	105.93	101.98	3.87%	92.34	14.72%	395.82	378.30	4.6%
Net Income	50.08	34.46	45.32%	35.07	42.81%	145.54	138.78	4.9%
Diluted Earnings Per Share	0.69	0.48	43.75%	\$ 0.49	40.82%	\$ 2.01	\$ 1.92	4.7%
Dividends Declared Per Share	0.18	0.18	0.00%	0.18	0.00%	0.72	0.70	2.9%
Tangible Book Value Per Share	17.46	17.06	2.37%	15.69	11.28%	17.46	15.69	11.3%
Total Assets	\$ 14,626	\$ 14,795	(1.15%)	\$ 11,948	22.41%	\$ 14,626	\$ 11,948	22.4%
Total Loans	9,629	9,771	(1.45%)	8,419	14.37%	9,629	8,419	14.4%
Total Deposits	11,573	11,705	(1.13%)	9,271	24.83%	11,573	9,271	24.8%
Return on Average Assets	1.35%	0.89%	0.46%	1.16%	0.19%	1.03%	1.19%	-13.4%
Return on Average Tangible Common Equity	16.48%	11.79%	4.69%	13.12%	3.36%	12.76%	13.73%	-7.1%
Net Interest Margin (TE)	2.98%	2.72%	0.26%	3.35%	(0.37%)	3.18%	3.46%	-8.1%
Nonperforming Assets / Total Assets	0.11%	0.19%	(0.08%)	0.27%	(0.16%)	0.11%	0.27%	-59.3%
Allowance for Loan Losses / Total Loans	1.25%	1.22%	0.03%	0.69%	0.56%	1.25%	0.69%	81.2%
Net Loan Charge-offs / Average Loans	0.00%	-0.01%	0.01%	0.04%	(0.04%)	0.00%	0.04%	N/M
Common Equity Tier 1 Ratio	11.87%	11.75%	0.12%	11.46%	0.41%	11.87%	11.46%	3.6%

BALANCE SHEET SUMMARY

<i>(Dollars in Millions)</i>	Dec 31, 2020	Sep 30, 2020	Q/Q Change		Dec 31, 2019	Y/Y Change	
			Amount	%		Amount	%
Cash, Cash Equivalents and Securities	\$ 3,285	\$ 3,186	\$ 99	3.1%	\$ 1,964	\$ 1,321	67.3%
Loans Held for Sale	541	669	(128)	(19.1%)	419	122	29.1%
Gross Loans	9,629	9,771	(142)	(1.4%)	8,419	1,210	14.4%
Allowance for Loan Losses	(120)	(119)	(1)	0.8%	(58)	(62)	106.9%
Net Loans	9,509	9,652	(143)	(1.5%)	8,361	1,148	13.7%
Other Assets	1,291	1,289	2	0.2%	1,204	87	7.2%
Total Assets	\$ 14,626	\$ 14,795	\$ (169)	(1.1%)	\$ 11,948	\$ 2,678	22.4%
Noninterest-Bearing Deposits	\$ 4,375	\$ 4,464	\$ (89)	(2.0%)	\$ 2,951	\$ 1,424	48.3%
Interest-Bearing Deposits	7,198	7,241	(43)	(0.6%)	6,320	878	13.9%
Total Deposits	11,573	11,705	(132)	(1.1%)	9,271	2,302	24.8%
FHLB Advances	456	731	(275)	(37.6%)	472	(16)	(3.4%)
Debt and Other Borrowings	500	307	193	62.9%	300	200	66.7%
Other Liabilities	313	304	9	3.0%	251	62	24.7%
Total Liabilities	12,842	13,047	(205)	(1.6%)	10,294	2,548	24.8%
Shareholders' Equity	1,767	1,732	35	2.0%	1,641	126	7.7%
Noncontrolling Interests	17	17	-	0.0%	13	4	28.9%
Total Equity	1,784	1,749	35	2.0%	1,654	130	7.8%
Total Liabilities and Equity	\$ 14,626	\$ 14,795	\$ (169)	(1.1%)	\$ 11,948	\$ 2,678	22.4%

Highlights:

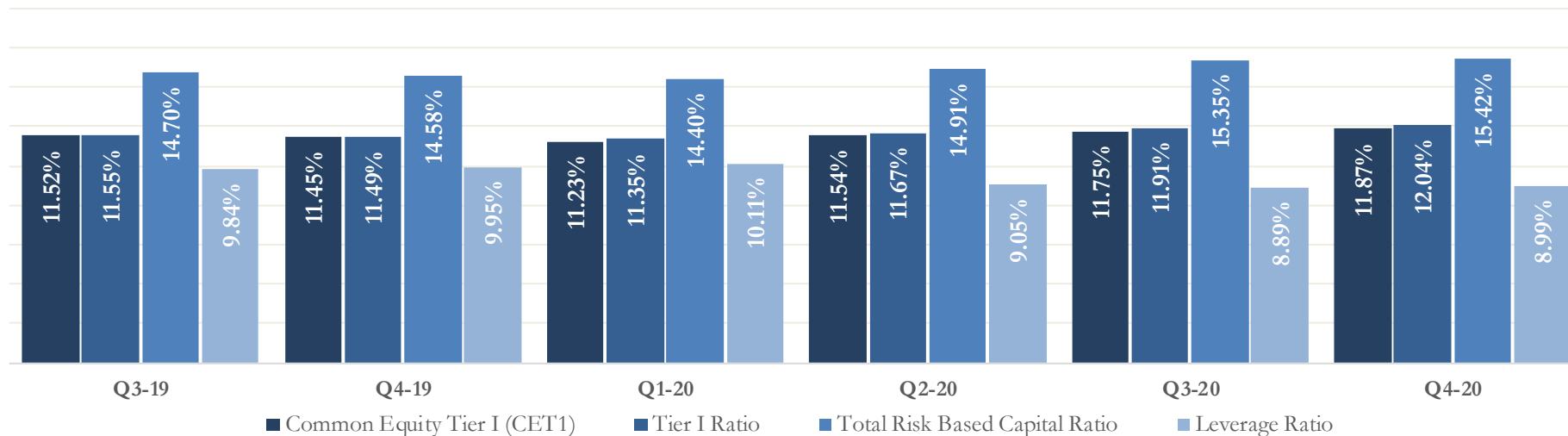
- Loans held for investment up \$1.21 billion compared to 4Q19, which includes PPP loans totaling \$0.86 billion.
- Average earning assets in 4Q20 were up \$2.76 billion compared to 4Q19
- Noninterest deposits represent 37.80% of total deposits
- Securities portfolio with 4.1 year average duration

INCOME STATEMENT SUMMARY

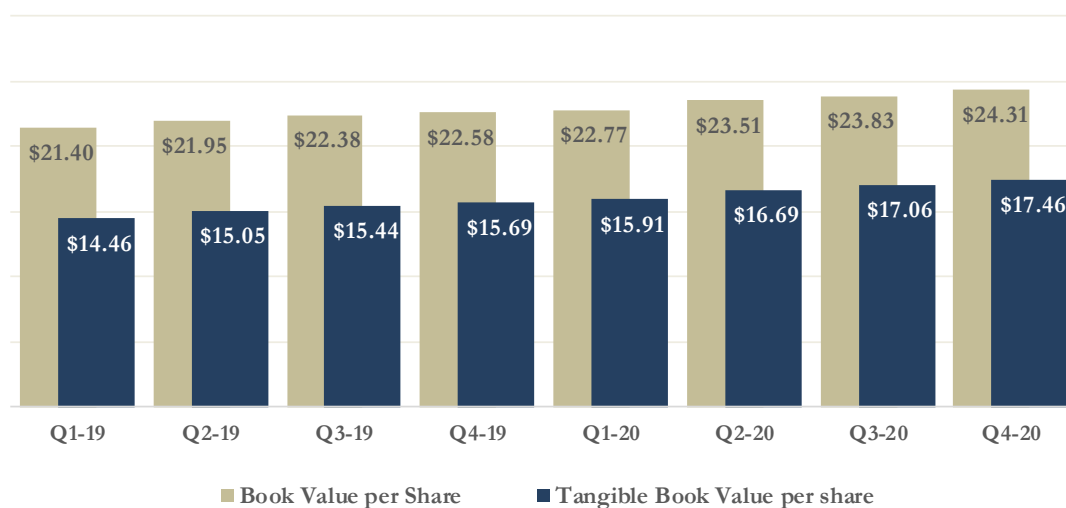
(Amounts in millions)	QTD							YTD			
	4Q20	3Q20	Q/Q Change		4Q19	Y/Y Change		4Q20	4Q19	Y/Y Change	
			Amount	%		Amount	%			Amount	%
Interest Income	\$ 115.98	\$ 115.53	\$ 0.45	0.4%	\$ 116.48	\$ (0.50)	(0.4%)	\$ 460.16	\$ 467.83	\$ (7.67)	(1.6%)
Interest Expense	15.37	18.77	(3.40)	(18.1%)	26.52	(11.15)	(42.0%)	80.02	109.47	(29.46)	(26.9%)
Net Interest Income	100.61	96.76	3.85	4.0%	89.96	10.65	11.8%	380.14	358.36	21.79	6.1%
Provisions for Loan Losses	1.62	31.60	(29.98)	(94.9%)	3.60	(1.98)	(55.1%)	67.18	9.37	57.81	616.9%
Net Interest Income after Provision for Loan Losses	99.00	65.16	33.84	51.9%	86.36	12.64	14.6%	312.97	348.98	(36.02)	(10.3%)
Noninterest Income	71.23	93.67	(22.44)	(24.0%)	49.71	21.52	43.3%	274.56	206.43	68.12	33.0%
Net Gain (Loss) on Investment Securities	-	1.70	(1.70)	(100.0%)	-	-	-	9.63	(0.84)	10.48	N/M
Total Noninterest Income	71.23	95.37	(24.14)	(25.3%)	49.71	21.52	43.3%	284.19	205.59	78.60	38.2%
Noninterest Expense	105.86	101.98	3.88	3.8%	92.32	13.54	14.7%	395.89	377.64	18.25	4.8%
Merger and Acquisition Expense	0.07	-	0.07	-	0.02	0.05	250.0%	(0.07)	0.66	(0.73)	(110.6%)
Total Noninterest Expense	105.93	101.98	3.95	3.9%	92.34	13.59	14.7%	395.82	378.30	17.52	4.6%
Income Before Income Tax and Noncontrolling Interest	64.30	58.55	5.75	9.8%	43.73	20.57	47.0%	201.34	176.27	25.06	14.2%
Provision for Income Taxes	10.41	7.84	2.57	32.8%	7.79	2.62	33.6%	31.90	32.60	(0.70)	(2.1%)
Noncontrolling Interest	3.81	16.25	(12.44)	(76.6%)	0.87	2.94	337.8%	23.90	4.89	19.01	388.6%
Net Income Attributable to TowneBank	\$ 50.08	\$ 34.46	\$ 15.62	45.3%	\$ 35.07	\$ 15.01	42.8%	\$ 145.54	\$ 138.78	\$ 6.76	4.9%

CAPITALIZATION

Risk Based Capital Ratios



Book Value and Tangible Book Value



Liquidity Sources	31-Dec-20
Available Liquid Funds: (in millions)	
Cash and cash equivalents	\$1,864
Unencumbered investment securities	955
Availability of Borrowings:	
Amount available from FHLB	1,582
Amount available from unsecured lines of credit with correspondent banks	155
Amount available from Federal Reserve discount window	465

PAYCHECK PROTECTION PROGRAM (PPP) Round One

- Proactive effort by “HomeTowne Bankers” to identify impacted members
- Over 700 new relationships created through the process, 63% have converted to full banking relationship and 25% are in the process of converting
- First round forgiveness process began in Q4 2020 with approximately \$255 million in loans forgiven through year end
- Total fees from PPP loans in 2020 were \$19.15 million and interest income from PPP loans totaled \$7.79 million; for Q4 we recognized total fees from PPP loans of \$8.60 million and interest income from PPP loans totaled \$2.68 million

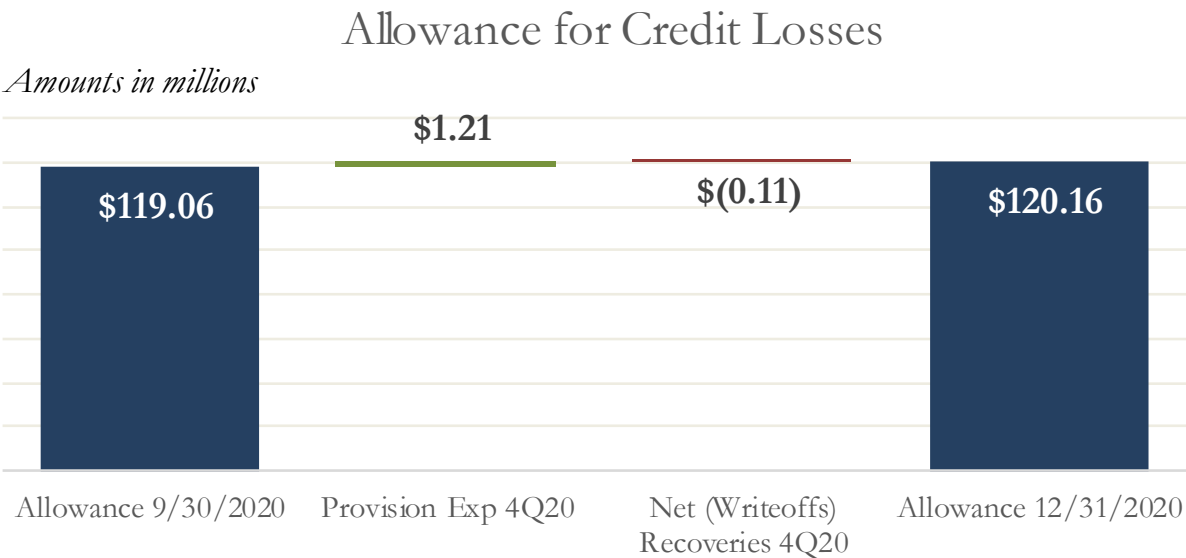
Fee Bands for PPP Loans (\$ in 000's)	Count	Total Loans Originated
Loans less than \$50,000	3,163	\$ 69,421
Loans \$50k - \$350,000	2,812	371,078
Loans \$350k - \$2 million	677	480,334
Loans \$2 million and greater	53	182,306
Total	6,705	\$ 1,103,139

PAYCHECK PROTECTION PROGRAM (PPP) Round Two

- Additional PPP funding was extended as a result of the Consolidated Appropriations Act, 2021, which was signed into law on December 27, 2020
- Began accepting applications on January 19, 2021, with over 1,400 applications received totaling over \$266 million
- 56% of the applications received have been submitted to the SBA and are in various stages of the approval process

CURRENT EXPECTED CREDIT LOSS (CECL)

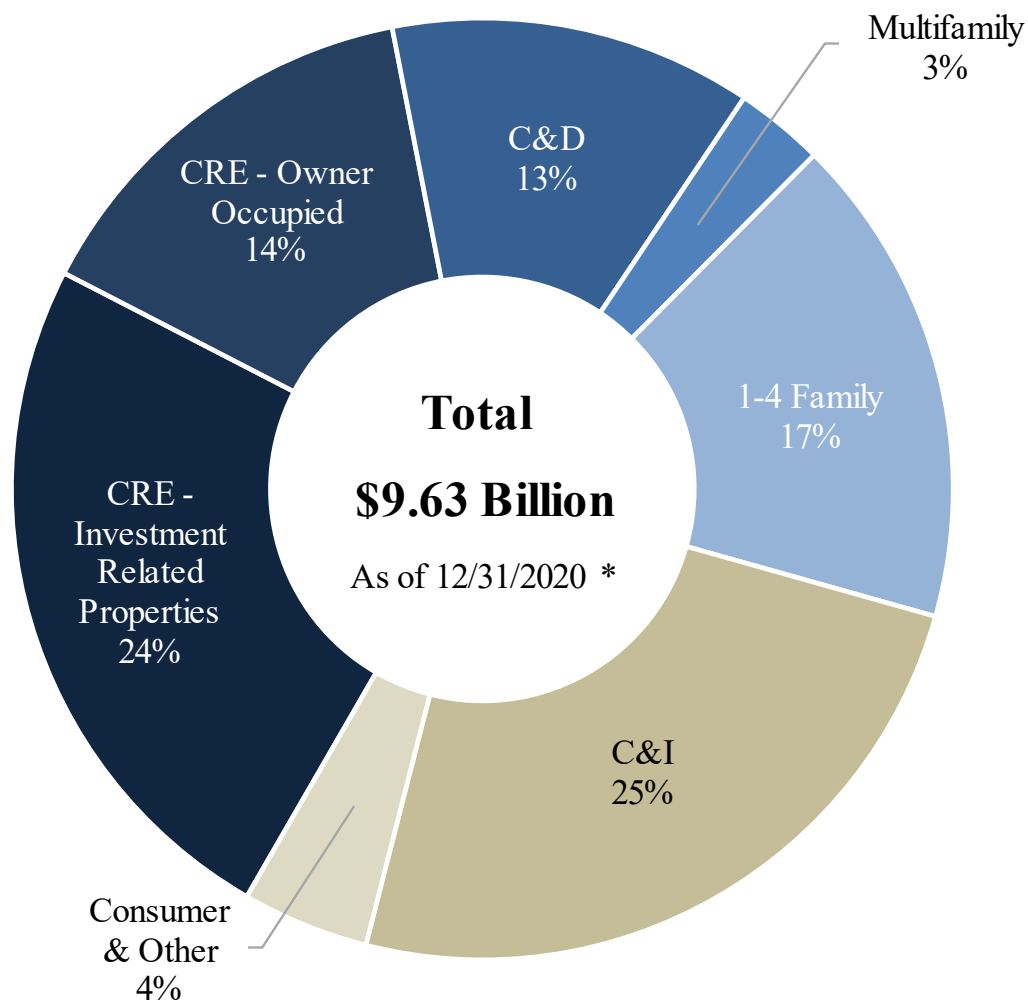
- Q4 2020 provision for on balance sheet loan losses of \$1.21 million
- Management also utilizes overlays to supplement the reserve in certain portfolios
- Expected loss estimates are subject to change based on continuing review of models and assumptions, portfolio performance, changes in forecasted macroeconomic conditions and loan mix which could result in material additions or releases 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 12/7/2020; Alternative scenarios as of 12/9/2020

TOTAL LOAN PORTFOLIO



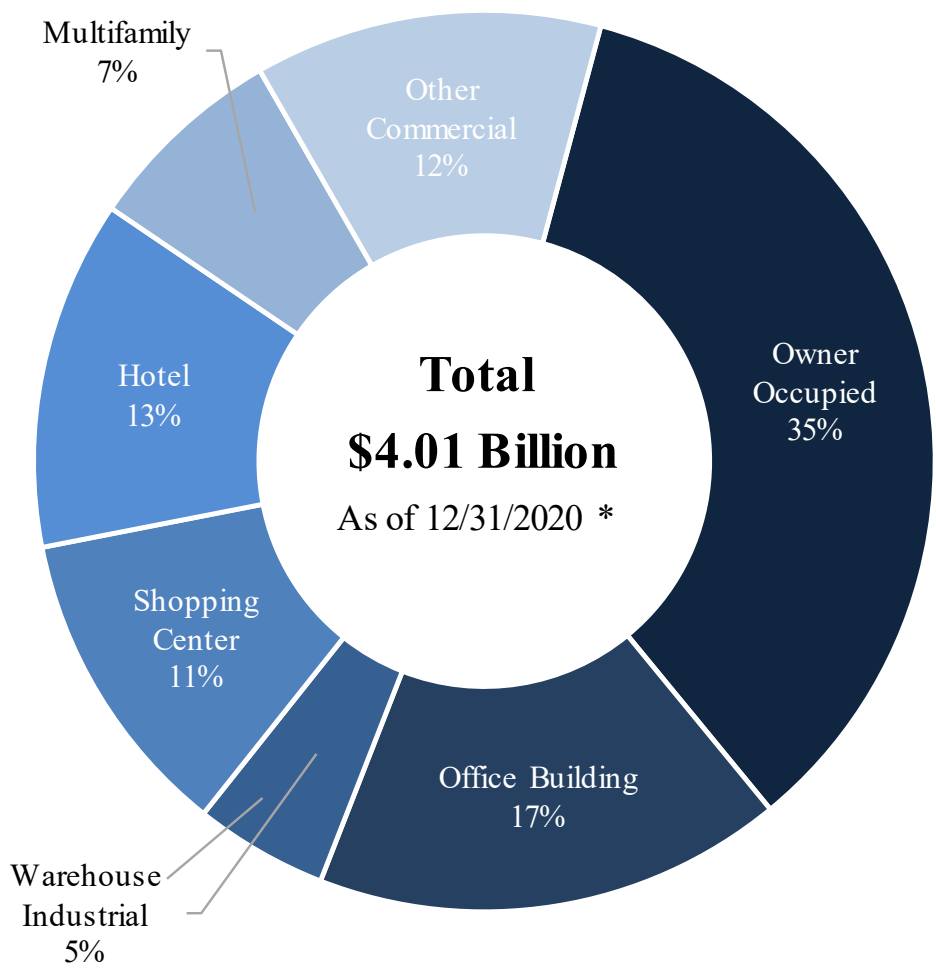
*Includes PPP loans of \$855.9 million

Portfolio Highlights:

- Loans Held for Investment increased \$1.21 billion or 14.37% from 12/31/2019
- NPAs / Assets of 0.11%
- NCOs / Average Loans of (0.00)%
- Allowance to NPLs of 10.74x

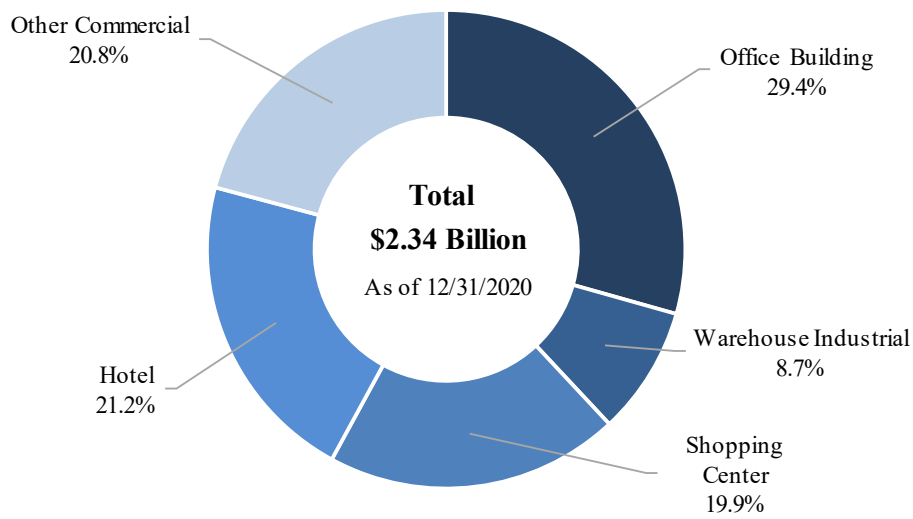
Variable Rate Portfolio (\$ in 000's)	Outstanding Balance	% of Total Balance
No Floor	\$ 911	34.02%
Floor Reached	1,255	46.86%
0-25 bps to Reach Floor	482	18.00%
26-50 bps to Reach Floor	9	0.34%
51-75 bps to Reach Floor	5	0.19%
76-100 bps to Reach	-	0.00%
101+ bps to Reach Floor	16	0.60%
Total	\$ 2,678	100.00%

COMMERCIAL REAL ESTATE PORTFOLIO

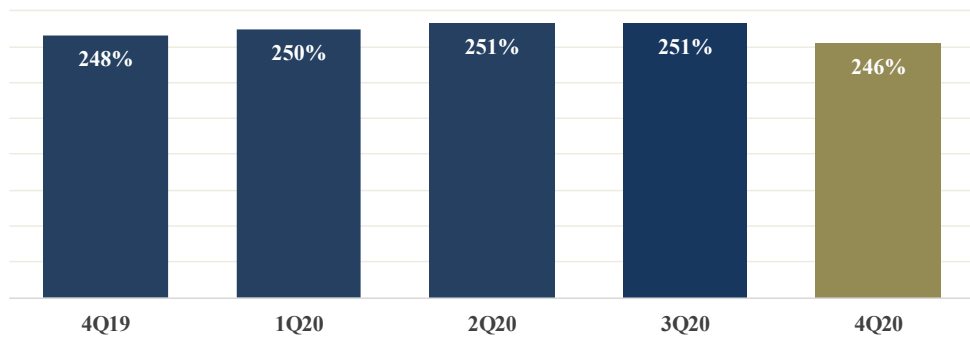


*Excludes C&D loans.

Non Owner Occupied Commercial Real Estate



Commercial Real Estate/ Total Risk-Based Capital



TEN LARGEST HOTEL EXPOSURES

(\$ in 000's)			
Location	Balance at 12/31/2020	Flag	In Deferral
VA	\$69,833	Marriott	No
VA	\$35,311	Hilton	Yes
VA	\$27,183	Boutique	Yes
VA	\$25,750	Marriott	No
VA	\$24,897	Hilton	No
VA	\$19,560	Marriott	No
NC	\$18,900	Boutique	No
NC	\$18,801	Marriott	Yes
VA	\$17,482	Marriott	No
VA	\$15,477	Boutique	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 83.2% from April 23, 2020 to January 21, 2021
- We have proactively worked to accommodate members, especially those in COVID impacted sectors, to provide flexibility on loan terms
- Loan modifications detailed below were made in accordance with section 4013 of the CARES Act
- 64% of modified balances at December 31, 2020 are currently paying interest
- At December 31, 2020 our ratio of deferrals to total loans, excluding PPP, is 3.88%

Loan Category (\$ in 000's)	1/21/21 Balance	#	12/31/20 Balance	10/16/20 Balance	7/17/20 Balance	4/23/20 Balance	#
Hotels	\$ 174,169	27	\$ 192,787	\$ 75,970	\$ 421,505	\$ 594,947	113
Real Estate and Equipment Leasing	32,229	22	32,511	26,425	253,852	517,486	461
Restaurants	27,605	32	30,890	11,559	45,970	123,457	222
Medical	10,477	19	11,053	2,559	23,867	96,304	243
Arts, Entertainment and Recreation	38,825	12	38,825	10,059	55,538	103,906	50
Others	30,920	74	34,740	54,400	198,501	432,277	1,425
Total Modifications	\$ 314,225	186	\$ 340,806	\$ 180,972	\$ 999,233	\$ 1,868,377	2,514

2021 OUTLOOK SUMMARY

Loans and Asset Quality

- Targeting mid-single digit annualized loan growth for 2021 excluding impacts from Paycheck Protection Program
- Continued focus on monitoring loan modifications

Profitability

- Net interest margin expected to remain around 3% in the near term excluding the impacts of Paycheck Protection Programs
- Noninterest expense average quarterly run rate projected at \$99-\$101 million
- Continued effort to drive Efficiency Ratio

Strategic

- New branch openings in Charlotte 1H 2021
- Capital and liquidity to support continued growth
- Opportunistic M&A

