



First Quarter 2021 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, 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		
	1Q21	4Q20	Change	1Q20	Change	1Q21	1Q20	Change
Net Interest Income	\$ 99.99	\$ 100.61	(0.6%)	\$ 89.50	11.7%	\$ 99.99	89.50	11.7%
Noninterest Income	82.52	71.23	15.8%	48.20	71.2%	82.52	48.20	71.2%
Total Revenue	182.51	171.85	6.2%	137.70	32.5%	182.51	137.70	32.5%
Noninterest Expense	97.33	105.93	(8.1%)	96.89	0.5%	97.33	96.89	0.5%
Net Income	69.00	50.08	37.8%	26.38	161.5%	69.00	26.38	161.5%
Diluted Earnings Per Share	\$ 0.95	0.69	37.7%	\$ 0.36	163.9%	\$ 0.95	\$ 1.92	(50.5%)
Dividends Declared Per Share	0.18	0.18	0.0%	0.18	0.0%	0.18	0.70	(74.3%)
Tangible Book Value Per Share	17.94	17.46	2.7%	15.91	12.8%	17.94	15.69	14.3%
Total Assets	\$ 15,079	\$ 14,626	3.1%	\$ 12,624	19.5%	\$ 15,079	\$ 11,948	26.2%
Total Loans	9,735	9,629	1.1%	8,784	10.8%	9,735	8,419	15.6%
Total Deposits	12,140	11,573	4.9%	9,308	30.4%	12,140	9,271	30.9%
Return on Average Assets	1.92%	1.35%	0.6%	0.88%	1.0%	1.92%	1.19%	61.1%
Return on Average Tangible Common Equity	22.45%	16.48%	6.0%	10.01%	12.4%	22.45%	13.73%	63.5%
Net Interest Margin (TE)	3.06%	2.98%	0.1%	3.37%	(0.3%)	3.06%	3.46%	(11.6%)
Nonperforming Assets / Total Assets	0.11%	0.11%	0.0%	0.24%	(0.1%)	0.11%	0.27%	(59.3%)
Allowance for Loan Losses / Total Loans	1.19%	1.25%	(0.1%)	0.73%	0.5%	1.19%	0.69%	72.8%
Net Loan Charge-offs / Average Loans	0.03%	0.00%	0.0%	0.03%	(0.0%)	0.03%	0.04%	N/M
Common Equity Tier 1 Ratio	12.15%	11.87%	0.3%	11.23%	0.9%	12.15%	11.46%	6.0%

Highlights

- Net income was \$69.0 million, or \$0.95 per share in 1Q21 versus \$26.38 million, or \$0.36 per share in 1Q20
- Total revenue of \$182.51 million, an increase of \$44.81 million versus the same period of 2020
- Allowance for credit losses on loans to total loans is 1.19%, excluding PPP loans is 1.31%
- Margin of 3.06% included purchase accounting accretion of 5bp and PPP interest and fees of 12bps
- Strong mortgage origination volumes of \$1.60 billion

BALANCE SHEET SUMMARY

Highlights:

<i>Amounts in millions</i>	1Q21	4Q20	Q/Q Change		1Q20	Y/Y Change	
	Actual	Actual	Amount	%	Actual	Amount	%
Cash and Cash Equivalents	\$ 2,108.03	\$ 1,864.29	\$243.75	13%	\$ 886.14	\$1,221.90	138%
Loans Held for Sale	582.91	540.80	42.11	8%	453.14	129.76	29%
Total Loans	9,734.58	9,629.07	105.52	1%	8,784.20	950.39	11%
Allowance for Credit Losses	(116.08)	(120.16)	4.08	-3%	(64.37)	(51.70)	80%
Total Loans, Net	9,618.51	9,508.91	109.60	1%	8,719.82	898.68	10%
Other Assets	2,769.95	2,712.45	57.50	2%	2,564.72	205.23	8%
Total Assets	15,079.40	14,626.44	452.95	3%	12,623.83	2,455.57	19%
Noninterest Bearing Deposits	4,840.68	4,374.57	466.11	11%	3,060.52	1,780.16	58%
Interest Bearing Deposits	7,298.97	7,198.60	100.37	1%	6,247.48	1,051.49	17%
Total Deposits	12,139.64	11,573.17	566.48	5%	9,307.99	2,831.65	30%
FHLB Advances and Other Borrowings	507.55	706.68	(199.13)	-28%	1,143.29	(635.74)	-56%
Subordinated Debt, Net	249.20	249.05	0.15	0%	248.61	0.60	0%
Other Liabilities	366.70	313.72	52.98	17%	258.30	108.39	42%
Total Liabilities	13,263.09	12,842.62	420.47	3%	10,958.19	2,304.90	21%
Shareholder Equity	1,800.21	1,766.85	33.37	2%	1,653.20	147.01	9%
Noncontrolling Interests	16.09	16.98	(0.89)	-5%	12.43	3.66	29%
Total Equity	1,816.31	1,783.83	32.48	2%	1,665.63	150.67	9%
Total Liabilities and Equity	15,079.40	14,626.44	452.95	3%	12,623.83	2,455.57	19%

- Loans held for investment up \$0.95 billion compared to 1Q20
- PPP loans totaling \$0.90 billion are included in total loans
- Average earning assets in 1Q21 were up \$2.61 billion compared to 1Q20
- Noninterest deposits represent 39.87% of total deposits
- Securities portfolio with 4.3 year average duration

INCOME STATEMENT SUMMARY

Amounts in thousands except per share data

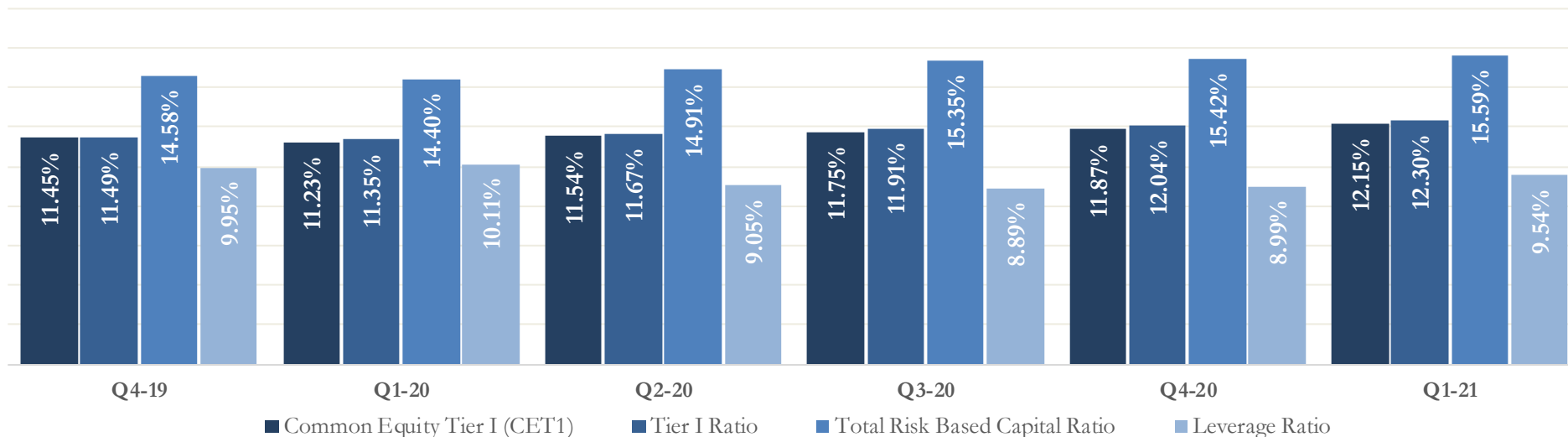
Amounts in thousands except per share data

	QTD							YTD			
	Q1-21	Q4-20	Q/Q Change		Q1-20	Y/Y Change		Q1-21	Q1-20	Y/Y Change	
	Actual	Actual	Amount	%	Actual	Amount	%	Actual	Actual	Amount	%
Net Interest Income	\$99,990	\$100,614	\$ (624)	-1%	\$89,496	\$ 10,494	12%	\$ 99,990	\$ 89,496	\$ 10,494	12%
Provision for Credit Losses	(4,027)	1,617	(5,644)	-	7,016	(11,043)	-157%	(4,027)	7,016	(11,043)	-157%
Noninterest Income Excluding Securities Gain / (Loss)	81,519	71,233	10,286	14%	43,198	38,321	89%	81,519	43,198	38,322	89%
Gain / (Loss) on Securities	1,000	1	999	-	5,002	(4,002)	-80%	1,000	5,002	(4,002)	-80%
Noninterest Expense Excluding M&A / Restructuring	97,264	105,866	(8,602)	-8%	97,038	226	0%	97,264	97,037	227	0%
M&A / Restructuring	62	66	(4)	-6%	(150)	212	-141%	62	(150)	212	-142%
Net Income Before Taxes and Noncontrolling Interest	89,210	64,299	24,911	39%	33,792	55,418	164%	89,210	33,792	55,418	164%
Non-controlling Interests	3,636	3,809	(173)	-5%	1,221	2,415	198%	3,636	1,221	2,415	198%
Provision for Income Taxes	16,579	10,408	6,171	59%	6,187	10,392	168%	16,580	6,187	10,393	168%
Net Income	\$68,995	\$ 50,082	\$18,913	38%	\$26,384	\$ 42,611	162%	\$ 68,995	\$ 26,385	\$42,610	161%
M&A/Restructuring, Net of Taxes	54	66	(12)	-18%	(129)	183	-142%	54	(129)	182	-142%
Core Net Income ⁽¹⁾	\$69,049	\$ 50,148	\$18,901	38%	\$26,255	\$42,794	163%	\$ 69,048	\$ 26,256	\$42,792	163%
EPS - Fully Diluted	\$ 0.95	\$ 0.69	\$ 0.26	38%	\$ 0.36	\$ 0.59	164%	\$ 0.95	\$ 0.36	\$ 0.59	164%
Core EPS - Fully Diluted(1)	\$ 0.95	\$ 0.69	\$ 0.26	38%	\$ 0.36	\$ 0.59	164%	\$ 0.95	\$ 0.36	\$ 0.59	164%
Dividends	\$ 0.18	\$ 0.18	\$ -	0%	\$ 0.18	\$ -	0%	\$ 0.18	\$ 0.18	\$ -	0%
Net Interest Margin (TE)	3.06%	2.98%	0.08%	3%	3.37%	-0.31%	-9%	3.06%	3.37%	-0.31%	-9%

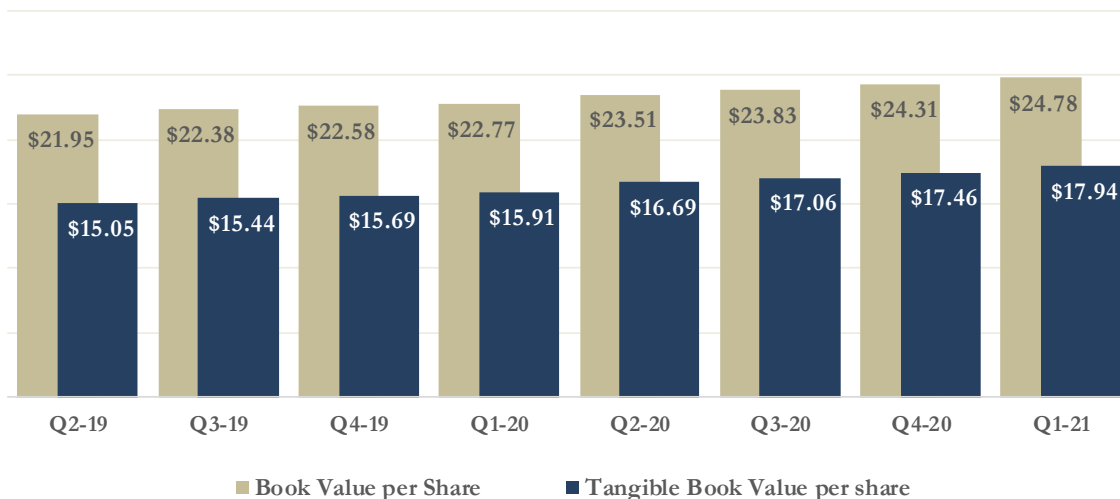
(1) Core Earnings (Non-GAAP) excludes M&A expenses, net of tax

CAPITALIZATION

Risk Based Capital Ratios



Book Value and Tangible Book Value



Liquidity Sources	31-Mar-21
Available Liquid Funds: (in millions)	
Cash and cash equivalents	\$2,108
Unencumbered investment securities	1,029
Availability of Borrowings:	
Amount available from FHLB	1,723
Amount available from unsecured lines of credit with correspondent banks	155
Amount available from Federal Reserve discount window	445
Amount available from the Federal Reserve PPP Lending Facility	554

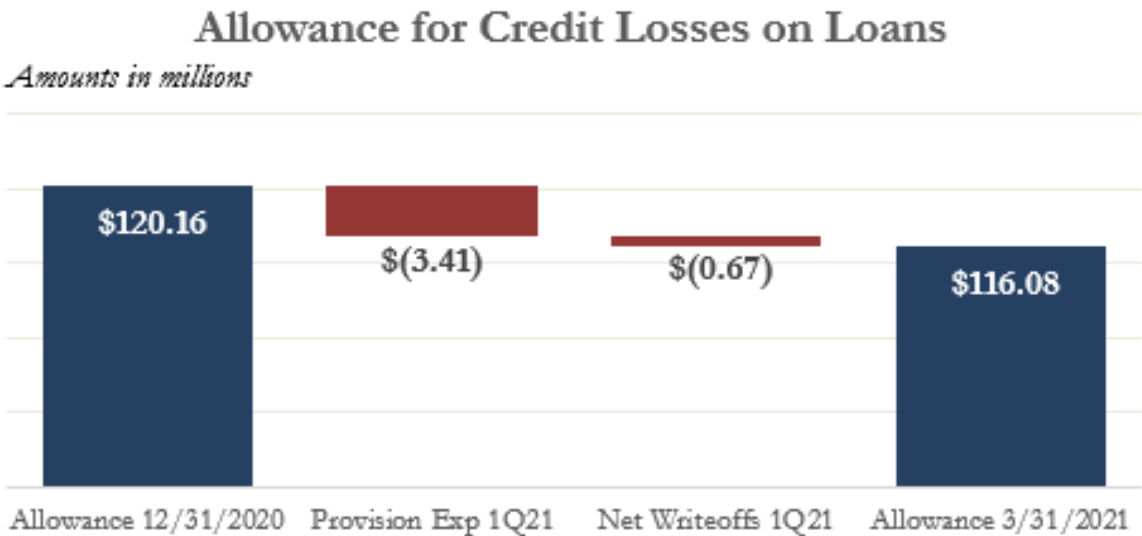
PAYCHECK PROTECTION PROGRAM (PPP) 2021 ORIGINATIONS

- Additional PPP funding was extended as a result of the Consolidated Appropriations Act, which was signed into law on December 27, 2020
- Total fees from PPP loans in 2020 were \$19.15 million and interest income from PPP loans totaled \$7.79 million; for Q1 we recognized total fees from PPP loans of \$9.39 million and interest income from PPP loans of \$2.24 million

Fee Bands for PPP Loans (\$ in 000's)	Count	Total Loans Originated
Loans less than \$50,000	1,277	\$ 29,031
Loans \$50k - \$350,000	1,316	182,482
Loans \$350k - \$2 million	301	204,553
Loans \$2 million and greater	2	13,348
Total	2,896	\$ 429,414

CURRENT EXPECTED CREDIT LOSS (CECL)

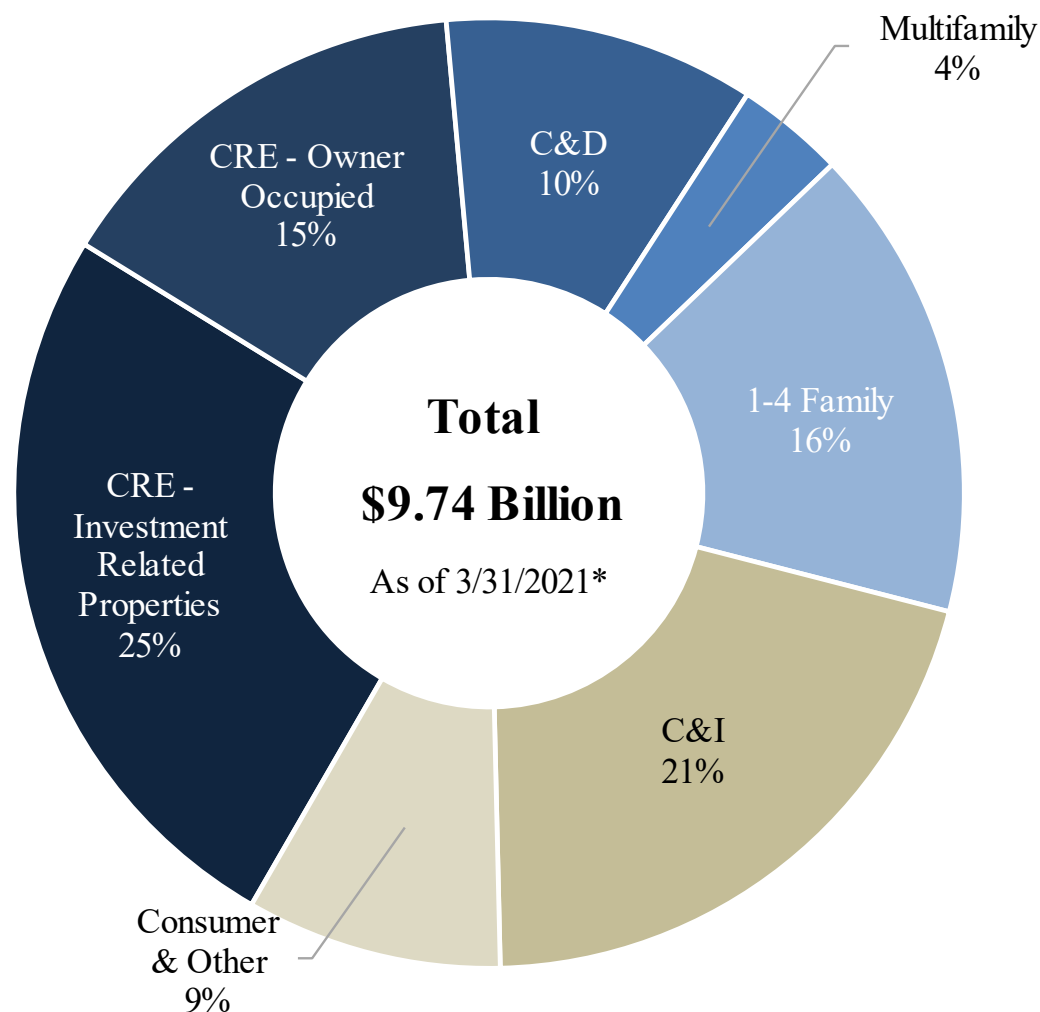
- Q1 2021 negative provision for on-balance sheet loan losses of \$3.41 million
- Potential for further releases in 2021 as economic forecasts continue to improve and uncertainty diminishes
- Expected loss estimates are subject to change based on continuing review of models and assumptions, portfolio 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 3/8/2021;
Alternative scenarios as of 3/11/2021

TOTAL LOAN PORTFOLIO



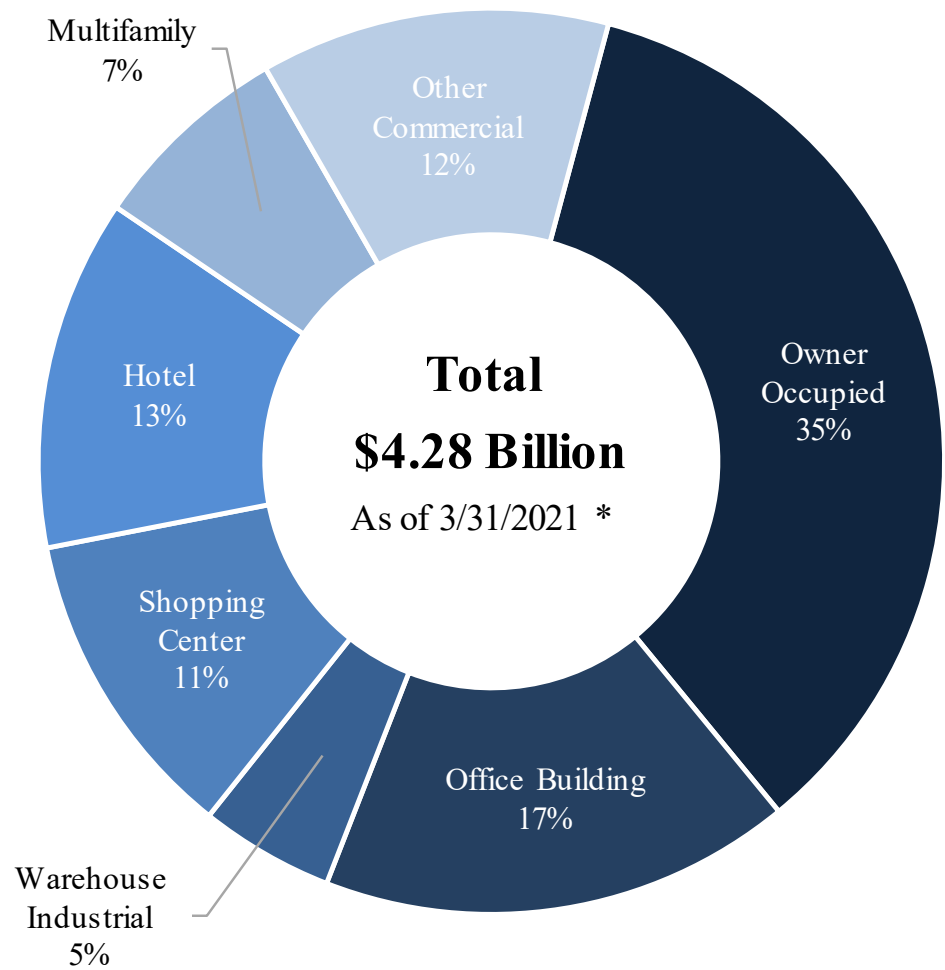
*Includes PPP loans of \$898.3 million

Portfolio Highlights:

- Loans Held for Investment increased \$0.11 billion or 1.10% from 12/31/2020
- NPAs / Assets of 0.11%
- Annualized NCOs / Average Loans of 0.03%
- Allowance to NPLs of 9.09x

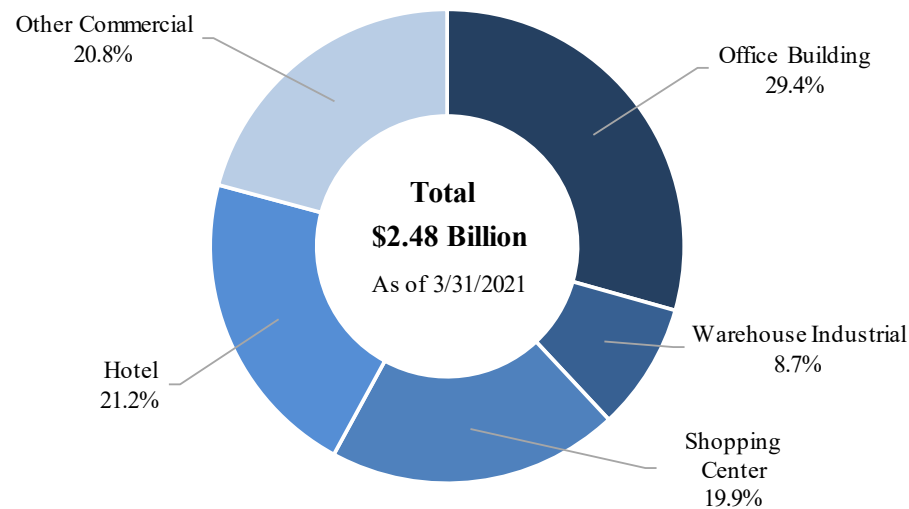
Variable Rate Portfolio (\$ in 000's)	Outstanding Balance	% of Total Balance
No Floor	\$ 886	32.91%
Floor Reached	1,283	47.66%
0-25 bps to Reach Floor	497	18.46%
26-50 bps to Reach Floor	5	0.19%
51-75 bps to Reach Floor	7	0.26%
76-100 bps to Reach Floor	-	0.00%
101+ bps to Reach Floor	14	0.52%
Total	\$ 2,692	100.00%

COMMERCIAL REAL ESTATE PORTFOLIO

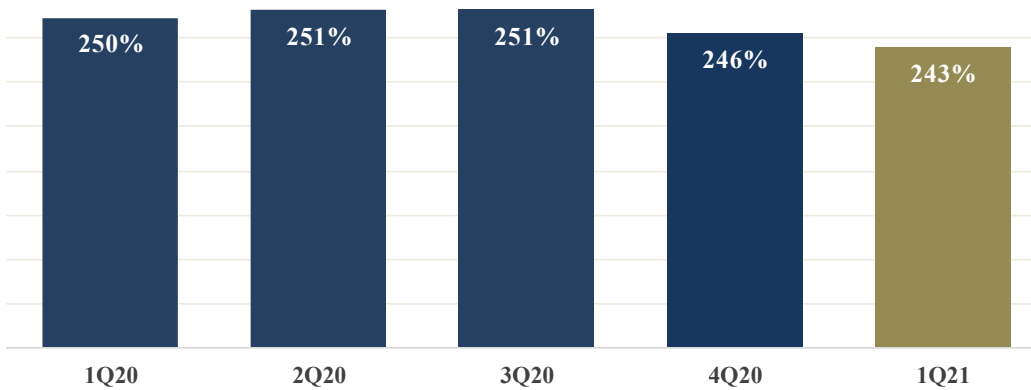


*Excludes C&D loans.

Non Owner Occupied Commercial Real Estate



Commercial Real Estate/ Total Risk-Based Capital



TEN LARGEST HOTEL EXPOSURES

(\$ in 000's)			
Location	Balance at 3/31/2021	Flag	In Deferral
VA	\$70,035	Marriott	No
VA	\$35,311	Hilton	Yes
VA	\$27,183	Boutique	No
VA	\$25,750	Marriott	No
VA	\$24,695	Hilton	No
VA	\$19,478	Marriott	No
NC	\$18,900	Boutique	No
NC	\$19,500	Marriott	No
VA	\$17,397	Marriott	No
VA	\$15,477	Boutique	Yes

Key Observations:

- 8 of top 10 hotel exposures have returned to full payment
- The top 10 hotels represent 37.7% of total hotel loan exposure
- 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 88.7% from April 23, 2020 to March 31, 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
- At March 31, 2021 our ratio of deferrals to total loans, excluding PPP, is 2.38%

Loan Category (\$ in 000's)	3/31/21 Balance	12/31/20 Balance	4/23/20 Balance
Hotels	\$ 94,572	\$ 192,787	\$ 594,947
Real Estate and Equipment Leasing	26,682	32,511	517,486
Restaurants	20,347	30,890	123,457
Medical	10,473	11,053	96,304
Arts, Entertainment and Recreation	38,872	38,825	103,906
Others	19,302	34,740	432,277
Total Modifications	\$ 210,248	\$ 340,806	\$ 1,868,377

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
- Potential for further CECL releases in 2021 as economic forecasts continue to improve and uncertainty diminishes

Profitability

- Core net interest margin expected to experience low single digit compression throughout 2021, excluding impacts of Paycheck Protection Programs and Purchase Accounting Accretion
- Noninterest expense average quarterly run rate projected at \$99-\$101 million for 2021

Strategic

- New branch openings in Charlotte 2H 2021 in Ballantyne area
- Strong capital and liquidity levels to support continued growth
- Opportunistic M&A across all lines of business

