



# Earnings Presentation

2<sup>nd</sup> Quarter 2024



# Cautionary Statements

## Forward Looking:

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; an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize our overall liquidity or capitalization; changes in the creditworthiness of customers and the possible impairment of the collectability of loans; insufficiency of our allowance for credit losses due to market conditions, inflation, changing interest rates or other factors; adverse developments in the financial industry generally, such as the recent bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior; 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; unusual and infrequently occurring events, such as weather-related or natural disasters, acts of war or terrorism, or public health events (such as the COVID-19 pandemic); 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, whether directed at us or at vendors or other third parties with which we interact, 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, 2023 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.

# TowneBank at a Glance

## Consistent Focus on Earnings and Growth

Earnings Growth

**23.5%**

CAGR FY00 – FY23

**#1** Deposit Market Share  
in Hampton Roads<sup>1</sup>

Ranked on

**Forbes**

**Best Banks List<sup>2</sup>**

6 Years in a Row

Total Assets

**\$17.1B**

Total Loans

**\$11.5B**

Total Deposits

**\$14.3B**

Core ROAA

**1.01%**

Core ROTCE

**12.08%**

NIM (FTE)

**2.89%**

NIB Deposits /  
Total Deposits

**30.2%**

10 Year Total Shareholder  
Return<sup>3</sup>

**129%**

(1) Source: FDIC Summary of Deposits for the VA Beach-Norfolk-Newport News, VA MSA, data as of June 30, 2023

(2) © 2024, Forbes Media LLC. Used with permission

(3) Total Return as of 6/30/2024; Source: S&P Global, data collected 7/16/2024.

Note: Financial results for the quarter ending June 30, 2024



## 2<sup>nd</sup> Quarter 2024 Financial Results

# Performance Highlights

	Q2-FY24	Q1-FY24	Q/Q Change	Q2-FY23	Y/Y Change
Total Revenue	\$175.0 million	\$167.1 million	4.7%	\$181.6 million	-3.6%
Provision for Credit Losses	-\$0.2 million	-\$0.9 million	-79.8%	\$3.6 million	-105.0%
Net Income Attributable to TowneBank	\$42.9 million	\$34.7 million	23.6%	\$41.7 million	2.7%
Earnings Per Share-Diluted	\$0.57	\$0.46	23.9%	\$0.56	1.8%
Return on Avg Assets	1.01%	0.83%	+18 bps	0.99%	+2 bps
Return on Avg Tangible Common Equity <sup>1</sup>	12.16%	9.98%	+218 bps	12.48%	-32 bps
Net Interest Margin (TE) <sup>1</sup>	2.89%	2.75%	+14 bps	3.01%	-12 bps
Assets	\$17.1 billion	\$16.9 billion	1.1%	\$17.2 billion	-0.9%
Loans	\$11.5 billion	\$11.5 billion	0.0%	\$11.2 billion	2.2%
Deposits	\$14.3 billion	\$14.1 billion	1.0%	\$13.8 billion	3.7%
Loans / Deposits	80.24%	81.07%	-83 bps	81.41%	-117 bps
Noninterest Bearing Deposits / Deposits	30.15%	29.69%	+46 bps	34.68%	-453 bps
Nonperforming Assets / Assets	0.04%	0.05%	-1 bps	0.05%	-1 bps
Book Value per Share	\$27.62	\$27.33	1.1%	\$26.36	4.8%
Tangible Book Value per Share <sup>1</sup>	\$20.65	\$20.31	1.7%	\$19.31	6.9%
Tangible Common Equity to Tangible Assets	9.37%	9.31%	+6 bps	8.66%	+71 bps
Total Risk Based Capital Ratio <sup>2</sup>	15.34%	15.10%	+24 bps	14.88%	+46 bps

(1) Non-GAAP financial measure – see non-GAAP reconciliations

(2) Current reporting period regulatory capital ratios are preliminary

# Income Statement Summary

Dollars in millions, except per share data	QTD					YTD		
	Q2-FY24	Q1-FY24	Q/Q Change	Q2-FY23	Y/Y Change	Q2-FY24	Q2-FY23	Y/Y Change
Interest Income	\$ 194.93	\$ 186.92	4.3%	\$ 174.86	11.5%	\$ 381.85	\$ 338.26	12.9%
Interest Expense	85.89	83.70	2.6%	61.25	40.2%	169.59	101.27	67.5%
<b>Net Interest Income</b>	<b>109.05</b>	<b>103.22</b>	<b>5.6%</b>	<b>113.61</b>	<b>(4.0%)</b>	<b>212.27</b>	<b>236.99</b>	<b>(10.4%)</b>
Provision for Credit Losses	(0.18)	(0.88)	(79.8%)	3.56	(105.0%)	(1.05)	15.23	(106.9%)
<b>Net Interest Income after Provision for Credit Losses</b>	<b>109.23</b>	<b>104.10</b>	<b>4.9%</b>	<b>110.06</b>	<b>(0.8%)</b>	<b>213.32</b>	<b>221.76</b>	<b>(3.8%)</b>
Noninterest Income	65.92	63.88	3.2%	67.96	(3.0%)	129.81	128.72	0.8%
Noninterest Expense	123.98	125.59	(1.3%)	125.23	(1.0%)	249.58	249.63	(0.0%)
Minority Interest in Unconsolidated Subs	0.18	0.44	(58.4%)	1.65	(88.9%)	0.62	1.80	(65.3%)
<b>Income Before Taxes</b>	<b>50.98</b>	<b>41.95</b>	<b>21.5%</b>	<b>51.13</b>	<b>(0.3%)</b>	<b>92.93</b>	<b>99.06</b>	<b>(6.2%)</b>
Provision for Income Tax Expense	8.12	7.26	11.9%	9.42	(13.7%)	15.39	19.01	(19.1%)
<b>Net Income Attributable to TowneBank</b>	<b>\$ 42.86</b>	<b>\$ 34.69</b>	<b>23.6%</b>	<b>\$ 41.72</b>	<b>2.7%</b>	<b>\$ 77.54</b>	<b>\$ 80.05</b>	<b>(3.1%)</b>
Earnings Per Share-Diluted	\$ 0.57	\$ 0.46	23.9%	\$ 0.56	1.8%	\$ 1.03	\$ 1.07	(3.7%)

## Core Net Income<sup>1</sup>

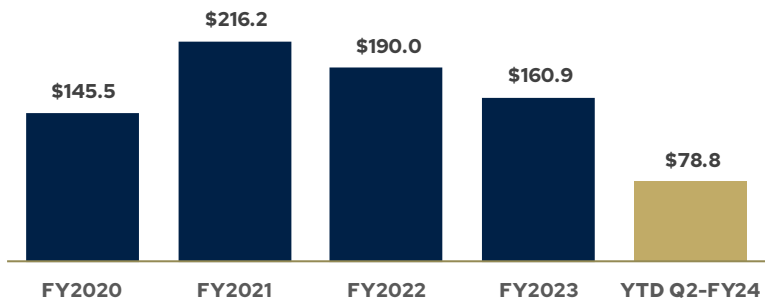
One-time Adjustments After Taxes	\$ (0.29)	\$ 1.58	(118.4%)	\$ (3.06)	(90.4%)	\$ 1.29	\$ 4.91	(73.7%)
Core Net Income	42.56	36.27	17.4%	38.66	10.1%	78.84	84.96	(7.2%)
Core Earnings Per Share-Diluted	\$ 0.57	\$ 0.48	18.8%	\$ 0.52	9.6%	\$ 1.05	\$ 1.14	(7.8%)

(1) Non-GAAP financial measure – see non-GAAP reconciliations

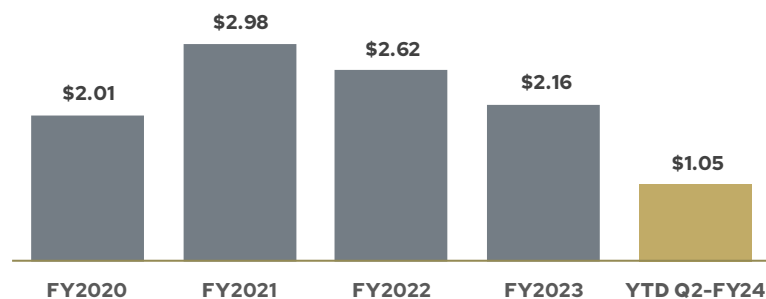


# Financial Performance Trends

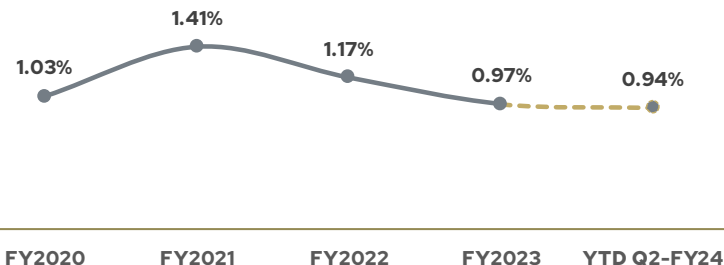
## Core Net Income<sup>1</sup> [Dollars in millions]



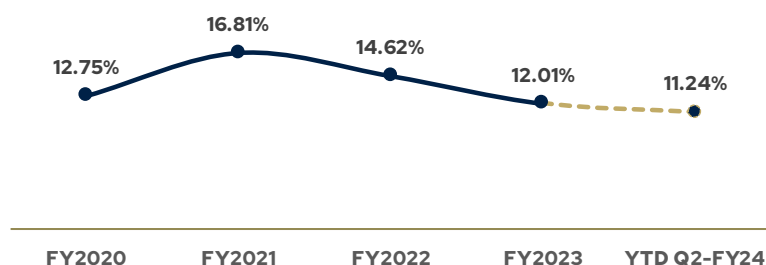
## Core EPS<sup>1</sup>



## Core ROAA<sup>1</sup>



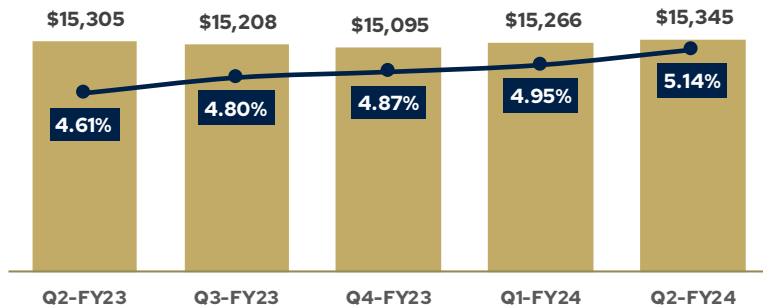
## Core ROATCE<sup>1</sup>



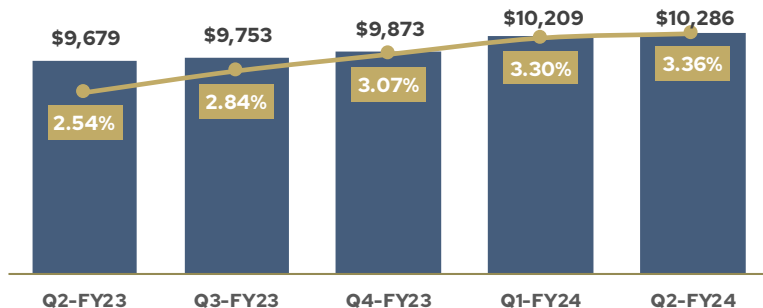
(1) Non-GAAP financial measure – see non-GAAP reconciliations

# Net Interest Income

**Avg. Earning Assets & Yield (TE)<sup>1</sup>** [Dollars in millions]

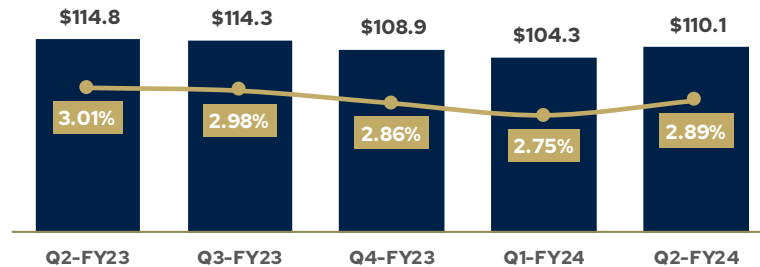


**Avg. Interest Bearing Liabilities & Cost** [Dollars in millions]

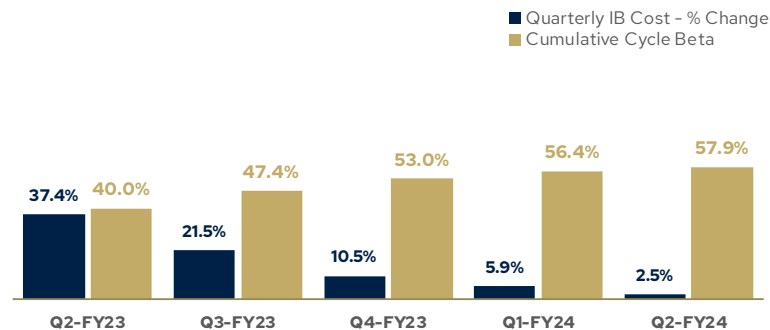


(1) Non-GAAP financial measures - see non-GAAP reconciliations

**Net Interest Income & NIM (TE)<sup>1</sup>** [Dollars in millions]



**Interest Bearing Deposit Costs**





# NIM & Net Interest Income Sensitivity

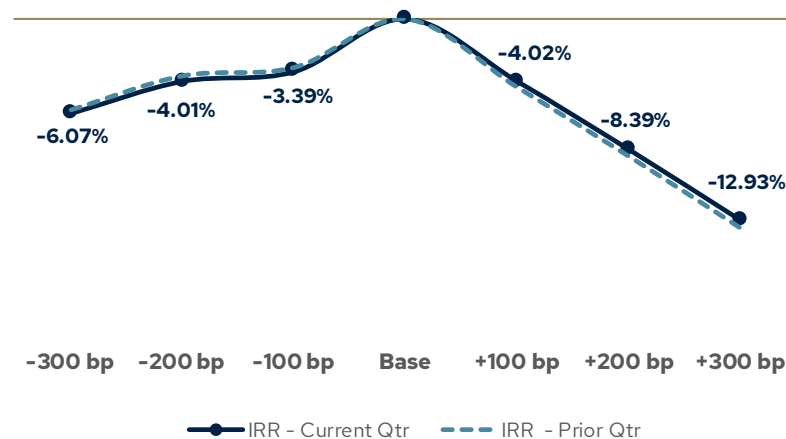
## Net Interest Income & NIM (TE)<sup>1</sup>

Dollars in millions	Amount	NIM (%)
<b>Q1-FY24</b>	<b>\$ 104.3</b>	<b>2.75%</b>
Loans HFI	3.5	0.06%
Recurring Accretion	0.0	0.00%
Loans HFS	1.2	0.01%
Investments & Cash	3.2	0.10%
Earning Assets Mix		0.02%
Deposits	(3.7)	-0.05%
Borrowings	1.5	0.00%
Sub Debt	-	0.00%
Interest Bearing Funding Mix		0.01%
Other	(0.0)	-0.01%
<b>Q2-FY24</b>	<b>\$ 110.1</b>	<b>2.89%</b>

(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.

## Net Interest Income Sensitivity<sup>2</sup>

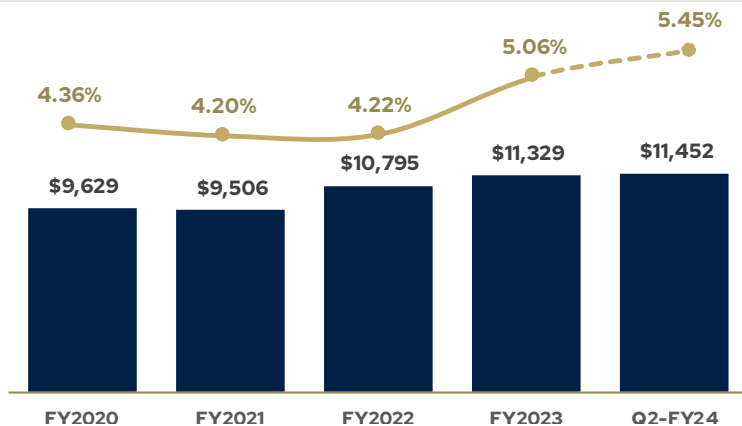


### Comments

- Cumulative cycle-to-date beta of approximately 58%
- 95% of CDs reprice within 12 months
- Expectation for further NIM expansion throughout second half of FY2024

# Loans

## Loans Balances & Yield (TE)<sup>(1)</sup> [Dollars in millions]



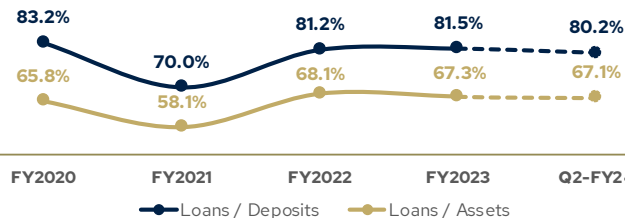
Loans	Q2-FY24	% Total	Q/Q %	Y/Y %
(Dollars in millions)				
Construction and Development	\$ 1,191	10%	-5.2%	-12.7%
Commercial Real Estate	5,512	48%	0.7%	5.1%
Residential 1-4 Family	2,296	20%	1.2%	5.8%
Commercial and Industrial	1,298	11%	0.5%	3.0%
Government	518	5%	-2.0%	-0.6%
Indirect	558	5%	0.5%	-0.7%
Consumer & Other	80	1%	1.7%	-9.2%
<b>Total Loans</b>	<b>\$ 11,452</b>	<b>100%</b>	<b>0.0%</b>	<b>2.2%</b>

(1) Non-GAAP financial measure – see non-GAAP reconciliations

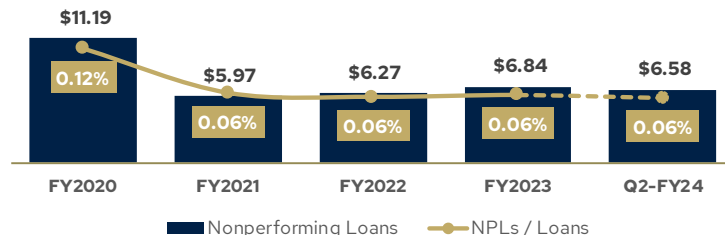
## Portfolio Highlights

- Variable portfolio of \$3.2 billion at the end of Q2-24
- 41% of variable portfolio tied to prime rate
- Scheduled maturities and amortization of \$1.2 billion for the remainder of FY2024

### Loans % of Deposits and Assets

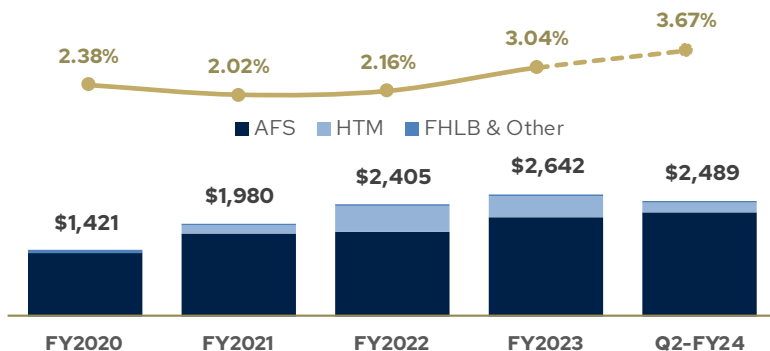


### Nonperforming Loans



# Investments

## Investment Balances & Yield (TE)<sup>1</sup> [Dollars in millions]



	FY2022		FY2023		Q2-FY24
AFS and HTM Securities <sup>2</sup>	AFS		HTM		Total
(Dollars in millions)					
US Treasuries	\$ 29		\$ 97		\$ 126
US Agencies	313		102		416
Municipals	479		5		485
Trust Preferred & Oth Corp	102		2		104
MBS Issued by GSE/GNMA	1,502		6		1,507
<b>Securities - Amortized Cost</b>	<b>2,425</b>		<b>212</b>		<b>2,638</b>
Valuation Adjustment	(173)		-		(173)
Credit Loss Reserve	(2)		(0)		(2)
<b>Total</b>	<b>\$ 2,251</b>		<b>\$ 212</b>		<b>\$ 2,463</b>

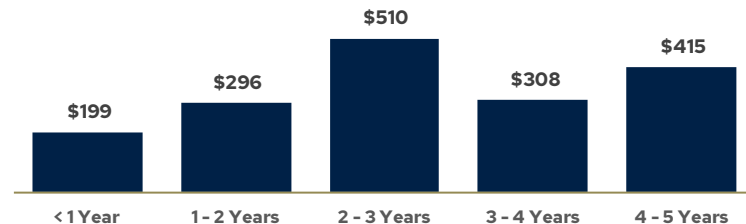
(1) Non-GAAP financial measure – see non-GAAP reconciliations

(2) AFS and HTM portfolio, excludes FHLB and other equity securities

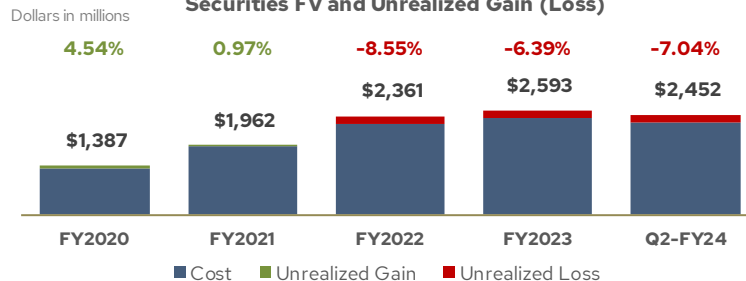
## Portfolio Highlights

- \$495 million of expected cash flow from securities portfolio in the next two years
- Portfolio duration of 3.35 years at the end of Q2-24
- Portfolio: 92%/8% - AFS/HTM and 77%/23% - Fixed/Floating

## Expected Cashflows from Investments (As of Jun 30, 2024)

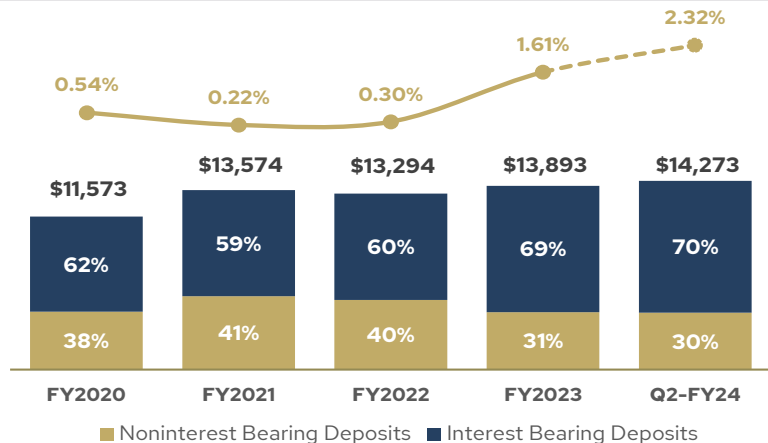


## Securities FV and Unrealized Gain (Loss)



# Deposits

## Deposit Balances and Cost [Dollars in millions]



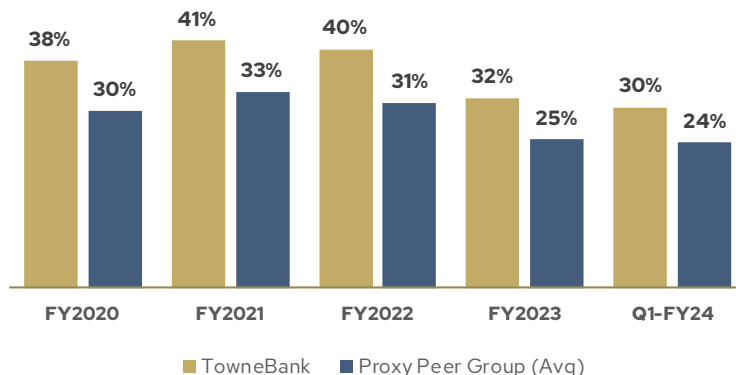
Deposits	Q2-FY24	% Total	Cost	Q/Q %	Y/Y %
(Dollars in millions)					
Interest Bearing Demand	1,657	12%	0.41%	0.6%	-4.7%
Money Market	5,283	37%	3.55%	0.2%	10.3%
Savings	313	2%	1.07%	-4.1%	-13.5%
Time Deposits	2,716	19%	4.89%	1.0%	29.3%
<b>Interest Bearing Deposits</b>	<b>9,969</b>	<b>70%</b>	<b>3.32%</b>	<b>0.4%</b>	<b>10.9%</b>
Noninterest Bearing Deposits	4,304	30%	na	2.6%	-9.9%
<b>Total Deposits</b>	<b>\$ 14,273</b>	<b>100%</b>	<b>2.32%</b>	<b>1.0%</b>	<b>3.7%</b>

(1) Source: S&P Global, data as of 05/13/2024. Peers as disclosed in the most recent TOWN proxy statement

## Portfolio Highlights

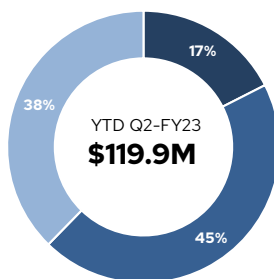
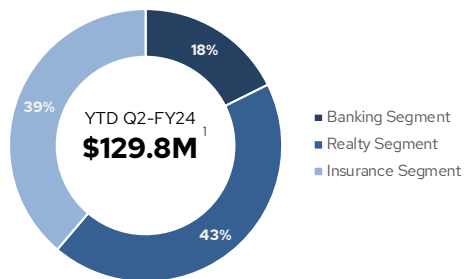
- First sequential increase in NIB deposits since June 2022 driven primarily by commercial relationships
- Continued migration into higher yielding deposit products, specifically into time deposits. Additionally, new branch openings along with grand opening CD specials impacting CD mix and cost.
- NIB deposits in legacy Hampton Roads region equal to 36% of total regional deposits

### NIB Deposits % of Total Deposits TowneBank vs Peers<sup>1</sup>



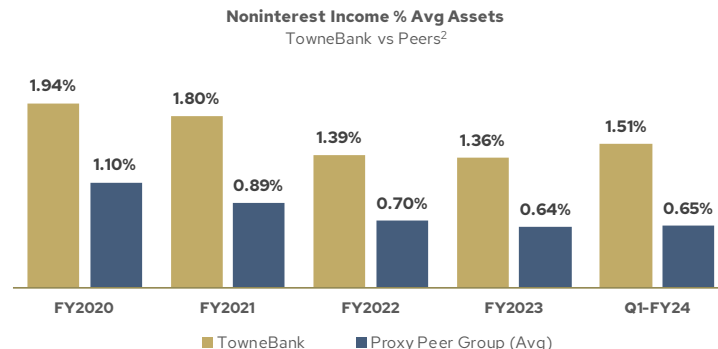
# Noninterest Income

Dollars in millions	QTD					YTD		
	Q2-FY24	Q1-FY24	Q/Q Change	Q2-FY23	Y/Y Change	Q2-FY24	Q2-FY23	Y/Y Change
Residential Mortgage Banking Income Net	\$ 13.42	\$ 10.48	28.1%	\$ 11.36	18.2%	\$ 23.90	\$ 20.73	15.3%
Insurance Commissions and Other Title Fees and Income, Net	24.03	25.54	(5.9%)	22.50	6.8%	49.57	45.32	9.4%
Property Mgmt Income, Net	14.31	16.77	(14.7%)	12.10	18.3%	31.09	27.63	12.5%
Real Estate Brokerage Income Net	-	-	-	1.83	(100.0%)	-	3.62	(100.0%)
Service Charges on Deposit Accounts	3.35	3.08	8.9%	3.02	11.2%	6.43	5.75	11.8%
Credit Card Merchant Fees, Net	1.66	1.55	7.2%	1.68	(1.2%)	3.21	3.23	(0.4%)
Investment Commission Income Net	2.58	2.34	10.1%	2.17	19.1%	4.92	4.22	16.7%
Bank-owned Life Insurance	3.24	1.84	75.8%	1.71	89.3%	5.08	3.38	50.2%
Other Income	3.32	2.21	50.7%	2.76	20.4%	5.53	6.00	(7.8%)
Gain (Loss) on Equity Investment	-	-	-	8.83	(100.0%)	-	8.83	(100.0%)
Gain (Loss) on Investment Securities	-	0.07	(100.0%)	-	-	0.07	-	-
<b>Noninterest Income</b>	<b>\$ 65.92</b>	<b>\$ 63.88</b>	<b>3.2%</b>	<b>\$ 67.96</b>	<b>(3.0%)</b>	<b>\$ 129.81</b>	<b>\$ 128.72</b>	<b>0.8%</b>



(1) Core noninterest income excluding gain (loss) on equity investments

(2) Source: S&P Global, data as of 05/13/2024. Peers as disclosed in the most recent TOWN proxy statement

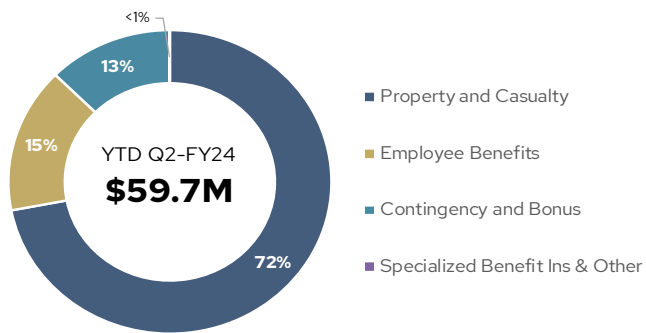


# Towne Insurance

## Highlights

- Largest Bank-owned insurance company in the country<sup>1</sup>
- Insurance revenue of \$29.6 million in Q2-24 compared to \$27.4 million in Q2-23
- FY2023 surpassed \$100 million in total revenue with a continued focus on organic growth and expansion in growth markets
- CAGR of 12.3% from 2018 to 2023
- 27 Acquisitions since 2001

## Insurance Revenue Composition



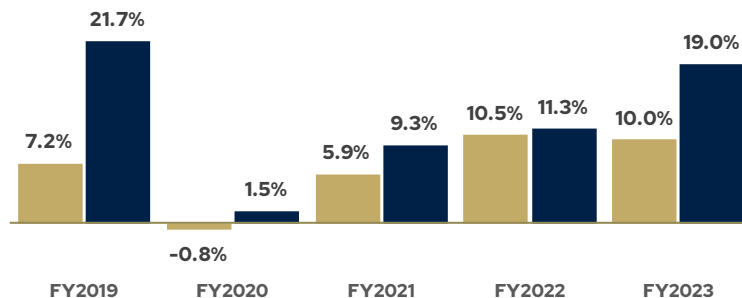
(1) Bank-owned insurance commissions and fees for commercial and savings banks; Source: S&P Global, data retrieved 5/1/2024

(2) Income does not include travel insurance income or gains from the sales of Red Sky Travel Insurance (FY2020) and Beneflex (FY2023)

## Revenues<sup>2</sup> [Dollars in millions]



## Revenue Growth Trend



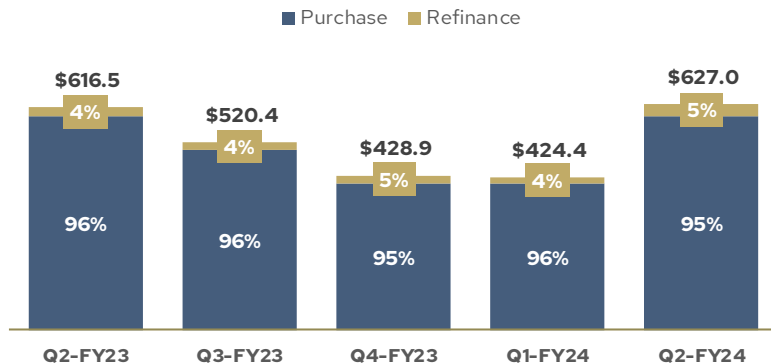
■ Organic Growth ■ Total Growth

# TowneBank Mortgage

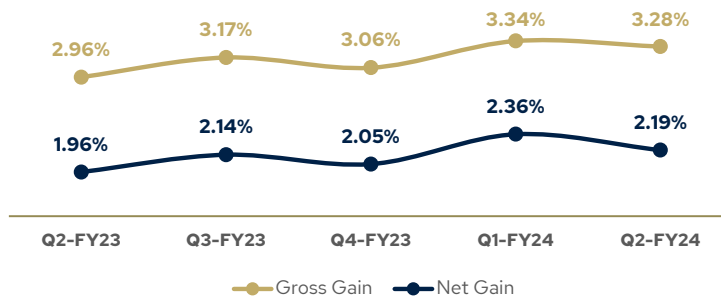
## Highlights

- Mortgage banking income of \$14.0 million in Q2-24 compared to \$12.2 million in Q2-23
- Gain on sales & fees as a % of loans originated up 32 bps compared to Q2-23
- Pretax gain of \$2.0 million in Q2-24 compared to a pretax loss of \$2.2 million in Q2-23
- Noninterest expense levels reduced to align with expected volumes in the current environment

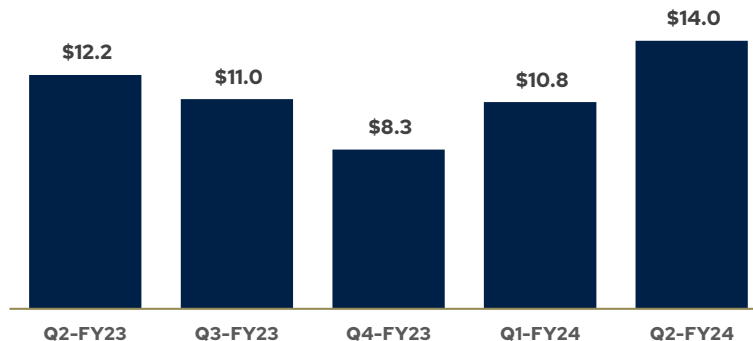
## Mortgage Production [Dollars in millions]



## Gain on Sales & Fees as a % of Loans Originated



## Mortgage Banking Income Net [Dollars in millions]



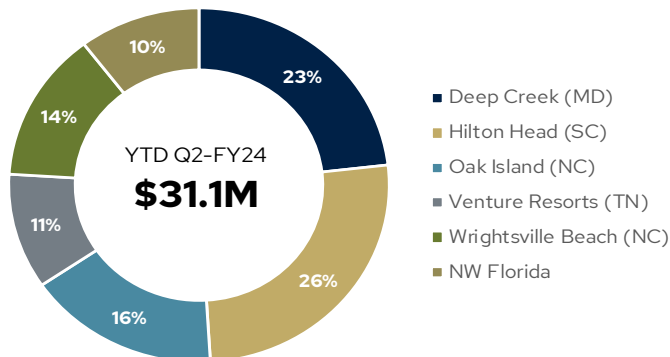


# Towne Vacations

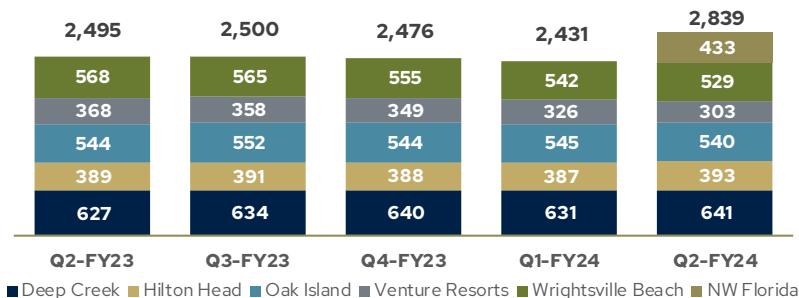
## Highlights

- Property management income net of \$14.3 million in Q2-24 compared to \$12.0 million in Q2-23
- Property management locations in North Carolina, South Carolina, Maryland, Tennessee and Florida
- My Vacation Haven acquired March 1, 2024 (NW Florida)
  - Expect \$6.1 million of net revenue in FY2024
- Reservation activity has returned to pre-pandemic levels coupled by shorter booking windows

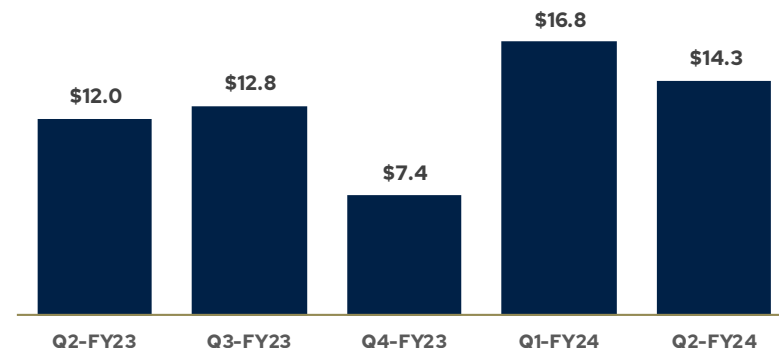
## Property Management Income Net



## Home Count [Quarterly Average]

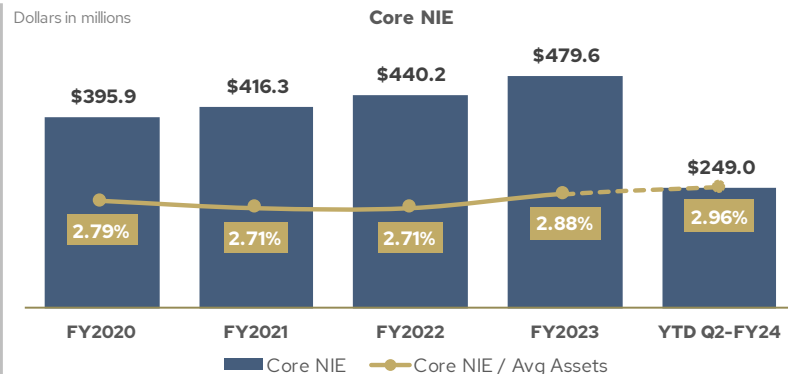
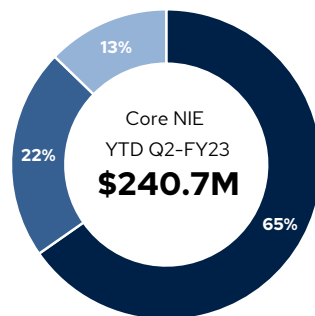
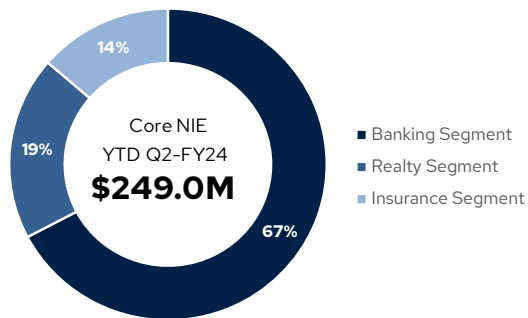


## Property Management Income Net [Dollars in millions]



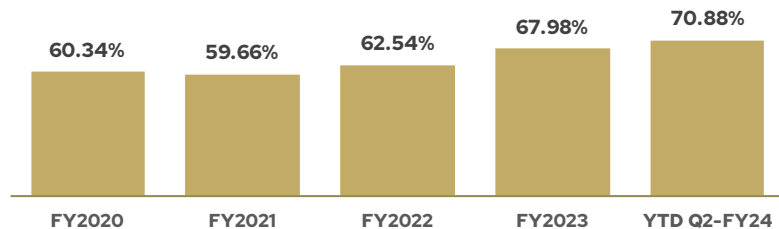
# Noninterest Expense

Dollars in millions	QTD					YTD		
	Q2-FY24	Q1-FY24	Q/Q Change	Q2-FY23	Y/Y Change	Q2-FY24	Q2-FY23	Y/Y
Employee Compensation	\$ 71.35	\$ 71.38	(0.0%)	\$ 67.45	5.8%	\$ 142.73	\$ 136.87	4.3%
Occupancy, Furniture and Equipment	14.35	13.90	3.2%	13.88	3.4%	28.25	27.18	3.9%
Software and Data Processing	11.66	10.02	16.4%	10.18	14.6%	21.68	19.16	13.2%
Advertising and Marketing	3.52	4.58	(23.1%)	3.96	(11.0%)	8.11	8.36	(3.0%)
Other Expenses	23.10	25.72	(10.2%)	29.77	(22.4%)	48.81	58.06	(15.9%)
<b>Noninterest Expense</b>	<b>\$ 123.98</b>	<b>\$ 125.59</b>	<b>(1.3%)</b>	<b>\$ 125.23</b>	<b>(1.0%)</b>	<b>\$ 249.58</b>	<b>\$ 249.63</b>	<b>(0.0%)</b>
Acquisition Related Expenses	0.02	0.59	(96.8%)	3.00	(99.4%)	0.61	8.96	nm
<b>Core Noninterest Expense</b>	<b>\$ 123.97</b>	<b>\$ 125.00</b>	<b>(0.8%)</b>	<b>\$ 122.23</b>	<b>1.4%</b>	<b>\$ 248.96</b>	<b>\$ 240.66</b>	<b>3.4%</b>

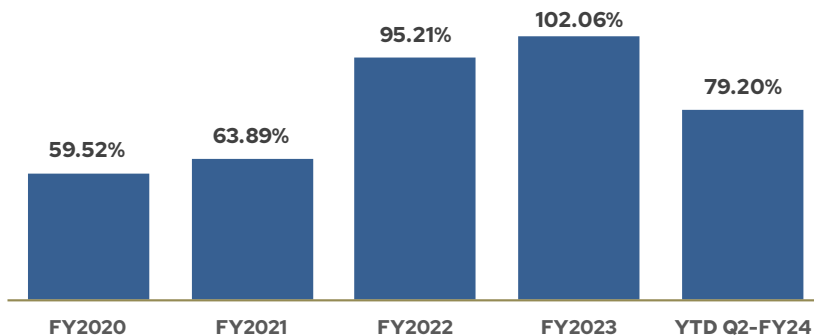


# Core Efficiency Ratio<sup>1</sup>

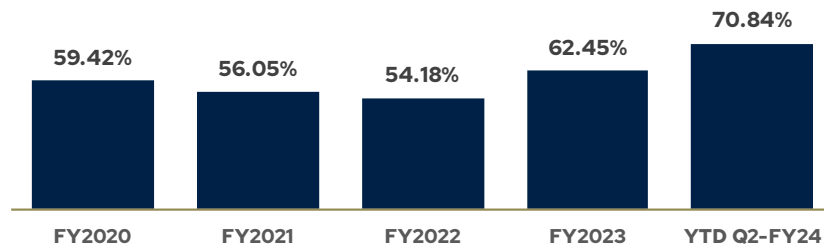
## TowneBank Consolidated



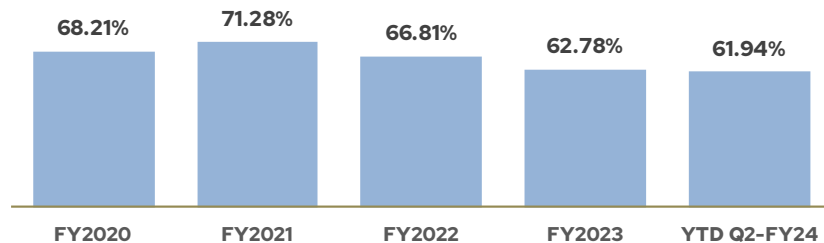
## Realty Segment



## Banking Segment



## Insurance Segment



(1) Non-GAAP financial measure – see non-GAAP reconciliations

# Balance Sheet Summary

Dollars in millions	Q2-FY24	Q1-FY24	Q/Q Change	Q2-FY23	Y/Y Change
Cash and Cash Equivalents	\$ 1,301	\$ 1,101	18.2%	\$ 1,636	(20.5%)
Securities	2,489	2,542	(2.1%)	2,608	(4.6%)
Loans Held for Sale	201	151	33.2%	230	(12.5%)
Loans	11,452	11,452	(0.0%)	11,208	2.2%
Allowance for Credit Losses	(126)	(126)	(0.2%)	(124)	1.7%
<b>Net Loans</b>	<b>11,326</b>	<b>11,327</b>	<b>(0.0%)</b>	<b>11,085</b>	<b>2.2%</b>
Premises and Equipment Net	340	343	(0.6%)	327	4.2%
Goodwill	458	458	-	457	0.2%
Intangible Assets	65	69	(4.8%)	71	(7.9%)
Bank-owned Life Insurance	277	279	(0.7%)	273	1.5%
Other Assets	611	615	(0.7%)	539	13.4%
<b>Assets</b>	<b>17,069</b>	<b>16,884</b>	<b>1.1%</b>	<b>17,225</b>	<b>(0.9%)</b>
Noninterest Bearing Deposits	4,304	4,194	2.6%	4,775	(9.9%)
Interest Bearing Deposits	9,969	9,932	0.4%	8,992	10.9%
<b>Deposits</b>	<b>14,273</b>	<b>14,126</b>	<b>1.0%</b>	<b>13,767</b>	<b>3.7%</b>
Borrowings	295	291	1.4%	1,060	(72.1%)
Other Liabilities	412	401	2.6%	408	0.8%
<b>Liabilities</b>	<b>14,980</b>	<b>14,818</b>	<b>1.1%</b>	<b>15,235</b>	<b>(1.7%)</b>
Shareholders' Equity	2,073	2,050	1.1%	1,974	5.0%
Noncontrolling Interest	17	16	1.1%	17	(0.8%)
<b>Equity</b>	<b>2,089</b>	<b>2,066</b>	<b>1.1%</b>	<b>1,990</b>	<b>5.0%</b>
<b>Liabilities and Equities</b>	<b>\$ 17,069</b>	<b>\$ 16,884</b>	<b>1.1%</b>	<b>\$ 17,225</b>	<b>(0.9%)</b>



**\$17.1B**

Total Assets

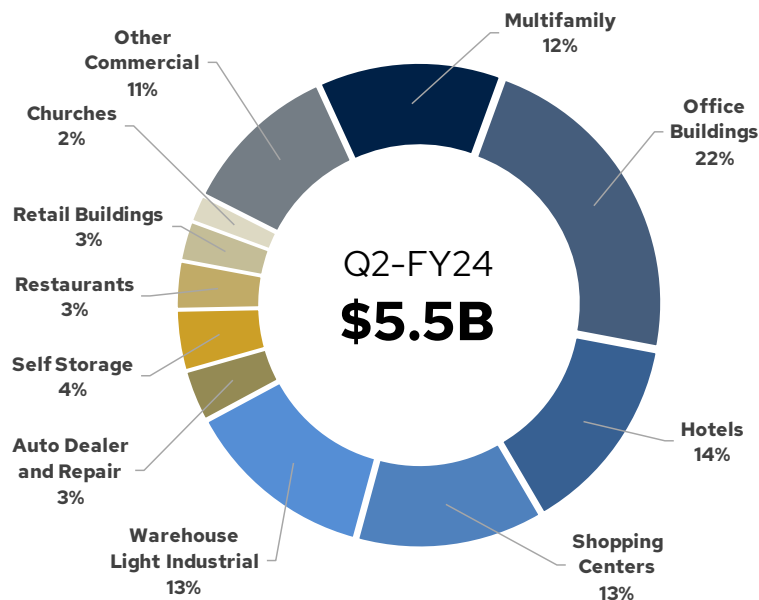
**80.24%**  
Loans / Deposits

**1.10%**  
ACL / Loans

**0.04%**  
Nonperforming Assets /  
Total Assets

**30.15%**  
Noninterest Bearing  
Deposits / Total Deposits

# Commercial Real Estate

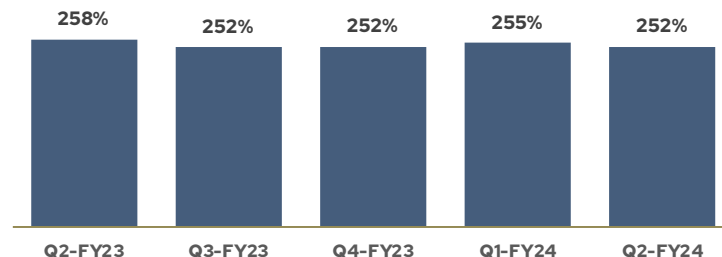


Dollars in millions	Q2-FY24	% Total	Q/Q %	Y/Y %
CRE-Owner Occupied	\$ 1,674	30%	-1.6%	-0.8%
CRE-Non Owner Occupied	3,156	57%	-0.7%	4.0%
Multifamily	683	13%	14.7%	31.1%
<b>Commercial Real Estate</b>	<b>\$ 5,512</b>	<b>100%</b>	<b>0.7%</b>	<b>5.1%</b>

## Owner and Non-Owner Occupied

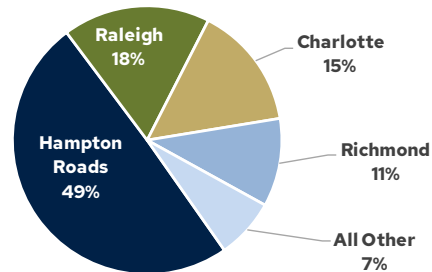
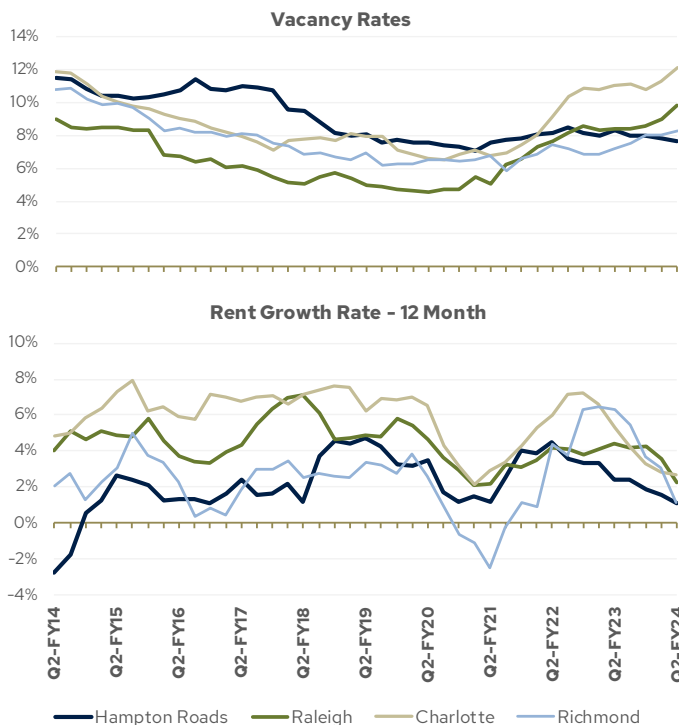
Dollars in millions	Owner	Non-owner	Total
Office Buildings	\$ 449	\$ 787	\$ 1,236
Hotels	-	749	749
Shopping Centers	-	697	697
Warehouse Light Industrial	361	352	713
Auto Dealer and Repair	160	30	191
Self Storage	-	226	226
Restaurants	128	51	179
Retail Buildings	73	75	148
Churches	99	2	101
Other Commercial	403	187	590
<b>Total</b>	<b>\$ 1,674</b>	<b>\$ 3,156</b>	<b>\$ 4,830</b>

## CRE / Total Risk Based Capital



# CRE – Office Buildings

## Market Trends<sup>1</sup>



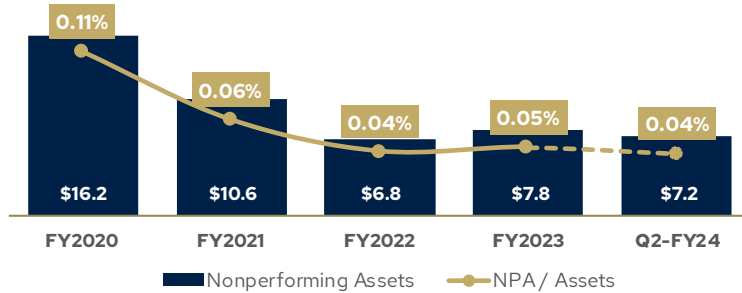
## Market Comments

- Hampton Roads vacancy rates remain near 10-year lows at 7.6%, asking rent growth of 1.1% as office owners focus on retaining tenants rather than increasing rents, fully recovered all jobs lost at the start of the pandemic, minimal supply-side impacts due to limited office development, greater affordability than national benchmarks or nearby regional markets and the economy is stable due to defense spending, tourism, and the Port.
- Richmond vacancy rates have stabilized in the mid-8% range and remain near long-term averages. Rents continue to grow minimally but are forecasted to remain near the market's 3-year annual average as office owners pass along their increased operating expenses. Jobs lost at the beginning of the pandemic have been fully recovered and the economy continues to improve. Asking rents and an educated workforce leave Richmond as an attractive alternative along this section of the East Coast from Charlotte to Baltimore.
- While vacancy rates have generally increased throughout most of our North Carolina footprint since 2019, they continue to benefit from full jobs recovery, strong population growth and an educated workforce, particularly in office-using sectors. Annual rent growth in the 2.0-3.0% range remains well above the 1.0% national growth rate. Raleigh and the Research Triangle are among the fastest growing metros in the US.

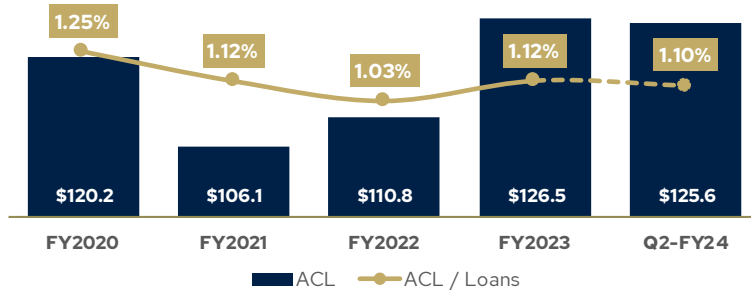
(1) Source: CoStar<sup>®</sup>, data collected 7/22/2024

# Asset Quality

## Nonperforming Assets<sup>1</sup> [Dollars in millions]

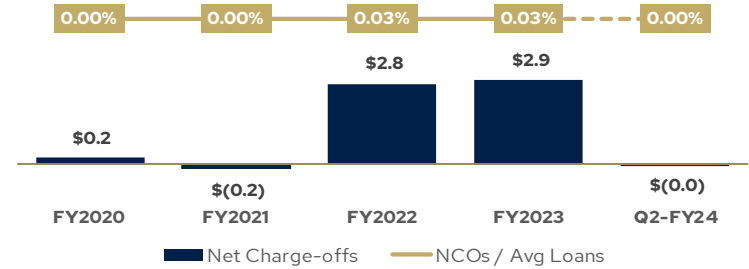


## Allowance for Credit Losses [Dollars in millions]

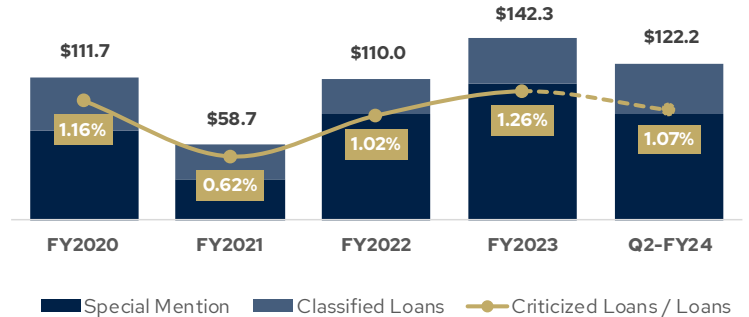


(1) Non-performing assets (Non-accrual loans/leases, repossessed assets, and real estate owned) as a percent of assets

## Net Charge-offs [Dollars in millions]



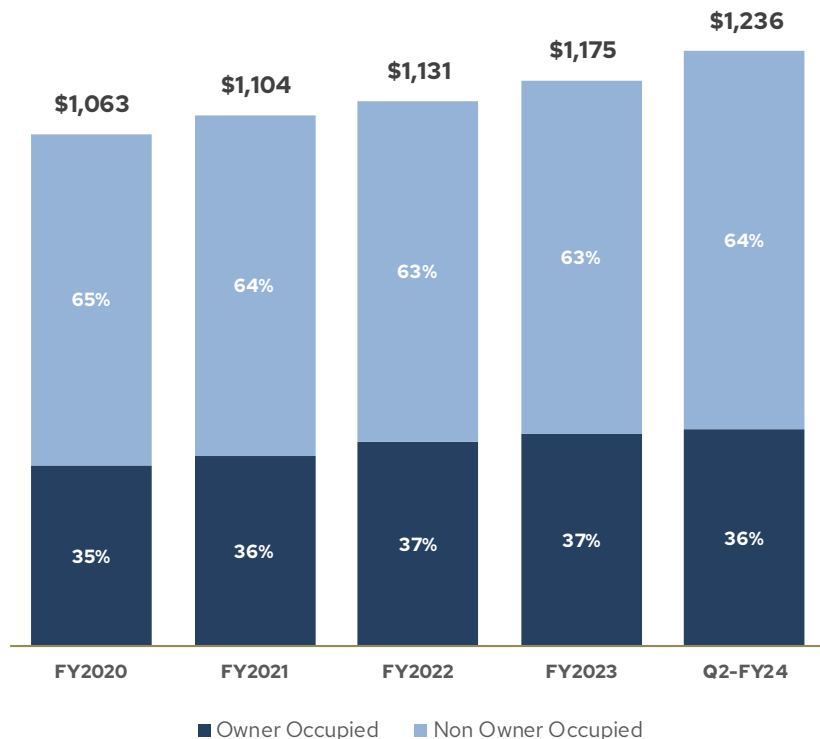
## Criticized Loans [Dollars in millions]





# Asset Quality – Office Buildings

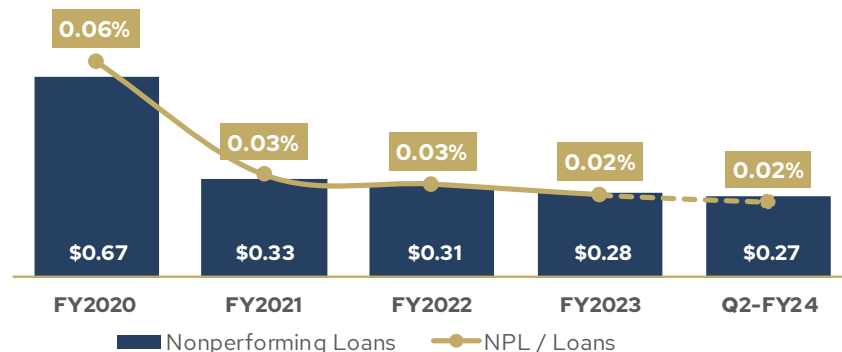
Office Buildings Portfolio [Dollars in millions]



Portfolio Statistics [Dollars in millions]

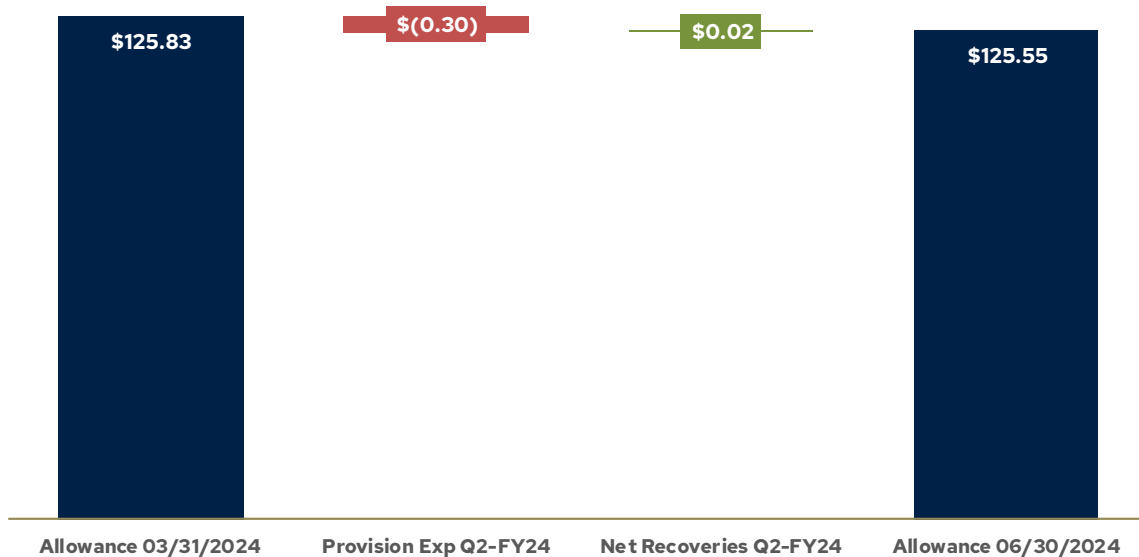
	FY2020	FY2021	FY2022	FY2023	Q2-FY24
30-89 Delinquencies	\$ 0.86	\$ 0.11	\$ 0.70	\$ -	\$ 0.19
30-89 Delinquencies %	0.08%	0.01%	0.06%	0.00%	0.02%
90+ Delinquencies	\$ -	\$ -	\$ -	\$ -	\$ -
90+ Delinquencies %	0.00%	0.00%	0.00%	0.00%	0.00%
Net Charge-offs	\$ 0.02	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.03)
Net Charge-offs %	0.00%	0.00%	0.00%	0.00%	0.00%

Nonperforming Loans [Dollars in millions]



# Current Expected Credit Loss (CECL)

Allowance for Credit Losses [Dollars in millions]



ACL / Loans



## MACROECONOMIC FORECAST

Weighted Moody's economic sectors

## 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

# Liquidity

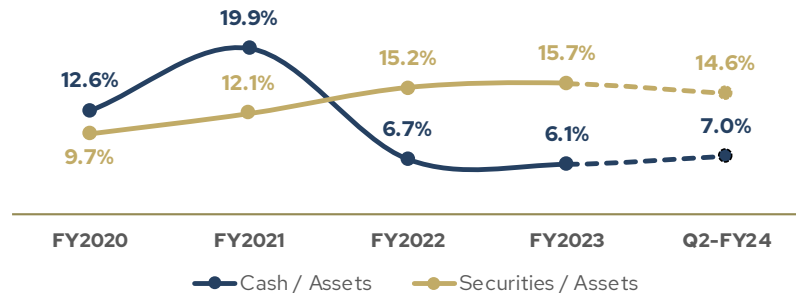
## Liquidity Sources [Dollars in millions]

Q2-FY24	
<b>Available Liquid Funds:</b>	
Cash and cash equivalents	\$ 1,301
Unencumbered investment securities	1,576
<b>Availability of Borrowings:</b>	
Amount available from FHLB with loan collateral	1,725
Amount available from unsecured lines of credit with correspondent banks	150
Amount available from Federal Reserve discount window	1,718
<b>Total Liquidity Sources</b>	<b>\$ 6,471</b>

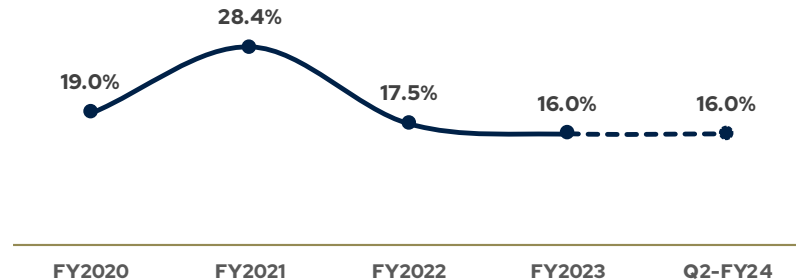
## Uninsured Deposits [Dollars in millions]

Q2-FY24	
TowneBank Estimated Uninsured Deposits	\$ 6,840
Less Collateralized Deposits	675
<b>Adjusted Uninsured Deposits</b>	<b>6,166</b>
TowneBank Total Deposits	14,273
Adjusted Uninsured Deposits / Total Deposits	43%
<b>Total Liquidity Sources / Adjusted Uninsured Deposits</b>	<b>105%</b>

## Cash and Securities



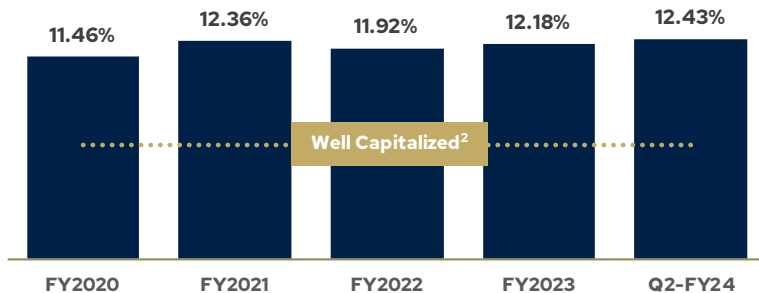
## Liquidity Buffer<sup>1</sup>



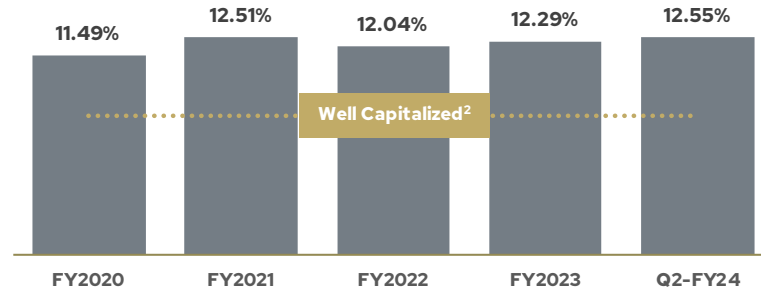
(1) Primary liquidity / total assets; primary liquidity is sum of cash & cash equivalents (excl. deferred comp and escrow at other banks) plus unencumbered investment securities

# Capital

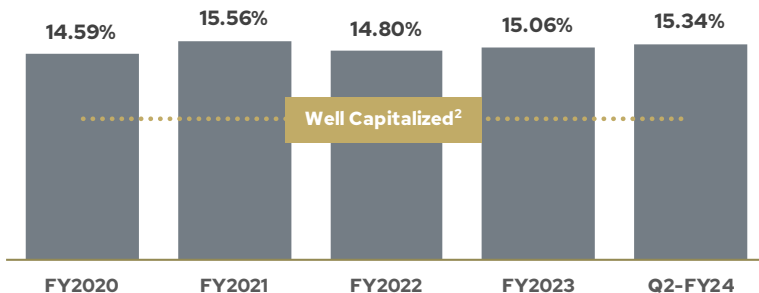
## Common Equity Tier 1<sup>1</sup>



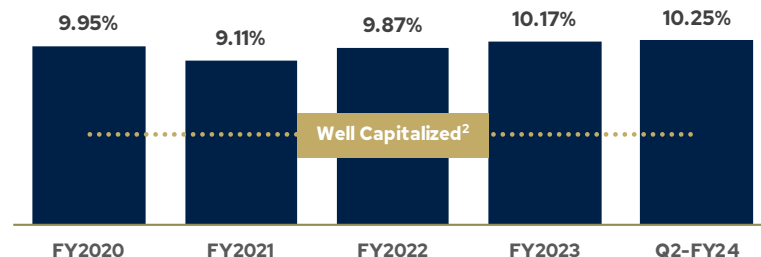
## Tier 1 Risk-Based<sup>1</sup>



## Total Risk-Based<sup>1</sup>



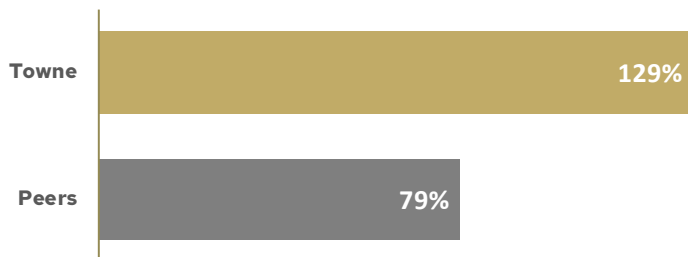
## Tier 1 Leverage<sup>1</sup>



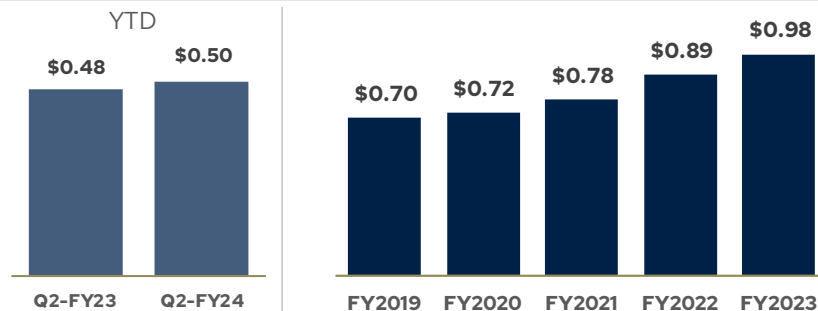
(1) Current reporting period regulatory capital ratios are preliminary  
(2) FDIC "Well Capitalized" under prompt corrective action rules

# Shareholder Value

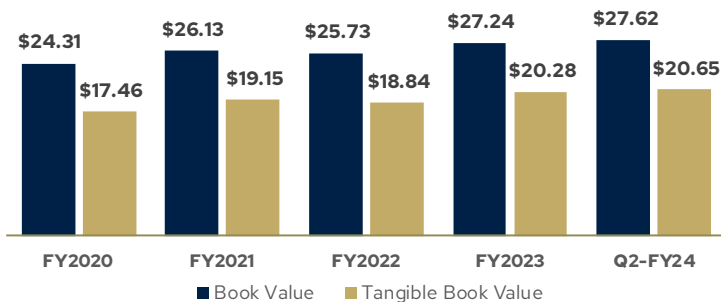
## 10Yr Total Shareholder Return - TowneBank vs Peers<sup>(1)</sup>



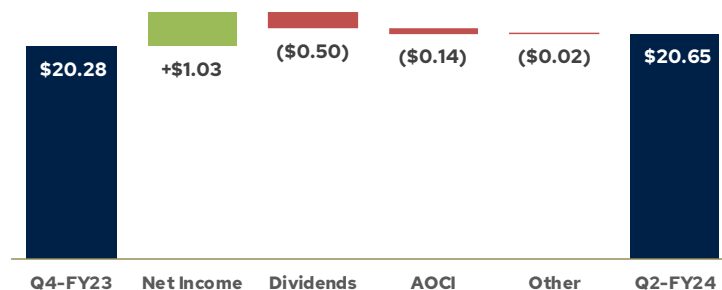
## Dividends



## Book Value and Tangible Book Value per Share

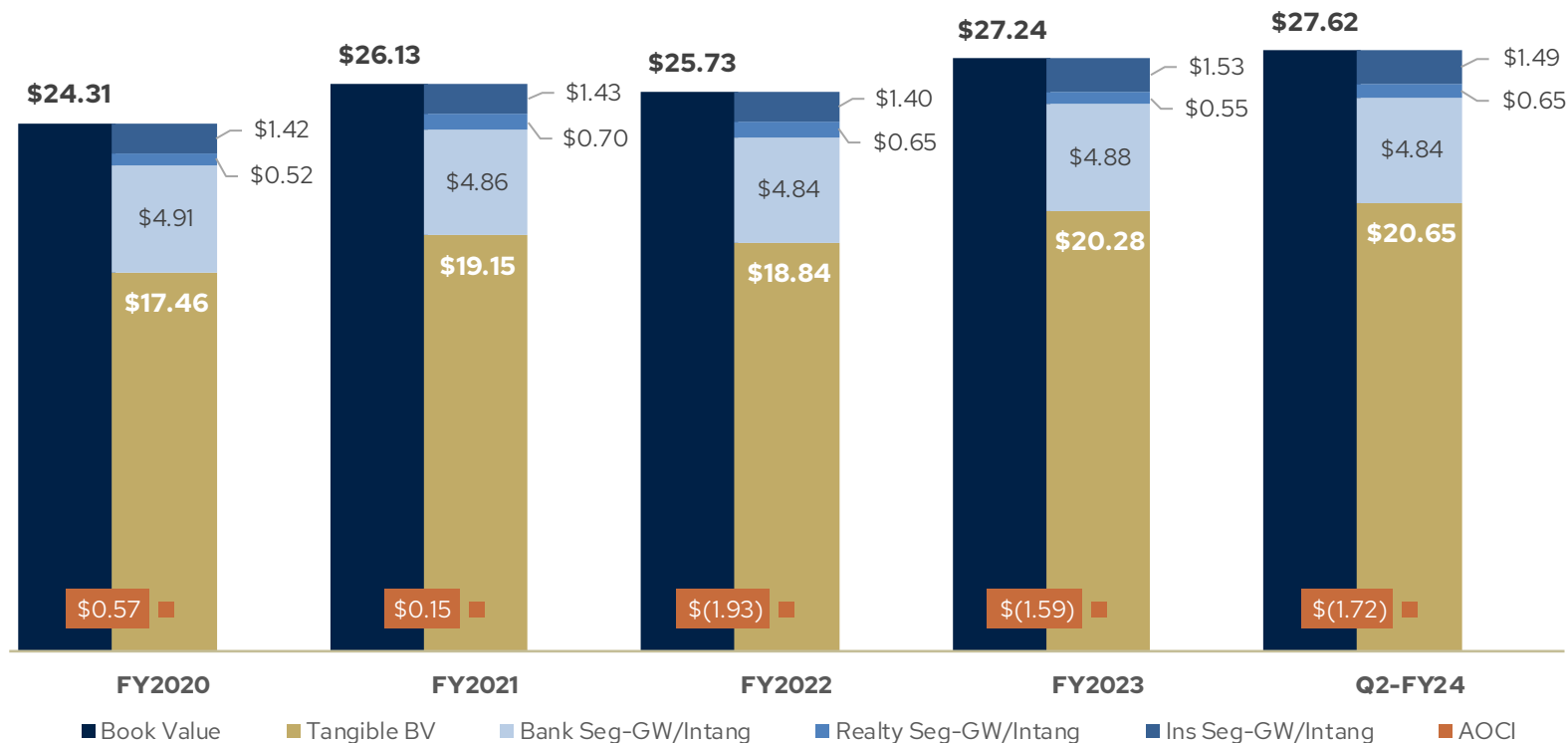


## Tangible Book Value Roll Forward



(1) 10Yr Total Return as of 6/30/2024; Source: S&P Global, data collected 7/16/2024. Peer group median - peers as disclosed in the most recent TOWN proxy statement

# Book Value and Tangible Book Value



# Outlook Summary

## Loans and Asset Quality

- Targeting annualized loan and deposit growth in the low to mid-single digits
- Relative stable reserve levels for the short-term based on loan growth, credit quality and economic forecasts

## Profitability

- Net interest income expected to range between \$112-\$118 million for Q3 2024<sup>(1)(2)</sup>
- Net interest income expected to range between \$455-\$465 million for FY2024<sup>(1)(2)</sup>
- Noninterest expense run rate projected at \$245-255 million for remainder of FY2024

## Strategic

- Strong capital and liquidity levels to support continued growth
- Diversified business model with proven ability to capitalize during disruptive economic environments
- Valuable deposit franchise
- Opportunistic M&A across all lines of business

<sup>(1)</sup>Tax equivalent

<sup>(2)</sup>Assumes one rate cut in 2024







# Non-GAAP Reconciliations

# Non-GAAP Reconciliations

## Core Net Income and Related Metrics

Amounts in millions except per share data	QTD			Year			
	Q2-FY24	Q1-FY24	Q2-FY23	FY2023	FY2022	FY2021	FY2020
Net Income Attributable to TowneBank	\$ 42.86	\$ 34.69	\$ 41.72	\$ 153.72	\$ 188.99	\$ 215.38	\$ 145.53
<u>Adjustments</u>							
Plus: Acquisition Related Expenses	0.02	0.59	3.00	9.59	1.06	1.02	(0.07)
Plus: Initial Provision for Credit Losses	-	-	-	4.01	-	-	-
Plus: FDIC Special Assessment	(0.31)	1.29	-	5.17	-	-	-
Less: Gain (Loss) on Equity Investment <sup>1</sup>	-	-	6.98	7.52	-	-	-
Plus: Income Tax & Other Adjustments	(0.00)	(0.30)	0.92	(4.02)	(0.04)	(0.20)	0.00
<b>Core Net Income</b>	<b>\$ 42.56</b>	<b>\$ 36.27</b>	<b>\$ 38.66</b>	<b>\$ 160.94</b>	<b>\$ 190.01</b>	<b>\$ 216.20</b>	<b>\$ 145.47</b>
Avg Assets	\$ 16,982.48	\$ 16,864.23	\$ 16,826.97	\$ 16,656.69	\$ 16,268.01	\$ 15,384.66	\$ 14,172.21
Return on Avg Assets	1.01%	0.83%	0.99%	0.92%	1.16%	1.40%	1.03%
<b>Core Return on Avg Assets</b>	<b>1.01%</b>	<b>0.87%</b>	<b>0.92%</b>	<b>0.97%</b>	<b>1.17%</b>	<b>1.41%</b>	<b>1.03%</b>
Avg Common Shares Outstanding-Diluted	75.04	74.98	74.70	74.66	72.58	72.56	72.35
Earnings Per Share-Diluted	\$ 0.57	\$ 0.46	\$ 0.56	\$ 2.06	\$ 2.60	\$ 2.97	\$ 2.01
<b>Core Earnings Per Share-Diluted</b>	<b>\$ 0.57</b>	<b>\$ 0.48</b>	<b>\$ 0.52</b>	<b>\$ 2.16</b>	<b>\$ 2.62</b>	<b>\$ 2.98</b>	<b>\$ 2.01</b>
Avg Tangible Common Equity	\$ 1,504.03	\$ 1,501.49	\$ 1,432.51	\$ 1,433.66	\$ 1,357.33	\$ 1,338.57	\$ 1,211.93
Intangible Amort Net of Tax	2.61	2.56	2.85	11.18	8.39	8.79	9.08
Return on Avg Tangible Common Equity	12.16%	9.98%	12.48%	11.50%	14.54%	16.75%	12.76%
<b>Core Return on Avg Tangible Common Equity</b>	<b>12.08%</b>	<b>10.40%</b>	<b>11.62%</b>	<b>12.01%</b>	<b>14.62%</b>	<b>16.81%</b>	<b>12.75%</b>

(1) Gain on sale of Beneflex in Q3-23 and BHHS Towne Realty (79% ownership stake) in Q2-23

# Non-GAAP Reconciliations

## Core Efficiency Ratio – TowneBank Consolidated

Amounts in millions	YTD	Year			
	Q2-FY24	FY2023	FY2022	FY2021	FY2020
Total Revenue	\$ 174.97	\$ 694.12	\$ 686.93	\$ 680.33	\$ 664.33
Less: Gain (Loss) on Securities Investments	-	-	-	1.25	9.63
Less: Gain (Loss) on Equity Investments	-	9.38	-	(0.03)	17.63
<b>Total Revenue Adjusted</b>	<b>174.97</b>	<b>684.75</b>	<b>686.93</b>	<b>679.11</b>	<b>637.08</b>
Noninterest Expense	\$ 123.98	\$ 489.22	\$ 441.28	\$ 417.27	\$ 395.83
Less: Intangible Amortization	3.30	14.15	10.62	11.13	11.50
<b>Noninterest Expense Adjusted</b>	<b>120.69</b>	<b>475.07</b>	<b>430.66</b>	<b>406.15</b>	<b>384.33</b>
Efficiency Ratio	68.98%	69.38%	62.69%	59.81%	60.33%
Less: Acquisition Related Expenses	0.02	9.59	1.06	1.02	(0.07)
<b>Core Efficiency Ratio</b>	<b>68.96%</b>	<b>67.98%</b>	<b>62.54%</b>	<b>59.66%</b>	<b>60.34%</b>

## Core Efficiency Ratio – Banking Segment

Amounts in millions	YTD	Year			
	Q2-FY24	FY2023	FY2022	FY2021	FY2020
Total Revenue	\$ 121.24	\$ 499.53	\$ 495.49	\$ 430.21	\$ 411.99
Less: Gain (Loss) on Securities Investments	-	-	-	1.25	9.63
Less: Gain (Loss) on Equity Investments	-	-	-	(0.03)	-
<b>Total Revenue Adjusted</b>	<b>121.24</b>	<b>499.53</b>	<b>495.49</b>	<b>428.99</b>	<b>402.35</b>
Noninterest Expense	\$ 83.13	\$ 326.17	\$ 272.39	\$ 244.01	\$ 243.45
Less: Intangible Amortization	1.12	5.15	3.01	3.55	4.35
<b>Noninterest Expense Adjusted</b>	<b>82.01</b>	<b>321.02</b>	<b>269.39</b>	<b>240.46</b>	<b>239.10</b>
Efficiency Ratio	67.64%	64.26%	54.37%	56.05%	59.42%
Less: Acquisition Related Expenses	0.00	9.08	0.96	-	-
<b>Core Efficiency Ratio</b>	<b>67.64%</b>	<b>62.45%</b>	<b>54.18%</b>	<b>56.05%</b>	<b>59.42%</b>

## Core Efficiency Ratio – Realty Segment

Amounts in millions	YTD	Year			
	Q2-FY24	FY2023	FY2022	FY2021	FY2020
Total Revenue	\$ 58.08	\$ 103.67	\$ 117.11	\$ 184.46	\$ 170.46
Less: Gain (Loss) on Securities Investments	-	-	-	-	-
Less: Gain (Loss) on Equity Investments	-	8.83	-	-	-
<b>Total Revenue Adjusted</b>	<b>58.08</b>	<b>94.84</b>	<b>117.11</b>	<b>184.46</b>	<b>170.46</b>
Noninterest Expense	\$ 47.92	\$ 100.12	\$ 114.65	\$ 121.66	\$ 104.12
Less: Intangible Amortization	1.46	2.90	3.10	2.81	2.63
<b>Noninterest Expense Adjusted</b>	<b>46.46</b>	<b>97.22</b>	<b>111.54</b>	<b>118.85</b>	<b>101.49</b>
Efficiency Ratio	80.00%	102.51%	95.25%	64.43%	59.54%
Less: Acquisition Related Expenses	0.47	0.43	0.05	0.99	0.03
<b>Core Efficiency Ratio</b>	<b>79.20%</b>	<b>102.06%</b>	<b>95.21%</b>	<b>63.89%</b>	<b>59.52%</b>

## Core Efficiency Ratio – Insurance Segment

Amounts in millions	YTD	Year			
	Q2-FY24	FY2023	FY2022	FY2021	FY2020
Total Revenue	\$ 24.81	\$ 90.92	\$ 74.34	\$ 65.66	\$ 81.89
Less: Gain (Loss) on Securities Investments	-	-	-	-	-
Less: Gain (Loss) on Equity Investments	-	0.54	-	-	17.63
<b>Total Revenue Adjusted</b>	<b>24.81</b>	<b>90.38</b>	<b>74.34</b>	<b>65.66</b>	<b>64.26</b>
Noninterest Expense	\$ 16.94	\$ 62.93	\$ 54.24	\$ 51.60	\$ 48.25
Less: Intangible Amortization	1.40	6.10	4.51	4.77	4.51
<b>Noninterest Expense Adjusted</b>	<b>15.54</b>	<b>56.83</b>	<b>49.73</b>	<b>46.83</b>	<b>43.74</b>
Efficiency Ratio	62.63%	62.88%	66.89%	71.32%	68.06%
Less: Acquisition Related Expenses	-	0.09	0.06	0.03	(0.10)
<b>Core Efficiency Ratio</b>	<b>62.63%</b>	<b>62.78%</b>	<b>66.81%</b>	<b>71.28%</b>	<b>68.21%</b>

# Non-GAAP Reconciliations

## Tax Equivalent (TE) Adjustments

Amounts in millions	Q2-FY24	Q1-FY24	Q4-FY23	Q3-FY23	Q2-FY23
Loans TE Adjustment	\$ 0.82	\$ 0.84	\$ 0.84	\$ 0.85	\$ 0.84
Securities TE Adjustment	0.26	0.27	0.35	0.35	0.35
<b>Tax-Equivalent Adjustment</b>	<b>1.09</b>	<b>1.11</b>	<b>1.18</b>	<b>1.20</b>	<b>1.18</b>
<u>Yield &amp; Margin Impacts:</u>					
Loan Yield	5.42%	5.34%	5.19%	5.10%	4.97%
Loan Yield (TE)	5.45%	5.37%	5.22%	5.13%	5.00%
Securities Investment Yield	3.63%	3.07%	3.20%	3.15%	2.83%
Securities Investment Yield (TE)	3.67%	3.12%	3.25%	3.20%	2.89%
Earning Asset Yield	5.11%	4.92%	4.84%	4.77%	4.58%
Earning Asset Yield (TE)	5.14%	4.95%	4.87%	4.80%	4.61%
Net Interest Margin (GAAP)	2.86%	2.72%	2.83%	2.95%	2.98%
Net Interest Margin (TE)	2.89%	2.75%	2.86%	2.98%	3.01%

## Tangible Book Value per Share

Amounts in millions except per share data	Q2-FY24	Q1-FY24	Q4-FY23	Q3-FY23	Q2-FY23
Shareholders' Equity (Common)	\$ 2,072.79	\$ 2,049.53	\$ 2,039.97	\$ 1,967.99	\$ 1,973.84
Goodwill and Intangible Assets	523.08	526.38	520.97	524.18	527.80
Tangible Common Equity	\$ 1,549.71	\$ 1,523.15	\$ 1,519.00	\$ 1,443.81	\$ 1,446.04
Common Shares Outstanding	75.04	74.99	74.89	74.89	74.88
Tangible Book Value per Share	\$ 20.65	\$ 20.31	\$ 20.28	\$ 19.28	\$ 19.31



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