

TowneBank (NASDAQ: TOWN; Portsmouth, VA) has agreed to acquire Franklin Financial Corporation (NASDAQ: FRNK; Glen Allen, VA)

Deal Value: Approximately \$275 million

Sandler O'Neill served as financial advisor to TowneBank in connection with the transaction. This transaction is Sandler O'Neill's 137th bank or thrift transaction nationwide since January 1, 2011, more than any other investment bank during that time period.¹ Since January 1, 2011, Sandler O'Neill has advised on 42 bank or thrift transactions in the Southeast, more than any other investment bank during that time period.¹

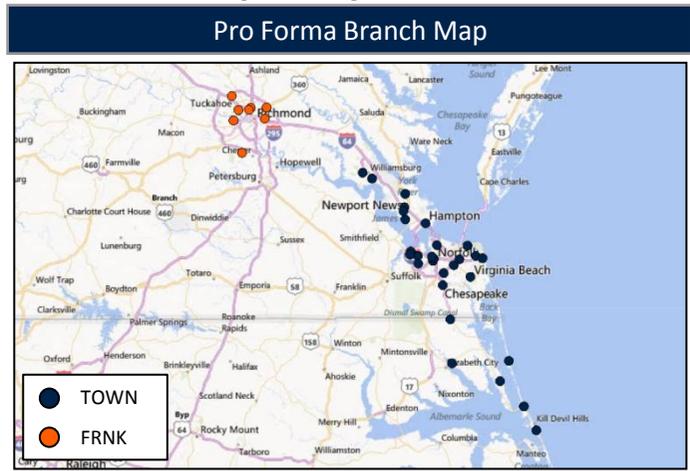
Suffolk & Richmond, Va. July 15, 2014 – Hampton Roads-based TowneBank (NASDAQ: TOWN) and Richmond-based Franklin Financial Corporation (NASDAQ: FRNK) today announced the signing of a definitive merger agreement pursuant to which TowneBank will acquire Franklin.

“Our Towne family is humbled and excited to join hands with a legendary company that has served the greater Richmond community for over 80 years,” said G. Robert Aston, Jr., Chairman and CEO of TowneBank. “Since the founding of Towne in my home garage fifteen years ago, we have built our company around the values of “serving others and enriching lives” while striving to build a great community asset. We consider it a wonderful privilege to expand our business to Richmond and we are grateful to Rick Wheeler and our friends at Franklin for the invitation to join with them.” Richard T. Wheeler, Jr., Chairman, President and CEO of Franklin added, “we are extremely pleased and excited to be joining forces with such a well regarded banking institution. The combination will enable the combined institution to provide a much greater line of products to Franklin Federal’s current customers. We have respected Bob Aston and his team for many years and admired TowneBank’s ability to not only succeed, but to excel. Since its opening in 1999, TowneBank has grown to be the largest community bank and the third largest bank in Hampton Roads, and TowneBank intends to seek similar growth in the Richmond market. Furthermore, we share similar values towards employees, customers, communities and shareholders, so our cultures should blend smoothly.”

Based on financials reported on March 31, 2014, the combined companies would have total assets of \$5.9 billion, deposits of \$4.1 billion and loans of \$3.8 billion. Under the terms of the agreement, common shareholders of Franklin will receive 1.40 shares of TowneBank common stock for each share of Franklin. This implies a deal value per share of \$23.04 or approximately \$275 million based on TowneBank’s closing stock price of \$16.46 on Monday, July 14, 2014.

In consideration of the merger, extensive due diligence was performed over a multi-week period. Under the proposed terms, the transaction is expected to be accretive to TowneBank’s earnings in 2016 and thereafter. Further it is anticipated that the transaction will be immediately accretive to TowneBank’s capital ratios, which already exceed well-capitalized regulatory standards. “In addition to acquiring a great foundation for our entry into the Richmond market, this transaction has the added benefit of effectively being a capital raise due to Franklin’s strong capital base. Accordingly, the transaction will provide capital for additional expansion in Richmond as well as retiring the preferred stock we issued in connection with the Small Business Lending Fund Program,” added Aston.

Financial Highlights		
(Dollars in millions)	TOWN	FRNK
Total Assets	\$4,775	\$1,095
Gross Loans	\$3,327	\$555
Total Deposits	\$3,682	\$671
Total Equity	\$593	\$243
TCE / TA	8.34%	22.20%



¹ Excludes terminated transactions and self-advisory roles
 Note: Financial data as of 3/31/14
 Source: SNL Financial

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