

**TowneBank (NASDAQ: TOWN; Portsmouth, VA) has agreed to acquire Paragon Commercial Corporation (NASDAQ: PBNC; Raleigh, NC)**

**Deal Value: Approximately \$323.7 Million**

Sandler O'Neill served as financial advisor to TowneBank and rendered a fairness opinion in connection with the transaction. This transaction represents Sandler O'Neill's 118<sup>th</sup> bank or thrift transaction nationwide since January 1, 2015, representing \$38 billion in aggregate transaction value. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period.<sup>1</sup>

Since January 1, 2014, Sandler O'Neill has advised on 95% of transactions in North Carolina, South Carolina and Virginia with a deal value greater than \$100 million. These transactions had an aggregate deal value over \$8.8 billion.<sup>1</sup>

**Suffolk, VA And Raleigh, NC, April 26, 2017** -- Hampton Roads-based TowneBank (NASDAQ:TOWN) and Raleigh-based Paragon Commercial Corporation, the parent company of Paragon Commercial Bank ("Paragon") (NASDAQ:PBNC), today announced the signing of a definitive merger agreement pursuant to which TowneBank will acquire Paragon creating a \$9.7 billion community bank. The acquisition of Paragon will expand Towne's community banking franchise into two of the fastest growing metropolitan areas in the United States, Charlotte and Raleigh, North Carolina adding to Towne's current presence in the Norfolk-Virginia Beach Virginia MSA, the Richmond Virginia MSA and Northeastern North Carolina.

Based on financial data as of March 31, 2017, the combined company would have total assets of \$9.7 billion, total loans of \$7.1 billion and total deposits of \$7.5 billion. On a pro forma basis, TowneBank will possess the second largest deposit market share among community banks operating in the demographically attractive Raleigh, North Carolina MSA. In addition, the pro forma entity will have an established and scalable loan and deposit platform in the Charlotte, North Carolina marketplace.

Under the terms of the merger agreement, common shareholders of Paragon will receive a fixed exchange ratio of 1.7250 shares of TowneBank common stock for each outstanding share of Paragon common stock. This implies a deal value per share of \$59.25 or approximately \$323.7 million based on TowneBank's closing stock price of \$34.35 on April 26, 2017. Pending customary regulatory and shareholder approvals, the merger is scheduled to close in the fourth quarter of 2017.

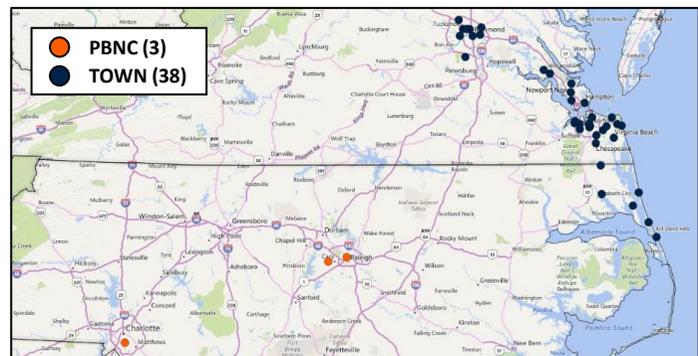
"We are really excited to welcome the extraordinarily talented Paragon team into our Towne family," said G. Robert Aston, Jr., Chairman and CEO of TowneBank. "From our humble beginnings in 1999, both Towne and Paragon have prospered through a caring culture of serving others and enriching lives while continuing to build a great community asset for the communities we serve."

**Financial Highlights**

<i>(Dollars in millions)</i>	<b>TOWN</b>	<b>PBNC</b>
Total Assets	\$8,175	\$1,550
Total Net Loans	\$5,870	\$1,223
Total Deposits	\$6,191	\$1,265
Total Shareholder's Equity	\$1,090	\$140
TCE / TA	10.01%	9.04%

*(1) Excludes terminated transactions and self-advisory roles  
Note: Financial data as of March 31, 2017; Source: Company Earnings Release*

**Pro Forma Branch Map**



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