

**TowneBank (NASDAQ: TOWN; Portsmouth, VA) Closes Offering of \$250.0 Million of Subordinated Notes due 2027**

Sandler O'Neill + Partners, L.P. served as the sole book-running manager for this offering.

The 4.50% coupon is the lowest Kroll rated BBB range 10-year maturity subordinated debt offering, breaking the previous low of 4.75% by 25 basis points. This transaction is also the largest Kroll-only rated transaction run by a single firm.<sup>1</sup>

This transaction is the 118<sup>th</sup> subordinated note or senior note transaction for a community bank since January 1, 2014 in which Sandler O'Neill acted as a placement agent, sole underwriter, book runner, or initial purchaser. Since May 20, 2016, Sandler O'Neill has raised approximately \$3.9 Billion for its clients, capturing a 71.8% market share of announced transactions.<sup>1</sup>

**About the Offering:**

Suffolk, VA, July 17, 2017 – TowneBank (NASDAQ: TOWN) announced today the completion of a public offering and sale of \$250 million in aggregate principal amount of its 4.50% fixed-to-floating rate subordinated notes due 2027 (the "Notes"). The Notes were sold at par, resulting in net proceeds, after discounts and estimated offering expenses, of approximately \$247.1 million. Kroll Bond Rating Agency has assigned a rating of BBB+ to the Notes.

TowneBank expects to use the net proceeds from the offering for general corporate purposes, which may include supporting its growth organically or through strategic acquisitions.

*This announcement is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities.*

**About the Company:**

As one of the top community banks in Virginia and North Carolina, TowneBank operates 37 banking offices serving Chesapeake, Chesterfield County, Glen Allen, Hampton, James City County, Mechanicsville, Newport News, Norfolk, Portsmouth, Richmond, Suffolk, Virginia Beach, Williamsburg, and York County in Virginia, along with Moyock, Grandy, Camden County, Southern Shores, Corolla and Nags Head in North Carolina. Towne also offers a full range of financial services through its controlled divisions and subsidiaries. With total assets of \$8.2 billion as of March 31, 2017, TowneBank is one of the largest banks headquartered in Virginia.

On April 27, 2017, TowneBank announced the signing of a definitive agreement to acquire Paragon Commercial Corporation and its wholly-owned bank subsidiary, Paragon Commercial Bank. Founded in Raleigh, North Carolina in 1999, Paragon Commercial Bank provides banking services in a select number of strategically placed offices in Raleigh, Cary and Charlotte, North Carolina. Pending customary regulatory and shareholder approvals, the merger is scheduled to close in January 2018. Based on financial data as of March 31, 2017, the combined company would have total assets of \$9.7 billion, gross loans of \$7.1 billion and total deposits of \$7.5 billion.

(1) Source: Sandler O'Neill Syndicate Desk, Bloomberg. Deal count includes nationwide subordinated debt and senior note offerings for Community Banks; Community Banks defined as banks or bank holding companies with less than \$25 billion in assets.

(2) Financial data is not pro forma for the subordinated notes offering or for the announced acquisition of Paragon Commercial Corporation.

July 17, 2017

4.500% Fixed-to-Floating Rate  
Subordinated Notes due 2027  
**\$250.0 Million**



**TOWNE BANK**

Sole Book-Running Manager

**SANDLER O'NEILL + PARTNERS**

**Financial Highlights as of March 31, 2017<sup>2</sup>**

*(Dollars in thousands)*

Total Assets	\$8,174,786
Net Loans	6,083,932
Total Deposits	6,190,772
Total Equity	1,101,245
Tang. Common Equity/ Tang. Assets (%)	10.01
LTM ROAA (%)	1.00
LTM ROAE (%)	7.44

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