

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934**

April 27, 2017

Date of Report (Date of earliest event reported)

TOWNE BANK

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation)

35095
(FDIC Insurance Cert. No.)

54-1910608
(IRS Employer Identification
No.)

5716 High Street, Portsmouth, Virginia
(Address of principle executive offices)

23703
(Zip Code)

(757) 638-7500
(Registrant's telephone number, including area code)

No Change
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☒ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

ITEM 8.01 OTHER EVENTS.

On April 27, 2017, TowneBank and Paragon Commercial Corporation (“Paragon”) announced the execution of an Agreement and Plan of Reorganization, dated as of April 26, 2017, by and among TowneBank, TB Acquisition, LLC (“Towne Merger Sub”), a newly formed Virginia limited liability company and wholly owned subsidiary of TowneBank, Paragon and Paragon Commercial Bank, the wholly-owned bank subsidiary of Paragon (the “Merger Agreement”), pursuant to which Paragon will merge with and into Towne Merger Sub and, immediately thereafter, Paragon Commercial Bank will merge with and into TowneBank.

A copy of the press release issued jointly by TowneBank and Paragon announcing the execution of the Merger Agreement is attached hereto as Exhibit 99.1 to this report and is incorporated herein by reference. In addition, TowneBank will be providing supplemental information regarding the proposed transaction in connection with presentations to analysts and investors. The slides to be used in connection with these presentations are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

Additional Information and Where to Find It

The information provided herein does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the merger, Paragon will file with the Securities and Exchange Commission (“SEC”) a preliminary proxy statement. Paragon will deliver a definitive proxy statement/prospectus to its stockholders seeking approval of the merger and related matters. In addition, each of TowneBank and Paragon may file other relevant documents concerning the proposed merger with the Federal Deposit Insurance Corporation (“FDIC”) and SEC.

Paragon stockholders are strongly urged to read the definitive proxy statement/prospectus regarding the proposed merger when it becomes available and other relevant documents filed with the FDIC and SEC, as well as any amendments or supplements to those documents, because they will contain important information about TowneBank, Paragon and the proposed merger. Free copies of the definitive proxy statement/prospectus, as well as other filings containing information about Paragon, may be obtained after their filing at the SEC’s website (<http://www.sec.gov>). In addition, free copies of the definitive proxy statement/prospectus, when available, also may be obtained by directing a request by telephone or mail to Paragon Commercial Corporation, 3535 Glenwood Avenue, Raleigh, North Carolina 27612, Attention: Investor Relations (telephone: (919) 788-7770), or by accessing the Paragon’s website at <https://www.paragonbank.com> under “About Us—Investor Relations.”

Paragon, TowneBank and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Paragon’s stockholders in connection with the proposed merger. Information about the directors and executive officers of Paragon and TowneBank and other persons who may be deemed participants in the solicitation, including their interests in the merger, will be included in the definitive proxy statement/prospectus when it becomes available. Additional information about Paragon’s executive officers and directors can be found in Paragon’s final prospectus filed with the SEC on June 17, 2016. Additional information regarding TowneBank’s executive officers and directors can be found in TowneBank’s definitive proxy statement in connection with its 2017 Annual Meeting of Stockholders filed with the FDIC on April 21, 2017. You may obtain free copies of each document from Paragon as described in the preceding paragraph and from TowneBank by directing a request by telephone or mail to TowneBank, 6001 Harbour View Boulevard, Suffolk, Virginia 23425, Attention: Investor Relations (telephone: (757) 638-6794), or by accessing TowneBank’s website at <https://townebank.com> under “Investor Relations.” The information on TowneBank’s and Paragon’s websites is not, and shall not be deemed to be, a part of this filing or incorporated into other filings either company makes with the FDIC or SEC.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) *Exhibits.*

The following exhibits are filed herewith:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Press release issued jointly by TowneBank and Paragon Commercial Corporation on April 27, 2017.
99.2	Investor Presentation dated April 27, 2017.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TOWNE BANK
(Registrant)

/s/ Clyde E. McFarland, Jr.

Clyde E. McFarland, Jr.
Senior Executive Vice President &
Chief Financial Officer

Date: April 27, 2017

EXHIBIT INDEX

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News Release

For more information contact:

G. Robert Aston, Jr., TowneBank Chairman and CEO, (757) 638-6780

Robert C. Hatley, Paragon Commercial Corporation, CEO, (919) 534-7400

William B. Littreal, TowneBank Chief Investor Relations Officer and CSO, (757) 638-6813

FOR IMMEDIATE RELEASE

TOWNEBANK EXPANDS NORTH CAROLINA PRESENCE THROUGH THE ACQUISITION OF PARAGON COMMERCIAL CORPORATION AND PARAGON COMMERCIAL BANK

Suffolk, VA And Raleigh, NC, April 27, 2017 – (GLOBE NEWSWIRE) -- 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.

Towne plans to operate in the Raleigh, Charlotte, and Cary markets as Paragon Bank, a division of TowneBank. Robert C. Hatley, President and CEO of Paragon, will continue in his current role as the President and CEO of the Paragon Division as well as the President of Towne's North

Carolina operations. Hatley and Paragon Board Chairman, Howard Jung, will join the TowneBank corporate board.

The Paragon Executive Management team consisting of Matthew C. Davis, Executive Vice President and Chief Operating Officer, James F. Fielding, Senior Vice President and Chief Credit Officer, Brian K. Reid, Triangle Market President and Phillip R. Journey, Charlotte Market President, will continue in their current Paragon roles.

“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.”

“We have had great admiration for the TowneBank team for many years and have been impressed by the way they’ve grown their franchise into one of the top community banks in Virginia and North Carolina,” stated Robert C. Hatley, President and CEO of Paragon. “We believe partnering with TowneBank will provide us with a strong foundation and additional capacity to deliver our unique private banking experience business model to businesses, professionals, executives and entrepreneurs in our target markets. We expect this merger will be a truly great outcome for our shareholders and will position us for continued success.”

Extensive due diligence was performed over a multi-week period leading up to the merger. Under the proposed merger terms, and inclusive of estimated expenses associated with crossing \$10 billion in total assets, the acquisition of Paragon is expected to be immediately accretive to TowneBank’s earnings in 2018 and also thereafter. In addition, the transaction is expected to be nominally dilutive, less than 1%, to TowneBank’s tangible book value at closing. TowneBank’s capital ratios are expected to continue to exceed well-capitalized regulatory standards.

An investor presentation outlining the transaction is provided on the TowneBank website at www.townebank.com under “Investor Relations”.

Sandler O’Neill + Partners, LP acted as financial advisor to TowneBank and Williams Mullen acted as its legal advisor in the transaction. Raymond James & Associates, Inc. acted as financial advisor to Paragon and Wyrick Robbins Yates & Ponton LLP acted as its legal advisor.

About TowneBank

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 that include Towne Investment Group, Towne Insurance Agency, Towne Benefits, TowneBank Mortgage, TowneBank Commercial Mortgage, Berkshire Hathaway HomeServices Towne Realty, Towne 1031 Exchange, LLC, and Beach Properties of Hilton Head. Local decision-making is a hallmark

of its hometown banking strategy that is delivered through the leadership of each group's President and Board of Directors. With total assets of \$8.2 billion as of March 31, 2017, TowneBank is one of the largest banks headquartered in Virginia.

About Paragon

Paragon Commercial Corporation is the parent company of Paragon Bank, which provides a private banking experience to businesses, professionals, executives, entrepreneurs and other individuals. Founded in Raleigh, North Carolina in 1999, Paragon Bank provides banking services through highly responsive professionals, an extensive courier service, online and mobile technologies, free worldwide ATM access and a select number of strategically placed offices in Raleigh, Cary and Charlotte, North Carolina.

Additional Information and Where to Find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the merger, Paragon will file with the Securities and Exchange Commission ("SEC") a preliminary proxy statement. Paragon will deliver a definitive proxy statement/prospectus to its stockholders seeking approval of the merger and related matters. In addition, each of TowneBank and Paragon may file other relevant documents concerning the proposed merger with the Federal Deposit Insurance Corporation ("FDIC") and SEC.

Paragon stockholders are strongly urged to read the definitive proxy statement/prospectus regarding the proposed merger when it becomes available and other relevant documents filed with the FDIC and SEC, as well as any amendments or supplements to those documents, because they will contain important information about TowneBank, Paragon and the proposed merger. Free copies of the definitive proxy statement/prospectus, as well as other filings containing information about Paragon, may be obtained after their filing at the SEC's website (<http://www.sec.gov>). In addition, free copies of the definitive proxy statement/prospectus, when available, also may be obtained by directing a request by telephone or mail to Paragon Commercial Corporation, 3535 Glenwood Avenue, Raleigh, North Carolina 27612, Attention: Investor Relations (telephone: (919) 788-7770), or by accessing the Paragon's website at <https://www.paragonbank.com> under "About Us—Investor Relations."

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directing a request by telephone or mail to TowneBank, 6001 Harbour View Boulevard, Suffolk, Virginia 23425, Attention: Investor Relations (telephone: (757) 638-6794), or by accessing TowneBank's website at <https://townebank.com> under "Investor Relations." The information on TowneBank's and Paragon's websites is not, and shall not be deemed to be, a part of this release or incorporated into other filings either company makes with the FDIC or SEC.

Forward-Looking Statements

Statements made in this release, other than those concerning reported historical financial information, may be considered forward-looking statements, which speak only as of the date of this release and are based on current expectations and involve a number of assumptions. These include statements as to the anticipated benefits of the merger, including future financial and operating results, cost savings and enhanced revenues that may be realized from the merger as well as other statements of expectations regarding the merger and any other statements regarding future results or expectations. Each of TowneBank and Paragon intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of these safe harbor provisions. The companies' respective abilities to predict results, or the actual effect of future plans or strategies, is inherently uncertain. Factors which could have a material effect on the operations and future prospects of each of TowneBank and Paragon, and the resulting company, include but are not limited to: the businesses of TowneBank and Paragon may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected timeframe; revenues following the merger may be lower than expected; customer and employee relationships and business operations may be disrupted by the merger; the ability to obtain required regulatory and stockholder approvals, and the ability to complete the merger on the expected timeframe may be more difficult, time-consuming or costly than expected; changes in interest rates, general economic and business conditions; legislative/regulatory changes; the monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve; the quality and composition of the loan and securities portfolios; demand for loan products; deposit flows; competition; demand for financial services in the companies' respective market areas; the companies' respective implementation of new technologies and their ability to develop and maintain secure and reliable electronic systems; changes in the securities markets; and changes in accounting principles, policies and guidelines; and other risk factors detailed from time to time in filings made by TowneBank with the FDIC or Paragon with the SEC. TowneBank and Paragon undertake no obligation to update or clarify these forward-looking statements, whether as a result of new information, future events or otherwise. ###

For more information contact:

G. Robert Aston, Jr., TowneBank Chairman and CEO, (757) 638-6780

Robert C. Hatley, Paragon Commercial Corporation President and CEO, (919) 534-7400

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Source: TowneBank and Paragon Commercial Corporation



Forward-Looking Statements

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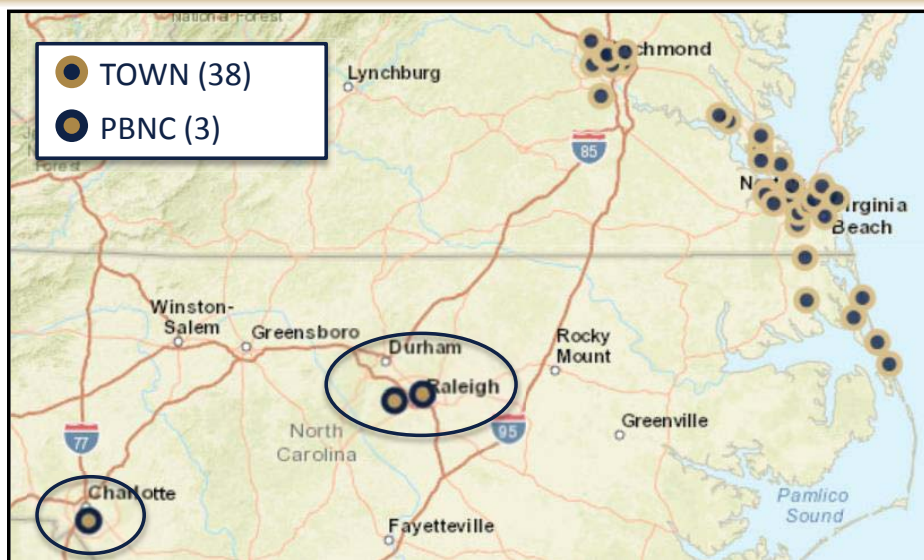
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Compelling Growth Acquisition



Business Model Positioned to Capture Continued Growth



Differentiated Business Model

High-touch private bank customer service model

Strong Organic Loan Growth

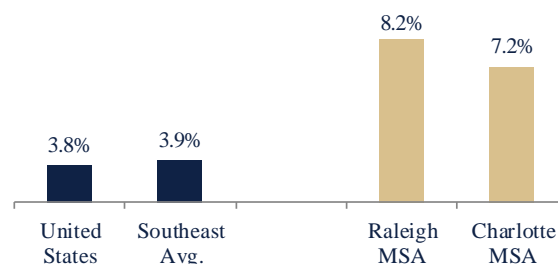
2013 - 2016 Loan CAGR: 13%

Retention of Key Personnel

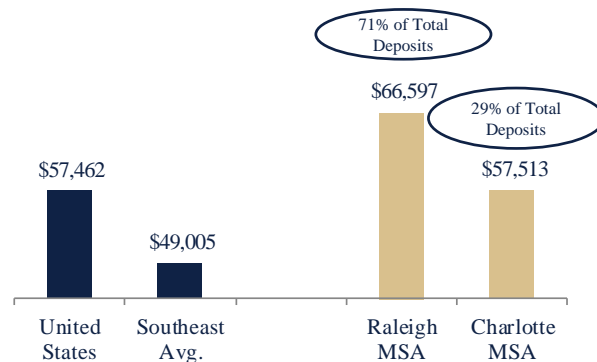
Execution of Employment Contracts with PBNC personnel

Compelling Growth Demographics

2017 – 2021 Population Growth ¹



2017 Median Household Income ¹



¹ Source: SNL Financial. Deposit market data as of 6/30/2016.

Transaction Terms

Transaction:	<ul style="list-style-type: none"> TowneBank (TOWN) to acquire Paragon Commercial Corporation (PBNC)
Fixed Exchange Ratio:	<ul style="list-style-type: none"> 1.7250 shares of TOWN common stock for each share of PBNC common stock; 100% stock
Transaction Value:	<ul style="list-style-type: none"> Implied Price per Share: \$59.25 per share ¹ Aggregate Transaction Value: \$323.7 million ¹
Pricing Multiples:	<ul style="list-style-type: none"> 22.3x of PBNC's LTM EPS ² 231% of PBNC's TBV ²
Pro Forma Ownership:	<ul style="list-style-type: none"> ~87% TOWN / ~13% PBNC
Board Representation:	<ul style="list-style-type: none"> 2 PBNC Directors to be appointed to TOWN's Board of Directors
Management & Leadership Retention:	<ul style="list-style-type: none"> Executed employment contracts with members of PBNC Executive Management, Commercial Lenders, Private Bankers and Client Development Officers
Required Approvals:	<ul style="list-style-type: none"> Customary regulatory approvals and shareholder approval for PBNC
Expected Closing:	<ul style="list-style-type: none"> Q4 2017

¹ Based on TOWN's stock price of \$34.35 as of April 26, 2017.

² As of March 31, 2017.

Transaction Rationale

Compelling Strategic Rationale

- Entrance into the high-growth and demographically attractive Raleigh and Charlotte, North Carolina markets
- Significantly enhances TOWN's existing North Carolina franchise
- Strong history of organic loan and deposit growth
- Provides geographic and portfolio diversification

Attractive Financial Metrics

- Immediately accretive to EPS, with low single-digit EPS accretion thereafter
- Offsets impact of crossing \$10.0 billion in assets estimated at \$4 million in lost annual revenue/costs
- Minimal Tangible book value dilution of less than ~1% and earned back in approximately 2.25 years
- Pro forma CRE concentration largely unchanged
- No revenue synergies modeled but complements in market Mortgage and Insurance operations

Low Risk

- Retention of Paragon Management team, Commercial Lenders, Private Bankers and CDO's
- Continued use of Paragon branding in Raleigh and Charlotte
- Thorough multi-week due diligence process covering all aspects of PBNC's operations
- Comprehensive loan portfolio review, including reviewing ~48% of the portfolio
- Strong asset quality coupled with attractive core deposit funding

Cultural Compatibility

- Efficient branching model – Paragon average branch size of \$368 million ¹
- Similar cultures with emphasis on attracting high quality clients with exceptional client service
- Long-standing relationship between TOWN and PBNC's executive management
- Maintain Paragon brand and local credit decision process

¹ Source: SNL Financial. Deposit market share information as of 6/30/2016.

Paragon's Business Model and Historical Organic Growth

PBNC at a Glance

- Founded in 1999 as North Carolina's first business-only bank, adding private banking in 2009
- Headquartered in Raleigh, NC with banking offices in Raleigh, Charlotte and Cary, NC
- All in-market and organic loan and deposit growth

Private Bank Model

- High-touch client service level of a private bank
- Expertise and sophistication of a big bank with community bank responsiveness and service

Targeted Client Base

- Focused on clients with significant banking needs who value an extraordinary client experience
- Client mix includes mature businesses, professional firms, non-profits and affluent customers

Focused Sales Culture

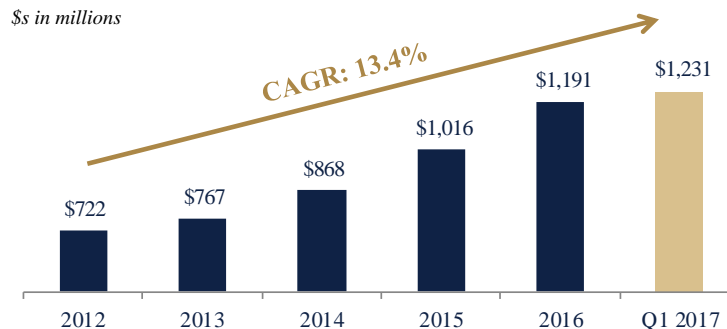
- Experienced bankers with deep local market ties
- Relationship focused bankers – 25 years of experience in banking
- Internal referral culture enhances teamwork & benefits clients

\$s in millions

PBNC	
Total Assets	\$ 1,550
Market Cap.	\$ 279

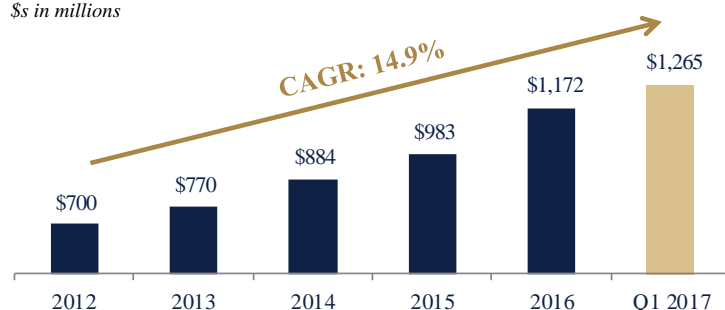
Total Gross Loans

\$s in millions



Total Deposits

\$s in millions



¹ PBNC total assets as of March 31, 2017.

² PBNC market capitalization as of April 26, 2017.

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Attractive Deposit Market Share and Positioning

- PBNC possesses an established deposit platform in each of its primary markets
 - **#2 deposit market share** of community banks operating in Raleigh, NC MSA
 - **Scalable #5 deposit market share** of community banks operating in Charlotte, NC MSA

Raleigh, NC MSA

2016 Rank	2016 Comm. Bank Rank ¹	Institution (ST)	2016 Number of Branches	2016 Total Deposits in Market (\$ millions)	Deposits per Branch (\$ millions)	2016 Total Market Share (%)
1	--	Wells Fargo & Co.	45	7,283	161.9	26.40
2	--	BB&T Corp.	38	3,901	102.7	14.14
3	--	Bank of America Corp.	22	3,202	145.5	11.60
4	--	First Citizens BancShares Inc.	33	3,140	95.2	11.38
5	--	PNC Financial Services Group	21	2,347	111.8	8.51
6	--	F.N.B. Corp.	12	1,516	126.3	5.49
7	1	Capital Bank Finl Corp	12	1,041	86.7	3.77
8	--	SunTrust Banks Inc.	27	1,038	38.4	3.76
9	2	TOWN / PBNC Pro Forma	2	781	390.5	2.83
10	3	North State Bancorp	6	625	104.2	2.27
Total For Institutions In Market			302	27,589	91.4	

- Supported by the Research Triangle Park, one of the most prominent high-tech research development centers in the U.S.
- Home to over 200 companies that employ over 50,000
- Supported by three major research universities: Duke, NC State and UNC
- #1 Projected population growth in southeast

Charlotte, NC MSA

2016 Rank	2016 Comm. Bank Rank ¹	Institution (ST)	2016 Number of Branches	2016 Total Deposits in Market (\$ millions)	Deposits per Branch (\$ millions)	2016 Total Market Share (%)
1	--	Bank of America Corp.	60	149,574	2,493	74.47
2	--	Wells Fargo & Co.	91	30,560	336	15.22
3	--	BB&T Corp.	70	5,952	85	2.96
4	--	Fifth Third Bancorp	39	2,329	60	1.16
5	--	First Citizens BancShares Inc.	46	2,296	50	1.14
6	--	SunTrust Banks Inc.	33	1,471	45	0.73
7	1	Park Sterling Corporation	19	947	50	0.47
8	--	F.N.B. Corp.	16	838	52	0.42
9	2	Capital Bank Finl Corp	16	674	42	0.34
10	--	Pinnacle Financial Partners	8	632	79	0.31
11	--	PNC Financial Services Group	17	605	36	0.30
12	3	South State Corporation	8	568	71	0.28
13	4	F & M Financial Corp.	11	499	45	0.25
14	5	TOWN / PBNC Pro Forma	1	323	323	0.16
15	6	First FSB of Lincolnton	4	308	77	0.15
Total For Institutions In Market			536	200,848		

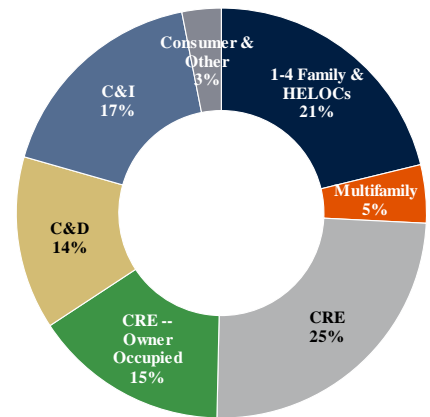
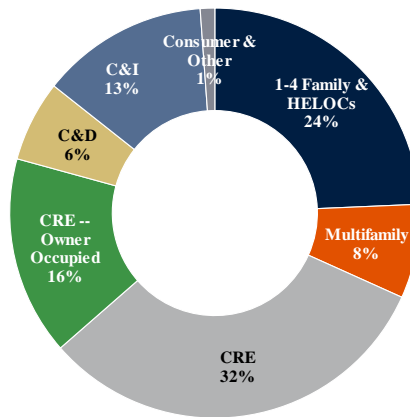
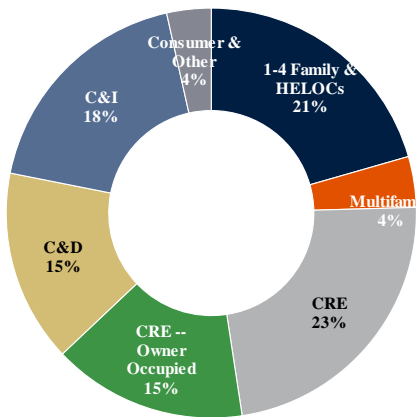
- Largest metropolitan area in the Carolinas and home to over 2.4 million people
- 7 Fortune 500 companies
- #1 Best city for high-pay and low expenses
- #2 Fastest growing big city in the United States

¹ Community bank is defined as less than \$15 billion in total consolidated assets and as adjusted for announced mergers. Source: SNL Financial. Deposit market share information as of 6/30/2016.

Pro Forma Loan Composition

(Dollar values in thousands)

TowneBank			Paragon Commercial Corporation			Pro Forma Company		
Loan Type	Balance	% Total	Loan Type	Balance	% Total	Loan Type	Balance	% Total
1-4 Family & HELOCs	\$1,215,278	20.6%	1-4 Family & HELOCs	\$299,301	24.3%	1-4 Family & HELOCs	\$1,514,579	21.2%
Multifamily	\$236,782	4.0%	Multifamily	\$91,368	7.4%	Multifamily	328,150	4.6%
CRE	\$1,362,184	23.0%	CRE	\$391,795	31.8%	CRE	1,753,979	24.6%
CRE -- Owner Occupied	\$907,049	15.3%	CRE -- Owner Occupied	\$193,291	15.7%	CRE -- Owner Occupied	1,100,340	15.4%
C&D	\$898,540	15.2%	C&D	\$78,552	6.4%	C&D	977,092	13.7%
C&I	\$1,086,273	18.4%	C&I	\$162,580	13.2%	C&I	1,248,853	17.5%
Consumer & Other	\$206,974	3.5%	Consumer & Other	\$14,066	1.1%	Consumer & Other	221,040	3.1%
Total	\$5,913,080	100.0%	Total	\$1,230,953	100.0%	Total	\$7,144,033	100.0%



Loan composition information as of March 31, 2017.

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Transaction Assumptions and Pro Forma Financial Impact

Assumptions

- Gross credit mark of \$26.8 million or 2.2%
 - Comprehensive credit review performed by TOWN
 - Reviewed 375 loan files representing approximately 48% of total loan exposure
 - Reviewed 100% of classified grades
- Cost savings of ~19% of PBNC's non-interest expense base
- One-time merger related expenses of ~\$22 million (pre-tax)
- Includes estimated financial impact associated with crossing \$10 billion in total assets
- Redemption of PBNC outstanding TruPs post-closing
- No revenue synergies assumed
- Projected close Q4 2017

Pro Forma Financial Impact

- Low single-digit EPS accretion
- Nominal tangible book value dilution of less than 1.0%
- Estimated tangible book value earnback
 - ~2.25 years using cross-over method ¹
 - ~1.8 years using simple method ²

Pro Forma Capital Impact

- TOWN's capital ratios will continue to exceed well-capitalized regulatory standards
- Pro forma Tangible Common Equity / Tangible Assets ~9.7%
- Pro forma CRE levels largely unchanged

¹ Calculated as the time at which TOWN pro forma tangible book value per share equals TOWN's estimated stand-alone tangible book value.

² Simple TBV Earn-back Calculation is computed as the tangible book value dilution at closing divided by first full year of PF (2019) estimated EPS accretion

Crossing \$10 Billion in Total Assets

- This transaction accelerates TOWN's growth to over \$10 billion in total assets at the time of closing or Q4 2017

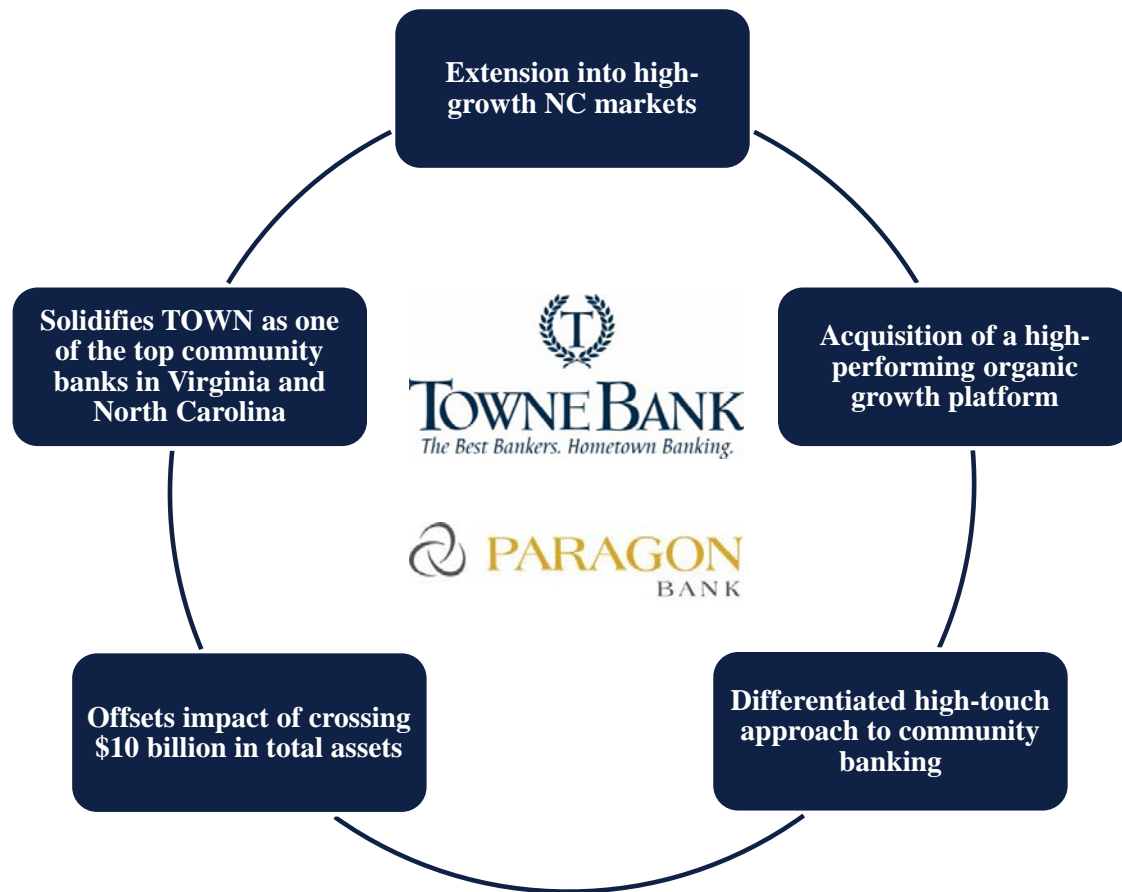
\$s in millions

TOWN Total Assets as of 3/31/17	PBNC Total Assets as of 3/31/17	TOWN PF Total Assets as of 3/31/17	TOWN PF Total Assets Estimated as of Closing or Q4 2017
\$8,175	\$1,550	\$9,725	\$10,505

- Estimated financial impact of crossing \$10 billion in total assets (included in pro forma financial impact):

<i>\$s in millions</i>	Estimated Financial Impact 2018E	Estimated Financial Impact 2019E & Thereafter
Pre-Tax	(\$3.0)	(\$4.0)
After-Tax	(\$2.0)	(\$2.6)
Per Share Impact	(\$0.03)	(\$0.04)

Transaction Summary



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