TowneBank (TOWN)

Updated August 12th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$37	**5 Year CAGR Estimate:**	9.4%	**Market Cap:**	$3.4 B
Fair Value Price:	$40	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date[1]:**	9/28/26
% Fair Value:	91%	**5 Year Valuation Multiple Estimate:**	1.8%	**Dividend Payment Date:**	10/9/26
Dividend Yield:	3.0%	**5 Year Price Target**	$52	**Years Of Dividend Growth:**	15
Dividend Risk Score:	C	**Sector:** Financials		**Rating:**	Hold

Overview & Current Events

TowneBank is a financial services company that was founded in 1999 and is headquartered in Portsmouth, Virginia. It started with three offices in 1999 and now operates more than 70 banking offices throughout Hampton Roads and Central Virginia, as well as Northeastern and Central North Carolina. The bank provides retail and commercial banking services to individuals and corporations. It has the #1 market share in deposits in Hampton Roads and has a market capitalization of $3.4 billion. The bank operates through three segments: Banking, Realty and Insurance.

On January 12th, 2026, TowneBank completed the acquisition of Raleigh-based Dogwood State Bank in an all-stock deal valued ~$476 million at the time of the deal. As per the terms of the deal, the shareholders of Dogwood received 0.7 shares for each share of Dogwood they owned. Thanks to this acquisition, TowneBank grew its assets by approximately 22%, from $18 billion to $22 billion. TowneBank expects the acquisition to enhance earnings-per-share by approximately 8% in 2027.

In late July, TowneBank reported (7/22/26) financial results for the second quarter of fiscal 2026. Loans dipped -1% but deposits grew 1% over the previous quarter. Net interest margin expanded from 3.58% to 3.68% thanks to lower deposit costs and net interest income grew 7%. As a result, earnings-per-share grew 5%, from $0.74 to $0.78, though they missed the analysts' consensus by $0.01. The bank has exceeded the analysts' estimates in 6 of the last 9 quarters. Net interest margin may improve even further in the upcoming quarters thanks to the interest rate cuts implemented by the Fed late last year, though the central bank has paused its interest rate cutting cycle lately, primarily due to the ongoing crisis in Iran, which may give rise to inflation. The bank continues to see significant loan and deposit growth opportunities in its markets. We still expect all-time high earnings-per-share of $3.40 this year, mostly thanks to the takeover of Dogwood State Bank.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.18	$1.41	$1.88	$1.92	$2.01	$2.97	$2.60	$2.06	$2.18	$3.02	***$3.40***	***$4.34***
DPS	$0.51	$0.55	$0.62	$0.70	$0.72	$0.78	$0.89	$0.98	$1.00	$1.06	***$1.12***	***$1.34***
Shares[2]	57.0	62.4	71.3	72.2	72.3	72.6	72.6	74.8	75.3	79.1	***93.0***	***100.0***

TowneBank has consistently grown its earnings-per-share over the last decade thanks to its disciplined expansion. The bank has grown its earnings-per-share by 11.0% per year on average over the last decade and by 8.5% per year on average over the last five years. Just like nearly all regional banks, TowneBank proved vulnerable to the headwind from high interest rates in recent years. However, the Fed has begun cutting interest rates and intends to cut them further in the upcoming years if inflation subsides. As a result, TowneBank may experience an expansion of its net interest margin. In addition, the aforementioned acquisition of Dogwood State Bank is likely to prove a significant growth driver. Thanks to these growth drivers and the solid performance record of the bank, we expect 5.0% average annual growth of earnings-per-share over the next five years.

[1] Estimated date.

[2] In millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	19.4	22.7	16.1	14.1	10.1	10.2	11.5	12.6	13.9	11.4	***10.9***	***11.9***
Avg. Yld.	2.2%	1.7%	2.1%	2.6%	3.5%	2.6%	3.0%	3.8%	3.3%	3.1%	***3.0%***	***2.6%***

TowneBank has traded at an average price-to-earnings ratio of 11.9 over the last five years. We assume this valuation level as fair for this stock. TowneBank is currently trading at a price-to-earnings ratio of 10.9. If it trades at its fair valuation level in five years, it will enjoy a 1.8% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	43%	39%	33%	36%	36%	26%	34%	48%	46%	35%	***33%***	***31%***

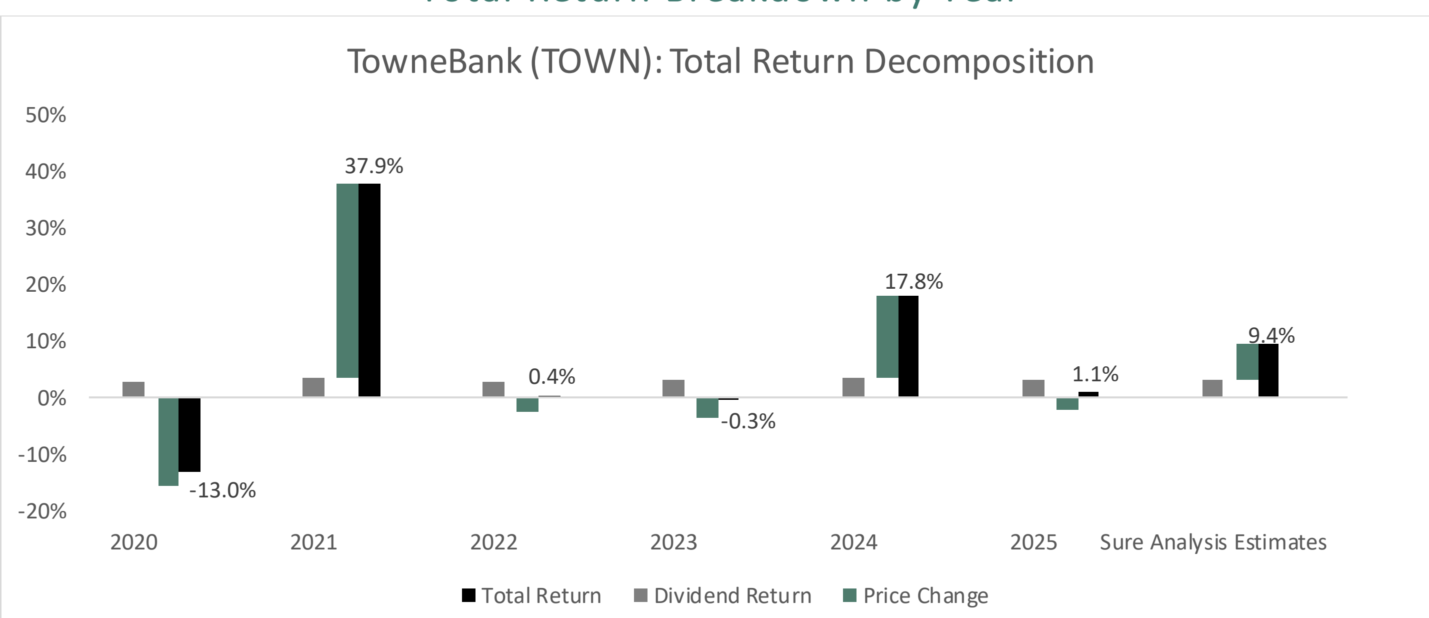
TowneBank just raised its dividend by 4% and thus it has raised its dividend for 15 years in a row. It is offering a dividend yield of 3.0%, which is slightly higher than the 2.7% median yield of the financial sector. The payout ratio is standing at 33% and hence the dividend seems to have a margin of safety, given also the recovery in earnings expected in the upcoming years.

TowneBank has a healthy tier 1 capital ratio of 12.2% while its net loan charge-offs have remained below 0.15% and its non-performing loans have remained below 0.21% in each of the last 14 quarters. In addition, the bank proved resilient to the pandemic, as it posted record earnings-per-share in 2020 and 2021. However, TowneBank proved vulnerable to the downturn caused by the surge of interest rates in 2022-2023, with a -31% decrease in earnings-per-share in 2023 vs. 2021. Overall, TowneBank is offering a dividend with a wide margin of safety but it is not immune to unexpected downturns.

Final Thoughts & Recommendation

TowneBank has begun to recover from the downturn caused by the high interest rates that prevailed in recent years. The stock could offer a 9.4% average annual return over the next five years thanks to 5.0% growth of earnings-per-share, its 3.0% dividend and a 1.8% valuation tailwind. The stock receives a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	373	448	532	563	662	679	686	695	693	836
SG&A Exp.	174	205	244	262	253	267	280	305	322	---
D&A Exp.	21	25	29	29	29	29	29	34	35	---
Net Profit	67	88	134	139	146	215	189	154	162	171
Net Margin	18.0%	19.6%	25.1%	24.6%	22.0%	31.7%	27.5%	22.1%	23.4%	20.5%
Free Cash Flow	166	128	297	(26)	82	488	363	117	81	---
Income Tax	29	55	34	33	32	55	47	31	28	39

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	7,974	8,522	11,163	11,948	14,626	16,361	15,845	16,835	17,247	19,687
Cash & Equivalents	137	521	687	443	1,864	3,297	1,153	1,128	1,339	130
Goodwill & Int. Ass.	303	309	492	501	498	508	502	521	518	691
Total Liabilities	6,887	7,380	9,625	10,294	12,843	14,445	13,957	14,779	15,091	17,258
Long-Term Debt	688	774	1,047	720	705	405	277	460	263	336
Shareholder's Equity	1,075	1,131	1,526	1,641	1,767	1,899	1,874	2,040	2,139	2,474
LTD/E Ratio	0.64	0.68	0.69	0.44	0.40	0.21	0.15	0.23	0.12	0.15

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.9%	1.1%	1.4%	1.2%	1.1%	1.4%	1.2%	0.9%	0.9%	0.9%
Return on Equity	7.1%	7.9%	10.0%	8.7%	8.5%	11.6%	9.9%	7.8%	7.7%	7.4%
ROIC	4.4%	4.8%	5.9%	5.6%	6.0%	9.0%	8.4%	6.6%	6.6%	6.4%
Shares Out.	57.0	62.4	71.3	72.2	72.3	72.6	72.6	74.8	75.2	---
Revenue/Share	6.57	7.19	7.46	7.80	9.15	9.36	9.46	9.31	9.21	---
FCF/Share	2.93	2.05	4.16	(0.37)	1.13	6.72	5.00	1.57	1.08	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.