

TOWNEBANK

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Purpose:

The Compensation Committee (the "Committee") is a committee of TowneBank's Board of Directors. The Committee's primary purpose is to provide independent oversight of TowneBank's compensation practices and to determine compensation or provide recommendations to the Board for the compensation of the Chief Executive Officer and all other executive officers of TowneBank.

Membership:

The Committee shall have at least two and no more than six members appointed by the Board of Directors from time to time. Each member of the Committee shall be an Independent Director as defined under Rule 5605(a)(2) of the NASDAQ Stock Market Rules; provided, however, that if the Committee has no fewer than three Independent Directors, the Board may in exceptional and limited circumstances appoint a member who does not qualify as an Independent Director. Such non-independent member may not be an executive officer or employee, or a family member of an executive officer or employee, and such member may not serve on the Committee for more than two years. Disclosure of the appointment of such member and application of the exception to the NASDAQ Stock Market Rules must be made through TowneBank's annual proxy statement. At least two members of the Committee shall also qualify as "outside" directors within the meaning of Internal Revenue Code § 162(m) and as "non-employee" directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. Committee members may be removed and replaced by the Board at any time.

The Board of Directors in determining the independence of a director who will serve on the compensations committee must consider all factors specifically relevant to determining whether a director has a relationship to TowneBank which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member including but not limited to: (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by TowneBank to such director and (ii) whether such director is affiliated with TowneBank, a subsidiary of TowneBank, or an affiliate of a subsidiary of TowneBank and if so, whether such affiliation would impair the member's judgment.

The Board shall designate a Chairperson for the Committee. In the absence of the Chairperson at any meeting of the Committee, the members of the Committee that are present at the meeting may designate a Chairperson for the meeting by majority vote.

Meetings:

The Committee shall meet as often as necessary to carry out its responsibilities and no fewer than two times per year. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which there is a quorum shall be the act of the Committee. In the event of a tie vote on any issue, the Chairperson's vote shall decide the issue.

Authorities and Responsibilities:

The Committee shall annually review the performance of all executive officers, and approve or recommend to the Board for approval all executive officer compensation and compensation plans. The Committee shall review and approve goals and objectives relevant to executive officer compensation, evaluate executive officer performance in light of those goals and objectives, and determine and approve overall compensation levels based on such evaluation. In determining incentive based components of executive officer compensation, the Committee shall consider TowneBank's performance and relative shareholder return, the value of similar incentive awards to executive officers of peer financial institutions, and the awards given to the executive officers in past years. No executive officer may be present during voting or deliberations regarding his or her compensation.

The Committee shall review with the Senior Risk Officer compensation plans to ensure that plans do not encourage TowneBank executive officers and employees to take unnecessary and excessive risks that may threaten the value of TowneBank and do not encourage behavior focused on short term results rather than long-term value creation, or the manipulation of reported earnings, to enhance the compensation of the executive officers or employees.

The Committee shall review TowneBank's compensation practices inclusive of incentive and equity compensation plans for the benefit of the TowneBank's employees and Directors. The Committee shall receive periodic reports on such practices.

The Committee shall make regular reports to the Board.

The Committee shall review, discuss with management, and make recommendations to the Board of Directors as to the Compensation Discussion and Analysis disclosure included in TowneBank's annual meeting proxy statement and annual report on Form 10-K. The Committee shall annually prepare a Committee report to be included in TowneBank's annual meeting proxy statement.

The Committee has the sole authority to select, retain, oversee, terminate, and approve fees and other retention terms of compensation consultants, independent legal counsel, accounting and other compensation advisors as it deems appropriate to fulfill its duties and responsibilities. The Committee must review and take into consideration the independence factors listed under Rule 5605(d)(3) of the NASDAQ Stock Market Rules before selecting or receiving advice from any compensation advisor. However, there is no requirement that a compensation consultant, legal counsel or other compensation advisor be independent, only that the Committee consider such factors before selecting or receiving advice from such compensation advisor. TowneBank shall provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to compensation consultants, independent legal counsel, accounting and other compensation advisors retained by the Committee.

The Committee may invite such members of management to its meetings as it deems appropriate; provided, however, that no executive officer or employee shall be present during voting or deliberations related to: (i) the determination of the compensation of such officer or employee, or (ii) the recommendation to the Board for determination of the compensation of such officer or employee.

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The Committee may form and delegate authority to subcommittees as it deems appropriate.

The Committee shall review and reassess the adequacy of the Committee's formal written charter on an annual basis and recommend any proposed changes to the Board.