FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2026

FDIC Insurance Cert. Number: 35095

TOWNEBANK

(Exact name of registrant as specified in its charter)

VIRGINIA	**54-1910608**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5716 High Street, Portsmouth, Virginia	**23703**
(Address of principal executive offices)	(Zip Code)

(757) 638-7500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $1.667 per share	TOWN	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

The number of shares of the Company's common stock outstanding as of October 30, 2026, was 92,470,397 shares.

TOWNEBANK

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

As used in this report, the terms "Company," "we," "us," and "our" refer to TowneBank and our consolidated subsidiaries. The following acronyms and defined terms are used in various sections of this Form 10-Q, including the Notes to Consolidated Financial Statements in Item 1 and Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of this Form 10-Q.

ACL	Allowance for Credit Loss
AFS	Available-for-Sale
AOCI	Accumulated Other Comprehensive Income (Loss)
ASC	Accounting Standard Codification
ASU	Accounting Standards Update
Basel III	Basel Committee on Banking Supervision's Capital Guidelines for U.S. Banks
blueharbor	blueharbor bank
BOLI	Bank-Owned Life Insurance
bp	Basis Points
C&I	Commercial and Industrial Business
CDA	Collateral-Dependent Asset
CRE	Commercial Real Estate
CRE - NOO	Commercial Real Estate - Non-owner Occupied
CRE - OO	Commercial Real Estate - Owner Occupied
Dogwood	Dogwood State Bank
ECL	Expected Credit Loss
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank of Atlanta
FRB	Federal Reserve Bank
GAAP	Accounting Principles Generally Accepted in the United States of America
GNMA	Government National Mortgage Association
GSE	Government Sponsored Enterprise
HELOC	Residential Home Equity Lines of Credit
HTM	Held-to-Maturity
LIHTC	Low Income Housing Tax Credits
MBS	Mortgage-backed Security
NENC	Northeast North Carolina
N/M	Not Meaningful
Old Point	Old Point Financial Corporation
PCD	Purchased Credit Deteriorated
REPO	Retail Repurchase Agreement
SBA	U.S. Small Business Administration
SCC	Virginia State Corporation Commission
SERP	Supplemental Executive Retirement Plan
SOFR	Secured Overnight Financing Rate
TBA	To Be Announced
TE	Tax-equivalent basis
U.S.	United States
Village	Village Bank and Trust Financial Corp.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	September 30, 2026	December 31, 2025
ASSETS	(unaudited)	(audited)
Cash and due from banks	$ 118,234	$ 129,941
Interest-bearing deposits at FRB	1,283,078	1,097,155
Interest-bearing deposits in financial institutions	111,825	123,553
Total Cash and Cash Equivalents	1,513,137	1,350,649
Securities available for sale, at fair value (amortized cost of $3,128,821 and $2,784,462, and allowance for credit losses of $1,440 and $1,207 at September 30, 2026 and December 31, 2025, respectively)	2,940,510	2,710,189
Securities held to maturity, at amortized cost (fair value $124,604 and $154,269 at September 30, 2026 and December 31, 2025, respectively)	126,139	156,697
Less: allowance for credit losses	(31)	(65)
Securities held to maturity, net of allowance for credit losses	126,108	156,632
Other equity securities	15,829	12,219
FHLB stock	19,275	16,341
Total Securities	3,101,722	2,895,381
Mortgage loans held for sale	175,727	154,444
Government guaranteed loans held for sale	9,010	—
Loans, net of unearned income and deferred costs	15,100,308	13,335,804
Less: allowance for credit losses on loans	(199,375)	(147,343)
Net Loans	14,900,933	13,188,461
Premises and equipment, net	437,117	430,987
Goodwill	818,147	594,080
Other intangible assets, net	90,987	96,528
BOLI	390,207	337,425
Other assets	745,720	639,386
TOTAL ASSETS	$ 22,182,707	$ 19,687,341
LIABILITIES AND EQUITY		
Deposits:		
Noninterest-bearing demand	$ 5,982,476	$ 5,073,157
Interest-bearing:		
Demand and money market accounts	9,224,530	8,390,884
Savings	429,705	332,752
Certificates of deposit	2,822,170	2,712,324
Total Deposits	18,458,881	16,509,117
Advances from the FHLB	76,862	52,452
Subordinated debt, net	258,257	283,870
Repurchase agreements and other borrowings	23,532	34,817
Total Borrowings	358,651	371,139
Other liabilities	387,306	378,076
TOTAL LIABILITIES	19,204,838	17,258,332
Commitments and contingencies (Note 9)		
Preferred stock:		
Authorized and unissued shares - 2,000,000	—	—
Common stock, $1.667 par value: 150,000,000 shares authorized; 92,464,490 and 78,964,038 shares issued at September 30, 2026 and December 31, 2025, respectively	154,138	131,633
Capital surplus	1,698,525	1,254,776
Retained earnings	1,261,924	1,087,343
Common stock issued to deferred compensation trust, at cost: 1,140,688 and 1,086,290 shares at September 30, 2026 and December 31, 2025, respectively	(25,083)	(23,293)
Deferred compensation trust	25,083	23,293
Accumulated other comprehensive income (loss)	(143,611)	(51,685)
TOTAL SHAREHOLDERS' EQUITY	2,970,976	2,422,067
Noncontrolling interest	6,893	6,942
TOTAL EQUITY	2,977,869	2,429,009
TOTAL LIABILITIES AND EQUITY	$ 22,182,707	$ 19,687,341

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
INTEREST INCOME:				
Loans, including fees	$ 222,037	$ 179,612	$ 646,857	$ 501,705
Investment securities	30,554	24,784	86,141	72,473
Interest-bearing deposits in financial institutions and federal funds sold	13,210	10,597	38,693	32,639
Mortgage loans held for sale	3,789	3,351	8,942	8,774
Total interest income	269,590	218,344	780,633	615,591
INTEREST EXPENSE:				
Deposits	70,234	69,143	214,223	204,428
Advances from the FHLB	813	258	4,909	407
Subordinated debt, net	2,349	2,461	7,834	7,374
Repurchase agreements and other borrowings	(15)	(470)	(603)	(1,261)
Total interest expense	73,381	71,392	226,363	210,948
Net interest income	196,209	146,952	554,270	404,643
PROVISION FOR CREDIT LOSSES	(1,177)	15,276	(208)	24,106
Net interest income after provision for credit losses	197,386	131,676	554,478	380,537
NONINTEREST INCOME:				
Residential mortgage banking income, net	11,186	13,123	35,457	37,046
Insurance commissions and related income, net	25,642	25,791	76,970	77,893
Property management income, net	—	20,449	12,440	49,209
Service charges on deposit accounts	4,400	4,056	13,789	11,025
Credit card merchant fees, net	2,096	1,909	6,160	5,400
Investment commissions, net	4,255	3,699	11,770	9,932
BOLI	3,124	2,157	8,903	6,021
Government guaranteed lending income, net	615	—	6,810	—
Gain on sale of equity investments	2,692	—	201,242	2,000
Other noninterest income	7,672	4,456	20,669	12,613
Net gain (loss) on investment securities	—	(7)	126	(7)
Total noninterest income	61,682	75,633	394,336	211,132
NONINTEREST EXPENSE:				
Salaries and employee benefits	90,640	78,964	272,549	232,404
Occupancy	12,094	9,988	35,892	29,112
Furniture and equipment	5,186	5,044	16,432	14,436
Amortization - intangibles	5,778	4,427	17,965	11,431
Software	8,071	7,518	23,944	20,647
Data processing	4,083	4,630	12,506	12,974
Professional fees	3,996	2,999	10,413	8,191
Advertising and marketing	3,636	3,759	12,523	11,460
FDIC and other insurance	2,707	3,002	9,886	8,895
Acquisition-related expenses	3,191	17,814	46,088	36,971
Other noninterest expenses	20,088	15,593	87,102	48,418
Total noninterest expense	159,470	153,738	545,300	434,939
Income before income tax expense and noncontrolling interest	99,598	53,571	403,514	156,730
Provision for income tax expense	17,607	8,959	86,804	26,790
Net income	81,991	44,612	316,710	129,940
Net income attributable to noncontrolling interest	(214)	(317)	(754)	(1,044)
Net income attributable to TowneBank	$ 81,777	$ 44,295	$ 315,956	$ 128,896
Per common share information				
Basic earnings	$ 0.89	$ 0.58	$ 3.45	$ 1.70
Diluted earnings	$ 0.88	$ 0.58	$ 3.44	$ 1.70

Note property management income and net income have been revised in the prior year to reflect a change in the timing of revenue recognition. These revisions, which are reflected in the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Cash Flow, and Consolidated Statements of Equity, did not have a material impact on the financial statements.

The accompanying notes are an integral part of these financial statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

(Dollars in thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Net income	$ 81,991	$ 44,612	$ 316,710	$ 129,940
Other comprehensive income (loss)				
Unrealized gains (losses) on securities				
Unrealized holding gains (losses) arising during the period	(101,730)	25,267	(113,678)	67,408
Tax effect	21,994	(5,527)	24,578	(14,701)
Realized (gains) losses reclassified into earnings	—	7	(126)	7
Tax effect	—	(2)	26	(2)
Net unrealized gains (losses)	(79,736)	19,745	(89,200)	52,712
Pension and postretirement benefit plans				
Prior service costs	(3,726)	(7)	(3,726)	(21)
Tax effect	805	2	805	5
Actuarial gain (loss)	262	255	786	767
Tax effect	(56)	(55)	(170)	(167)
Amortization of prior service costs	597	135	863	406
Tax effect	(129)	(29)	(186)	(88)
Amortization of net actuarial (gain) loss	(486)	(400)	(1,401)	(1,200)
Tax effect	105	87	303	261
Change in retirement plans, net of tax	(2,628)	(12)	(2,726)	(37)
Other comprehensive income (loss), net of tax	(82,364)	19,733	(91,926)	52,675
Comprehensive income (loss)	$ (373)	$ 64,345	$ 224,784	$ 182,615
Comprehensive income attributable to noncontrolling interest	(214)	(317)	(754)	(1,044)
Comprehensive income (loss) attributable to TowneBank	$ (587)	$ 64,028	$ 224,030	$ 181,571

The accompanying notes are an integral part of these financial statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Dollars in thousands)	Nine Months Ended September 30,	
OPERATING ACTIVITIES:	**2026**	**2025**
Net income	$ 316,710	$ 129,940
Adjustments to reconcile net income to net cash used for operating activities:		
Net (accretion) amortization of securities	(5,743)	(695)
Investment securities (gain) loss	(126)	7
Depreciation, amortization, and other intangible amortization	38,552	28,647
Amortization of debt issuance costs	506	506
Provision for credit losses	(208)	24,106
BOLI	(8,903)	(6,021)
Deferred income tax expense (benefit)	16,522	(15,290)
Share-based compensation expense	7,610	7,182
Originations of mortgage loans held for sale	(1,957,548)	(1,785,851)
Proceeds from sales of mortgage loans held for sale	1,990,861	1,830,888
Gain on sales of mortgage loans held for sale	(54,595)	(53,468)
Gain on sale of government guaranteed loans held for sale	(7,215)	—
Net originations from sales of government guaranteed loans held for sale	26,204	—
Gain on sale of equity investments	(201,242)	(2,000)
Loss on disposal of fixed assets	6,073	59
Gain on sale and write-down of foreclosed assets	246	2
Changes in:		
Interest receivable	(9,868)	(9,126)
Other assets	351	5,399
Interest payable	(104)	(3,865)
Other liabilities	(37,329)	(6,358)
Net cash provided by operating activities	120,754	144,062
INVESTING ACTIVITIES:		
Purchase of available-for-sale securities	(528,167)	(241,032)
Sale of available-for-sale securities	66,741	99,497
Net change in FHLB stock	5,077	(289)
Proceeds from maturities, calls, and prepayments of available-for-sale securities	300,798	177,633
Proceeds from maturities, calls, and prepayments of held-to-maturity securities	30,141	35,400
Proceeds from maturities, calls, and prepayments of other securities	494	52
Net change in loans	175,048	(378,705)
Net change in investment in LIHTC	(28,318)	(18,422)
Purchase of premises and equipment	(28,683)	(34,671)
Proceeds from sales of premises and equipment	524	1,569
Proceeds from sales of foreclosed assets	24,317	3,459
Proceeds from sale of equity investment	248,842	2,000
Proceeds from BOLI	801	2,011
Acquisition of business, net of cash acquired	61,411	(54,773)
Net cash provided by (used for) investing activities	329,026	(406,271)
FINANCING ACTIVITIES:		
Net change in deposit accounts	18,251	245,220
Net change in short-term borrowings	(111,285)	(9,428)
Repayment of long-term borrowings	(30,590)	(571)
Redemption of subordinated debt	(26,250)	—
Distribution of noncontrolling interest	(803)	(886)
Purchase of noncontrolling interest	—	(3,646)
Cash dividends paid	(136,615)	(57,975)
Net cash provided by (used in) financing activities	(287,292)	172,714
Change in cash and cash equivalents	162,488	(89,495)
Cash and cash equivalents at beginning of year	1,350,649	1,339,475
Cash and cash equivalents at end of period	$ 1,513,137	$ 1,249,980
Supplemental cash flow information:		
Cash paid for interest	$ 226,467	$ 214,813
Cash paid (refunded) for federal income taxes	$ 13,063	$ 2,396
Cash paid (refunded) for state income taxes - total	$ 12,659	$ 2,652
Noncash financing and investing activities:		
Transfer from loans to foreclosed property	$ 20,898	$ 3,940
Net unrealized gains (losses) on available-for-sale securities, net of tax	$ (89,200)	$ 52,712
Common stock issued in connection with business acquisitions	13,182,144	3,488,818

The accompanying notes are an integral part of these financial statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF EQUITY

(Dollars in thousands, except per share data)	Common Shares	Common Stock	Capital Surplus	Retained Earnings	Deferred Compensation Trust	Common Stock Issued to Deferred Compensation Trust	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total
Balance, January 1, 2026	**78,964,038**	**$ 131,633**	**$ 1,254,776**	**$ 1,087,343**	**$ 23,293**	**$ (23,293)**	**$ (51,685)**	**$ 6,942**	**$ 2,429,009**
Net income	—	—	—	40,993	—	—	—	108	41,101
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	(6,581)	—	(6,581)
Cash dividends declared on common stock ($0.27 per share)	—	—	—	(24,939)	—	—	—	—	(24,939)
Directors' deferred compensation	—	—	—	—	(198)	198	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(222)	(222)
Issuance of common stock - acquisitions	13,182,144	21,975	435,973	—	—	—	—	—	457,948
Issuance of common stock - stock compensation plans	220,229	367	1,833	—	—	—	—	—	2,200
Balance, March 31, 2026	**92,366,411**	**$ 153,975**	**$ 1,692,582**	**$ 1,103,397**	**$ 23,095**	**$ (23,095)**	**$ (58,266)**	**$ 6,828**	**$ 2,898,516**
Net income	—	—	—	193,186	—	—	—	432	193,618
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	(2,981)	—	(2,981)
Cash dividends declared on common stock ($0.98 per share)	—	—	—	(90,547)	—	—	—	—	(90,547)
Directors' deferred compensation	—	—	—	—	1,891	(1,891)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(223)	(223)
Issuance of common stock - stock compensation plans	67,234	112	3,025	—	—	—	—	—	3,137
Balance, June 30, 2026	**92,433,645**	**$ 154,087**	**$ 1,695,607**	**$ 1,206,036**	**$ 24,986**	**$ (24,986)**	**$ (61,247)**	**$ 7,037**	**$ 3,001,520**
Net income	—	—	—	81,777	—	—	—	214	81,991
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	(82,364)	—	(82,364)
Cash dividends declared on common stock ($0.28 per share)	—	—	—	(25,889)	—	—	—	—	(25,889)
Directors' deferred compensation	—	—	—	—	97	(97)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(358)	(358)
Issuance of common stock - stock compensation plans	30,845	51	2,918	—	—	—	—	—	2,969
Balance, September 30, 2026	**92,464,490**	**$ 154,138**	**$ 1,698,525**	**$ 1,261,924**	**$ 25,083**	**$ (25,083)**	**$ (143,611)**	**$ 6,893**	**$ 2,977,869**

The accompanying notes are an integral part of these financial statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF EQUITY

(Dollars in thousands, except per share data)	Common Shares	Common Stock	Capital Surplus	Retained Earnings	Deferred Compensation Trust	Common Stock Issued to Deferred Compensation Trust	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
Balance, January 1, 2025	**75,255,205**	**$ 125,455**	**$ 1,122,147**	**$ 1,000,072**	**$ 21,868**	**$ (21,868)**	**$ (116,045)**	**$ 15,429**	**$ 2,147,058**
Net income	—	—	—	43,714	—	—	—	295	44,009
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	28,176	—	28,176
Cash dividends declared on common stock ($0.25 per share)	—	—	—	(18,849)	—	—	—	—	(18,849)
Directors' deferred compensation	—	—	—	—	101	(101)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(270)	(270)
Issuance of common stock - stock compensation plans	137,020	224	1,183	—	—	—	—	—	1,407
Balance, March 31, 2025	**75,392,225**	**$ 125,679**	**$ 1,123,330**	**$ 1,024,937**	**$ 21,969**	**$ (21,969)**	**$ (87,869)**	**$ 15,454**	**$ 2,201,531**
Net income	—	—	—	40,887	—	—	—	432	41,319
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	4,766	—	4,766
Cash dividends declared on common stock ($0.27 per share)	—	—	—	(20,363)	—	—	—	—	(20,363)
Directors' deferred compensation	—	—	—	—	2,008	(2,008)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(206)	(206)
Issuance of common stock - stock compensation plans	29,512	49	2,095	—	—	—	—	—	2,144
Purchase of noncontrolling interest	—	—	5,707	(1,270)	—	—	—	(8,083)	(3,646)
Balance, June 30, 2025	**75,421,737**	**$ 125,728**	**$ 1,131,132**	**$ 1,044,191**	**$ 23,977**	**$ (23,977)**	**$ (83,103)**	**$ 7,597**	**$ 2,225,545**
Net income	—	—	—	44,295	—	—	—	317	44,612
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	19,733	—	19,733
Cash dividends declared on common stock ($0.27 per share)	—	—	—	(21,312)	—	—	—	—	(21,312)
Directors' deferred compensation	—	—	—	—	153	(153)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(410)	(410)
Issuance of common stock - acquisitions	3,473,562	5,791	121,639	—	—	—	—	—	127,430
Issuance of common stock - stock compensation plans	33,118	55	1,299	—	—	—	—	—	1,354
Purchase of noncontrolling interest	—	—	(404)	404	—	—	—	—	—
Balance, September 30, 2025	**78,928,417**	**$ 131,574**	**$ 1,253,666**	**$ 1,067,578**	**$ 24,130**	**$ (24,130)**	**$ (63,370)**	**$ 7,504**	**$ 2,396,952**

The accompanying notes are an integral part of these financial statements.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of TowneBank have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all of the disclosures and notes necessary for a complete presentation of financial position, results of operations, and cash flow activity required in accordance with GAAP. In the opinion of management, the financial statements reflect all adjustments of a normal, recurring nature that are necessary for a fair presentation for the periods presented as required by Regulation S-X, Rule 10-01, of the SEC. These statements should be read in conjunction with the Company's 2025 audited Consolidated Financial Statements and the 2025 Annual Report on Form 10-K. Results of operations for the three- and nine-month periods ended September 30, 2026, are not necessarily indicative of the results of operations for the full year or any other interim periods.

With completion of the acquisition of Dogwood, TowneBank has added government guaranteed loans to the portfolio, which includes U.S. Small Business Administration and U.S. Department of Agriculture loans. Government guaranteed loans held for sale include the guaranteed portion of loans originated through the small business lending division that are expected to be sold in the secondary market to investors. Government guaranteed loans held for sale are carried at fair value. In accordance with SBA regulations, the Company is required to retain 10% of the principal balance of any SBA 7(a) loan, composed of unguaranteed dollars.

Government guaranteed loan servicing assets, which are included in other assets, are presented at the present value of projected future servicing income, net of a valuation allowance, when a government guaranteed loan is sold with servicing retained. The servicing asset is amortized over the servicing life of the loan and is subject to impairment based on changes in servicing value.

Recent accounting pronouncements:

Accounting standards adopted in current year		
Standard	**Summary of guidance**	**Effects on financial statements**
Topic 326 - Financial Instruments - Credit Losses **Measurement of Credit Losses on Financial Instruments - Purchased Loans** **ASU 2025-08** **Issued November 2025**	Expands the population of acquired financial assets subject to the gross-up approach in Topic 326. The amendments in this update expand to include loans (excluding credit cards) acquired without credit deterioration and deemed as "seasoned" to be purchased seasoned loans and accounted for using the gross-up approach at acquisition. Specifically, after an entity determines a loan is a non-PCD asset, the loan should be accounted for using the gross-up approach.	Effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. The Company elected to early adopt this standard, effective January 1, 2026, and will comply with the new requirements. This standard is to be applied prospectively to loans that are acquired on or after the initial application date. See additional details regarding adoption of this standard in Note 3, "Mergers and Acquisitions."

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Accounting standards not yet adopted		
Standard	**Summary of guidance**	**Effects on financial statements**
Topic 220 - Income Statement - Reporting Comprehensive Income - Subtopic 220-40 Expense Disaggregation Disclosures **ASU 2024-03** **Issued November 2024**	Requires disclosure in the notes to the financial statements of specified information about certain costs and expenses.	Effective for annual reporting periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. This standard is to be applied either prospectively or retrospectively. The Company will comply with the new disclosure requirements and does not expect this pronouncement to have a material impact on its Consolidated Financial Statements.
Topic 350 - Intangibles - Goodwill and Other Subtopic 350-40 Internal-Use Software **ASU 2025-06** **Issued September 2025**	Requires an entity to start capitalizing software costs when management has authorized and committed to funding a software project, it is probable the project will be completed, and it will be used to perform the function intended.	Effective for annual reporting periods beginning after December 15, 2027, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. This standard is to be applied either on a prospective transition approach, a modified transition approach, or a retrospective transition approach. The Company will comply with the new requirements and does not expect this pronouncement to have a material impact on its Consolidated Financial Statements.

Note 2. Earnings Per Share and Shareholders' Equity

Basic earnings per share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share are determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding, assuming all securities that could be converted to common stock have been converted or exercised.

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The following table summarizes basic and diluted earnings per share calculations for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share data)	**2026**	**2025**	**2026**	**2025**
Basic				
Net income available to common shareholders	$ 81,777	$ 44,295	$ 315,956	$ 128,896
Weighted-average common shares outstanding	92,207,902	76,417,605	91,608,676	75,607,295
Basic earnings per common share	$ 0.89	$ 0.58	$ 3.45	$ 1.70
Diluted				
Net income available to common shareholders	$ 81,777	$ 44,295	$ 315,956	$ 128,896
Annualized interest impact of Series IV Notes, net of tax	41	42	124	127
Net income for diluted earnings per share	$ 81,818	$ 44,337	$ 316,080	$ 129,023
Weighted-average common shares outstanding	92,207,902	76,417,605	91,608,676	75,607,295
Effect of dilutive securities:				
Impact of Series IV Notes	96,872	98,244	96,872	98,244
Stock compensation plans (1)	306,423	247,791	254,167	246,648
Weighted-average diluted shares outstanding	92,611,197	76,763,640	91,959,715	75,952,187
Diluted earnings per common share	$ 0.88	$ 0.58	$ 3.44	$ 1.70

(1) There were no anti-dilutive stock options or restricted stock shares to be excluded from the computation of diluted earnings per share for the three and nine months ended September 30, 2026 or 2025.

Note 3. Mergers and Acquisitions

blueharbor bank: On October 5, 2026, the Company entered into a definitive agreement and plan of merger, pursuant to which the Company will acquire blueharbor bank, a North Carolina banking corporation. The proposed acquisition of blueharbor, which has been approved by the Board of Directors of each of TowneBank and blueharbor, is expected to close in first quarter 2027, subject to customary closing conditions, including receipt of regulatory approvals and the approval of blueharbor's shareholders.

Under the terms of the agreement, each share of the common stock of blueharbor will be converted to the right to receive $12.70 without interest and 1.0534 shares of TowneBank common stock, for an implied value of $50.78 per share based on Towne's 10-day volume-weighted average price as of October 2, 2026. This corresponds to an aggregate transaction value of approximately $154 million, based on blueharbor common stock outstanding on the date of the agreement. As of June 30, 2026, blueharbor had total assets of approximately $628 million, loans of approximately $537 million, and deposits of approximately $551 million.

Dogwood State Bank: On January 12, 2026, TowneBank completed its acquisition of Dogwood State Bank, a North Carolina banking corporation.

In the merger with Dogwood, each share of Dogwood voting common stock and non-voting common stock issued and outstanding immediately prior to the merger was converted into the right to receive 0.700 shares of TowneBank common stock. Based on the number of Dogwood common stock shares outstanding immediately prior to January 12, 2026, the aggregated consideration paid to former Dogwood common shareholders and former holders of equity awards to acquire Dogwood common stock was $457.96 million.

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The merger has been accounted for under the acquisition method of accounting. Under this guidance, an entity is required to recognize the assets acquired, liabilities assumed, and consideration given at their fair value on the acquisition date. The assets and liabilities, both tangible and intangible, were recorded at the estimated fair values as of the January 12, 2026, merger date. Such fair values are preliminary estimates and are subject to adjustment for up to one year after the merger date, or when additional information relative to the closing date fair values becomes available and such information is considered final, whichever is earlier. The primary areas of the preliminary allocation of the fair value of consideration transferred that are not yet finalized relate to the fair values of loans, deferred tax assets, certain intangible assets acquired, and the residual goodwill. The fair value of consideration exchanged exceeded the recognized amount of the identifiable net assets and resulted in goodwill of $241.13 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table presents the estimated fair values of the assets acquired and liabilities assumed for Dogwood as of January 12, 2026 (dollars in thousands):

Fair value of assets acquired:		
Cash and cash equivalents	$	61,423
Securities available for sale		177,962
Other securities		13,026
Government guaranteed loans held for sale		28,001
Loans held for investment		1,905,571
Bank premises and equipment		25,504
Core deposit intangible		30,490
BOLI		45,438
Servicing assets		4,606
Other assets		43,410
Total assets	$	2,335,431
Fair value of liabilities assumed:		
Deposits	$	1,931,513
FHLB advances		155,000
Other liabilities		32,085
Total liabilities	$	2,118,598
Net identifiable assets acquired	$	216,833
Goodwill		241,127
Purchase price	$	457,960
Purchase price:		
Number of Company common shares issued		13,182,144
Purchase price per share of Company's common stock	$	34.74

Value of common stock issued	$	457,948
Cash paid	$	12
Total purchase price	$	457,960

During the quarter ended September 30, 2026, immaterial adjustments were made to the initial fair value estimates of government guaranteed loans held for sale, loans held for investment, other securities, bank premises and equipment, other assets, deferred taxes, and other liabilities, which resulted in an overall $7.86 million decrease in net identifiable assets acquired.

The following table presents a reconciliation of the difference between the purchase price and the par value of PCD assets acquired at the acquisition date (dollars in thousands):

Purchase price of financial assets with credit deterioration	$	88,497
Allowance for credit losses at acquisition date		28,367
Discount attributable to other factors		9,223
Par value of financial assets with credit deterioration	$	126,087

Loans acquired are recorded at fair value with no carryover of the related allowance for credit losses. PCD are loans that have experienced more than insignificant credit deterioration since origination. The allowance for credit losses is determined on a collective basis and is allocated to the individual loans. The sum of the loan's purchase price and the allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Purchased seasoned loans are given the same treatment as PCD loans as a result of the Company adopting ASU 2025-08 in January 2026.

Old Point Financial Corporation: On September 1, 2025, TowneBank completed its acquisition of Old Point Financial Corporation, and its wholly owned bank subsidiary, The Old Point National Bank of Phoebus, and Old Point Trust & Financial Services, N.A.

In the merger with Old Point, Old Point shareholders elected to receive either $41.00 per share in cash or 1.140 shares of TowneBank common stock for each outstanding share of Old Point outstanding common stock. This corresponds to an aggregate transaction value of $211.36 million, based on Old Point common stock outstanding. The elections were subject to proration and allocation procedures as included in the merger agreement, including procedures so that the total stock consideration issued would represent between 50% and 60% of the total consideration paid. At the effective time of the merger, 40% of the shares of Old Point common stock were converted into the right to receive the cash consideration, and 60% of the shares of Old Point common stock were converted into the right to receive the stock consideration. The cash consideration was funded through cash on hand from TowneBank.

The merger has been accounted for under the acquisition method of accounting. Under this guidance, an entity is required to recognize the assets acquired, liabilities assumed, and consideration given at their fair value on the acquisition date. Assets and liabilities, both tangible and intangible, were recorded at estimated fair values as of the September 1, 2025, merger date. The fair value of consideration exchanged exceeded the recognized amount of identifiable net assets and resulted in goodwill of $94.37 million. Goodwill

resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table presents estimated fair values of the assets acquired and liabilities assumed for Old Point as of September 1, 2025 (dollars in thousands):

Fair value of assets acquired:		
Cash and cash equivalents	$	117,251
Securities available for sale		208,834
Other securities		3,043
Loans held for investment		956,430
Bank premises and equipment		27,199
Core deposit intangible		31,390
BOLI		36,935
Other assets		20,451
Total assets	$	1,401,533
Fair value of liabilities assumed:		
Deposits	$	1,210,999
Repurchase agreements		1,484
FHLB advances		40,000
Subordinated debt net		25,274
Other liabilities		6,792
Total liabilities	$	1,284,549
Net identifiable assets acquired	$	116,984
Goodwill		94,373
Purchase price	$	211,357
Purchase price:		
Number of Company common shares issued		3,488,818
Purchase price per share of Company's common stock	$	36.69
Value of common stock issued	$	128,005
Cash paid	$	83,352
Total purchase price	$	211,357

As of September 30, 2026, the Company had finalized its valuation of all assets and liabilities acquired. During the quarter ended September 30, 2026, immaterial adjustments were made to the initial fair value estimates of cash and cash equivalents, bank premises and equipment, other assets, deposits, and other liabilities, which resulted in an overall $1.64 million decrease in net identifiable assets acquired. Loans acquired in the Old Point merger were divided into loans with evidence of credit quality deterioration, or

PCD, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of September 1, 2025, the estimated fair value of Old Point purchased performing loans acquired was $876.64 million, the related gross contractual amount was $1.04 billion, and estimated contractual cash flows not expected to be collected were $7.05 million.

The following table presents a reconciliation of the difference between the purchase price and the par value of PCD assets acquired at the acquisition date (dollars in thousands):

Purchase price of financial assets with credit deterioration	$	79,790
Allowance for credit losses at acquisition date		4,223
Discount attributable to other factors		5,034
Par value of financial assets with credit deterioration	$	89,047

Village Bank and Trust Financial Corp.: On April 1, 2025, TowneBank completed its acquisition of Village and its wholly owned bank subsidiary, Village Bank, in an all-cash transaction. As part of the merger, Village and Village Bank merged with and into TowneBank.

In the merger with Village, Village shareholders received $80.25 per share in cash for each outstanding share of Village common stock held immediately prior to the effective date of the merger. Based on the number of Village common stock shares outstanding immediately prior to April 1, 2025, the aggregated consideration paid to former Village common shareholders and former holders of equity awards to acquire Village common stock was $120.44 million.

The merger has been accounted for under the acquisition method of accounting. Under this guidance, an entity is required to recognize the assets acquired, liabilities assumed, and consideration given at their fair value on the acquisition date. Assets and liabilities, both tangible and intangible, were recorded at estimated fair values as of the April 1, 2025, merger date. The fair value of consideration exchanged exceeded the recognized amounts of identifiable net assets and resulted in goodwill of $42.99 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table presents estimated fair values of the assets acquired and liabilities assumed for Village as of April 1, 2025 (dollars in thousands):

Fair value of assets acquired:		
Cash and cash equivalents	$	32,313
Securities available for sale		74,310
Other securities		1,245
Mortgage loans held for sale		3,615
Loans held for investment		576,239
Bank premises and equipment		12,896
Core deposit intangible		21,020
BOLI		13,098

Other assets		11,191
Total assets	$	745,927
Fair value of liabilities assumed:		
Deposits	$	637,494
FHLB advances		10,000
Subordinated debt net		14,419
Other liabilities		6,567
Total liabilities	$	668,480
Net identifiable assets acquired	$	77,447
Goodwill		42,992
Purchase price	$	120,439
Purchase price:		
Cash Paid	$	120,439

As of June 30, 2026, the Company had finalized its valuation of all assets and liabilities acquired. Loans acquired in the Village merger were divided into loans with evidence of credit quality deterioration, or PCD, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of April 1, 2025, the estimated fair value of the Village purchased performing loans acquired was $519.32 million, the related gross contractual amount was $602.61 million, and estimated contractual cash flows not expected to be collected were $3.56 million.

The following table presents a reconciliation of the difference between the purchase price and the par value of PCD assets acquired at the acquisition date (dollars in thousands):

Purchase price of financial assets with credit deterioration	$	56,919
Allowance for credit losses at acquisition date		1,691
Discount attributable to other factors		4,566
Par value of financial assets with credit deterioration	$	63,176

Consolidated Acquisition Data: Results of operations for Dogwood prior to the acquisition date are not included in the Consolidated Statements of Income and did not have a material impact for the three and nine months ended September 30, 2026.

The following table presents, for illustrative purposes only, certain pro forma information as if the Company had acquired Village, Old Point, and Dogwood on January 1, 2025. These results combine the historical results of Village, Old Point, and Dogwood in the Company's Consolidated Statements of Income, and while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on January 1, 2025. No adjustments have been made to the pro forma results regarding possible revenue enhancements, provision for credit losses, or expense efficiencies. Pro forma adjustments below

include the net impact of Village, Old Point, and Dogwood's accretion and merger-related costs, as disclosed below. The Company expects to achieve further operating cost savings and other business synergies as a result of the acquisitions, which are not reflected in the pro forma amounts below (dollars in thousands):

	Pro Forma for the Three Months Ended September 30,		Pro Forma for the Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenues (net interest income plus noninterest income)	$ 256,799	$ 262,284	$ 947,118	$ 756,821
Net income	$ 83,826	$ 51,605	$ 351,215	$ 99,455
Total acquisition-related expenses (net of tax)	$ (2,628)	$ (2,301)	$ (37,346)	$ 54,736
Accretion adjustments	$ (733)	$ (2,419)	$ (2,774)	$ (642)

Note 4. Investment Securities

Available-for-sale debt securities

The following table summarizes amortized cost and fair values of AFS debt securities as of the dates indicated (dollars in thousands):

September 30, 2026	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. agency securities	$ 424,513	$ 107	$ (38,312)	$ —	$ 386,308
U.S. Treasury notes	224,786	—	(5,942)	—	218,844
Municipal securities	587,684	15	(48,326)	(562)	538,811
Trust preferred and other corporate securities	174,331	2,125	(4,939)	(878)	170,639
MBSs issued by GSEs and GNMA	1,717,507	293	(91,892)	—	1,625,908
Total available-for-sale securities	$ 3,128,821	$ 2,540	$ (189,411)	$ (1,440)	$ 2,940,510

December 31, 2025	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. agency securities	$ 387,050	$ 1,174	$ (22,580)	$ —	$ 365,644
U.S. Treasury notes	81,860	1,956	(185)	—	83,631
Municipal securities	510,498	2,089	(18,207)	(218)	494,162
Trust preferred and other corporate securities	148,131	1,331	(6,468)	(989)	142,005
MBSs issued by GSEs and GNMA	1,656,923	7,016	(39,192)	—	1,624,747
Total available-for-sale securities	$ 2,784,462	$ 13,566	$ (86,632)	$ (1,207)	$ 2,710,189

(1) Amortized cost amounts exclude accrued interest receivable, which was $15.66 million as of September 30, 2026, and $12.81 million as of December 31, 2025, and is recorded in other assets on the Consolidated Balance Sheets.

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The following table summarizes realized gains and losses on the sale of AFS debt securities for the periods indicated (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Gross gains	$ —	$ —	$ 236	$ —
Gross (losses)	—	(7)	(110)	(7)
Net gains (losses)	$ —	$ (7)	$ 126	$ (7)
Sales proceeds*	$ —	$ 98,256	$ 66,962	$ 99,815

*There were no investment securities sold in third quarter 2026. Proceeds include interest on investment securities sold of $289 thousand in third quarter 2025. Proceeds include interest on investment securities sold of $221 thousand and $318 thousand in the first nine months of 2026 and 2025, respectively.

Held-to-maturity debt securities

The following table summarizes amortized cost and fair values of HTM debt securities as of the dates indicated (dollars in thousands):

September 30, 2026	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. agency securities	$ 18,467	$ —	$ (671)	$ 17,796	$ —
U.S. Treasury notes	95,082	—	(832)	94,250	—
Municipal securities	5,541	—	(72)	5,469	(2)
Trust preferred and other corporate securities	2,028	55	—	2,083	(29)
MBSs issued by GSEs	5,021	—	(15)	5,006	—
Total held-to-maturity securities	$ 126,139	$ 55	$ (1,590)	$ 124,604	$ (31)

December 31, 2025	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. agency securities	$ 48,252	$ —	$ (559)	$ 47,693	$ —
U.S. Treasury notes	95,783	—	(2,050)	93,733	—
Municipal securities	5,464	165	—	5,629	(4)
Trust preferred and other corporate securities	2,068	88	—	2,156	(61)
MBSs issued by GSEs	5,130	—	(72)	5,058	—
Total held-to-maturity securities	$ 156,697	$ 253	$ (2,681)	$ 154,269	$ (65)

(1) Amortized cost amounts exclude accrued interest receivable, which was $0.73 million as of September 30, 2026, and $0.78 million as of December 31, 2025, and is recorded in other assets on the Consolidated Balance Sheets.

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Maturities of debt securities

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of debt securities are shown by contractual maturity (including MBSs) as of the dates indicated in the following table (dollars in thousands):

	Available for Sale		Held to Maturity	
September 30, 2026	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 218,811	$ 215,915	$ 110,026	$ 108,932
Due after one year through five years	775,207	738,415	14,586	14,145
Due after five years through ten years	538,284	504,942	—	—
Due after ten years	1,596,519	1,481,238	1,527	1,527
	$ 3,128,821	$ 2,940,510	$ 126,139	$ 124,604

	Available for Sale		Held to Maturity	
December 31, 2025	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 112,419	$ 111,549	$ 56,012	$ 55,414
Due after one year through five years	802,566	778,044	97,138	95,230
Due after five years through ten years	532,198	514,678	1,979	2,057
Due after ten years	1,337,279	1,305,918	1,568	1,568
	$ 2,784,462	$ 2,710,189	$ 156,697	$ 154,269

The following table reflects the gross unrealized losses and fair values of AFS debt securities without an allowance for credit losses, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position as of the dates indicated (dollars in thousands):

September 30, 2026		**Less than 12 months**		**12 months or more**		**Total**	
Description of Securities	**Number**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
U.S. agency securities	96	$ 178,129	$ (10,121)	$ 196,016	$ (28,191)	$ 374,145	$ (38,312)
U.S. Treasury notes	12	188,608	(5,673)	29,236	(269)	217,844	(5,942)
Municipal securities	55	20,573	(1,570)	131,041	(13,308)	151,614	(14,878)
Trust preferred and other corporate securities	3	4,339	(99)	—	—	4,339	(99)
MBSs issued by GSEs and GNMA	448	815,810	(42,221)	750,759	(49,671)	1,566,569	(91,892)
Total AFS securities	614	$ 1,207,459	$ (59,684)	$ 1,107,052	$ (91,439)	$ 2,314,511	$ (151,123)

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December 31, 2025		Less than 12 months		12 months or more		Total	
Description of Securities	Number	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agency securities	61	$ 24,410	$ (178)	$ 228,559	$ (22,402)	$ 252,969	$ (22,580)
U.S. Treasury notes	1	—	—	28,773	(185)	28,773	(185)
Municipal securities	42	2,272	(1)	140,200	(8,741)	142,472	(8,742)
Trust preferred and other corporate securities	1	1,515	(8)	—	—	1,515	(8)
MBSs issued by GSEs and GNMA	244	153,664	(775)	948,747	(38,417)	1,102,411	(39,192)
Total AFS securities	349	$ 181,861	$ (962)	$ 1,346,279	$ (69,745)	$ 1,528,140	$ (70,707)

The following table is a roll forward of our allowance for credit losses on AFS debt securities for the periods indicated (dollars in thousands):

Three Months Ended September 30, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 287	$ 741	$ 1,028
Provision for credit losses	275	137	412
Balance, end of period	$ 562	$ 878	$ 1,440

Three Months Ended September 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 315	$ 1,205	$ 1,520
Provision for credit losses	1	(171)	(170)
Balance, end of period	$ 316	$ 1,034	$ 1,350

Nine Months Ended September 30, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 218	$ 989	$ 1,207
Provision for credit losses	344	(111)	233
Balance, end of period	$ 562	$ 878	$ 1,440

Nine Months Ended September 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 373	$ 953	$ 1,326
Provision for credit losses	(57)	81	24
Balance, end of period	$ 316	$ 1,034	$ 1,350

We monitor the credit quality of HTM debt securities through the use of credit ratings. These ratings are updated on a monthly basis, and were last updated September 30, 2026. The following table reflects the credit ratings aggregated by investment category for HTM debt securities as of the dates indicated (dollars in thousands):

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September 30, 2026	Credit Ratings					
Description of Securities	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Total
U.S. agency securities	$ 18,467	$ —	$ —	$ —	$ —	$ 18,467
U.S. Treasury notes	—	95,082	—	—	—	95,082
Municipal securities	2,042	3,499	—	—	—	5,541
Trust preferred and other corporate securities	—	—	500	1,528	—	2,028
MBSs issued by GSEs	5,021	—	—	—	—	5,021
Total	$ 25,530	$ 98,581	$ 500	$ 1,528	$ —	$ 126,139

December 31, 2025	Credit Ratings					
Description of Securities	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Total
U.S. agency securities	$ 48,252	$ —	$ —	$ —	$ —	$ 48,252
U.S. Treasury notes	74,878	20,905	—	—	—	95,783
Municipal securities	1,979	3,485	—	—	—	5,464
Trust preferred and other corporate securities	—	—	—	2,068	—	2,068
MBSs issued by GSEs	5,130	—	—	—	—	5,130
Total	$ 130,239	$ 24,390	$ —	$ 2,068	$ —	$ 156,697

The following table provides a breakdown, by major security type and year of origination, for our HTM debt securities as of the dates indicated (dollars in thousands):

September 30, 2026							
Description of Securities	2026	2025	2024	2023	2022	Prior	Total
U.S. agency securities	$ —	$ —	$ —	$ —	$ 18,467	$ —	$ 18,467
U.S. Treasury notes	—	—	—	—	74,955	20,127	95,082
Municipal securities	—	—	—	—	—	5,541	5,541
Trust preferred and other corporate securities	—	—	—	—	—	2,028	2,028
MBSs issued by GSEs	—	—	—	—	—	5,021	5,021
Total	$ —	$ —	$ —	$ —	$ 93,422	$ 32,717	$ 126,139

December 31, 2025							
Description of Securities	2025	2024	2023	2022	2021	Prior	Total
U.S. agency securities	$ —	$ —	$ —	$ 18,275	$ 29,977	$ —	$ 48,252
U.S. Treasury notes	—	—	—	74,878	20,905	—	95,783
Municipal securities	—	—	—	—	—	5,464	5,464
Trust preferred and other corporate securities	—	—	—	—	—	2,068	2,068
MBSs issued by GSEs	—	—	—	—	—	5,130	5,130
Total	$ —	$ —	$ —	$ 93,153	$ 50,882	$ 12,662	$ 156,697

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The following table is a roll forward of our allowance for credit losses on HTM debt securities for the periods indicated (dollars in thousands):

Three Months Ended September 30, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 2	$ 30	$ 32
Provision for credit losses	—	(1)	(1)
Balance, end of period	$ 2	$ 29	$ 31

Three Months Ended September 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 4	$ 63	$ 67
Provision for credit losses	—	(2)	(2)
Balance, end of period	$ 4	$ 61	$ 65

Nine Months Ended September 30, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 4	$ 61	$ 65
Provision for credit losses	(2)	(32)	(34)
Balance, end of period	$ 2	$ 29	$ 31

Nine Months Ended September 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 6	$ 71	$ 77
Provision for credit losses	(2)	(10)	(12)
Balance, end of period	$ 4	$ 61	$ 65

Equity securities

We hold certain securities that do not have a readily determinable fair value and are recognized using cost or other measurement principles. These equity securities include FHLB stock, private equity, and tax credit investments. No impairments or adjustments have been recorded on these investments.

The following table provides information on equity securities as of the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
FHLB stock	$ 19,275	$ 16,341
Other equity securities	$ 15,829	$ 12,219

The Company is required to maintain an investment in the capital stock of the FHLB. This stock is stated at cost, since it is a restricted security without a readily determinable fair value. Based on the Company's review of the credit quality of the institution, the institution's ability to repurchase shares, and the Company's carrying value in the shares, the Company does not consider this investment impaired.

Pledged securities

The market values of investment securities the Company had pledged as of the dates indicated are as follows (in thousands):

	September 30, 2026	December 31, 2025
To secure federal, state, and municipal deposits	$ 729,094	$ 739,843
To secure borrowings from the FHLB	$ 2,350	$ 2,822
To secure repurchase agreements with commercial customers	$ 54,551	$ 58,987

Note 5. Loans Held for Investment

The Company grants commercial, real estate, and consumer loans to customers throughout our lending area. Although the Company has a diversified loan portfolio, a substantial portion of the Company's debtors' abilities to honor their contracts is dependent upon the economic environment of the lending area.

Total loans increased $1.76 billion, compared to December 31, 2025. The following table presents loan balances by major classification as of the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Community Banking:		
Commercial Real Estate		
Construction and land development	$ 1,405,069	$ 1,266,242
Owner occupied	2,407,117	1,932,015
Non-owner occupied	4,242,916	3,777,350
Multi-family	866,534	858,212
Total Commercial Real Estate	8,921,636	7,833,819
Residential 1-4 family	2,288,956	2,181,949
HELOC	703,496	583,725
C&I	1,587,937	1,455,455
Government	498,990	507,586
Indirect	657,348	672,401
Consumer loans and other	209,589	100,869
Community Banking Loans, net of unearned income and deferred costs	$ 14,867,952	$ 13,335,804
Government Guaranteed Lending:		
Commercial Real Estate		
Construction and land development	19,180	—
Owner occupied	96,318	—
Total Commercial Real Estate	115,498	—
C&I	$ 116,851	$ —
Consumer	7	—
Government Guaranteed Lending, net of unearned income and deferred costs	$ 232,356	$ —
Total Loans Held for Investment, net of unearned income and deferred costs	$ 15,100,308	$ 13,335,804

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The following table presents information related to our loan portfolio for the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Deferred loan costs in excess of unearned income	$ 354	$ 1,727
Unaccreted discount on PCD loans	(11,802)	(9,521)
Unaccreted discount on non-PCD loans	(37,450)	(34,246)
Nonaccrual loans (1)	39,065	11,726
Loans pledged as collateral to secure overnight borrowings with the FHLB	2,876,028	2,977,435

(1) Interest that would have been earned if interest on nonaccrual loans had been accrued:

	September 30, 2026	September 30, 2025
Three months ended	$ 735	$ 175
Nine months ended	$ 2,028	$ 441

Modifications to Debtors Experiencing Financial Difficulty

In the ordinary course of business, the Company may determine a borrower is experiencing financial difficulties and modify the originally agreed-upon terms of their loan. The Company has elected to exclude accrued interest from the calculation of loan modifications.

The following tables show the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financial receivable and type of concession granted (dollars in thousands):

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Loan Modifications Made to Borrowers Experiencing Financial Difficulty

	For Quarter Ended September 30, 2026		For Nine Months Ended September 30, 2026	
	Convert to Interest Only		Convert to Interest Only	
Loan Classification	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable
Commercial Real Estate				
Non-owner occupied	—	— %	$ 226	0.01 %
Total Commercial Real Estate	—	— %	226	— %
C&I	$ 853	0.05 %	$ 889	0.05 %
Subtotal	$ 853	0.01 %	$ 1,115	0.01 %
	Term Extension		Term Extension	
Loan Classification	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable
Commercial Real Estate				
Construction and land development	$ 771	0.05 %	$ 5,044	0.35 %
Owner occupied	6,006	0.24 %	7,659	0.31 %
Non-owner occupied	16,919	0.40 %	14,902	0.35 %
Total Commercial Real Estate	23,696	0.26 %	27,605	0.31 %
Residential 1-4 family	69	— %	237	0.01 %
HELOC	1,287	0.18 %	1,876	0.27 %
C&I	—	— %	3,414	0.20 %
Consumer loans and other	—	— %	21	0.01 %
Subtotal	$ 25,052	0.17 %	$ 33,153	0.22 %
	Combination - Term Extension and Interest Rate Reduction		Combination - Term Extension and Interest Rate Reduction	
Loan Classification	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable
Consumer loans and other	$ 94	0.05 %	$ 94	0.05 %
Total (1)	**$ 25,999**	**0.17 %**	**$ 34,362**	**0.23 %**

(1) Accrued interest is excluded from amortized cost and is immaterial.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

	For Quarter Ended September 30, 2025		For Nine Months Ended September 30, 2025	
	Convert to Interest Only		Convert to Interest Only	
Loan Classification	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable
Consumer loans and other	$ 1,462	1.45 %	$ 1,462	1.45 %
Subtotal	$ 1,462	0.01 %	$ 1,462	0.01 %

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Loan Classification	Term Extension		Term Extension	
	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable
Commercial Real Estate				
Construction and land development	$ 771	0.06 %	$ 771	0.06 %
Owner occupied	1,498	0.08 %	4,784	0.25 %
Non-owner occupied	5,587	0.15 %	15,710	0.41 %
Total Commercial Real Estate	7,856	0.10 %	21,265	0.27 %
Residential 1-4 family	743	0.03 %	958	0.04 %
HELOC	377	0.07 %	877	0.16 %
C&I	2,089	0.14 %	3,469	0.24 %
Indirect	—	— %	40	0.01 %
Subtotal	$ 11,065	0.08 %	$ 26,609	0.20 %

Loan Classification	Combination - Term Extension and Interest Rate Reduction		Combination - Term Extension and Interest Rate Reduction	
	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable
Commercial Real Estate				
Owner occupied	$ 1,393	0.07 %	$ 1,393	0.07 %
Total Commercial Real Estate	1,393	0.02 %	1,393	0.02 %
C&I	118	0.01 %	118	0.01 %
Subtotal	$ 1,511	0.01 %	$ 1,511	0.01 %
Total (1)	**$ 14,038**	**0.10 %**	**$ 29,582**	**0.22 %**

(1) Accrued interest is excluded from amortized cost and is immaterial.

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The following table describes the financial effect of modifications made to borrowers experiencing financial difficulty for the periods ended September 30, 2026 and 2025:

Term Extensions/Combo Rate Change/Extension as Applicable	
Loan Classification	Financial Effect
Commercial Real Estate	
Construction and land development	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of C&I loans.
Owner occupied	Extended maturities and/or rate to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of CRE-OO loans.
Non-owner occupied	Extended maturities and converted to interest only to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of CRE-NOO loans.
Residential 1-4 family	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of Residential 1-4 family loans.
HELOC	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of HELOC loans.
Indirect	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of Indirect loans.
C&I	Extended maturities and converted to interest only to allow time for resolution, sale of collateral, or alternate financing. These modifications did not impact the weighted-average life of C&I loans.
Consumer loans and other	Extended maturities and/or rate to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of Consumer loans.

The following table provides the amortized cost basis of financing receivables that had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty (dollars in thousands):

	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted				
Loan Classification	**Interest Rate Reduction**	**Term Extension**	**Principal Forgiveness**	**Combined Term Extension and Principal Forgiveness**	**Combined Term Extension and Interest Rate Reduction**
Defaults during the quarter ended March 31, 2026					
Residential 1-4 family (1)	$ —	$ 344	$ —	$ —	$ —
Defaults during the quarter ended June 30, 2026					
C&I	$ —	$ 674	$ —	$ —	$ —
Defaults during the quarter ended September 30, 2026					
Residential 1-4 family	—	60	—	—	—
	$ —	$ 1,078	$ —	$ —	$ —

(1) One of two loans in the balance was brought current in the second quarter of 2026 and the other was paid off in the third quarter of 2026.

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	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted				
Loan Classification	Interest Rate Reduction	Term Extension	Principal Forgiveness	Combined Term Extension and Principal Forgiveness	Combined Term Extension and Interest Rate Reduction
Defaults during the quarter ended March 31, 2025					
CRE-Owner Occupied (1)	$ —	$ 7,462	$ —	$ —	$ —
Defaults during the quarter ended June 30, 2025					
C&I	$ —	$ 114	$ —	$ —	$ —
Defaults during the quarter ended September 30, 2025					
C&I	$ —	$ 14	$ —	$ —	$ —
Residential 1-4 family	—	36	—	—	—
HELOC	—	500	—	—	—
	$ —	$ 550	$ —	$ —	$ —
	$ —	$ 8,126	$ —	$ —	$ —

(1) Brought current in the second quarter of 2025.

We closely monitor the performance of loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of our modification efforts. The following table depicts the performance of loans that have been modified in the 12 months prior to the dates indicated (in thousands):

September 30, 2026	Payment Status (Amortized Cost Basis)		
Loan Classification	Current	30 - 89 Days Past Due	90+ Days Past Due
Commercial Real Estate			
Construction and land development	$ 5,044	$ —	$ —
Owner occupied	7,659	—	—
Non-owner occupied	17,599	—	—
Total Commercial Real Estate	30,302	—	—
Residential 1-4 family	177	60	—
HELOC	1,876	—	—
C&I	3,728	—	674
Indirect	—	—	—
Consumer loans and other	1,411	—	—
	$ 37,494	$ 60	$ 674

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September 30, 2025	Payment Status (Amortized Cost Basis)		
Loan Classification	**Current**	**30 - 89 Days Past Due**	**90+ Days Past Due**
Commercial Real Estate			
Construction and land development	$ 771	$ —	$ —
Owner occupied	6,177	—	—
Non-owner occupied	29,712	—	—
Total Commercial Real Estate	36,660	—	—
Residential 1-4 family	1,942	36	—
HELOC	376	500	—
C&I	4,653	15	110
Indirect	40	—	—
Consumer loans and other	1,462	—	—
	$ 45,133	$ 551	$ 110

The nature and extent of impairment of modified loans, including those which have experienced a subsequent payment default, are considered in the determination of an appropriate level of the ACL.

The following table lists modified loans with unused commitments as of the dates indicated (dollars in thousands):

	September 30, 2026		September 30, 2025	
Loan Classification	**Number**	**Available Commitment**	**Number**	**Available Commitment**
Commercial Real Estate				
Owner occupied	0	$ —	4	$ 622
Non-owner occupied	1	1,123	1	3,000
Total Commercial Real Estate	1	1,123	5	3,622
Residential 1-4 family	0	—	1	13
C&I	0	—	8	804
	1	$ 1,123	14	$ 4,439

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Note 6. Allowance for Credit Losses

The following table presents information related to our estimate of ECL for the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Accrued interest receivable on loans excluded from the estimate of ECL	$ 48,754	$ 42,858
Individually assessed loans	98,781	54,767
Specific reserves on individually assessed loans	20,516	1,651

	Three Months Ended September 30,		Nine Months Ended September 30,	
Provision for Credit Losses	**2026**	**2025**	**2026**	**2025**
Loans and unfunded loan commitments	$ (1,587)	$ 15,448	$ (407)	$ 24,093
Initial provision for non-PCD Village loans and unfunded loan commitments	$ —	$ —	$ —	$ 6,236
Initial provision for non-PCD Old Point loans and unfunded loan commitments	$ —	$ 11,998	$ —	$ 11,998

The following table presents a roll forward of the allowance for our on-balance-sheet credit losses on our loans held for investment, at amortized cost, for the periods indicated (in thousands):

Three Months Ended September 30, 2026

	Balance, Beginning of Period	Initial Allowance Dogwood	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate						
Construction and land development	$ 15,746	$ —	$ 2,943	$ —	$ 2	$ 18,691
Owner occupied	14,933	—	(1,469)	—	—	13,464
Non-owner occupied	33,310	—	(328)	—	6	32,988
Multi-family	6,104	—	115	—	—	6,219
Residential 1-4 family	35,312	—	700	—	82	36,094
HELOC	23,583	—	700	(3)	15	24,295
C&I	29,432	3,110	(5,103)	(454)	27	27,012
Government	4,806	—	(91)	—	—	4,715
Indirect	12,893	—	1,189	(1,410)	306	12,978
Consumer loans and other	5,599	—	277	(101)	12	5,787
Government guaranteed loans	18,200	—	(133)	(943)	8	17,132
Total	$ 199,918	$ 3,110	$ (1,200)	$ (2,911)	$ 458	$ 199,375

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Three Months Ended September 30, 2025

	Balance, Beginning of Period	Initial Provision Non-PCD Loans Old Point	Provision (Benefit)	Initial Allowance for PCD Loans Old Point	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 18,985	$ 1,008	$ 1,013	$ 93	$ (124)	$ —	$ 20,975
Owner occupied	15,682	742	(4,843)	94	—	72	11,747
Non-owner occupied	22,499	1,883	1,887	1,290	—	10	27,569
Multi-family	3,683	300	2,212	41	—	—	6,236
Residential 1-4 family	32,505	2,658	(2,852)	116	—	7	32,434
HELOC	19,964	2,166	(1,914)	95	—	113	20,424
C&I	11,245	391	(501)	40	(33)	150	11,292
Government	2,458	2	1,381	—	—	—	3,841
Indirect	5,302	2,026	5,002	217	(425)	54	12,176
Consumer loans and other	1,864	273	361	62	(104)	25	2,481
Total	$ 134,187	$ 11,449	$ 1,746	$ 2,048	$ (686)	$ 431	$ 149,175

Nine Months Ended September 30, 2026

	Balance, Beginning of Period	Initial Allowance Dogwood	Initial Allowance Old Point	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 20,204	$ 2,844	$ —	$ (4,361)	$ —	$ 4	$ 18,691
Owner occupied	11,378	2,689	—	(603)	—	—	13,464
Non-owner occupied	27,592	6,840	—	(1,535)	—	91	32,988
Multi-family	5,830	388	—	1	—	—	6,219
Residential 1-4 family	31,797	3,219	—	868	(19)	229	36,094
HELOC	20,803	2,276	—	1,083	(37)	170	24,295
C&I	11,852	22,349	—	(6,494)	(1,001)	306	27,012
Government	3,975	—	—	740	—	—	4,715
Indirect	11,462	—	2,175	4,861	(6,052)	532	12,978
Consumer loans and other	2,450	2,692	—	969	(371)	47	5,787
Government guaranteed loans	—	19,305	—	1,625	(4,053)	255	17,132
Total	$ 147,343	$ 62,602	$ 2,175	$ (2,846)	$ (11,533)	$ 1,634	$ 199,375

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	Nine Months Ended September 30, 2025								
	Balance, Beginning of Period	Initial Provision Non-PCD Loans Old Point	Initial Provision Non-PCD Loans Village	Provision (Benefit)	Initial Allowance for PCD Loans Old Point	Initial Allowance for PCD Loans Village	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate									
Construction and land development	$ 18,158	$ 1,008	$ 975	$ 787	$ 93	$ —	$ (177)	$ 131	$ 20,975
Owner occupied	14,550	742	977	(4,858)	94	151	—	91	11,747
Non-owner occupied	21,175	1,883	954	1,338	1,290	903	—	26	27,569
Multi-family	3,819	300	60	1,995	41	21	—	—	6,236
Residential 1-4 family	30,908	2,658	1,577	(2,977)	116	162	(46)	36	32,434
HELOC	17,371	2,166	873	(411)	95	130	—	200	20,424
C&I	9,594	391	575	(17)	40	323	(239)	625	11,292
Government	2,603	2	—	1,236	—	—	—	—	3,841
Indirect	3,781	2,026	—	7,443	217	—	(1,528)	237	12,176
Consumer loans and other	1,964	273	64	372	62	1	(603)	348	2,481
Total	$ 123,923	$ 11,449	$ 6,055	$ 4,908	$ 2,048	$ 1,691	$ (2,593)	$ 1,694	$ 149,175

The following table presents a roll forward of the allowance for off-balance-sheet exposure for the periods indicated, related to loans held for investment, which is carried in other liabilities on our Consolidated Balance Sheets (in thousands):

	Three Months Ended September 30, 2026			Nine Months Ended September 30, 2026			
	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period	Balance, Beginning of Period	Initial Provision - Dogwood	Provision (Benefit)	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 2,302	$ (14)	$ 2,288	$ 1,215	$ 154	$ 919	$ 2,288
Owner occupied	149	(1)	148	173	64	(89)	148
Non-owner occupied	225	(54)	171	231	80	(140)	171
Multi-family	45	8	53	43	24	(14)	53
Residential 1-4 family	—	—	—	—	—	—	—
HELOC	3,975	128	4,103	3,611	282	210	4,103
C&I	4,695	(245)	4,450	3,523	493	434	4,450
Government	—	—	—	—	—	—	—
Indirect	—	—	—	—	—	—	—
Consumer loans and other	1,740	(158)	1,582	1,581	13	(12)	1,582
Government guaranteed loans	72	(51)	21	—	54	(33)	21
Total	$ 13,203	$ (387)	$ 12,816	$ 10,377	$ 1,164	$ 1,275	$ 12,816

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	Three Months Ended September 30, 2025			
	Balance, Beginning of Period	Initial Provision - Old Point	Provision (Benefit)	Balance, End of Period
Commercial Real Estate				
Construction and land development	$ 610	$ 56	$ 865	$ 1,531
Owner occupied	290	7	(118)	179
Non-owner occupied	308	9	(3)	314
Multi-family	67	5	(18)	54
Residential 1-4 family	—	—	—	—
HELOC	3,513	304	(305)	3,512
C&I	1,961	74	1,484	3,519
Government	—	—	—	—
Indirect	—	—	—	—
Consumer loans and other	1,516	94	(201)	1,409
Total	$ 8,265	$ 549	$ 1,704	$ 10,518

	Nine Months Ended September 30, 2025				
	Balance, Beginning of Period	Initial Provision Old Point	Initial Provision Village	Provision (Benefit)	Balance, End of Period
Commercial Real Estate					
Construction and land development	$ 1,496	$ 56	$ 25	$ (45)	$ 1,532
Owner occupied	239	7	43	(111)	178
Non-owner occupied	215	9	3	87	314
Multi-family	36	5	1	12	54
Residential 1-4 family	—	—	—	—	—
HELOC	3,053	304	58	97	3,512
C&I	2,335	74	50	1,060	3,519
Government	—	—	—	—	—
Indirect	—	—	—	—	—
Consumer loans and other	1,463	94	1	(149)	1,409
Total	$ 8,837	$ 549	$ 181	$ 951	$ 10,518

Economic forecasting includes the use of models to consider various scenarios in evaluating economic risks. The primary factors considered were:

- changes in fiscal policy under the current administration, including higher tariffs and immigration enforcement;
- economic outlook both nationally and for the metropolitan areas within our footprint;
- uncertainty related to inflation and its impact on movement of the federal funds rate;
- potential impact of current geopolitical situations and retaliation to administrative actions globally; and
- changes in unemployment.

In general, the macroeconomic forecast scenarios utilized in the current quarter models showed increased uncertainty and moderate deterioration from the previous quarter. Additional factors considered were changes in loan portfolio composition, interest rates, loan risk ratings, charge-off experience, and inherent risks within specific loan groups. In order to further enhance the accuracy and responsiveness of the models used for estimating credit losses, the Company implemented recalibrated models during the quarter ended September 30, 2025. In addition to utilizing more intuitive macroeconomic variables and providing

improved sensitivity to economic conditions, the recalibrated models allow greater segmentation of loan portfolios, including non-owner occupied, owner occupied, multi-family, and indirect portfolios. While the overall credit allowance was not significantly impacted, the improved segmentation granularity resulted in allowance movement between certain loan portfolios.

Credit quality indicators

For commercial credits, the Company's internal credit risk grading analysis assesses the capability of the borrower to repay contractual obligations of the loan agreements as scheduled, or at all. The Company's internal credit risk grading system is based on numerous factors, including management's experiences with similarly graded loans. Credit risk is inherent in the business of extending loans and leases to borrowers and is monitored by management and reflected within the allowance for credit losses for loans. The allowance for credit losses is an estimate of expected losses inherent within the Company's loans held for investment portfolio.

Credit risk grades are refreshed on an ongoing basis and affirmed at least semi-annually. At affirmation, management analyzes the resulting scores, as well as external statistics and factors to track loan performance. On an as-needed basis, credit risk grades may be updated between review periods if new information arises related to the customer's ability to repay the loan. The Company differentiates its loan segments based on shared risk characteristics for which expected credit loss is measured on a pool basis.

For consumer-related credits, the Company utilizes credit scores calculated and maintained by one of three credit bureaus. Credit scores range between 300 and 850, with a lower score indicating a potentially higher risk. Credit scores are updated semi-annually, with the most recent update in September 2026.

The following table provides a breakdown of the Company's loans held for investment by credit score or risk grade and year of origination at September 30, 2026 and December 31, 2025 (in thousands):

September 30, 2026

Community Banking

	Term Loans By Origination								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Construction and Land Development									
Pass	$ 602,680	$ 511,174	$ 92,733	$ 82,641	$ 33,164	$ 29,260	$ 51,127	$ —	$ 1,402,779
Special Mention	—	—	—	540	—	—	—	—	540
Substandard	1,298	102	—	224	120	6	—	—	1,750
	$ 603,978	$ 511,276	$ 92,733	$ 83,405	$ 33,284	$ 29,266	$ 51,127	$ —	$ 1,405,069
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE - Owner Occupied									
Pass	$ 380,921	$ 457,120	$ 255,532	$ 221,810	$ 356,786	$ 629,337	$ 30,680	$ —	$ 2,332,186
Special Mention	3,228	8,087	4,563	369	2,940	15,795	2,015	1,330	38,327
Substandard	5,157	2,274	5,247	8,048	12,620	1,882	1,376	—	36,604
	$ 389,306	$ 467,481	$ 265,342	$ 230,227	$ 372,346	$ 647,014	$ 34,071	$ 1,330	$ 2,407,117
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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	Term Loans By Origination								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Non-Owner Occupied									
Pass	$ 726,995	$ 836,192	$ 565,502	$ 381,095	$ 665,332	$ 922,806	$ 50,226	$ 1,971	$ 4,150,119
Special Mention	25,487	—	—	18,856	13,011	6,306	—	—	63,660
Substandard	2,046	2,670	2,056	12,443	3,949	5,973	—	—	29,137
	$ 754,528	$ 838,862	$ 567,558	$ 412,394	$ 682,292	$ 935,085	$ 50,226	$ 1,971	$ 4,242,916
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE - Multi-Family									
Pass	$ 175,210	$ 190,413	$ 84,902	$ 68,597	$ 198,072	$ 143,146	$ 3,997	$ —	$ 864,337
Special Mention	—	—	—	—	2,059	—	—	—	2,059
Substandard	—	—	—	—	—	138	—	—	138
	$ 175,210	$ 190,413	$ 84,902	$ 68,597	$ 200,131	$ 143,284	$ 3,997	$ —	$ 866,534
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
C&I									
Pass	$ 252,888	$ 249,660	$ 131,229	$ 58,438	$ 93,995	$ 83,687	$ 654,070	$ 2,131	$ 1,526,098
Special Mention	8,663	6,904	1,301	2,248	8,899	11,758	3,893	500	44,166
Substandard	7,466	596	2,383	3,892	658	784	1,894	—	17,673
	$ 269,017	$ 257,160	$ 134,913	$ 64,578	$ 103,552	$ 96,229	$ 659,857	$ 2,631	$ 1,587,937
Gross Write-Offs	$ 315	$ 8	$ —	$ 539	$ —	$ 139	$ —	$ —	$ 1,001
Government									
Pass	$ 48,717	$ 24,061	$ 9,523	$ 36,474	$ 68,581	$ 289,098	$ 22,536	$ —	$ 498,990
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
	$ 48,717	$ 24,061	$ 9,523	$ 36,474	$ 68,581	$ 289,098	$ 22,536	$ —	$ 498,990
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential 1 - 4 Family									
Credit Score:									
> = 750	$ 217,422	$ 228,191	$ 149,199	$ 220,031	$ 495,286	$ 621,115	$ 366	$ —	$ 1,931,610
650-749	32,987	31,337	26,773	37,643	85,177	125,605	—	—	339,522
450-649	178	2,339	1,908	1,341	5,207	6,851	—	—	17,824
300-449	—	—	—	—	—	—	—	—	—
	$ 250,587	$ 261,867	$ 177,880	$ 259,015	$ 585,670	$ 753,571	$ 366	$ —	$ 2,288,956
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ 19	$ —	$ —	$ 19
HELOC									
Credit Score:									
> = 750	$ 1,396	$ 22,421	$ 12,195	$ 8,349	$ 7,507	$ 17,049	$ 509,630	$ 279	$ 578,826
650-749	361	—	379	1,011	963	1,977	113,283	79	118,053
450-649	646	—	—	169	106	1,059	4,410	73	6,463
300-449	—	—	—	—	—	20	134	—	154
	$ 2,403	$ 22,421	$ 12,574	$ 9,529	$ 8,576	$ 20,105	$ 627,457	$ 431	$ 703,496
Gross Write-Offs	$ —	$ 3	$ —	$ —	$ —	$ —	$ —	$ 34	$ 37

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	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Indirect									
Credit Score:									
> = 750	$ 163,766	$ 155,140	$ 77,259	$ 37,597	$ 35,516	$ 8,052	$ —	$ —	$ 477,330
650-749	28,931	45,574	33,873	26,327	31,668	10,059	—	—	176,432
450-649	7	629	782	602	819	747	—	—	3,586
300-449	—	—	—	—	—	—	—	—	—
	$ 192,704	$ 201,343	$ 111,914	$ 64,526	$ 68,003	$ 18,858	$ —	$ —	$ 657,348
Gross Write-Offs	$ 38	$ 1,280	$ 1,760	$ 1,259	$ 1,100	$ 615	$ —	$ —	$ 6,052
Consumer Loans and Other									
Credit Score:									
> = 750	$ 13,449	$ 9,636	$ 12,516	$ 24,454	$ 23,745	$ 52,920	$ 60,496	$ 111	$ 197,327
650-749	1,348	2,262	907	1,023	414	813	4,584	5	11,356
450-649	166	128	84	50	52	259	165	2	906
300-449	—	—	—	—	—	—	—	—	—
	$ 14,963	$ 12,026	$ 13,507	$ 25,527	$ 24,211	$ 53,992	$ 65,245	$ 118	$ 209,589
Gross Write-Offs	$ —	$ 73	$ 66	$ 91	$ 58	$ 72	$ 9	$ 2	$ 371
Total Community Banking									
Total	$ 2,701,413	$ 2,786,910	$ 1,470,846	$ 1,254,272	$ 2,146,646	$ 2,986,502	$ 1,514,882	$ 6,481	$ 14,867,952
Gross Write-offs	$ 353	$ 1,364	$ 1,826	$ 1,889	$ 1,158	$ 845	$ 9	$ 36	$ 7,480

Government Guaranteed Banking

	Term Loans By Origination								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 15,499	$ 36,862	$ 62,292	$ 19,428	$ 34,078	$ 54,190	$ —	$ —	$ 222,349
Special Mention	—	—	1,646	879	1,748	347	—	—	4,620
Substandard	—	—	—	674	4,483	230	—	—	5,387
Doubtful	—	—	—	—	—	—	—	—	—
	$ 15,499	$ 36,862	$ 63,938	$ 20,981	$ 40,309	$ 54,767	$ —	$ —	$ 232,356
Gross Write-Offs	$ —	$ 167	$ 1,168	$ 1,347	$ 1,239	$ 132	$ —	$ —	$ 4,053
Total Loan Portfolio									
Grand Total	$ 2,716,912	$ 2,823,772	$ 1,534,784	$ 1,275,253	$ 2,186,955	$ 3,041,269	$ 1,514,882	$ 6,481	$ 15,100,308
Total Gross Write-Offs	$ 353	$ 1,531	$ 2,994	$ 3,236	$ 2,397	$ 977	$ 9	$ 36	$ 11,533

December 31, 2025

Community Banking

	Term Loans By Origination								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Construction and Land Development									
Pass	$ 721,764	$ 313,250	$ 67,548	$ 38,551	$ 21,868	$ 17,992	$ 71,508	$ 1,950	$ 1,254,431
Special Mention	—	3,929	633	—	—	—	—	—	4,562
Substandard	771	5,590	733	31	124	—	—	—	7,249

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	Term Loans By Origination								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
	$ 722,535	$ 322,769	$ 68,914	$ 38,582	$ 21,992	$ 17,992	$ 71,508	$ 1,950	$ 1,266,242
Gross Write-Offs	$ —	$ —	$ —	$ 53	$ —	$ 124	$ —	$ —	$ 177
CRE - Owner Occupied									
Pass	$ 388,407	$ 206,389	$ 199,455	$ 296,504	$ 318,402	$ 425,719	$ 28,975	$ 1,039	$ 1,864,890
Special Mention	4,140	1,858	9,279	10,086	7,699	10,866	3,503	—	47,431
Substandard	1,912	7,763	3,255	1,002	3,816	1,946	—	—	19,694
	$ 394,459	$ 216,010	$ 211,989	$ 307,592	$ 329,917	$ 438,531	$ 32,478	$ 1,039	$ 1,932,015
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE - Non-Owner Occupied									
Pass	$ 760,891	$ 509,709	$ 452,910	$ 696,656	$ 670,026	$ 595,730	$ 31,892	$ 77	$ 3,717,891
Special Mention	12,991	2,072	3,577	19,776	4,614	4,453	—	—	47,483
Substandard	2,671	108	462	—	5,476	3,259	—	—	11,976
	$ 776,553	$ 511,889	$ 456,949	$ 716,432	$ 680,116	$ 603,442	$ 31,892	$ 77	$ 3,777,350
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE - Multi-Family									
Pass	$ 231,867	$ 94,092	$ 159,855	$ 186,161	$ 83,545	$ 86,222	$ 14,369	$ —	$ 856,111
Special Mention	—	—	—	2,101	—	—	—	—	2,101
Substandard	—	—	—	—	—	—	—	—	—
	$ 231,867	$ 94,092	$ 159,855	$ 188,262	$ 83,545	$ 86,222	$ 14,369	$ —	$ 858,212
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
C&I									
Pass	$ 258,117	$ 159,979	$ 99,586	$ 121,940	$ 74,008	$ 49,778	$ 674,988	$ 2,302	$ 1,440,698
Special Mention	200	421	1,070	2,014	24	1,361	3,459	—	8,549
Substandard	932	342	697	1,043	243	870	2,081	—	6,208
	$ 259,249	$ 160,742	$ 101,353	$ 124,997	$ 74,275	$ 52,009	$ 680,528	$ 2,302	$ 1,455,455
Gross Write-Offs	$ —	$ 330	$ 27	$ —	$ 78	$ 31	$ —	$ 1,057	$ 1,523
Government									
Pass	$ 55,948	$ 9,980	$ 38,384	$ 71,280	$ 18,588	$ 291,068	$ 22,338	$ —	$ 507,586
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
	$ 55,948	$ 9,980	$ 38,384	$ 71,280	$ 18,588	$ 291,068	$ 22,338	$ —	$ 507,586
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential 1 - 4 Family									
Credit Score:									
> = 750	$ 260,378	$ 161,205	$ 228,658	$ 479,989	$ 332,009	$ 354,368	$ 935	$ 409	$ 1,817,951
650-749	31,672	26,381	46,415	93,458	67,508	78,195	273	—	343,902
450-649	2,312	2,502	1,863	5,980	852	6,587	—	—	20,096
300-449	—	—	—	—	—	—	—	—	—
	$ 294,362	$ 190,088	$ 276,936	$ 579,427	$ 400,369	$ 439,150	$ 1,208	$ 409	$ 2,181,949
Gross Write-Offs	$ —	$ 46	$ —	$ 41	$ —	$ —	$ —	$ —	$ 87
HELOC									

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	Community Banking								
	Term Loans By Origination								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Credit Score:									
>= 750	$ 2,681	$ 806	$ 725	$ 976	$ 308	$ 1,406	$ 451,959	$ 893	$ 459,754
650-749	—	264	657	960	726	1,379	112,122	117	116,225
450-649	179	—	126	157	130	1,224	5,801	—	7,617
300-449	—	—	—	—	—	—	129	—	129
	$ 2,860	$ 1,070	$ 1,508	$ 2,093	$ 1,164	$ 4,009	$ 570,011	$ 1,010	$ 583,725
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ 12	$ —	$ —	$ 12
Indirect									
Credit Score:									
>= 750	$ 201,973	$ 112,204	$ 57,309	$ 61,105	$ 17,238	$ 1,467	$ —	$ —	$ 451,296
650-749	55,691	45,499	36,022	47,054	17,768	3,183	—	—	205,217
450-649	2,489	2,641	3,080	5,138	1,520	1,015	—	—	15,883
300-449	—	—	—	—	—	5	—	—	5
	$ 260,153	$ 160,344	$ 96,411	$ 113,297	$ 36,526	$ 5,670	$ —	$ —	$ 672,401
Gross Write-Offs	$ 66	$ 298	$ 740	$ 812	$ 304	$ 123	$ —	$ —	$ 2,343
Consumer Loans and Other									
Credit Score:									
>= 750	$ 17,676	$ 8,296	$ 4,210	$ 2,946	$ 4,886	$ 8,745	$ 35,342	$ 101	$ 82,202
650-749	3,237	1,873	1,412	778	728	3,738	4,360	6	16,132
450-649	246	412	72	81	1	1,490	229	4	2,535
300-449	—	—	—	—	—	—	—	—	—
	$ 21,159	$ 10,581	$ 5,694	$ 3,805	$ 5,615	$ 13,973	$ 39,931	$ 111	$ 100,869
Gross Write-Offs	$ 105	$ 398	$ 9	$ 106	$ 1	$ 31	$ —	$ 112	$ 762
Grand Total	$ 3,019,145	$ 1,677,565	$ 1,417,993	$ 2,145,767	$ 1,652,107	$ 1,952,066	$ 1,464,263	$ 6,898	$ 13,335,804
Total Gross Write-Offs	$ 171	$ 1,072	$ 776	$ 1,012	$ 383	$ 321	$ —	$ 1,169	$ 4,904

Through our loan portfolio evaluation process, we have identified certain loans for which the primary source of loan repayment is no longer a viable option, necessitating identifying these loans as CDAs. In most cases these are loans in which the borrower is experiencing financial difficulty that we believe will necessitate the operation or sale of the underlying collateral to provide substantially all of the repayment.

In estimating ECL, ASC 326 prescribes that if foreclosure is probable, a CDA is required to be measured at the fair value of collateral. If foreclosure is not probable, the borrower is experiencing difficulty and repayment is expected to be repaid by operation of collateral, the Company uses the fair value of collateral excluding selling costs to determine ACL. At September 30, 2026, CDA loans measured at the fair value of collateral totaled $83.65 million, with specific reserves of $14.86 million. At December 31, 2025, CDA loans measured at the fair value of collateral totaled $47.82 million, with specific reserves of $1.11 million.

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The following table provides a breakdown between loans identified as CDAs and non-CDAs, by type and securing collateral, as well as collateral coverage for those loans at September 30, 2026 and December 31, 2025 (in thousands):

	Type of Collateral and Extent to Which Collateral Secures Loans				Financial Assets Not Considered Collateral Dependent	
September 30, 2026	**Residential Property**	**Investment Property**	**Commercial Property**	**Business Assets**		**Total**
Commercial Real Estate						
Construction and land development	$ —	$ 1,066	$ —	$ —	$ 1,404,003	$ 1,405,069
Owner occupied	—	—	33,679	—	2,373,438	2,407,117
Non-owner occupied	—	61,818	4,967	—	4,176,131	4,242,916
Multi-family	—	2,058	—	—	864,476	866,534
Residential 1-4 family	2,199	4,857	—	—	2,281,900	2,288,956
HELOC	1,724	—	—	—	701,772	703,496
C&I	—	—	—	24,841	1,563,096	1,587,937
Government	—	—	—	—	498,990	498,990
Indirect	—	—	—	—	657,348	657,348
Consumer loans and other	—	—	—	—	209,589	209,589
Government guaranteed loans	—	—	—	—	232,356	232,356
Total, amortized cost	$ 3,923	$ 69,799	$ 38,646	$ 24,841	$ 14,963,099	$ 15,100,308
Collateral value	$ 15,957	$ 179,730	$ 102,659	$ 17,850		

	Type of Collateral and Extent to Which Collateral Secures Loans				Financial Assets Not Considered Collateral Dependent	
December 31, 2025	**Residential Property**	**Investment Property**	**Commercial Property**	**Business Assets**		**Total**
Commercial Real Estate						
Construction and land development	$ —	$ 7,110	$ —	$ —	$ 1,259,132	$ 1,266,242
Owner occupied	—	—	29,236	183	1,902,596	1,932,015
Non-owner occupied	—	53,041	—	—	3,724,309	3,777,350
Multi-family	—	2,101	—	—	856,111	858,212
Residential 1-4 family	8,815	—	—	—	2,173,134	2,181,949
HELOC	683	—	—	—	583,042	583,725
C&I	—	—	—	682	1,454,773	1,455,455
Government	—	—	—	—	507,586	507,586
Indirect	—	—	—	—	672,401	672,401
Consumer loans and other	—	—	—	—	100,869	100,869
Total, amortized cost	$ 9,498	$ 62,252	$ 29,236	$ 865	$ 13,233,953	$ 13,335,804
Collateral value	$ 21,239	$ 115,495	$ 81,003	$ 2,103		

Nonaccrual and past due loans

Loans are placed on nonaccrual status when management determines that the full repayment of principal and collection of interest according to contractual terms is no longer likely, generally when the loan becomes 90 days or more past due. However, some loans that are 90 days or more past due as to interest and principal are still accruing because they are (1) well-secured and in the process of collection, or (2) real estate loans or loans exempt under regulatory rules from being classified as nonaccrual.

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The following table is an aging analysis at amortized cost of the Company's loans held for investment portfolio at September 30, 2026 and December 31, 2025 (in thousands):

September 30, 2026		Days Past Due					
	Current	30-59	60-89	Over 90	Total Past Due	Total Loans	Accruing Loans Over 90 Days Past Due
Commercial Real Estate							
Construction and land development	$ 1,404,402	$ 33	$ 37	$ 597	$ 667	$ 1,405,069	$ —
Owner occupied	2,401,585	1,433	715	3,384	5,532	2,407,117	—
Non-owner occupied	4,234,855	1,087	215	6,759	8,061	4,242,916	—
Multi-family	866,221	—	—	313	313	866,534	313
Residential 1-4 family	2,286,128	169	1,587	1,072	2,828	2,288,956	100
HELOC	700,941	1,815	543	197	2,555	703,496	79
C&I	1,559,211	17,900	482	10,344	28,726	1,587,937	3,536
Government	498,990	—	—	—	—	498,990	—
Indirect	649,447	4,750	1,778	1,373	7,901	657,348	471
Consumer loans and other	208,465	707	181	236	1,124	209,589	3
Government guaranteed loans	220,362	3,380	4,662	3,952	11,994	232,356	—
Total	$ 15,030,607	$ 31,274	$ 10,200	$ 28,227	$ 69,701	$ 15,100,308	$ 4,502

December 31, 2025		Days Past Due					
	Current	30-59	60-89	Over 90	Total Past Due	Total Loans	Accruing Loans Over 90 Days Past Due
Commercial Real Estate							
Construction and land development	$ 1,264,441	$ 180	$ —	$ 1,621	$ 1,801	$ 1,266,242	$ —
Owner occupied	1,931,797	—	84	134	218	1,932,015	—
Non-owner occupied	3,774,145	7	140	3,058	3,205	3,777,350	—
Multi-family	858,212	—	—	—	—	858,212	—
Residential 1-4 family	2,175,877	3,813	536	1,723	6,072	2,181,949	—
HELOC	580,832	1,743	159	991	2,893	583,725	89
C&I	1,452,727	602	436	1,690	2,728	1,455,455	14
Government	507,586	—	—	—	—	507,586	—
Indirect	662,374	6,323	1,821	1,883	10,027	672,401	775
Consumer loans and other	100,088	555	125	101	781	100,869	12
Total	$ 13,308,079	$ 13,223	$ 3,301	$ 11,201	$ 27,725	$ 13,335,804	$ 890

The following table presents the amortized cost basis of loans on nonaccrual status as of the beginning of the reporting period and the end of the reporting period, and the amortized cost basis of nonaccrual loans without specific reserves for the periods ended September 30, 2026 and December 31, 2025. Nonaccrual loans less than $1 million, and not in the process of foreclosure, are not subject to individual assessment, and are included in collectively evaluated pools for which an ACL has been recorded. It also shows interest income recognized on nonaccrual loans (in thousands):

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September 30, 2026	Nonaccrual Loans As of 06/30/26	Nonaccrual Loans As of 09/30/26	Loans 90 Days or More Past Due, Not on Nonaccrual Status as of 09/30/26	Nonaccrual Loans With No Specific Reserve as of 09/30/26	Interest Income Recognized as of 09/30/26
Commercial Real Estate					
Construction and land development	$ 204	$ 598	$ —	$ 598	$ 159
Owner occupied	1,562	2,036	—	2,036	8
Non-owner occupied	12,339	10,647	—	3,149	10
Multi-family	142	—	313	—	—
Residential 1-4 family	2,570	2,757	100	2,757	97
HELOC	1,779	1,347	79	1,347	30
C&I	5,348	13,185	3,536	2,544	28
Government	—	—	—	—	—
Indirect	1,314	1,400	471	1,400	28
Consumer loans and other	328	300	3	300	13
Government guaranteed	6,844	6,795	—	6,795	—
Total	$ 32,430	$ 39,065	$ 4,502	$ 20,926	$ 373

December 31, 2025	Nonaccrual Loans As of 12/31/2024	Nonaccrual Loans As of 12/31/2025	Loans 90 Days or More Past Due, Not on Nonaccrual Status as of 12/31/25	Nonaccrual Loans With No Specific Reserve as of 12/31/2025	Interest Income Recognized as of 12/31/2025
Commercial Real Estate					
Construction and land development	$ 273	$ 1,621	$ —	$ 1,621	$ 1
Owner occupied	415	135	—	135	107
Non-owner occupied	1,452	3,058	—	3,058	210
Multi-family	—	—	—	—	—
Residential 1-4 family	2,421	2,272	—	2,272	94
HELOC	485	989	89	989	55
C&I	1,030	2,179	14	1,640	4
Government	—	—	—	—	—
Indirect	1,346	1,451	775	1,451	24
Consumer loans and other	2	21	12	21	—
Total	$ 7,424	$ 11,726	$ 890	$ 11,187	$ 495

Note 7. Leases

At September 30, 2026, we did not have any significant leases that had not yet commenced for which we had created a right-of-use asset and a lease liability. Lease assets are included in other assets, and lease liabilities are included in other liabilities on our Consolidated Balance Sheets.

The following table presents a summary of the lease assets and liabilities as of the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Assets		
Operating lease assets	$ 50,171	$ 45,778
Liabilities		
Operating lease liabilities	$ 54,968	$ 49,974

The following table presents a summary of activity related to leases for the three- and nine-month periods ended September 30, 2026 and 2025 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Operating lease cost (1) included in occupancy expense	$ 3,288	$ 3,026	10,293	9,065
Variable lease cost included in occupancy expense	354	284	992	809
Sublease income included in occupancy expense	(73)	(71)	(217)	(212)
Net lease cost	$ 3,569	$ 3,239	$ 11,068	$ 9,662

(1) Includes short-term leases, which are immaterial.

The following table presents lease liability maturities, by year, as of September 30, 2026 (in thousands):

	Operating Leases (1)
October 1 - December 31, 2026	$ 3,093
2027	12,105
2028	11,451
2029	9,059
2030	7,044
Thereafter	38,082
Total lease payments	$ 80,834
Less: interest	25,866
Present value of lease liabilities	$ 54,968

(1) Operating lease payments include $26.74 million related to options to extend lease terms that are reasonably certain of being exercised.
Note: Minimum lease payments exclude payments to landlords for real estate taxes and common area maintenance.

The following table presents the lease term and discount rate as of the dates indicated:

	September 30, 2026	September 30, 2025
Weighted - average remaining lease term - operating leases (in years)	11.51	12.46
Weighted - average discount rate - operating leases	7.98%	6.19%

The following table presents other information with regard to leases for the three- and nine-month periods ended September 30, 2026 and 2025 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	$ 2,648	$ 2,697	$ 8,731	$ 7,918
Related Party Transactions (1)				
Rent expense included in occupancy expense	$ 594	$ 555	$ 1,783	$ 1,658

(1) The Company rents space for various financial centers from companies associated with its directors.

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Note 8. Segment Reporting

On April 3, 2026, the Company completed the sale of its Resort Vacation Management segment for $250 million. The table below provides a breakdown of the net gain on sale (in thousands):

Gain on sale	$	198,057
Acquisition related expenses		(8,691)
Pre-tax gain on sale		189,366
Federal tax expense		(40,977)
State tax expense		(9,151)
Net gain on sale	$	139,238

As a result of the timing of the sale, the Resort Vacation Management segment reported no operating income in third quarter 2026.

From a year-to-date perspective, the Company continues to report income results under four reportable segments: Banking, Mortgage, Resort Vacation Management, and Insurance. The Banking segment provides loan and deposit services to retail and commercial customers, as well as a variety of investment and asset management services. The Mortgage segment provides originations of a variety of mortgage loans which are originated and sold principally in the secondary market through purchase commitments from investors. The Resort Vacation Management segment provided residential property management services in multiple resort locations. The Insurance segment provides full-service commercial insurance, individual insurance, and employee benefit services.

All segments are service-based, however, a major distinction is the source of income. The Mortgage, Resort Vacation Management, and Insurance segments are commission and fee-based, while the Banking segment is driven principally by net interest income. Due largely to overlapping geographic markets, the Banking segment offers a distribution and referral network for the Mortgage and Insurance segments, and the Mortgage and Insurance segments offer a similar network for the Banking segment.

The Company has identified the Corporate Management Team as the Chief Operating Decision Maker ("CODM"). The CODM evaluates the profit and loss of each segment based on its net income after income tax. Intersegment transactions are recorded at cost and eliminated as part of the consolidation process. Because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities.

Information about reportable segments and a reconciliation of such information on the Consolidated Balance Sheets as of the dates indicated is provided below (dollars in thousands):

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September 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Total assets	$ 20,898,527	$ 342,378	$ —	$ 941,802	$ 22,182,707
Total investment in equity method investees	32,465	346	—	—	32,811
December 31, 2025					
Total assets	$ 18,430,307	$ 304,664	$ 103,321	$ 849,049	$ 19,687,341
Total investment in equity method investees	20,871	314	—	—	21,185
Dollar change in total assets between periods	$ 2,468,220	$ 37,714	$ (103,321)	$ 92,753	$ 2,495,366
Percentage change in total assets between periods	13.39 %	12.38 %	(100.00)%	10.92 %	12.67 %

Three months ended September 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Total expenditures for long-lived assets - fixed assets	$ 6,843	$ 189	$ —	$ 22	$ 7,054
Three months ended September 30, 2025					
Total expenditures for long-lived assets - fixed assets	$ 9,829	$ 58	$ 1,523	$ 157	$ 11,567
Nine months ended September 30, 2026					
Total expenditures for long-lived assets - fixed assets	$ 27,971	$ 278	$ —	$ 434	$ 28,683
Nine months ended September 30, 2025					
Total expenditures for long-lived assets - fixed assets	$ 30,413	$ 436	$ 3,491	$ 331	$ 34,671

The following table provides the change in net income, comparing the three and nine months ended September 30, 2026 and 2025 (dollars in thousands):

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated
Net income attributable to TowneBank ($) - three months	$ 47,787	$ (1,951)	$ (7,729)	$ (625)	$ 37,482
Net income attributable to TowneBank ($) - nine months	$ 198,619	$ (113)	$ (9,352)	$ (2,094)	$ 187,060

Income sources and expense line items considered impactful to the segments have been reported separately.

Certain expense line items are impactful to the majority of TowneBank's segments due to the nature of business activities and requirements of technology. These include salaries and employee benefits, occupancy, furniture and equipment, software, data processing, professional fees, and advertising and marketing expenses.

The following tables provide information about reportable segments and reconciliation of such information to the Consolidated Financial Statements for the periods indicated (dollars in thousands):

Three Months Ended September 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 264,148	$ 5,442	$ —	$ —	$ 269,590
Interest expense	69,231	4,150	—	—	73,381
Net interest income	194,917	1,292	—	—	196,209
Provision for credit losses	(1,217)	40	—	—	(1,177)

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Three Months Ended September 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Net interest income after provision for credit losses	196,134	1,252	—	—	197,386
Noninterest income:					
Residential mortgage banking income, net	(670)	11,856	—	—	11,186
Insurance commissions and related income, net	(701)	—	—	26,343	25,642
Service charges on deposit accounts	4,400	—	—	—	4,400
Credit card merchant fees, net	2,096	—	—	—	2,096
Investment commissions, net	4,255	—	—	—	4,255
BOLI	3,070	54	—	—	3,124
Government guaranteed lending income, net	615	—	—	—	615
Income from unconsolidated subsidiaries	700	30	—	—	730
Gain on sale of equity investments	2,692	—	—	—	2,692
Other noninterest income	6,716	168	—	58	6,942
Total noninterest income	23,173	12,108	—	26,401	61,682
Total revenue	218,090	13,400	—	26,401	257,891
Noninterest expense:					
Salaries and employee benefits	68,934	8,239	—	13,467	90,640
Occupancy	10,387	970	—	737	12,094
Furniture and equipment	4,811	238	—	137	5,186
Amortization - intangibles	4,454	—	—	1,324	5,778
Software	6,406	884	—	781	8,071
Data processing	3,816	165	—	102	4,083
Professional fees	3,602	152	—	242	3,996
Advertising and marketing	3,099	353	—	184	3,636
FDIC and other insurance	2,343	177	—	187	2,707
Acquisition-related expenses	3,191	—	—	—	3,191
Other expenses	16,700	2,676	—	712	20,088
Total noninterest expense	127,743	13,854	—	17,873	159,470
Income (loss) before income tax, corporate allocation, and noncontrolling interest	91,564	(494)	—	8,528	99,598
Corporate allocation	1,207	(466)	—	(741)	—
Income (loss) before income tax provision and noncontrolling interest	92,771	(960)	—	7,787	99,598
Provision for income tax expense	15,855	(225)	—	1,977	17,607
Net income (loss)	76,916	(735)	—	5,810	81,991
Net income attributable to noncontrolling interest	(135)	(79)	—	—	(214)
Net income (loss) attributable to TowneBank	$ 76,781	$ (814)	$ —	$ 5,810	$ 81,777
Net income (loss) as percentage of consolidated income	93.90 %	(1.00)%	— %	7.10 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 6,720	$ 129	$ —	$ 77	$ 6,926
Efficiency ratio (GAAP)	58.57 %	103.39 %	— %	67.70 %	61.84 %

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Three Months Ended September 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Impact of excluding net gain on security investments, gain on equity investments, and intangible amortization	(1.33)%	— %	— %	(5.02)%	(1.62)%
Efficiency ratio (non-GAAP)	57.24 %	103.39 %	— %	62.68 %	60.22 %

Three Months Ended September 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 213,452	$ 4,892	$ —	$ —	$ 218,344
Interest expense	67,706	3,729	(43)	—	71,392
Net interest income	145,746	1,163	43	—	146,952
Provision for credit losses	15,148	128	—	—	15,276
Net interest income after provision for credit losses	130,598	1,035	43	—	131,676
Noninterest income:					
Residential mortgage banking income, net	(601)	13,724	—	—	13,123
Insurance commissions and related income, net	(777)	—	—	26,568	25,791
Property management income, net	—	—	20,449	—	20,449
Service charges on deposit accounts	4,056	—	—	—	4,056
Credit card merchant fees, net	1,909	—	—	—	1,909
Investment commissions, net	3,699	—	—	—	3,699
BOLI	2,106	51	—	—	2,157
Income from unconsolidated subsidiaries	690	107	—	—	797
Gain on sale of equity investments	—	—	—	—	—
Net gain (loss) on investment securities	(7)	—	—	—	(7)
Other noninterest income	3,448	200	1	10	3,659
Total noninterest income	14,523	14,082	20,450	26,578	75,633
Total revenue	160,269	15,245	20,493	26,578	222,585
Noninterest expense:					
Salaries and employee benefits	53,053	7,574	5,516	12,821	78,964
Occupancy	7,571	956	677	784	9,988
Furniture and equipment	4,302	151	431	160	5,044
Amortization - intangibles	2,417	—	637	1,373	4,427
Software	5,096	800	885	737	7,518
Data processing	2,853	209	1,428	140	4,630
Professional fees	2,514	117	92	276	2,999
Advertising and marketing	2,167	500	941	151	3,759
FDIC and other insurance	2,672	128	60	142	3,002
Acquisition-related expenses	17,761	53	—	—	17,814
Other expenses	13,272	2,466	(756)	611	15,593
Total noninterest expense	113,678	12,954	9,911	17,195	153,738
Income (loss) before income tax, corporate allocation, and noncontrolling interest	31,443	2,163	10,582	9,383	53,571
Corporate allocation	1,544	(502)	(329)	(713)	—
Income (loss) before income tax provision and noncontrolling interest	32,987	1,661	10,253	8,670	53,571
Provision for income tax expense	3,881	319	2,524	2,235	8,959

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Three Months Ended September 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Net income (loss)	29,106	1,342	7,729	6,435	44,612
Net income attributable to noncontrolling interest	(112)	(205)	—	—	(317)
Net income (loss) attributable to TowneBank	$ 28,994	$ 1,137	$ 7,729	$ 6,435	$ 44,295
Net income (loss) as percentage of consolidated income	65.45 %	2.57 %	17.45 %	14.53 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 5,466	$ 140	$ 201	$ 108	$ 5,915
Efficiency ratio (GAAP)	70.93 %	84.97 %	48.36 %	64.70 %	69.07 %
Impact of excluding net gain on security investments, gain on equity investments, and intangible amortization	(1.51)%	— %	(3.11)%	(5.17)%	(1.99)%
Efficiency ratio (non-GAAP)	69.42 %	84.97 %	45.25 %	59.53 %	67.08 %

Nine Months Ended September 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 766,922	$ 13,711	$ —	$ —	$ 780,633
Interest expense	216,167	10,196	—	—	226,363
Net interest income	550,755	3,515	—	—	554,270
Provision for credit losses	(23)	(185)	—	—	(208)
Net interest income after provision for credit losses	550,778	3,700	—	—	554,478
Noninterest income:					
Residential mortgage banking income, net	(2,289)	37,746	—	—	35,457
Insurance commissions and related income, net	(1,531)	—	—	78,501	76,970
Property management income, net	—	—	12,440	—	12,440
Service charges on deposit accounts	13,789	—	—	—	13,789
Credit card merchant fees, net	6,160	—	—	—	6,160
Investment commissions, net	11,770	—	—	—	11,770
BOLI	8,744	159	—	—	8,903
Government lending income, net	6,810	—	—	—	6,810
Income from unconsolidated subsidiaries	1,663	182	—	—	1,845
Gain on sale of equity investments (1)	201,242	—	—	—	201,242
Net gain (loss) on investment securities	126	—	—	—	126
Other noninterest income	18,254	493	1	76	18,824
Total noninterest income	264,738	38,580	12,441	78,577	394,336
Total revenue	815,493	42,095	12,441	78,577	948,606
Noninterest expense:					
Salaries and employee benefits	202,261	24,195	5,081	41,012	272,549
Occupancy	30,192	2,785	627	2,288	35,892
Furniture and equipment	15,088	554	335	455	16,432
Amortization - intangibles	13,611	—	425	3,929	17,965
Software	18,219	2,424	848	2,453	23,944
Data processing	10,816	479	878	333	12,506
Professional fees	9,093	452	110	758	10,413
Advertising and marketing	9,971	1,122	821	609	12,523
FDIC and other insurance	8,794	489	118	485	9,886

Acquisition-related expenses	46,086	—	2	—	46,088
Other expenses	76,765	7,706	489	2,142	87,102
Total noninterest expense	440,896	40,206	9,734	54,464	545,300
Income (loss) before income tax, corporate allocation, and noncontrolling interest	374,620	2,074	2,707	24,113	403,514
Corporate allocation	3,774	(1,412)	(290)	(2,072)	—
Income (loss) before income tax provision and noncontrolling interest	378,394	662	2,417	22,041	403,514
Provision for income tax expense	80,414	88	681	5,621	86,804
Net income (loss)	297,980	574	1,736	16,420	316,710
Net income attributable to noncontrolling interest	(251)	(503)	—	—	(754)
Net income (loss) attributable to TowneBank	$ 297,729	$ 71	$ 1,736	$ 16,420	$ 315,956
(1) Gain on sale of Resort Vacation Management segment of $198,057 and market value gain on equity investment of $3,185.					
Net income (loss) as percentage of consolidated income	94.23 %	0.02 %	0.55 %	5.20 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 19,821	$ 373	$ 150	$ 243	$ 20,587
Efficiency ratio (GAAP)	54.06 %	95.51 %	78.24 %	69.31 %	57.48 %
Impact of excluding net gain on security investments, gain on equity investments, and intangible amortization	15.52 %	— %	(3.41)%	(5.00)%	13.09 %
Efficiency ratio (non-GAAP)	69.58 %	95.51 %	74.83 %	64.31 %	70.57 %

Nine Months Ended September 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 602,446	$ 13,145	$ —	$ —	$ 615,591
Interest expense	200,792	10,234	(78)	—	210,948
Net interest income	401,654	2,911	78	—	404,643
Provision for credit losses	23,727	379	—	—	24,106
Net interest income after provision for credit losses	377,927	2,532	78	—	380,537
Noninterest income:					
Residential mortgage banking income, net	(1,342)	38,388	—	—	37,046
Insurance commissions and related income, net	(1,220)	—	—	79,113	77,893
Property management income, net	—	—	49,209	—	49,209
Service charges on deposit accounts	11,025	—	—	—	11,025
Credit card merchant fees, net	5,400	—	—	—	5,400
Investment commissions, net	9,932	—	—	—	9,932
BOLI	5,867	154	—	—	6,021
Income from unconsolidated subsidiaries	1,469	232	—	—	1,701
Gain on sale of equity investments	2,000	—	—	—	2,000
Net gain (loss) on investment securities	(7)	—	—	—	(7)
Other noninterest income	10,336	555	3	18	10,912
Total noninterest income	43,460	39,329	49,212	79,131	211,132
Total revenue	445,114	42,240	49,290	79,131	615,775
Noninterest expense:					
Salaries and employee benefits	155,588	21,920	16,214	38,682	232,404
Occupancy	21,892	2,993	1,865	2,362	29,112
Furniture and equipment	12,191	497	1,222	526	14,436
Amortization - intangibles	5,367	—	1,911	4,153	11,431

Software	13,545	2,317	2,622	2,163	20,647
Data processing	8,301	570	3,711	392	12,974
Professional fees	6,458	500	454	779	8,191
Advertising and marketing	6,947	1,309	2,582	622	11,460
FDIC and other insurance	7,938	341	240	376	8,895
Acquisition-related expenses	35,437	1,534	—	—	36,971
Other expenses	36,519	7,657	2,284	1,958	48,418
Total noninterest expense	310,183	39,638	33,105	52,013	434,939
Income (loss) before income tax, corporate allocation, and noncontrolling interest	111,204	2,223	16,185	27,118	156,730
Corporate allocation	4,475	(1,371)	(965)	(2,139)	—
Income (loss) before income tax provision and noncontrolling interest	115,679	852	15,220	24,979	156,730
Provision for income tax expense	16,375	38	3,912	6,465	26,790
Net income (loss)	99,304	814	11,308	18,514	129,940
Net income attributable to noncontrolling interest	(194)	(630)	(220)	—	(1,044)
Net income (loss) attributable to TowneBank	$ 99,110	$ 184	$ 11,088	$ 18,514	$ 128,896
Net income (loss) as percentage of consolidated income	76.90 %	0.14 %	8.60 %	14.36 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 15,856	$ 419	$ 597	$ 344	$ 17,216
Efficiency ratio (GAAP)	69.69 %	93.84 %	67.16 %	65.73 %	70.63 %
Impact of excluding net gain on security investments, gain on equity investments, and intangible amortization	(0.90)%	— %	(3.87)%	(5.25)%	(1.63)%
Efficiency ratio (non-GAAP)	68.79 %	93.84 %	63.29 %	60.48 %	69.00 %

Note 9. Commitments and Contingencies

Commitments to extend credit are agreements to lend to customers, provided there is no violation of any condition set forth in the contract. Commitments are evaluated on a case-by-case basis based on the customer's creditworthiness. They tend to have fixed expiration dates and may expire without being utilized. Therefore, total commitment amounts may not necessarily represent future cash requirements. Standby letters of credit are written conditional commitments issued to guarantee the performance of customers to third parties. The credit risk involved is similar to the risk involved in extending loans to customers.

The following table presents information about our commitments and contingencies as of the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Off-balance-sheet commitments to extend credit	$ 5,568,152	$ 4,744,512
Standby letters of credit and financial guarantees	155,302	162,746
Allowance for credit losses from off-balance-sheet credit exposures	12,816	10,377
Mortgage loans sold to investors with estimated recourse	1,495,174	1,547,824
Mortgage warranty provision on mortgage loans sold	29,181	41,599

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Note 10. Goodwill and Other Intangibles

The following table presents the gross carrying amount and accumulated amortization for the Company's other intangible assets as of the dates indicated (in thousands):

	September 30, 2026		December 31, 2025	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Core deposit intangible	$ 119,520	$ 46,644	$ 89,030	$ 33,229
Non-compete agreements	105	87	205	176
Customer lists	48,906	34,044	73,663	44,925
Total intangible assets subject to amortization	168,531	80,775	162,898	78,330
Trade name	—	—	8,729	—
Contractual agreements	3,231	—	3,231	—
Total intangible assets not subject to amortization	3,231	—	11,960	—
Total other intangible assets	$ 171,762	$ 80,775	$ 174,858	$ 78,330

Amortization expense for intangible assets was $5.78 million and $4.43 million for the three-month periods ended September 30, 2026 and 2025, respectively. Amortization expense for intangible assets was $17.97 million and $11.43 million for the nine-month periods ended September 30, 2026 and 2025, respectively. Net intangibles totaling $18.07 million related to the Resort Vacation Management segment were included in the valuation of that segment at the time of sale.

Changes in the net carrying amount of goodwill related to each of the Company's segments since December 31, 2025, are as follows (in thousands):

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Balance, December 31, 2025	$ 484,283	$ 8,162	$ 17,964	$ 83,671	$ 594,080
Acquisitions	227,470	—	—	—	227,470
Segment sold April 3, 2026	—	—	(17,964)	—	(17,964)
Purchase adjustment	14,561	—	—	—	14,561
Balance, September 30, 2026	$ 726,314	$ 8,162	$ —	$ 83,671	$ 818,147

Goodwill related to our Resort Vacation Management segment was included in the valuation of that segment at the time of sale. The Company recorded the following acquisition-related changes in the first nine months of 2026 (in thousands):

	Dogwood	Old Point	Village
Increase (decrease) in goodwill	$ 241,127	$ 843	$ 61
Increase to intangible assets	$ 30,490	$ —	$ —

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Note 11. Postretirement Benefits

The following table sets forth the Company's periodic postretirement benefit cost for the interim periods identified (in thousands):

	SERP		Other Postretirement Benefits	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2026	2025	2026	2025
Service cost	$ 1,677	$ 982	$ —	$ —
Interest cost	1,053	782	8	7
Amortization of prior service costs	597	144	—	(9)
Amortization of actuarial (gain) loss	(472)	(374)	(14)	(26)
Net periodic postretirement benefit cost	$ 2,855	$ 1,534	$ (6)	$ (28)

	SERP		Other Postretirement Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Service cost	$ 3,738	$ 2,953	$ —	$ —
Interest cost	2,925	2,316	25	21
Amortization of prior service costs	863	432	—	(26)
Amortization of actuarial (gain) loss	(1,358)	(1,120)	(43)	(80)
Net periodic postretirement benefit cost	$ 6,168	$ 4,581	$ (18)	$ (85)

Postretirement benefit costs are included in our Consolidated Statements of Income for the three- and nine-month periods ended September 30, 2026 and September 30, 2025. The service cost component of postretirement benefits is included in salaries and employee benefits. All other components of postretirement benefit costs are included in other expenses.

Note 12. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the components of accumulated other comprehensive income (loss) at September 30, 2026 and 2025 (in thousands), and changes in the nine months then ended. The amounts reclassified from AOCI for the securities available for sale are included in gain (loss) on investment securities, net in the Consolidated Statements of Income, while the amounts reclassified from AOCI for the defined benefit plan are a component of salaries and employee benefits expense and other expenses in the Consolidated Statements of Income.

	Unrealized Gains (Losses) on Securities (a)	Pension and Postretirement Plans (b)	Accumulated Other Comprehensive Income (Loss), Net of Tax
Balance, December 31, 2025	$ (57,267)	$ 5,582	$ (51,685)
Other comprehensive income (loss) before reclassifications, net of tax	(89,100)	(2,305)	(91,405)
Amounts reclassified from AOCI, net of tax	(100)	(421)	(521)
Net change	(89,200)	(2,726)	(91,926)
Balance, September 30, 2026	$ (146,467)	$ 2,856	$ (143,611)

	Unrealized Gains (Losses) on Securities (a)	Pension and Postretirement Plans (b)	Accumulated Other Comprehensive Income (Loss), Net of Tax
Balance, December 31, 2024	$ (121,474)	$ 5,429	$ (116,045)
Other comprehensive income (loss) before reclassifications, net of tax	52,707	584	53,291
Amounts reclassified from AOCI, net of tax	5	(621)	(616)
Net change	52,712	(37)	52,675
Balance, September 30, 2025	$ (68,762)	$ 5,392	$ (63,370)

(a) For additional information about securities, refer to Note 4.
(b) For additional information about postretirement plans, refer to Note 11.

Note 13. Variable Interest Entities

Low Income Housing Tax Credit Partnerships

As part of its community reinvestment initiatives, the Company invests within its footprint in multi-family affordable housing developments as a limited partner. The Company has determined that it is not the primary beneficiary of these partnerships because the general partner of each limited partnership has both the power to direct the activities that most significantly affect the performance of each partnership and the obligation to absorb losses or the right to receive benefits that could be significant to the entities.

The following table provides key information regarding the Company's investment in LIHTC partnerships:

(dollars in thousands)	September 30, 2026	December 31, 2025
Partnership assets not included on the Consolidated Balance Sheets	$ 1,146,125	$ 1,052,374
Carrying value of limited partner interests (1)	362,647	334,329
Maximum exposure to loss from limited partner investments	362,647	332,329
Funding commitments dependent on contractual milestones	75,824	104,383

(1) Included in other assets on the Consolidated Balance Sheets.

Tax benefits from LIHTC partnerships are recognized, net of amortization expenses, as a component of income tax expense. The following table provides those benefits and amortization expenses as of the dates indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	2026	2025	2026	2025
Tax benefit, net	$ 2,726	$ 2,586	$ 8,103	$ 6,353
Amortization expenses	11,744	11,389	34,412	29,280

Note 14. Fair Value Disclosures

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level valuation hierarchy was established for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Valuation is based on observable inputs, other than Level 1 prices, which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Valuation is based on unobservable inputs that are supported by little or no market activity and which are significant to the fair value of the assets or liabilities.

The following is a description of valuation methodologies used for instruments measured at fair value on a recurring basis.

Securities available for sale: Fair values are based on published market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The fair value of certain corporate securities is based on a discounted cash flow model which utilized Level 3, or unobservable inputs, the most significant of which are a discount rate and weighted-average life.

Mortgage loans held for sale: TowneBank elects to carry mortgage loans held for sale at fair value. Fair values of mortgage loans held for sale are based on commitments on hand from investors or, if commitments have not yet been obtained, prevailing market rates. Best efforts delivery transactions set the sale price with the investor on a loan-by-loan basis at the time each loan is locked with the respective borrower. Intent to sell on the mandatory market is established for mortgage loans held for sale when TowneBank enters into a loan commitment or interest rate lock with the customer. For additional information about mortgage loans held for sale, refer to Note 15.

Government guaranteed loans held for sale: Fair values of government guaranteed loans held for sale are based on estimated instrument-level gains or losses to be realized upon sale, which fall into Level 2. The Company did not have government guaranteed loans held for sale prior to the acquisition of Dogwood in January 2026.

Derivative financial instruments: Interest rate lock commitments, related to the origination of mortgage loans held for sale, are recorded at estimated fair value based on the value of the underlying loan, which in turn is based on quoted prices for similar loans in the secondary market. However, this value is adjusted by a factor which considers the likelihood that the loan in a lock position will ultimately close. This factor, the

fall-out rate, is derived from the Company's internal data and is adjusted using management judgment. The fall-out rate is largely dependent on the processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock. As such, interest rate lock commitments are classified as recurring Level 3. For the nine-month period ended September 30, 2026, and the year ended December 31, 2025, the Company used a weighted-average fall-out rate of 12.27%.

TowneBank enters into interest rate swap agreements with customers desiring protection from possible future market fluctuations. TowneBank enters into offsetting interest rate swap agreements to manage the market risk associated with these derivative agreements. The contracts in this portfolio for which the Company has elected not to apply hedge accounting are marked-to-market through other noninterest income and included in other assets and other liabilities. Interest rate swaps fall into a Level 2 category.

Forward loan sale commitments: To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, the Company enters into either a forward sales contract to sell loans to investors when using best efforts or a TBA mortgage-backed security under mandatory delivery. Loan sales agreements are evaluated to determine whether they meet the definition of a derivative because facts and circumstances may differ significantly. The Company has made the determination that the best efforts contracts do not meet the definition of derivative instruments, and the Company has elected the fair value option for the forward loan sale commitments. Forward loan sale commitments that economically hedge the closed loan inventory are recognized at fair value on the Consolidated Balance Sheets in other assets or other liabilities, with changes in their fair values recorded as a component of mortgage banking activities in the Consolidated Statements of Income. The Company estimates the fair value of its forward loan sale commitments using a methodology similar to that used for derivative loan commitments.

The mandatory forward sales contracts and TBA mortgage-backed securities are considered derivatives. The Company has not formally designated these derivatives as a qualifying hedge relationship; accordingly, changes to fair value are recorded to earnings each period. These valuations fall into a Level 2 category.

The following table presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of September 30, 2026 and December 31, 2025 (in thousands):

	September 30, 2026			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	$ —	$ 386,308	$ —	$ 386,308
U.S. Treasury notes	218,844	—	—	218,844
Municipal securities	—	538,811	—	538,811
Mortgage-backed securities issued by GSEs	—	1,625,908	—	1,625,908
Trust preferred and other corporate securities	—	120,926	49,713	170,639
Mortgage loans held for sale	—	175,727	—	175,727
Government guaranteed loans held for sale	—	9,010	—	9,010
Forward loan commitment asset	—	1,353	—	1,353
Forward loan commitment liability	—	—	—	—
Derivative assets	—	17,938	1,434	19,372
Derivative liabilities	—	14,461	—	14,461

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	December 31, 2025			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	$ —	$ 365,644	$ —	$ 365,644
U.S. Treasury notes	83,631	—	—	83,631
Municipal securities	—	494,162	—	494,162
Mortgage-backed securities issued by GSEs	—	1,624,747	—	1,624,747
Trust preferred and other corporate securities	—	94,641	47,364	142,005
Mortgage loans held for sale	—	154,444	—	154,444
Forward loan commitment asset	—	15	—	15
Forward loan commitment liability	—	93	—	93
Derivative assets	—	7,518	1,145	8,663
Derivative liabilities	—	7,737	—	7,737

The following table presents qualitative information about significant unobservable inputs utilized to measure the fair value of Level 3 securities measured on a recurring and nonrecurring basis. A range is presented where multiple securities are valued. There were no transfers out of Level 3 during the nine months ended September 30, 2026.

			As of September 30, 2026	As of December 31, 2025
Financial Instrument	Valuation Technique	Unobservable Input	(Weighted Average)	(Weighted Average)
Securities AFS	Discounted cash flow	Discount rate	8.38% - 9.28%	8.55% - 9.16%
		Weighted average life	3.31 - 8.75 years	3.96 - 9.50 years
Securities HTM	Discounted cash flow	Discount rate	5.88%	4.25%
		Weighted average life	22.60 years	23.35 years

TowneBank elects the fair value option for mortgage loans held for sale. This election allows for a more effective offset of the changes in fair value of the loans, the forward loan commitments, and mandatory delivery derivative instruments used to economically hedge them without the burden of complying with requirements for hedge accounting.

The following table presents information related to mortgage loans held for sale accounted for under the fair value option as of the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Aggregate fair value	$ 175,727	$ 154,444
Unpaid principal balance	176,521	150,481

Interest income on mortgage loans held for sale is recognized based on contractual rates and is reflected in interest income on mortgage loans held for sale in the Consolidated Statements of Income. The following table details net gains and losses resulting from changes in fair value of these loans, which were recorded in residential mortgage banking income, net in the Consolidated Statements of Income for the periods presented.

Net Gains (Losses) Resulting from Changes in Fair Value				
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2026	2025	2026	2025
Mortgage loans held for sale, at fair value	$ (3,858)	$ (975)	$ (4,266)	$ 1,407

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis that were still held on the balance sheet at quarter-end, the following table provides the level of valuation assumptions used to determine each adjustment and the carrying value of the related assets at September 30, 2026 and December 31, 2025 (in thousands):

September 30, 2026	Level 1	Level 2	Level 3	Fair Value
Collateral-dependent loans with specific reserves	$ —	$ —	$ 83,651	$ 83,651
Other real estate owned and other nonperforming assets	—	—	8,016	8,016
Government guaranteed loan servicing assets	—	—	5,586	5,586

December 31, 2025	Level 1	Level 2	Level 3	Fair Value
Other real estate owned and other nonperforming assets	$ —	$ —	$ 1,281	$ 1,281

The following is a description of valuation methodologies used for assets measured on a nonrecurring basis.

Collateral-dependent loans: Loans for which repayment of the loan is expected to be provided solely by the value of the underlying collateral are considered collateral-dependent and are valued based on the fair value of such collateral. Collateral values are estimated using inputs based on observable market data or inputs based on customized discounting criteria. In cases where such inputs were unobservable, specifically, discounts applied to appraisal values to adjust such values to current market conditions or to reflect net realizable value, the loan balance is reflected within Level 3 of the hierarchy.

Other real estate owned and other nonperforming assets: The fair value of foreclosed property is measured at fair value on a nonrecurring basis (upon initial recognition or subsequent impairment) and is classified within Level 3 of the valuation hierarchy. When transferred from the loan portfolio, other real estate owned is adjusted to fair value less estimated selling costs and is subsequently carried at the lower of carrying value or fair value less estimated selling costs. The fair value is generally determined using an external appraisal process and is discounted based on internal criteria when deemed necessary.

Government guaranteed loan servicing assets: The fair value of government guaranteed loan servicing assets is measured at fair value on a nonrecurring basis (upon initial recognition or subsequent impairment) and is classified within Level 3 of the valuation hierarchy. Servicing assets are disclosed at the present value of projected future servicing income, net of a valuation allowance, when a government guaranteed loan is sold with servicing retained. The servicing asset is amortized over the servicing life of the loan and is subject to impairment based on changes in servicing value.

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The levels within the fair value hierarchy and the estimated fair values of our financial instruments required to be disclosed under ASC 825, *Financial Instruments*, as of September 30, 2026 and December 31, 2025, are as follows (in thousands):

September 30, 2026	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Cash and due from banks	$ 118,234	$ 118,234	$ 118,234	$ —	$ —
Interest-bearing deposits at FRB	1,283,078	1,283,078	1,283,078	—	—
Interest-bearing deposits in financial institutions	111,825	111,825	111,825	—	—
Securities available for sale, net	2,940,510	2,940,510	218,844	2,671,953	49,713
Securities held to maturity, net	126,139	124,604	94,250	29,303	1,051
Other equity securities	15,829	15,829	—	15,829	—
Loans, net of unearned income and deferred costs	15,100,308	14,609,346	—	—	14,609,346
Interest receivable	67,512	67,512	—	67,512	—
Certificates of deposit	2,822,170	2,807,460	—	2,807,460	—
Advances from the FHLB	76,862	76,578	—	76,578	—
Subordinated debt, net	258,257	237,315	—	228,365	8,950

December 31, 2025	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Cash and due from banks	$ 129,941	$ 129,941	$ 129,941	$ —	$ —
Interest-bearing deposits at FRB	1,097,155	1,097,155	1,097,155	—	—
Interest-bearing deposits in financial institutions	123,553	123,553	123,553	—	—
Securities available for sale, net	2,710,189	2,710,189	83,631	2,579,194	47,364
Securities held to maturity, net	156,697	154,269	93,733	59,291	1,245
Other equity securities	12,219	12,219	—	12,219	—
Loans, net of unearned income and deferred costs	13,335,804	12,923,023	—	—	12,923,023
Interest receivable	57,644	57,644	—	57,644	—
Certificates of deposit	2,712,324	2,709,531	—	2,709,531	—
Advances from the FHLB	52,452	52,818	—	52,818	—
Subordinated debt, net	283,870	259,733	—	228,045	31,688

In accordance with disclosure guidance related to fair values of financial instruments, the Company did not include assets and liabilities that are not financial instruments, such as goodwill, other purchased intangibles, premises and equipment, deferred taxes, and other assets and liabilities. Additionally, receivables and payables due in one year or less and deposits with no defined or contractual maturities are excluded.

Note 15. Derivative Instruments and Hedging Activities

Mortgage interest rate contracts include rate lock commitments and corresponding forward sales contracts which are considered derivatives, but are not accounted for using hedge accounting. As such, changes in the estimated fair value of the derivatives during the commitment period are recorded in current earnings and included in net residential mortgage banking income in the Consolidated Statements of Income.

To allow customers to effectively manage their exposure to variable rate loans, the Company also enters into interest rate swaps with customers, while at the same time entering into offsetting interest rate swaps with

another financial institution. Changes in the fair value of the underlying derivative instruments substantially offset each other and do not have a material impact on the Company's results of operations.

The following table reflects the amount and market value of derivatives included on the Consolidated Balance Sheets as of the dates indicated (in thousands):

	September 30, 2026		December 31, 2025	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate contracts included in other assets	$ 443,053	$ 5,714	$ 197,897	$ 1,383
Interest rate contracts included in other liabilities	66,726	803	202,951	455
Interest rate swaps included in other assets	469,839	13,657	364,788	7,281
Interest rate swaps included in other liabilities	469,839	13,657	364,788	7,281

Gains and losses from mortgage banking derivatives are included in residential mortgage banking income, net in the Consolidated Statements of Income. For the three months ended September 30, 2026 and 2025, the Company recognized gains of $2.14 million and $1.83 million, respectively, from mortgage banking derivatives. For the nine months ended September 30, 2026 and 2025, the Company recognized gains of $3.39 million and $1.33 million, respectively, from mortgage banking derivatives. For the three and nine months ended September 30, 2026 and 2025, there were no gains or losses recognized on interest rate swaps.

Note 16. Revenue from Contracts with Customers

The Company disaggregates revenue from contracts by major product line, or a type of good or service. The following table presents certain selected financial information for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Revenue from Contracts with Customers:	2026	2025	2026	2025
Investment management income				
Investment commissions, net	$ 4,255	$ 3,699	$ 11,770	$ 9,932
Total	$ 4,255	$ 3,699	$ 11,770	$ 9,932
Insurance income				
Property and casualty insurance income, net	$ 22,000	$ 21,995	$ 65,050	$ 66,712
Benefit insurance income, net	3,642	3,796	11,920	11,181
Total	$ 25,642	$ 25,791	$ 76,970	$ 77,893
Resort vacation management income				
Property management income, net	—	20,449	12,440	49,209
Total	$ —	$ 20,449	$ 12,440	$ 49,209
Provision expense for credit losses on property and casualty insurance receivables	$ (185)	$ (19)	$ (157)	$ (224)

There was no property management income to report in the quarter ended September 30, 2026, due to the sale of the Company's Resort Vacation Management segment on April 3, 2026. The provision for credit losses related to property and casualty direct bill insurance receivables is recorded in property and casualty insurance income.

The Company had no material contract assets or contract liabilities recorded on the Consolidated Balance Sheets as of September 30, 2026 or December 31, 2025.

This disclosure includes only revenue from contracts with third-party customers. See "Note 8. Segment Reporting" for additional information regarding other revenue streams, primarily from revenue between the Company's consolidated subsidiaries and lines of business, in addition to those included in the table above.

Note 17. Borrowings

TowneBank is a member of the FHLB and may borrow funds based on criteria established by the FHLB. The FHLB may call these borrowings if the adjusted collateral balance falls below the borrowing level. The borrowing arrangements available from the FHLB could be either short- or long-term, depending on our related cost and needs, and are secured by a blanket lien on residential mortgages and other real estate-secured loans.

The Company also has REPOs that are overnight short-term investments and are not insured by the FDIC. Securities pledged as collateral under these REPO financing arrangements cannot be sold or repledged by the secured party and are therefore accounted for as a secured borrowing. Collateral pledging requirements for REPOs are monitored daily. Securities pledged as collateral for REPOs consist primarily of MBSs issued by GSEs. The market value of securities pledged could decline. Due to the overnight short-term nature of REPOs, the carrying amount of repurchase agreements approximates fair value, and potential risk due to a decline in the value of the pledged collateral is low.

On February 9, 2022, the Company issued $250.00 million in subordinated notes, redeemable in whole or in part, on or after February 15, 2027, that is accruing interest at a fixed rate of 3.125% until February 15, 2027, converting to a floating rate of three-month SOFR plus 1.68% for the next five years.

The Company holds additional subordinated debt with varying terms and maturities that it has issued or acquired. The following table presents information related to our borrowings for the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Market value of securities pledged as collateral for REPOs	$ 54,551	$ 58,987
Carrying value of capital notes assumed with acquisitions (1)	$ 5,162	$ 31,280
Carrying value of Company-issued capital notes	$ 249,742	$ 249,278
Carrying value of Series IV Towne Investment Units	$ 3,353	$ 3,312
Total subordinated debt	$ 258,257	$ 283,870

(1) The Company repaid $26.25 million in acquired debt during third quarter 2026.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to assist readers in understanding and evaluating our consolidated results of operations and financial condition. The following should be read in conjunction with our 2025 audited Consolidated Financial Statements included in our 2025 Annual Report to Shareholders and our 2025 Annual Report on Form 10-K. The financial statements contained in this Form 10-Q have been subject to a review by Forvis Mazars, LLP, independent certified public accountants, as described in their report included as Exhibit 99.

Forward-Looking Statements. *This Quarterly Report on Form 10-Q contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the beliefs, expectations, or opinions of TowneBank and its management regarding future events, many of which, by their nature, are inherently uncertain. Forward-looking statements may be identified by the use of such words as: "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional terms, such as "will," "would," "should," "could," "may," "likely," "probably," or "possibly." These statements may address issues that involve significant risks, uncertainties, estimates, and assumptions made by management. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following:*

- *competitive pressures in the banking and financial services industry that may increase significantly;*
- *changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held, as well as the value of other financial assets held;*
- *an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize our overall liquidity or capitalization;*
- *changes in the creditworthiness of customers and possible impairment of the collectability of loans;*
- *insufficiency of our allowance for credit losses due to market conditions, inflation, changing interest rates, or other factors;*
- *adverse developments in the financial industry generally, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior;*
- *general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services;*
- *geopolitical instability, including wars, conflicts, trade restrictions and tariffs, civil unrest, and terrorist attacks and the potential impact, directly or indirectly, on our business;*
- *the effects of weather-related or natural disasters, which may negatively affect our operations and/ or our loan portfolio and increase our cost of conducting business;*
- *public health events (such as the COVID-19 pandemic) and governmental and societal responses to them;*
- *changes in the legislative or regulatory environment, including changes in accounting standards and tax laws and changes impacting the rulemaking, supervision, examination, and enforcement priorities of the federal banking agencies, that may adversely affect our business;*
- *our ability to successfully integrate the businesses from recently completed or pending acquisitions, including our recent merger with Dogwood and our pending merger with blueharbor to the extent that process may take longer or be more difficult, time-consuming, or costly to accomplish than expected;*
- *our ability to close the transaction with blueharbor when expected or at all because required approvals and other conditions to closing are not received or satisfied on the proposed terms or on the anticipated schedule;*
- *deposit attrition, operating costs, customer losses, and business disruption associated with recently completed and pending acquisitions, including reputational risk and adverse effects on relationships with employees, customers, or other business partners, that may be greater than expected;*

- *costs or difficulties related to the integration of the businesses that we have acquired that may be greater than expected;*
- *expected growth opportunities or cost savings associated with recently completed and pending acquisitions that may not be fully realized or realized within the expected time frame;*
- *the diversion of management's attention and time from ongoing business operations and opportunities on merger and integration related matters;*
- *the introduction of new lines of business or new products and services;*
- *cybersecurity threats or attacks, whether directed at us or at vendors or other third parties with which we interact;*
- *the implementation of new technologies, and the ability to develop and maintain reliable electronic systems;*
- *competitors that may have greater financial resources and develop products that enable them to compete more successfully;*
- *changes in business conditions;*
- *changes in the securities market; and*
- *changes in our local economy with regard to our market area, including any adverse impact of actual and proposed cuts to federal spending, including defense, security, and military spending on the economy.*

Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events, or otherwise. For additional information on factors that could materially influence forward-looking statements included in this report, see the "Risk Factors" in TowneBank's Annual Report on Form 10-K for the year ended December 31, 2025, and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.

Overview

TowneBank is a retail and commercial banking business that places special emphasis on serving the financial needs of individuals, commercial enterprises, and professionals in our geographic footprint. We offer a full range of banking and related financial services through our controlled divisions and subsidiaries.

On April 3, 2026, the Company completed the sale of its Resort Vacation Management segment for a value of $250 million and a pre-tax gain of $198.06 million. During second quarter, in conjunction with that gain, the Company made a special charitable foundation contribution of $25 million to TowneBank Foundation. Additionally, TowneBank paid a special dividend of $0.70 per common share, representing approximately 32% of the gain on the sale before taxes and deal costs.

Based on the timing of the sale, operating income from the Resort Vacation Management segment was zero in both second and third quarter 2026. From a year-to-date perspective, the Company continues to report income results under four reportable segments: Banking, Mortgage, Resort Vacation Management, and Insurance. Our Banking segment provides loan and deposit services to retail and commercial customers and also provides a variety of investment and asset management services. The Mortgage segment provides originations of a variety of mortgage loans. Prior to its sale, the Resort Vacation Management segment provided residential property management services in multiple resort locations. The Insurance segment provides a full line of commercial and consumer insurance products and financial services, as well as employee benefit services.

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TowneBank had total assets of $22.18 billion at September 30, 2026, compared to $19.69 billion at December 31, 2025. The following table lists key asset and liability categories, as a percentage of total assets, as of the dates listed:

	September 30, 2026	December 31, 2025
Total cash and cash equivalents	6.82 %	6.86 %
Total securities	13.98 %	14.71 %
Mortgage loans held for sale	0.79 %	0.78 %
Loans, net of unearned income and deferred costs	68.07 %	67.74 %
Total deposits	83.21 %	83.86 %
Noninterest-bearing deposits	26.97 %	25.77 %
Total borrowings	1.62 %	1.89 %

The following table lists key asset and liability categories for the consolidated company for the periods indicated:

(dollars in thousands)	September 30, 2026	June 30, 2026	Total Change Change	Total Change %
Total assets	$ 22,182,707	$22,616,959	$ (434,252)	(1.92)%
Total cash and cash equivalents	1,513,137	1,815,480	(302,343)	(16.65)%
Total investment securities	3,101,722	3,104,720	(2,998)	(0.10)%
Mortgage loans held for sale	175,727	275,602	(99,875)	(36.24)%
Loans, net of unearned income and deferred costs	15,100,308	15,169,675	(69,367)	(0.46)%
Allowance for credit losses on loans	(199,375)	(199,918)	(543)	(0.27)%
Total deposits	18,458,881	18,713,445	(254,564)	(1.36)%
Total borrowings	358,651	450,238	(91,587)	(20.34)%
Goodwill related to acquisition	9,503	4,502		
Acquisition-related allowance on loans increase - community banking	3,110	11,102		
Acquisition-related allowance on loans (decrease) increase - government guaranteed lending	—	(3,642)		
Total allowance for credit losses on loans to period end loans	1.32 %	1.32 %		

The Company continued to strengthen its funding profile in third quarter 2026 by paying down a portion of acquired subordinated debt and short-term FHLB borrowings. Recent increases in benchmark rates adversely impacted mortgage loans held for sale volume and the fair value of AFS debt securities. Mortgage loans held for sale production levels and margin both declined in the quarter. Net unrealized losses in our AFS debt securities increased to $186.87 million at September 30, 2026, from $85.14 million at June 30, 2026.

Our allowance for credit losses on loans decreased $543 thousand in the quarter, and our provision was a benefit of $1.20 million. Adjustments to the purchase price allocation resulted in additional Day 1 allowances related to the acquisition of Dogwood of $3.11 million.

The following table presents the key components affecting the Company's financial performance in the three and nine months ended September 30, 2026, compared to prior year:

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in thousands)	2026	2025	Change	%	2026	2025	Change	%
Net income attributable to TowneBank	$ 81,777	$ 44,295	$ 37,482	84.62 %	$ 315,956	$ 128,896	$187,060	145.12 %
Net interest income	196,209	146,952	49,257	33.52 %	554,270	404,643	149,627	36.98 %

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	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
(dollars in thousands)	2026	2025	Change	%	2026	2025	Change	%
Noninterest income	61,682	75,633	(13,951)	(18.45)%	394,336	211,132	183,204	86.77 %
Total revenue	257,891	222,585	35,306	15.86 %	948,606	615,775	332,831	54.05 %
Provision for credit losses	(1,177)	15,276	(16,453)	(107.70)%	(208)	24,106	(24,314)	(100.86)%
Noninterest expense	159,470	153,738	5,732	3.73 %	545,300	434,939	110,361	25.37 %
Acquisition-related expenses	3,191	17,814	(14,623)	(82.09)%	46,088	36,971	9,117	24.66 %

Net income attributable to TowneBank increased 84.62% in third quarter and 145.12% in the first nine months of 2026. Net interest income increased $49.26 million in the quarter and $149.63 million year-to-date 2026, driven by a combination of higher earning-asset volumes and improved yields. Noninterest income declined in the quarter, but increased year-over-year, impacted by the sale of our Resort Vacation Management segment in second quarter 2026. Noninterest expense increased in both periods compared to the prior year, largely due to higher salaries and employee benefits, occupancy costs, and amortization expense. Acquisition-related expenses decreased in third quarter 2026, but increased in the nine-month comparison to 2025. The acquisition of two financial institutions after the second quarter of 2025 contributed to increases in both revenues and expenses in the periods presented. Acquisition-related expenses are expected to increase with the successful completion of the Dogwood systems conversion in October 2026.

This discussion should be read in conjunction with our Consolidated Financial Statements and notes to the financial statements appearing elsewhere in this report.

Critical Accounting Estimates and Significant Accounting Policies

Preparation of consolidated financial statements and related disclosures in conformity with GAAP requires management to make judgments, assumptions, and estimates in certain circumstances that affect amounts reported in the Consolidated Financial Statements and accompanying footnotes. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. We consider our policy for the allowance for credit losses to be a critical accounting policy. Refer to our 2025 Annual Report to Shareholders for further discussion of significant accounting policies.

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ANALYSIS OF RESULTS OF OPERATIONS

Consolidated Performance Summary

Results of Operations: We reported the following for the periods indicated:

	Three Months Ended		Nine Months Ended	
(dollars in thousands, except per share data)	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Total revenue	$ 257,891	$ 222,585	$ 948,606	$ 615,775
Operating revenue (non-GAAP)	$ 255,199	$ 222,591	$ 747,238	$ 613,782
Diluted earnings per share	$ 0.88	$ 0.58	$ 3.44	$ 1.70
Return on average assets	1.46 %	0.94 %	1.90 %	0.96 %
Return on average tangible assets (non-GAAP)	1.60 %	1.05 %	2.07 %	1.06 %
Return on average equity	10.73 %	7.72 %	14.25 %	7.81 %
Return on average tangible equity (non-GAAP)	16.19 %	11.39 %	21.43 %	11.24 %
Net interest margin	3.89 %	3.48 %	3.72 %	3.34 %
Net interest margin TE (non-GAAP)	3.92 %	3.50 %	3.74 %	3.36 %

Net Interest Income. Net interest income, the major source of our earnings, is the income generated by interest-earning assets reduced by the total interest cost of the funds incurred to carry them. It is affected by market interest rates and the volume and mix of earning assets and interest-bearing liabilities. The yields and rates in this discussion and in the following tables have been computed based upon interest income and expense adjusted to a TE basis (non-GAAP) using a 21% federal marginal tax rate.

TowneBank reported net interest income, on a TE basis ("net interest income-TE"), of $197.54 million for the quarter ended September 30, 2026, which was $49.51 million, or 33.44%, higher than third quarter 2025. In the nine-month comparison, net interest income-TE increased $150.19 million, or 36.82%, over prior year.

Interest income-TE was $270.92 million in third quarter 2026, a $51.50 million, or 23.47%, increase over September 30, 2025. In the nine-month comparison, interest income-TE was $784.41 million, a $165.61 million, or 26.76%, increase over 2025. Interest income growth in the third quarter and first nine months of 2026 was driven by higher earning-asset volume enhanced by improvements in yields. For the quarter ended September 30, 2026, average earning assets grew 19.35% year-over-year to $20.01 billion, while the overall yield on earning assets increased 18 bp from the prior-year quarter. Average loan balances increased 19.24% in third quarter 2026 compared to one year ago, while loan yields increased 20 bp. Average earning assets increased $3.73 billion, or 23.03%, in the nine months ended September 30, 2026, from the comparative prior year, and the overall yield on earning assets was 16 bp higher. Average loan balances increased 24.29% in the first nine months of 2026 compared to 2025, and loan yields increased 20 bp.

Interest expense increased $1.99 million, or 2.79%, in the current quarter and $15.42 million, or 7.31%, in the first nine months of 2026 compared to 2025, driven by volume increases that outpaced the decline in rates. Average interest-bearing liabilities were $13.01 billion in third quarter 2026, an increase of 17.51% over the comparative prior year quarter. The cost of interest-bearing liabilities declined 32 bp from third quarter 2025 to 2.24% in third quarter 2026. The cost of interest-bearing deposits declined 34 bp for the same comparative periods. Average interest-bearing liabilities increased $2.38 billion in the first nine months of 2026 compared to 2025, while the cost of interest-bearing liabilities declined 32 bp.

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TE net interest margin, which is net interest income-TE expressed as a percentage of average earning assets, was 3.92% for the quarter and 3.74% for the nine months ended September 30, 2026, 42 bp and 38 bp higher, respectively, compared to the same periods ended September 30, 2025.

The following table depicts our interest income on earning assets and related average yields, as well as interest expense on interest-bearing liabilities and related average rates paid for the periods presented. Also presented for the three- and nine-month periods are the changes in interest income and expense caused by variations in the volume and mix of these assets and liabilities, as well as changes in interest rates when compared to the previous periods:

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(dollars in thousands)	Three Months Ended September 30, 2026 Average Balance	Interest Income/ Expense	Average Yield/ Rate	Three Months Ended September 30, 2025 Average Balance	Interest Income/ Expense	Average Yield/ Rate	Increase/(Decrease) Three Months Ended September 30, 2026 Compared to Three Months Ended September 30, 2025 Rate (4)	Volume	Total
Assets:									
Loans (net of unearned income and deferred costs)	$15,099,033	$ 222,774	5.85 %	$12,662,595	$ 180,361	5.65 %	$ 6,660	$ 35,753	$ 42,413
Taxable investment securities	2,830,262	27,714	3.92 %	2,627,476	23,203	3.53 %	2,640	1,871	4,511
Tax-exempt investment securities	306,541	3,436	4.48 %	176,193	1,913	4.34 %	64	1,459	1,523
Total securities	3,136,803	31,150	3.97 %	2,803,669	25,116	3.58 %	2,704	3,330	6,034
Interest-bearing deposits	1,532,388	13,210	3.42 %	1,096,909	10,597	3.83 %	(1,238)	3,851	2,613
Loans held for sale	243,694	3,789	6.22 %	204,949	3,351	6.54 %	(171)	609	438
Total earning assets	20,011,918	270,923	5.37 %	16,768,122	219,425	5.19 %	7,955	43,543	51,498
Less: allowance for loan losses	(199,806)			(139,408)					
Total nonearning assets	2,464,522			1,995,385					
Total assets	$22,276,634			$18,624,099					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	$ 9,270,396	$ 45,110	1.93 %	$ 7,791,983	$ 43,015	2.19 %	$ (5,470)	$ 7,565	$ 2,095
Savings	435,096	600	0.55 %	332,403	684	0.82 %	(262)	178	(84)
Certificates of deposit	2,916,256	24,524	3.34 %	2,626,140	25,444	3.84 %	(3,562)	2,642	(920)
Total interest-bearing deposits	12,621,748	70,234	2.21 %	10,750,526	69,143	2.55 %	(9,294)	10,385	1,091
Borrowings	121,656	798	2.57 %	49,111	(212)	(1.69)%	1,032	(22)	1,010
Subordinated debt, net	262,100	2,349	3.59 %	267,755	2,461	3.68 %	(61)	(51)	(112)
Total interest-bearing liabilities	13,005,504	73,381	2.24 %	11,067,392	71,392	2.56 %	(8,323)	10,312	1,989
							$ 16,278	$ 33,231	$ 49,509
Demand deposits	5,863,443			4,898,006					
Other noninterest-bearing liabilities	385,016			378,717					
Total liabilities	19,253,963			16,344,115					
Shareholders' equity	3,022,671			2,279,984					
Total liabilities and equity	$22,276,634			$18,624,099					
Net interest income-TE (3)		$ 197,542			$ 148,033				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(1,333)			(1,081)				
Net interest income (GAAP)		$ 196,209			$ 146,952				
Interest rate spread (1)(3)			3.13 %			2.63 %			
Interest expense as a percent of average earning assets			1.45 %			1.69 %			
Net interest margin-TE (2)(3)			3.92 %			3.50 %			
Total cost of deposits			1.51 %			1.75 %			

(1) Interest rate spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities. Tax-equivalent basis.
(2) Net interest margin is net interest income expressed as a percentage of average earning assets. Tax-equivalent basis.
(3) Non-GAAP.
(4) Variances caused by the change in rate times the change in balances are allocated to rate.

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(dollars in thousands)	Nine Months Ended September 30, 2026 Average Balance	Nine Months Ended September 30, 2026 Interest Income/ Expense	Nine Months Ended September 30, 2026 Average Yield/ Rate	Nine Months Ended September 30, 2025 Average Balance	Nine Months Ended September 30, 2025 Interest Income/ Expense	Nine Months Ended September 30, 2025 Average Yield/ Rate	Increase/(Decrease) Nine Months Ended September 30, 2026 Compared to Nine Months Ended September 30, 2025 Rate (4)	Volume	Total
Assets:									
Loans (net of unearned income and deferred costs)	$ 15,124,879	$ 649,043	5.74 %	$ 12,169,050	$ 503,947	5.54 %	$ 17,350	$ 127,746	$ 145,096
Taxable investment securities	2,814,643	78,584	3.72 %	2,568,420	67,866	3.52 %	3,980	6,738	10,718
Tax-exempt investment securities	275,931	9,144	4.42 %	174,786	5,575	4.25 %	225	3,344	3,569
Total securities	3,090,574	87,728	3.78 %	2,743,206	73,441	3.57 %	4,205	10,082	14,287
Interest-bearing deposits	1,527,108	38,693	3.39 %	1,113,719	32,639	3.92 %	(4,858)	10,912	6,054
Loans held for sale	196,415	8,942	6.07 %	180,618	8,774	6.48 %	(572)	740	168
Total earning assets	19,938,976	784,406	5.26 %	16,206,593	618,801	5.10 %	16,125	149,480	165,605
Less: allowance for loan losses	(193,688)			(131,892)					
Total nonearning assets	2,473,117			1,894,785					
Total assets	$ 22,218,405			$ 17,969,486					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	$ 9,211,245	$ 134,690	1.95 %	$ 7,555,758	$ 125,675	2.22 %	$ (14,397)	$ 23,412	$ 9,015
Savings	434,213	1,832	0.56 %	327,517	2,102	0.86 %	(841)	571	(270)
Certificates of deposit	3,029,497	77,701	3.43 %	2,575,944	76,651	3.98 %	(11,402)	12,452	1,050
Total interest-bearing deposits	12,674,955	214,223	2.26 %	10,459,219	204,428	2.61 %	(26,640)	36,435	9,795
Borrowings	189,239	4,306	3.00 %	37,910	(854)	(2.97)%	4,011	1,149	5,160
Subordinated debt, net	276,763	7,834	3.77 %	266,786	7,374	3.69 %	181	279	460
Total interest-bearing liabilities	13,140,957	226,363	2.30 %	10,763,915	210,948	2.62 %	(22,448)	37,863	15,415
							$ 38,573	$ 111,617	$ 150,190
Demand deposits	5,674,901			4,622,418					
Other noninterest-bearing liabilities	438,206			373,274					
Total liabilities	19,254,064			15,759,607					
Shareholders' equity	2,964,341			2,209,879					
Total liabilities and equity	$ 22,218,405			$ 17,969,486					
Net interest income-TE (3)		$ 558,043			$ 407,853				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(3,773)			(3,210)				
Net interest income (GAAP)		$ 554,270			$ 404,643				
Interest rate spread (1)(3)			2.96 %			2.48 %			
Interest expense as a percent of average earning assets			1.52 %			1.74 %			
Net interest margin-TE (2)(3)			3.74 %			3.36 %			
Total cost of deposits			1.56 %			1.81 %			

(1) Interest rate spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities. Tax-equivalent basis.
(2) Net interest margin is net interest income expressed as a percentage of average earning assets. Tax-equivalent basis.
(3) Non-GAAP.
(4) Variances caused by the change in rate times the change in balances are allocated to rate.

Provision for Credit Losses. In third quarter 2026, the provision for credit losses was a benefit of $1.18 million compared to an expense of $15.28 million for the same period in 2025. The provision for the first nine months of 2026 was a benefit of $208 thousand compared to an expense of $24.11 million in prior year. In the third quarter and first nine months of 2026, we had net charge-offs of $2.45 million and $9.90 million, respectively, compared to net charge-offs of $255 thousand and $0.90 million for the same

respective periods in 2025. The provision benefit was driven by a combination of a slight decline in loan balances, continued strength in credit quality, and changes in the macroeconomic forecast scenarios utilized in our models.

The following table provides the charge-offs stratified by source for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
Net Charge-offs	2026	2025	2026	2025
Community bank	$ 414	$ (116)	$ 580	$ (392)
Indirect	1,104	371	5,520	1,291
Government guaranteed lending	935	—	3,798	—
Total	$ 2,453	$ 255	$ 9,898	$ 899

Noninterest Income. Total noninterest income for the three and nine months ended September 30, 2026, was $61.68 million and $394.34 million, respectively, compared to $75.63 million and $211.13 million for the same respective periods in 2025.

Our noninterest income primarily consists of fee income produced by our four reportable segments, less applicable commission expenses. The following table provides an analysis of noninterest income for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Nine Months Ended 2026 over 2025	
(*dollars in thousands*)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Residential mortgage banking income, net	$11,186	$13,123	$35,457	$37,046	$ (1,937)	(14.76)%	$ (1,589)	(4.29)%
Insurance commissions and other income, net	25,642	25,791	76,970	77,893	(149)	(0.58)%	(923)	(1.18)%
Property management income, net	—	20,449	12,440	49,209	(20,449)	(100.00)%	(36,769)	(74.72)%
Service charges on deposit accounts	4,400	4,056	13,789	11,025	344	8.48 %	2,764	25.07 %
Credit card merchant fees, net	2,096	1,909	6,160	5,400	187	9.80 %	760	14.07 %
Investment commissions, net	4,255	3,699	11,770	9,932	556	15.03 %	1,838	18.51 %
BOLI	3,124	2,157	8,903	6,021	967	44.83 %	2,882	47.87 %
Government guaranteed lending income, net	615	—	6,810	—	615	N/M	6,810	N/M
Gain on sale of equity investments	2,692	—	201,242	2,000	2,692	N/M	199,242	N/M
Other income	7,672	4,456	20,669	12,613	3,216	72.17 %	8,056	63.87 %
Subtotal before gain on investment securities	61,682	75,640	394,210	211,139	(13,958)	(18.45)%	183,071	86.71 %
Net gain (loss) on investment securities	—	(7)	126	(7)	7	(100.00)%	133	N/M
Total noninterest income	$61,682	$75,633	$394,336	$211,132	$ (13,951)	(18.45)%	$ 183,204	86.77 %
Noninterest income/operating income (non-GAAP)	24.17 %	33.98 %	52.77 %	34.40 %				
Noninterest income, excluding gain on sale of equity investments/operating income (non-GAAP)	23.12 %	33.98 %	25.84 %	34.07 %				

In third quarter 2026, the decrease in residential mortgage banking income, net of commission expense, was driven by margin compression. Production volume was $639.73 million in third quarter 2026, an increase of $3.37 million, or 0.53%, compared to third quarter 2025. Margins on the sale of loans were 2.95% in third quarter 2026 compared to 3.32% in third quarter 2025. Refinance activities were less than 10%, which is comparable to the prior year quarter. In the first nine months of 2026, residential mortgage banking income, net of commission expense, decreased as the benefit of higher production volumes was more than offset by a 21 basis point decline in margins on the sale of loans.

Insurance commissions decreased marginally, in both the third quarter and first nine months of 2026, compared to 2025, driven by declines in employee benefits insurance in the quarterly comparison and property and casualty insurance year-over-year. Contingency and bonus revenue, which consists primarily of amounts received from various property and casualty carriers, also decreased in both periods compared to prior year. Results in our property and casualty business were negatively impacted by continued market softening, reflected in moderating rate increases, as well as the loss of business from a significant customer whose operations have been adversely affected by the ongoing conflict in the Middle East. Collectively, these factors created a headwind to organic growth during the period. Management continues to search for opportunities to grow insurance segment revenues both organically and through disciplined insurance agency acquisitions.

Property management income was zero in the quarter and down $36.77 million in the year-to-date comparison, as a result of the sale of the Resort Vacation Management segment on April 3, 2026. Government lending income, net was new in first quarter 2026 and represents noninterest income related to government guaranteed loans held for sale. Proceeds from life insurance claims and an increase in BOLI insurance assets related to the three recent acquisitions led to an increase in income.

In third quarter 2026, we recorded adjustments to reduce the gain recognized on the sale of the Resort Vacation Management segment by $493 thousand. Additionally, we recognized a gain of $3.19 million on the contribution of property to an entity in which we hold a minority interest. In the first nine months of 2025, we recorded a $2 million gain on the sale of an equity investment originally obtained in 2013 as collateral for a charged-off loan.

We did not sell any investment securities in third quarter 2026, but sold 11 securities with a carrying value of $66.61 million, and recorded net gains of $126 thousand in the first nine months of 2026. We sold 55 investment securities, related to our Old Point acquisition, with a carrying value of $97.97 million, and recorded net losses of $7 thousand in third quarter 2025. We sold 59 investment securities with a carrying value of $99.50 million, and recorded net losses of less than $7 thousand in the first nine months of 2025.

Noninterest Expense. For the quarter ended September 30, 2026, total noninterest expense was $159.47 million, which was $5.73 million higher than comparative 2025. Noninterest expense increased $110.36 million, or 25.37%, in the first nine months of 2026 compared to 2025. As a percentage of operating income, noninterest expense was 62.49% for third quarter 2026 and 69.07% for comparative 2025.

The following table provides an analysis of quarterly total noninterest expense by line item for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Nine Months Ended 2026 over 2025	
(*dollars in thousands*)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Salaries and employee benefits	$ 90,640	$ 78,964	$ 272,549	$ 232,404	$ 11,676	14.79 %	$ 40,145	17.27 %
Occupancy expense	12,094	9,988	35,892	29,112	2,106	21.09 %	6,780	23.29 %
Furniture and equipment	5,186	5,044	16,432	14,436	142	2.82 %	1,996	13.83 %
Amortization - intangibles	5,778	4,427	17,965	11,431	1,351	30.52 %	6,534	57.16 %
Software	8,071	7,518	23,944	20,647	553	7.36 %	3,297	15.97 %
Data processing	4,083	4,630	12,506	12,974	(547)	(11.81)%	(468)	(3.61)%
Professional fees	3,996	2,999	10,413	8,191	997	33.24 %	2,222	27.13 %
Advertising and marketing	3,636	3,759	12,523	11,460	(123)	(3.27)%	1,063	9.28 %

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(*dollars in thousands*)	Three Months Ended September 30,		Nine Months Ended September 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Nine Months Ended 2026 over 2025	
	2026	2025	2026	2025	Amount	Percent	Amount	Percent
FDIC and other insurance	2,707	3,002	9,886	8,895	(295)	(9.83)%	991	11.14 %
Acquisition-related expenses	3,191	17,814	46,088	36,971	(14,623)	(82.09)%	9,117	24.66 %
Other noninterest expenses:								
Bank franchise tax/SCC fees	3,150	2,873	9,692	8,564	277	9.64 %	1,128	13.17 %
Charitable contributions	5,191	5,055	40,528	13,117	136	2.69 %	27,411	208.97 %
Directors fees and expenses	999	874	3,840	2,954	125	14.30 %	886	29.99 %
Other	6,619	3,492	20,556	13,409	3,127	89.55 %	7,147	53.30 %
Stationery and supplies	969	733	2,592	2,149	236	32.20 %	443	20.61 %
Telephone and postage	1,460	1,395	4,549	4,528	65	4.66 %	21	0.46 %
Travel/meals/entertainment	1,700	1,171	5,345	3,697	529	45.18 %	1,648	44.58 %
Total other noninterest expenses	20,088	15,593	87,102	48,418	4,495	28.83 %	38,684	79.90 %
Total noninterest expense	$ 159,470	$ 153,738	$ 545,300	$ 434,939	$ 5,732	3.73 %	$ 110,361	25.37 %
Salaries and employee benefits/total noninterest expense	56.84 %	51.36 %	49.98 %	53.43 %	548 bp	10.67 %	-345 bp	(6.46)%
Noninterest expense/operating income (non-GAAP)	62.49 %	69.07 %	72.98 %	70.86 %	-658 bp	(9.53)%	212 bp	2.99 %

Excluding the special charitable foundation contribution of $25 million, noninterest expense would have increased $85.36 million, or 19.63%, in the nine months' comparison of 2026 to 2025.

In third quarter and the first nine months of 2026, salaries and employee benefits represented 56.84% and 49.98% of total noninterest expense, compared to 51.36% and 53.43%, respectively, for the same comparative periods in 2025. The increase in salaries and benefits was driven by the acquisitions of Dogwood, Old Point, and Village, annual base salary increases that go into effect in third quarter each year, and higher health insurance costs.

The increase in salaries and benefits expense was primarily attributable to additional personnel related to acquisitions, which contributed $8.92 million of the $11.68 million increase for third quarter 2026 and $26.34 million of the $40.15 million increase for the first nine months of 2026, compared to the respective prior year periods. In our Banking segment, we had a total of 1,957 full-time equivalent employees at September 30, 2026, compared to 1,804 at September 30, 2025. In our non-Banking segments we had a total of 899 full-time equivalent employees at September 30, 2026, compared to 1,251 at September 30, 2025.

Acquisition-related expenses were $3.19 million and $46.09 million in third quarter and the first nine months of 2026, compared to $17.81 million and $36.97 million for the same respective periods in 2025.

Provision for Income Taxes. Our provision for income tax expense represented an effective tax rate of 17.72% and 21.55% in third quarter and the first nine months of 2026, respectively, compared to an effective rate of 16.82% and 17.21% for the same respective periods in 2025. The change in the effective rate in third quarter 2026 compared to 2025 was attributable to a decrease in non-deductible merger-related expenses compared to the prior year. The year-to-date effective rate increased from prior year primarily due to the sale of the Resort Vacation Management segment.

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Segment Performance Summary

Our reportable segments are a traditional full-service community bank, a mortgage business, (prior to its sale) a resort vacation management company, and a full-service insurance agency. In this section, we discuss the performance and financial results of our segments. For further financial details, see "Note 8. Segment Reporting" of the Notes to Consolidated Financial Statements in this report.

Banking Segment. The Banking segment is the primary source of consolidated net income attributable to TowneBank. Revenue growth, driven by increased net interest income, outpaced the increase in total noninterest expense in the current quarter compared to third quarter 2025. Excluding the gain on the sale of our Resort Vacation Management segment, total revenue would have increased $172.32 million year-to-date compared to 2025, driven by net interest income growth. Noninterest expense, excluding the special charitable foundation contribution of $25 million, increased $105.71 million in the first nine months of 2026 compared to 2025, driven primarily by increases in salaries and benefits, occupancy, amortization, and acquisition-related expenses.

Salaries and benefits increased due to a higher number of banking personnel and health insurance costs. Occupancy and amortization expense increases were driven by acquisitions.

The following chart presents revenue and expenses for the Banking segment for the periods presented, as well as changes between periods:

	Three Months Ended September 30,		Nine Months Ended September 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Nine Months Ended 2026 over 2025	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**	**Amount**	**Percent**	**Amount**	**Percent**
Interest income	$264,148	$213,452	$766,922	$602,446	$ 50,696	23.75 %	$ 164,476	27.30 %
Interest expense	69,231	67,706	216,167	200,792	1,525	2.25 %	15,375	7.66 %
Net interest income	194,917	145,746	550,755	401,654	49,171	33.74 %	149,101	37.12 %
Service charges on deposit accounts	4,400	4,056	13,789	11,025	344	8.48 %	2,764	25.07 %
Credit card merchant fees	2,096	1,909	6,160	5,400	187	9.80 %	760	14.07 %
Investment commissions, net	4,255	3,699	11,770	9,932	556	15.03 %	1,838	18.51 %
BOLI	3,070	2,106	8,744	5,867	964	45.77 %	2,877	49.04 %
Government guaranteed lending income, net	615	—	6,810	—	615	N/M	6,810	N/M
Other income	6,045	2,760	16,097	9,243	3,285	119.02 %	6,854	74.15 %
Gain on sale of equity investment	2,692	—	201,242	2,000	2,692	N/M	199,242	N/M
Net gain (loss) on investment securities	—	(7)	126	(7)	7	(100.00)%	133	N/M
Total noninterest income	23,173	14,523	264,738	43,460	8,650	59.56 %	221,278	509.15 %
Total revenue	218,090	160,269	815,493	445,114	57,821	36.08 %	370,379	83.21 %
Provision for credit losses	(1,217)	15,148	(23)	23,727	(16,365)	(108.03)%	(23,750)	(100.10)%
Salaries and employee benefits	68,934	53,053	202,261	155,588	15,881	29.93 %	46,673	30.00 %
Occupancy	10,387	7,571	30,192	21,892	2,816	37.19 %	8,300	37.91 %
Furniture and equipment	4,811	4,302	15,088	12,191	509	11.83 %	2,897	23.76 %
Amortization - intangibles	4,454	2,417	13,611	5,367	2,037	84.28 %	8,244	153.61 %
Software	6,406	5,096	18,219	13,545	1,310	25.71 %	4,674	34.51 %
Data processing	3,816	2,853	10,816	8,301	963	33.75 %	2,515	30.30 %
Professional fees	3,602	2,514	9,093	6,458	1,088	43.28 %	2,635	40.80 %
Advertising and marketing	3,099	2,167	9,971	6,947	932	43.01 %	3,024	43.53 %
FDIC and other insurance	2,343	2,672	8,794	7,938	(329)	(12.31)%	856	10.78 %
Acquisition-related expenses	3,191	17,761	46,086	35,437	(14,570)	(82.03)%	10,649	30.05 %

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(*dollars in thousands*)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025	Increase/(Decrease) Three Months Ended 2026 over 2025 Amount	Increase/(Decrease) Three Months Ended 2026 over 2025 Percent	Increase/(Decrease) Nine Months Ended 2026 over 2025 Amount	Increase/(Decrease) Nine Months Ended 2026 over 2025 Percent
Other expenses	16,700	13,272	76,765	36,519	3,428	25.83 %	40,246	110.21 %
Total noninterest expenses	127,743	113,678	440,896	310,183	14,065	12.37 %	130,713	42.14 %
Income before income tax and corporate allocation	91,564	31,443	374,620	111,204	60,121	191.21 %	263,416	236.88 %
Corporate allocation	1,207	1,544	3,774	4,475	(337)	(21.83)%	(701)	(15.66)%
Income before income tax provision and noncontrolling interest	92,771	32,987	378,394	115,679	59,784	181.24 %	262,715	227.11 %
Provision for income tax expense	15,855	3,881	80,414	16,375	11,974	308.53 %	64,039	391.08 %
Net income	76,916	29,106	297,980	99,304	47,810	164.26 %	198,676	200.07 %
Noncontrolling interest	(135)	(112)	(251)	(194)	(23)	(20.54)%	(57)	(29.38)%
Net income attributable to TowneBank	$ 76,781	$ 28,994	$297,729	$ 99,110	$ 47,787	164.82 %	$ 198,619	200.40 %
Salaries and employee benefits/total noninterest expense	53.96%	46.67%	45.87%	50.16%	729 bp	15.62 %	-429 bp	(8.55)%
Net income attributable to TowneBank % of total consolidated income	93.90%	65.45%	94.23 %	76.90%	2,845 bp	43.47 %	1,733 bp	22.54 %

Mortgage Segment. For the three months ended September 30, 2026, the Mortgage segment reported a loss before income tax provision and noncontrolling interest of $0.96 million, as compared to income of $1.66 million in 2025. For the nine months ended September 30, 2026, the Mortgage segment reported income before income tax provision and noncontrolling interest of $0.66 million, as compared to $0.85 million in 2025.

Increased production was more than offset by margin compression. Gross realized gain on sale margin decreased 37 bp from third quarter 2025, and 21 bp compared to the first nine months of 2025. Refinance activity remained at less than 10% in third quarter 2026 after a spike to over 20% in first quarter 2026.

The total number of full-time equivalent employees in our Mortgage segment was 418 at September 30, 2026, compared to 427 at September 30, 2025.

The following table presents key quarterly information related to our residential mortgage production (dollars in thousands):

	Three Months Ended September 30, 2026	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
Gross realized gain on sales and fees as a % of loans originated	2.95 %	2.97 %	3.09 %	3.19 %	3.32 %
Loans sold	$ 714,057	$ 597,947	$ 527,428	$ 652,853	$ 657,822
Purchase %	91.25 %	91.58 %	77.57 %	82.23 %	91.84 %
Refinance %	8.75 %	8.42 %	22.43 %	17.77 %	8.16 %

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The following charts present revenue and expenses for the Mortgage segment for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Nine Months Ended 2026 over 2025	
(*dollars in thousands*)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Residential mortgage banking income, net	$11,856	$13,724	$37,746	$38,388	$ (1,868)	(13.61)%	$ (642)	(1.67)%
BOLI	54	51	159	154	3	5.88 %	5	3.25 %
Income from unconsolidated subsidiary	30	107	182	232	(77)	(71.96)%	(50)	(21.55)%
Net interest and other income	1,460	1,363	4,008	3,466	97	7.12 %	542	15.64 %
Total revenue	13,400	15,245	42,095	42,240	(1,845)	(12.10)%	(145)	(0.34)%
Provision for credit losses	40	128	(185)	379	(88)	(68.75)%	(564)	(148.81)%
Salaries and employee benefits	8,239	7,574	24,195	21,920	665	8.78 %	2,275	10.38 %
Occupancy	970	956	2,785	2,993	14	1.46 %	(208)	(6.95)%
Furniture and equipment	238	151	554	497	87	57.62 %	57	11.47 %
Software	884	800	2,424	2,317	84	10.50 %	107	4.62 %
Data processing	165	209	479	570	(44)	(21.05)%	(91)	(15.96)%
Professional fees	152	117	452	500	35	29.91 %	(48)	(9.60)%
Advertising and marketing	353	500	1,122	1,309	(147)	(29.40)%	(187)	(14.29)%
FDIC and other insurance	177	128	489	341	49	38.28 %	148	43.40 %
Acquisition-related expenses	—	53	—	1,534	(53)	(100.00)%	(1,534)	100.00 %
Other expenses	2,676	2,466	7,706	7,657	210	8.52 %	49	0.64 %
Total expenses	13,854	12,954	40,206	39,638	900	6.95 %	568	1.43 %
Income before income tax, corporate allocation, and noncontrolling interest	(494)	2,163	2,074	2,223	(2,657)	(122.84)%	(149)	(6.70)%
Corporate allocation	(466)	(502)	(1,412)	(1,371)	36	7.17 %	(41)	(2.99)%
Income before income tax provision and noncontrolling interest	(960)	1,661	662	852	(2,621)	(157.80)%	(190)	(22.30)%
Provision for income tax	(225)	319	88	38	(544)	(170.53)%	50	131.58 %
Net income	(735)	1,342	574	814	(2,077)	(154.77)%	(240)	(29.48)%
Noncontrolling interest	(79)	(205)	(503)	(630)	126	61.46 %	127	20.16 %
Net income attributable to TowneBank	$ (814)	$ 1,137	$ 71	$ 184	$ (1,951)	(171.59)%	$ (113)	(61.41)%
Salaries and employee benefits/total noninterest expense	59.47 %	58.47 %	60.18 %	55.30 %	100 bp	1.71 %	488 bp	8.82 %
Net income attributable to TowneBank % of total consolidated income	(1.00)%	2.57 %	0.02 %	0.14 %	-357 bp	(138.91)%	-12 bp	(85.71)%

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(dollars in thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025	Increase/(Decrease) Three Months Ended September 30, 2026 September 30, 2025 Amount	Increase/(Decrease) Three Months Ended September 30, 2026 September 30, 2025 Percent	Increase/(Decrease) Nine Months Ended September 30, 2026 September 30, 2025 Amount	Increase/(Decrease) Nine Months Ended September 30, 2026 September 30, 2025 Percent
Loans originated, mortgage	$518,893	$491,921	$1,585,837	$1,286,729	$ 26,972	5.48 %	$ 299,108	23.25 %
Loans originated, joint venture	120,839	144,440	363,895	466,294	(23,601)	(16.34)%	(102,399)	(21.96)%
Total loans originated	$639,732	$636,361	$1,949,732	$1,753,023	$ 3,371	0.53 %	$ 196,709	11.22 %
Number of loans, mortgage	1,271	1,268	3,859	3,279	3	0.24 %	580	17.69 %
Number of loans, joint venture	338	411	1,000	1,331	(73)	(17.76)%	(331)	(24.87)%
Total number of loans	1,609	1,679	4,859	4,610	(70)	(4.17)%	249	5.40 %
Average loan amount, mortgage	$ 408	$ 388	$ 411	$ 392	$ 20	5.15 %	$ 19	4.85 %
Average loan amount, joint venture	358	351	364	350	7	1.99 %	14	4.00 %
Average loan amount	$ 398	$ 379	$ 401	$ 380	$ 19	5.01 %	21	5.53 %
Gain on sales and fees % of loans originated	2.95%	3.32%	3.00%	3.21%	-37 bp	(11.14)%	-21 bp	(6.54)%
Number of originators, mortgage	138	137	138	137	1	0.73 %	1	0.73 %
Number of originators, joint venture	26	32	26	32	(6)	(18.75)%	(6)	(18.75)%
Total number of originators	164	169	164	169	(5)	(2.96)%	(5)	(2.96)%

Resort Vacation Management Segment. The sale of our Resort Vacation Management segment was completed April 3, 2026, for a selling price of $250 million and an estimated gross gain of $198.06 million. This transaction was recorded in the Banking segment.

There is no operating income to report in third quarter 2026. The following charts present revenue and expenses for the Resort Vacation Management segment for the periods presented:

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(dollars in thousands)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025	Increase/(Decrease) Three Months Ended 2026 over 2025 Amount	Increase/(Decrease) Three Months Ended 2026 over 2025 Percent	Increase/(Decrease) Nine Months Ended 2026 over 2025 Amount	Increase/(Decrease) Nine Months Ended 2026 over 2025 Percent
Property management fees, net	$ —	$ 20,449	$ 12,440	$ 49,209	$ (20,449)	(100.00)%	$ (36,769)	(74.72)%
Net interest and other income	—	44	1	81	(44)	(100.00)%	(80)	(98.77)%
Total revenue	—	20,493	12,441	49,290	(20,493)	(100.00)%	(36,849)	(74.76)%
Salaries and employee benefits	—	5,516	5,081	16,214	(5,516)	(100.00)%	(11,133)	(68.66)%
Occupancy	—	677	627	1,865	(677)	(100.00)%	(1,238)	(66.38)%
Furniture and equipment	—	431	335	1,222	(431)	(100.00)%	(887)	(72.59)%
Amortization - intangibles	—	637	425	1,911	(637)	(100.00)%	(1,486)	(77.76)%
Software	—	885	848	2,622	(885)	(100.00)%	(1,774)	(67.66)%
Data processing	—	1,428	878	3,711	(1,428)	(100.00)%	(2,833)	(76.34)%
Professional fees	—	92	110	454	(92)	(100.00)%	(344)	(75.77)%
Advertising and marketing	—	941	821	2,582	(941)	(100.00)%	(1,761)	(68.20)%
FDIC and other insurance	—	60	118	240	(60)	(100.00)%	(122)	(50.83)%
Acquisition-related expenses	—	—	2	—	—	N/M	2	N/M
Other expenses	—	(756)	489	2,284	756	(100.00)%	(1,795)	(78.59)%
Total expenses	—	9,911	9,734	33,105	(9,911)	(100.00)%	(23,371)	(70.60)%
Income before income tax, corporate allocation, and noncontrolling interest	—	10,582	2,707	16,185	(10,582)	(100.00)%	(13,478)	(83.27)%
Corporate allocation	—	(329)	(290)	(965)	329	100.00 %	675	(69.95)%
Income before income tax provision and noncontrolling interest	—	10,253	2,417	15,220	(10,253)	(100.00)%	(12,803)	(84.12)%
Provision for income tax	—	2,524	681	3,912	(2,524)	(100.00)%	(3,231)	(82.59)%
Net income	—	7,729	1,736	11,308	(7,729)	(100.00)%	(9,572)	(84.65)%
Noncontrolling interest	—	—	—	(220)	—	N/M	220	100.00 %
Net income attributable to TowneBank	$ —	$ 7,729	$ 1,736	$ 11,088	$ (7,729)	(100.00)%	$ (9,352)	(84.34)%
Salaries and employee benefits/total noninterest expense	— %	55.66 %	52.20 %	48.98 %	-5,566 bp	(100.00)%	322 bp	6.57 %
Net income attributable to TowneBank % of total consolidated income	— %	17.45 %	0.55 %	8.60 %	-1,745 bp	100.00 %	-805 bp	(93.60)%

Insurance Segment. The Insurance segment reported income before income tax provision and noncontrolling interest of $7.79 million and $22.04 million for the three and nine months ended September 30, 2026, respectively, compared to $8.67 million and $24.98 million for the same comparative periods in 2025. Our Insurance segment partners with a number of property and casualty insurance carriers to meet the needs of clients. Property and casualty insurance markets are experiencing softening as premium rate increases moderate, which has tempered growth in commissions and fees. Contingent revenue consists primarily of amounts received from these carriers, based on nonclient-specific factors including the aggregate loss performance of insurance policies and the volume of business. The Company expects to continue to actively pursue attractive insurance agency acquisitions, with a strategic objective to grow revenues to $150-$200 million.

The total number of full-time equivalent employees in our Insurance segment was 481 at September 30, 2026, compared to 479 at September 30, 2025.

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The following chart presents revenue and expenses as well as changes for the Insurance segment for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Nine Months Ended 2026 over 2025	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**	**Amount**	**Percent**	**Amount**	**Percent**
Net commission and fee income:								
Property and casualty	$24,105	$24,030	$69,624	$70,659	$ 75	0.31 %	$ (1,035)	(1.46)%
Employee benefits	4,622	4,925	14,438	14,245	(303)	(6.15)%	193	1.35 %
Total net commissions and fees	28,727	28,955	84,062	84,904	(228)	(0.79)%	(842)	(0.99)%
Contingency and bonus revenue	2,537	2,556	9,096	9,210	(19)	(0.74)%	(114)	(1.24)%
Other income	58	10	76	18	48	480.00 %	58	322.22 %
Total revenues	31,322	31,521	93,234	94,132	(199)	(0.63)%	(898)	(0.95)%
Employee commission expense	4,921	4,943	14,657	15,001	(22)	(0.45)%	(344)	(2.29)%
Revenue, net of commission expense	26,401	26,578	78,577	79,131	(177)	(0.67)%	(554)	(0.70)%
Salaries and employee benefits	13,467	12,821	41,012	38,682	646	5.04 %	2,330	6.02 %
Occupancy	737	784	2,288	2,362	(47)	(5.99)%	(74)	(3.13)%
Furniture and equipment	137	160	455	526	(23)	(14.38)%	(71)	(13.50)%
Amortization - intangibles	1,324	1,373	3,929	4,153	(49)	(3.57)%	(224)	(5.39)%
Software	781	737	2,453	2,163	44	5.97 %	290	13.41 %
Data processing	102	140	333	392	(38)	(27.14)%	(59)	(15.05)%
Professional fees	242	276	758	779	(34)	(12.32)%	(21)	(2.70)%
Advertising and marketing	184	151	609	622	33	21.85 %	(13)	(2.09)%
FDIC and other insurance	187	142	485	376	45	31.69 %	109	28.99 %
Other expenses	712	611	2,142	1,958	101	16.53 %	184	9.40 %
Total operating expenses	17,873	17,195	54,464	52,013	678	3.94 %	2,451	4.71 %
Income before income tax, corporate allocation, and noncontrolling interest	8,528	9,383	24,113	27,118	(855)	(9.11)%	(3,005)	(11.08)%
Corporate allocation	(741)	(713)	(2,072)	(2,139)	(28)	(3.93)%	67	3.13 %
Income before income tax provision and noncontrolling interest	7,787	8,670	22,041	24,979	(883)	(10.18)%	(2,938)	(11.76)%
Provision for income tax	1,977	2,235	5,621	6,465	(258)	(11.54)%	(844)	(13.05)%
Net income	5,810	6,435	16,420	18,514	(625)	(9.71)%	(2,094)	(11.31)%
Noncontrolling interest	—	—	—	—	—	— %	—	— %
Net income attributable to TowneBank	$ 5,810	$ 6,435	$16,420	$18,514	$ (625)	(9.71)%	$ (2,094)	(11.31)%
Salaries and employee benefits/total noninterest expense	75.35 %	74.56 %	75.30 %	74.37 %	79 bp	1.06 %	93 bp	1.25 %
Net income attributable to TowneBank % of total consolidated income	7.10 %	14.53 %	5.20 %	14.36 %	-743 bp	(51.14)%	-916 bp	(63.79)%

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ANALYSIS OF FINANCIAL CONDITION

Overview. At September 30, 2026, total assets were $22.18 billion, which is $2.50 billion, or 12.67%, higher than total assets at December 31, 2025. The primary driver of asset growth in 2026 was the acquisition of Dogwood. Our loan portfolio, less unearned income and deferred costs, made up 68.07% of our period-end assets and totaled $15.10 billion at September 30, 2026. Average assets for the quarter ended September 30, 2026, were $22.28 billion, an increase of $2.57 billion, or 13.04%, from the quarter ended December 31, 2025. Management continues to prioritize balance sheet strength and strong levels of liquidity in the current environment.

Average earning assets for third quarter 2026 increased $2.28 billion from fourth quarter 2025 to $20.01 billion. Our average total deposits were $18.49 billion for third quarter 2026, an increase of $1.91 billion, or 11.54%, compared to fourth quarter 2025. Average noninterest-bearing deposits for the quarter ended September 30, 2026, increased $0.68 billion, or 13.10%, from the quarter ended December 31, 2025.

Interest-Bearing Deposits in Financial Institutions. Interest-bearing deposits in other banks and at the FRB and federal funds sold are used for daily cash management purposes, management of short-term interest rate opportunities, and liquidity. At September 30, 2026 and December 31, 2025, respectively, these balances were $1.39 billion and $1.22 billion and consisted mainly of deposits in other banks and overnight deposits with the FRB. At September 30, 2026, the Company had zero in federal funds sold, compared to $15.75 million at December 31, 2025.

The average balance of interest-bearing deposits in other banks and at the FRB during third quarter 2026 was $1.53 billion, or 7.66%, of average total earning assets, compared to $1.30 billion, or 7.34%, of average total earning assets for fourth quarter 2025.

Securities Available for Sale. Our AFS debt securities portfolio is reported at fair value, which is determined based on market prices of similar instruments. The AFS debt securities portfolio was $2.94 billion at September 30, 2026, compared with $2.71 billion at December 31, 2025. The average balance during third quarter 2026 was $2.97 billion, compared to $2.70 billion during the quarter ended December 31, 2025. The average AFS debt securities portfolio represented 14.87% and 15.21% of average earning assets in third quarter 2026 and the quarter ended December 31, 2025, respectively. During the nine months ended September 30, 2026, we had sales, maturities, and calls totaling $367.54 million in investment securities that were classified as AFS.

Net unrealized losses related to the fair value of AFS debt securities increased $89.20 million in the first nine months of 2026. Unrealized losses in the AFS debt securities portfolio are primarily driven by the increase in market interest rates rather than credit quality. AFS debt securities are reviewed quarterly to assess whether an allowance for credit losses is required. An allowance for credit losses on impaired AFS debt securities is recorded when the present value of expected future cash flows of the investment security is less than its amortized cost basis, limited to the amount by which the security's amortized cost basis exceeds the fair value. At September 30, 2026, the allowance for credit losses on AFS debt securities was $1.44 million, compared to $1.21 million at December 31, 2025. For further financial details, see "Note 4. Investment Securities" of the Notes to Consolidated Financial Statements in this report.

Securities Held to Maturity. HTM debt securities are valued at amortized cost net of allowance for credit losses and totaled $126.11 million at September 30, 2026, and $156.63 million at December 31, 2025. The

average balance during third quarter 2026 was $126.23 million, compared with $161.29 million in fourth quarter 2025, representing 0.63% and 0.91% of total average earning assets, respectively. These securities are held primarily for yield and pledging purposes. HTM debt securities are reviewed quarterly for potential credit losses. The allowance for credit losses on HTM debt securities was $31 thousand at September 30, 2026, and $65 thousand at December 31, 2025. During the nine months ended September 30, 2026, we had maturities and calls totaling $30.14 million in HTM debt securities. For further financial details, see "Note 4. Investment Securities" of the Notes to Consolidated Financial Statements in this report.

Loans Held for Sale. At September 30, 2026, loans held for sale totaled $184.74 million and consisted of $175.73 million in mortgage loans held for sale and $9.01 million in government guaranteed loans held for sale.

Mortgage loans held for sale totaled $154.44 million at December 31, 2025, and are intended for sale in the secondary market. Average mortgage loans held for sale were 1.21% of average earning assets for the quarter ended September 30, 2026, compared to 1.06% for the quarter ended December 31, 2025. The majority of mortgage loans held for sale are precommitted to investors, which minimizes our interest rate risk.

With completion of the acquisition of Dogwood, TowneBank has added government guaranteed loans to the portfolio. Government guaranteed loans held for sale include the guaranteed portion of loans originated through the small business lending division that are expected to be sold in the secondary market to investors.

Loan Portfolio. Loans, net of unearned income and deferred costs, were $15.10 billion at September 30, 2026, which was a $1.76 billion, or 13.23%, increase over $13.34 billion at December 31, 2025. As a percentage of total average earning assets, average loans were 75.45% for the quarter ended September 30, 2026, compared with 75.31% for the quarter ended December 31, 2025.

Commercial real estate loans constituted 59.85% and 58.75% of our loan portfolio at September 30, 2026 and December 31, 2025, respectively. The following table provides additional information regarding commercial real estate loans segregated by the type of property securing the loans and the geographic region in which the loans were originated at September 30, 2026 (dollars in thousands):

Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	South Carolina	Classified (1)
Residential construction	$ 297,268	20.88 %	$ 140,066	$ 138,429	$ 18,773	$ —
Improved lots	182,183	12.79 %	122,154	60,029	—	575
Raw land	158,944	11.16 %	96,521	62,423	—	—
Land development	154,174	10.82 %	120,232	33,942	—	771
Construction-to-perm	68,923	4.84 %	24,176	44,747	—	—
Presold residential construction	49,520	3.48 %	33,457	16,063	—	—
All other	513,237	36.03 %	222,908	262,125	28,204	13,381
Construction and land development	**$ 1,424,249**	**100.00 %**	**$ 759,514**	**$ 617,758**	**$ 46,977**	**$ 14,727**
Percentage of Consolidated			**53.33 %**	**43.37 %**	**3.30 %**	**1.03 %**
Office buildings	$ 544,202	21.74 %	$ 345,709	$ 198,403	$ 90	$ 4,587
Warehouse light industry	413,274	16.51 %	323,076	90,198	—	3,069
Auto dealer and repair	213,657	8.53 %	193,027	20,630	—	4,526
Restaurants	138,381	5.53 %	98,230	40,151	—	1,315
Retail buildings	84,764	3.39 %	64,404	20,360	—	—
Churches	105,313	4.21 %	94,607	10,706	—	—
All other	1,003,844	40.09 %	353,381	585,858	64,605	23,981

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Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	South Carolina	Classified (1)
Owner occupied	**$ 2,503,435**	**100.00 %**	**$ 1,472,434**	**$ 966,306**	**$ 64,695**	**$ 37,478**
Percentage of Consolidated			**58.82 %**	**38.60 %**	**2.58 %**	**1.50 %**
Office buildings	$ 935,392	22.05 %	$ 590,054	$ 345,338	$ —	$ 3,749
Hotels	809,672	19.08 %	596,969	212,703	—	—
Shopping centers	789,574	18.61 %	493,474	296,100	—	1,521
Warehouse light industry	477,724	11.26 %	271,619	206,105	—	4,402
All other	1,230,554	29.00 %	487,596	699,193	43,765	7,920
Non-owner occupied	**$ 4,242,916**	**100.00 %**	**$ 2,439,712**	**$ 1,759,439**	**$ 43,765**	**$ 17,592**
Percentage of Consolidated			**57.50 %**	**41.47 %**	**1.03 %**	**0.41 %**
Less than $1 Million Origination	$ 86,482	9.98 %	$ 57,036	$ 29,446	$ —	$ —
More than $1 Million Origination	780,052	90.02 %	427,268	342,807	9,977	—
Multi-family	**$ 866,534**	**100.00 %**	**$ 484,304**	**$ 372,253**	**$ 9,977**	**$ —**
Percentage of Consolidated			**55.89 %**	**42.96 %**	**1.15 %**	**— %**
Total Commercial Real Estate	**$ 9,037,134**		**$ 5,155,964**	**$ 3,715,756**	**$ 165,414**	**$ 69,797**
Percentage of Consolidated Total Commercial Real Estate			**57.05 %**	**41.12 %**	**1.83 %**	**0.77 %**

(1) Classified loans are defined as substandard or doubtful. Classified commercial real estate loans totaled $69.80 million, or 65.63%, of total classified credits at September 30, 2026.

Allowance for Credit Losses and Asset Quality. The allowance for credit losses on funded loans at September 30, 2026 and December 31, 2025, was $199.38 million and $147.34 million, respectively. The increase was driven primarily by the Dogwood acquisition, which added $62.60 million of initial allowance for credit losses, including $43.30 million related to community banking loans and $19.30 million related to the unguaranteed portion of government guaranteed lending loans retained on the Company's balance sheet. In addition, the Company recorded a $2.18 million purchase accounting adjustment to increase the initial ACL associated with the Old Point acquisition, which was related to indirect loans. The allowance was equal to 1.32% of total loans outstanding at September 30, 2026, compared with 1.10% at December 31, 2025.

Classified loans, defined as loans in the substandard and doubtful categories, represented 0.70% of total loans at September 30, 2026, and 0.45% of total loans at December 31, 2025. Total criticized loans, defined as special mention and classified loans, increased to $270.70 million in third quarter 2026 from $172.10 million in fourth quarter 2025. Loans 30 to 89 days past due totaled $41.47 million at September 30, 2026, compared to $16.52 million at December 31, 2025. The allowance for credit losses on funded loans was equal to 5.1x of nonperforming loans at September 30, 2026, compared with 12.57x at December 31, 2025. Our allowance for credit losses, for both funded loans and unfunded commitments, was determined by evaluating numerous variables, many of which are interrelated or dependent on other assumptions and estimates, and considered past events, current conditions, and reasonable and supportable forecasts. We believe the quality of our loan portfolio supports the level of our allowance for credit losses and that it is adequate to cover estimated lifetime credit losses expected in the loan portfolio based on our reasonable and supportable forecasts at that date.

The following table provides a breakdown of the allowance for credit losses among the various loan types as of the dates indicated (dollars in thousands):

	September 30, 2026	December 31, 2025
Real estate - construction and land development	$ 18,691	$ 20,204
Real estate - commercial owner occupied	13,464	11,378
Real estate - commercial non-owner occupied	32,988	27,592
Real estate - multi-family	6,219	5,830
Real estate - residential 1-4 family	36,094	31,797
HELOC	24,295	20,803
C&I	27,012	11,852
Government	4,715	3,975
Indirect	12,978	11,462
Consumer loans and other	5,787	2,450
Government guaranteed loans	17,132	—
Total	$ 199,375	$ 147,343

The following table provides information on the allowance for loan losses and nonperforming assets for the periods presented:

	Three Months Ended		
	September 30,		December 31,
(*dollars in thousands*)	2026	2025	2025
Nonperforming Assets			
Nonperforming loans	$ 39,065	$ 7,698	$ 11,726
Former bank premises	6,407	885	879
Foreclosed property	1,609	1,798	1,754
Total nonperforming assets	$ 47,081	$ 10,381	$ 14,359
Loans past due 90 days and still accruing interest	$ 4,502	$ 1,863	$ 890
Asset Quality Ratios			
Allowance for credit losses to nonperforming loans	5.1x	19.38x	12.57x
Nonperforming loans to period-end loans	0.26%	0.06%	0.09%
Nonperforming assets to period-end assets	0.21%	0.05%	0.07%
Quarterly net charge-offs (recoveries) to average loans (annualized)	0.06%	0.01%	0.02%
Allowance for credit losses to period-end loans	1.32%	1.11%	1.10%
Community banking allowance for credit losses to period-end loans	1.21%	1.11%	1.10%
Government guaranteed lending allowance for credit losses to period-end loans	0.11%	—%	—%

The following table provides information on the composition of nonperforming loans by loan type as of the dates indicated (dollars in thousands):

	September 30, 2026	December 31, 2025
CRE - Construction and land development	$ 598	$ 1,621
CRE - Owner occupied	2,036	135
CRE - Non-owner occupied	10,647	3,058
CRE - Multi-family	—	—
Residential 1-4 family	2,757	2,272
HELOC	1,347	989
C&I	13,185	2,179
Government	—	—
Indirect	1,400	1,451
Consumer loans and other	300	21
Government guaranteed loans	6,795	—
Total nonperforming loans	$ 39,065	$ 11,726

Nonperforming assets consist of nonaccrual loans, foreclosed real estate, and other repossessed collateral. Unless the debt is both well-secured and in the process of collection, it is our policy to place commercial loans on nonaccrual status when full collection of principal and interest becomes doubtful, or when any portion of principal or interest becomes 90 days past due, whichever occurs first. When loans are placed on nonaccrual status, interest receivable is reversed against interest income recognized in the current period, and any prior-year unpaid interest is charged off against the allowance for loan losses. Interest payments received thereafter are applied as a reduction of the remaining principal balance so long as doubt exists as to the ultimate collection of the principal. Loans are removed from nonaccrual status when they become current as to both principal and interest and when the collection of principal or interest is no longer doubtful. Similarly, residential mortgage loans and other consumer loans are also placed on nonaccrual status when full collection of principal and interest becomes doubtful, or when any portion of principal or interest becomes 120 days past due, whichever occurs first, unless the debt is both well-secured and in the process of collection or exempt under regulatory rules.

At September 30, 2026, we had $47.08 million in nonperforming assets, which amounted to 0.21% of total assets. Additionally, loans 60-89 days past due, excluding nonperforming loans, totaled $9.47 million, and there were $4.50 million in loans past due 90 days or more that were accruing interest. Nonperforming assets consisted of $39.07 million in nonperforming loans, $6.41 million in former bank premises, and $1.61 million in foreclosed property as of September 30, 2026. Nonperforming loans increased by $27.34 million from December 31, 2025. Increases in nonperforming assets in the first nine months of 2026 were primarily attributable to the acquisition of Dogwood. Foreclosed property decreased $144 thousand from December 31, 2025, driven by a $668 thousand decline in repossessed vehicles offset by a $524 thousand increase in other real estate owned.

Deposits. Total deposits at September 30, 2026, were $18.46 billion, representing an increase of $1.93 billion, or 11.66%, compared to September 30, 2025. Total deposits increased $1.95 billion, or 11.81%, compared to December 31, 2025. Total average deposits were $18.49 billion during third quarter 2026, compared to $15.65 billion during third quarter 2025 and $16.57 billion during fourth quarter 2025.

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	Total Deposits Period Ended			September 30, 2026 vs. September 30, 2025		September 30, 2026 vs. December 31, 2025	
	September 30,		December 31,	Change		Change	
(dollars in thousands)	2026	2025	2025	$	%	$	%
Interest-bearing demand and money market accounts	$ 9,224,530	$ 8,273,987	$ 8,390,884	$ 950,543	11.49 %	$ 833,646	9.94 %
Regular savings	429,705	331,168	332,752	$ 98,537	29.75 %	$ 96,953	29.14 %
Certificates of deposit	2,822,170	2,786,292	2,712,324	$ 35,878	1.29 %	$ 109,846	4.05 %
Total interest-bearing	12,476,405	11,391,447	11,435,960	$ 1,084,958	9.52 %	$ 1,040,445	9.10 %
Noninterest-bearing demand	5,982,476	5,139,488	5,073,157	$ 842,988	16.40 %	$ 909,319	17.92 %
Total	$ 18,458,881	$ 16,530,935	$ 16,509,117	$ 1,927,946	11.66 %	$ 1,949,764	11.81 %

The following tables provide a breakdown of our various deposit categories, by geographic region, as of the dates indicated (dollars in thousands):

	September 30, 2026				
	Consolidated	% of Total Deposits	Virginia (1)	North Carolina	South Carolina (2)
Noninterest-bearing demand	$ 5,982,476	32.40 %	$ 4,689,045	$ 1,164,923	$ 128,508
Interest-bearing demand	2,254,831	12.22 %	1,594,062	626,222	34,547
Money market	6,969,699	37.76 %	4,641,386	2,225,803	102,510
Regular savings	429,705	2.33 %	383,328	11,812	34,565
Certificates of deposit	2,822,170	15.29 %	2,389,861	324,450	107,859
	$ 18,458,881	100.00 %	$ 13,697,682	$ 4,353,210	$ 407,989

(1) NENC is included in the Virginia geographic region.

(2) South Carolina deposits are new in 2026 due to the acquisition of Dogwood.

	December 31, 2025			
	Consolidated	% of Total Deposits	Virginia (1)	North Carolina
Noninterest-bearing demand	$ 5,073,157	30.73 %	$ 4,249,797	$ 823,360
Interest-bearing demand	2,132,357	12.92 %	1,648,316	484,041
Money market	6,258,527	37.90 %	4,812,064	1,446,463
Regular savings	332,752	2.02 %	325,643	7,109
Certificates of deposit	2,712,324	16.43 %	2,398,219	314,105
	$ 16,509,117	100.00 %	$ 13,434,039	$ 3,075,078

(1) NENC is included in the Virginia geographic region.

At September 30, 2026, we had $8.80 billion in estimated uninsured deposits, $0.74 billion of which are collateralized by securities, for an estimated uncollateralized and adjusted uninsured deposit total of $8.05 billion, roughly 45% of total deposits. Total liquidity sources at September 30, 2026, totaled $7.22 billion, or 90% of adjusted uninsured deposits.

Average noninterest-bearing demand deposits as a percentage of average total deposits were 31.72% during third quarter 2026 and 31.30% during the same period in 2025. The cost of interest-bearing deposits was 2.21% for third quarter 2026, compared with 2.55% for third quarter 2025.

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The following tables set forth a summary of our various deposit categories and their respective cost rates for the periods presented (dollars in thousands):

	Average Balance/Cost Rate					
	Three Months Ended					
	September 30,				December 31,	
	2026		2025		2025	
Interest-bearing demand and money market accounts	$ 9,270,396	1.93 %	$ 7,791,983	2.19 %	$ 8,266,287	2.03 %
Regular savings	435,096	0.55 %	332,403	0.82 %	331,959	0.75 %
Certificates of deposit	2,916,256	3.34 %	2,626,140	3.84 %	2,789,603	3.72 %
Total interest-bearing	12,621,748	2.21 %	10,750,526	2.55 %	11,387,849	2.40 %
Noninterest-bearing demand	5,863,443		4,898,006		5,184,356	
Total	$ 18,485,191	1.51 %	$ 15,648,532	1.75 %	$ 16,572,205	1.65 %

	Average Balance/Cost Rate			
	Nine Months Ended			
	September 30,			
	2026		2025	
Interest-bearing demand and money market accounts	$ 9,211,245	1.95 %	$ 7,555,758	2.22 %
Regular savings	434,213	0.56 %	327,517	0.86 %
Certificates of deposit	3,029,497	3.43 %	2,575,944	3.98 %
Total interest-bearing	12,674,955	2.26 %	10,459,219	2.61 %
Noninterest-bearing demand	5,674,901		4,622,418	
Total	$ 18,349,856	1.56 %	$ 15,081,637	1.81 %

The following table provides the average balance and composition of our deposits by major classification for the periods presented (dollars in thousands):

	Average Balance and Composition					
	Three Months Ended					
	September 30,				December 31,	
	2026		2025		2025	
Interest-bearing demand and money market accounts	$ 9,270,396	50.15 %	$ 7,791,983	49.80 %	$ 8,266,287	49.89 %
Regular savings	435,096	2.35 %	332,403	2.12 %	331,959	2.00 %
Certificates of deposit	2,916,256	15.78 %	2,626,140	16.78 %	2,789,603	16.83 %
Total interest-bearing	12,621,748	68.28 %	10,750,526	68.70 %	11,387,849	68.72 %
Noninterest-bearing	5,863,443	31.72 %	4,898,006	31.30 %	5,184,356	31.28 %
Total	$ 18,485,191	100.00 %	$ 15,648,532	100.00 %	$ 16,572,205	100.00 %

	Average Balance and Composition			
	Nine Months Ended			
	September 30,			
	2026		2025	
Interest-bearing demand and money market accounts	$ 9,211,245	50.19 %	$ 7,555,758	50.10 %
Regular savings	434,213	2.37 %	327,517	2.17 %
Certificates of deposit	3,029,497	16.51 %	2,575,944	17.08 %
Total interest-bearing	12,674,955	69.07 %	10,459,219	69.35 %
Noninterest-bearing	5,674,901	30.93 %	4,622,418	30.65 %
Total	$ 18,349,856	100.00 %	$ 15,081,637	100.00 %

Advances from the Federal Home Loan Bank of Atlanta. Advances from the FHLB at September 30, 2026, were $76.86 million, compared to $52.45 million at December 31, 2025. FHLB borrowings increased, year-to-date, driven by $155.00 million in FHLB borrowings attributable to the Dogwood acquisition. As of the end of third quarter 2026, the Company has repaid $125.00 million in acquisition-related FHLB borrowings. The average borrowing cost for FHLB advances in third quarter 2026 was 3.69%, and 4.02% in fourth quarter 2025.

The scheduled maturity dates, call dates, and related fixed interest rates on advances from the FHLB at September 30, 2026, are summarized as follows (dollars in thousands):

Maturity	Interest Rate	Call / Reset Date	Outstanding Amount
03/15/2027	3.90%	—	$ 5,000
04/29/2027	3.90%	—	$ 50,000
11/15/2028	3.43%	—	$ 1,095
12/01/2028	2.83%	—	$ 767
07/09/2029 (1)	3.69%	—	$ 20,000
		Total FHLB Loans	$ 76,862

(1) This advance was repaid October 9, 2026.

At September 30, 2026, certain loan products and securities with carrying values of $2.89 billion collateralized the advances from the FHLB. At December 31, 2025, certain residential HELOCs, second mortgages, agency securities, and commercial mortgages secured by real estate with carrying values of $2.99 billion collateralized the advances from the FHLB.

In addition to borrowings from the FHLB, we maintain various borrowing arrangements with financial institutions to support liquidity needs. Average total borrowings, including FHLB advances, were $121.66 million during third quarter 2026, compared with $81.15 million for fourth quarter 2025, while the average cost of these funds was 2.57% and (0.17)%, respectively. The interest credit in the prior year was related to a combination of low average borrowings during the quarter and the effects of interest capitalization on our construction in progress.

Subordinated Debt, net. On February 9, 2022, the Company issued $250.00 million in subordinated notes, redeemable in whole or in part, on or after February 15, 2027, that is accruing interest at a fixed rate of 3.125% until February 15, 2027, converting to a floating rate of three-month SOFR plus 1.68% for the next five years.

The following table provides summarized information on our subordinated notes as of the dates indicated (in thousands):

	September 30, 2026	December 31, 2025
Carrying value of subordinated notes (1)	$ 258,257	$ 283,870
Average subordinate debt for the quarter ended	$ 262,100	$ 283,601
Average cost of subordinated notes for the quarter ended	3.59 %	3.90 %

(1) The Company repaid $26.25 million in acquired subordinated debt in third quarter 2026.

Common Stock and Dividends. Our common stock is listed on the Nasdaq Global Select Market under the symbol TOWN. The following table shows dividends declared in 2026:

Applicable Quarter	Per Share Amount	Declaration Date	Record Date	Paid Date
First Quarter 2026	$ 0.27	February 25, 2026	March 31, 2026	April 10, 2026
Special Dividend	$ 0.70	April 22, 2026	May 4, 2026	May 20, 2026
Second Quarter 2026	$ 0.28	May 20, 2026	June 26, 2026	July 10, 2026
Third Quarter 2026	$ 0.28	August 26, 2026	September 25, 2026	October 9, 2026

All dividends paid are limited by the requirement to meet capital guidelines issued by regulatory authorities, and future declarations are subject to financial performance and regulatory requirements.

Liquidity. Liquidity represents our ability to respond to current and future funding requirements in a timely manner, at a reasonable cost, without impairing profitability. In addition to meeting member demand for loans and deposit withdrawals, we must fund balance sheet growth and meet current obligations in relation to operating costs, investment repurchases, and short-term funding sources. We manage liquidity through adherence to established policies, which are monitored by management and our Asset/Liability Management Committee ("ALCO"). Our liquid assets consist of cash, interest-bearing deposits in financial institutions, federal funds sold, securities available for sale, investments, and loans maturing within one year. Mortgage loans held for sale are typically held on our books for less than 60 days and are funded, primarily, through their sale. We also have the ability to access short-term and long-term borrowings through FHLB, correspondent banks, federal funds purchased, and the Federal Reserve discount window.

The following table provides summarized information on our availability of liquid funds and borrowings as of September 30, 2026 (in thousands):

	September 30, 2026
Available Liquid Funds:	
Cash and cash equivalents	$ 1,513,137
Unencumbered investment securities	2,043,206
Availability of Borrowings:	
Amount available from FHLB	1,455,135
Amount available from unsecured lines of credit with correspondent banks	150,000
Amount available from Federal Reserve discount window	2,062,143
	$ 7,223,621

Regulatory Capital Ratios. Financial measures related to regulatory capital under Basel III are utilized by banking regulators as a basis for assessing a bank's capital adequacy. Management believes these ratios provide insight into the Company's financial condition, asset quality, and capital adequacy. These ratios include:

- Common equity Tier 1 to risk-based assets (CET1)
- Tier 1 capital to risk-based assets
- Total risk-based capital to risk-based assets
- Tier 1 capital to average quarterly assets (Tier 1 leverage)

Risk-based capital guidelines for United States banking organizations have been issued by the Federal Reserve System, the FDIC, and the Office of the Comptroller of the Currency. Per these guidelines, we consider our sources of liquidity to be adequate to meet our estimated needs and have sufficient alternative sources of liquidity to meet our funding commitments and growth plans.

Risk-based capital ratios, which include CET1, Tier 1 capital, total capital, and leverage capital, are calculated based on Basel III regulatory transitional guidance related to the measurement of capital, risk-weighted assets, and average assets. Under FDIC rules, we are considered "well capitalized" as of September 30, 2026.

The following table provides information on our risk-based capital position as of the dates indicated (dollars in thousands):

	September 30,		December 31,
	2026	2025	2025
Risk-based capital ratios (1):			
Common equity Tier 1 (4.5% minimum requirement)	12.44 %	11.18 %	11.34 %
Tier 1 (6.0% minimum requirement)	12.48 %	11.23 %	11.39 %
Total (8.0% minimum requirement)	14.79 %	13.98 %	14.14 %
Tier 1 leverage ratio (4.0% minimum requirement)	10.33 %	9.84 %	9.36 %

(1) Well-capitalized requirements under Prompt Corrective Action: Common equity Tier 1 of 6.5%, Tier 1 of 8.0%, Total of 10.0%, and Tier 1 leverage ratio of 5%.

Non-GAAP Financial Measures

This document contains GAAP financial measures and non-GAAP financial measures where management believes it to be helpful in understanding Towne's results of operations or financial position. We encourage readers to consider the unaudited Consolidated Financial Statements and other financial information contained in this Form 10-Q in their entirety, and not to rely on any single financial measure.

Tax-Equivalent Basis. Interest income, yields, and ratios on a tax-equivalent basis are considered non-GAAP financial measures. Management believes net interest income on a tax-equivalent basis provides an insightful picture of the interest margin for comparison purposes. The tax-equivalent basis also allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The tax-equivalent basis assumes a federal statutory tax rate of 21%.

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company presents return on average assets, return on average tangible assets, return on average equity, and return on average tangible equity. Management excludes the balance of average goodwill and other intangible assets from the Company's calculation of return on average tangible assets and return on average tangible equity. This adjustment allows management to review the Company's core operating results and core capital position.

Non-GAAP Reconciliations. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the following table:

Consolidated Financial Statements

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Average assets (GAAP)	$ 22,276,634	$ 18,624,099	$ 22,218,405	$ 17,969,486
Less: average goodwill and intangible assets	906,450	611,836	904,644	565,597
Average tangible assets (non-GAAP)	$ 21,370,184	$ 18,012,263	$ 21,313,761	$ 17,403,889
Average equity (GAAP)	$ 3,022,671	$ 2,279,984	$ 2,964,341	$ 2,209,879
Less: average goodwill and intangible assets	906,450	611,836	904,644	565,597
Average tangible equity (non-GAAP)	$ 2,116,221	$ 1,668,148	$ 2,059,697	$ 1,644,282
Average common equity (GAAP)	$ 3,015,825	$ 2,272,509	$ 2,957,516	$ 2,199,472
Less: average goodwill and intangible assets	906,450	611,836	904,644	565,597
Average tangible common equity (non-GAAP)	$ 2,109,375	$ 1,660,673	$ 2,052,872	$ 1,633,875
Net income (GAAP)	$ 81,777	$ 44,295	$ 315,956	$ 128,896
Amortization of intangibles, net of tax	4,565	3,497	14,192	9,030
Tangible net income (non-GAAP)	$ 86,342	$ 47,792	$ 330,148	$ 137,926
Total revenue (GAAP)	$ 257,891	222,585	$ 948,606	$ 615,775
Net (gain)/loss on investment securities/equity investments	(2,692)	7	(201,368)	(1,993)
Operating income (non-GAAP)	$ 255,199	$ 222,592	$ 747,238	$ 613,782
Noninterest expense (GAAP)	$ 159,470	$ 153,738	$ 545,300	$ 434,939
Less: Amortization of intangibles	5,778	4,427	17,965	11,431
Noninterest expense net of amortization (non-GAAP)	$ 153,692	$ 149,311	$ 527,335	$ 423,508

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Return on average assets (GAAP basis)	1.46 %	0.94 %	1.90 %	0.96 %
Impact of excluding average goodwill and other intangibles and amortization	0.14 %	0.11 %	0.17 %	0.10 %
Return on average tangible assets (non-GAAP)	1.60 %	1.05 %	2.07 %	1.06 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Return on average equity (GAAP basis)	10.73 %	7.72 %	14.25 %	7.81 %
Impact of excluding average goodwill and other intangibles and amortization	5.46 %	3.67 %	7.18 %	3.43 %
Return on average tangible equity (non-GAAP)	16.19 %	11.39 %	21.43 %	11.24 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Efficiency ratio (GAAP)	61.84 %	69.07 %	57.48 %	70.63 %
Impact of excluding goodwill and other intangibles and amortization	(1.62)%	(1.99)%	13.09 %	(1.63)%
Efficiency ratio (non-GAAP)	60.22 %	67.08 %	70.57 %	69.00 %

The Company presents book value (period-ended shareholders' equity divided by the period-ended common shares outstanding) and tangible book value per share. In calculating tangible book value per share, goodwill and other intangible assets are excluded, allowing management to review the Company's core capital position.

	September 30,	
	2026	2025
Book value per share (GAAP basis)	$ 32.13	$ 30.27
Impact of excluding goodwill and other intangibles and amortization	(9.83)	(8.78)
Tangible book value per share (non-GAAP)	$ 22.30	$ 21.49

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Disclosures About Market Risk. Our ALCO monitors loan, investment, and liability portfolios to ensure comprehensive management of interest rate risk. These portfolios are analyzed for proper fixed-rate and variable-rate mixes under various interest rate scenarios.

The asset and liability management process is designed to achieve relatively stable net interest margins and ensure liquidity by coordinating the volumes, maturities, or repricing opportunities of earning assets, deposits, and borrowed funds. It is the responsibility of the ALCO to determine and achieve the most appropriate volume and mix of earning assets and interest-bearing liabilities, as well as ensure an adequate level of liquidity and capital within the context of corporate performance goals. The ALCO also sets policy guidelines and establishes long-term strategies with respect to interest rate risk exposure and liquidity. The ALCO meets regularly to review our interest rate risk and liquidity positions in relation to present and prospective market and business conditions, and adopts funding and balance sheet management strategies intended to ensure that the potential impact on earnings and liquidity as a result of fluctuations in interest rates is within acceptable standards.

Market Risk. The effective management of market risk is essential to achieving our strategic objectives. As a financial institution, our most significant market risk exposure is interest rate risk. The primary objective of interest rate risk management is to minimize the effect that changes in interest rates have on net interest income. This is accomplished through active management of asset and liability portfolios, with a focus on the strategic pricing of asset and liability accounts and management of appropriate maturity mixes of assets and liabilities. The goal of these activities is development of appropriate maturity and repricing opportunities in our portfolios of assets and liabilities that will produce consistent net interest income during periods of changing interest rates.

Prudent balance sheet management requires processes that monitor and protect us against unanticipated or significant changes in the level of market interest rates. Net interest income stability should be maintained in changing rate environments by ensuring that interest rate risk is kept to an acceptable level.

PART I. FINANCIAL INFORMATION
Item 3. Quantitative and Qualitative Disclosures About Market Risk

The ability to reprice our interest-sensitive assets and liabilities over various time intervals is of critical importance. An asset-sensitive balance sheet structure implies that assets, such as loans and securities, will reprice faster than liabilities; consequently, net interest income should be positively affected in an increasing interest rate environment. Conversely, a liability-sensitive balance sheet structure implies that liabilities, such as deposits, will reprice faster than assets; consequently, net interest income should be positively affected in a decreasing interest rate environment.

Interest Rate Risk. We utilize a variety of measurement techniques to identify and manage our exposure to interest rates. We do not use off-balance-sheet financial instruments to manage interest rate sensitivity and net interest income. We do, however, use a variety of traditional and on-balance-sheet tools to manage our interest rate risk. Gap analysis, which monitors the "gap" between interest-sensitive assets and liabilities, is one such tool. In addition, we use simulation modeling to forecast future balance sheet and income statement behavior. By studying the effects on net interest income of rising, stable, and falling interest rate scenarios, we can position ourselves to take advantage of anticipated interest rate movement and to protect ourselves from unanticipated rate movements by understanding the dynamic nature of our balance sheet components.

At September 30, 2026, we had $5.26 billion more liabilities than assets subject to repricing within one year. This is a one-day position, which is continually changing and is not necessarily indicative of our position at any other time.

Earnings Simulation Analysis: Management uses simulation analysis to measure the sensitivity of net interest income to changes in interest rates. The model calculates an earnings estimate based on current and projected balances and rates. This method is subject to the accuracy of the assumptions that underlie the process, but it provides an additional analysis of the sensitivity of earnings to changes in interest rates to static gap analysis. Assumptions used in the model rates are derived from historical trends, peer analysis, and management's outlook, and include loans and deposit growth rates and projected yields and rates. All maturities, calls, and prepayments in the securities portfolio are assumed to be reinvested in like instruments. Mortgage loans and mortgage-backed securities prepayment assumptions are based on industry estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning. Different interest rate scenarios and yield curves are used to measure the sensitivity of earnings to changing interest rates. Interest rates on different asset and liability accounts move differently when the prime rate changes and are reflected in the different rate scenarios.

The following table represents interest rate sensitivity on our net interest income using different rate scenarios:

Change in Prime Rate	% Change in Net Interest Income
+ 200 basis points	4.96 %
+ 100 basis points	2.55 %
- 100 basis points	(3.58)%
- 200 basis points	(6.74)%

Market Value Simulation: Market value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Market values are calculated based on discounted cash flow analysis. The net market value is the market value of all assets minus the market value of all liabilities. The change in net market value over different rate environments is an indication of the longer-

PART I. FINANCIAL INFORMATION
Item 3. Quantitative and Qualitative Disclosures About Market Risk

term repricing risk in the balance sheet. The same assumptions are used in the market value simulation as in the earnings simulation. The following table reflects the change in net market value over different rate environments:

Change in Prime Rate	Change in Net Market Value (dollars in thousands)
+ 200 basis points	$ (103,795)
+ 100 basis points	$ (45,825)
- 100 basis points	$ 23,172
- 200 basis points	$ 366

Rates of loan prepayments are based on historical experience of similar loans in rising and falling rate environments. Assumptions used on non-maturity deposit rate changes, or betas, are based on historical experience of similar account types. Time deposit pricing is assumed to change consistent with the changes in other market yield curves, such as U.S. Treasury rates. Those loan and deposit assumptions are subject to the risk of rates changing faster or slower or by a higher absolute amount, as well as differing competitive environments. Because these correlations are based on competitive and market conditions, the Company notes that future results may be different from estimates, and such differences could be material.

Item 4. Controls and Procedures

As of September 30, 2026, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are adequate and effective.

Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2026. There were no changes that occurred during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of operations, we are a party to various legal proceedings. Based upon information currently available, management believes that such legal proceedings, in the aggregate, will not have a material adverse effect on our business, financial condition, or results of operations.

Item 1A. Risk Factors

For information regarding factors that could affect the Company's results of operations, financial condition, or liquidity, see the risk factors discussed in Part I, Item 1A, of TowneBank's 2025 Annual Report. See also "Forward-Looking Statements," included in Part I, Item 2, of this Quarterly Report on Form 10-Q. There have been no material changes from the risk factors previously disclosed in TowneBank's 2025 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	Description
(2.1)	Agreement and Plan of Merger, dated as of August 18, 2025, by and between TowneBank and Dogwood State Bank (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on August 22, 2025).
(2.2)	Equity Purchase Agreement, dated as of April 3, 2026, by and among Belcrest Vacations Acquisitions, LLC, GSH Residential Real Estate Corporation, Towne Financial Services Group, LLC, TowneBank Investment Corporation and TowneBank (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on April 6, 2026).
(10.1)	Supplemental Executive Retirement Plan Agreement, dated July 28, 2026 and effective as of July 1, 2026, between TowneBank and William I. Foster III (incorporated by reference to Exhibit 10.1 to our Form 8-K, previously filed with the FDIC on August 3, 2026).
(10.2)	Supplemental Executive Retirement Plan Agreement, dated July 28, 2026 and effective as of July 1, 2026, between TowneBank and William B. Littreal (incorporated by reference to Exhibit 10.2 to our Form 8-K, previously filed with the FDIC on August 3, 2026).
(10.3)	Supplemental Executive Retirement Plan Agreement, dated July 28, 2026 and effective as of July 1, 2026, between TowneBank and William T. Morrison (incorporated by reference to Exhibit 10.3 to our Form 8-K, previously filed with the FDIC on August 3, 2026).
(31.1)	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

PART II. OTHER INFORMATION

(32) Certification Pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

(99) Report of Independent Registered Public Accounting Firm dated November 4, 2026.

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.

TOWNEBANK

November 4, 2026
Date

By: /s/ William I. Foster III
William I. Foster III
President and Chief Executive Officer

November 4, 2026
Date

By: /s/ William B. Littreal
William B. Littreal
Senior Executive Vice President/Chief Financial Officer

Exhibit (31.1)

CERTIFICATIONS

I, William I. Foster III, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2026, of TowneBank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors, and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2026
Date

/s/ William I. Foster III
William I. Foster III
President and Chief Executive Officer

Exhibit (31.2)

CERTIFICATIONS

I, William B. Littreal, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2026, of TowneBank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors, and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2026
Date

/s/ William B. Littreal
William B. Littreal
Senior Executive Vice President/Chief Financial Officer

Exhibit (32)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350, as adopted by §906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of TowneBank do hereby certify, to such officer's knowledge, that:

1. Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2026 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, our financial condition and results of operations as of and for the period covered by the Report.

November 4, 2026	/s/ William I. Foster III
Date	William I. Foster III President and Chief Executive Officer
November 4, 2026	/s/ William B. Littreal
Date	William B. Littreal Senior Executive Vice President/Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to TowneBank and will be retained by TowneBank and furnished to the Federal Deposit Insurance Corporation or its staff upon request.

Exhibit (99)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of TowneBank

Results of Review of Interim Financial Statements

We have reviewed the consolidated balance sheet of TowneBank (the "Company") as of September 30, 2026, and the related consolidated statements of income, comprehensive income (loss), equity for the three and nine-month periods ended September 30, 2026 and 2025, and cash flows for the nine-month periods ended September 30, 2026 and 2025, and the related notes (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet of the Company as of December 31, 2025, and the related consolidated statements of income, comprehensive income (loss), equity and cash flows for the year then ended (not presented herein), and in our report dated February 27, 2026, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2025, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Forvis Mazars, LLP

Tysons, VA

November 4, 2026