

# 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 March 31, 2024

FDIC Insurance Cert. Number: 35095

## TOWNE BANK

(Exact name of registrant as specified in its charter)

**VIRGINIA**

(State or other jurisdiction of  
incorporation or organization)

**54-1910608**

(I.R.S. Employer Identification No.)

**5716 High Street, Portsmouth, Virginia**

(Address of principal executive offices)

**23703**

(Zip Code)

**(757) 638-7500**

(Registrant's telephone number, including area code)

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

| <b><u>Title of each class</u></b>         | <b><u>Trading Symbol(s)</u></b> | <b><u>Name of each exchange on which registered</u></b> |
|-------------------------------------------|---------------------------------|---------------------------------------------------------|
| 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 ☒ ☐

Non-accelerated filer ☐

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 April 29, 2024, was 75,000,686 shares.

# TOWNE BANK

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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                                                         |
| ALCO            | Asset/Liability Management Committee                                       |
| 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 |
| BHHS            | Berkshire Hathaway HomeServices                                            |
| BOLI            | Bank-Owned Life Insurance                                                  |
| bp              | Basis Points                                                               |
| CDA             | Collateral-Dependent Asset                                                 |
| CRE             | Commercial Real Estate                                                     |
| EAD             | Exposure at Default                                                        |
| ECL             | Expected Credit Loss                                                       |
| EPS             | Earnings Per Share                                                         |
| Farmers         | Farmers Bankshares, Inc.                                                   |
| Farmers Bank    | Farmers Bank, Windsor, Virginia                                            |
| FDIC            | Federal Deposit Insurance Corporation                                      |
| Federal Reserve | Board of Governors of the Federal Reserve System                           |
| FHLB            | Federal Home Loan Bank of Atlanta                                          |
| FRB - Richmond  | Federal Reserve Bank of Richmond                                           |
| 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                                                   |
| N/M             | Not Meaningful                                                             |
| OCI             | Other Comprehensive Income                                                 |
| OREO            | Other Real Estate Owned                                                    |
| PCD             | Purchased Credit Deteriorated                                              |
| PD              | Probability of Default                                                     |
| REPO            | Retail Repurchase Agreement                                                |
| SCC             | Virginia State Corporation Commission                                      |
| SEC             | Securities and Exchange Commission                                         |
| SERP            | Supplemental Executive Retirement Plan                                     |

|      |                                  |
|------|----------------------------------|
| SOFR | Secured Overnight Financing Rate |
| TBA  | To Be Announced                  |
| TE   | Taxable Equivalent               |
| U.S. | United States                    |
| VIE  | Variable Interest Entity         |

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### CONSOLIDATED BALANCE SHEETS

| <i>(Dollars in thousands)</i>                                                                                                                                                                              | <b>March 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|
|                                                                                                                                                                                                            | <i>(unaudited)</i>        | <i>(audited)</i>             |
| <b>ASSETS</b>                                                                                                                                                                                              |                           |                              |
| Cash and due from banks                                                                                                                                                                                    | \$ 75,802                 | \$ 85,584                    |
| Interest-bearing deposits at FRB - Richmond                                                                                                                                                                | 926,635                   | 939,356                      |
| Federal funds sold and interest-bearing deposits in financial institutions                                                                                                                                 | 98,673                    | 103,417                      |
| <b>Total Cash and Cash Equivalents</b>                                                                                                                                                                     | <b>1,101,110</b>          | <b>1,128,357</b>             |
| Securities available for sale, at fair value (amortized cost of \$2,376,323 and \$2,292,963, and allowance for credit losses of \$1,382 and \$1,498 at March 31, 2024 and December 31, 2023, respectively) | 2,204,101                 | 2,129,342                    |
| Securities held to maturity, at amortized cost (fair value \$298,513 and \$462,656 at March 31, 2024 and December 31, 2023, respectively)                                                                  | 312,510                   | 477,592                      |
| Less: Allowance for credit losses                                                                                                                                                                          | (82)                      | (84)                         |
| Securities held to maturity, net of allowance for credit losses                                                                                                                                            | 312,428                   | 477,508                      |
| Other equity securities                                                                                                                                                                                    | 13,661                    | 13,792                       |
| FHLB stock                                                                                                                                                                                                 | 12,139                    | 21,372                       |
| <b>Total Securities</b>                                                                                                                                                                                    | <b>2,542,329</b>          | <b>2,642,014</b>             |
| Mortgage loans held for sale                                                                                                                                                                               | 150,727                   | 149,987                      |
| Loans, net of unearned income and deferred costs                                                                                                                                                           | 11,452,343                | 11,329,021                   |
| Less: Allowance for credit losses on loans                                                                                                                                                                 | (125,835)                 | (126,461)                    |
| <b>Net Loans</b>                                                                                                                                                                                           | <b>11,326,508</b>         | <b>11,202,560</b>            |
| Premises and equipment, net                                                                                                                                                                                | 342,569                   | 337,598                      |
| Goodwill                                                                                                                                                                                                   | 457,619                   | 456,335                      |
| Other intangible assets, net                                                                                                                                                                               | 68,758                    | 64,634                       |
| BOLI                                                                                                                                                                                                       | 279,293                   | 277,445                      |
| Other assets                                                                                                                                                                                               | 615,324                   | 576,109                      |
| <b>TOTAL ASSETS</b>                                                                                                                                                                                        | <b>\$ 16,884,237</b>      | <b>\$ 16,835,039</b>         |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                                              |                           |                              |
| Deposits:                                                                                                                                                                                                  |                           |                              |
| Noninterest-bearing demand                                                                                                                                                                                 | \$ 4,194,132              | \$ 4,342,701                 |
| Interest-bearing:                                                                                                                                                                                          |                           |                              |
| Demand and money market accounts                                                                                                                                                                           | 6,916,701                 | 6,757,619                    |
| Savings                                                                                                                                                                                                    | 326,179                   | 336,492                      |
| Certificates of deposit                                                                                                                                                                                    | 2,689,062                 | 2,456,394                    |
| <b>Total Deposits</b>                                                                                                                                                                                      | <b>14,126,074</b>         | <b>13,893,206</b>            |
| Advances from the FHLB                                                                                                                                                                                     | 3,775                     | 203,958                      |
| Subordinated debt, net                                                                                                                                                                                     | 256,011                   | 255,796                      |
| Repurchase agreements and other borrowings                                                                                                                                                                 | 31,198                    | 32,826                       |
| <b>Total Borrowings</b>                                                                                                                                                                                    | <b>290,984</b>            | <b>492,580</b>               |
| Other liabilities                                                                                                                                                                                          | 401,307                   | 393,375                      |
| <b>TOTAL LIABILITIES</b>                                                                                                                                                                                   | <b>14,818,365</b>         | <b>14,779,161</b>            |
| Preferred stock:                                                                                                                                                                                           |                           |                              |
| Authorized and unissued shares - 2,000,000                                                                                                                                                                 | —                         | —                            |
| Common stock, \$1.667 par value : 150,000,000 shares; authorized 74,990,437 and 74,893,462 shares issued at March 31, 2024 and December 31, 2023, respectively                                             | 125,009                   | 124,847                      |
| Capital surplus                                                                                                                                                                                            | 1,114,038                 | 1,112,761                    |
| Retained earnings                                                                                                                                                                                          | 937,065                   | 921,126                      |
| Common stock issued to deferred compensation trust, at cost; 1,008,276 and 1,004,717 shares at March 31, 2024 and December 31, 2023, respectively                                                          | (20,915)                  | (20,813)                     |
| Deferred compensation trust                                                                                                                                                                                | 20,915                    | 20,813                       |
| Accumulated other comprehensive income (loss)                                                                                                                                                              | (126,586)                 | (118,762)                    |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                                                                                                                                                          | <b>2,049,526</b>          | <b>2,039,972</b>             |
| Noncontrolling interest                                                                                                                                                                                    | 16,346                    | 15,906                       |
| <b>TOTAL EQUITY</b>                                                                                                                                                                                        | <b>2,065,872</b>          | <b>2,055,878</b>             |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                                                                                                                                        | <b>\$ 16,884,237</b>      | <b>\$ 16,835,039</b>         |

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

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### CONSOLIDATED STATEMENTS OF INCOME (unaudited)

|                                                                            | Three Months Ended<br>March 31, |                  |
|----------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                            | 2024                            | 2023             |
| <i>(Dollars in thousands, except per share data)</i>                       |                                 |                  |
| <b>INTEREST INCOME:</b>                                                    |                                 |                  |
| Loans, including fees                                                      | \$ 150,974                      | \$ 132,768       |
| Investment securities                                                      | 19,996                          | 18,375           |
| Interest-bearing deposits in financial institutions and federal funds sold | 14,234                          | 10,649           |
| Mortgage loans held for sale                                               | 1,716                           | 1,604            |
| <b>Total interest income</b>                                               | <b>186,920</b>                  | <b>163,396</b>   |
| <b>INTEREST EXPENSE:</b>                                                   |                                 |                  |
| Deposits                                                                   | 78,388                          | 33,934           |
| Advances from the FHLB                                                     | 2,438                           | 2,992            |
| Subordinated debt, net                                                     | 2,236                           | 2,169            |
| Repurchase agreements and other borrowings                                 | 640                             | 923              |
| <b>Total interest expense</b>                                              | <b>83,702</b>                   | <b>40,018</b>    |
| <b>Net interest income</b>                                                 | <b>103,218</b>                  | <b>123,378</b>   |
| <b>PROVISION FOR CREDIT LOSSES</b>                                         | <b>(877)</b>                    | <b>11,670</b>    |
| <b>Net interest income after provision for credit losses</b>               | <b>104,095</b>                  | <b>111,708</b>   |
| <b>NONINTEREST INCOME:</b>                                                 |                                 |                  |
| Residential mortgage banking income, net                                   | 10,477                          | 9,372            |
| Insurance commissions and other income, net                                | 25,539                          | 22,823           |
| Property management income, net                                            | 16,773                          | 15,535           |
| Real estate brokerage income, net                                          | —                               | 1,791            |
| Service charges on deposit accounts                                        | 3,061                           | 2,851            |
| Credit card merchant fees, net                                             | 1,551                           | 1,545            |
| BOLI                                                                       | 1,842                           | 1,672            |
| Other income                                                               | 4,567                           | 5,177            |
| Net gain (loss) on investment securities                                   | 74                              | —                |
| <b>Total noninterest income</b>                                            | <b>63,884</b>                   | <b>60,766</b>    |
| <b>NONINTEREST EXPENSE:</b>                                                |                                 |                  |
| Salaries and employee benefits                                             | 71,377                          | 69,420           |
| Occupancy                                                                  | 9,422                           | 9,064            |
| Furniture and equipment                                                    | 4,478                           | 4,244            |
| Amortization - intangibles                                                 | 3,246                           | 3,524            |
| Software                                                                   | 6,100                           | 5,624            |
| Data processing                                                            | 3,916                           | 3,353            |
| Professional fees                                                          | 3,180                           | 3,011            |
| Advertising and marketing                                                  | 4,582                           | 4,401            |
| Other expenses                                                             | 19,290                          | 21,756           |
| <b>Total noninterest expense</b>                                           | <b>125,591</b>                  | <b>124,397</b>   |
| <b>Income before income tax expense and noncontrolling interest</b>        | <b>42,388</b>                   | <b>48,077</b>    |
| Provision for income tax expense                                           | 7,261                           | 9,599            |
| <b>Net income</b>                                                          | <b>\$ 35,127</b>                | <b>\$ 38,478</b> |
| Net income attributable to noncontrolling interest                         | (440)                           | (145)            |
| <b>Net income attributable to TowneBank</b>                                | <b>\$ 34,687</b>                | <b>\$ 38,333</b> |
| <b>Per common share information</b>                                        |                                 |                  |
| Basic earnings                                                             | \$ 0.46                         | \$ 0.52          |
| Diluted earnings                                                           | \$ 0.46                         | \$ 0.52          |

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)

|                                                              | Three Months Ended<br>March 31, |           |
|--------------------------------------------------------------|---------------------------------|-----------|
|                                                              | 2024                            | 2023      |
| <i>(Dollars in thousands)</i>                                |                                 |           |
| <b>Net income</b>                                            | \$ 35,127                       | \$ 38,478 |
| <b>Other comprehensive income (loss)</b>                     |                                 |           |
| <b>Unrealized gains (losses) on securities</b>               |                                 |           |
| Unrealized holding gains (losses) arising during the period  | (8,643)                         | 25,341    |
| Tax effect                                                   | 1,882                           | (5,608)   |
| Realized (gains) losses reclassified into earnings           | (74)                            | —         |
| Tax effect                                                   | 16                              | —         |
| Net unrealized gains (losses)                                | (6,819)                         | 19,733    |
| <b>Pension and postretirement benefit plans</b>              |                                 |           |
| Prior service costs                                          | —                               | (330)     |
| Tax effect                                                   | —                               | 73        |
| Actuarial gain (loss)                                        | (907)                           | 28        |
| Tax effect                                                   | 198                             | (6)       |
| Amortization of prior service costs                          | 165                             | 208       |
| Tax effect                                                   | (36)                            | (46)      |
| Amortization of net actuarial (gain) loss                    | (543)                           | (581)     |
| Tax effect                                                   | 118                             | 129       |
| Change in retirement plans, net of tax                       | (1,005)                         | (525)     |
| <b>Other comprehensive income (loss), net of tax</b>         | (7,824)                         | 19,208    |
| <b>Comprehensive income (loss)</b>                           | \$ 27,303                       | \$ 57,686 |
| Comprehensive income attributable to noncontrolling interest | (440)                           | (145)     |
| <b>Comprehensive income (loss) attributable to TowneBank</b> | \$ 26,863                       | \$ 57,541 |

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)

|                                                                                   | Three Months Ended<br>March 31, |              |
|-----------------------------------------------------------------------------------|---------------------------------|--------------|
|                                                                                   | 2024                            | 2023         |
| <i>(Dollars in thousands)</i>                                                     |                                 |              |
| <b>OPERATING ACTIVITIES:</b>                                                      |                                 |              |
| Net income                                                                        | \$ 35,127                       | \$ 38,478    |
| Adjustments to reconcile net income to net cash used for operating activities:    |                                 |              |
| Net amortization of securities                                                    | 2,375                           | 1,757        |
| Investment securities gains                                                       | (74)                            | —            |
| Depreciation, amortization, and other intangible amortization                     | 8,717                           | 8,411        |
| Amortization of debt issuance costs                                               | 155                             | 155          |
| Provision for credit losses                                                       | (877)                           | 11,670       |
| BOLI                                                                              | (1,842)                         | (1,672)      |
| Deferred income tax expense                                                       | 313                             | 351          |
| Share-based compensation expense                                                  | 1,853                           | 5,216        |
| Originations of mortgage loans held for sale                                      | (427,193)                       | (417,696)    |
| Proceeds from sales of mortgage loans held for sale                               | 439,942                         | 374,979      |
| Gain on sales of mortgage loans held for sale                                     | (13,489)                        | (12,105)     |
| Loss on sale and write-down of foreclosed assets                                  | —                               | 76           |
| Changes in:                                                                       |                                 |              |
| Interest receivable                                                               | (853)                           | (1,894)      |
| Other assets                                                                      | (3,072)                         | 7,245        |
| Interest payable                                                                  | 1,485                           | 2,916        |
| Other liabilities                                                                 | (4,000)                         | (38,735)     |
| Net cash from (used for) operating activities                                     | 38,567                          | (20,848)     |
| <b>INVESTING ACTIVITIES:</b>                                                      |                                 |              |
| Purchase of available-for-sale securities                                         | (187,430)                       | —            |
| Purchase of other securities                                                      | —                               | (321)        |
| Sale of available-for-sale securities                                             | 48,688                          | —            |
| Net change in FHLB stock                                                          | 9,233                           | (20,220)     |
| Proceeds from maturities, calls, and prepayments of available-for-sale securities | 53,108                          | 23,829       |
| Proceeds from maturities, calls, and prepayments of held-to-maturity securities   | 165,056                         | 175          |
| Proceeds from maturities, calls, and prepayments of other securities              | 132                             | —            |
| Net increase in loans                                                             | (125,260)                       | (104,734)    |
| Net change in investment in LIHTC                                                 | (23,071)                        | (21,296)     |
| Purchase of premises and equipment                                                | (10,404)                        | (12,992)     |
| Proceeds from sales of premises and equipment                                     | 370                             | 277          |
| Proceeds from sales of foreclosed assets                                          | 1,546                           | 1,032        |
| Investment from noncontrolling interest in consolidated joint ventures            | —                               | 276          |
| Acquisition of business, net of cash acquired                                     | (10,075)                        | 17,776       |
| Net cash used for investing activities                                            | (78,107)                        | (116,198)    |
| <b>FINANCING ACTIVITIES:</b>                                                      |                                 |              |
| Net change in deposit accounts                                                    | 232,868                         | (210,664)    |
| Net change in short-term borrowings                                               | (201,628)                       | 454,464      |
| Repayment of long-term borrowings                                                 | (183)                           | (235)        |
| Purchase of noncontrolling interest                                               | —                               | (13)         |
| Cash dividends paid                                                               | (18,764)                        | (16,798)     |
| Net cash from financing activities                                                | 12,293                          | 226,754      |
| Change in cash and cash equivalents                                               | (27,247)                        | 89,708       |
| Cash and cash equivalents at beginning of year                                    | 1,128,357                       | 1,152,830    |
| Cash and cash equivalents at end of period                                        | \$ 1,101,110                    | \$ 1,242,538 |
| <b>Supplemental cash flow information:</b>                                        |                                 |              |
| Cash paid for interest                                                            | \$ 82,217                       | \$ 37,102    |
| Cash paid for income taxes                                                        | \$ (581)                        | \$ 461       |
| <b>Noncash financing and investing activities:</b>                                |                                 |              |
| Transfer from loans to foreclosed property                                        | \$ 1,418                        | \$ 947       |
| Net unrealized gains (losses) on available-for-sale securities, net of tax        | \$ (6,819)                      | \$ 19,733    |
| Common stock issued in connection with business acquisitions                      | \$ —                            | \$ 59,604    |

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

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### CONSOLIDATED STATEMENT OF EQUITY

| <i>(Dollars in thousands, except per share data)</i>       | 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               |
|------------------------------------------------------------|-------------------|-------------------|---------------------|-------------------|-----------------------------|----------------------------------------------------|-----------------------------------------------|---------------------------|---------------------|
| <b>Balance, January 1, 2024</b>                            | <b>74,893,462</b> | <b>\$ 124,847</b> | <b>\$ 1,112,761</b> | <b>\$ 921,126</b> | <b>\$ 20,813</b>            | <b>\$ (20,813)</b>                                 | <b>\$ (118,762)</b>                           | <b>\$ 15,906</b>          | <b>\$ 2,055,878</b> |
| Net income                                                 | —                 | —                 | —                   | 34,687            | —                           | —                                                  | —                                             | 440                       | 35,127              |
| Other comprehensive income (loss), net of taxes            | —                 | —                 | —                   | —                 | —                           | —                                                  | (7,824)                                       | —                         | (7,824)             |
| Cash dividends declared on common stock (\$0.25 per share) | —                 | —                 | —                   | (18,748)          | —                           | —                                                  | —                                             | —                         | (18,748)            |
| Directors' deferred compensation                           | —                 | —                 | —                   | —                 | 102                         | (102)                                              | —                                             | —                         | —                   |
| Issuance of common stock - stock compensation plans        | 96,975            | 162               | 1,277               | —                 | —                           | —                                                  | —                                             | —                         | 1,439               |
| <b>Balance, March 31, 2024</b>                             | <b>74,990,437</b> | <b>\$ 125,009</b> | <b>\$ 1,114,038</b> | <b>\$ 937,065</b> | <b>\$ 20,915</b>            | <b>\$ (20,915)</b>                                 | <b>\$ (126,586)</b>                           | <b>\$ 16,346</b>          | <b>\$ 2,065,872</b> |

| <i>(Dollars in thousands, except per share data)</i>                 | 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               |
|----------------------------------------------------------------------|-------------------|-------------------|---------------------|-------------------|-----------------------------|----------------------------------------------------|--------------------------------------|---------------------------|---------------------|
| <b>Balance, January 1, 2023</b>                                      | <b>72,841,379</b> | <b>\$ 121,426</b> | <b>\$ 1,052,262</b> | <b>\$ 840,777</b> | <b>\$ 18,974</b>            | <b>\$ (18,974)</b>                                 | <b>\$ (140,505)</b>                  | <b>\$ 14,797</b>          | <b>\$ 1,888,757</b> |
| Net income                                                           | —                 | —                 | —                   | 38,333            | —                           | —                                                  | —                                    | 145                       | 38,478              |
| Other comprehensive income (loss), net of taxes                      | —                 | —                 | —                   | —                 | —                           | —                                                  | 19,208                               | —                         | 19,208              |
| Cash dividends declared on common stock (\$0.23 per share)           | —                 | —                 | —                   | (17,205)          | —                           | —                                                  | —                                    | —                         | (17,205)            |
| Investment of noncontrolling interest in consolidated joint ventures | —                 | —                 | —                   | —                 | —                           | —                                                  | —                                    | 276                       | 276                 |
| Directors' deferred compensation                                     | —                 | —                 | —                   | —                 | (135)                       | 135                                                | —                                    | —                         | —                   |
| Issuance of common stock - acquisitions                              | 1,897,019         | 3,162             | 56,442              | —                 | —                           | —                                                  | —                                    | —                         | 59,604              |
| Issuance of common stock - stock compensation plans                  | 66,033            | 94                | 696                 | —                 | —                           | —                                                  | —                                    | —                         | 790                 |
| Purchase of noncontrolling interest                                  | —                 | —                 | (13)                | —                 | —                           | —                                                  | —                                    | —                         | (13)                |
| <b>Balance, March 31, 2023</b>                                       | <b>74,804,431</b> | <b>\$ 124,682</b> | <b>\$ 1,109,387</b> | <b>\$ 861,905</b> | <b>\$ 18,839</b>            | <b>\$ (18,839)</b>                                 | <b>\$ (121,297)</b>                  | <b>\$ 15,218</b>          | <b>\$ 1,989,895</b> |

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 2023 audited Consolidated Financial Statements and the 2023 Annual Report on Form 10-K. Results of operations for the three-month period ended March 31, 2024, are not necessarily indicative of the results of operations for the full year or any other interim periods.

##### Recent accounting pronouncements:

| Accounting standards adopted in current year                                                                                                                                                                             |                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard                                                                                                                                                                                                                 | Summary of guidance                                                                                                                                                                                                                             | Effects on financial statements                                                                                                                                                                                                            |
| <b>Topic 323 - Investments - Equity Method and Joint Ventures - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method</b><br><br><b>ASU 2023-02</b><br><b>Issued March 2023</b> | Permits reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. | Effective for periods beginning after December 15, 2023, including interim periods within those fiscal years.<br><br>The adoption of this pronouncement did not have a material impact on the Company's Consolidated Financial Statements. |
| <b>Topic 842 - Leases, Common Control Arrangements</b><br><br><b>ASU 2023-01</b><br><b>Issued March 2023</b>                                                                                                             | Requires entities to classify and account for leases with related parties on the basis of legally enforceable terms and conditions of the arrangement.                                                                                          | Effective for periods beginning after December 15, 2023, including interim periods within those fiscal years.<br><br>The adoption of this pronouncement did not have a material impact on the Company's Consolidated Financial Statements. |

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Accounting standards not yet adopted                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard                                                                                                                                       | Summary of guidance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Effects on financial statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Topic 280 - Segment Reporting - Improvements to Reportable Segment Disclosures</b><br><br><b>ASU 2023-07</b><br><b>Issued November 2023</b> | <p>Improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Enhancements include identification of title and position of chief operating decision maker ("CODM"), disclosure of segment expenses, and significant expense principles provided to the CODM. Requires that all annual disclosures currently required by Topic 280 be reported in interim periods.</p>                                                                                                         | <p>Effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.</p> <p>This standard is to be applied on a retrospective basis for all prior periods presented based on the significant segment expense categories identified and disclosed in the period of adoption.</p> <p>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.</p> |
| <b>Topic 740 - Income Taxes - Improvements to Income Tax Disclosures</b><br><br><b>ASU 2023-09</b><br><b>Issued December 2023</b>              | <p>Requires public business entities to increase both qualitative and quantitative disclosures as they relate to state and federal income tax. Requirements include a tabular reconciliation, using both percentages and reporting currency amounts, according to eight specifically named categories. Additionally, separate disclosure is required for specifically named reconciling items, greater than 5% of the amount computed by multiplying the income from continuing operations before income tax by the statutory income tax rate.</p> | <p>Effective for annual periods beginning after December 15, 2024.</p> <p>This standard is to be applied on a prospective basis; retrospective application is permitted. Early adoption is permitted for annual financial statements that have not yet been issued.</p> <p>The Company is currently evaluating the provisions of the standard and the impact on its disclosures in future Consolidated Financial Statements.</p>                                                                                                                                   |

#### 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.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes basic and diluted EPS calculations for the periods indicated:

|                                                      | Three Months Ended<br>March 31, |                   |
|------------------------------------------------------|---------------------------------|-------------------|
|                                                      | 2024                            | 2023              |
| <i>(Dollars in thousands, except per share data)</i> |                                 |                   |
| <b>Basic</b>                                         |                                 |                   |
| Net income available to common shareholders          | \$ 34,687                       | \$ 38,333         |
| Weighted-average common shares outstanding           | 74,816,420                      | 74,363,222        |
| Basic earnings per common share                      | <u>\$ 0.46</u>                  | <u>\$ 0.52</u>    |
| <b>Diluted</b>                                       |                                 |                   |
| Net income available to common shareholders          | \$ 34,687                       | \$ 38,333         |
| Weighted-average common shares outstanding           | 74,816,420                      | 74,363,222        |
| Effect of dilutive securities:                       |                                 |                   |
| Stock compensation plans (1)                         | 163,081                         | 27,392            |
| Weighted-average diluted shares outstanding          | <u>74,979,501</u>               | <u>74,390,614</u> |
| Diluted earnings per common share                    | <u>\$ 0.46</u>                  | <u>\$ 0.52</u>    |

(1) There were no shares excluded from the computation of diluted shares for the three months ended March 31, 2024 or March 31, 2023.

### Note 3. Mergers and Acquisitions

*Farmers Bankshares, Inc.:* On January 13, 2023, TowneBank completed its acquisition of Farmers and its wholly owned bank subsidiary, Farmers Bank, in an all-stock transaction. As part of the merger, Farmers and Farmers Bank merged with and into TowneBank. In connection with the Farmers acquisition, TowneBank acquired a majority interest in a full-service independent insurance agency, Manry-Rawls, LLC. On January 31, 2023, TowneBank completed the acquisition by purchasing the noncontrolling interest in Manry-Rawls, LLC.

In the merger with Farmers, each outstanding share of Farmers common stock was converted into the right to receive 0.605 shares of TowneBank common stock. TowneBank issued an aggregate of 1.90 million shares of its common stock to former Farmers shareholders. Based on the closing price of TowneBank's common stock on January 13, 2023, of \$31.42 per share, the aggregate consideration paid to former Farmers common shareholders and holders of equity awards to acquire Farmers common stock was approximately \$59.60 million.

The Farmers 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 the consideration given at their fair value on the acquisition date. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the January 13, 2023, merger date. The fair value of consideration exchanged exceeded the recognized amounts of the identifiable net assets and resulted in goodwill of \$5.53 million. Goodwill resulted from a combination of expected synergies, acquisition of expanded insurance capabilities, expansion into Isle of Wight and Southampton counties with the addition of five locations, and growth opportunities. None of the goodwill recognized is expected to be deductible for income tax purposes.

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### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the estimated fair values of the assets acquired and liabilities assumed for Farmers as of January 13, 2023 (dollars in thousands):

|                                                    |                   |
|----------------------------------------------------|-------------------|
| Fair value of assets acquired:                     |                   |
| Cash and cash equivalents                          | \$ 26,109         |
| Securities available for sale                      | 244,892           |
| Loans held for investment                          | 277,890           |
| Bank premises and equipment                        | 8,921             |
| OREO                                               | 89                |
| Core deposit intangible                            | 15,100            |
| Other intangibles                                  | 14,100            |
| Other assets                                       | 32,188            |
| Total assets                                       | <u>\$ 619,289</u> |
| Fair value of liabilities assumed:                 |                   |
| Deposits                                           | \$ 514,572        |
| Total borrowings                                   | 33,806            |
| Other liabilities                                  | 9,860             |
| Total liabilities                                  | <u>\$ 558,238</u> |
| Net identifiable assets acquired                   | \$ 61,051         |
| Less: noncontrolling interest                      | 6,975             |
| Goodwill                                           | 5,533             |
| Purchase price                                     | <u>\$ 59,609</u>  |
| Purchase price:                                    |                   |
| Company common shares issued                       | 1,897,019         |
| Purchase price per share of Company's common stock | \$ 31.42          |
| Common stock issued                                | \$ 59,604         |
| Cash exchanged for fractional shares               | 5                 |
| Fair value of total consideration transferred      | <u>\$ 59,609</u>  |

As of March 31, 2024, the Company had finalized its valuation of all assets and liabilities acquired. The loans acquired in the Farmers 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 January 13, 2023, the estimated fair value of the Farmers purchased performing loans acquired was \$228.27 million, the related gross contractual amount was \$233.72 million, and the estimated contractual cash flows not expected to be collected were \$1.93 million.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 | \$ 49,578        |
| Allowance for credit losses at acquisition date              | 1,380            |
| Discount attributable to other factors                       | 575              |
| Par value of financial assets with credit deterioration      | <u>\$ 51,533</u> |

#### 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):

| March 31, 2024                                 | Amortized<br>Cost (1) | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance for<br>Credit Losses | Fair Value          |
|------------------------------------------------|-----------------------|------------------------------|-------------------------------|--------------------------------|---------------------|
| U.S. agency securities                         | \$ 325,543            | \$ 225                       | \$ (31,045)                   | \$ —                           | \$ 294,723          |
| U.S. Treasury notes                            | 28,728                | —                            | (1,194)                       | —                              | 27,534              |
| Municipal securities                           | 482,489               | 698                          | (35,864)                      | (337)                          | 446,986             |
| Trust preferred and other corporate securities | 101,735               | 508                          | (14,260)                      | (1,045)                        | 86,938              |
| MBSs issued by GSEs and GNMA                   | 1,437,828             | 437                          | (90,345)                      | —                              | 1,347,920           |
| Total available-for-sale securities            | <u>\$ 2,376,323</u>   | <u>\$ 1,868</u>              | <u>\$ (172,708)</u>           | <u>\$ (1,382)</u>              | <u>\$ 2,204,101</u> |

(1) Amortized cost amounts exclude accrued interest receivable, which was \$11.37 million as of March 31, 2024, and is recorded in other assets in the Consolidated Balance Sheets.

| December 31, 2023                              | Amortized<br>Cost (1) | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Allowance for<br>Credit Losses | Fair Value          |
|------------------------------------------------|-----------------------|------------------------------|-------------------------------|--------------------------------|---------------------|
| U.S. agency securities                         | \$ 334,782            | \$ 317                       | \$ (28,713)                   | \$ —                           | \$ 306,386          |
| U.S. Treasury notes                            | 28,559                | —                            | (875)                         | —                              | 27,684              |
| Municipal securities                           | 544,433               | 2,089                        | (36,388)                      | (280)                          | 509,854             |
| Trust preferred and other corporate securities | 101,664               | 413                          | (16,066)                      | (1,218)                        | 84,793              |
| MBSs issued by GSEs and GNMA                   | 1,283,525             | 921                          | (83,821)                      | —                              | 1,200,625           |
| Total available-for-sale securities            | <u>\$ 2,292,963</u>   | <u>\$ 3,740</u>              | <u>\$ (165,863)</u>           | <u>\$ (1,498)</u>              | <u>\$ 2,129,342</u> |

(1) Amortized cost amounts exclude accrued interest receivable, which was \$11.13 million as of December 31, 2023, and is recorded in other assets in the Consolidated Balance Sheets.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, |      |
|--------------------|------------------------------|------|
|                    | 2024                         | 2023 |
| Gross gains        | 421                          | —    |
| Gross (losses)     | (347)                        | —    |
| Net gains (losses) | 74                           | —    |
| Sales proceeds*    | \$ 48,577                    | —    |

\*Proceeds include interest on investment securities sold of \$480 thousand and zero in the first quarter of 2024 and 2023, 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):

| March 31, 2024                                 | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Allowance for Credit Losses |
|------------------------------------------------|--------------------|------------------------|-------------------------|------------|-----------------------------|
| U.S. agency securities                         | \$ 102,042         | \$ —                   | \$ (5,973)              | \$ 96,069  | \$ —                        |
| U.S. Treasury notes                            | 197,356            | —                      | (7,949)                 | 189,407    | —                           |
| Municipal securities                           | 5,294              | 174                    | —                       | 5,468      | (5)                         |
| Trust preferred and other corporate securities | 2,159              | 91                     | —                       | 2,250      | (77)                        |
| MBSs issued by GSEs                            | 5,659              | —                      | (340)                   | 5,319      | —                           |
| Total held-to-maturity securities              | \$ 312,510         | \$ 265                 | \$ (14,262)             | \$ 298,513 | \$ (82)                     |

(1) Amortized cost amounts exclude accrued interest receivable, which was \$1.91 million as of March 31, 2024, and is recorded in other assets on the Consolidated Balance Sheets.

| December 31, 2023                              | Amortized Cost (1) | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Allowance for Credit Losses |
|------------------------------------------------|--------------------|------------------------|-------------------------|------------|-----------------------------|
| U.S. agency securities                         | \$ 101,850         | \$ —                   | \$ (5,972)              | \$ 95,878  | \$ —                        |
| U.S. Treasury notes                            | 362,593            | —                      | (9,015)                 | 353,578    | —                           |
| Municipal securities                           | 5,272              | 279                    | —                       | 5,551      | (6)                         |
| Trust preferred and other corporate securities | 2,172              | 101                    | —                       | 2,273      | (78)                        |
| MBSs issued by GSEs                            | 5,705              | —                      | (329)                   | 5,376      | —                           |
| Total held-to-maturity securities              | \$ 477,592         | \$ 380                 | \$ (15,316)             | \$ 462,656 | \$ (84)                     |

(1) Amortized cost amounts exclude accrued interest receivable, which was \$2.64 million as of December 31, 2023, and is recorded in other assets on the Consolidated Balance Sheets.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### *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  |                   |
|----------------------------------------|---------------------|---------------------|-------------------|-------------------|
|                                        | Amortized Cost      | Fair Value          | Amortized Cost    | Fair Value        |
| <b>March 31, 2024</b>                  |                     |                     |                   |                   |
| Due in one year or less                | \$ 8,307            | \$ 8,167            | \$ 109,862        | \$ 109,278        |
| Due after one year through five years  | 660,296             | 603,782             | 188,997           | 175,890           |
| Due after five years through ten years | 588,790             | 540,721             | 11,705            | 11,399            |
| Due after ten years                    | 1,118,930           | 1,051,431           | 1,946             | 1,946             |
|                                        | <u>\$ 2,376,323</u> | <u>\$ 2,204,101</u> | <u>\$ 312,510</u> | <u>\$ 298,513</u> |
|                                        |                     |                     |                   |                   |
|                                        | Available for Sale  |                     | Held to Maturity  |                   |
|                                        | Amortized Cost      | Fair Value          | Amortized Cost    | Fair Value        |
| <b>December 31, 2023</b>               |                     |                     |                   |                   |
| Due in one year or less                | \$ 7,244            | \$ 7,126            | \$ 264,966        | \$ 263,000        |
| Due after one year through five years  | 651,942             | 597,605             | 199,018           | 186,192           |
| Due after five years through ten years | 629,184             | 578,281             | 11,637            | 11,493            |
| Due after ten years                    | 1,004,593           | 946,330             | 1,971             | 1,971             |
|                                        | <u>\$ 2,292,963</u> | <u>\$ 2,129,342</u> | <u>\$ 477,592</u> | <u>\$ 462,656</u> |

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):

|                                  |               | Less than 12 months |                         | 12 months or more   |                         | Total               |                         |
|----------------------------------|---------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                                  |               | Fair Value          | Gross Unrealized Losses | Fair Value          | Gross Unrealized Losses | Fair Value          | Gross Unrealized Losses |
| <b>March 31, 2024</b>            |               |                     |                         |                     |                         |                     |                         |
| <b>Description of Securities</b> | <b>Number</b> |                     |                         |                     |                         |                     |                         |
| U.S. agency securities           | 62            | \$ 13,846           | \$ (153)                | \$ 230,631          | \$ (30,892)             | \$ 244,477          | \$ (31,045)             |
| U.S. Treasury notes              | 2             | —                   | —                       | 27,534              | (1,194)                 | 27,534              | (1,194)                 |
| Municipal securities             | 64            | 10,551              | (428)                   | 170,772             | (13,412)                | 181,323             | (13,840)                |
| MBSs issued by GSEs and GNMA     | 267           | 294,585             | (3,452)                 | 971,367             | (86,893)                | 1,265,952           | (90,345)                |
| Total AFS securities             | 395           | <u>\$ 318,982</u>   | <u>\$ (4,033)</u>       | <u>\$ 1,400,304</u> | <u>\$ (132,391)</u>     | <u>\$ 1,719,286</u> | <u>\$ (136,424)</u>     |
|                                  |               |                     |                         |                     |                         |                     |                         |
|                                  |               | Less than 12 months |                         | 12 months or more   |                         | Total               |                         |
|                                  |               | Fair Value          | Gross Unrealized Losses | Fair Value          | Gross Unrealized Losses | Fair Value          | Gross Unrealized Losses |
| <b>December 31, 2023</b>         |               |                     |                         |                     |                         |                     |                         |
| <b>Description of Securities</b> | <b>Number</b> |                     |                         |                     |                         |                     |                         |
| U.S. agency securities           | 59            | \$ 51,314           | \$ (1,984)              | \$ 193,273          | \$ (26,729)             | \$ 244,587          | \$ (28,713)             |
| U.S. Treasury notes              | 2             | —                   | —                       | 27,684              | (875)                   | 27,684              | (875)                   |
| Municipal securities             | 56            | 4,153               | (40)                    | 192,163             | (13,993)                | 196,316             | (14,033)                |
| MBSs issued by GSEs and GNMA     | 240           | 156,286             | (1,904)                 | 925,174             | (81,917)                | 1,081,460           | (83,821)                |
| Total AFS securities             | 357           | <u>\$ 211,753</u>   | <u>\$ (3,928)</u>       | <u>\$ 1,338,294</u> | <u>\$ (123,514)</u>     | <u>\$ 1,550,047</u> | <u>\$ (127,442)</u>     |

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### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, 2024 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total    |
|-----------------------------------|----------------------|------------------------------------------------|----------|
| Balance, beginning of period      | \$ 280               | \$ 1,218                                       | \$ 1,498 |
| Provision for credit losses       | 57                   | (173)                                          | (116)    |
| Balance, end of period            | \$ 337               | \$ 1,045                                       | \$ 1,382 |

| Three Months Ended March 31, 2023 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total    |
|-----------------------------------|----------------------|------------------------------------------------|----------|
| Balance, beginning of period      | \$ 351               | \$ 735                                         | \$ 1,086 |
| Provision for credit losses       | 68                   | (4)                                            | 64       |
| Balance, end of period            | \$ 419               | \$ 731                                         | \$ 1,150 |

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 March 31, 2024. The following table reflects the credit ratings aggregated by investment category for HTM debt securities as of the dates indicated (dollars in thousands):

#### March 31, 2024

| Description of Securities                      | Credit Ratings |          |        |          |              |               | Total      |
|------------------------------------------------|----------------|----------|--------|----------|--------------|---------------|------------|
|                                                | AAA            | AA+      | AA-    | A+ to A- | BBB+ to BBB- | BB+ and below |            |
| U.S. agency securities                         | \$ 102,042     | \$ —     | \$ —   | \$ —     | \$ —         | \$ —          | \$ 102,042 |
| U.S. Treasury notes                            | 197,356        | —        | —      | —        | —            | —             | 197,356    |
| Municipal securities                           | 1,840          | 3,199    | 255    | —        | —            | —             | 5,294      |
| Trust preferred and other corporate securities | —              | —        | —      | —        | 2,159        | —             | 2,159      |
| Mortgage-backed securities issued by GSEs      | 5,659          | —        | —      | —        | —            | —             | 5,659      |
| Total                                          | \$ 306,897     | \$ 3,199 | \$ 255 | \$ —     | \$ 2,159     | \$ —          | \$ 312,510 |

#### December 31, 2023

| Description of Securities                      | Credit Ratings |          |        |          |              |               | Total      |
|------------------------------------------------|----------------|----------|--------|----------|--------------|---------------|------------|
|                                                | AAA            | AA+      | AA-    | A+ to A- | BBB+ to BBB- | BB+ and below |            |
| U.S. agency securities                         | \$ 101,850     | \$ —     | \$ —   | \$ —     | \$ —         | \$ —          | \$ 101,850 |
| U.S. Treasury notes                            | 362,593        | —        | —      | —        | —            | —             | 362,593    |
| Municipal securities                           | 1,821          | 3,196    | 255    | —        | —            | —             | 5,272      |
| Trust preferred and other corporate securities | —              | —        | —      | —        | 2,172        | —             | 2,172      |
| Mortgage-backed securities issued by GSEs      | 5,705          | —        | —      | —        | —            | —             | 5,705      |
| Total                                          | \$ 471,969     | \$ 3,196 | \$ 255 | \$ —     | \$ 2,172     | \$ —          | \$ 477,592 |

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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):

#### March 31, 2024

| Description of Securities                      | 2024        | 2023        | 2022              | 2021             | 2020        | Prior            | Total             |
|------------------------------------------------|-------------|-------------|-------------------|------------------|-------------|------------------|-------------------|
| U.S. agency securities                         | \$ —        | \$ —        | \$ 27,748         | \$ 74,294        | \$ —        | \$ —             | \$ 102,042        |
| U.S. Treasury notes                            | —           | —           | 174,657           | 22,699           | —           | —                | 197,356           |
| Municipal securities                           | —           | —           | —                 | —                | —           | 5,294            | 5,294             |
| Trust preferred and other corporate securities | —           | —           | —                 | —                | —           | 2,159            | 2,159             |
| Mortgage-backed securities issued by GSEs      | —           | —           | —                 | —                | —           | 5,659            | 5,659             |
| Total                                          | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 202,405</u> | <u>\$ 96,993</u> | <u>\$ —</u> | <u>\$ 13,112</u> | <u>\$ 312,510</u> |

#### December 31, 2023

| Description of Securities                      | 2023        | 2022              | 2021              | 2020        | 2019            | Prior            | Total             |
|------------------------------------------------|-------------|-------------------|-------------------|-------------|-----------------|------------------|-------------------|
| U.S. agency securities                         | \$ —        | \$ 27,661         | \$ 74,189         | \$ —        | \$ —            | \$ —             | \$ 101,850        |
| U.S. Treasury notes                            | —           | 319,613           | 42,980            | —           | —               | —                | 362,593           |
| Municipal securities                           | —           | —                 | —                 | —           | —               | 5,272            | 5,272             |
| Trust preferred and other corporate securities | —           | —                 | —                 | —           | 1,672           | 500              | 2,172             |
| Mortgage-backed securities issued by GSEs      | —           | —                 | —                 | —           | —               | 5,705            | 5,705             |
| Total                                          | <u>\$ —</u> | <u>\$ 347,274</u> | <u>\$ 117,169</u> | <u>\$ —</u> | <u>\$ 1,672</u> | <u>\$ 11,477</u> | <u>\$ 477,592</u> |

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 March 31, 2024 | Trust Preferred and Other Corporate Securities |                                                |              |
|-----------------------------------|------------------------------------------------|------------------------------------------------|--------------|
|                                   | Municipal Securities                           | Trust Preferred and Other Corporate Securities | Total        |
| Balance, beginning of period      | \$ 6                                           | \$ 78                                          | \$ 84        |
| Provision for credit losses       | (1)                                            | (1)                                            | (2)          |
| Balance, end of period            | <u>\$ 5</u>                                    | <u>\$ 77</u>                                   | <u>\$ 82</u> |

| Three Months Ended March 31, 2023 | Trust Preferred and Other Corporate Securities |                                                |              |
|-----------------------------------|------------------------------------------------|------------------------------------------------|--------------|
|                                   | Municipal Securities                           | Trust Preferred and Other Corporate Securities | Total        |
| Balance, beginning of period      | \$ 8                                           | \$ 75                                          | \$ 83        |
| Provision for credit losses       | (1)                                            | 6                                              | 5            |
| Balance, end of period            | <u>\$ 7</u>                                    | <u>\$ 81</u>                                   | <u>\$ 88</u> |

#### 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. At March 31, 2024, FHLB stock totaled \$12.14 million and other equity securities totaled \$13.66 million. At December 31, 2023, FHLB stock totaled \$21.37 million and other equity securities

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totaled \$13.79 million. No impairments or adjustments have been recorded on these investments.

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):

|                                                           | March 31, 2024 | December 31, 2023 |
|-----------------------------------------------------------|----------------|-------------------|
| To secure federal, state, and municipal deposits          | \$ 721,658     | \$ 715,448        |
| To secure borrowings from the FHLB                        | \$ 5,482       | \$ 5,725          |
| To secure repurchase agreements with commercial customers | \$ 69,954      | \$ 72,051         |

#### 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 \$123.32 million, compared to December 31, 2023. The following table presents loan balances by major classification as of the dates indicated (in thousands):

|                                                         | March 31,<br>2024    | December 31,<br>2023 |
|---------------------------------------------------------|----------------------|----------------------|
| <b>Commercial Real Estate</b>                           |                      |                      |
| Construction and land development                       | \$ 1,255,741         | \$ 1,249,735         |
| Owner occupied                                          | 1,700,753            | 1,699,386            |
| Non-owner occupied                                      | 3,178,947            | 3,117,071            |
| Multi-family                                            | 595,075              | 583,209              |
| <b>Total Commercial Real Estate</b>                     | 6,730,516            | 6,649,401            |
| <b>Residential 1-4 family</b>                           | 1,882,296            | 1,852,891            |
| <b>HELOC</b>                                            | 386,361              | 382,979              |
| <b>Commercial and industrial business</b>               | 1,288,550            | 1,265,169            |
| <b>Government</b>                                       | 528,341              | 525,261              |
| <b>Indirect</b>                                         | 555,482              | 558,789              |
| <b>Consumer loans and other</b>                         | 80,797               | 94,531               |
| <b>Loans, net of unearned income and deferred costs</b> | <u>\$ 11,452,343</u> | <u>\$ 11,329,021</u> |

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

|                                                                          | March 31, 2024 | December 31, 2023 |
|--------------------------------------------------------------------------|----------------|-------------------|
| Deferred loan costs in excess of unearned income                         | \$ 2,133       | \$ 2,251          |
| Unaccreted discount on PCD loans                                         | (3,221)        | (3,435)           |
| Unaccreted discount on non-PCD loans                                     | (5,088)        | (5,550)           |
| Nonaccrual loans <sup>(1)</sup>                                          | 6,987          | 6,843             |
| Loans pledged as collateral to secure overnight borrowings with the FHLB | 2,914          | 2,824             |

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

|                    | March 31, 2024 | March 31, 2023 |
|--------------------|----------------|----------------|
| Three months ended | \$ 114         | \$ 108         |

#### *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):

| Loan Modifications Made to Borrowers Experiencing Financial Difficulty |                                        |                                          |
|------------------------------------------------------------------------|----------------------------------------|------------------------------------------|
| For the Quarter Ended March 31, 2024                                   |                                        |                                          |
| Term Extension                                                         |                                        |                                          |
| Loan Classification                                                    | Amortized Cost Basis at March 31, 2024 | % of Total Class of Financing Receivable |
| <b>Commercial Real Estate</b>                                          |                                        |                                          |
| Construction and land development                                      | \$ 771                                 | 0.06 %                                   |
| Owner occupied                                                         | 5,849                                  | 0.34 %                                   |
| <b>Total Commercial Real Estate</b>                                    | 6,620                                  |                                          |
| <b>Residential 1-4 family</b>                                          | 140                                    | 0.01 %                                   |
| <b>HELOC</b>                                                           | 98                                     | 0.03 %                                   |
| <b>Commercial and industrial business</b>                              | 6,295                                  | 0.49 %                                   |
| <b>Total</b>                                                           | <u>\$ 13,153</u>                       | 0.11 %                                   |

At March 31, 2024, \$67 thousand in accrued interest receivable has been excluded from loan modification calculations and is included in other assets.

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| Loan Modifications Made to Borrowers Experiencing Financial Difficulty |                                        |                                          |
|------------------------------------------------------------------------|----------------------------------------|------------------------------------------|
| For the Quarter Ended March 31, 2023                                   |                                        |                                          |
| Term Extension                                                         |                                        |                                          |
| Loan Classification                                                    | Amortized Cost Basis at March 31, 2023 | % of Total Class of Financing Receivable |
| <b>Commercial Real Estate</b>                                          |                                        |                                          |
| Construction and land development                                      | \$ 1,204                               | 0.08 %                                   |
| Owner occupied                                                         | 665                                    | 0.04 %                                   |
| Non-owner occupied                                                     | 917                                    | 0.03 %                                   |
| <b>Total Commercial Real Estate</b>                                    | <b>2,786</b>                           |                                          |
| <b>HELOC</b>                                                           | <b>642</b>                             | <b>0.17 %</b>                            |
| <b>Commercial and industrial business</b>                              | <b>447</b>                             | <b>0.03 %</b>                            |
| <b>Consumer loans and other</b>                                        | <b>277</b>                             | <b>0.28 %</b>                            |
| <b>Total</b>                                                           | <b>\$ 4,152</b>                        | <b>0.04 %</b>                            |

At March 31, 2023, \$17 thousand in accrued interest receivable has been excluded from loan modification calculations and is included in other assets.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty for the periods ended March 31, 2024 and 2023:

| Term Extension                            |                                                                                                                                                                                                                                                              |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Loan Classification                       | Financial Effect                                                                                                                                                                                                                                             |
| <b>Commercial Real Estate</b>             |                                                                                                                                                                                                                                                              |
| Construction and land development         | Extended maturities to allow time to assess stale project and repayment concerns. This modification did not impact the weighted-average life of C&D loans.                                                                                                   |
| Owner occupied                            | Reamortized balances and/or extended maturities to allow time for project completion and 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, which reduced monthly payment amounts for borrowers. These modifications did not impact the weighted-average life of CRE-NOO loans.                                                                      |
| <b>Residential 1-4 family</b>             | Extended maturity, reduced the loan amount and amortized the loan balance. This modification did not impact the weighted-average life of residential 1-4 family loans.                                                                                       |
| <b>HELOC</b>                              | Extended line maturities to allow borrowers time to obtain financing or sell property. This modification did not impact the weighted-average life of HELOC loans.                                                                                            |
| <b>Commercial and industrial business</b> | Reamortized balances and extended maturities, which reduced monthly payment amounts for borrowers. This modification did not impact the weighted-average life of C&I loans.                                                                                  |
| <b>Consumer loans and other</b>           | Renewed lines and/or extended maturities to allow time for resolution, sale of collateral or alternate financing, or to allow borrowers additional time to pay off balances. These modifications did not impact the weighted-average life of consumer loans. |

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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).

| Loan Classification                  | Amortized Cost Basis of Modified Financing Receivables that Subsequently Defaulted |                |                       |                                                      |                                                        |   |
|--------------------------------------|------------------------------------------------------------------------------------|----------------|-----------------------|------------------------------------------------------|--------------------------------------------------------|---|
|                                      | Interest Rate Reduction                                                            | Term Extension | Principal Forgiveness | Combination-Term Extension and Principal Forgiveness | Combination-Term Extension and Interest Rate Reduction |   |
| <b>Defaults as of March 31, 2024</b> |                                                                                    |                |                       |                                                      |                                                        |   |
| Commercial and industrial business   | \$ —                                                                               | \$ 594         | \$ —                  | \$ —                                                 | \$ —                                                   | — |
|                                      | \$ —                                                                               | \$ 594         | \$ —                  | \$ —                                                 | \$ —                                                   | — |
| <b>Defaults as of March 31, 2023</b> |                                                                                    |                |                       |                                                      |                                                        |   |
| CRE non-owner occupied (1)           | \$ —                                                                               | \$ 72          | \$ —                  | \$ —                                                 | \$ —                                                   | — |
|                                      | \$ —                                                                               | \$ 72          | \$ —                  | \$ —                                                 | \$ —                                                   | — |

(1) Default in first quarter 2023, subsequently brought current.

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 last 12 months (in thousands).

| March 31, 2024                            | Payment Status (Amortized Cost Basis) |                       |                   |
|-------------------------------------------|---------------------------------------|-----------------------|-------------------|
|                                           | Current                               | 30 - 89 Days Past Due | 90+ Days Past Due |
| <b>Loan Classification</b>                |                                       |                       |                   |
| <b>Commercial Real Estate</b>             |                                       |                       |                   |
| Construction and land development         | \$ 771                                | \$ —                  | \$ —              |
| Owner occupied                            | 7,800                                 | —                     | —                 |
| Non-owner occupied                        | 3,982                                 | —                     | —                 |
| <b>Total Commercial Real Estate</b>       | 12,553                                | —                     | —                 |
| <b>Residential 1-4 family</b>             | 781                                   | —                     | —                 |
| <b>HELOC</b>                              | 98                                    | —                     | —                 |
| <b>Commercial and industrial business</b> | 7,047                                 | 594                   | —                 |
|                                           | <u>\$ 20,479</u>                      | <u>\$ 594</u>         | <u>\$ —</u>       |

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| March 31, 2023                            | Payment Status (Amortized Cost Basis) |                       |                   |
|-------------------------------------------|---------------------------------------|-----------------------|-------------------|
|                                           | Current                               | 30 - 89 Days Past Due | 90+ Days Past Due |
| <b>Loan Classification</b>                |                                       |                       |                   |
| <b>Commercial Real Estate</b>             |                                       |                       |                   |
| Construction and land development         | \$ 1,204                              | \$ —                  | \$ —              |
| Owner occupied                            | 593                                   | 72                    | —                 |
| Non-owner occupied                        | 917                                   | —                     | —                 |
| <b>Total Commercial Real Estate</b>       | <b>2,714</b>                          | <b>72</b>             | <b>—</b>          |
| <b>Residential 1-4 family</b>             | <b>—</b>                              | <b>—</b>              | <b>—</b>          |
| <b>HELOC</b>                              | <b>642</b>                            | <b>—</b>              | <b>—</b>          |
| <b>Commercial and industrial business</b> | <b>447</b>                            | <b>—</b>              | <b>—</b>          |
| <b>Consumer loans and other</b>           | <b>277</b>                            | <b>—</b>              | <b>—</b>          |
|                                           | <b>\$ 4,080</b>                       | <b>\$ 72</b>          | <b>\$ —</b>       |

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. Two commercial and industrial loans in the modified loan population had unused commitments totaling \$1.82 million as of March 31, 2024.

#### Note 6. Allowance for Credit Losses

As of March 31, 2024, \$36.97 million in accrued interest receivable on loans was excluded from the estimate of ECL and is included in other assets, compared to \$36.43 million as of December 31, 2023. Individually assessed loans totaled \$27.29 million with specific reserves of \$0.82 million at March 31, 2024, and \$19.68 million with specific reserves of zero at December 31, 2023.

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 three-month periods ended March 31, 2024 and 2023 (in thousands):

| Three Months Ended March 31, 2024 |                              |                     |                 |               |                        |
|-----------------------------------|------------------------------|---------------------|-----------------|---------------|------------------------|
|                                   | Balance, Beginning of Period | Provision (Benefit) | Write-offs      | Recoveries    | Balance, End of Period |
| <b>Commercial Real Estate</b>     |                              |                     |                 |               |                        |
| Construction and land development | \$ 18,736                    | \$ 1,494            | \$ (264)        | \$ 3          | \$ 19,969              |
| Owner occupied                    | 14,078                       | 251                 | —               | 1             | 14,330                 |
| Non-owner occupied                | 22,098                       | (222)               | —               | 124           | 22,000                 |
| Multi-family                      | 3,133                        | 139                 | —               | —             | 3,272                  |
| <b>Residential 1-4 family</b>     | <b>32,363</b>                | <b>(2,173)</b>      | <b>—</b>        | <b>13</b>     | <b>30,203</b>          |
| <b>HELOC</b>                      | <b>17,324</b>                | <b>(1,115)</b>      | <b>—</b>        | <b>17</b>     | <b>16,226</b>          |
| <b>Commercial and industrial</b>  | <b>8,069</b>                 | <b>1,491</b>        | <b>—</b>        | <b>125</b>    | <b>9,685</b>           |
| <b>Government</b>                 | <b>3,092</b>                 | <b>(234)</b>        | <b>—</b>        | <b>—</b>      | <b>2,858</b>           |
| <b>Indirect</b>                   | <b>4,794</b>                 | <b>428</b>          | <b>(512)</b>    | <b>72</b>     | <b>4,782</b>           |
| <b>Consumer loans and other</b>   | <b>2,774</b>                 | <b>(165)</b>        | <b>(141)</b>    | <b>42</b>     | <b>2,510</b>           |
| <b>Total</b>                      | <b>\$ 126,461</b>            | <b>\$ (106)</b>     | <b>\$ (917)</b> | <b>\$ 397</b> | <b>\$ 125,835</b>      |

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| Three Months Ended March 31, 2023 |                                    |                        |                                 |                   |               |                           |  |
|-----------------------------------|------------------------------------|------------------------|---------------------------------|-------------------|---------------|---------------------------|--|
|                                   | Balance,<br>Beginning of<br>Period | Provision<br>(Benefit) | Initial<br>Allowance<br>for PCD | Write-offs        | Recoveries    | Balance, End<br>of Period |  |
| <b>Commercial Real Estate</b>     |                                    |                        |                                 |                   |               |                           |  |
| Construction and land development | \$ 20,218                          | \$ 966                 | \$ 145                          | \$ —              | \$ 19         | \$ 21,348                 |  |
| Owner occupied                    | 10,625                             | 1,329                  | 199                             | —                 | 2             | 12,155                    |  |
| Non-owner occupied                | 16,478                             | 1,167                  | 63                              | —                 | 26            | 17,734                    |  |
| Multi-family                      | 1,909                              | 439                    | 2                               | —                 | —             | 2,350                     |  |
| <b>Residential 1-4 family</b>     | 27,688                             | 3,270                  | 94                              | (1)               | 15            | 31,066                    |  |
| <b>HELOC</b>                      | 16,766                             | (128)                  | 8                               | —                 | 178           | 16,824                    |  |
| <b>Commercial and industrial</b>  | 6,912                              | 4,198                  | 357                             | (3,728)           | 35            | 7,774                     |  |
| <b>Government</b>                 | 3,176                              | 209                    | 1                               | —                 | —             | 3,386                     |  |
| <b>Indirect</b>                   | 4,172                              | 622                    | 1                               | (297)             | 59            | 4,557                     |  |
| <b>Consumer loans and other</b>   | 2,872                              | (392)                  | 510                             | (219)             | 37            | 2,808                     |  |
| <b>Total</b>                      | <u>\$ 110,816</u>                  | <u>\$ 11,680</u>       | <u>\$ 1,380</u>                 | <u>\$ (4,245)</u> | <u>\$ 371</u> | <u>\$ 120,002</u>         |  |

The following table presents a roll forward of the allowance for off-balance-sheet exposure for the three months ended March 31, 2024 and 2023, related to loans held for investment, which is carried in other liabilities on our Consolidated Balance Sheets (in thousands):

|                                   | Three Months Ended March 31, 2024  |                        |                           | Three Months Ended March 31, 2023  |                        |                           |
|-----------------------------------|------------------------------------|------------------------|---------------------------|------------------------------------|------------------------|---------------------------|
|                                   | Balance,<br>Beginning of<br>Period | Provision<br>(Benefit) | Balance, End<br>of Period | Balance,<br>Beginning of<br>Period | Provision<br>(Benefit) | Balance, End<br>of Period |
| <b>Commercial Real Estate</b>     |                                    |                        |                           |                                    |                        |                           |
| Construction and land development | \$ 1,298                           | \$ (366)               | \$ 932                    | \$ 648                             | \$ 149                 | \$ 797                    |
| Owner occupied                    | 352                                | (180)                  | 172                       | 277                                | (105)                  | 172                       |
| Non-owner occupied                | 379                                | (66)                   | 313                       | 284                                | 78                     | 362                       |
| Multi-family                      | 111                                | 4                      | 115                       | 31                                 | 14                     | 45                        |
| <b>Residential 1-4 family</b>     | —                                  | —                      | —                         | —                                  | —                      | —                         |
| <b>HELOC</b>                      | 3,047                              | (195)                  | 2,852                     | 2,960                              | 56                     | 3,016                     |
| <b>Commercial and industrial</b>  | 1,484                              | 51                     | 1,535                     | 1,285                              | (145)                  | 1,140                     |
| <b>Government</b>                 | —                                  | —                      | —                         | —                                  | —                      | —                         |
| <b>Indirect</b>                   | —                                  | —                      | —                         | —                                  | —                      | —                         |
| <b>Consumer loans and other</b>   | 1,557                              | 99                     | 1,656                     | 1,619                              | (126)                  | 1,493                     |
| <b>Total</b>                      | <u>\$ 8,228</u>                    | <u>\$ (653)</u>        | <u>\$ 7,575</u>           | <u>\$ 7,104</u>                    | <u>\$ (79)</u>         | <u>\$ 7,025</u>           |

Our provision for credit losses on funded and unfunded loan exposures was a net benefit of \$0.76 million in first quarter 2024, compared to a net expense of \$11.60 million in the prior year quarter.

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

- the economic outlook both nationally and for the metropolitan areas within our footprint;
- current industry and regulatory conditions, including the continuing potential for a government shutdown;
- anticipation of the Fed funds rate cuts and their long-term impact on the 10-year Treasury yield, and targeted inflation;

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- policymakers' response to 2023 U.S. bank failures and impact to the financial system;
- the continued strength of the U.S. dollar in global markets;
- changes in the global price of oil;
- the potential impact of current geopolitical situations;
- changes in unemployment; and
- changes in Gross Domestic Product.

In general, the macroeconomic forecast scenarios utilized in the current quarter models showed continued improvements from the previous quarter. Additional factors considered were changes in interest rates, loan risk ratings, charge-off experience, and inherent risks within specific loan groups.

#### *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 semiannually. 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.

The Company's internally assigned risk grades are as follows:

**Pass** - Several pass credit grades comprise loans in this category, which are assigned based on varying levels of risk, ranging from credits that are secured by cash or marketable securities, to management attention credits, which have all the characteristics of an acceptable credit risk but warrant a more than normal level of monitoring.

**Special Mention** - These assets are characterized by well-defined credit weaknesses and carry the distinct possibility that the Company will sustain some loss if such weakness or deficiency is not corrected.

**Substandard** - The borrower's ability to repay is threatened by a clearly defined weakness, related to the capacity of the obligor, which jeopardizes ultimate repayment of the loan according to terms.

**Doubtful** - The borrower's ability to repay in full, on the basis of currently existing facts, conditions, and values, is highly questionable and improbable. Some loss of principal and income is likely; however, the total amount of such loss cannot be determined at the present time. Loans in this category are immediately placed on nonaccrual status, with all payments applied to principal until such time as the potential loss exposure is eliminated.

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 January 2024.

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### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, 2024 and December 31, 2023 (in thousands):

March 31, 2024

|                                         | Term Loans By Origination |         |      |         |      |         | Revolving<br>Loans | Revolving<br>Loans<br>Converted to<br>Term | Total |         |    |         |    |        |    |     |    |           |
|-----------------------------------------|---------------------------|---------|------|---------|------|---------|--------------------|--------------------------------------------|-------|---------|----|---------|----|--------|----|-----|----|-----------|
|                                         | 2024                      | 2023    | 2022 | 2021    | 2020 | Prior   |                    |                                            |       |         |    |         |    |        |    |     |    |           |
| CRE - Construction and Land Development |                           |         |      |         |      |         |                    |                                            |       |         |    |         |    |        |    |     |    |           |
| Pass                                    | \$                        | 165,472 | \$   | 540,366 | \$   | 306,929 | \$                 | 161,511                                    | \$    | 14,952  | \$ | 15,627  | \$ | 44,575 | \$ | 393 | \$ | 1,249,825 |
| Special<br>Mention                      |                           | 2,848   |      | 761     |      | —       |                    | —                                          |       | —       |    | —       |    | —      |    | —   |    | 3,609     |
| Substandard                             |                           | 2,231   |      | —       |      | —       |                    | 76                                         |       | —       |    | —       |    | —      |    | —   |    | 2,307     |
|                                         | \$                        | 170,551 | \$   | 541,127 | \$   | 306,929 | \$                 | 161,587                                    | \$    | 14,952  | \$ | 15,627  | \$ | 44,575 | \$ | 393 | \$ | 1,255,741 |
| Gross Write-<br>Offs                    | \$                        | 81      | \$   | —       | \$   | 183     | \$                 | —                                          | \$    | —       | \$ | —       | \$ | —      | \$ | —   | \$ | 264       |
| CRE - Owner Occupied                    |                           |         |      |         |      |         |                    |                                            |       |         |    |         |    |        |    |     |    |           |
| Pass                                    | \$                        | 58,666  | \$   | 253,490 | \$   | 348,223 | \$                 | 379,790                                    | \$    | 242,660 | \$ | 348,994 | \$ | 19,201 | \$ | 591 | \$ | 1,651,615 |
| Special<br>Mention                      |                           | 5,849   |      | 1,386   |      | 4,388   |                    | 1,205                                      |       | 8,339   |    | 3,660   |    | 549    |    | —   |    | 25,376    |
| Substandard                             |                           | —       |      | 807     |      | 3,432   |                    | 5,608                                      |       | 3,350   |    | 9,137   |    | 1,428  |    | —   |    | 23,762    |
|                                         | \$                        | 64,515  | \$   | 255,683 | \$   | 356,043 | \$                 | 386,603                                    | \$    | 254,349 | \$ | 361,791 | \$ | 21,178 | \$ | 591 | \$ | 1,700,753 |
| Gross Write-<br>Offs                    | \$                        | —       | \$   | —       | \$   | —       | \$                 | —                                          | \$    | —       | \$ | —       | \$ | —      | \$ | —   | \$ | —         |
| CRE - Non-Owner Occupied                |                           |         |      |         |      |         |                    |                                            |       |         |    |         |    |        |    |     |    |           |
| Pass                                    | \$                        | 201,709 | \$   | 557,298 | \$   | 757,705 | \$                 | 699,541                                    | \$    | 386,934 | \$ | 499,930 | \$ | 16,503 | \$ | —   | \$ | 3,119,620 |
| Special<br>Mention                      |                           | 6,742   |      | 2,156   |      | 12,955  |                    | 26,385                                     |       | —       |    | 7,463   |    | 800    |    | 85  |    | 56,586    |
| Substandard                             |                           | 2,567   |      | —       |      | —       |                    | —                                          |       | —       |    | 174     |    | —      |    | —   |    | 2,741     |
|                                         | \$                        | 211,018 | \$   | 559,454 | \$   | 770,660 | \$                 | 725,926                                    | \$    | 386,934 | \$ | 507,567 | \$ | 17,303 | \$ | 85  | \$ | 3,178,947 |
| Gross Write-<br>Offs                    | \$                        | —       | \$   | —       | \$   | —       | \$                 | —                                          | \$    | —       | \$ | —       | \$ | —      | \$ | —   | \$ | —         |
| CRE - Multi-Family                      |                           |         |      |         |      |         |                    |                                            |       |         |    |         |    |        |    |     |    |           |
| Pass                                    | \$                        | 21,688  | \$   | 57,932  | \$   | 222,274 | \$                 | 111,885                                    | \$    | 96,443  | \$ | 75,815  | \$ | 5,948  | \$ | —   | \$ | 591,985   |
| Special<br>Mention                      |                           | 2,999   |      | —       |      | —       |                    | —                                          |       | —       |    | —       |    | —      |    | —   |    | 2,999     |
| Substandard                             |                           | —       |      | —       |      | —       |                    | —                                          |       | —       |    | 91      |    | —      |    | —   |    | 91        |
|                                         | \$                        | 24,687  | \$   | 57,932  | \$   | 222,274 | \$                 | 111,885                                    | \$    | 96,443  | \$ | 75,906  | \$ | 5,948  | \$ | —   | \$ | 595,075   |
| Gross Write-<br>Offs                    | \$                        | —       | \$   | —       | \$   | —       | \$                 | —                                          | \$    | —       | \$ | —       | \$ | —      | \$ | —   | \$ | —         |

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Term Loans By Origination |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
|---------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------------------------------|---------------------|
|                           | 2024             | 2023              | 2022              | 2021              | 2020              | Prior             | Revolving<br>Loans | Revolving<br>Loans<br>Converted to<br>Term | Total               |
| Commercial and Industrial |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| Pass                      | \$ 55,938        | \$ 179,490        | \$ 213,011        | \$ 134,914        | \$ 55,622         | \$ 73,613         | \$ 534,061         | \$ 16,717                                  | \$ 1,263,366        |
| Special<br>Mention        | 593              | 681               | 1,727             | 1,217             | 1,527             | 556               | 12,892             | 1,751                                      | 20,944              |
| Substandard               | 174              | 1,175             | 237               | 116               | 1,244             | 585               | 397                | 312                                        | 4,240               |
|                           | <u>\$ 56,705</u> | <u>\$ 181,346</u> | <u>\$ 214,975</u> | <u>\$ 136,247</u> | <u>\$ 58,393</u>  | <u>\$ 74,754</u>  | <u>\$ 547,350</u>  | <u>\$ 18,780</u>                           | <u>\$ 1,288,550</u> |
| Gross Write-<br>Offs      | \$ —             | \$ —              | \$ —              | \$ —              | \$ —              | \$ —              | \$ —               | \$ —                                       | \$ —                |
| Government                |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| Pass                      | \$ 4,144         | \$ 48,466         | \$ 112,682        | \$ 17,830         | \$ 179,941        | \$ 156,898        | \$ 8,380           | \$ —                                       | \$ 528,341          |
| Special<br>Mention        | —                | —                 | —                 | —                 | —                 | —                 | —                  | —                                          | —                   |
| Substandard               | —                | —                 | —                 | —                 | —                 | —                 | —                  | —                                          | —                   |
|                           | <u>\$ 4,144</u>  | <u>\$ 48,466</u>  | <u>\$ 112,682</u> | <u>\$ 17,830</u>  | <u>\$ 179,941</u> | <u>\$ 156,898</u> | <u>\$ 8,380</u>    | <u>\$ —</u>                                | <u>\$ 528,341</u>   |
| Gross Write-<br>Offs      | \$ —             | \$ —              | \$ —              | \$ —              | \$ —              | \$ —              | \$ —               | \$ —                                       | \$ —                |
| Residential 1 - 4 Family  |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| Credit Score:             |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| > = 750                   | \$ 53,477        | \$ 236,336        | \$ 497,470        | \$ 358,147        | \$ 154,653        | \$ 253,460        | \$ 1,504           | \$ 2,244                                   | \$ 1,557,291        |
| 650-749                   | 2,094            | 42,936            | 107,706           | 69,520            | 34,815            | 54,099            | —                  | —                                          | 311,170             |
| 450-649                   | —                | 830               | 6,023             | 587               | 667               | 5,728             | —                  | —                                          | 13,835              |
| 300-449                   | —                | —                 | —                 | —                 | —                 | —                 | —                  | —                                          | —                   |
|                           | <u>\$ 55,571</u> | <u>\$ 280,102</u> | <u>\$ 611,199</u> | <u>\$ 428,254</u> | <u>\$ 190,135</u> | <u>\$ 313,287</u> | <u>\$ 1,504</u>    | <u>\$ 2,244</u>                            | <u>\$ 1,882,296</u> |
| Gross Write-<br>Offs      | \$ —             | \$ —              | \$ —              | \$ —              | \$ —              | \$ —              | \$ —               | \$ —                                       | \$ —                |
| HELOC                     |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| Credit Score:             |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| > = 750                   | \$ 338           | \$ 2,021          | \$ 2,325          | \$ 15             | \$ 213            | \$ 790            | \$ 287,002         | \$ 2,120                                   | \$ 294,824          |
| 650-749                   | —                | 674               | 592               | 126               | —                 | 1,872             | 81,241             | 708                                        | 85,213              |
| 450-649                   | —                | 249               | 76                | 289               | 49                | 873               | 4,656              | —                                          | 6,192               |
| 300-449                   | —                | —                 | —                 | —                 | —                 | —                 | 132                | —                                          | 132                 |
|                           | <u>\$ 338</u>    | <u>\$ 2,944</u>   | <u>\$ 2,993</u>   | <u>\$ 430</u>     | <u>\$ 262</u>     | <u>\$ 3,535</u>   | <u>\$ 373,031</u>  | <u>\$ 2,828</u>                            | <u>\$ 386,361</u>   |
| Gross Write-<br>Offs      | \$ —             | \$ —              | \$ —              | \$ —              | \$ —              | \$ —              | \$ —               | \$ —                                       | \$ —                |
| Indirect                  |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| Credit Score:             |                  |                   |                   |                   |                   |                   |                    |                                            |                     |
| > = 750                   | \$ 32,392        | \$ 104,701        | \$ 108,763        | \$ 50,301         | \$ 7,924          | \$ 4,186          | \$ —               | \$ —                                       | \$ 308,267          |
| 650-749                   | 17,032           | 63,461            | 92,599            | 47,551            | 11,942            | 5,006             | —                  | —                                          | 237,591             |
| 450-649                   | 31               | 425               | 2,267             | 1,994             | 2,500             | 2,391             | —                  | —                                          | 9,608               |
| 300-449                   | —                | —                 | —                 | —                 | —                 | 16                | —                  | —                                          | 16                  |
|                           | <u>\$ 49,455</u> | <u>\$ 168,587</u> | <u>\$ 203,629</u> | <u>\$ 99,846</u>  | <u>\$ 22,366</u>  | <u>\$ 11,599</u>  | <u>\$ —</u>        | <u>\$ —</u>                                | <u>\$ 555,482</u>   |
| Gross Write-<br>Offs      | \$ —             | \$ 109            | \$ 249            | \$ 102            | \$ 34             | \$ 18             | \$ —               | \$ —                                       | \$ 512              |

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

|                          | Term Loans By Origination |         |      |           |      |           |                    |           | Revolving<br>Loans<br>Converted to<br>Term |           |    |           |    |           |    |        |    |            |
|--------------------------|---------------------------|---------|------|-----------|------|-----------|--------------------|-----------|--------------------------------------------|-----------|----|-----------|----|-----------|----|--------|----|------------|
|                          | 2024                      | 2023    | 2022 | 2021      | 2020 | Prior     | Revolving<br>Loans |           |                                            | Total     |    |           |    |           |    |        |    |            |
| Consumer Loans and Other |                           |         |      |           |      |           |                    |           |                                            |           |    |           |    |           |    |        |    |            |
| Credit Score:            |                           |         |      |           |      |           |                    |           |                                            |           |    |           |    |           |    |        |    |            |
| > = 750                  | \$                        | 4,551   | \$   | 8,304     | \$   | 6,320     | \$                 | 6,567     | \$                                         | 3,896     | \$ | 5,209     | \$ | 27,196    | \$ | 2,237  | \$ | 64,280     |
| 650-749                  |                           | 1,360   |      | 2,473     |      | 3,219     |                    | 1,685     |                                            | 545       |    | 486       |    | 5,995     |    | —      |    | 15,763     |
| 450-649                  |                           | 30      |      | 114       |      | 138       |                    | 17        |                                            | 58        |    | 102       |    | 295       |    | —      |    | 754        |
| 300-649                  |                           | —       |      | —         |      | —         |                    | —         |                                            | —         |    | —         |    | —         |    | —      |    | —          |
|                          | \$                        | 5,941   | \$   | 10,891    | \$   | 9,677     | \$                 | 8,269     | \$                                         | 4,499     | \$ | 5,797     | \$ | 33,486    | \$ | 2,237  | \$ | 80,797     |
| Gross Write-Offs         | \$                        | —       | \$   | —         | \$   | 92        | \$                 | 33        | \$                                         | —         | \$ | 1         | \$ | —         | \$ | 15     | \$ | 141        |
| Grand Total              | \$                        | 642,925 | \$   | 2,106,532 | \$   | 2,811,061 | \$                 | 2,076,877 | \$                                         | 1,208,274 | \$ | 1,526,761 | \$ | 1,052,755 | \$ | 27,158 | \$ | 11,452,343 |
| Total Gross Write-Offs   | \$                        | 81      | \$   | 109       | \$   | 524       | \$                 | 135       | \$                                         | 34        | \$ | 19        | \$ | —         | \$ | 15     | \$ | 917        |

#### December 31, 2023

|                                         | Term Loans By Origination |            |            |            |            |            |                    |          | Revolving<br>Loans<br>Converted to<br>Term | Total |
|-----------------------------------------|---------------------------|------------|------------|------------|------------|------------|--------------------|----------|--------------------------------------------|-------|
|                                         | 2023                      | 2022       | 2021       | 2020       | 2019       | Prior      | Revolving<br>Loans |          |                                            |       |
| CRE - Construction and Land Development |                           |            |            |            |            |            |                    |          |                                            |       |
| Pass                                    | \$ 608,244                | \$ 409,873 | \$ 162,271 | \$ 15,320  | \$ 5,531   | \$ 11,202  | \$ 32,372          | \$ 2,949 | \$ 1,247,762                               |       |
| Special<br>Mention                      | 1,682                     | —          | —          | —          | —          | 30         | —                  | —        | 1,712                                      |       |
| Substandard                             | —                         | 182        | 79         | —          | —          | —          | —                  | —        | 261                                        |       |
|                                         | \$ 609,926                | \$ 410,055 | \$ 162,350 | \$ 15,320  | \$ 5,531   | \$ 11,232  | \$ 32,372          | \$ 2,949 | \$ 1,249,735                               |       |
| Gross Write-<br>Offs                    | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       | \$ —               | \$ —     | \$ —                                       |       |
| CRE - Owner Occupied                    |                           |            |            |            |            |            |                    |          |                                            |       |
| Pass                                    | \$ 277,443                | \$ 339,047 | \$ 388,453 | \$ 248,442 | \$ 146,817 | \$ 234,309 | \$ 16,484          | \$ 249   | \$ 1,651,244                               |       |
| Special<br>Mention                      | 7,150                     | 7,218      | 1,723      | 9,203      | 1,197      | 935        | 1,935              | —        | 29,361                                     |       |
| Substandard                             | 1,038                     | 696        | 4,101      | 3,140      | 7,659      | 2,147      | —                  | —        | 18,781                                     |       |
|                                         | \$ 285,631                | \$ 346,961 | \$ 394,277 | \$ 260,785 | \$ 155,673 | \$ 237,391 | \$ 18,419          | \$ 249   | \$ 1,699,386                               |       |
| Gross Write-<br>Offs                    | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —       | \$ 2       | \$ —               | \$ —     | 2                                          |       |
| CRE - Non-Owner Occupied                |                           |            |            |            |            |            |                    |          |                                            |       |
| Pass                                    | \$ 601,491                | \$ 771,722 | \$ 728,198 | \$ 401,776 | \$ 247,135 | \$ 287,725 | \$ 16,100          | \$ —     | \$ 3,054,147                               |       |
| Special<br>Mention                      | 11,289                    | 13,026     | 26,617     | —          | 6,679      | 835        | 800                | —        | 59,246                                     |       |
| Substandard                             | 901                       | —          | —          | —          | —          | 2,777      | —                  | —        | 3,678                                      |       |
|                                         | \$ 613,681                | \$ 784,748 | \$ 754,815 | \$ 401,776 | \$ 253,814 | \$ 291,337 | \$ 16,900          | \$ —     | \$ 3,117,071                               |       |
| Gross Write-<br>Offs                    | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       | \$ —               | \$ —     | —                                          |       |

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

|                           | Term Loans By Origination |            |            |            |           |            |                    |          | Revolving<br>Loans<br>Converted to<br>Term |       |
|---------------------------|---------------------------|------------|------------|------------|-----------|------------|--------------------|----------|--------------------------------------------|-------|
|                           | 2023                      | 2022       | 2021       | 2020       | 2019      | Prior      | Revolving<br>Loans |          |                                            | Total |
| CRE - Multi-Family        |                           |            |            |            |           |            |                    |          |                                            |       |
| Pass                      | \$ 68,616                 | \$ 214,651 | \$ 115,457 | \$ 99,615  | \$ 40,356 | \$ 37,663  | \$ 6,523           | \$ —     | \$ 582,881                                 |       |
| Special<br>Mention        | —                         | —          | —          | —          | —         | —          | —                  | —        | —                                          | —     |
| Substandard               | —                         | —          | 216        | —          | —         | 112        | —                  | —        | —                                          | 328   |
|                           | \$ 68,616                 | \$ 214,651 | \$ 115,673 | \$ 99,615  | \$ 40,356 | \$ 37,775  | \$ 6,523           | \$ —     | \$ 583,209                                 |       |
| Gross Write-<br>Offs      | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —      | \$ —       | \$ —               | \$ —     | \$ —                                       | —     |
| Commercial and Industrial |                           |            |            |            |           |            |                    |          |                                            |       |
| Pass                      | \$ 198,311                | \$ 225,213 | \$ 144,312 | \$ 62,196  | \$ 42,534 | \$ 37,385  | \$ 538,050         | \$ 533   | \$ 1,248,534                               |       |
| Special<br>Mention        | 1,402                     | 1,577      | 1,414      | 270        | 341       | 420        | 6,354              | 445      | 12,223                                     |       |
| Substandard               | 1,466                     | 244        | 448        | 1,211      | 560       | 151        | 332                | —        | 4,412                                      |       |
|                           | \$ 201,179                | \$ 227,034 | \$ 146,174 | \$ 63,677  | \$ 43,435 | \$ 37,956  | \$ 544,736         | \$ 978   | \$ 1,265,169                               |       |
| Gross Write-<br>Offs      | \$ 580                    | \$ —       | \$ —       | \$ —       | \$ —      | \$ 191     | \$ —               | \$ 2,980 | \$ 3,751                                   |       |
| Government                |                           |            |            |            |           |            |                    |          |                                            |       |
| Pass                      | \$ 48,949                 | \$ 107,621 | \$ 15,029  | \$ 182,185 | \$ 20,755 | \$ 138,385 | \$ 12,337          | \$ —     | \$ 525,261                                 |       |
| Special<br>Mention        | —                         | —          | —          | —          | —         | —          | —                  | —        | —                                          | —     |
| Substandard               | —                         | —          | —          | —          | —         | —          | —                  | —        | —                                          | —     |
|                           | \$ 48,949                 | \$ 107,621 | \$ 15,029  | \$ 182,185 | \$ 20,755 | \$ 138,385 | \$ 12,337          | \$ —     | \$ 525,261                                 |       |
| Gross Write-<br>Offs      | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —      | \$ —       | \$ —               | \$ —     | \$ —                                       | —     |
| Residential 1 - 4 Family  |                           |            |            |            |           |            |                    |          |                                            |       |
| Credit Score:             |                           |            |            |            |           |            |                    |          |                                            |       |
| > = 750                   | \$ 248,344                | \$ 494,434 | \$ 360,703 | \$ 157,223 | \$ 84,588 | \$ 175,933 | \$ 3,962           | \$ 775   | \$ 1,525,962                               |       |
| 650-749                   | 44,301                    | 107,382    | 70,021     | 35,589     | 11,140    | 44,383     | —                  | —        | 312,816                                    |       |
| 450-649                   | 839                       | 6,059      | 596        | 672        | 302       | 5,645      | —                  | —        | 14,113                                     |       |
| 300-449                   | —                         | —          | —          | —          | —         | —          | —                  | —        | —                                          | —     |
|                           | \$ 293,484                | \$ 607,875 | \$ 431,320 | \$ 193,484 | \$ 96,030 | \$ 225,961 | \$ 3,962           | \$ 775   | \$ 1,852,891                               |       |
| Gross Write-<br>Offs      | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —      | \$ 1       | \$ —               | \$ —     | \$ 1                                       |       |
| HELOC                     |                           |            |            |            |           |            |                    |          |                                            |       |
| Credit Score:             |                           |            |            |            |           |            |                    |          |                                            |       |
| > = 750                   | \$ 3,964                  | \$ 2,517   | \$ 852     | \$ 336     | \$ 86     | \$ 774     | \$ 282,852         | \$ 261   | \$ 291,642                                 |       |
| 650-749                   | 845                       | 431        | 426        | —          | 951       | 899        | 80,723             | 358      | 84,633                                     |       |
| 450-649                   | 252                       | 128        | 301        | 49         | 26        | 849        | 4,655              | 310      | 6,570                                      |       |
| 300-449                   | —                         | —          | —          | —          | —         | —          | 134                | —        | 134                                        |       |
|                           | \$ 5,061                  | \$ 3,076   | \$ 1,579   | \$ 385     | \$ 1,063  | \$ 2,522   | \$ 368,364         | \$ 929   | \$ 382,979                                 |       |
| Gross Write-<br>Offs      | \$ —                      | \$ —       | \$ —       | \$ —       | \$ 2      | \$ —       | \$ —               | \$ —     | \$ 2                                       |       |

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Term Loans By Origination |                     |                     |                     |                     |                   |                   |                     |                                            |             |                      |
|---------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|--------------------------------------------|-------------|----------------------|
|                           | 2023                | 2022                | 2021                | 2020                | 2019              | Prior             | Revolving<br>Loans  | Revolving<br>Loans<br>Converted to<br>Term |             | Total                |
| Indirect                  |                     |                     |                     |                     |                   |                   |                     |                                            |             |                      |
| Credit Score:             |                     |                     |                     |                     |                   |                   |                     |                                            |             |                      |
| > = 750                   | \$ 112,832          | \$ 119,961          | \$ 56,695           | \$ 9,511            | \$ 4,080          | \$ 1,987          | \$ —                | \$ —                                       | \$ —        | \$ 305,066           |
| 650-749                   | 67,133              | 101,540             | 53,166              | 13,920              | 4,185             | 2,488             | —                   | —                                          | —           | 242,432              |
| 450-649                   | 481                 | 2,616               | 2,307               | 2,820               | 1,629             | 1,420             | —                   | —                                          | —           | 11,273               |
| 300-449                   | —                   | —                   | —                   | —                   | 18                | —                 | —                   | —                                          | —           | 18                   |
|                           | <u>\$ 180,446</u>   | <u>\$ 224,117</u>   | <u>\$ 112,168</u>   | <u>\$ 26,251</u>    | <u>\$ 9,912</u>   | <u>\$ 5,895</u>   | <u>\$ —</u>         | <u>\$ —</u>                                | <u>\$ —</u> | <u>\$ 558,789</u>    |
| Gross Write-Offs          | \$ 88               | \$ 655              | \$ 438              | \$ 101              | \$ 38             | \$ 38             | \$ —                | \$ —                                       | \$ —        | \$ 1,358             |
| Consumer Loans and Other  |                     |                     |                     |                     |                   |                   |                     |                                            |             |                      |
| Credit Score:             |                     |                     |                     |                     |                   |                   |                     |                                            |             |                      |
| > = 750                   | \$ 13,280           | \$ 11,607           | \$ 7,110            | \$ 5,325            | \$ 2,581          | \$ 2,973          | \$ 34,760           | \$ 702                                     | \$ —        | \$ 78,338            |
| 650-749                   | 3,392               | 3,694               | 2,015               | 684                 | 501               | 227               | 4,932               | 2                                          | —           | 15,447               |
| 450-649                   | 123                 | 159                 | 21                  | 63                  | 67                | 48                | 255                 | 10                                         | —           | 746                  |
| 300-449                   | —                   | —                   | —                   | —                   | —                 | —                 | —                   | —                                          | —           | —                    |
|                           | <u>\$ 16,795</u>    | <u>\$ 15,460</u>    | <u>\$ 9,146</u>     | <u>\$ 6,072</u>     | <u>\$ 3,149</u>   | <u>\$ 3,248</u>   | <u>\$ 39,947</u>    | <u>\$ 714</u>                              | <u>\$ —</u> | <u>\$ 94,531</u>     |
| Gross Write-Offs          | \$ —                | \$ 422              | \$ 236              | \$ 11               | \$ 12             | \$ 6              | \$ —                | \$ —                                       | \$ —        | \$ 687               |
| Grand Total               | <u>\$ 2,323,768</u> | <u>\$ 2,941,598</u> | <u>\$ 2,142,531</u> | <u>\$ 1,249,550</u> | <u>\$ 629,718</u> | <u>\$ 991,702</u> | <u>\$ 1,043,560</u> | <u>\$ 6,594</u>                            | <u>\$ —</u> | <u>\$ 11,329,021</u> |
| Total Gross Write-Offs    | \$ 668              | \$ 1,077            | \$ 674              | \$ 112              | \$ 52             | \$ 238            | \$ —                | \$ 2,980                                   | \$ —        | \$ 5,801             |

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 less selling costs to determine ACL. At March 31, 2024 CDA loans measured at the fair value of collateral totaled \$14.66 million with \$0.82 million in specific reserves. At December 31, 2023 CDA loans measured at the fair value of collateral totaled \$10.39 million with specific reserves of zero.

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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 March 31, 2024 and December 31, 2023 (in thousands):

| March 31, 2024                    | Type of Collateral and Extent to Which Collateral Secures Loans |                     |                     | Loans Not Considered Collateral Dependent | Total         |
|-----------------------------------|-----------------------------------------------------------------|---------------------|---------------------|-------------------------------------------|---------------|
|                                   | Residential Property                                            | Investment Property | Commercial Property |                                           |               |
| Commercial Real Estate            |                                                                 |                     |                     |                                           |               |
| Construction and land development | \$ 2,232                                                        | \$ 3,950            | \$ —                | \$ 1,249,559                              | \$ 1,255,741  |
| Owner occupied                    | —                                                               | —                   | 11,570              | 1,689,183                                 | 1,700,753     |
| Non-owner occupied                | —                                                               | 56,069              | —                   | 3,122,878                                 | 3,178,947     |
| Multi-family                      | —                                                               | 3,091               | —                   | 591,984                                   | 595,075       |
| Residential 1-4 family            | 3,363                                                           | —                   | —                   | 1,878,933                                 | 1,882,296     |
| HELOC                             | 508                                                             | —                   | —                   | 385,853                                   | 386,361       |
| Commercial and industrial         | —                                                               | —                   | —                   | 1,288,550                                 | 1,288,550     |
| Government                        | —                                                               | —                   | —                   | 528,341                                   | 528,341       |
| Indirect                          | —                                                               | —                   | —                   | 555,482                                   | 555,482       |
| Consumer loans and other          | —                                                               | —                   | —                   | 80,797                                    | 80,797        |
| Total, amortized cost             | \$ 6,103                                                        | \$ 63,110           | \$ 11,570           | \$ 11,371,560                             | \$ 11,452,343 |
| Collateral value                  | \$ 12,576                                                       | \$ 117,784          | \$ 30,083           |                                           |               |

| December 31, 2023                 | Type of Collateral and Extent to Which Collateral Secures Loans |                     |                     | Loans Not Considered Collateral Dependent | Total         |
|-----------------------------------|-----------------------------------------------------------------|---------------------|---------------------|-------------------------------------------|---------------|
|                                   | Residential Property                                            | Investment Property | Commercial Property |                                           |               |
| Commercial Real Estate            |                                                                 |                     |                     |                                           |               |
| Construction and land development | \$ —                                                            | \$ 2,028            | \$ —                | \$ 1,247,707                              | \$ 1,249,735  |
| Owner occupied                    | —                                                               | —                   | 10,812              | 1,688,574                                 | 1,699,386     |
| Non-owner occupied                | —                                                               | 59,643              | —                   | 3,057,428                                 | 3,117,071     |
| Multi-family                      | —                                                               | 329                 | —                   | 582,880                                   | 583,209       |
| Residential 1-4 family            | 4,296                                                           | —                   | —                   | 1,848,595                                 | 1,852,891     |
| HELOC                             | 755                                                             | —                   | —                   | 382,224                                   | 382,979       |
| Commercial and industrial         | —                                                               | —                   | —                   | 1,265,169                                 | 1,265,169     |
| Government                        | —                                                               | —                   | —                   | 525,261                                   | 525,261       |
| Indirect                          | —                                                               | —                   | —                   | 558,789                                   | 558,789       |
| Consumer loans and other          | —                                                               | —                   | —                   | 94,531                                    | 94,531        |
| Total, amortized cost             | \$ 5,051                                                        | \$ 62,000           | \$ 10,812           | \$ 11,251,158                             | \$ 11,329,021 |
| Collateral value                  | \$ 12,769                                                       | \$ 111,203          | \$ 30,083           |                                           |               |

#### 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 March 31, 2024 and December 31, 2023 (in thousands):

#### March 31, 2024

|                                   | Days Past Due |          |          |          | Total Past Due | Total Loans   | Accruing Loans Over 90 Days Past Due |
|-----------------------------------|---------------|----------|----------|----------|----------------|---------------|--------------------------------------|
|                                   | Current       | 30-59    | 60-89    | Over 90  |                |               |                                      |
| Commercial Real Estate            |               |          |          |          |                |               |                                      |
| Construction and land development | \$ 1,253,510  | \$ —     | \$ —     | \$ 2,231 | \$ 2,231       | \$ 1,255,741  | \$ —                                 |
| Owner occupied                    | 1,700,320     | 262      | —        | 171      | 433            | 1,700,753     | —                                    |
| Non-owner occupied                | 3,178,751     | 196      | —        | —        | 196            | 3,178,947     | —                                    |
| Multi-family                      | 595,075       | —        | —        | —        | —              | 595,075       | —                                    |
| Residential 1-4 family            | 1,876,947     | 4,127    | 120      | 1,102    | 5,349          | 1,882,296     | —                                    |
| HELOC                             | 385,205       | 450      | 218      | 488      | 1,156          | 386,361       | 169                                  |
| Commercial and industrial         | 1,287,863     | 51       | 609      | 27       | 687            | 1,288,550     | —                                    |
| Government                        | 528,341       | —        | —        | —        | —              | 528,341       | —                                    |
| Indirect                          | 550,668       | 3,038    | 571      | 1,205    | 4,814          | 555,482       | 154                                  |
| Consumer loans and other          | 80,629        | 80       | 34       | 54       | 168            | 80,797        | —                                    |
| Total                             | \$ 11,437,309 | \$ 8,204 | \$ 1,552 | \$ 5,278 | \$ 15,034      | \$ 11,452,343 | \$ 323                               |

#### December 31, 2023

|                                   | Days Past Due |          |          |          | Total Past Due | Total Loans   | Accruing Loans Over 90 Days Past Due |
|-----------------------------------|---------------|----------|----------|----------|----------------|---------------|--------------------------------------|
|                                   | Current       | 30-59    | 60-89    | Over 90  |                |               |                                      |
| Commercial Real Estate            |               |          |          |          |                |               |                                      |
| Construction and land development | \$ 1,249,507  | \$ 46    | \$ —     | \$ 182   | \$ 228         | \$ 1,249,735  | \$ —                                 |
| Owner occupied                    | 1,698,288     | 690      | —        | 408      | 1,098          | 1,699,386     | —                                    |
| Non-owner occupied                | 3,116,874     | 197      | —        | —        | 197            | 3,117,071     | —                                    |
| Multi-family                      | 582,993       | —        | —        | 216      | 216            | 583,209       | —                                    |
| Residential 1-4 family            | 1,849,469     | 1,487    | 638      | 1,297    | 3,422          | 1,852,891     | —                                    |
| HELOC                             | 380,849       | 1,113    | 188      | 829      | 2,130          | 382,979       | 309                                  |
| Commercial and industrial         | 1,265,035     | 11       | —        | 123      | 134            | 1,265,169     | —                                    |
| Government                        | 525,261       | —        | —        | —        | —              | 525,261       | —                                    |
| Indirect                          | 552,324       | 4,264    | 835      | 1,366    | 6,465          | 558,789       | 421                                  |
| Consumer loans and other          | 94,399        | 21       | 25       | 86       | 132            | 94,531        | 5                                    |
| Total                             | \$ 11,314,999 | \$ 7,829 | \$ 1,686 | \$ 4,507 | \$ 14,022      | \$ 11,329,021 | \$ 735                               |

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 March 31, 2024 and December 31, 2023. 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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| March 31, 2024                    | Nonaccrual Loans |                | Loans 90 Days or More Past Due,<br>Not on Nonaccrual Status as of 03/31/24 | Nonaccrual Loans With No Specific Reserve as of 03/31/24 | Interest Income Recognized as of 03/31/24 |
|-----------------------------------|------------------|----------------|----------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------|
|                                   | As of 12/31/23   | As of 03/31/24 |                                                                            |                                                          |                                           |
|                                   |                  |                |                                                                            |                                                          |                                           |
| Commercial Real Estate            |                  |                |                                                                            |                                                          |                                           |
| Construction and land development | \$ 185           | \$ 2,232       | \$ —                                                                       | \$ 2,010                                                 | \$ —                                      |
| Owner occupied                    | 521              | 278            | —                                                                          | 278                                                      | 43                                        |
| Non-owner occupied                | —                | —              | —                                                                          | —                                                        | —                                         |
| Multi-family                      | 216              | —              | —                                                                          | —                                                        | 13                                        |
| Residential 1-4 family            | 2,778            | 2,078          | —                                                                          | 2,078                                                    | 4                                         |
| HELOC                             | 698              | 486            | 169                                                                        | 486                                                      | 54                                        |
| Commercial and industrial         | 1,217            | 688            | —                                                                          | 91                                                       | 226                                       |
| Government                        | —                | —              | —                                                                          | —                                                        | —                                         |
| Indirect                          | 1,228            | 1,225          | 154                                                                        | 1,225                                                    | 12                                        |
| Consumer loans and other          | —                | —              | —                                                                          | —                                                        | —                                         |
| Total                             | \$ 6,843         | \$ 6,987       | \$ 323                                                                     | \$ 6,168                                                 | \$ 352                                    |

| December 31, 2023                 | Nonaccrual Loans |                  | Loans 90 Days or More Past Due, Not on Nonaccrual Status as of 12/31/2023 | Nonaccrual Loans With No Specific Reserve as of 12/31/2023 | Interest Income Recognized as of 12/31/2023 |
|-----------------------------------|------------------|------------------|---------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|
|                                   | As of 12/31/2022 | As of 12/31/2023 |                                                                           |                                                            |                                             |
|                                   |                  |                  |                                                                           |                                                            |                                             |
| Commercial Real Estate            |                  |                  |                                                                           |                                                            |                                             |
| Construction and land development | \$ 93            | \$ 185           | \$ —                                                                      | \$ 185                                                     | \$ 8                                        |
| Owner occupied                    | 565              | 521              | —                                                                         | 521                                                        | 1                                           |
| Non-owner occupied                | —                | —                | —                                                                         | —                                                          | —                                           |
| Multi-family                      | —                | 216              | —                                                                         | 216                                                        | —                                           |
| Residential 1-4 family            | 2,416            | 2,778            | —                                                                         | 2,778                                                      | 23                                          |
| HELOC                             | 457              | 698              | 309                                                                       | 698                                                        | 34                                          |
| Commercial and industrial         | 2,079            | 1,217            | —                                                                         | 1,217                                                      | 99                                          |
| Government                        | —                | —                | —                                                                         | —                                                          | —                                           |
| Indirect                          | 663              | 1,228            | 421                                                                       | 1,228                                                      | 17                                          |
| Consumer loans and other          | —                | —                | 5                                                                         | —                                                          | —                                           |
| Total                             | \$ 6,273         | \$ 6,843         | \$ 735                                                                    | \$ 6,843                                                   | \$ 182                                      |

#### Note 7. Leases

At March 31, 2024, 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 in our Consolidated Balance Sheets.

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

|                             | Leases            |                      |
|-----------------------------|-------------------|----------------------|
|                             | March 31,<br>2024 | December 31,<br>2023 |
| <b>Assets</b>               |                   |                      |
| Finance lease assets        | \$ 26,255         | \$ 26,405            |
| Operating lease assets      | 48,129            | 49,074               |
| Total lease assets          | \$ 74,384         | \$ 75,479            |
| <b>Liabilities</b>          |                   |                      |
| Finance lease liabilities   | \$ 30,090         | \$ 29,397            |
| Operating lease liabilities | 52,403            | 53,358               |
| Total lease liabilities     | \$ 82,493         | \$ 82,755            |

The following table presents a summary of activity related to leases for the three-month periods ended March 31, 2024 and 2023 (in thousands):

|                                                        | Lease Cost                      |          |
|--------------------------------------------------------|---------------------------------|----------|
|                                                        | Three Months Ended<br>March 31, |          |
|                                                        | 2024                            | 2023     |
| Finance lease cost:                                    |                                 |          |
| Amortization of right-of-use assets                    | \$ 150                          | \$ 159   |
| Interest on lease liabilities                          | 693                             | 460      |
| Operating lease cost (1) included in occupancy expense | 3,050                           | 3,462    |
| Variable lease cost included in occupancy expense      | 228                             | 209      |
| Sublease income included in occupancy expense          | (42)                            | (56)     |
| Net lease cost                                         | \$ 4,079                        | \$ 4,234 |

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

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents lease liability maturities, by year, as of March 31, 2024 (in thousands):

| Maturity of Lease Liabilities      |                      |
|------------------------------------|----------------------|
|                                    | Operating Leases (1) |
| April 1 - December 31, 2024        | \$ 7,509             |
| 2025                               | 8,839                |
| 2026                               | 7,459                |
| 2027                               | 6,891                |
| 2028                               | 6,313                |
| Thereafter                         | 38,973               |
| Total lease payments               | \$ 75,984            |
| Less: interest                     | 23,581               |
| Present value of lease liabilities | \$ 52,403            |

(1) Operating lease payments include \$28.98 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.

TowneBank has one financing lease with a purchase option that was expected to be executed prior to the end of 2023. In the third quarter of 2023, the seller exercised the option to extend the closing date to June 30, 2024. The related financing lease liability was \$30.09 million at March 31, 2024, and \$29.40 million at December 31, 2023. The purchase option is expected to be \$30.80 million.

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

| Lease Term and Discount Rate                                          |                |                |
|-----------------------------------------------------------------------|----------------|----------------|
|                                                                       | March 31, 2024 | March 31, 2023 |
| Weighted - average remaining lease term - finance leases (in years)   | 0.25           | 0.75           |
| Weighted - average remaining lease term - operating leases (in years) | 13.47          | 13.17          |
| Weighted - average discount rate - finance leases                     | 9.38%          | 6.43%          |
| Weighted - average discount rate - operating leases                   | 5.33%          | 5.03%          |

The following table presents other information with regard to leases for the three-month periods ended March 31, 2024 and 2023 (in thousands):

| Other Information                                                      |    | Three Months Ended<br>March 31, |          |
|------------------------------------------------------------------------|----|---------------------------------|----------|
|                                                                        |    | 2024                            | 2023     |
|                                                                        |    |                                 |          |
| Cash paid for amounts included in the measurement of lease liabilities |    |                                 |          |
| Operating cash flows from operating leases                             | \$ | 2,719                           | \$ 3,123 |
| Related Party Transactions (1)                                         |    |                                 |          |
| Rent expense included in occupancy expense                             | \$ | 523                             | \$ 608   |

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

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## PART I. FINANCIAL INFORMATION

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### Note 8. Segment Reporting

The Company has three reportable segments: Banking, Realty, and Insurance. The Banking segment provides loan and deposit services to retail and commercial customers. The Realty segment provides residential resort property management services and originations of a variety of mortgage loans. Prior to the sale of BHHS Towne Realty in second quarter 2023, the segment also offered residential real estate services and commercial and residential title insurance. Mortgage loans are originated and sold principally in the secondary market through purchase commitments from investors. The Insurance segment provides full-service commercial and retail insurance and employee benefit services.

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

Segment profit and loss is measured by net income after income tax. Inter-segment 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.

Effective April 27, 2023, the Company transferred its ownership interest in BHHS Towne Realty, which was formerly a subsidiary of TowneBank, to BHHS RW Towne Realty, LLC, in exchange for a minority interest in that company which is accounted for as an equity method investment. The transaction also included the combination of the contributing companies' respective mortgage, title, and property management lines of business. Our income from this investment is recorded in the Banking segment in other income.

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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 March 31, 2024                                                  | Banking       | Realty     | Insurance  | Consolidated Totals |
|------------------------------------------------------------------------------------|---------------|------------|------------|---------------------|
| Net interest income                                                                | \$ 102,682    | \$ 536     | \$ —       | \$ 103,218          |
| Provision for credit losses                                                        | (976)         | 99         | —          | (877)               |
| Net interest income after provision for credit losses                              | 103,658       | 437        | —          | 104,095             |
| Residential mortgage banking income, net                                           | (321)         | 10,798     | —          | 10,477              |
| Insurance commissions and other income, net                                        | —             | —          | 25,539     | 25,539              |
| Property management income, net                                                    | —             | 16,773     | —          | 16,773              |
| Other noninterest income                                                           | 10,797        | 278        | 20         | 11,095              |
| Noninterest expense                                                                | 85,298        | 23,227     | 17,066     | 125,591             |
| Income (loss) before income tax, corporate allocation, and noncontrolling interest | 28,836        | 5,059      | 8,493      | 42,388              |
| Corporate allocation                                                               | 1,069         | (348)      | (721)      | —                   |
| Income (loss) before income tax provision and noncontrolling interest              | 29,905        | 4,711      | 7,772      | 42,388              |
| Provision for income tax expense                                                   | 4,105         | 1,156      | 2,000      | 7,261               |
| Net income (loss)                                                                  | 25,800        | 3,555      | 5,772      | 35,127              |
| Noncontrolling interest                                                            | 120           | (560)      | —          | (440)               |
| Net income (loss) attributable to TowneBank                                        | \$ 25,920     | \$ 2,995   | \$ 5,772   | \$ 34,687           |
| Net income (loss) as percentage of consolidated income                             | 74.73 %       | 8.63 %     | 16.64 %    | 100.00 %            |
| Assets                                                                             | \$ 15,790,391 | \$ 450,631 | \$ 643,215 | \$ 16,884,237       |

| Three Months Ended March 31, 2023                                                  | Banking       | Realty     | Insurance  | Consolidated Totals |
|------------------------------------------------------------------------------------|---------------|------------|------------|---------------------|
| Net interest income                                                                | \$ 123,650    | \$ (272)   | \$ —       | \$ 123,378          |
| Provision for credit losses                                                        | 11,754        | (84)       | —          | 11,670              |
| Net interest income after provision for credit losses                              | 111,896       | (188)      | —          | 111,708             |
| Residential mortgage banking income, net                                           | (422)         | 9,794      | —          | 9,372               |
| Insurance commissions and other income, net                                        | —             | 291        | 22,532     | 22,823              |
| Property management income, net                                                    | —             | 15,535     | —          | 15,535              |
| Real estate commission income, net                                                 | —             | 1,791      | —          | 1,791               |
| Other noninterest income                                                           | 10,558        | 522        | 165        | 11,245              |
| Noninterest expense                                                                | 82,484        | 26,673     | 15,240     | 124,397             |
| Income (loss) before income tax, corporate allocation, and noncontrolling interest | 39,548        | 1,072      | 7,457      | 48,077              |
| Corporate allocation                                                               | 1,200         | (600)      | (600)      | —                   |
| Income (loss) before income tax provision and noncontrolling interest              | 40,748        | 472        | 6,857      | 48,077              |
| Provision for income tax expense                                                   | 7,651         | 182        | 1,766      | 9,599               |
| Net income (loss)                                                                  | 33,097        | 290        | 5,091      | 38,478              |
| Noncontrolling interest                                                            | —             | (145)      | —          | (145)               |
| Net income (loss) attributable to TowneBank                                        | \$ 33,097     | \$ 145     | \$ 5,091   | \$ 38,333           |
| Net income (loss) as percentage of consolidated income                             | 86.34 %       | 0.38 %     | 13.28 %    | 100.00 %            |
| Assets                                                                             | \$ 15,663,593 | \$ 524,045 | \$ 542,839 | \$ 16,730,477       |

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#### 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. At March 31, 2024, the amounts of off-balance-sheet commitments to extend credit were \$4.12 billion.

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. At March 31, 2024, standby letters of credit and financial guarantees were \$184.34 million.

Additionally, the Company had \$1.08 billion in mortgage loans sold to investors with estimated recourse and warranty provisions totaling \$19.58 million as of March 31, 2024.

#### 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):

|                                                     | March 31,<br>2024  |                             | December 31,<br>2023 |                             |
|-----------------------------------------------------|--------------------|-----------------------------|----------------------|-----------------------------|
|                                                     | Carrying<br>Amount | Accumulated<br>Amortization | Carrying<br>Amount   | Accumulated<br>Amortization |
| Core deposit intangible                             | \$ 36,620          | \$ 21,749                   | \$ 38,121            | \$ 22,152                   |
| Non-compete agreements                              | 205                | 116                         | 1,115                | 1,017                       |
| Customer lists                                      | 77,300             | 35,462                      | 81,881               | 42,885                      |
| Total intangible assets subject to amortization     | 114,125            | 57,327                      | 121,117              | 66,054                      |
| Trade name                                          | 8,729              | —                           | 6,340                | —                           |
| Contractual agreements                              | 3,231              | —                           | 3,231                | —                           |
| Total intangible assets not subject to amortization | 11,960             | —                           | 9,571                | —                           |
| <b>Total other intangible assets</b>                | <b>\$ 126,085</b>  | <b>\$ 57,327</b>            | <b>\$ 130,688</b>    | <b>\$ 66,054</b>            |

Amortization expense for intangible assets was \$3.25 million and \$3.52 million for the three-month periods ended March 31, 2024 and 2023, respectively.

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Changes in the net carrying amount of goodwill related to each of the Company's segments since December 31, 2023, are as follows (in thousands):

|                                | Banking           | Realty           | Insurance        | Consolidated Totals |
|--------------------------------|-------------------|------------------|------------------|---------------------|
| Balance, December 31, 2023     | \$ 347,822        | \$ 24,842        | \$ 83,671        | \$ 456,335          |
| Acquisitions                   | —                 | 1,284            | —                | 1,284               |
| Other                          | —                 | —                | —                | —                   |
| <b>Balance, March 31, 2024</b> | <b>\$ 347,822</b> | <b>\$ 26,126</b> | <b>\$ 83,671</b> | <b>\$ 457,619</b>   |

The change in goodwill from December 31, 2023 to March 31, 2024, relates to the Company's completion of the acquisition of a vacation management company.

#### 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 March 31, |          | Three Months Ended March 31,  |         |
|                                          | 2024                         | 2023     | 2024                          | 2023    |
| Service cost                             | \$ 1,073                     | \$ 767   | \$ —                          | \$ —    |
| Interest cost                            | 712                          | 689      | 7                             | 8       |
| Amortization of prior service costs      | 179                          | 222      | (14)                          | (14)    |
| Amortization of actuarial (gain) loss    | (509)                        | (531)    | (34)                          | (50)    |
| Net periodic postretirement benefit cost | \$ 1,455                     | \$ 1,147 | \$ (41)                       | \$ (56) |

Postretirement benefit costs are included in our Consolidated Statements of Income for the three-month periods ended March 31, 2024 and March 31, 2023. 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.

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#### Note 12. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the components of accumulated other comprehensive income (loss) at March 31, 2024 and 2023 (in thousands), and changes in the three months then ended. The amounts reclassified from AOCI for the securities available for sale are included in gain on investment securities, net in the Consolidated Statements of Income, while the amounts reclassified from AOCI for the pension and postretirement plans are a component of salaries and employee benefits expense and other expenses in the Consolidated Statements of Income.

|                                                     | Unrealized<br>Gains (Losses)<br>on Securities<br>(a) | Pension and<br>Postretirement<br>Plans<br>(b) | Accumulated<br>Other<br>Comprehensive<br>Income (Loss),<br>Net of Tax |
|-----------------------------------------------------|------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------|
| Balance, December 31, 2023                          | \$ (126,827)                                         | \$ 8,065                                      | (118,762)                                                             |
| Other comprehensive income before reclassifications | (6,761)                                              | (709)                                         | (7,470)                                                               |
| Amounts reclassified from AOCI                      | (58)                                                 | (296)                                         | (354)                                                                 |
| Other comprehensive income, net                     | (6,819)                                              | (1,005)                                       | (7,824)                                                               |
| Balance, March 31, 2024                             | <u>\$ (133,646)</u>                                  | <u>\$ 7,060</u>                               | <u>\$ (126,586)</u>                                                   |
|                                                     | Unrealized<br>Gains (Losses)<br>on Securities<br>(a) | Pension and<br>Postretirement<br>Plans<br>(b) | Accumulated<br>Other<br>Comprehensive<br>Income (Loss),<br>Net of Tax |
| Balance, December 31, 2022                          | \$ (148,772)                                         | \$ 8,267                                      | \$ (140,505)                                                          |
| Other comprehensive income before reclassifications | 19,733                                               | (235)                                         | 19,498                                                                |
| Amounts reclassified from AOCI                      | —                                                    | (290)                                         | (290)                                                                 |
| Other comprehensive income, net                     | 19,733                                               | (525)                                         | 19,208                                                                |
| Balance, March 31, 2023                             | <u>\$ (129,039)</u>                                  | <u>\$ 7,742</u>                               | <u>\$ (121,297)</u>                                                   |

(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.

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides key information regarding the Company's investment in Low Income Housing Tax Credit partnerships:

| <i>(dollars in thousands)</i>                                      | <b>March 31, 2024</b> | <b>December 31, 2023</b> |
|--------------------------------------------------------------------|-----------------------|--------------------------|
| Partnership assets not included in the Consolidated Balance Sheets | \$ 771,955            | \$ 706,950               |
| Carrying value of limited partner interests (1)                    | 271,112               | 248,041                  |
| Maximum exposure to loss from limited partner investments          | 274,853               | 253,032                  |
| Funding commitments dependent on contractual milestones            | 115,646               | 117,576                  |
| Unfunded short-term construction loan commitments                  | 1,259                 | 9                        |

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

For the three-month period ended March 31, 2024, tax benefits totaling \$1.21 million, net of amortization expenses of \$5.51 million, were recognized as a component of income tax expense. For the three-month period ended March 31, 2023, tax benefits totaling \$0.94 million, net of amortization expenses of \$4.54 million, were recognized as a component of income tax expense.

#### 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 were a discount rate and weighted-average life. At March 31, 2024, the discount rate utilized was between 9.56% and 12.17% and the weighted-average life was between 5.71 and 7.98 years. At December 31, 2023, the discount rate utilized was between 10.01% and 12.77%, and the weighted-average life was between 5.96 and 8.24 years.

**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

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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.

**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 three-month period ended March 31, 2024, and the year ended December 31, 2023, the Company used a weighted-average fall-out rate of 13.53%.

**Forward loan sale commitments:** 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 in 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 sales commitments using a methodology similar to that used for derivative loan 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. The forward sales contracts lock in a price for the sale of loans with similar characteristics to the specific rate lock commitments. 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.

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The following table presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 (in thousands):

|                                                | March 31, 2024 |            |         |            |
|------------------------------------------------|----------------|------------|---------|------------|
|                                                | Level 1        | Level 2    | Level 3 | Total      |
| U.S. agency securities                         | \$ —           | \$ 294,723 | \$ —    | \$ 294,723 |
| U.S. Treasury notes                            | 27,534         | —          | —       | 27,534     |
| Municipal securities                           | —              | 446,986    | —       | 446,986    |
| Mortgage-backed securities issued by GSEs      | —              | 1,347,920  | —       | 1,347,920  |
| Trust preferred and other corporate securities | —              | 57,993     | 28,945  | 86,938     |
| Mortgage loans held for sale                   | —              | 150,727    | —       | 150,727    |
| Forward loan commitment asset                  | —              | 152        | —       | 152        |
| Forward loan commitment liability              | —              | 86         | —       | 86         |
| Derivative assets                              | —              | 885        | 1,681   | 2,566      |
| Derivative liabilities                         | —              | 807        | —       | 807        |

|                                                | December 31, 2023 |            |         |            |
|------------------------------------------------|-------------------|------------|---------|------------|
|                                                | Level 1           | Level 2    | Level 3 | Total      |
| U.S. agency securities                         | \$ —              | \$ 306,386 | \$ —    | \$ 306,386 |
| U.S. Treasury notes                            | 27,684            | —          | —       | 27,684     |
| Municipal securities                           | —                 | 509,854    | —       | 509,854    |
| Mortgage-backed securities issued by GSEs      | —                 | 1,200,625  | —       | 1,200,625  |
| Trust preferred and other corporate securities | —                 | 56,683     | 28,110  | 84,793     |
| Mortgage loans held for sale                   | —                 | 149,987    | —       | 149,987    |
| Forward loan commitment asset                  | —                 | 24         | —       | 24         |
| Forward loan commitment liability              | —                 | 376        | —       | 376        |
| Derivative assets                              | —                 | 306        | 895     | 1,201      |
| Derivative liabilities                         | —                 | 1,982      | —       | 1,982      |

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.

At March 31, 2024 and December 31, 2023, the aggregate fair value of mortgage loans held for sale accounted for under the fair value option was \$150.73 million and \$149.99 million, respectively, and the unpaid principal balance of those loans was \$147.20 million and \$145.64 million, respectively.

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.

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| <i>(in thousands)</i>                       | Net Gains (Losses) Resulting from Changes in Fair Value |        |
|---------------------------------------------|---------------------------------------------------------|--------|
|                                             | Three Months Ended<br>March 31,                         |        |
|                                             | 2024                                                    | 2023   |
| Mortgage loans held for sale, at fair value | \$ (1,189)                                              | \$ 761 |

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 in 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 March 31, 2024 and December 31, 2023 (in thousands):

| March 31, 2024                                         | Level 1 | Level 2 | Level 3 | Fair Value |
|--------------------------------------------------------|---------|---------|---------|------------|
| Other real estate owned and other nonperforming assets | \$ —    | \$ —    | \$ 780  | \$ 780     |

| December 31, 2023                                      | Level 1 | Level 2 | Level 3 | Fair Value |
|--------------------------------------------------------|---------|---------|---------|------------|
| Other real estate owned and other nonperforming assets | \$ —    | \$ —    | \$ 908  | \$ 908     |

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

**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, OREO 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.

**HTM trust preferred and other corporate securities:** The fair value of certain corporate securities is based on a discounted cash flow model that utilizes Level 3, or unobservable inputs, the most significant of which were a discount rate and weighted-average life. At March 31, 2024, the discount rate utilized was 5.96% and the weighted-average life was 25.10 years. At December 31, 2023, the discount rate utilized was 6.67% and the weighted-average life was 25.35 years.

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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 March 31, 2024 and December 31, 2023, are as follows (in thousands):

|                                                     | Carrying<br>Value | Estimated<br>Fair Value | Level 1   | Level 2   | Level 3    |
|-----------------------------------------------------|-------------------|-------------------------|-----------|-----------|------------|
| <b>March 31, 2024</b>                               |                   |                         |           |           |            |
| Cash and due from banks                             | \$ 75,802         | \$ 75,802               | \$ 75,802 | \$ —      | \$ —       |
| Interest-bearing deposits at FRB - Richmond         | 926,635           | 926,635                 | 926,635   | —         | —          |
| Interest-bearing deposits in financial institutions | 98,673            | 98,673                  | 98,673    | —         | —          |
| Securities available for sale, net                  | 2,204,101         | 2,204,101               | 27,534    | 2,147,622 | 28,945     |
| Securities held to maturity, net                    | 312,510           | 298,513                 | 189,407   | 108,012   | 1,094      |
| Other equity securities                             | 13,661            | 13,661                  | —         | 13,661    | —          |
| Net loans                                           | 11,452,343        | 10,696,654              | —         | —         | 10,696,654 |
| Interest receivable                                 | 52,167            | 52,167                  | —         | 52,167    | —          |
| Time deposits                                       | 2,689,062         | 2,679,157               | —         | 2,679,157 | —          |
| Advances from the FHLB                              | 3,775             | 3,442                   | —         | 3,442     | —          |
| Subordinated debt                                   | 256,011           | 215,060                 | —         | 215,060   | —          |
|                                                     |                   |                         |           |           |            |
|                                                     | Carrying<br>Value | Estimated<br>Fair Value | Level 1   | Level 2   | Level 3    |
| <b>December 31, 2023</b>                            |                   |                         |           |           |            |
| Cash and due from banks                             | \$ 85,584         | \$ 85,584               | \$ 85,584 | \$ —      | \$ —       |
| Interest-bearing deposits at FRB - Richmond         | 939,356           | 939,356                 | 939,356   | —         | —          |
| Interest-bearing deposits in financial institutions | 103,417           | 103,417                 | 103,417   | —         | —          |
| Securities available for sale, net                  | 2,129,342         | 2,129,342               | 27,684    | 2,073,548 | 28,110     |
| Securities held to maturity, net                    | 477,592           | 462,656                 | 353,578   | 108,050   | 1,028      |
| Other equity securities                             | 13,792            | 13,792                  | —         | 13,792    | —          |
| Net loans                                           | 11,329,021        | 10,780,066              | —         | —         | 10,780,066 |
| Interest receivable                                 | 51,314            | 51,314                  | —         | 51,314    | —          |
| Time deposits                                       | 2,456,394         | 2,447,645               | —         | 2,447,645 | —          |
| Advances from the FHLB                              | 203,958           | 203,706                 | —         | 203,706   | —          |
| Subordinated debt                                   | 255,796           | 212,645                 | —         | 212,645   | —          |

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

Rate lock commitments and corresponding forward sales contracts 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.

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

|                                                       | March 31, 2024  |            | December 31, 2023 |            |
|-------------------------------------------------------|-----------------|------------|-------------------|------------|
|                                                       | Notional Amount | Fair Value | Notional Amount   | Fair Value |
| Interest rate contracts included in other assets      | \$ 392,762      | \$ 2,566   | \$ 151,785        | \$ 1,201   |
| Interest rate contracts included in other liabilities | \$ 206,987      | \$ 807     | \$ 173,302        | \$ 1,982   |

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 March 31, 2024, the Company recognized \$2.25 million in gains from mortgage banking derivatives. For the three months ended March 31, 2023, the Company recognized \$1.03 million in gains from mortgage banking derivatives.

#### 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):

| Revenue from Contracts with Customers:                                             | Three Months Ended March 31, |           |
|------------------------------------------------------------------------------------|------------------------------|-----------|
|                                                                                    | 2024                         | 2023      |
| <b>Investment management income</b>                                                |                              |           |
| Investment commissions, net                                                        | \$ 2,343                     | \$ 2,052  |
| Total                                                                              | \$ 2,343                     | \$ 2,052  |
| <b>Insurance income</b>                                                            |                              |           |
| Property and casualty insurance income, net                                        | \$ 21,471                    | \$ 18,873 |
| Benefit insurance income, net                                                      | 4,068                        | 3,658     |
| Total                                                                              | \$ 25,539                    | \$ 22,531 |
| <b>Real estate and property management income</b>                                  |                              |           |
| Real estate sales commissions, net                                                 | \$ —                         | \$ 1,791  |
| Real estate property management income, net                                        | 16,773                       | 15,535    |
| Total                                                                              | \$ 16,773                    | \$ 17,326 |
| Provision (benefit) expense for credit losses on future reservation receivables    | \$ 289                       | \$ 233    |
| Provision expense for credit losses on property and casualty insurance receivables | \$ 65                        | \$ 56     |

The provision for credit losses on receivables related to future reservations of resort properties is recorded in real estate property management income. The provision for credit losses related to property and casualty insurance receivables is recorded in property and casualty insurance income.

The Company had no material contract assets or contract liabilities recorded in the Consolidated Balance Sheets as of March 31, 2024 or December 31, 2023.

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.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### Note 17. Borrowings

TowneBank is a member of the FHLB and may borrow funds based on criteria established by the FHLB. These advances 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 FHLB may call these borrowings if the adjusted collateral balance falls below the borrowing level.

The Company also has REPOs which 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. At March 31, 2024, the market value of securities pledged as collateral for REPOs was \$69.95 million and consisted primarily of MBSs issued by GSEs and GNMA. 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.

With the January 2023 acquisition of Farmers, the Company assumed two issues of capital notes with an aggregate carrying value of \$8.50 million. The first issue, with a carrying value of \$2.69 million at acquisition, bears a 3.00% fixed annual rate and matures August 14, 2025. The second issue, with a carrying value of \$5.82 million at acquisition, bears a 3.25% fixed annual rate and matures August 14, 2027. At March 31, 2024, the total carrying value of these notes was \$7.82 million, compared to \$7.76 million at December 31, 2023, and is included in subordinated debt, net in the Consolidated Balance Sheets.

On February 9, 2022, the Company issued \$250.00 million of fixed-to-floating-rate subordinated notes due February 15, 2032, in a public offering. The Company received \$246.90 million in net proceeds after deducting discounts and issuance costs. The subordinated notes accrue interest at a fixed rate of 3.125% for the first five years until February 15, 2027. From and including this date and for the remaining five years of the subordinated notes' term, interest will accrue at a floating rate of three-month SOFR plus 1.68%. The Company may redeem the subordinated notes, in whole or in part, on or after February 15, 2027. At March 31, 2024, the carrying value of the notes totaled \$248.19 million, compared to \$248.04 million at December 31, 2023.

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## 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 2023 audited Consolidated Financial Statements included in our 2023 Annual Report to Shareholders and our 2023 Annual Report on Form 10-K. The financial statements contained in this Form 10-Q have been subject to a review by FORVIS, 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, competitive pressures in the banking 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 the 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, such as the recent bank failures, 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, 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, that may adversely affect our business; costs or difficulties related to the integration of the businesses we have acquired may be greater than expected; expected cost savings associated with pending or recently completed acquisitions may not be fully realized or realized within the expected time frame; cybersecurity threats or attacks, the implementation of new technologies, and the ability to develop and maintain reliable electronic systems; our competitors 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. 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, 2023, and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.*

## PART I. FINANCIAL INFORMATION

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

#### 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.

Our financial services include banking, resort property management, mortgage, insurance, employee benefit services, and investments. We have three reportable segments: Banking, Realty, 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 Realty segment provides resort property management services and originations of a variety of mortgage loans. Prior to the sale of BHHS Towne Realty in second quarter 2023, the Realty segment offered residential real estate services and commercial and residential title insurance. The Insurance segment provides a full line of commercial and consumer insurance products and financial services, as well as employee benefit services.

TowneBank had total assets of \$16.88 billion at March 31, 2024, compared to \$16.84 billion at December 31, 2023. The following table lists key asset and liability categories, as a percentage of total assets, as of the dates listed.

|                                                  | March 31, 2024 | December 31, 2023 |
|--------------------------------------------------|----------------|-------------------|
| Total cash and cash equivalents                  | 6.52 %         | 6.70 %            |
| Total securities                                 | 15.06 %        | 15.69 %           |
| Mortgage loans held for sale                     | 0.89 %         | 0.89 %            |
| Loans, net of unearned income and deferred costs | 67.83 %        | 67.29 %           |
| Total deposits                                   | 83.66 %        | 82.53 %           |
| Noninterest-bearing deposits                     | 24.84 %        | 25.80 %           |
| Total borrowings                                 | 1.72 %         | 2.93 %            |

The following table lists key asset and liability categories at March 31, 2024 and December 31, 2023, for comparative purposes.

|                                                          | March 31,<br>2024 | December 31,<br>2023 | Total Change<br>Change | %        |
|----------------------------------------------------------|-------------------|----------------------|------------------------|----------|
| <i>(dollars in thousands)</i>                            |                   |                      |                        |          |
| Total assets                                             | \$ 16,884,237     | \$ 16,835,039        | \$ 49,198              | 0.29 %   |
| Total cash and cash equivalents                          | 1,101,110         | 1,128,357            | (27,247)               | (2.41)%  |
| Total investment securities                              | 2,542,329         | 2,642,014            | (99,685)               | (3.77)%  |
| Mortgage loans held for sale                             | 150,727           | 149,987              | 740                    | 0.49 %   |
| Loans, net of unearned income and deferred costs         | 11,452,343        | 11,329,021           | 123,322                | 1.09 %   |
| Allowance for credit losses on loans                     | (125,835)         | (126,461)            | 626                    | (0.50)%  |
| Noninterest-bearing deposits                             | 4,194,132         | 4,342,701            | (148,569)              | (3.42)%  |
| Total deposits                                           | 14,126,074        | 13,893,206           | 232,868                | 1.68 %   |
| Total borrowings                                         | 290,984           | 492,580              | (201,596)              | (40.93)% |
| Allowance for credit losses on loans to period end loans | 1.10 %            | 1.12 %               |                        |          |

Total assets increased a modest 0.29%, or \$49.20 million, in the quarter, driven primarily by growth in loans, offset by declines in total cash and securities. Investment securities declined due to changes in market value on AFS securities. Unrealized losses in our AFS debt securities increased to \$170.84 million at March 31, 2024, from \$162.12 million at December 31, 2023. In first quarter 2024, management continued its focus on

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

strategic balance sheet management with a concentration on controlling loan growth and maintaining liquidity.

Total deposits increased \$232.87 million during the quarter. Partially offsetting this increase was the decline in noninterest-bearing deposits, primarily escrow deposits and commercial deposits, some of which have migrated to interest-bearing deposit accounts.

The following table presents the key components affecting the Company's financial performance in the three months ended March 31, 2024, compared to prior year.

|                                                             | Three Months Ended |           |            |           |
|-------------------------------------------------------------|--------------------|-----------|------------|-----------|
|                                                             | March 31,          |           | Change     | %         |
| (dollars in thousands)                                      | 2024               | 2023      |            |           |
| Net income attributable to TowneBank                        | \$ 34,687          | \$ 38,333 | \$ (3,646) | (9.51)%   |
| Net interest income                                         | 103,218            | 123,378   | (20,160)   | (16.34)%  |
| Noninterest income                                          | 63,884             | 60,766    | 3,118      | 5.13 %    |
| Total revenue                                               | 167,102            | 184,144   | (17,042)   | (9.25)%   |
| Provision for credit losses                                 | (877)              | 11,670    | (12,547)   | (107.51)% |
| Acquisition-related expenses                                | 595                | 5,964     | (5,369)    | (90.02)%  |
| Noninterest expense, excluding acquisition-related expenses | 124,996            | 118,433   | 6,563      | 5.54 %    |

Net income attributable to TowneBank declined \$3.65 million, or 9.51%, in first quarter 2024 compared to first quarter 2023, driven by margin compression. Interest expense increased \$43.68 million, year over year, outpacing the \$23.52 million growth in interest income. 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 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 2023 Annual Report to Shareholders for further discussion of this policy and other significant accounting policies.

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#### ANALYSIS OF RESULTS OF OPERATIONS

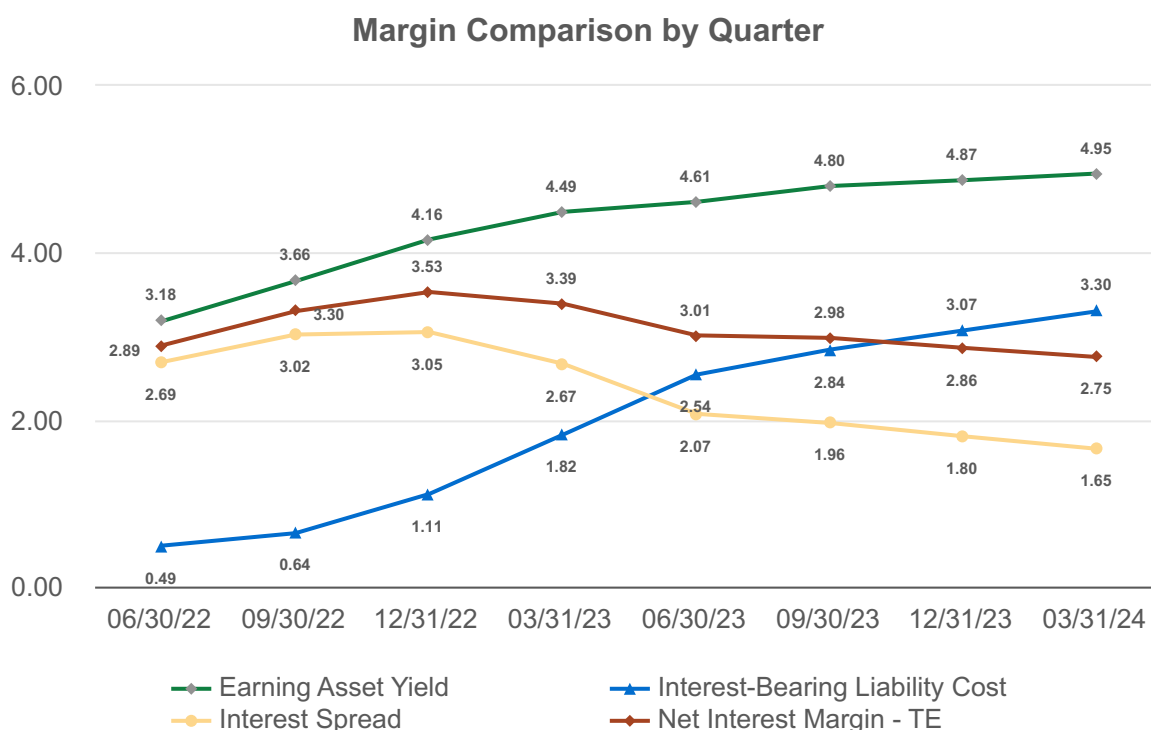
##### Consolidated Performance Summary

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

| <i>(dollars in thousands, except per share data)</i> | Three Months Ended |                |
|------------------------------------------------------|--------------------|----------------|
|                                                      | March 31, 2024     | March 31, 2023 |
| Total revenue                                        | \$ 167,102         | \$ 184,144     |
| Operating revenue (non-GAAP)                         | \$ 167,028         | \$ 184,144     |
| Diluted earnings per share                           | \$ 0.46            | \$ 0.52        |
| Return on average assets                             | 0.83 %             | 0.95 %         |
| Return on average tangible assets (non-GAAP)         | 0.92 %             | 1.05 %         |
| Return on average equity                             | 6.84 %             | 7.99 %         |
| Return on average tangible equity (non-GAAP)         | 9.87 %             | 11.71 %        |

**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.

The following graph summarizes the key components of net interest margin over the past eight quarters. The spread between earning asset yield and interest-bearing liability cost has continued to narrow, driving net interest margin and net interest income down.



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TowneBank reported net interest income, on a TE basis ("net interest income-TE"), of \$104.32 million for the quarter ended March 31, 2024, which was \$20.15 million, or 16.19%, less than the first quarter 2023 total of \$124.47 million. Interest income-TE was \$188.03 million in the quarter ended March 31, 2024, \$23.53 million, or 14.31%, higher than the \$164.49 million reported for quarter-end March 31, 2023. However, interest expense increased \$43.68 million, or 109.16%, for the same period, driven primarily by increases in rate.

Average earning assets increased to \$15.27 billion in the quarter ended March 31, 2024, from \$14.87 billion in the comparative prior year quarter, an increase of 2.64%. The yield on earning assets was 4.95% in the quarter ended March 31, 2024, up compared to 4.49% in prior year. Average loan balances in first quarter 2024 were \$11.38 billion, \$0.28 billion, or 2.54%, higher than the same period one year ago, and loan yields increased by 49 bp.

Average interest-bearing liabilities were \$10.21 billion in first quarter 2024, up from \$8.91 billion in the comparative prior year quarter, an increase of 14.60%. The cost of interest-bearing liabilities was 3.30% in first quarter 2024, compared to 1.82% in first quarter 2023, a 148 bp increase.

TE net interest margin, which is net interest income-TE expressed as a percentage of average earning assets, was 2.75%, or 64 bp lower, for the quarter ended March 31, 2024, compared to the March 31, 2023, quarter margin of 3.39%. The Federal Reserve's Federal Funds target range has remained unchanged since third quarter 2023, but repricing of both assets and liabilities has continued to impact yields and margins. The following table lists the Federal Funds target range for the periods indicated.

| Date                                  | Target Range for Federal Funds (%) |
|---------------------------------------|------------------------------------|
| March 16, 2020 - March 16, 2022       | 0 - 0.25                           |
| March 17, 2022 - May 4, 2022          | 0.25 - 0.50                        |
| May 5, 2022 - June 15, 2022           | 0.75 - 1.00                        |
| June 16, 2022 - July 27, 2022         | 1.50 - 1.75                        |
| July 28, 2022 - September 21, 2022    | 2.25 - 2.50                        |
| September 22, 2022 - November 2, 2022 | 3.00 - 3.25                        |
| November 3, 2022 - December 14, 2022  | 3.75 - 4.00                        |
| December 15, 2022 - February 1, 2023  | 4.25 - 4.50                        |
| February 2, 2023 - March 22, 2023     | 4.50 - 4.75                        |
| March 23, 2023 - May 3, 2023          | 4.75 - 5.00                        |
| May 4, 2023 - July 26, 2023           | 5.00 - 5.25                        |
| July 27, 2023 - present (1)           | 5.25 - 5.50                        |

(1) 23-year high

A shift in deposit mix from noninterest-bearing to interest-bearing deposits has impacted margin. From a repricing standpoint, interest-bearing liabilities are typically short-term and have repriced more quickly than interest earning assets, further compressing margin. While the Company expects deposit costs to continue to rise, the pace of change has slowed considerably, with a cumulative cycle-to-date beta of approximately 56%. Management believes we have reached an inflection point and we will see margin improvements in the second half of this year and continuing in 2025.

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The following tables depict 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-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:

|                                                         | Three Months Ended   |                    |                |                      |                    |                | Increase/(Decrease)<br>Three Months Ended<br>March 31, 2024<br>Compared to Three Months<br>Ended<br>March 31, 2023 |                    |                    |
|---------------------------------------------------------|----------------------|--------------------|----------------|----------------------|--------------------|----------------|--------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                         | March 31, 2024       |                    |                | March 31, 2023       |                    |                | March 31, 2023                                                                                                     |                    |                    |
|                                                         | Average              | Interest           | Average        | Average              | Interest           | Average        | Volume                                                                                                             | Rate (4)           | Total              |
|                                                         | Balance              | Income/<br>Expense | Yield/<br>Rate | Balance              | Income/<br>Expense | Yield/<br>Rate |                                                                                                                    |                    |                    |
| <i>(dollars in thousands)</i>                           |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
| <b>Assets:</b>                                          |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
| Loans (net of unearned income and deferred costs)       | \$ 11,379,323        | \$ 151,811         | 5.37 %         | \$ 11,097,626        | \$ 133,536         | 4.88 %         | \$ 3,713                                                                                                           | \$ 14,562          | \$ 18,275          |
| Taxable investment securities                           | 2,440,652            | 18,716             | 3.07 %         | 2,438,489            | 16,816             | 2.76 %         | 15                                                                                                                 | 1,885              | 1,900              |
| Tax-exempt investment securities                        | 161,538              | 1,549              | 3.84 %         | 188,033              | 1,887              | 4.01 %         | (257)                                                                                                              | (81)               | (338)              |
| Total securities                                        | 2,602,190            | 20,265             | 3.12 %         | 2,626,522            | 18,703             | 2.85 %         | (242)                                                                                                              | 1,804              | 1,562              |
| Interest-bearing deposits                               | 1,167,322            | 14,234             | 4.90 %         | 1,044,538            | 10,649             | 4.13 %         | 1,388                                                                                                              | 2,197              | 3,585              |
| Mortgage loans held for sale                            | 116,868              | 1,716              | 5.87 %         | 105,018              | 1,604              | 6.11 %         | 176                                                                                                                | (64)               | 112                |
| Total earning assets                                    | 15,265,703           | 188,026            | 4.95 %         | 14,873,704           | 164,492            | 4.49 %         | 5,035                                                                                                              | 18,499             | 23,534             |
| Less: allowance for loan losses                         | (127,413)            |                    |                | (114,447)            |                    |                |                                                                                                                    |                    |                    |
| Total nonearning assets                                 | 1,725,945            |                    |                | 1,589,783            |                    |                |                                                                                                                    |                    |                    |
| Total assets                                            | <u>\$ 16,864,235</u> |                    |                | <u>\$ 16,349,040</u> |                    |                |                                                                                                                    |                    |                    |
| <b>Liabilities and Equity:</b>                          |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
| Interest-bearing deposits                               |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
| Demand and money market                                 | \$ 6,828,053         | \$ 47,985          | 2.83 %         | \$ 6,217,754         | \$ 23,302          | 1.52 %         | 2,529                                                                                                              | 22,154             | 24,683             |
| Savings                                                 | 329,036              | 881                | 1.08 %         | 401,776              | 844                | 0.85 %         | (168)                                                                                                              | 205                | 37                 |
| Certificates of deposit                                 | 2,583,938            | 29,522             | 4.60 %         | 1,683,354            | 9,788              | 2.36 %         | 7,116                                                                                                              | 12,618             | 19,734             |
| Total interest-bearing deposits                         | 9,741,027            | 78,388             | 3.24 %         | 8,302,884            | 33,934             | 1.66 %         | 9,477                                                                                                              | 34,977             | 44,454             |
| Borrowings                                              | 212,375              | 3,078              | 5.73 %         | 355,833              | 3,915              | 4.40 %         | (1,846)                                                                                                            | 1,009              | (837)              |
| Subordinated debt, net                                  | 255,878              | 2,236              | 3.50 %         | 250,066              | 2,169              | 3.47 %         | 51                                                                                                                 | 16                 | 67                 |
| Total interest-bearing liabilities                      | 10,209,280           | 83,702             | 3.30 %         | 8,908,783            | 40,018             | 1.82 %         | 7,682                                                                                                              | 36,002             | 43,684             |
|                                                         |                      |                    |                |                      |                    |                | <u>\$ (2,647)</u>                                                                                                  | <u>\$ (17,503)</u> | <u>\$ (20,150)</u> |
| Demand deposits                                         | 4,224,104            |                    |                | 5,164,415            |                    |                |                                                                                                                    |                    |                    |
| Other noninterest-bearing liabilities                   | 390,576              |                    |                | 329,840              |                    |                |                                                                                                                    |                    |                    |
| Total liabilities                                       | 14,823,960           |                    |                | 14,403,038           |                    |                |                                                                                                                    |                    |                    |
| Shareholders' equity                                    | 2,040,275            |                    |                | 1,946,002            |                    |                |                                                                                                                    |                    |                    |
| Total liabilities and equity                            | <u>\$ 16,864,235</u> |                    |                | <u>\$ 16,349,040</u> |                    |                |                                                                                                                    |                    |                    |
| Net interest income-TE (3)                              |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
|                                                         |                      | \$ 104,324         |                |                      | \$ 124,474         |                |                                                                                                                    |                    |                    |
| <b>Reconciliation of Non-GAAP Financial Measures</b>    |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
| TE basis adjustment                                     |                      | (1,106)            |                |                      | (1,096)            |                |                                                                                                                    |                    |                    |
| Net interest income (GAAP)                              |                      | <u>\$ 103,218</u>  |                |                      | <u>\$ 123,378</u>  |                |                                                                                                                    |                    |                    |
| Interest rate spread (1)(3)                             |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
|                                                         |                      |                    | 1.65 %         |                      |                    | 2.67 %         |                                                                                                                    |                    |                    |
| Interest expense as a percent of average earning assets |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
|                                                         |                      |                    | 2.21 %         |                      |                    | 1.09 %         |                                                                                                                    |                    |                    |
| Net interest margin-TE (2)(3)                           |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
|                                                         |                      |                    | 2.75 %         |                      |                    | 3.39 %         |                                                                                                                    |                    |                    |
| Total cost of deposits                                  |                      |                    |                |                      |                    |                |                                                                                                                    |                    |                    |
|                                                         |                      |                    | 2.26 %         |                      |                    | 1.02 %         |                                                                                                                    |                    |                    |

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

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**Provision for Credit Losses.** The first quarter 2024 provision for credit losses was a benefit of \$0.88 million, compared to an expense of \$11.67 million for the same period one year ago. Our 2023 provision included an initial provision for credit losses of \$4.01 million related to non-PCD loans and commitments acquired in the Farmers transaction in first quarter 2023.

In first quarter 2024, we had net charge-offs of \$0.52 million compared to net charge-offs of \$3.87 million in first quarter 2023. The primary source of charge-offs in the first quarter of 2024 is indirect consumer auto loans. Additional factors in the current quarter provision included changes in loan portfolio composition, a reduction in certain qualitative factor adjustments related to changes in economic trends and a continuation of improvements in macroeconomic forecast scenarios utilized in our models.

**Noninterest Income.** Total noninterest income for the three months ended March 31, 2024, was \$63.88 million, an increase of \$3.12 million, or 5.13%, compared to the same period in 2023. Noninterest income as a percentage of total operating income was 38.25% for first quarter 2024, compared with 33.00% for first quarter 2023.

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

|                                                | Three Months Ended |                 | Increase/(Decrease) |           |
|------------------------------------------------|--------------------|-----------------|---------------------|-----------|
|                                                | March 31,          |                 | Three Months Ended  |           |
|                                                | 2024               | 2023            | Amount              | Percent   |
| <i>(dollars in thousands)</i>                  |                    |                 |                     |           |
| Residential mortgage banking, net              | \$10,477           | \$ 9,372        | \$ 1,105            | 11.79 %   |
| Insurance commissions and other income, net    | 25,539             | 22,823          | 2,716               | 11.90 %   |
| Property management income, net                | 16,773             | 15,535          | 1,238               | 7.97 %    |
| Real estate commission income, net             | —                  | 1,791           | (1,791)             | (100.00)% |
| Service charges on deposit accounts            | 3,061              | 2,851           | 210                 | 7.37 %    |
| Credit card merchant fees, net                 | 1,551              | 1,545           | 6                   | 0.39 %    |
| Bank-owned life insurance                      | 1,842              | 1,672           | 170                 | 10.17 %   |
| Other income                                   | 4,567              | 5,177           | (610)               | (11.78)%  |
| Subtotal before gain on investment securities  | 63,810             | 60,766          | 3,044               | 5.01 %    |
| Net gain on investment securities              | 74                 | —               | 74                  | N/M       |
| Total noninterest income                       | <u>\$63,884</u>    | <u>\$60,766</u> | <u>\$ 3,118</u>     | 5.13 %    |
| Noninterest income/operating income (non-GAAP) | 38.25 %            | 33.00 %         |                     |           |

For first quarter 2024, residential mortgage banking income, net of commission expense, was \$10.48 million, an increase of \$1.11 million, or 11.79%, compared to first quarter 2023. The increase in mortgage banking income was driven by margin improvements and higher volume from the same period in 2023. Production volume was \$424.39 million in first quarter 2024, an increase of \$8.17 million, or 1.96%, compared to first quarter 2023. Refinance activities remained dampened as they decreased to 4.34% of total loan volume in first quarter 2024, compared to 5.01% in the prior year quarter, due to the sustained increase in mortgage rates. Margins on the sale of loans increased 23 bp from 3.11% in first quarter 2023 to 3.34% in first quarter 2024. Production remains constrained by a combination of low housing inventories and higher mortgage rates. Management expects pressure from inventory constraints and higher mortgage rates to continue to impact purchase volumes and result in competitive mortgage pricing pressure and compressed margins.

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In the first three months of 2024, insurance commissions and other income, net of commission expense, was \$25.54 million, an increase of \$2.72 million, or 11.90%, compared to first quarter 2023. Insurance commissions increased due to organic growth in property and casualty commission income and a full quarter of income in 2024 related to a 2023 acquisition. Contingency and bonus revenue, which consists primarily of amounts received from various property and casualty carriers, increased in first quarter 2024 compared to 2023 due to higher than expected receipts. Management continues to search for opportunities to grow insurance segment revenues both organically and through disciplined mergers and acquisitions.

Property management income, net of commission expense, was \$16.77 million for first quarter 2024, which was \$1.24 million, or 7.97%, above comparative 2023, driven by an acquisition in March 2024 and a full quarter of revenue from an acquisition in March 2023. The primary source of income from this line of business is vacation property commissions and associated fees.

Real estate commission, net was zero compared to \$1.79 million in first quarter 2023. Berkshire Hathaway HomeServices ("BHHS") Towne Realty, the source of real estate commissions, was sold in second quarter 2023.

Other noninterest income for the three months ended March 31, 2024, was \$4.57 million, a decrease of \$0.61 million, or 11.78%, compared to first quarter 2023, driven by losses associated with unconsolidated subsidiaries. We sold seven investment securities with a carrying value of \$48.10 million in first quarter 2024. We did not sell any investment securities in first quarter 2023. We recorded net gains on the sale of AFS securities of \$74 thousand in first quarter 2024 and zero net gains or losses on the sale of AFS securities in first quarter 2023.

**Noninterest Expense.** For the quarter ended March 31, 2024, total noninterest expense was \$125.59 million, which was \$1.19 million, or 0.96%, higher than comparative 2023. As a percentage of operating income, noninterest expense was 75.19% for first quarter 2024 and 67.55% for comparative 2023.

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

| (dollars in thousands)                                   | Three Months Ended |                  | Increase/(Decrease) |               |
|----------------------------------------------------------|--------------------|------------------|---------------------|---------------|
|                                                          |                    |                  | Three Months Ended  |               |
|                                                          | March 31,          |                  | 2024 over 2023      |               |
|                                                          | 2024               | 2023             | Amount              | Percent       |
| Salaries and employee benefits                           | \$ 71,377          | \$ 69,420        | \$ 1,957            | 2.82 %        |
| Occupancy expense                                        | 9,422              | 9,064            | 358                 | 3.95 %        |
| Furniture and equipment                                  | 4,478              | 4,244            | 234                 | 5.51 %        |
| Amortization - intangibles                               | 3,246              | 3,524            | (278)               | (7.89)%       |
| Software                                                 | 6,100              | 5,624            | 476                 | 8.46 %        |
| Data processing                                          | 3,916              | 3,353            | 563                 | 16.79 %       |
| Professional fees                                        | 3,180              | 3,011            | 169                 | 5.61 %        |
| Advertising and marketing                                | 4,582              | 4,401            | 181                 | 4.11 %        |
| Other noninterest expenses:                              |                    |                  |                     |               |
| Acquisition-related expenses                             | 595                | 5,964            | (5,369)             | (90.02)%      |
| Bank franchise tax/SCC fees                              | 2,720              | 2,527            | 193                 | 7.64 %        |
| Charitable contributions                                 | 3,465              | 3,756            | (291)               | (7.75)%       |
| Directors fees and expenses                              | 1,321              | 394              | 927                 | 235.28 %      |
| FDIC and other insurance                                 | 4,358              | 1,613            | 2,745               | 170.18 %      |
| Foreclosed property expenses                             | 45                 | 22               | 23                  | 104.55 %      |
| Other                                                    | 3,142              | 3,072            | 70                  | 2.28 %        |
| Stationery and supplies                                  | 740                | 822              | (82)                | (9.98)%       |
| Telephone and postage                                    | 1,583              | 1,990            | (407)               | (20.45)%      |
| Travel/meals/entertainment                               | 1,321              | 1,596            | (275)               | (17.23)%      |
| Total other noninterest expenses                         | 19,290             | 21,756           | (2,466)             | (11.33)%      |
| Total noninterest expense                                | <u>\$125,591</u>   | <u>\$124,397</u> | <u>\$ 1,194</u>     | <u>0.96 %</u> |
| Salaries and employee benefits/total noninterest expense | 56.83 %            | 55.81 %          |                     |               |
| Noninterest expense/operating income (non-GAAP)          | 75.19 %            | 67.55 %          |                     |               |

Salaries and employee benefits were \$71.38 million in first quarter of 2024, representing 56.83% of total noninterest expense. Salaries and benefits expense increased driven by annual base salary adjustments that went into effect in third quarter 2023, increases in the number of Banking segment employees due to expansion and acquisition-related increases, and higher health insurance costs. The Company opened two full-service branches in 2023 and hired staffing for a new full-service branch scheduled for early 2024. These increases were partially offset by a decline in incentive accruals and decreases in our Realty segment related to cost reductions in our mortgage business and the sale of BHHS Towne Realty in 2023.

In our Banking segment, we had a total of 1,475 full-time equivalent employees at March 31, 2024, as compared to 1,430 at March 31, 2023. We had a total of 1,268 full-time equivalent employees, compared to 1,432, in our non-Banking segments at March 31, 2024 and March 31, 2023, respectively.

Occupancy expense increased \$358 thousand, or 3.95%, and furniture and equipment increased \$234 thousand, or 5.51%, in first quarter 2024 compared to 2023. As mentioned previously, the Company opened two full-service branches in the past 12 months: one in Richmond, VA, in April 2023, and the second, in Raleigh, NC, in November 2023. In addition we relocated a branch in Greenville, NC, in January 2024.

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Data processing expense increased \$0.56 million and software expense increased \$0.48 million in first quarter 2024 driven by growth. Acquisition-related expenses decreased to \$0.60 million in first quarter 2024 compared to 2023. The Company acquired Farmers in first quarter 2023.

FDIC and other insurance increased \$2.75 million due to a combination of a higher assessment rate in 2024 and an additional \$1.29 million accrual related to the revised estimated FDIC special assessment on certain banks to recover losses to the Deposit Insurance Funds associated with the protection of uninsured depositors in several bank failures that occurred in early 2023.

**Provision for Income Taxes.** We reported a provision for income tax expense of \$7.26 million, representing an effective tax rate of 17.31% in first quarter 2024. The provision for income tax expense was \$9.60 million for first quarter 2023, with an effective rate of 20.03%. Lower state taxes and increased benefits from low-income housing investments were the source of the decline in effective rate.

#### Segment Performance Summary

Our reportable segments are a traditional full-service community bank, a full-service realty business, 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.** Income before income tax provision and noncontrolling interest from the Banking segment was \$29.91 million for the three months ended March 31, 2024, compared to \$40.75 million for the same period in 2023.

Total revenue decreased \$20.63 million in the three months ended March 31, 2024, compared to 2023, driven by changes in net interest income. Margin compression was the primary source of the decrease in revenue in the first quarter as growth in interest expense outpaced growth in interest income. The provision for credit losses decreased \$12.73 million in first quarter 2024, compared to prior year.

Noninterest expenses increased \$2.81 million in first quarter 2024 compared to 2023, due primarily to a \$3.28 million increase in salaries and employee benefits, a \$1.14 million combined increase in occupancy, furniture and equipment, and a \$2.57 million increase in FDIC insurance and other insurance, partially offset by a \$5.69 million decrease in acquisition costs. For additional information refer to the previous noninterest expense discussion.

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

| (dollars in thousands)                                         | Three Months Ended<br>March 31, |           | Increase/(Decrease)<br>Three Months Ended |           |
|----------------------------------------------------------------|---------------------------------|-----------|-------------------------------------------|-----------|
|                                                                |                                 |           | March 31, 2024<br>March 31, 2023          |           |
|                                                                | 2024                            | 2023      | Amount                                    | Percent   |
| Net interest income                                            | \$102,682                       | \$123,650 | \$ (20,968)                               | (16.96)%  |
| Service charges on deposit accounts                            | 3,061                           | 2,851     | 210                                       | 7.37 %    |
| Credit card merchant fees                                      | 1,551                           | 1,545     | 6                                         | 0.39 %    |
| Other income                                                   | 5,790                           | 5,740     | 50                                        | 0.87 %    |
| Net gain (loss) on investment securities                       | 74                              | —         | 74                                        | N/M       |
| Total noninterest income                                       | 10,476                          | 10,136    | 340                                       | 3.35 %    |
| Total revenue                                                  | 113,158                         | 133,786   | (20,628)                                  | (15.42)%  |
| Provision for credit losses                                    | (976)                           | 11,754    | (12,730)                                  | (108.30)% |
| Salaries and employee benefits                                 | 46,474                          | 43,193    | 3,281                                     | 7.60 %    |
| Occupancy                                                      | 7,061                           | 6,233     | 828                                       | 13.28 %   |
| Furniture and equipment                                        | 3,648                           | 3,333     | 315                                       | 9.45 %    |
| Amortization of intangible assets                              | 1,162                           | 1,281     | (119)                                     | (9.29)%   |
| Other expenses                                                 | 26,953                          | 28,444    | (1,491)                                   | (5.24)%   |
| Total noninterest expenses                                     | 85,298                          | 82,484    | 2,814                                     | 3.41 %    |
| Income before income tax and corporate allocation              | 28,836                          | 39,548    | (10,712)                                  | (27.09)%  |
| Corporate allocation                                           | 1,069                           | 1,200     | (131)                                     | (10.92)%  |
| Income before income tax provision and noncontrolling interest | 29,905                          | 40,748    | (10,843)                                  | (26.61)%  |
| Provision for income tax expense                               | 4,105                           | 7,651     | (3,546)                                   | (46.35)%  |
| Net income                                                     | 25,800                          | 33,097    | (7,297)                                   | (22.05)%  |
| Noncontrolling interest                                        | 120                             | —         | 120                                       | N/M       |
| Net income attributable to TowneBank                           | \$ 25,920                       | \$ 33,097 | \$ (7,177)                                | (21.68)%  |
| % of total consolidated income                                 | 74.73%                          | 86.34 %   |                                           |           |
| Efficiency ratio (non-GAAP)                                    | 74.40%                          | 60.70 %   |                                           |           |

**Realty Segment.** For the three months ended March 31, 2024, the Realty segment reported income before income tax provision and noncontrolling interest of \$4.71 million, as compared to \$472 thousand in 2023. Total revenue was \$28.39 million in first quarter 2024, compared to \$27.66 million in 2023.

Residential mortgage production increased \$8.17 million, or 1.96%, to \$424.39 million, compared to mortgage production of \$416.22 million in 2023, driven by higher per loan averages. Refinance activities decreased to 4.34% of total loan volume in first quarter 2024, as compared to 5.01% in first quarter 2023. Low home sale inventory levels combined with increased mortgage rates continue to be a challenge in our footprint and industry-wide.

In response to the continued pressure on production volumes, the Company has focused on aligning its infrastructure costs with production levels and will continue to evaluate its cost structure in relation to the current economic environment. As part of its realignment, the total number of full-time equivalent employees in our residential mortgage banking business decreased to 423 at March 31, 2024, compared to 507 in first quarter 2023, resulting in a \$1.97 million decline in salaries and employee benefits between respective periods. Additionally, the Company is placing greater emphasis on increasing production via

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retail channels as opposed to volumes from partner relationships and is focused on enhancing margin-related gains on sale. The Company expects to continue to benefit from the cost savings initiatives begun in 2023 throughout 2024. In first quarter 2024, the Company recognized a loss of \$0.68 million on its residential mortgage banking business, compared to a loss of \$3.88 million in first quarter 2023.

Net property management fees increased \$1.24 million in first quarter 2024, compared to 2023, driven by an increased number of rental properties and revenue from two acquisitions, one that occurred in March 2023 and a second that occurred in March 2024.

The Realty segment's provision for credit losses was an expense of \$99 thousand in first quarter 2024, compared to a provision benefit of \$84 thousand in first quarter 2023.

Noninterest expenses declined \$3.45 million in first quarter 2024, compared to the prior year. Salaries and employee benefits expense declined \$2.65 million, with \$1.73 million attributable to the sale of BHHS Towne Realty.

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

| (dollars in thousands)                                                      | Three Months Ended<br>March 31, |          | Increase/(Decrease)<br>Three Months Ended |            |
|-----------------------------------------------------------------------------|---------------------------------|----------|-------------------------------------------|------------|
|                                                                             |                                 |          | March 31, 2024<br>March 31, 2023          |            |
|                                                                             | 2024                            | 2023     | Amount                                    | Percent    |
| Residential mortgage banking income, net                                    | \$ 10,798                       | \$ 9,794 | \$ 1,004                                  | 10.25 %    |
| Title insurance and settlement fees                                         | —                               | 291      | (291)                                     | (100.00)%  |
| Property management fees, net                                               | 16,773                          | 15,535   | 1,238                                     | 7.97 %     |
| Real estate brokerage income, net                                           | —                               | 1,791    | (1,791)                                   | (100.00)%  |
| Income from unconsolidated subsidiary                                       | 30                              | 66       | (36)                                      | (54.55)%   |
| Net interest and other income                                               | 784                             | 184      | 600                                       | 326.09 %   |
| Total revenue                                                               | 28,385                          | 27,661   | 724                                       | 2.62 %     |
| Provision for credit losses                                                 | 99                              | (84)     | 183                                       | (217.86)%  |
| Salaries and employee benefits                                              | 12,188                          | 14,839   | (2,651)                                   | (17.87)%   |
| Occupancy                                                                   | 1,569                           | 2,021    | (452)                                     | (22.37)%   |
| Furniture and equipment                                                     | 594                             | 693      | (99)                                      | (14.29)%   |
| Amortization of intangible assets                                           | 677                             | 683      | (6)                                       | (0.88)%    |
| Other expenses                                                              | 8,199                           | 8,437    | (238)                                     | (2.82)%    |
| Total expenses                                                              | 23,227                          | 26,673   | (3,446)                                   | (12.92)%   |
| Income before income tax, corporate allocation, and noncontrolling interest | 5,059                           | 1,072    | 3,987                                     | 371.92 %   |
| Corporate allocation                                                        | (348)                           | (600)    | 252                                       | 42.00 %    |
| Income before income tax provision and noncontrolling interest              | 4,711                           | 472      | 4,239                                     | 898.09 %   |
| Provision for income tax                                                    | 1,156                           | 182      | 974                                       | 535.16 %   |
| Net income                                                                  | 3,555                           | 290      | 3,265                                     | 1,125.86 % |
| Noncontrolling interest                                                     | (560)                           | (145)    | (415)                                     | (286.21)%  |
| Net income attributable to TowneBank                                        | \$ 2,995                        | \$ 145   | \$ 2,850                                  | 1,965.52 % |
| % of total consolidated income                                              | 8.63 %                          | 0.38 %   |                                           |            |

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| <i>(dollars in thousands)</i>        | <b>Three Months Ended</b> |             | <b>Increase/(Decrease)</b> |                       |
|--------------------------------------|---------------------------|-------------|----------------------------|-----------------------|
|                                      | <b>March 31,</b>          |             | <b>Three Months Ended</b>  |                       |
|                                      | <b>2024</b>               | <b>2023</b> | <b>March 31, 2024</b>      | <b>March 31, 2023</b> |
|                                      |                           |             | <b>Amount</b>              | <b>Percent</b>        |
| Key data:                            |                           |             |                            |                       |
| Efficiency ratio (non-GAAP)          | 79.44%                    | 93.96%      |                            |                       |
| Loans originated, mortgage           | \$289,191                 | \$280,401   | \$ 8,790                   | 3.13 %                |
| Loans originated, joint venture      | 135,197                   | 135,818     | (621)                      | (0.46)%               |
| Total loans originated               | \$424,388                 | \$416,219   | \$ 8,169                   | 1.96 %                |
| Number of loans, mortgage            | 803                       | 783         | 20                         | 2.55 %                |
| Number of loans, joint venture       | 444                       | 466         | (22)                       | (4.72)%               |
| Total number of loans                | 1,247                     | 1,249       | (2)                        | (0.16)%               |
| Average loan amount, mortgage        | \$ 360                    | \$ 358      | \$ 2                       | 0.56 %                |
| Average loan amount, joint venture   | 304                       | 291         | 13                         | 4.47 %                |
| Average loan amount                  | \$ 340                    | \$ 333      | 7                          | 2.10 %                |
| Number of originators, mortgage      | 128                       | 136         | (8)                        | (5.88)%               |
| Number of originators, joint venture | 48                        | 57          | (9)                        | (15.79)%              |
| Total number of originators          | 176                       | 193         | (17)                       | (8.81)%               |

**Insurance Segment.** The Insurance segment reported earnings before income taxes and noncontrolling interest in the three months ended March 31, 2024, of \$7.77 million, an increase of \$0.92 million, or 13.34%, over comparative 2023.

Commissions on property and casualty insurance increased \$2.59 million in the three-month period ended March 31, 2024, compared to 2023, driven by organic growth and a full quarter of income in 2024 related to a 2023 acquisition. Contingency and bonus revenue increased \$0.13 million in first quarter 2024 compared to 2023. The Company expects to continue actively pursuing attractive acquisitions, with a strategic objective to grow annual revenues to \$150 - \$200 million.

Salaries and employee benefits expense increased \$1.33 million due to cost of living increases, increases in health insurance costs, and a full quarter of salaries and benefits related to the 2023 acquisition.

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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<br>March 31, |           | Increase/(Decrease) |          |
|-----------------------------------------------------------------------------|---------------------------------|-----------|---------------------|----------|
|                                                                             |                                 |           | Three Months Ended  |          |
|                                                                             |                                 |           | March 31, 2024      |          |
|                                                                             | 2024                            | 2023      | Amount              | Percent  |
| <i>(dollars in thousands)</i>                                               |                                 |           |                     |          |
| Net commission and fee income                                               |                                 |           |                     |          |
| Property and casualty                                                       | \$ 20,722                       | \$ 18,129 | \$ 2,593            | 14.30 %  |
| Employee benefits                                                           | 4,826                           | 4,587     | 239                 | 5.21 %   |
| Specialized benefit services                                                | 9                               | 159       | (150)               | (94.34)% |
| Total net commissions and fees                                              | 25,557                          | 22,875    | 2,682               | 11.72 %  |
| Contingency and bonus revenue                                               | 4,503                           | 4,369     | 134                 | 3.07 %   |
| Other income                                                                | 11                              | 6         | 5                   | 83.33 %  |
| Total revenues                                                              | 30,071                          | 27,250    | 2,821               | 10.35 %  |
| Employee commission expense                                                 | 4,512                           | 4,553     | (41)                | (0.90)%  |
| Revenue, net of commission expense                                          | 25,559                          | 22,697    | 2,862               | 12.61 %  |
| Salaries and employee benefits                                              | 12,715                          | 11,388    | 1,327               | 11.65 %  |
| Occupancy                                                                   | 792                             | 810       | (18)                | (2.22)%  |
| Furniture and equipment                                                     | 236                             | 218       | 18                  | 8.26 %   |
| Amortization of intangible assets                                           | 1,407                           | 1,560     | (153)               | (9.81)%  |
| Other expenses                                                              | 1,916                           | 1,264     | 652                 | 51.58 %  |
| Total operating expenses                                                    | 17,066                          | 15,240    | 1,826               | 11.98 %  |
| Income before income tax, corporate allocation, and noncontrolling interest | 8,493                           | 7,457     | 1,036               | 13.89 %  |
| Corporate allocation                                                        | (721)                           | (600)     | (121)               | 20.17 %  |
| Income before income tax provision and noncontrolling interest              | 7,772                           | 6,857     | 915                 | 13.34 %  |
| Provision for income tax                                                    | 2,000                           | 1,766     | 234                 | 13.25 %  |
| Net income                                                                  | 5,772                           | 5,091     | 681                 | 13.38 %  |
| Noncontrolling interest                                                     | —                               | —         | —                   | — %      |
| Net income attributable to TowneBank                                        | \$ 5,772                        | \$ 5,091  | \$ 681              | 13.38 %  |
| % of total consolidated income                                              | 16.64 %                         | 13.28 %   |                     |          |
| Efficiency ratio (non-GAAP)                                                 | 61.27 %                         | 60.27 %   |                     |          |

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#### ANALYSIS OF FINANCIAL CONDITION

**Overview.** At March 31, 2024, total assets were \$16.88 billion, which is \$49.20 million, or 0.29%, higher than total assets at December 31, 2023. Our loan portfolio, less unearned income and deferred costs, made up 67.83% of our period-end assets and totaled \$11.45 billion at March 31, 2024. Average assets for the quarter ended March 31, 2024, were \$16.86 billion, an increase of \$181.19 million, or 1.09%, from the quarter ended December 31, 2023. Management continues to prioritize balance sheet strength and liquidity over growth in the current environment.

Average earning assets for first quarter 2024 increased \$170.58 million from fourth quarter 2023 to \$15.27 billion. Our average total deposits were \$13.97 billion for first quarter 2024, an increase of \$53.67 million, or 0.39%, compared to fourth quarter 2023. Average noninterest-bearing deposits for the quarter ended March 31, 2024, decreased \$184.61 million, or 4.19%, from the quarter ended December 31, 2023.

**Interest-Bearing Deposits in Financial Institutions.** Interest-bearing deposits in other banks and at the FRB - Richmond and federal funds sold are used for daily cash management purposes, management of short-term interest rate opportunities, and liquidity. At March 31, 2024 and December 31, 2023, respectively, these balances were \$1.03 billion and \$1.04 billion and consisted mainly of deposits in other banks and overnight deposits with the FRB - Richmond.

The average balance of interest-bearing deposits in other banks and at the FRB - Richmond and federal funds sold during first quarter 2024 was \$1.17 billion, or 7.65%, of average total earning assets, compared to \$1.14 billion, or 7.56%, of average total earning assets for fourth quarter 2023.

**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 \$2.20 billion at March 31, 2024, compared with \$2.13 billion at December 31, 2023. The average balance during first quarter 2024 was \$2.16 billion, compared to \$2.01 billion during the quarter ended December 31, 2023. The average AFS debt securities portfolio represented 14.14% and 13.35% of average earning assets in first quarter 2024 and the quarter ended December 31, 2023, respectively. During the three months ended March 31, 2024, we had sales, maturities, and calls totaling \$101.80 million in investment securities that were classified as AFS.

Net unrealized losses related to the fair value of AFS debt securities increased \$6.82 million in the first three months of 2024. 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 March 31, 2024, the allowance for credit losses on AFS debt securities was \$1.38 million, compared to \$1.50 million at December 31, 2023. 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 and totaled \$312.43 million at March 31, 2024, and \$477.51 million at December 31, 2023. The average balance during first quarter 2024 was \$408.93 million, compared with \$517.86 million in fourth quarter 2023, representing 2.68% and 3.43% of total average earning assets, respectively. These securities are held primarily for yield and

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pledging purposes. HTM debt securities are reviewed quarterly for potential credit losses. The allowance for credit losses on HTM debt securities was \$82 thousand at March 31, 2024, and \$84 thousand at December 31, 2023. During the three months ended March 31, 2024, we had maturities and calls totaling \$165.06 million in HTM debt securities. For further financial details, see "Note 4. Investment Securities" of the Notes to Consolidated Financial Statements in this report.

**Mortgage Loans Held for Sale.** At March 31, 2024, we held \$150.73 million in mortgage loans originated and intended for sale in the secondary market, as compared with \$149.99 million at December 31, 2023. Average mortgage loans held for sale were 0.77% of average earning assets for the quarter ended March 31, 2024, and 1.08% of average earning assets for the quarter ended December 31, 2023. The majority of mortgage loans held for sale have been precommitted to investors, which minimizes our interest rate risk.

**Loan Portfolio.** Loans, net of unearned income and deferred costs, were \$11.45 billion at March 31, 2024, which was a \$123.32 million, or 1.09%, increase over \$11.33 billion at December 31, 2023. As a percentage of total average earning assets, average loans were 74.54% for the quarter ended March 31, 2024, compared with 74.39% for the quarter ended December 31, 2023. We expect to continue managing loan growth to align with deposit growth trends with a target of annualized low to mid-single digits.

Commercial real estate loans constituted 58.77% and 58.69% of our loan portfolio at March 31, 2024 and December 31, 2023, respectively. The following table provides additional information regarding commercial real estate loans segregating by the type of property securing the loans and the geographic region in which the loans were originated at March 31, 2024 (dollars in thousands):

| Description Within Major Classification  | Consolidated        | % of Major Class | Virginia / NENC     | North Carolina      | Classified (1)   |
|------------------------------------------|---------------------|------------------|---------------------|---------------------|------------------|
| Residential construction                 | \$ 208,359          | 16.59 %          | \$ 141,050          | \$ 67,309           | \$ —             |
| Improved lots                            | 182,839             | 14.56 %          | 108,611             | 74,228              | —                |
| Raw land                                 | 139,475             | 11.11 %          | 81,446              | 58,029              | 76               |
| Land Development                         | 110,986             | 8.84 %           | 92,556              | 18,430              | —                |
| Construction-to-perm                     | 83,114              | 6.62 %           | 29,678              | 53,436              | 2,231            |
| All other                                | 530,968             | 42.28 %          | 295,385             | 235,583             | —                |
| <b>Construction and land development</b> | <b>\$ 1,255,741</b> | <b>100.00 %</b>  | <b>\$ 748,726</b>   | <b>\$ 507,015</b>   | <b>\$ 2,307</b>  |
| <b>Percentage of Consolidated</b>        |                     |                  | <b>59.62 %</b>      | <b>40.38 %</b>      | <b>0.18 %</b>    |
| Office buildings                         | \$ 444,030          | 26.11 %          | \$ 290,007          | \$ 154,023          | \$ 887           |
| Warehouse light industry                 | 369,820             | 21.74 %          | 237,919             | 131,901             | 1,782            |
| Auto dealer and repair                   | 184,395             | 10.84 %          | 166,289             | 18,106              | 8,150            |
| Restaurants                              | 126,660             | 7.45 %           | 80,446              | 46,214              | 243              |
| All other                                | 575,848             | 33.86 %          | 402,670             | 173,178             | 12,708           |
| <b>Owner occupied</b>                    | <b>\$ 1,700,753</b> | <b>100.00 %</b>  | <b>\$ 1,177,331</b> | <b>\$ 523,422</b>   | <b>\$ 23,770</b> |
| <b>Percentage of Consolidated</b>        |                     |                  | <b>69.22 %</b>      | <b>30.78 %</b>      | <b>1.40 %</b>    |
| Hotels                                   | \$ 785,174          | 24.71 %          | \$ 688,442          | \$ 96,732           | \$ —             |
| Office buildings                         | 761,087             | 23.94 %          | 476,624             | 284,463             | —                |
| Shopping centers                         | 689,646             | 21.69 %          | 363,507             | 326,139             | 33               |
| Warehouse light industry                 | 347,389             | 10.93 %          | 202,343             | 145,046             | —                |
| All other                                | 595,651             | 18.73 %          | 407,509             | 188,142             | 2,722            |
| <b>Non-owner occupied</b>                | <b>\$ 3,178,947</b> | <b>100.00 %</b>  | <b>\$ 2,138,425</b> | <b>\$ 1,040,522</b> | <b>\$ 2,755</b>  |
| <b>Percentage of Consolidated</b>        |                     |                  | <b>67.27 %</b>      | <b>32.73 %</b>      | <b>0.09 %</b>    |

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| Description Within Major Classification                        | Consolidated        | % of Major Class | Virginia / NENC     | North Carolina      | Classified (1)   |
|----------------------------------------------------------------|---------------------|------------------|---------------------|---------------------|------------------|
| Less than \$1 Million Origination                              | \$ 75,649           | 12.71 %          | \$ 42,945           | \$ 32,704           | \$ —             |
| More than \$1 Million Origination                              | 519,426             | 87.29 %          | 271,189             | 248,237             | 91               |
| <b>Multi-family</b>                                            | <b>\$ 595,075</b>   | <b>100.00 %</b>  | <b>\$ 314,134</b>   | <b>\$ 280,941</b>   | <b>\$ 91</b>     |
| <b>Percentage of Consolidated</b>                              |                     |                  | <b>52.79 %</b>      | <b>47.21 %</b>      | <b>0.02 %</b>    |
| <b>Total Commercial Real Estate</b>                            | <b>\$ 6,730,516</b> |                  | <b>\$ 4,378,616</b> | <b>\$ 2,351,900</b> | <b>\$ 28,923</b> |
| <b>Percentage of Consolidated Total Commercial Real Estate</b> |                     |                  | <b>65.06 %</b>      | <b>34.94 %</b>      | <b>0.43 %</b>    |

(1) Classified loans are defined as substandard or doubtful. Classified commercial real estate loans totaled \$28.92 million, or 72.38% of total classified credits at March 31, 2024.

**Allowance for Credit Losses and Asset Quality.** The allowance for credit losses on funded loans at March 31, 2024 and December 31, 2023, was \$125.84 million and \$126.46 million, respectively. Allowance decreases were driven by strong credit quality, reduction in certain qualitative factor adjustments related to changes in economic trends, and moderate improvements in our modeled macroeconomic forecast scenarios, partially offset by loan growth. The allowance was equal to 1.10% of total loans outstanding at March 31, 2024, compared with 1.12% at December 31, 2023.

Classified loans, defined as loans in the substandard and doubtful categories, represented 0.35% and 0.32% of total loans at March 31, 2024 and December 31, 2023. Loans 30 to 89 days past due totaled \$9.76 million at March 31, 2024, as compared to \$9.52 million at December 31, 2023. The allowance for credit losses on funded loans was equal to 18.01x of nonperforming loans at March 31, 2024, compared with 18.48x at December 31, 2023. 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):

|                                                 | March 31,<br>2024 | December 31,<br>2023 |
|-------------------------------------------------|-------------------|----------------------|
| Real estate - construction and land development | \$ 19,969         | \$ 18,736            |
| Real estate - commercial owner occupied         | 14,330            | 14,078               |
| Real estate - commercial non-owner occupied     | 22,000            | 22,098               |
| Real estate - multi-family                      | 3,272             | 3,133                |
| Real estate - residential 1-4 family            | 30,203            | 32,363               |
| HELOC                                           | 16,226            | 17,324               |
| Commercial and industrial business loans        | 9,685             | 8,069                |
| Government                                      | 2,858             | 3,092                |
| Indirect                                        | 4,782             | 4,794                |
| Consumer loans and other                        | 2,510             | 2,774                |
| <b>Total</b>                                    | <b>\$ 125,835</b> | <b>\$ 126,461</b>    |

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

| (dollars in thousands)                                               | Three Months Ended |                 |                 |
|----------------------------------------------------------------------|--------------------|-----------------|-----------------|
|                                                                      | March 31,          |                 | December 31,    |
|                                                                      | 2024               | 2023            | 2023            |
| <b>Nonperforming Assets</b>                                          |                    |                 |                 |
| Nonperforming loans                                                  | \$ 6,987           | \$ 9,322        | \$ 6,843        |
| Foreclosed property                                                  | 780                | 564             | 908             |
| Total nonperforming assets                                           | <u>\$ 7,767</u>    | <u>\$ 9,886</u> | <u>\$ 7,751</u> |
| Loans past due 90 days and still accruing interest                   | <u>\$ 323</u>      | <u>\$ 206</u>   | <u>\$ 735</u>   |
| <b>Asset Quality Ratios</b>                                          |                    |                 |                 |
| Allowance for credit losses to nonperforming loans                   | 18.01x             | 12.87x          | 18.48x          |
| Allowance for credit losses to period-end loans                      | 1.10%              | 1.07%           | 1.12%           |
| Nonperforming loans to period-end loans                              | 0.06%              | 0.08%           | 0.06%           |
| Nonperforming assets to period-end assets                            | 0.05%              | 0.06%           | 0.05%           |
| Quarterly net charge-offs (recoveries) to average loans (annualized) | 0.02%              | 0.14%           | —%              |

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

|                                         | March 31,<br>2024 | December 31,<br>2023 |
|-----------------------------------------|-------------------|----------------------|
| CRE - Construction and land development | \$ 2,232          | \$ 185               |
| CRE - Owner occupied                    | 278               | 521                  |
| CRE - Non-owner occupied                | —                 | —                    |
| CRE - Multi-family                      | —                 | 216                  |
| Residential 1-4 family                  | 2,078             | 2,778                |
| HELOC                                   | 486               | 698                  |
| Commercial and industrial business      | 688               | 1,217                |
| Government                              | —                 | —                    |
| Indirect                                | 1,225             | 1,228                |
| Consumer loans and other                | —                 | —                    |
| Total nonperforming loans               | <u>\$ 6,987</u>   | <u>\$ 6,843</u>      |

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.

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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.

At March 31, 2024, we had \$7.77 million in nonperforming assets, which amounted to 0.05% of total assets. Additionally, loans 60-89 days past due, excluding nonperforming loans, totaled \$0.91 million, and there were \$0.32 million in loans past due 90 days or more that were accruing interest. Nonperforming assets consisted of \$6.99 million in nonperforming loans and \$0.78 million in foreclosed property at March 31, 2024. Nonperforming loans increased by \$144 thousand from December 31, 2023. Foreclosed property decreased \$128 thousand from December 31, 2023.

**Deposits.** Total deposits at March 31, 2024, were \$14.13 billion, representing an increase of \$0.53 billion, or 3.88%, compared to March 31, 2023. Total average deposits were \$13.97 billion during first quarter 2024, compared to \$13.47 billion during first quarter 2023 and \$13.91 billion during fourth quarter 2023.

|                                                   | Total Deposits       |                      |                      | March 31, 2024 vs. |          | March 31, 2024 vs. |         |
|---------------------------------------------------|----------------------|----------------------|----------------------|--------------------|----------|--------------------|---------|
|                                                   | Period Ended         |                      |                      | March 31, 2023     |          | December 31, 2023  |         |
|                                                   | March 31,            | December 31,         | December 31,         | Change             |          | Change             |         |
| (dollars in thousands)                            | 2024                 | 2023                 | 2023                 | \$                 | %        | \$                 | %       |
| Interest-bearing demand and money market accounts | \$ 6,916,701         | \$ 6,284,184         | \$ 6,757,619         | \$ 632,517         | 10.07 %  | \$ 159,082         | 2.35 %  |
| Regular savings                                   | 326,179              | 389,173              | 336,492              | \$ (62,994)        | (16.19)% | \$ (10,313)        | (3.06)% |
| Certificates of deposit                           | 2,689,062            | 1,855,411            | 2,456,394            | \$ 833,651         | 44.93 %  | \$ 232,668         | 9.47 %  |
| Total interest-bearing                            | 9,931,942            | 8,528,768            | 9,550,505            | \$ 1,403,174       | 16.45 %  | \$ 381,437         | 3.99 %  |
| Noninterest-bearing demand                        | 4,194,132            | 5,069,363            | 4,342,701            | \$ (875,231)       | (17.27)% | \$ (148,569)       | (3.42)% |
| Total                                             | <u>\$ 14,126,074</u> | <u>\$ 13,598,131</u> | <u>\$ 13,893,206</u> | <u>\$ 527,943</u>  | 3.88 %   | <u>\$ 232,868</u>  | 1.68 %  |

At March 31, 2024, we had \$6.59 billion in estimated uninsured deposits, \$0.73 billion of which is collateralized by securities, for an estimated uncollateralized and adjusted uninsured deposit total of \$5.86 billion, roughly 41% of total deposits. Total liquidity sources at March 31, 2024, totaled \$6.17 billion, or 105% of adjusted uninsured deposits.

Average noninterest-bearing demand deposits as a percentage of average total deposits were 30.25% during first quarter 2024 and 38.35% during the same period in 2023. The cost of interest-bearing deposits was 3.24% for first quarter 2024, compared with 1.66% for first quarter 2023.

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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        |        |                     |              |                     |        |
|                                                   | March 31,                 |        |                     | December 31, |                     |        |
|                                                   | 2024                      |        | 2023                |              | 2023                |        |
| Interest-bearing demand and money market accounts | \$ 6,828,053              | 2.83 % | \$ 6,217,754        | 1.52 %       | \$ 6,786,850        | 2.74 % |
| Regular savings                                   | 329,036                   | 1.08 % | 401,776             | 0.85 %       | 345,172             | 1.11 % |
| Certificates of deposit                           | 2,583,938                 | 4.60 % | 1,683,354           | 2.36 %       | 2,370,723           | 4.25 % |
| Total interest-bearing                            | 9,741,027                 | 3.24 % | 8,302,884           | 1.66 %       | 9,502,745           | 3.06 % |
| Noninterest-bearing demand                        | 4,224,104                 |        | 5,164,415           |              | 4,408,712           |        |
| Total                                             | <u>\$13,965,131</u>       | 2.26 % | <u>\$13,467,299</u> | 1.02 %       | <u>\$13,911,457</u> | 2.09 % |

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              |          |                     |          |
|                                                   | March 31,                       |          |                     |          |
|                                                   | 2024                            |          | 2023                |          |
| Interest-bearing demand and money market accounts | \$ 6,828,053                    | 48.89 %  | \$ 6,217,754        | 46.17 %  |
| Regular savings                                   | 329,036                         | 2.36 %   | 401,776             | 2.98 %   |
| Certificates of deposit                           | 2,583,938                       | 18.50 %  | 1,683,354           | 12.50 %  |
| Total interest-bearing                            | 9,741,027                       | 69.75 %  | 8,302,884           | 61.65 %  |
| Noninterest-bearing                               | 4,224,104                       | 30.25 %  | 5,164,415           | 38.35 %  |
| Total                                             | <u>\$13,965,131</u>             | 100.00 % | <u>\$13,467,299</u> | 100.00 % |

**Advances from the Federal Home Loan Bank of Atlanta.** Advances from the FHLB at March 31, 2024, were \$3.78 million, compared to \$203.96 million at December 31, 2023. The average borrowing cost for FHLB advances in first quarter 2024 was 5.49%, and 5.42% in fourth quarter 2023.

The scheduled maturity dates, call dates, and related fixed interest rates on advances from the FHLB at March 31, 2024, are summarized as follows (dollars in thousands):

| Maturity                | Interest Rate | Call / Reset Date | Outstanding Amount |
|-------------------------|---------------|-------------------|--------------------|
| 11/15/2028              | 3.43%         | —                 | \$ 2,214           |
| 12/01/2028              | 2.83%         | —                 | 1,561              |
| <b>Total FHLB Loans</b> |               |                   | <u>\$ 3,775</u>    |

At March 31, 2024, certain residential, HELOCs, agency securities, and commercial mortgages secured by real estate with carrying values of \$2.92 billion collateralized the advances from the FHLB. At December 31, 2023, certain residential HELOCs, second mortgages, agency securities, and commercial mortgages secured by real estate with carrying values of \$2.83 billion collateralized the advances from the FHLB.

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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 \$212.38 million during first quarter 2024, compared with \$114.15 million for fourth quarter 2023, while the average cost of these funds was 5.73% and 3.28%, respectively.

***Subordinated Debt, net.*** On February 9, 2022, the Company issued \$250.00 million of fixed-to-floating-rate subordinated notes due February 15, 2032, in a public offering. The Company received \$246.90 million in net proceeds after deducting discounts and issuance costs. The subordinated notes accrue interest at a fixed rate of 3.125% for the first five years until February 15, 2027. From and including this date and for the remaining five years of the subordinated notes' term, interest will accrue at a floating rate of three-month SOFR plus 1.68%. The Company may redeem the subordinated notes, in whole or in part, on or after February 15, 2027.

With the January 2023 acquisition of Farmers, the Company assumed two issues of capital notes with an aggregate carrying value of \$8.50 million. The first issue, with a carrying value of \$2.69 million at acquisition, bears a 3.00% fixed annual rate and matures August 14, 2025. The second issue, with a carrying value of \$5.82 million at acquisition, bears a 3.25% fixed annual rate and matures August 14, 2027.

At March 31, 2024, the carrying value of the subordinated notes totaled \$256.01 million, compared with \$255.80 million at December 31, 2023. Average subordinated debt during first quarter 2024 was \$255.88 million, compared to \$255.66 million during fourth quarter 2023, while the average cost of the debentures was 3.50% in both periods presented.

***Common Stock and Dividends.*** Our common stock is listed on the Nasdaq Global Select Market under the symbol TOWN.

On February 28, 2024, we declared a quarterly shareholder cash dividend of \$0.25 per common share. The dividend was paid April 12, 2024, to shareholders of record on March 29, 2024.

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 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.

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The following table provides summarized information on our availability of liquid funds and borrowings as of March 31, 2024 (in thousands):

|                                                                          | March 31,<br>2024   |
|--------------------------------------------------------------------------|---------------------|
| <b>Available Liquid Funds:</b>                                           |                     |
| Cash and cash equivalents                                                | \$ 1,101,110        |
| Unencumbered investment securities                                       | 1,568,107           |
| <b>Availability of Borrowings:</b>                                       |                     |
| Amount available from FHLB                                               | 1,627,807           |
| Amount available from unsecured lines of credit with correspondent banks | 150,000             |
| Amount available from Federal Reserve discount window                    | 1,722,157           |
|                                                                          | <u>\$ 6,169,181</u> |

**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 March 31, 2024.

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

|                                                  | March 31, |         | December 31, |
|--------------------------------------------------|-----------|---------|--------------|
|                                                  | 2024      | 2023    | 2023         |
| Risk-based capital ratios (1):                   |           |         |              |
| Common equity Tier 1 (4.5% minimum requirement)  | 12.20 %   | 11.68 % | 12.18 %      |
| Tier 1 (6.0% minimum requirement)                | 12.32 %   | 11.80 % | 12.29 %      |
| Total (8.0% minimum requirement)                 | 15.10 %   | 14.55 % | 15.06 %      |
| Tier 1 leverage ratio (4.0% minimum requirement) | 10.15 %   | 9.86 %  | 10.17 %      |

(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%.

## PART I. FINANCIAL INFORMATION

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

#### 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.

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

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:

| <i>(dollars in thousands)</i>                      | <b>Three Months Ended<br/>March 31,</b> |               |
|----------------------------------------------------|-----------------------------------------|---------------|
|                                                    | <b>2024</b>                             | <b>2023</b>   |
| Average assets (GAAP)                              | \$ 16,864,235                           | \$ 16,349,040 |
| Less: average goodwill and intangible assets       | 522,675                                 | 521,972       |
| Average tangible assets (non-GAAP)                 | \$ 16,341,560                           | \$ 15,827,068 |
| Average equity (GAAP)                              | \$ 2,040,275                            | \$ 1,946,002  |
| Less: average goodwill and intangible assets       | 522,675                                 | 521,972       |
| Average tangible equity (non-GAAP)                 | \$ 1,517,600                            | \$ 1,424,030  |
| Average common equity (GAAP)                       | \$ 2,024,169                            | \$ 1,931,063  |
| Less: average goodwill and intangible assets       | 522,675                                 | 521,972       |
| Average tangible common equity (non-GAAP)          | \$ 1,501,494                            | \$ 1,409,091  |
| Net income (GAAP)                                  | \$ 34,687                               | \$ 38,333     |
| Amortization of intangibles, net of tax            | 2,564                                   | 2,784         |
| Tangible net income (non-GAAP)                     | \$ 37,251                               | \$ 41,117     |
| Total revenue (GAAP)                               | \$ 167,102                              | \$ 184,144    |
| Net (gain)/loss on investment securities           | (74)                                    | —             |
| Operating income (non-GAAP)                        | \$ 167,028                              | \$ 184,144    |
| Noninterest expense (GAAP)                         | \$ 125,591                              | \$ 124,397    |
| Less: Amortization of intangibles                  | 3,246                                   | 3,524         |
| Noninterest expense net of amortization (non-GAAP) | \$ 122,345                              | \$ 120,873    |

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|                                                                             | Three Months Ended March 31, |        |
|-----------------------------------------------------------------------------|------------------------------|--------|
|                                                                             | 2024                         | 2023   |
| Return on average assets (GAAP basis)                                       | 0.83 %                       | 0.95 % |
| Impact of excluding average goodwill and other intangibles and amortization | 0.09 %                       | 0.10 % |
| Return on average tangible assets                                           | 0.92 %                       | 1.05 % |

|                                                                             | Three Months Ended March 31, |         |
|-----------------------------------------------------------------------------|------------------------------|---------|
|                                                                             | 2024                         | 2023    |
| Return on average equity (GAAP basis)                                       | 6.84 %                       | 7.99 %  |
| Impact of excluding average goodwill and other intangibles and amortization | 3.03 %                       | 3.72 %  |
| Return on average tangible equity                                           | 9.87 %                       | 11.71 % |

|                                                                     | Three Months Ended March 31, |         |
|---------------------------------------------------------------------|------------------------------|---------|
|                                                                     | 2024                         | 2023    |
| Efficiency ratio (GAAP)                                             | 75.16 %                      | 67.55 % |
| Impact of excluding goodwill and other intangibles and amortization | (1.91)%                      | (1.91)% |
| Efficiency ratio (non-GAAP)                                         | 73.25 %                      | 65.64 % |

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.

|                                                                     | March 31, |          |
|---------------------------------------------------------------------|-----------|----------|
|                                                                     | 2024      | 2023     |
| Book value per share (GAAP basis)                                   | \$ 27.33  | \$ 26.40 |
| Impact of excluding goodwill and other intangibles and amortization | (7.02)    | (7.36)   |
| Tangible book value per share                                       | \$ 20.31  | \$ 19.04 |

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## PART I. FINANCIAL INFORMATION

### 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 the 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.

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.

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### Item 3. Quantitative and Qualitative Disclosures About Market Risk

At March 31, 2024, we had \$4.85 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:

| <u>Change in Prime Rate</u> | <u>% Change in<br/>Net Interest Income</u> |
|-----------------------------|--------------------------------------------|
| + 300 basis points          | (13.40)%                                   |
| + 200 basis points          | (8.80)%                                    |
| + 100 basis points          | (4.38)%                                    |
| - 100 basis points          | (3.10)%                                    |
| - 200 basis points          | (3.64)%                                    |

**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-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:

| <u>Change in Prime Rate</u> | <u>Change in Net Market Value<br/>(dollars in thousands)</u> |
|-----------------------------|--------------------------------------------------------------|
| + 300 basis points          | \$ (314,477)                                                 |
| + 200 basis points          | \$ (215,870)                                                 |
| + 100 basis points          | \$ (109,033)                                                 |
| - 100 basis points          | \$ (168,811)                                                 |
| - 200 basis points          | \$ (134,259)                                                 |

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

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## **PART I. FINANCIAL INFORMATION**

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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 March 31, 2024, 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 March 31, 2024. 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 2023 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 2023 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

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------|
|--------------------|--------------------|

|        |                                                                                                                                        |
|--------|----------------------------------------------------------------------------------------------------------------------------------------|
| (10.1) | Amended and Restated Employment Agreement, dated as of December 21, 2023, between TowneBank and William T. Morrison.                   |
| (10.2) | Amended and Restated Change in Control Employment Agreement, dated as of December 21, 2023, between TowneBank and William T. Morrison. |
| (10.3) | Amended and Restated Employment Agreement, dated as of December 20, 2023, between TowneBank and Brian K. Skinner.                      |
| (10.4) | Amended and Restated Change in Control Employment Agreement, dated as of December 20, 2023, between TowneBank and Brian K. Skinner.    |
| (10.5) | TowneBank Supplemental Executive Retirement Plan Agreement, effective as of January 1, 2019, between TowneBank and Brian K. Skinner.   |
| (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.                                       |
| (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 May 8, 2024.                                                             |

## 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

May 8, 2024

\_\_\_\_\_  
Date

By: /s/ William I. Foster III

\_\_\_\_\_  
William I. Foster III

President and Chief Executive Officer

May 8, 2024

\_\_\_\_\_  
Date

By: /s/ William B. Littreal

\_\_\_\_\_  
William B. Littreal

Senior Executive Vice President/Chief  
Financial Officer

**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

This Amended and Restated Employment Agreement (this “Agreement”) is made effective as of December 21, 2023, by and between TowneBank, a Virginia banking corporation (the “Company”), and William T. Morrison and supersedes all prior employment agreements between the parties.

WHEREAS, the Company desires to continue to employ you and you desire to continue to be employed by the Company on the terms and conditions set forth in this Agreement, which shall supersede and replace any prior employment agreement, including but not limited to the Employment Agreement, dated as of December 16, 2015, between the Company and you.

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

1. Employment and Acceptance. You shall be employed as President and Chief Executive Officer of Towne Financial Services Group, LLC, an indirect wholly owned subsidiary of the Company (“TFSG”), under the terms and conditions of this Agreement. In this position, you shall have managerial responsibility for the fee-based lines of business conducted through the subsidiary companies of TFSG, including mortgage lending, insurance brokerage, real estate brokerage, property management, vacation property management, and wealth management (collectively, the “TFSG Companies”). You shall have the duties and responsibilities that are commensurate with your position and shall also render such other services and duties as may be reasonably assigned to you from time to time by the Company, consistent with your position with the Company and TFSG. You accept and agree to such employment and agree to carry out your duties and responsibilities to the best of your ability in a competent, efficient and businesslike manner. You further agree to comply with all the policies, standards and codes of conduct of the Company and TFSG now or hereafter adopted.

References in this Agreement to services rendered for the Company and compensation and benefits payable or provided by the Company shall include services rendered for, and compensation and benefits payable or provided by, any Affiliate (as defined below) of the Company. Unless the context otherwise requires, references in this Agreement to the “Company” also shall mean and refer to TFSG, the TFSG Companies, and any other business entity that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company (each, an “Affiliate”).

2. Term. This Agreement is effective as of the Effective Date set forth above and, unless extended further or terminated earlier as set forth herein, will expire on December 31, 2026; provided that on December 31, 2025 and on each December 31<sup>st</sup> thereafter (each such December 31<sup>st</sup> is referred to as the “Renewal Date”), this Agreement will be automatically extended for an additional calendar year from such Renewal Date so as to be scheduled to terminate two years from such Renewal Date if not further extended. This Agreement will not, however, be extended if the Company or you give written notice of non-renewal (“Nonrenewal Notice”) to the other party before any such Renewal Date (the initial and any extended term of this Agreement is referred to as the “Employment Period”). The last day of the Employment Period is sometimes referred to in this Agreement as the “Expiration Date.”

3. Compensation.

(a) Base Salary. During the Employment Period, you shall receive for your services an annual base salary (the "Base Salary") in an amount to be determined by the Company in accordance with the salary administration program of the Company as it may from time to time be in effect. The Base Salary will be reviewed on an annual or other regular periodic basis and may be adjusted upward or downward in the sole discretion of the Company, provided that any downward adjustment shall be proportionate to reductions in base salaries of other similarly situated officers of the Company. In no event, however, will the Base Salary be less than the gross amount of your current base salary of \$800,000.

(b) Annual Incentive Plan. During the Employment Period, you may be entitled to receive annual incentive payments in such amounts (which may include shares of Company common stock) and at such times as may be determined by the Company pursuant to its incentive plan then in effect for similarly situated officers of the Company. Any annual incentive will be paid to you no later than two and one-half months after the end of the year for which the annual incentive is awarded. To be eligible to receive any incentive, you must be employed by the Company on the date such incentive is paid, unless you become disabled, die, are terminated by the Company without Cause, terminate your employment for Good Reason, or retire in accordance with the Company's retirement policy after the date on which you were deemed to have earned any incentive under the applicable incentive plan but prior to the payment date.

(c) Stock Compensation. During the Employment Period, you may be entitled to receive stock awards under the Company's Stock Incentive Plan then in effect in such amounts and subject to such terms and conditions as determined by the Company's Board of Directors or a duly authorized committee thereof.

(d) Benefits. During the Employment Period, the Company shall make available to you family health and dental insurance benefits on the same basis as other similarly situated officers of the Company, and the Company reserves the right to modify or eliminate the amount(s) it may contribute towards the payment of such insurance benefits. In addition, you will be entitled to participate in any and all incentive, savings, retirement, life insurance, medical, sick leave, vacation, and other employee benefit plans and programs of the Company that may be in effect from time to time, to the extent you are eligible under the terms of those plans and programs. The Company reserves the right to modify, add or eliminate benefits for its employees as it deems appropriate.

(e) Business Expenses. During the Employment Period, the Company will pay on your behalf (or reimburse you for) reasonable expenses incurred by you at the request of, or on behalf of, the Company in the performance of your duties pursuant to this Agreement and in accordance with the Company's policies, including travel expenses, a monthly stipend to cover club dues at the Cavalier Golf & Yacht Club, and memberships in professional organizations. All business expenses are subject to such reasonable documentation and other limitations as may be established from time to time by the Company.

(f) Automobile. During the Employment Period, the Company will provide you with either the use of an appropriate automobile or an equivalent automobile allowance, in each case as approved by the Company in its discretion. If you are provided the use of an appropriate automobile, the Company will pay the costs associated with the operation and use of the vehicle in accordance with the Company's applicable policies.

4. Termination and Termination Benefits. Notwithstanding the provisions of Section 2, and in addition to the expiration of the then existing term of this Agreement following receipt of a Nonrenewal Notice described in Section 2, your employment will terminate under the following circumstances and will be subject to the following provisions:

(a) Termination as a Consequence of Death or Disability. If you die while employed by the Company, the Company will pay your beneficiary designated in writing (provided such writing is executed and dated by you and delivered to the Company in a form acceptable to the Company prior to your death) and surviving you or, if none, your estate your Base Salary through the end of the calendar month in which your death occurs. If you become “disabled” (as defined below), the Company may give you written notice of its intention to terminate your employment, in which event your employment with the Company will terminate on the 30<sup>th</sup> day after receipt of such notice by you.

For purposes of this Section 4, you are “disabled” if you are entitled to receive long-term disability benefits under the Company’s long-term disability plan, or, if there is no such plan or no coverage afforded under the plan due to a preexisting condition or you do not participate in it, your inability to perform substantially all of your duties and responsibilities hereunder, which disability lasts for an uninterrupted period of at least 180 days or a total of at least 240 days out of any consecutive 360 day period, as a result of your incapacity due to physical or mental illness (as determined by the opinion of an independent physician selected by the Company).

(b) Termination for Cause. Your employment may be terminated immediately (unless otherwise specified below) for Cause at any time without further liability on the part of the Company. If the Company terminates you for Cause, you shall have no right to render services or to receive compensation or other benefits under this Agreement, other than unpaid Base Salary earned through the termination date, payable in accordance with law, for any period after such termination. Only the following shall constitute “Cause” for such termination:

(i) continual or deliberate neglect by you in the performance of your material duties and responsibilities as established from time to time by the Company or TFSG or your willful failure to follow reasonable instructions or policies of the Company or TFSG after being advised in writing of such failure and being given a reasonable opportunity and period (as determined by the Board of Directors of the Company) to cure such failure of not less than thirty (30) days (provided that such conduct is, in the reasonable discretion of the Board of Directors of the Company, susceptible to a cure);

(ii) your conviction of or entering of a guilty plea or plea of no contest with respect to a felony, a crime of moral turpitude, or any other crime with respect to which imprisonment is a possible punishment with the exception of any misdemeanor driving offense;

(iii) the commission by you of an act of embezzlement, dishonesty or fraud against the Company or an Affiliate;

(iv) any breach by you of a material term of this Agreement, or violation in any material respect of any code or standard of behavior generally applicable to officers of the Company, after being advised in writing of such breach or violation and being given a reasonable opportunity and period (as determined by the Company) to remedy such breach or violation of not less than thirty (30) days (provided that such breach or violation is, in the reasonable discretion of the Company, susceptible to a cure); or

(v) the willful engaging by you in conduct that is reasonably likely to result, in the good faith judgment of the Company, in material injury to the Company, reputational, financial or otherwise.

(c) Termination by You Without Good Reason. You may terminate your employment under this Agreement without Good Reason (as defined below) by written notice to the Company effective thirty (30) days after receipt of such notice by the Company. If you terminate your employment without Good Reason, you shall have no right to render services or to receive compensation or other benefits under this Agreement, other than unpaid Base Salary earned through the termination date, payable in accordance with law, for any period after such termination. It shall not constitute a breach of this Agreement or provide Good Reason (defined below) for the Company to suspend your duties and to place you on paid leave during the notice period.

(d) Termination by the Company Without Cause. Your employment may be terminated by the Company without Cause during the term of this Agreement at any time upon written notice to you, which termination will be effective immediately or on such later date as specified in the written notice. In the event your employment is terminated without Cause, you shall receive any earned but unpaid Base Salary through the date of termination, payable in accordance with law. In addition, you shall receive the following benefits, provided you sign a release agreement and waiver of claims in favor of the Company, its Affiliates and their respective officers and directors in a form determined by the Company and such release agreement has become effective no later than forty-five (45) days after the date of your termination of employment (the "Release").

(i) For the two-year period subsequent to the date of termination, the Company shall continue to pay your Base Salary in effect on the date of termination, such payments to be made on the same periodic dates as salary payments would have been made to you had your employment not been terminated, subject to compliance with Section 8(i) of this Agreement regarding the requirements of Section 409A of the Internal Revenue Code of 1986 (the "Code").

(ii) If you timely elect continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company will reimburse you for the difference between the monthly COBRA premium amount paid by you for you and your eligible dependents' group health insurance coverage and the monthly premium amount paid by similarly situated active employees. You shall be eligible to receive such reimbursement until the earliest of: (A) the date that is 18 months after the date of termination of employment; (B) the date you are no longer eligible to receive COBRA continuation coverage; or (C) the date on which you become eligible to receive substantially similar coverage from another employer, as determined by the Company in its discretion. Notwithstanding the foregoing, if the payments by the Company under this Section 4(d)(ii) would violate the nondiscrimination rules applicable to non-grandfathered plans or would result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder (the "PPACA"), the parties agree to reform this Section 4(d)(ii) in a manner as is necessary to comply with the PPACA.

(iii) The obligation of the Company to continue to make any further payments and provide any further benefits to you under this Agreement for the period after the Noncompete Period (as defined in Section 5(b)) has expired and prior to the applicable date

specified in (i) and (ii) above shall cease effective upon you engaging in any conduct or activity that otherwise would have been prohibited under Section 5. To the extent any payments have been made to you under (i) and (ii) above during the period you are engaging in any conduct or activity that would have been prohibited under Section 5, such payments must be repaid to the Company within ten (10) calendar days after its written demand.

(e) Termination by You for Good Reason. You may voluntarily terminate your employment under this Agreement at any time for Good Reason and be entitled to receive the compensation and other benefits set forth in Section 4(d) relating to a termination without Cause, provided you sign the Release, and it becomes effective. You must provide written notice to the Company of the existence of the event or condition constituting such Good Reason within thirty (30) days after the initial occurrence of the event or condition alleged to constitute Good Reason. Upon delivery of such notice by you, the Company shall have a period of thirty (30) days during which it may remedy in good faith the event or condition constituting Good Reason, and your employment shall continue in effect during such time so long as the Company is making diligent efforts to cure. In the event the Company shall remedy in good faith the event or condition constituting Good Reason, then such notice of termination shall be null and void, and the Company shall not be required to pay the amount due to you under this Section 4(e). If such event or condition is not remedied within such thirty (30) day period, any termination of employment by you for Good Reason must occur within thirty (30) days after the period for remedying such event or condition has expired.

For purposes of this Agreement, Good Reason shall mean any of the following if taken without your written consent:

- (i) the assignment to you, without your written consent, of duties materially inconsistent with your position, authority, duties or responsibilities as contemplated by Section 1 hereof;
- (ii) any action taken by the Company, without your consent, that results in any material reduction in your status, including a diminution in your position, authority, duties or responsibilities which, for the avoidance of doubt, would include a material diminution in your duties or responsibilities resulting from the sale, transfer or other disposition of all or substantially of the business or assets of one or more the significant TFSG Companies;
- (iii) the relocation of your primary office by more than thirty-five (35) miles from its location as of the date of this Agreement; or
- (iv) the failure of the Company to comply with the provisions of Section 3 or a material breach by the Company of any other provision of this Agreement.

Notwithstanding the above, Good Reason shall not include any resignation by you where Cause for your termination by the Company exists.

(f) Regulatory Requirement. The Company shall not be required to make payment of, or provide any benefit under, this Section 4 to the extent such payment or benefit is prohibited by the regulations presently found at 12 C.F.R. Part 359 or to the extent that any other governmental approval for the payment or benefit that is required by law is not received.

(g) Resignation of All Positions. Effective upon the termination of your employment for any reason, you shall be deemed to have resigned from all positions that you hold as an officer or member of the Board of Directors (or a committee thereof) of the Company or any of its Affiliates.

(h) Notice of Nonrenewal. For the avoidance of doubt, a Nonrenewal Notice given by the Company to you as provided in Section 2 shall not be deemed a termination of your employment by the Company without Cause. If the Company gives you a Nonrenewal Notice, the Company has the option to pay you your Base Salary in lieu of allowing you to work for the remainder of the then current employment term.

5. Loyalty Covenants. You acknowledge that because of your unique role and employment with the Company, you will be exposed to, utilize, and leverage, all for the benefit of the Company, among other things, Company Confidential Information, Customer and business partner relationships (and the goodwill associated with those relationships) and, therefore, you agree that it is reasonable for the Company to restrict your use of the Company's Confidential Information, its Customer and other goodwill, and its competitive position of the Company, both during and after your employment with the Company. The covenants in this Section 5 may be referred to herein collectively as the "Loyalty Covenants." For the purposes of this Section 5, including all subsections herein, unless otherwise provided below, the term "Company" shall be limited to TowneBank, TFSG, and the TFSG Companies and shall not include any other Affiliate, unless you performed or provided material services for any such Affiliate as an employee of TowneBank during the twelve (12) months preceding the termination of your employment for any reason.

(a) Duty of Loyalty. During your employment by the Company, you agree that you will devote substantially all of your working business hours to, and during such time, make the best use of your energy, knowledge and training toward executing your job responsibilities and advancing the Company's interests in its business. During the Employment Period, you agree that you will not engage in any commercial or business activity, for your own benefit or for the benefit of any third-party that is likely to: (i) conflict with the Company's business or financial interests; (ii) inequitably disadvantage the Company; (iii) divert or misappropriate business resources, business opportunities, trade secrets, or Confidential Information of the Company; (iv) adversely affect your job performance or interfere with the obligations you owe the Company, including fiduciary obligations (as applicable); or (v) constitute a violation of Sections 5(b)-(c) of this Agreement during the Employment Period; *provided, however,* that the foregoing shall not prevent you from: (A) serving on the boards of directors of non-profit organizations; (B) participating in charitable, civic, educational, community, or trade-association activities; or (C) managing your passive personal investments, in each case, so long as such activities do not interfere, either individually or in the aggregate, with your obligations hereunder.

(b) Noncompetition. During your employment by the Company and for a one-year period following the termination of your employment for any reason, including resignation or retirement (the "Noncompete Period"), you will not, on your own behalf or on behalf of any Person that engages in a Competitive Business, directly or indirectly (whether as a principal, agent, employee, employer, investor, director, consultant, co-partner or in any other individual or representative capacity) provide within the Market Area (as such capitalized terms are defined below) any work or services that are the same as or substantially similar to those you performed for the Company during the twelve (12) months preceding the termination of your employment from the Company for any reason. Notwithstanding the foregoing, you may purchase or otherwise

acquire up to (but not more than) 1% of the issued and outstanding securities of any publicly traded business enterprise (but without otherwise violating the terms of this Section 5(b)) that engages in a Competitive Business in the Market Area.

Throughout this Agreement in respect to the Loyalty Covenants, the terms “indirectly,” “indirect means” or “indirectly through others,” refer to taking any action that is forbidden directly by this Agreement including by using, among others, third-parties, corporate or trust structures, recruiters, contractual relationships, agents, employees, intermediaries or other similar devices, individuals or entities. The foregoing terms are not intended to, nor should they, be construed to broaden the scope of any activity prohibited or restricted by this Agreement.

(c) Nonsolicitation of Customers. During your employment by the Company and for a one-year period following the termination of your employment for any reason, including resignation or retirement, you will not, on your own behalf or on behalf of any Person, directly or indirectly: (i) solicit, call upon, initiate communication or contact, or transact business with any Customer (as such term is defined below) to become a customer or engage the services of any other Person conducting a Competitive Business; or (ii) induce any Customer to terminate or negatively modify its actual or prospective business relationship with the Company or any of the TFSG Companies.

(d) Nonsolicitation of Employees. During your employment by the Company and for a one year period following the termination of your employment for any reason, you will not, on your own behalf or on behalf of any Person, directly or indirectly, solicit, hire or cause to be hired, including by way of introduction to any third-party with hiring authority, any individual who was an employee of the Company or any of the TFSG Companies at the time of your termination or at any time within the six-month period preceding the date of termination of your employment, to work or provide services for any Person that engages in a Competitive Business within the Market Area; *provided, however*, nothing in this Section 5(d) is intended to prevent the hire of any Person who responds to a publicly posted, bona fide job advertisement so long as you do not otherwise violate the terms of this Section 5(d) and so long as the employment of such Person does not violate the terms of any agreement such Person has with the Company.

(e) Definitions. As used in this Agreement, the following terms shall mean:

“Competitive Business” means the most comprehensive of the following distinctly severable lines of fee based businesses: (i) residential and commercial mortgage lending, (ii) insurance brokerage, (iii) real estate brokerage and associated property management services, (iv) vacation property management services, (v) asset management services, and (vi) any other fee based line of business in which the Company is engaged through TFSG or the TFSG Companies at any time within the six (6) months preceding the termination of your employment from the Company for any reason;

“Market Area” means the following distinctly severable areas and includes physical presence in addition to providing services remotely via teleworking or telecommuting: any city, county or recognized municipality within twenty (20) miles of any physical office location that one of the TFSG Companies has established and is continuing to operate at the time of termination of your employment.

“Customer” means (i) customers or clients of the Company or one or more of the TFSG Companies; and (ii) prospective customers or clients of the Company or one or more of the TFSG Companies; provided, that such Customers shall be limited to only

those (A) with whom you had Material Work Contact (defined below) for the purpose of providing or offering to provide products or services in furtherance of Competitive Business of the Company or any of the TFSG Companies anytime during the twelve (12) months preceding the termination of your employment for any reason or, (B) about whom you acquired Confidential Information because of your position in the Company, the use of which by you outside of your authorized employment duties with the Company or the disclosure of which by you to a Person outside of the Company would provide you or such Person a competitive advantage against the Company.

“Material Work Contact” means contact by you in person, by telephone, by videoconference or by email, text message or other digital communication in connection with or in furtherance of Competitive Business of the Company or one or more of the TFSG Companies anytime within the twelve (12) months preceding your termination from the Company for any reason.

“Person” means any person, partnership, corporation, company, group or other entity.

“Confidential Information” means information about the Company, its Affiliates (but only to the extent you were exposed to or utilized such information with respect to any Affiliate), its employees or its customers which is of tangible or intangible value, which is not generally known outside of the Company nor publicly available, which you learned of in connection with your employment with the Company and which would be useful to competitors or Persons outside of the Company or otherwise damaging to the Company if disclosed or misused. provided that no item designated as Confidential Information in this Agreement shall be confidential if such designation shall violate any law or regulation applicable to the Company or its Affiliates. Confidential Information includes, but is not limited to: (i) the identity and points of contact information of clients, customers and prospective clients and customers; (ii) the terms and conditions under which the Company provides products or services to its clients and customers, including uniquely negotiated terms and conditions and historical terms and conditions under which products and services have been provided; (iii) information stored in the Company’s client and customer relationship management systems, pipeline reports, and other similar information repositories; (iv) the identity and points-of-contact information of vendors, consultants, service providers, and strategic business partners, the terms accepted for their products or services, and the details of joint development or joint venture projects; (v) the terms and conditions under which the Company and its Affiliates employs its employees or engages its independent contractors (excluding the terms and conditions of your own employment with the Company, unless otherwise legally restricted by this Agreement or Company policy); (vi) information technology designs and platforms, software architecture (whether owned or licensed), coding design and code, programming tools, databases, and similar technology used to develop, market, or provide products and services; (vii) information related to contemplated, pending, or closed transactions; (viii) marketing plans, business development and expansion plans, merger and acquisition plans, and associated growth strategies; (ix) proposals or responses to requests for proposals (irrespective of the outcome of such proposals); (x) market research information, whether developed internally or acquired from third-parties; (xi) information provided by any third party when such information is provided on a confidential basis, whether or not covered by a non-disclosure or confidentiality agreement; (xii) financial reports and analyses regarding revenues, expenses, profits, losses, solvency, liquidity, investments, cash flows, credit, lines of credit, credit limits, mortgages, and encumbrances; (xiii) information or data that qualifies as a

trade secret under applicable law; (xiv) non-public intellectual property holdings of the Company; (xv) all Confidential Information disclosed or provided to you, irrespective of when you execute this Agreement; (xvi) information regarding potential, threatened, pending, or closed legal matters; and (xvii) all drafts, notes, versions and edits to any document or piece of Confidential Information.

(f) Disclosure and Use Restrictions.

(i) You agree and covenant:

(A) to treat all Confidential Information as strictly confidential;

(B) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any Person whatsoever (including other employees of the Company or Affiliates) not having a need to know and authority to know and to use the Confidential Information in connection with the business of the Company and, in any event, not to anyone outside of the direct employ of the Company or its Affiliates except as required in the performance of any of your authorized employment duties; and

(C) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company or its Affiliates. except as required in the performance of any of your authorized employment duties or with the prior consent of an authorized officer acting on behalf of the Company or its Affiliates. You understand and acknowledge that your obligations under this Agreement regarding any particular Confidential Information begin immediately and shall continue during and after your employment with the Company ends until the Confidential Information has become public knowledge other than as a result of your breach of this Agreement or a breach by those acting in concert with you.

(ii) Nothing in this Agreement restricts or prohibits your or your counsel from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the "Regulators"), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. You do not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents containing confidential information to the Regulators, or make

any such reports or disclosures to the Regulators. You are not required to notify the Company that you or your counsel have engaged in such communications with the Regulators. You recognize and agree that, in connection with any such activity outlined above, you must inform the Regulators that the information you or your counsel is providing is confidential.

(iii) Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (a) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (b) solely for the purpose of reporting or investigating a suspected violation of law; or
- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

(g) Duration of Confidentiality Obligations. You understand and acknowledge that your obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon your first having access to such Confidential Information and shall continue until: (i) such time as such Confidential Information has become public knowledge other than as a result of your breach of this Agreement or breach by those acting in concert with you or on your behalf; or (ii) the expiration of sixty (60) months following the termination of your employment from the Company for any reason, whichever occurs first (“Non-Disclosure Period”); *provided, however*, that there shall be no time limitation applicable to trade secrets, or information otherwise protected by law, which are protected without temporal limitation under applicable law.

(h) Acknowledgment. The covenants contained in this Section 5 shall be construed and interpreted in any proceeding to permit their enforcement to the maximum extent permitted by law. You agree that the restrictions imposed herein are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restrictions is reasonable in respect to length of time, geographic area and scope of prohibited activities, and that the restrictions are neither overly restrictive on your post-employment activity nor overly burdensome for you to abide by. You covenant that you will not make any contention contrary to any of the foregoing representations in the future and agree that you will be estopped to deny or contradict the truth or accuracy of these representations. Notwithstanding anything to the contrary herein, nothing in this Agreement prohibits nor shall be construed to prohibit any activity that cannot reasonably be construed to further in any meaningful way any actual or potential competition against the Company and its Affiliates.

(i) Enforcement. You acknowledge that damages at law would not be a measurable or adequate remedy for breach of the covenants contained in this Section 5 and, accordingly, you agree to submit to the equitable jurisdiction of any court of competent jurisdiction in connection with any action to enjoin you from violating any such covenants. "Final Determination" shall mean the expiration of time to file any possible appeal from a final judgment in such legal action or, if an appeal be taken, the final determination of the final appellate proceeding. All the provisions of this Section 5 will survive termination and expiration of this Agreement.

(j) Tolling of Certain Periods. The post-employment one-year periods governing your obligations of Noncompetition and Nonsolicitation in Section 5 of this Agreement and the Non-Disclosure Period ("Periods") do not include any period of time during which you are in breach of this Agreement, nor do they include any period of time required for litigation to enforce your promises in Sections 5 of this Agreement. Each day during any Period during which you breach any promise you make in Section 5 of this Agreement, or each day during any Period required for litigation necessary to enforce your promises in Section 5 of this Agreement, shall extend the applicable Period(s) by one (1) additional day, so that the Company obtains the full benefit of the Period(s); *provided, however*, under no circumstances shall any Period exceed the maximum amount of time defined by the Period. If litigation is commenced against you to enforce this Agreement, you understand the applicable Period(s) shall be tolled immediately upon the filing of a civil action by the Company alleging a violation of this Agreement and shall remain tolled until the Final Determination of such litigation. Further, you acknowledge that the provisions calling for a look back period (i.e., "the twelve (12) months preceding the termination of your employment...") are intended solely as a means of narrowing the definitions of Competitive Business, Customer, Market Area, etc., and are not intended to, nor shall they, under any circumstance, be construed to define the duration of any Period.

The foregoing notwithstanding, for the avoidance of doubt, in the event of a Change in Control of the Company, nothing in this Section 5(j) is intended to, nor shall it, excuse or release you from (A) complying with paragraphs (b) and (c), respectively, of Section 5 of this Agreement if your employment is terminated for Cause by the Company or by you without Good Reason, or (B) complying with any other term of this Agreement that is intended to survive the termination of your employment for any reason, including, for example, your obligations of confidentiality and nondisclosure as more fully set forth in paragraphs (f) and (g), respectively, of Section 5 of this Agreement.

6. Change in Control of the Company. In the event there is a Change in Control of the Company (as defined in that certain Change in Control Agreement between you and the Company, dated as of the same date as this Agreement), this Agreement will terminate as of the date of the Change in Control and be of no further force and effect, except as provided in the Change in Control Agreement, and any severance and other benefits to which you may be entitled in connection with the termination of your employment will be determined and paid solely pursuant to the Change in Control Agreement; provided for purposes of clarity that the Change in Control Agreement will not supersede or affect the terms of any stock award agreement, supplemental executive retirement plan, or other separate and independent contractual agreement between the Company and you, but under no circumstances shall you receive severance payments and benefits both under this Agreement and the Change in Control Agreement.

7. Arbitration.

(a) Except as provided in Section 7(c) below, this Agreement and any arbitration required hereunder shall be governed by the Federal Arbitration Act (“FAA”) to the exclusion of any state law inconsistent with the FAA. Both the Company and you acknowledge and agree that any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, or and dispute or controversy arising out of, relating to, or in connection with your employment with the Company or the termination of that employment, or any alleged violation of any federal, state, or local statute, regulation, common law, or public policy related to your employment with the Company shall be submitted to and shall be settled by binding arbitration, unless otherwise required by law, before a single arbitrator to be held in Suffolk, Virginia in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator’s decision in any court having jurisdiction. You specifically agree that for the purposes of any motion for summary judgment, or similar dispositive motion that is the functional equivalent to summary judgment, the arbitrator shall comply with and apply the substantive and procedural standards and procedures as set forth in Rule 56 of the Federal Rules of Civil Procedure in accordance with the applicable decisions of the federal district courts within the Commonwealth of Virginia and the federal district courts within the jurisdiction of the Fourth Circuit Court of Appeals. To the maximum extent allowed by law, the party against whom the arbitrator(s) shall render an award shall pay the other party’s reasonable attorneys’ fees and other reasonable costs and expenses in connection with the enforcement of its rights under this Agreement (including the enforcement of any arbitration award in court), unless and to the extent the arbitrator(s) shall determine that under the circumstances recovery by the prevailing party of all or a part of any such fees and costs and expenses would be unjust.

(b) The parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration agreement and without abridgment of the powers of the arbitrator. The exclusive venue for any court proceeding shall be the Circuit Court of the City of Virginia Beach or the United States District Court for the Eastern District of Virginia (Norfolk Division), chosen at the sole option of the Company.

(c) YOU HEREBY CONFIRM YOU HAVE READ AND UNDERSTAND THIS SECTION 7, WHICH DISCUSSES ARBITRATION, AND UNDERSTAND THAT BY SIGNING THIS AGREEMENT, YOU AGREE, EXCEPT AS PROVIDED IN SECTION 7(b), TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, UNLESS OTHERWISE REQUIRED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF YOUR RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF YOUR RELATIONSHIP WITH THE COMPANY. THE FOREGOING NOTWITHSTANDING, NOTHING IN SECTION 7 OF THIS AGREEMENT SHALL COMPEL MANDATORY ARBITRATION OF CLAIMS OF “SEXUAL ASSAULT” OR “SEXUAL HARASSMENT” AS DEFINED IN THE “ENDING FORCED ARBITRATION OF SEXUAL ASSAULT AND SEXUAL HARASSMENT ACT OF 2022” (THE “ACT”), PROVIDED FURTHER THAT NOTHING IN THIS AGREEMENT SHALL PREVENT ARBITRATION OF SUCH SEXUAL ASSAULT OR SEXUAL HARASSMENT CLAIMS AS SPECIFICALLY ALLOWED FOR BY THE ACT.

7. Non-disparagement. You will not at any time during or after the Employment Period make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company or its business, or any of its directors, employees, customers, and other associated third parties. The Company will not at any time during the or after the Employment Period make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning you. This Section 7 does not, in any way, restrict or impede you from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by law, regulation or order. You shall promptly provide written notice of any such order to the Company.

8. Miscellaneous.

(a) Severability. If any clause or provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement that is illegal, invalid or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and as may be legal, valid and enforceable.

(b) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of law principles.

(c) Entire Agreement; Amendments. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between the parties, including but not limited to the Employment Agreement, dated as of December 16, 2015, between the Company and you. This Agreement may be amended only by an agreement signed by the parties hereto.

(d) Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising, in whole or in part, any right, power, or privilege under this Agreement will operate as a waiver of such right, power, or privilege.

(e) Binding Effect; Survival. This Agreement is binding upon and shall inure to the benefit of the parties and their respective successors, heirs and assigns, provided that no part of this Agreement is assignable by you. Except as otherwise expressly provided herein, upon the termination or expiration of this Agreement the respective rights and obligations of the parties hereto shall survive such termination or expiration to the extent necessary to carry out the intentions of the parties set forth in this Agreement.

(f) No Construction Against Any Party. This Agreement is the product of informed negotiations between parties. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. The parties agree neither party was in a superior bargaining position regarding the substantive terms of this Agreement.

(g) Clawback. Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation or award that you receive, or have received, from the

Company or any Affiliates under this Agreement or otherwise, will be subject to such deductions and clawback by the Company as may be required by applicable law, government regulation or stock exchange listing requirement and on such basis as the Board of Directors of the Company determines, including pursuant to any incentive compensation clawback policy adopted by the Board of Directors, but in no event with a look-back period of more than three years, unless required by applicable law or stock exchange listing requirement.

(h) Documents. All documents, records, tapes and other media of any kind or description relating to the business of the Company or its Affiliates (the “Documents”), whether or not prepared by you, shall be the sole and exclusive property of the Company. The Documents and any copies thereof stored in any manner, together with any Company issued equipment, vehicles, keys, security devices, identification cards, computers, cell phones and other devices, that are in your possession or control shall be returned to the Company immediately upon your termination of employment for any reason or at such earlier time as the Board of Directors of the Company or its designees may specify.

(i) Section 409A Compliance. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a “separation from service” under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by you on account of non-compliance with Section 409A.

Notwithstanding any other provision of this Agreement, if any payment or benefit provided to you in connection with your termination of employment is determined to constitute “nonqualified deferred compensation” within the meaning of Section 409A and you are determined to be a “specified employee” as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the date of termination (the “Specified Employee Payment Date”). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to you in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

Notwithstanding anything in this Agreement to the contrary, to the extent that any payments or benefits hereunder are contingent upon you executing a Release, and the 45-day period you are given to consider the Release spans two calendar years, then in no event will any such payments or benefits commence to be paid or be paid earlier than the first day of the second calendar year in such period. To the extent applicable, any amounts held back in the first calendar year pursuant to this provision will be paid to you on the same date that the payments or benefits otherwise commence to be paid or are paid in the second calendar year.

(j) Notices. Notices and all other communications required to be delivered under this Agreement shall be in writing and shall be delivered personally or sent by mail or overnight

carrier addressed to the Chief Executive Officer or the President of the Company at the Company's principal corporate offices and, in your case, to you at your address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

(k) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same instrument. Electronic, facsimile and .PDF signatures shall be valid as if they were original signatures.

(l) Acknowledgement of Full Understanding. YOU ACKNOWLEDGE AND AGREE: (i) THAT YOU HAVE FULLY READ, UNDERSTAND AND ARE VOLUNTARILY ENTERING INTO THIS AGREEMENT; AND (ii) THAT, YOU HAVE HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF YOUR CHOICE BEFORE SIGNING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year first above written.

TOWNEBANK

By: \_\_\_\_\_  
William I. Foster III  
President and Chief Executive Officer

\_\_\_\_\_  
William T. Morrison

**AMENDED AND RESTATED  
CHANGE IN CONTROL EMPLOYMENT AGREEMENT**

This Amended and Restated Change in Control Employment Agreement (“Agreement”) is made effective as of December 21, 2023, by and between TowneBank, a Virginia banking corporation (the “Company”), and William T. Morrison.

WHEREAS, the Company and you desire to enter into this Agreement setting forth new terms and conditions of your employment following a Change in Control of the Company, which will supersede the terms set forth in your original Change in Control Agreement, dated as of December 16, 2016.

The parties, intending to be legally bound, agree as follows:

1. Purpose. The Company recognizes that the possibility of a Change in Control (as defined in Section 14) exists, and the uncertainty and questions that it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. Accordingly, the purpose of this Agreement is to encourage you to continue employment with the Company and/or its affiliates or successors in interest by merger or acquisition after a Change in Control by providing reasonable employment security to you and to recognize your prior service in the event of a termination of employment under certain circumstances after a Change in Control.

2. Term of the Agreement. This Agreement will be effective as of the date of this Agreement and will expire on December 31, 2026; provided that on December 31, 2025 and on each December 31st thereafter (each such December 31st is referred to as the “Renewal Date”), this Agreement will be automatically extended for an additional calendar year so as to terminate two years from such Renewal Date. This Agreement will not, however, be extended if the Company or you give written notice of non-renewal to the other party before the Renewal Date (the original and any extended term of this Agreement is referred to as the “Change in Control Period”).

3. Employment after a Change in Control. If a Change in Control of the Company occurs during the Change in Control Period and you are employed by the Company on the date the Change in Control occurs (the “Change in Control Date”), the Company will continue to employ you in accordance with the terms and conditions of this Agreement for the period beginning on the Change in Control Date and ending on the third anniversary of such date (the “Employment Period”). If a Change in Control occurs on account of a series of transactions, the Change in Control Date is the date of the last of such transactions.

4. Terms of Employment.

(a) Position and Duties. During the Employment Period, (i) your position, authority, duties and responsibilities will be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Change in Control Date and (ii) your services will be performed at the location where you were employed immediately preceding the Change in Control Date or any office that is the headquarters of the Company and is less than thirty-five (35) miles from such location.

(b) Compensation.

(i) Base Salary. During the Employment Period, you will receive an annual base salary (the “Annual Base Salary”) at least equal to the base salary paid or payable to you by the Company and its affiliated companies for the twelve-month period immediately preceding the Change in Control Date. During the Employment Period, the Annual Base Salary will be reviewed at least annually and will be increased at any time and from time to time as will be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other peer executives of the Company and its affiliated companies. Any increase in the Annual Base Salary will not serve to limit or reduce any other obligation to you under this Agreement. The Annual Base Salary will not be reduced after any such increase, and the term Annual Base Salary as used in this Agreement will refer to the Annual Base Salary as so increased. The term “affiliated companies” includes any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to the Annual Base Salary, you will be eligible to earn for each calendar year ending during the Employment Period and for which you are employed on the last day of the year an annual performance bonus (the “Annual Bonus”). Such annual bonus opportunity will typically be expressed as a percentage of base salary, but in any event will be at least equal to the annual bonus opportunity in effect for you during the calendar year immediately preceding the year in which the Change in Control occurs. The payment of each such Annual Bonus will be based on the achievement of the then applicable performance metrics, which shall be substantially similar to those metrics applicable to similarly situated officers. The Annual Bonus will be paid no later than two and one-half months after the end of the year for which the Annual Bonus is awarded.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, you will be entitled to participate in all incentive (including stock incentive), savings and retirement plans, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event will such plans, policies and programs provide you with incentive opportunities, savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than those provided by the Company and its affiliated companies for you under such plans, policies and programs as in effect at any time during the six months immediately preceding the Change in Control Date.

(iv) Welfare Benefit Plans. During the Employment Period, you and/or your family, as the case may be, will be eligible for participation in and will receive all benefits under welfare benefit plans, policies and programs provided by the Company and its affiliated companies to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event will such plans, policies and programs provide you with benefits that are less favorable, in the aggregate, than the most favorable of such plans, policies and programs in effect at any time during the six months immediately preceding the Change in Control Date.

(v) Fringe Benefits. During the Employment Period, you will be entitled to fringe benefits in accordance with the most favorable plans, policies and programs of the Company and its affiliated companies in effect for you at any time during the six months immediately preceding the Change in Control Date or, if more favorable to you, as in effect generally from time to time after the Change in Control Date with respect to other peer executives of the Company and its affiliated companies.

(vi) Paid Time Off. During the Employment Period, you will be entitled to paid time off in accordance with the most favorable plans, policies and programs of the Company and its affiliated companies in effect for you at any time during the six months immediately preceding the Change in Control Date or, if more favorable to you, as in effect generally from time to time after the

Change in Control Date with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment Following Change in Control.

(a) Death or Disability. Your employment will terminate automatically upon your death during the Employment Period. If the Company determines in good faith that a Disability event has occurred during the Employment Period, it may terminate your employment. For purposes of this Agreement, “Disability” means your inability to perform substantially all of your duties and responsibilities hereunder, which disability lasts for an uninterrupted period of at least 180 days or a total of at least 240 days out of any consecutive 360 day period as a result of your incapacity due to physical or mental illness (as determined by an independent physician selected by the Company).

(b) Cause. The Company may terminate your employment during the Employment Period for Cause. For purposes of this Agreement, “Cause” means: (i) gross incompetence, gross negligence or willful misconduct in connection with the performance of your duties or breach of a fiduciary duty owed to the Company or any affiliated company; (ii) conviction of or entering of a guilty plea or plea of no contest with respect to a felony or a crime of moral turpitude or to commission of an act of embezzlement or fraud against the Company or any affiliated company; (iii) any material breach by you of a material term of this Agreement, including, without limitation, material failure to perform a substantial portion of your duties and responsibilities hereunder, after being advised in writing of such breach or failure and being a reasonable opportunity and period to remedy such breach or failure; or (iv) your deliberate dishonesty with respect to the Company or any affiliated company.

(c) Good Reason. Your employment may be terminated during the Employment Period by you for Good Reason if you provide a Notice of Termination (as defined below) to the Company describing the existence of the event or condition constituting such Good Reason within ninety (90) days after the initial occurrence of the event or condition alleged to constitute Good Reason. Upon delivery of such notice by you, the Company shall have a period of thirty (30) days during which it may remedy in good faith the event or condition constituting Good Reason, and your employment shall continue in effect during such time. In the event the Company shall remedy in good faith the event or condition constituting Good Reason, then such Notice of Termination shall be null and void, and the Company shall not be required to pay the amounts described under Section 6(a) herein. If such event or condition is not remedied within such thirty (30) day period, you will have thirty (30) days after the period for remedying such event or condition has expired to resign your employment for Good Reason. If you have not resigned your employment within that period, you will no longer have a basis to resign for Good Reason on those grounds.

For purposes of this Agreement, “Good Reason” means:

(i) the assignment to you, without your written consent, of duties or responsibilities inconsistent with your position, authority, duties or responsibilities as contemplated by Section 4 hereof;

(ii) any action taken by the Company, without your consent, that results in any material reduction in your status, including a diminution in your position, authority, duties or responsibilities;

(iii) a failure by the Company to comply with or honor any term or provision of this Agreement, including without limitation the provisions of Section 4(b) and Section 9(b);

(iv) the Company's requiring you to be based at any office or location other than that described in Section 4(a)(ii); or

(v) you are directed by the Board or an officer of the Company or any affiliated company to engage in conduct that is unethical, illegal or contrary to the Company's good business practices.

(d) Notice of Termination. Any termination during the Employment Period by the Company or by you for Good Reason shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(e) Date of Termination. "Date of Termination" means (i) if your employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, or (ii) if your employment is terminated by the Company other than for Cause or by you for Good Reason, the date specified in the Notice of Termination, (iii) if your employment is terminated for Disability, 30 days after Notice of Termination is given, provided that you shall not have returned to the full-time performance of your duties during such 30-day period, and (iv) if your employment is terminated by you without Good Reason, thirty (30) days after the receipt of your written notice by the Company.

(f) Resignation of All Other Positions. Effective upon the termination of your employment for any reason, you shall be deemed to have resigned from all positions you hold as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

## 6. Compensation Upon Termination.

(a) Termination Without Cause or for Good Reason. You will be entitled to the following benefits if, during the Employment Period, the Company terminates your employment without Cause, or you terminate your employment with the Company for Good Reason; provided with respect to the payments and benefits set forth only in paragraphs (ii) and (iii) below you sign a release and waiver of claims in favor of the Company, its affiliates and their respective officers and directors, in the form reasonably prescribed by the Company (the "Release"), and such Release has become effective within the forty-five (45) day period following the Date of Termination (but for avoidance of doubt, no Release is required in connection with the payments set forth in paragraph in (i) below).

(i) Accrued Obligations. "Accrued Obligations" mean the sum of: (1) any portion of your Annual Base Salary earned but unpaid through the Date of Termination at the rate in effect just prior to the time a Notice of Termination is given; (2) the amount, if any, of any incentive or bonus compensation theretofore earned which has not yet been paid; (3) the product of the annual bonus (including the grant date market value of any restricted stock or other stock based award that comprises a portion of the annual bonus) earned, including by reason of deferral, for the most recently completed year and a fraction, the numerator of which is the number of days in the current year through the Date of Termination and the denominator of which is 365; and (4) any benefits or awards (including both the cash and stock components) which pursuant to the terms of any plans, policies or programs have been earned or become payable, but which have not yet been paid to you (but not including amounts that previously had been deferred at your request, which amounts will be paid in accordance with your existing directions). The Accrued Obligations will be paid to you in a lump sum cash payment within ten days after the Date of Termination, provided that no accelerated payment of an Accrued Obligation will occur

if such acceleration will trigger an excise tax under Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”).

(ii) Salary Continuance Benefit. The “Salary Continuance Benefit” means is an amount equal to 2.9 times your Final Compensation. For purposes of this Agreement, “Final Compensation” means the Annual Base Salary in effect at the Date of Termination (which, for the avoidance of doubt shall not be reduced by any amount contributed by you during the most recently completed year pursuant to a salary reduction agreement or any other program that provides for pre-tax salary reductions or compensation deferrals), plus the highest annual bonus (including the grant date market value of any restricted stock or other stock based award that comprises a portion of the annual bonus) earned for the two most recently completed years. Subject to your fulfillment of the Release requirement described above, (a) if the termination of employment entitling you to the Salary Continuance Benefit occurs on or prior to the second anniversary of a Change in Control, the Salary Continuance Benefit will be paid to you in a lump sum cash payment within forty-five (45) days of the Date of Termination, and (b) if the termination of employment entitling you to the Salary Continuance Benefit occurs after the second anniversary but on or prior to the third anniversary of the Change in Control, the Salary Continuance Benefit will be paid on the same periodic dates as salary payments would have been made to you had your employment not been terminated, over the 35 month period following the Date of Termination (which period is intended to correlate to the 2.9 years following the Date of Termination), with one twelve (1/12) of the Final Compensation paid during each of the first 34 months, and any remaining amount of the Salary Continuance Benefit paid in the 35th month.

(iii) Welfare Continuance Benefit. The “Welfare Continuance Benefit” is an amount equal to the product of thirty-six (36) times the monthly rate of the Company’s subsidy for health and dental plans for similarly situated active employees in effect for you on the Date of Termination. The Welfare Continuance Benefit will be paid to you in a lump sum cash payment within forty-five (45) days of the Date of Termination.

(b) Death. If you die during the Employment Period, this Agreement will terminate without any further obligation on the part of the Company under this Agreement, other than for (i) payment of the Accrued Obligations and three months of your Base Salary (which shall be paid to your beneficiary designated in writing or your estate, as applicable, in a lump sum cash payment within 30 days of the date of death); (ii) the timely payment of the Welfare Continuance Benefit to your spouse and other dependents pursuant to Section 6(a)(iii) on the terms and conditions set forth therein; and (iii) the timely payment of all death and retirement benefits pursuant to the terms of any plan, policy or arrangement of the Company and its affiliated companies.

(c) Disability. If your employment is terminated because of your Disability during the Employment Period, this Agreement will terminate without any further obligation on the part of the Company under this Agreement, other than for (i) payment of the Accrued Obligations in a lump sum cash payment within ten days; (ii) (x) if the termination of employment due to Disability occurs on or prior to the second anniversary of a Change in Control, an amount equal to the Annual Base Salary in effect at the Date of Termination, in a lump sum cash payment within forty-five (45) days of the Date of Termination, and (y) if the termination of employment due to Disability occurs after the second anniversary but on or prior to the third anniversary of the Change in Control, an amount equal to the Annual Base Salary in effect at the Date of Termination, paid over a twelve (12) month period in substantially equally installments, on the same periodic dates as salary payments would have been made to you had your employment not been terminated; (iii) the timely payment of the Welfare Continuance Benefit pursuant to Section 6(a)(iii) on the terms and conditions set forth therein; and (iv) the timely payment of all disability and retirement benefits pursuant to the terms of any plan, policy or arrangement of the Company and its affiliated companies.

(d) Cause; Other than for Good Reason. If your employment is terminated for Cause during the Employment Period, this Agreement will terminate without further obligation to you other than the payment to you of the portion of the Annual Base Salary earned but unpaid through the Date of Termination (paid within ten days of the Date of Termination), plus the amount of any compensation previously deferred by you, and any other benefits to which you may be entitled pursuant to the terms of any plan, program or arrangement of the Company and its affiliated companies. You may terminate your employment under this Agreement without Good Reason (as defined above) by written notice to the Company effective thirty (30) days after receipt of such notice by the Company. If you terminate your employment during the Employment Period, excluding a termination for Good Reason, this Agreement will terminate without further obligation to you other than the payment to you of the portion of the Annual Base Salary earned but unpaid through the Date of Termination (paid within ten days of the Date of Termination), plus the amount of any compensation previously deferred by you, and any other benefits to which you may be entitled pursuant to the terms of any plan, program or arrangement of the Company and its affiliated companies.

(e) Regulatory Requirement. The Company shall not be required to make payment of, or provide any benefit under, this Section 6 to the extent such payment or benefit is prohibited by the regulations presently found at 12 C.F.R. Part 359 or to the extent that any other governmental approval for the payment or benefit that is required by law is not received.

7. Possible Reduction in Payments and Benefits.

(a) Notwithstanding any other provision of this Agreement or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to you or for your benefit pursuant to the terms of this Agreement or otherwise (the "Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of the Code and would, but for this Section 7, be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then prior to making the Covered Payments, a calculation shall promptly be made comparing (i) the Net Benefit (as defined below) to you of the Covered Payments after payment of the Excise Tax (the "Full Net Benefit Amount") to (ii) the Net Benefit to you if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Net Benefit Amount").

(b) If, and only if, the Full Net Benefit Amount does not exceed the Reduced Net Benefit Amount by at least \$25,000, then the Covered Payments will be reduced to the Reduced Net Benefit Amount in order to ensure that no portion of the Covered Payments is subject to the Excise Tax. Otherwise, no reduction of or adjustment to the Covered Payments shall be made. "Net Benefit" shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes as determined under Section 280G of the Code. For purposes of illustration only, if the Reduced Net Benefit Amount is \$1,000,000, the Full Net Benefit Amount must be equal to at least \$1,025,000 in order for the Covered Payments not to be reduced so as to avoid being subject to the Excise Tax.

(c) Any such reduction shall be made in accordance with Section 409A of the Code and the following:

(i) the Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first on a pro rata basis; and

(ii) all other Covered Payments shall then be reduced as follows: (A) cash payments shall be reduced before non-cash payments; and (B) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

(d) Any determination required under this Section 7, including whether any payments or benefits are Parachute Payments, shall be made in writing in good faith by an independent accounting firm or independent tax counsel selected by the Company that is reasonably acceptable to you (the "Tax Advisor"), which shall provide detailed supporting calculations to the Company and you as requested by the Company or you. The Company and you shall provide the Tax Advisor with such information and documents as the Tax Advisor may reasonably request in order to make a determination under this Section 7. For purposes of making the calculations and determinations required by this Section 7, the Tax Advisor may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Tax Advisor's determinations shall be final and binding on the Company and you. The Company shall be responsible for all fees and expenses incurred by the Tax Advisor in connection with the calculations required by this Section 7.

(e) It is possible that after the determinations and selections made pursuant to this Section 7 you will receive Covered Payments that are in the aggregate more than the amount provided under this Section 7 (an "Overpayment" ) or less than the amount provided under this Section 7 (an "Underpayment").

(i) In the event that: (A) the Tax Advisor determines, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or you which the Tax Advisor believes has a high probability of success, that an Overpayment has been made or (B) it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that has been finally and conclusively resolved that an Overpayment has been made, then you shall promptly pay any such Overpayment to the Company.

(ii) In the event that: (A) the Tax Advisor, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred or (B) a court of competent jurisdiction determines that an Underpayment has occurred, any such Underpayment will be paid promptly by the Company to you or for your benefit.

8. Loyalty Covenants. Sections 5 (including but not limited to Sections 5(b), 5(c), 5(d)) and Section 8 of the Amended and Restated Employment Agreement, dated as of the same date as this Agreement (the "Employment Agreement"), between the Company and you, will survive the termination of that agreement and are incorporated into and made a part of this Agreement as though Sections 5 and 8 of the Employment Agreement were set forth in full in this Agreement; provided, however, that you will not be subject to noncompetition and nonsolicitation of customers covenants set forth in Sections 5(b) and 5(c), respectively, of the Employment Agreement if your employment is terminated without Cause or for Good Reason following a Change in Control, but you will remain subject to the other provisions of Section 5, including but not limited to Section 5(d) dealing with nonsolicitation of employees and Section 5(f) dealing with the disclosure and use restrictions of Confidential Information, as such term is defined in Section 5(e) of the Employment Agreement.

9. Binding Agreement; Successors.

(a) This Agreement will be binding upon and inure to your benefit (and your personal representative), the Company and any successor organization or organizations which shall succeed to substantially all of the business and property of the Company, whether by means of merger,

consolidation, acquisition of all or substantially of all of the assets of the Company or otherwise, including by operation of law.

(b) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(c) For purposes of this Agreement, the term “Company” includes any subsidiaries of the Company and any corporation or other entity which is the surviving or continuing entity in respect of any merger, consolidation or form of business combination in which the Company ceases to exist or the formation by the Company of a holding company structure in which the shareholders of the Company become shareholders of the new holding company in substantially the same proportions as their ownership existed in the Company immediately prior to the transaction.

10. Fees and Expenses; Mitigation.

(a) For as long as the Agreement survives (as provided in Section 19), the Company will pay or reimburse you for all costs and expenses, including without limitation court or arbitration costs and reasonable attorneys’ fees, incurred by you (i) in contesting or disputing any termination of your employment or (ii) in seeking to obtain or enforce any right or benefit provided by this Agreement, in each case regardless of whether or not your claim is upheld by a court of competent jurisdiction or by the arbitrator; provided, however, you will be required to repay any such amounts to the Company to the extent that a court or arbitrator issues a final and non-appealable order setting forth the determination that the position taken by you was frivolous or advanced by you in bad faith. The Company shall reimburse the foregoing costs on a current basis after you submit a claim for reimbursement with proper documentation of the expenses, provided that no expense will be reimbursed after the end of the year following the year in which the expense is incurred.

(b) You shall not be required to mitigate the amount of any payment the Company becomes obligated to make to you in connection with this Agreement, by seeking other employment or otherwise. The amount of any payment provided for in Section 6 shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

11. No Employment Contract. Nothing in this Agreement will be construed as creating an employment contract between you and the Company prior to Change in Control.

12. Outplacement Services. If you are entitled to the severance benefits under Section 6(a) due to a termination of employment by the Company without Cause or a resignation for Good Reason, you will be entitled to receive complete outplacement services, including job search services, paid by the Company up to a total of \$25,000. The services will be provided by a recognized outplacement organization selected by you with the approval of the Company (which approval will not be unreasonably withheld). You must receive the services within two years of the Date of Termination, and the services must be paid by the Company before the third anniversary of the Date of Termination. If you pay for the outplacement services directly, the Company shall reimburse you for the cost of the services (up to a total of \$25,000), provided that you submit to the Company, at least 90 days before the third anniversary of the Date of Termination, a claim for reimbursement with proper documentation of the expenses.

13. Notice. Any notices and other communications provided for by this Agreement will be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid (in

which case notice will be deemed to have been given on the third day after mailing), or by overnight delivery by a reliable overnight courier service (in which case notice will be deemed to have been given on the day after delivery to such courier service). Notices to the Company shall be directed to the Secretary of the Company, with a copy directed to the Chairman of the Board of the Company. Notices to you shall be directed to your last known address.

14. Definition of a Change in Control. No benefits shall be payable hereunder unless there shall have been a Change in Control of the Company as set forth below. For purposes of this Agreement, a "Change in Control" means any of (a), (b) or (c) below, provided that nothing shall constitute a "Change in Control" hereunder unless it is also a "change in control event" as defined in Treas. Reg. § 1.409A-3(i)(5).

(a) Individuals who constitute the Board on the date of this Agreement (the "Incumbent Board") cease to constitute a majority of the Board, provided that any director whose nomination was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, but excluding any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company.

(b) Consummation by the Company of a reorganization, merger, share exchange or consolidation (a "Reorganization"), provided that a Reorganization will not constitute a Change in Control if, upon consummation of the Reorganization, each of the following conditions is satisfied:

(i) more than 50% of the then outstanding shares of common stock of the corporation resulting from the Reorganization is beneficially owned by all or substantially all of the former shareholders of the Company in substantially the same proportions, relative to each other, as their ownership existed in the Company immediately prior to the Reorganization;

(ii) no Person beneficially owns 20% or more of either the (1) then outstanding shares of common stock of the corporation resulting from the transaction or (2) the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors (for purposes of this Agreement, "Person" means any individual, entity or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act (the "Exchange Act") other than any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliated company, and "beneficial ownership" has the meaning given the term in Rule 13d-3 under the Exchange Act); and

(iii) at least a majority of the members of the board of directors of the corporation resulting from the Reorganization were members of the Incumbent Board at the time of the execution of the initial agreement providing for the Reorganization.

(c) The consummation of a sale or other disposition of all or substantially all of the assets of the Company.

15. Miscellaneous. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is approved by the Compensation Committee or the Board and agreed to in a writing signed by you and a duly authorized signatory of the Company. This Agreement replaces and supersedes your Change in Control Agreement, dated as of December 16, 2015, which shall have no further force or legal effect. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar

provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

16. Governing Law. This agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of law principles.

17. Arbitration.

(a) Except as provided in Section 17(c) below, this Agreement and any arbitration required hereunder shall be governed by the Federal Arbitration Act (“FAA”) to the exclusion of any state law inconsistent with the FAA. Both the Company and you acknowledge and agree that any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, or any dispute or controversy arising out of, relating to, or in connection with your employment with the Company or the termination of that employment, or any alleged violation of any federal, state, or local statute, regulation, common law, or public policy related to your employment with the Company shall be submitted to and shall be settled by binding arbitration, unless otherwise required by law, before a single arbitrator to be held in Suffolk, Virginia in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator’s decision in any court having jurisdiction. You specifically agree that for the purposes of any motion for summary judgment, or similar dispositive motion that is the functional equivalent to summary judgment, the arbitrator shall comply with and apply the substantive and procedural standards and procedures as set forth in Rule 56 of the Federal Rules of Civil Procedure in accordance with the applicable decisions of the federal district courts within the Commonwealth of Virginia and the federal district courts within the jurisdiction of the Fourth Circuit Court of Appeals.

(b) The arbitrator shall apply Virginia law to the merits of any dispute or claim, without reference to rules of conflicts of law; provided however, that federal law shall apply to all federal claims. You hereby consent to the personal jurisdiction of the state and federal courts located in Virginia for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

(c) The parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration agreement and without abridgment of the powers of the arbitrator.

(d) YOU HEREBY CONFIRM YOU HAVE READ AND UNDERSTAND THIS SECTION 17, WHICH DISCUSSES ARBITRATION, AND UNDERSTAND THAT BY SIGNING THIS AGREEMENT, YOU AGREE, EXCEPT AS PROVIDED IN SECTION 18(c), TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, UNLESS OTHERWISE REQUIRED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF YOUR RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF YOUR RELATIONSHIP WITH THE COMPANY. THE FOREGOING NOTWITHSTANDING, NOTHING IN SECTION 17 OF THIS AGREEMENT SHALL COMPEL MANDATORY ARBITRATION OF CLAIMS OF “SEXUAL ASSAULT” OR “SEXUAL HARASSMENT” AS DEFINED IN THE “ENDING FORCED ARBITRATION OF SEXUAL

ASSAULT AND SEXUAL HARASSMENT ACT OF 2022” (THE “ACT”), PROVIDED FURTHER THAT NOTHING IN THIS AGREEMENT SHALL PREVENT ARBITRATION OF SUCH SEXUAL ASSAULT OR SEXUAL HARASSMENT CLAIMS AS SPECIFICALLY ALLOWED FOR BY THE ACT.

18. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

19. Survival. Except as otherwise expressly provided herein, upon the Date of Termination or expiration of this Agreement at the completion of the Employment Period, the respective rights and obligations of the parties hereto shall survive such Date of Termination or expiration to the extent necessary to carry out the intentions of the parties embodied in the rights and obligations of the parties under this Agreement.

20. Deferred Compensation Omnibus Provision.

(a) It is intended that payments and benefits under this Agreement that are considered to be deferred compensation subject to Section 409A of the Code shall be provided and paid in a manner, and at such time and in such form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided for therein for non-compliance. Nonetheless, the Company does not guaranty the tax treatment of any compensation payable to you. Notwithstanding any other provision of this Agreement, the Company’s Compensation Committee or Board of Directors is authorized to amend this Agreement, to amend or void any election made by you under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by it to be necessary or appropriate to comply with Section 409A of the Code. .

(b) Notwithstanding anything to the contrary herein, to the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Code to payments due to you upon or following a “separation from service,” then notwithstanding any other provision of this Agreement (or any otherwise applicable plan, policy, agreement or arrangement), any such payments that are otherwise due within six months following your “separation from service” (taking into account the preceding sentence of this paragraph) will be deferred without interest and paid to you in a lump sum immediately following that six month period (or, if earlier, upon your death).

(c) “Termination of employment” shall have the same meaning as “separation of service,” as that phrase is defined in Section 409A of the Code (taking into account all rules and presumptions provided for in the Section 409A regulations). Notwithstanding anything to the contrary in this Agreement, no portion of the benefits or payments payable hereunder (if any) due to a termination of employment will be paid until you have a “separation from service” from the Company within the meaning of Section 409A of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, to the extent an expense, reimbursement or in-kind benefit provided to you pursuant to this Agreement or otherwise constitutes a “deferral of compensation” within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to you during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to you in any other calendar year, (ii) the reimbursements for expenses for which you are entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is

incurred, and (iii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that any payments or benefits hereunder are contingent upon you executing a Release, and the 45 day period you are given to consider the Release spans two calendar years, then in no event will any such payments or benefits commence to be paid or be paid earlier than the first day of the second calendar year in such period. To the extent applicable, any amounts held back in the first calendar year pursuant to this provision will be paid to you on the same date that payments or benefits otherwise commence to be paid or are paid in the second calendar year.

21. Clawback. You agree that any incentive based compensation or award that you receive, or have received, from the Company or its affiliates under this Agreement or otherwise, will be subject to clawback by the Company as may be required by applicable law or stock exchange listing requirement and on such basis as the Board of the Company determines, including pursuant to any incentive compensation clawback policy adopted by the Company.

(Signatures appear on the following page.)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year first above written.

TOWNEBANK

By: \_\_\_\_\_  
William I. Foster III  
President and Chief Executive Officer

\_\_\_\_\_  
William T. Morrison

**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

This Amended and Restated Employment Agreement (this “Agreement”) is made effective as of December 20, 2023, by and between TowneBank, a Virginia banking corporation (the “Company”), and Brian K. Skinner and supersedes all prior employment agreements between the parties.

WHEREAS, the Company desires to continue to employ you and you desire to continue to be employed by the Company on the terms and conditions set forth in this Agreement, which shall supersede and replace any prior employment agreement, including but not limited to the Employment Agreement, dated as of September 25, 2007, between the Company and you.

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

1. Employment and Acceptance. You shall be employed as President, Virginia and Northeastern North Carolina, of the Company under the terms and conditions of this Agreement. You shall have the duties and responsibilities that are commensurate with your position and shall also render such other services and duties as may be reasonably assigned to you from time to time by the Company, consistent with your position with the Company. You accept and agree to such employment and agree to carry out your duties and responsibilities to the best of your ability in a competent, efficient and businesslike manner. You further agree to comply with all the policies, standards and codes of conduct of the Company now or hereafter adopted.

References in this Agreement to services rendered for the Company and compensation and benefits payable or provided by the Company shall include services rendered for, and compensation and benefits payable or provided by, any Affiliate (as defined below) of the Company. Unless the context otherwise requires, references in this Agreement to the “Company” also shall mean and refer to any business entity that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company (each, an “Affiliate”).

2. Term. This Agreement is effective as of the date set forth above and, unless extended further or terminated earlier as set forth herein, will expire on December 31, 2026; provided that on December 31, 2024 and on each December 31<sup>st</sup> thereafter (each such December 31<sup>st</sup> is referred to as the “Renewal Date”), this Agreement will be automatically extended for an additional calendar year from such Renewal Date so as to be scheduled to terminate three years from such Renewal Date if not further extended. This Agreement will not, however, be extended if the Company or you give written notice of non-renewal (“Nonrenewal Notice”) to the other party before any such Renewal Date (the initial and any extended term of this Agreement is referred to as the “Employment Period”). The last day of the Employment Period is sometimes referred to in this Agreement as the “Expiration Date.”

3. Compensation.

(a) Base Salary. During the Employment Period, you shall receive for your services an annual base salary (the “Base Salary”) in an amount to be determined by the Company in accordance with the salary administration program of the Company as it may from time to time be in effect. The Base Salary will be reviewed on an annual or other regular periodic basis and may

be adjusted upward or downward in the sole discretion of the Company, provided that any downward adjustment shall be proportionate to reductions in base salaries of other similarly situated officers of the Company. In no event, however, will the Base Salary be less than the gross amount of your current base salary of \$700,000.

(b) Annual Incentive Plan. During the Employment Period, you may be entitled to receive annual incentive payments in such amounts (which may include shares of Company common stock) and at such times as may be determined by the Company pursuant to its incentive plan then in effect for similarly situated officers of the Company. Any annual incentive will be paid to you no later than two and one-half months after the end of the year for which the annual incentive is awarded. To be eligible to receive any incentive, you must be employed by the Company on the date such incentive is paid, unless you become disabled, die, are terminated by the Company without Cause, terminate your employment for Good Reason, or retire in accordance with the Company's retirement policy after the date on which you were deemed to have earned any incentive under the applicable incentive plan but prior to the payment date.

(c) Stock Compensation. During the Employment Period, you may be entitled to receive stock awards under the Company's Stock Incentive Plan then in effect in such amounts and subject to such terms and conditions as determined by the Company's Board of Directors or a duly authorized committee thereof.

(d) Benefits. During the Employment Period, the Company shall make available to you family health and dental insurance benefits on the same basis as other similarly situated officers of the Company, and the Company reserves the right to modify or eliminate the amount(s) it may contribute towards the payment of such insurance benefits. In addition, you will be entitled to participate in any and all incentive, savings, retirement, life insurance, medical, sick leave, vacation, and other employee benefit plans and programs of the Company that may be in effect from time to time, to the extent you are eligible under the terms of those plans and programs. The Company reserves the right to modify, add or eliminate benefits for its employees as it deems appropriate.

(e) Business Expenses. During the Employment Period, the Company will pay on your behalf (or reimburse you for) reasonable expenses incurred by you at the request of, or on behalf of, the Company in the performance of your duties pursuant to this Agreement and in accordance with the Company's policies, including travel expenses and memberships in professional organizations. All business expenses are subject to such reasonable documentation and other limitations as may be established from time to time by the Company.

(f) Automobile. During the Employment Period, the Company will provide you with either the use of an appropriate automobile or an equivalent automobile allowance, in each case as approved by the Company in its discretion. If you are provided the use of an appropriate automobile, the Company will pay the costs associated with the operation and use of the vehicle in accordance with the Company's applicable policies.

4. Termination and Termination Benefits. Notwithstanding the provisions of Section 2, and in addition to the expiration of the then existing term of this Agreement following receipt of a Nonrenewal Notice described in Section 2, your employment will terminate under the following circumstances and will be subject to the following provisions:

(a) Termination as a Consequence of Death or Disability. If you die while employed by the Company, the Company will pay your beneficiary designated in writing (provided

such writing is executed and dated by you and delivered to the Company in a form acceptable to the Company prior to your death) and surviving you or, if none, your estate your Base Salary through the end of the calendar month in which your death occurs. If you become “disabled” (as defined below), the Company may give you written notice of its intention to terminate your employment, in which event your employment with the Company will terminate on the 30<sup>th</sup> day after receipt of such notice by you.

For purposes of this Section 4, you are “disabled” if you are entitled to receive long-term disability benefits under the Company’s long-term disability plan, or, if there is no such plan or no coverage afforded under the plan due to a preexisting condition or you do not participate in it, your inability to perform substantially all of your duties and responsibilities hereunder, which disability lasts for an uninterrupted period of at least 180 days or a total of at least 240 days out of any consecutive 360 day period, as a result of your incapacity due to physical or mental illness (as determined by the opinion of an independent physician selected by the Company).

(b) Termination for Cause. Your employment may be terminated immediately (unless otherwise specified below) for Cause at any time without further liability on the part of the Company. If the Company terminates you for Cause, you shall have no right to render services or to receive compensation or other benefits under this Agreement, other than unpaid Base Salary earned through the termination date, payable in accordance with law, for any period after such termination. Only the following shall constitute “Cause” for such termination:

(i) continual or deliberate neglect by you in the performance of your material duties and responsibilities as established from time to time by the Company or your willful failure to follow reasonable instructions or policies of the Company after being advised in writing of such failure and being given a reasonable opportunity and period (as determined by the Company) to cure such failure of not less than thirty (30) days (provided that such conduct is, in the reasonable discretion of the Company, susceptible to a cure);

(ii) your conviction of or entering of a guilty plea or plea of no contest with respect to a felony, a crime of moral turpitude, or any other crime with respect to which imprisonment is a possible punishment with the exception of any misdemeanor driving offense;

(iii) the commission by you of an act of embezzlement, dishonesty or fraud against the Company or an Affiliate;

(iv) any breach by you of a material term of this Agreement, or violation in any material respect of any code or standard of behavior generally applicable to officers of the Company, after being advised in writing of such breach or violation and being given a reasonable opportunity and period (as determined by the Company) to remedy such breach or violation of not less than thirty (30) days (provided that such breach or violation is, in the reasonable discretion of the Company, susceptible to a cure); or

(v) the willful engaging by you in conduct that is reasonably likely to result, in the good faith judgment of the Company, in material injury to the Company, reputational, financial or otherwise.

(c) Termination by You Without Good Reason. You may terminate your employment under this Agreement without Good Reason (as defined below) by written notice to the Company effective thirty (30) days after receipt of such notice by the Company. If you

terminate your employment without Good Reason, you shall have no right to render services or to receive compensation or other benefits under this Agreement, other than unpaid Base Salary earned through the termination date, payable in accordance with law, for any period after such termination. It shall not constitute a breach of this Agreement or provide Good Reason (defined below) for the Company to suspend your duties and to place you on paid leave during the notice period.

(d) Termination by the Company Without Cause. Your employment may be terminated by the Company without Cause during the term of this Agreement at any time upon written notice to you, which termination will be effective immediately or on such later date as specified in the written notice. In the event your employment is terminated without Cause, you shall receive any earned but unpaid Base Salary through the date of termination, payable in accordance with law. In addition, you shall receive the following benefits, provided you sign a release agreement and waiver of claims in favor of the Company, its Affiliates and their respective officers and directors in a form determined by the Company and such release agreement has become effective no later than forty-five (45) days after the date of your termination of employment (the "Release").

(i) For the period subsequent to the date of termination until the Expiration Date or for one year following the date of termination, whichever period is greater, the Company shall continue to pay your Base Salary in effect on the date of termination, such payments to be made on the same periodic dates as salary payments would have been made to you had your employment not been terminated, subject to compliance with Section 9(i) of this Agreement regarding the requirements of Section 409A of the Internal Revenue Code of 1986 (the "Code").

(ii) If you timely elect continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company will reimburse you for the difference between the monthly COBRA premium amount paid by you for you and your eligible dependents' group health insurance coverage and the monthly premium amount paid by similarly situated active employees. You shall be eligible to receive such reimbursement until the earliest of: (A) the date that is 18 months after the date of termination of employment; (B) the date you are no longer eligible to receive COBRA continuation coverage; or (C) the date on which you become eligible to receive substantially similar coverage from another employer, as determined by the Company in its discretion. Notwithstanding the foregoing, if the payments by the Company under this Section 4(d)(ii) would violate the nondiscrimination rules applicable to non-grandfathered plans or would result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder (the "PPACA"), the parties agree to reform this Section 4(d)(ii) in a manner as is necessary to comply with the PPACA.

(iii) The obligation of the Company to continue to make any further payments and provide any further benefits to you under this Agreement for the period after the Noncompete Period (as defined in Section 5(b)) has expired and prior to the applicable date specified in (i) and (ii) above shall cease effective upon you engaging in any conduct or activity that otherwise would have been prohibited under Section 5. To the extent any payments have been made to you under (i) and (ii) above during the period you are engaging in any conduct or activity that would have been prohibited under Section 5, such payments must be repaid to the Company within ten (10) calendar days after its written demand.

(e) Termination by You for Good Reason. You may voluntarily terminate your employment under this Agreement at any time for Good Reason and be entitled to receive the compensation and other benefits set forth in Section 4(d) relating to a termination without Cause, provided you sign the Release, and it becomes effective no later than forty-five (45) days after the date of your termination of employment. You must provide written notice to the Company of the existence of the event or condition constituting such Good Reason within thirty (30) days after the initial occurrence of the event or condition alleged to constitute Good Reason. Upon delivery of such notice by you, the Company shall have a period of thirty (30) days during which it may remedy in good faith the event or condition constituting Good Reason, and your employment shall continue in effect during such time so long as the Company is making diligent efforts to cure. In the event the Company shall remedy in good faith the event or condition constituting Good Reason, then such notice of termination shall be null and void, and the Company shall not be required to pay the amount due to you under this Section 4(e). If such event or condition is not remedied within such thirty (30) day period, any termination of employment by you for Good Reason must occur within thirty (30) days after the period for remedying such event or condition has expired.

For purposes of this Agreement, Good Reason shall mean any of the following if taken without your written consent:

- (i) the assignment to you, without your written consent, of duties materially inconsistent with your position, authority, duties or responsibilities as contemplated by Section 1 hereof;
- (ii) any action taken by the Company, without your consent, that results in any material reduction in your status, including a diminution in your position, authority, duties or responsibilities;
- (iii) the relocation of your primary office by more than thirty-five (35) miles from its location as of the date of this Agreement; or
- (iv) the failure of the Company to comply with the provisions of Section 3 or a material breach by the Company of any other provision of this Agreement.

Notwithstanding the above, Good Reason shall not include any resignation by you where Cause for your termination by the Company exists.

(f) Regulatory Requirement. The Company shall not be required to make payment of, or provide any benefit under, this Section 4 to the extent such payment or benefit is prohibited by the regulations presently found at 12 C.F.R. Part 359 or to the extent that any other governmental approval for the payment or benefit that is required by law is not received.

(g) Resignation of All Positions. Effective upon the termination of your employment for any reason, you shall be deemed to have resigned from all positions that you hold as an officer.

(h) Notice of Nonrenewal. For the avoidance of doubt, a Nonrenewal Notice given by the Company to you as provided in Section 2 shall not be deemed a termination of your employment by the Company without Cause. If the Company gives you a Nonrenewal Notice, the Company has the option to pay you your Base Salary in lieu of allowing you to work for the remainder of the then current employment term.

5. Loyalty Covenants. You acknowledge that because of your unique role and employment with the Company, you will be exposed to, utilize, and leverage, all for the benefit of the Company, among other things, Company Confidential Information, Customer and business partner relationships (and the goodwill associated with those relationships) and, therefore, you agree that it is reasonable for the Company to restrict your use of the Company's Confidential Information, its Customer and other goodwill, and its competitive position of the Company, both during and after your employment with the Company. The covenants in this Section 5 may be referred to herein collectively as the "Loyalty Covenants." For the purposes of this Section 5, including all subsections herein, unless otherwise provided below, the term "Company" shall be limited to TowneBank as listed at the outset of this Agreement and shall not include any other Affiliate, unless you performed or provided material services for any such Affiliate as an employee of TowneBank during the twelve (12) months preceding the termination of your employment for any reason.

(a) Duty of Loyalty. During your employment by the Company, you agree that you will devote substantially all of your working business hours to, and during such time, make the best use of your energy, knowledge and training toward executing your job responsibilities and advancing the Company's interests in its business. During the Employment Period, you agree that you will not engage in any commercial or business activity, for your own benefit or for the benefit of any third-party that is likely to: (i) conflict with the Company's business or financial interests; (ii) inequitably disadvantage the Company; (iii) divert or misappropriate business resources, business opportunities, trade secrets, or Confidential Information of the Company; (iv) adversely affect your job performance or interfere with the obligations you owe the Company, including fiduciary obligations (as applicable); or (v) constitute a violation of Sections 5(b)-(c) of this Agreement during the Employment Period; *provided, however,* that the foregoing shall not prevent you from: (A) serving on the boards of directors of non-profit organizations; (B) participating in charitable, civic, educational, community, or trade-association activities; or (C) managing your passive personal investments, in each case, so long as such activities do not interfere, either individually or in the aggregate, with your obligations hereunder.

(b) Noncompetition. During your employment by the Company and for a one-year period following the termination of your employment for any reason, including resignation or retirement (the "Noncompete Period"), you will not, on your own behalf or on behalf of any Person that engages in a Competitive Business, directly or indirectly (whether as a principal, agent, employee, employer, investor, director, consultant, co-partner or in any other individual or representative capacity) provide within the Market Area (as such capitalized terms are defined below) any work or services that are the same as or substantially similar to those you performed for the Company during the twelve (12) months preceding the termination of your employment from the Company for any reason. Notwithstanding the foregoing, you may purchase or otherwise acquire up to (but not more than) 1% of the issued and outstanding securities of any publicly traded business enterprise (but without otherwise violating the terms of this Section 5(b)) that engages in a Competitive Business in the Market Area.

Throughout this Agreement in respect to the Loyalty Covenants, the terms "indirectly," "indirect means" or "indirectly through others," refer to taking any action that is forbidden directly by this Agreement including by using, among others, third-parties, corporate or trust structures, recruiters, contractual relationships, agents, employees, intermediaries or other similar devices, individuals or entities. The foregoing terms are not intended to, nor should they, be construed to broaden the scope of any activity prohibited or restricted by this Agreement.

(c) Nonsolicitation of Customers. During your employment by the Company and for a one-year period following the termination of your employment for any reason, including resignation or retirement, you will not, on your own behalf or on behalf of any Person, directly or indirectly: (i) solicit, call upon, initiate communication or contact, or transact business with any Customer (as such term is defined below) to become a customer or engage the services of any other Person conducting a Competitive Business; or (ii) induce any Customer to terminate or negatively modify its actual or prospective business relationship with the Company or its Affiliates.

(d) Nonsolicitation of Employees. During your employment by the Company and for a one year period following the termination of your employment for any reason, you will not, on your own behalf or on behalf of any Person, directly or indirectly, solicit, hire or cause to be hired, including by way of introduction to any third-party with hiring authority, any individual who was an employee of the Company or its Affiliates at the time of your termination or at any time within the six-month period preceding the date of termination of your employment, to work or provide services for any Person that engages in a Competitive Business within the Market Area; *provided, however*, nothing in this Section 5(d) is intended to prevent the hire of any Person who responds to a publicly posted, bona fide job advertisement so long as you do not otherwise violate the terms of this Section 5(d) and so long as the employment of such Person does not violate the terms of any agreement such Person has with the Company.

(e) Definitions. As used in this Agreement, the following terms shall mean:

“Competitive Business” means the financial services business, which includes the most comprehensive of the following distinctly severable businesses: (i) consumer and commercial banking (including the offering of depository accounts and consumer, commercial and real estate lending products and services); (ii) residential and commercial mortgage lending, (iii) insurance brokerage, and (iv) any other business in which the Company or any of its Affiliates are engaged at any time within the six (6) months preceding the termination of your employment from the Company for any reason;

“Market Area” means the following distinctly severable areas, and includes physical presence in addition to providing services remotely via teleworking or telecommuting: (i) the cities of Chesapeake, Portsmouth, Norfolk, Suffolk, Virginia Beach, Hampton, Poquoson, Newport News, Williamsburg, and Richmond, and any counties contiguous thereto, within the Commonwealth of Virginia; (ii) the counties of James City, York, Isle of Wight, Gloucester, Henrico, Chesterfield and Hanover, and any counties or cities contiguous thereto, within the Commonwealth of Virginia; (iii) the cities of Raleigh, Charlotte, Greensboro, Winston-Salem, High Point, and Greenville, and the town of Cary, North Carolina (including if and when it elects to become a city), within the State of North Carolina; (iv) the counties of Wake, Mecklenburg, Guilford, Randolph, Forsyth, Davidson, Dare, Currituck, Camden and Pasquotank, and any counties or cities contiguous thereto, within the State of North Carolina; and (v) any other city, county or recognized municipality within the Commonwealth of Virginia, the State of North Carolina, or in any other state within the United States in which the Company has established and is continuing to operate an office (excluding for purposes of this Agreement a non-banking office that provides residential mortgage loans), or where the Company has filed the required regulatory applications for approval to open an office, at the time of termination of your employment.

“Customer” means (i) customers or clients of the Company or its Affiliates; and (ii) prospective customers or clients of the Company; provided, that such

Customers shall be limited to only those (A) with whom you had Material Work Contact (defined below) for the purpose of providing or offering to provide products or services in furtherance of Competitive Business of the Company or any of its Affiliates anytime during the twelve (12) months preceding the termination of your employment for any reason or, (B) about whom you acquired Confidential Information because of your position in the Company, the use of which by you outside of your authorized employment duties with the Company or the disclosure of which by you to a Person outside of the Company would provide you or such Person a competitive advantage against the Company.

“Material Work Contact” means contact by you in person, by telephone, by videoconference or by email, text message or other digital communication in connection with or in furtherance of Competitive Business of the Company or its Affiliates anytime within the twelve (12) months preceding your termination from the Company for any reason.

“Person” means any person, partnership, corporation, company, group or other entity.

“Confidential Information” means information about the Company, its Affiliates (but only to the extent you were exposed to or utilized such information with respect to any Affiliate), its employees or its customers which is of tangible or intangible value, which is not generally known outside of the Company nor publicly available, which you learned of in connection with your employment with the Company and which would be useful to competitors or Persons outside of the Company or otherwise damaging to the Company if disclosed or misused. provided that no item designated as Confidential Information in this Agreement shall be confidential if such designation shall violate any law or regulation applicable to the Company or its Affiliates. Confidential Information includes, but is not limited to: (i) the identity and points of contact information of clients, customers and prospective clients and customers; (ii) the terms and conditions under which the Company provides products or services to its clients and customers, including uniquely negotiated terms and conditions and historical terms and conditions under which products and services have been provided; (iii) information stored in the Company’s client and customer relationship management systems, pipeline reports, and other similar information repositories; (iv) the identity and points-of-contact information of vendors, consultants, service providers, and strategic business partners, the terms accepted for their products or services, and the details of joint development or joint venture projects; (v) the terms and conditions under which the Company and its Affiliates employs its employees or engages its independent contractors (excluding the terms and conditions of your own employment with the Company, unless otherwise legally restricted by this Agreement or Company policy); (vi) information technology designs and platforms, software architecture (whether owned or licensed), coding design and code, programming tools, databases, and similar technology used to develop, market, or provide products and services; (vii) information related to contemplated, pending, or closed transactions; (viii) marketing plans, business development and expansion plans, merger and acquisition plans, and associated growth strategies; (ix) proposals or responses to requests for proposals (irrespective of the outcome of such proposals); (x) market research information, whether developed internally or acquired from third-parties; (xi) information provided by any third party when such information is provided on a confidential basis, whether or not covered by a non-disclosure or confidentiality agreement; (xii) financial reports and analyses regarding revenues, expenses, profits, losses, solvency, liquidity, investments, cash flows, credit, lines of credit, credit limits, mortgages, and encumbrances; (xiii) information or data that qualifies as a

trade secret under applicable law; (xiv) non-public intellectual property holdings of the Company; (xv) all Confidential Information disclosed or provided to you, irrespective of when you execute this Agreement; (xvi) information regarding potential, threatened, pending, or closed legal matters; and (xvii) all drafts, notes, versions and edits to any document or piece of Confidential Information.

(f) Disclosure and Use Restrictions.

(i) You agree and covenant:

(A) to treat all Confidential Information as strictly confidential;

(B) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any Person whatsoever (including other employees of the Company or Affiliates) not having a need to know and authority to know and to use the Confidential Information in connection with the business of the Company and, in any event, not to anyone outside of the direct employ of the Company or its Affiliates except as required in the performance of any of your authorized employment duties; and

(C) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company or its Affiliates. except as required in the performance of any of your authorized employment duties or with the prior consent of an authorized officer acting on behalf of the Company or its Affiliates. You understand and acknowledge that your obligations under this Agreement regarding any particular Confidential Information begin immediately and shall continue during and after your employment with the Company ends until the Confidential Information has become public knowledge other than as a result of your breach of this Agreement or a breach by those acting in concert with you.

(ii) Nothing in this Agreement restricts or prohibits your or your counsel from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the "Regulators"), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. You do not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents containing confidential information to the Regulators, or make

any such reports or disclosures to the Regulators. You are not required to notify the Company that you or your counsel have engaged in such communications with the Regulators. You recognize and agree that, in connection with any such activity outlined above, you must inform the Regulators that the information you or your counsel is providing is confidential.

(iii) Federal law provides certain protections to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances. Specifically, federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret under either of the following conditions:

- Where the disclosure is made (a) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (b) solely for the purpose of reporting or investigating a suspected violation of law; or
- Where the disclosure is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Federal law also provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

(g) Duration of Confidentiality Obligations. You understand and acknowledge that your obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon your first having access to such Confidential Information and shall continue until: (i) such time as such Confidential Information has become public knowledge other than as a result of your breach of this Agreement or breach by those acting in concert with you or on your behalf; or (ii) the expiration of sixty (60) months following the termination of your employment from the Company for any reason, whichever occurs first (“Non-Disclosure Period”); *provided, however*, that there shall be no time limitation applicable to trade secrets, or information otherwise protected by law, which are protected without temporal limitation under applicable law.

(h) Acknowledgment. The covenants contained in this Section 5 shall be construed and interpreted in any proceeding to permit their enforcement to the maximum extent permitted by law. You agree that the restrictions imposed herein are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restrictions is reasonable in respect to length of time, geographic area and scope of prohibited activities, and that the restrictions are neither overly restrictive on your post-employment activity nor overly burdensome for you to abide by. You covenant that you will not make any contention contrary to any of the foregoing representations in the future and agree that you will be estopped to deny or contradict the truth or accuracy of these representations. Notwithstanding anything to the contrary herein, nothing in this Agreement prohibits nor shall be construed to prohibit any activity that cannot reasonably be construed to further in any meaningful way any actual or potential competition against the Company and its Affiliates.

(i) Enforcement. You acknowledge that damages at law would not be a measurable or adequate remedy for breach of the covenants contained in this Section 5 and, accordingly, you agree to submit to the equitable jurisdiction of any court of competent jurisdiction in connection with any action to enjoin you from violating any such covenants. "Final Determination" shall mean the expiration of time to file any possible appeal from a final judgment in such legal action or, if an appeal be taken, the final determination of the final appellate proceeding. All the provisions of this Section 5 will survive termination and expiration of this Agreement.

(j) Tolling of Certain Periods. The post-employment one-year periods governing your obligations of Noncompetition and Nonsolicitation in Section 5 of this Agreement and the Non-Disclosure Period ("Periods") do not include any period of time during which you are in breach of this Agreement, nor do they include any period of time required for litigation to enforce your promises in Sections 5 of this Agreement. Each day during any Period during which you breach any promise you make in Section 5 of this Agreement, or each day during any Period required for litigation necessary to enforce your promises in Section 5 of this Agreement, shall extend the applicable Period(s) by one (1) additional day, so that the Company obtains the full benefit of the Period(s); *provided, however*, under no circumstances shall any Period exceed the maximum amount of time defined by the Period. If litigation is commenced against you to enforce this Agreement, you understand the applicable Period(s) shall be tolled immediately upon the filing of a civil action by the Company alleging a violation of this Agreement and shall remain tolled until the Final Determination of such litigation. Further, you acknowledge that the provisions calling for a look back period (i.e., "the twelve (12) months preceding the termination of your employment...") are intended solely as a means of narrowing the definitions of Competitive Business, Customer, Market Area, etc., and are not intended to, nor shall they, under any circumstance, be construed to define the duration of any Period.

The foregoing notwithstanding, for the avoidance of doubt, in the event of a Change in Control of the Company, nothing in this Section 5(j) is intended to, nor shall it, excuse or release you from (A) complying with paragraphs (b) and (c), respectively, of Section 5 of this Agreement if your employment is terminated for Cause by the Company or by you without Good Reason, or (B) complying with any other term of this Agreement that is intended to survive the termination of your employment for any reason, including, for example, your obligations of confidentiality and nondisclosure as more fully set forth in paragraphs (f) and (g), respectively, of Section 5 of this Agreement.

6. Change in Control of the Company. In the event there is a Change in Control of the Company (as defined in that certain Change in Control Agreement between you and the Company, dated as of the same date as this Agreement), this Agreement will terminate as of the date of the Change in Control and be of no further force and effect, except as provided in the Change in Control Agreement, and any severance and other benefits to which you may be entitled in connection with the termination of your employment will be determined and paid solely pursuant to the Change in Control Agreement; provided for purposes of clarity that the Change in Control Agreement will not supersede or affect the terms of any stock award agreement, supplemental executive retirement plan, or other separate and independent contractual agreement between the Company and you, but under no circumstances shall you receive severance payments and benefits both under this Agreement and the Change in Control Agreement.

7. Arbitration.

(a) Except as provided in Section 7(c) below, this Agreement and any arbitration required hereunder shall be governed by the Federal Arbitration Act (“FAA”) to the exclusion of any state law inconsistent with the FAA. Both the Company and you acknowledge and agree that any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, or and dispute or controversy arising out of, relating to, or in connection with your employment with the Company or the termination of that employment, or any alleged violation of any federal, state, or local statute, regulation, common law, or public policy related to your employment with the Company shall be submitted to and shall be settled by binding arbitration, unless otherwise required by law, before a single arbitrator to be held in Suffolk, Virginia in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator’s decision in any court having jurisdiction. You specifically agree that for the purposes of any motion for summary judgment, or similar dispositive motion that is the functional equivalent to summary judgment, the arbitrator shall comply with and apply the substantive and procedural standards and procedures as set forth in Rule 56 of the Federal Rules of Civil Procedure in accordance with the applicable decisions of the federal district courts within the Commonwealth of Virginia and the federal district courts within the jurisdiction of the Fourth Circuit Court of Appeals. To the maximum extent allowed by law, the party against whom the arbitrator(s) shall render an award shall pay the other party’s reasonable attorneys’ fees and other reasonable costs and expenses in connection with the enforcement of its rights under this Agreement (including the enforcement of any arbitration award in court), unless and to the extent the arbitrator(s) shall determine that under the circumstances recovery by the prevailing party of all or a part of any such fees and costs and expenses would be unjust.

(b) The parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration agreement and without abridgment of the powers of the arbitrator. The exclusive venue for any court proceeding shall be the Circuit Court of the City of Virginia Beach or the United States District Court for the Eastern District of Virginia (Norfolk Division), chosen at the sole option of the Company.

(c) YOU HEREBY CONFIRM YOU HAVE READ AND UNDERSTAND THIS SECTION 7, WHICH DISCUSSES ARBITRATION, AND UNDERSTAND THAT BY SIGNING THIS AGREEMENT, YOU AGREE, EXCEPT AS PROVIDED IN SECTION 7(b), TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, UNLESS OTHERWISE REQUIRED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF YOUR RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF YOUR RELATIONSHIP WITH THE COMPANY. THE FOREGOING NOTWITHSTANDING, NOTHING IN SECTION 7 OF THIS AGREEMENT SHALL COMPEL MANDATORY ARBITRATION OF CLAIMS OF “SEXUAL ASSAULT” OR “SEXUAL HARASSMENT” AS DEFINED IN THE “ENDING FORCED ARBITRATION OF SEXUAL ASSAULT AND SEXUAL HARASSMENT ACT OF 2022” (THE “ACT”), PROVIDED FURTHER THAT NOTHING IN THIS AGREEMENT SHALL PREVENT ARBITRATION OF SUCH SEXUAL

ASSAULT OR SEXUAL HARASSMENT CLAIMS AS SPECIFICALLY ALLOWED FOR BY THE ACT.

8. Non-disparagement. You will not at any time during or after the Employment Period make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company or its business, or any of its directors, employees, customers, and other associated third parties. The Company will not at any time during the or after the Employment Period make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning you. This Section 7 does not, in any way, restrict or impede you from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by law, regulation or order. You shall promptly provide written notice of any such order to the Company.

9. Miscellaneous.

(a) Severability. If any clause or provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement that is illegal, invalid or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and as may be legal, valid and enforceable.

(b) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of law principles.

(c) Entire Agreement; Amendments. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between the parties, including but not limited to the Employment Agreement, dated as of September 25, 2007, between the Company and you. This Agreement may be amended only by an agreement signed by the parties hereto.

(d) Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising, in whole or in part, any right, power, or privilege under this Agreement will operate as a waiver of such right, power, or privilege.

(e) Binding Effect; Survival. This Agreement is binding upon and shall inure to the benefit of the parties and their respective successors, heirs and assigns, provided that no part of this Agreement is assignable by you. Except as otherwise expressly provided herein, upon the termination or expiration of this Agreement the respective rights and obligations of the parties hereto shall survive such termination or expiration to the extent necessary to carry out the intentions of the parties set forth in this Agreement.

(f) No Construction Against Any Party. This Agreement is the product of informed negotiations between parties. If any part of this Agreement is deemed to be unclear or ambiguous, it shall be construed as if it were drafted jointly by all parties. The parties agree neither party was in a superior bargaining position regarding the substantive terms of this Agreement.

(g) Clawback. Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation or award that you receive, or have received, from the Company or any Affiliates under this Agreement or otherwise, will be subject to such deductions and clawback by the Company as may be required by applicable law, government regulation or stock exchange listing requirement and on such basis as the Board of Directors of the Company determines, including pursuant to any incentive compensation clawback policy adopted by the Board of Directors, but in no event with a look-back period of more than three years, unless required by applicable law or stock exchange listing requirement.

(h) Documents. All documents, records, tapes and other media of any kind or description relating to the business of the Company or its Affiliates (the “Documents”), whether or not prepared by you, shall be the sole and exclusive property of the Company. The Documents and any copies thereof stored in any manner, together with any Company issued equipment, vehicles, keys, security devices, identification cards, computers, cell phones and other devices, that are in your possession or control shall be returned to the Company immediately upon your termination of employment for any reason or at such earlier time as the Board of Directors of the Company or its designees may specify.

(i) Section 409A Compliance. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a “separation from service” under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by you on account of non-compliance with Section 409A.

Notwithstanding anything to the contrary herein, to the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Code to payments due to you upon or following a “separation from service,” then notwithstanding any other provision of this Agreement (or any otherwise applicable plan, policy, agreement or arrangement), any such payments that are otherwise due within six months following your “separation from service” (taking into account the preceding sentence of this paragraph) will be deferred without interest and paid to you in a lump sum immediately following that six month period (or, if earlier, upon your death).

Notwithstanding anything in this Agreement to the contrary, to the extent that any payments or benefits hereunder are contingent upon you executing a Release, and the 45-day period you are given to consider the Release spans two calendar years, then in no event will any such payments or benefits commence to be paid or be paid earlier than the first day of the second calendar year in such period. To the extent applicable, any amounts held back in the first calendar year pursuant to this provision will be paid to you on the same date that the payments or benefits otherwise commence to be paid or are paid in the second calendar year.

Notwithstanding anything in this Agreement to the contrary, to the extent an expense, reimbursement or in-kind benefit provided to you pursuant to this Agreement or otherwise constitutes a “deferral of compensation” within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to you during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to you in any other calendar year, (ii) the reimbursements for expenses for which you are entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, and (iii) the right to payment or reimbursement of in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

(j) Notices. Notices and all other communications required to be delivered under this Agreement shall be in writing and shall be delivered personally or sent by mail or overnight carrier addressed to the Chief Executive Officer or the President of the Company at the Company’s principal corporate offices and, in your case, to you at your address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

(k) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same instrument. Electronic, facsimile and .PDF signatures shall be valid as if they were original signatures.

(l) Acknowledgement of Full Understanding. YOU ACKNOWLEDGE AND AGREE: (i) THAT YOU HAVE FULLY READ, UNDERSTAND AND ARE VOLUNTARILY ENTERING INTO THIS AGREEMENT; AND (ii) THAT, YOU HAVE HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF YOUR CHOICE BEFORE SIGNING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year first above written.

TOWNEBANK

By: \_\_\_\_\_  
William I. Foster III  
President and Chief Executive Officer

\_\_\_\_\_  
Brian K. Skinner

**AMENDED AND RESTATED  
CHANGE IN CONTROL EMPLOYMENT AGREEMENT**

This Amended and Restated Change in Control Employment Agreement (“Agreement”) is dated as of December 20, 2023, by and between TowneBank, a Virginia banking corporation (the “Company”), and Brian K. Skinner.

WHEREAS, the Company and you desire to enter into this Agreement setting forth new terms and conditions of your employment following a Change in Control of the Company, which will supersede the terms set forth in your original Change in Control Agreement, dated as of September 25, 2007.

The parties, intending to be legally bound, agree as follows:

1. Purpose. The Company recognizes that the possibility of a Change in Control (as defined in Section 14) exists, and the uncertainty and questions that it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. Accordingly, the purpose of this Agreement is to encourage you to continue employment with the Company and/or its affiliates or successors in interest by merger or acquisition after a Change in Control by providing reasonable employment security to you and to recognize your prior service in the event of a termination of employment under certain circumstances after a Change in Control.

2. Term of the Agreement. This Agreement will be effective as of the date of this Agreement and will expire on December 31, 2026; provided that on December 31, 2024 and on each December 31st thereafter (each such December 31st is referred to as the “Renewal Date”), this Agreement will be automatically extended for an additional calendar year so as to terminate three years from such Renewal Date. This Agreement will not, however, be extended if the Company gives written notice of such non-renewal to you before the Renewal Date (the original and any extended term of this Agreement is referred to as the “Change in Control Period”).

3. Employment after a Change in Control. If a Change in Control of the Company occurs during the Change in Control Period and you are employed by the Company on the date the Change in Control occurs (the “Change in Control Date”), the Company will continue to employ you in accordance with the terms and conditions of this Agreement for the period beginning on the Change in Control Date and ending on the third anniversary of such date (the “Employment Period”). If a Change in Control occurs on account of a series of transactions, the Change in Control Date is the date of the last of such transactions.

4. Terms of Employment.

(a) Position and Duties. During the Employment Period, (i) your position, authority, duties and responsibilities will be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Change in Control Date and (ii) your services will be performed at the location where you were employed immediately preceding the Change in Control Date or any office that is the headquarters of the Company and is less than thirty-five (35) miles from such location.

(b) Compensation.

(i) Base Salary. During the Employment Period, you will receive an annual base salary (the “Annual Base Salary”) at least equal to the base salary paid or payable to you by the Company and its affiliated companies for the twelve-month period immediately preceding the Change in Control Date. During the Employment Period, the Annual Base Salary will be reviewed at least annually and will be increased at any time and from time to time as will be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other peer executives of the Company and its affiliated companies. Any increase in the Annual Base Salary will not serve to limit or reduce any other obligation to you under this Agreement. The Annual Base Salary will not be reduced after any such increase, and the term Annual Base Salary as used in this Agreement will refer to the Annual Base Salary as so increased. The term “affiliated companies” includes any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to the Annual Base Salary, you will be eligible to earn for each calendar year ending during the Employment Period and for which you are employed on the last day of the year an annual performance bonus (the “Annual Bonus”). Such annual bonus opportunity will typically be expressed as a percentage of base salary, but in any event will be at least equal to the annual bonus opportunity in effect for you during the calendar year immediately preceding the year in which the Change in Control occurs. The payment of each such Annual Bonus will be based on the achievement of the then applicable performance metrics, which shall be substantially similar to those metrics applicable to similarly situated officers. The Annual Bonus will be paid no later than two and one-half months after the end of the year for which the Annual Bonus is awarded.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, you will be entitled to participate in all incentive (including stock incentive), savings and retirement plans, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event will such plans, policies and programs provide you with incentive opportunities, savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than those provided by the Company and its affiliated companies for you under such plans, policies and programs as in effect at any time during the six months immediately preceding the Change in Control Date.

(iv) Welfare Benefit Plans. During the Employment Period, you and/or your family, as the case may be, will be eligible for participation in and will receive all benefits under welfare benefit plans, policies and programs provided by the Company and its affiliated companies to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event will such plans, policies and programs provide you with benefits that are less favorable, in the aggregate, than the most favorable of such plans, policies and programs in effect at any time during the six months immediately preceding the Change in Control Date.

(v) Fringe Benefits. During the Employment Period, you will be entitled to fringe benefits in accordance with the most favorable plans, policies and programs of the Company and its affiliated companies in effect for you at any time during the six months immediately preceding the Change in Control Date or, if more favorable to you, as in effect generally from time to time after the Change in Control Date with respect to other peer executives of the Company and its affiliated companies.

(vi) Paid Time Off. During the Employment Period, you will be entitled to paid time off in accordance with the most favorable plans, policies and programs of the Company and its affiliated companies in effect for you at any time during the six months immediately preceding the Change in Control Date or, if more favorable to you, as in effect generally from time to time after the

Change in Control Date with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment Following Change in Control.

(a) Death or Disability. Your employment will terminate automatically upon your death during the Employment Period. If the Company determines in good faith that a Disability event has occurred during the Employment Period, it may terminate your employment. For purposes of this Agreement, “Disability” means your inability to perform substantially all of your duties and responsibilities hereunder, which disability lasts for an uninterrupted period of at least 180 days or a total of at least 240 days out of any consecutive 360 day period as a result of your incapacity due to physical or mental illness (as determined by an independent physician selected by the Company).

(b) Cause. The Company may terminate your employment during the Employment Period for Cause. For purposes of this Agreement, “Cause” means: (i) gross incompetence, gross negligence or willful misconduct in connection with the performance of your duties or breach of a fiduciary duty owed to the Company or any of any of its affiliated companies; (ii) conviction of or entering of a guilty plea or plea of no contest with respect to a felony or a crime of moral turpitude or to commission of an act of embezzlement or fraud against the Company or any of its affiliated companies; (iii) any material breach by you of a material term of this Agreement, including, without limitation, material failure to perform a substantial portion of your duties and responsibilities hereunder, after being advised in writing of such breach or failure and being given a reasonable opportunity and period to remedy such breach or failure; or (iv) your deliberate dishonesty with respect to the Company or any of its affiliated companies.

(c) Good Reason. Your employment may be terminated during the Employment Period by you for Good Reason if you provide a Notice of Termination (as defined below) to the Company describing the existence of the event or condition constituting such Good Reason within ninety (90) days after the initial occurrence of the event or condition alleged to constitute Good Reason. Upon delivery of such notice by you, the Company shall have a period of thirty (30) days during which it may remedy in good faith the event or condition constituting Good Reason, and your employment shall continue in effect during such time. In the event the Company shall remedy in good faith the event or condition constituting Good Reason, then such Notice of Termination shall be null and void, and the Company shall not be required to pay the amounts described under Section 6(a) herein. If such event or condition is not remedied within such thirty (30) day period, you will have thirty (30) days after the period for remedying such event or condition has expired to resign your employment for Good Reason. If you have not resigned your employment within that period, you will no longer have a basis to resign for Good Reason on those grounds.

For purposes of this Agreement, “Good Reason” means:

(i) the assignment to you, without your written consent, of duties or responsibilities inconsistent with your position, authority, duties or responsibilities as contemplated by Section 4 hereof;

(ii) any action taken by the Company that results in any material reduction in your status, including a diminution in your position, authority, duties or responsibilities;

(iii) a failure by the Company to comply with or honor any term or provision of this Agreement, including without limitation the provisions of Section 4(b) and Section 9(b);

(iv) the Company's requiring you to be based at any office or location other than that described in Section 4(a)(ii); or

(v) you are directed by the Board or an officer of the Company or any affiliated company to engage in conduct that is unethical, illegal or contrary to the Company's good business practices.

(d) Notice of Termination. Any termination during the Employment Period by the Company or by you for Good Reason shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(e) Date of Termination. "Date of Termination" means (i) if your employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, or (ii) if your employment is terminated by the Company other than for Cause or by you for Good Reason, the date specified in the Notice of Termination, (iii) if your employment is terminated for Disability, 30 days after Notice of Termination is given, provided that you shall not have returned to the full-time performance of your duties during such 30-day period, and (iv) if your employment is terminated by you without Good Reason, thirty (30) days after the receipt of your written notice by the Company.

(f) Resignation of All Other Positions. Effective upon the termination of your employment for any reason, you shall be deemed to have resigned from all positions you hold as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

## 6. Compensation Upon Termination.

(a) Termination Without Cause or for Good Reason. You will be entitled to the following benefits if, during the Employment Period, the Company terminates your employment without Cause, or you terminate your employment with the Company for Good Reason; provided with respect to the payments and benefits set forth only in paragraphs (ii) and (iii) below you sign a release and waiver of claims in favor of the Company, its affiliates and their respective officers and directors in a form with reasonable and customary terms and conditions reasonably prescribed by the Company (the "Release"), and such Release has become effective within the 45 day period following the Date of Termination (but for avoidance of doubt, no Release is required in connection with the payments set forth in paragraph in (i) below).

(i) Accrued Obligations. The Accrued Obligations are the sum of: (1) any portion of your Annual Base Salary earned but unpaid through the Date of Termination at the rate in effect just prior to the time a Notice of Termination is given; (2) the amount, if any, of any incentive or bonus compensation theretofore earned which has not yet been paid; (3) the product of the annual bonus (including the grant date market value of any restricted stock or other stock based award that comprises a portion of the annual bonus) earned, including by reason of deferral, for the most recently completed year and a fraction, the numerator of which is the number of days in the current year through the Date of Termination and the denominator of which is 365; and (4) any benefits or awards (including both the cash and stock components) which pursuant to the terms of any plans, policies or programs have been earned or become payable, but which have not yet been paid to you (but not including amounts that previously had been deferred at your request, which amounts will be paid in accordance with your existing directions). The Accrued Obligations will be paid to you in a lump sum cash payment within ten days after the Date of Termination, provided that no accelerated payment of an Accrued Obligation will occur

if such acceleration will trigger an excise tax under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(ii) Salary Continuance Benefit. The Salary Continuance Benefit is an amount equal to 2.9 times your Final Compensation. For purposes of this Agreement, "Final Compensation" means the Annual Base Salary in effect at the Date of Termination (which, for the avoidance of doubt shall not be reduced by any amount contributed by you during the most recently completed year pursuant to a salary reduction agreement or any other program that provides for pre-tax salary reductions or compensation deferrals), plus the highest annual bonus (including the grant date market value of any restricted stock or other stock based award that comprises a portion of the annual bonus) earned for the two most recently completed years. Subject to your fulfillment of the Release requirement described above, (a) if the termination of employment entitling you to the Salary Continuance Benefit occurs on or prior to the second anniversary of a Change in Control, the Salary Continuance Benefit will be paid to you in a lump sum cash payment within 45 days of the Date of Termination, and (b) if the termination of employment entitling you to the Salary Continuance Benefit occurs after the second anniversary but on or prior to the third anniversary of the Change in Control, the Salary Continuance Benefit will be paid on the same periodic dates as salary payments would have been made to you had your employment not been terminated, over the 35 month period following the Date of Termination (which period is intended to correlate to the 2.9 years following the Date of Termination), with one twelve (1/12) of the Final Compensation paid during each of the first 34 months, and any remaining amount of the Salary Continuance Benefit paid in the 35th month.

(iii) Welfare Continuance Benefit. The "Welfare Continuance Benefit" is an amount equal to the product of thirty-six (36) times the monthly rate of the Company's subsidy for health and dental plans for similarly situated active employees in effect for you on the Date of Termination. The Welfare Continuance Benefit will be paid to you in a lump sum cash payment within forty-five (45) days of the Date of Termination.

(b) Death. If you die during the Employment Period, this Agreement will terminate without any further obligation on the part of the Company under this Agreement, other than for (i) payment of the Accrued Obligations and three months of your Base Salary (which shall be paid to your beneficiary designated in writing or your estate, as applicable, in a lump sum cash payment within 30 days of the date of death); (ii) the timely payment of the Welfare Continuance Benefit pursuant to Section 6(a)(iii); and (iii) the timely payment of all death and retirement benefits pursuant to the terms of any plan, policy or arrangement of the Company and its affiliated companies.

(c) Disability. If your employment is terminated because of your Disability during the Employment Period, this Agreement will terminate without any further obligation on the part of the Company under this Agreement, other than for (i) payment of the Accrued Obligations in a lump sum cash payment within ten days; (ii) (x) if the termination of employment due to Disability occurs on or prior to the second anniversary of a Change in Control, an amount equal to the Annual Base Salary in effect at the Date of Termination, in a lump sum cash payment within 45 days of the Date of Termination, and (y) if the termination of employment due to Disability occurs after the second anniversary but on or prior to the third anniversary of the Change in Control, an amount equal to the Annual Base Salary in effect at the Date of Termination, paid over a 12 month period in substantially equal installments, on the same periodic dates as salary payments would have been made to you had your employment not been terminated; (iii) the timely payment of the Welfare Continuance Benefit pursuant to Section 6(a)(iii) on the terms and conditions set forth therein; and (iv) the timely payment of all disability and retirement benefits pursuant to the terms of any plan, policy or arrangement of the Company and its affiliated companies.

(d) Cause; Other than for Good Reason. If your employment is terminated for Cause during the Employment Period, this Agreement will terminate without further obligation to you other than the payment to you of the portion of the Annual Base Salary earned but unpaid through the Date of Termination (paid within ten days of the Date of Termination), plus the amount of any compensation previously deferred by you, and any other benefits to which you may be entitled pursuant to the terms of any plan, program or arrangement of the Company and its affiliated companies. You may terminate your employment under this Agreement without Good Reason (as defined above) by written notice to the Company effective thirty (30) days after receipt of such notice by the Company. If you terminate your employment during the Employment Period, excluding a termination for Good Reason, this Agreement will terminate without further obligation to you other than the payment to you of the portion of the Annual Base Salary earned but unpaid through the Date of Termination (paid within ten days of the Date of Termination), plus the amount of any compensation previously deferred by you, and any other benefits to which you may be entitled pursuant to the terms of any plan, program or arrangement of the Company and its affiliated companies.

(e) Regulatory Requirement. The Company shall not be required to make payment of, or provide any benefit under, this Section 6 to the extent such payment or benefit is prohibited by the regulations presently found at 12 C.F.R. Part 359 or to the extent that any other governmental approval for the payment or benefit that is required by law is not received.

7. Possible Reduction in Payments and Benefits.

(a) Notwithstanding any other provision of this Agreement or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to you or for your benefit pursuant to the terms of this Agreement or otherwise (the "Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of the Code and would, but for this Section 7, be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then prior to making the Covered Payments, a calculation shall promptly be made comparing (i) the Net Benefit (as defined below) to you of the Covered Payments after payment of the Excise Tax (the "Full Net Benefit Amount") to (ii) the Net Benefit to you if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Net Benefit Amount").

(b) If, and only if, the Full Net Benefit Amount does not exceed the Reduced Net Benefit Amount by at least \$25,000, then the Covered Payments will be reduced to the Reduced Net Benefit Amount in order to ensure that no portion of the Covered Payments is subject to the Excise Tax. Otherwise, no reduction of or adjustment to the Covered Payments shall be made. "Net Benefit" shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes as determined under Section 280G of the Code. For purposes of illustration only, if the Reduced Net Benefit Amount is \$1,000,000, the Full Net Benefit Amount must be equal to at least \$1,025,000 in order for the Covered Payments not to be reduced so as to avoid being subject to the Excise Tax.

(c) Any such reduction shall be made in accordance with Section 409A of the Code and the following:

(i) the Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first on a pro rata basis; and

(ii) all other Covered Payments shall then be reduced as follows: (A) cash payments shall be reduced before non-cash payments; and (B) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

(d) Any determination required under this Section 7, including whether any payments or benefits are Parachute Payments, shall be made in writing in good faith by an independent accounting firm or independent tax counsel selected by the Company that is reasonably acceptable to you (the "Tax Advisor"), which shall provide detailed supporting calculations to the Company and you as requested by the Company or you. The Company and you shall provide the Tax Advisor with such information and documents as the Tax Advisor may reasonably request in order to make a determination under this Section 7. For purposes of making the calculations and determinations required by this Section 7, the Tax Advisor may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Tax Advisor's determinations shall be final and binding on the Company and you. The Company shall be responsible for all fees and expenses incurred by the Tax Advisor in connection with the calculations required by this Section 7.

(e) It is possible that after the determinations and selections made pursuant to this Section 7 you will receive Covered Payments that are in the aggregate more than the amount provided under this Section 7 (an "Overpayment" ) or less than the amount provided under this Section 7 (an "Underpayment").

(i) In the event that: (A) the Tax Advisor determines, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or you which the Tax Advisor believes has a high probability of success, that an Overpayment has been made or (B) it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that has been finally and conclusively resolved that an Overpayment has been made, then you shall promptly pay any such Overpayment to the Company.

(ii) In the event that: (A) the Tax Advisor, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred or (B) a court of competent jurisdiction determines that an Underpayment has occurred, any such Underpayment will be paid promptly by the Company to you or for your benefit.

8. Loyalty Covenants. Sections 5 (including but not limited to Sections 5(b), 5(c), 5(d)) and Section 8 of the Amended and Restated Employment Agreement, dated as of the same date as this Agreement (the "Employment Agreement"), between the Company and you, will survive the termination of that agreement and are incorporated into and made a part of this Agreement as though Sections 5 and 8 of the Employment Agreement were set forth in full in this Agreement; provided, however, that you will not be subject to noncompetition and nonsolicitation of customers covenants set forth in Sections 5(b) and 5(c), respectively, of the Employment Agreement if your employment is terminated without Cause or for Good Reason following a Change in Control, but you will remain subject to the other provisions of Section 5, including but not limited to Section 5(d) dealing with nonsolicitation of employees and Section 5(f) dealing with the disclosure and use restrictions of Confidential Information, as such term is defined in Section 5(e) of the Employment Agreement.

9. Binding Agreement; Successors.

(a) This Agreement will be binding upon and inure to your benefit (and your personal representative), the Company and any successor organization or organizations which shall succeed to substantially all of the business and property of the Company, whether by means of merger,

consolidation, acquisition of all or substantially of all of the assets of the Company or otherwise, including by operation of law.

(b) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(c) For purposes of this Agreement, the term "Company" includes any subsidiaries of the Company and any corporation or other entity which is the surviving or continuing entity in respect of any merger, consolidation or form of business combination in which the Company ceases to exist or the formation by the Company of a holding company structure in which the shareholders of the Company become shareholders of the new holding company in substantially the same proportions as their ownership existed in the Company immediately prior to the transaction.

10. Fees and Expenses; Mitigation.

(a) For as long as the Agreement survives (as provided in Section 19), the Company will pay or reimburse you for all costs and expenses, including without limitation court or arbitration costs and reasonable attorneys' fees, incurred by you (i) in contesting or disputing any termination of your employment or (ii) in seeking to obtain or enforce any right or benefit provided by this Agreement, in each case regardless of whether or not your claim is upheld by a court of competent jurisdiction or by the arbitrator; provided, however, you will be required to repay any such amounts to the Company to the extent that a court or arbitrator issues a final and non-appealable order setting forth the determination that the position taken by you was frivolous or advanced by you in bad faith. The Company shall reimburse the foregoing costs on a current basis after you submit a claim for reimbursement with proper documentation of the expenses, provided that no expense will be reimbursed after the end of the year following the year in which the expense is incurred.

(b) You shall not be required to mitigate the amount of any payment the Company becomes obligated to make to you in connection with this Agreement, by seeking other employment or otherwise. The amount of any payment provided for in Section 6 shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

11. No Employment Contract. Nothing in this Agreement will be construed as creating an employment contract between you and the Company prior to Change in Control.

12. Outplacement Services. If you are entitled to the severance benefits under Section 6(a) due to a termination of employment by the Company without Cause or a resignation for Good Reason, you will be entitled to receive complete outplacement services, including job search services, paid by the Company up to a total of \$25,000. The services will be provided by a recognized outplacement organization selected by you with the approval of the Company (which approval will not be unreasonably withheld). You must receive the services within two years of the Date of Termination, and the services must be paid by the Company before the third anniversary of the Date of Termination. If you pay for the outplacement services directly, the Company shall reimburse you for the cost of the services (up to a total of \$25,000), provided that you submit to the Company, at least 90 days before the third anniversary of the Date of Termination, a claim for reimbursement with proper documentation of the expenses.

13. Notice. Any notices and other communications provided for by this Agreement will be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid (in

which case notice will be deemed to have been given on the third day after mailing), or by overnight delivery by a reliable overnight courier service (in which case notice will be deemed to have been given on the day after delivery to such courier service). Notices to the Company shall be directed to the Secretary of the Company, with a copy directed to the Chairman of the Board of the Company. Notices to you shall be directed to your last known address.

14. Definition of a Change in Control. No benefits shall be payable hereunder unless there shall have been a Change in Control of the Company as set forth below. For purposes of this Agreement, a "Change in Control" means any of (a), (b) or (c) below, provided that nothing shall constitute a "Change in Control" hereunder unless it is also a "change in control event" as defined in Treas. Reg. § 1.409A-3(i)(5).

(a) Individuals who constitute the Board on the date of this Agreement (the "Incumbent Board") cease to constitute a majority of the Board, provided that any director whose nomination was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board, but excluding any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company.

(b) Consummation by the Company of a reorganization, merger, share exchange or consolidation (a "Reorganization"), provided that a Reorganization will not constitute a Change in Control if, upon consummation of the Reorganization, each of the following conditions is satisfied:

(i) more than 60% of the then outstanding shares of common stock of the corporation resulting from the Reorganization is beneficially owned by all or substantially all of the former shareholders of the Company in substantially the same proportions, relative to each other, as their ownership existed in the Company immediately prior to the Reorganization;

(ii) no Person beneficially owns 20% or more of either the (1) then outstanding shares of common stock of the corporation resulting from the transaction or (2) the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors (for purposes of this Agreement, "Person" means any individual, entity or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act (the "Exchange Act") other than any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliated company, and "beneficial ownership" has the meaning given the term in Rule 13d-3 under the Exchange Act); and

(iii) at least a majority of the members of the board of directors of the corporation resulting from the Reorganization were members of the Incumbent Board at the time of the execution of the initial agreement providing for the Reorganization.

(c) The consummation of a sale or other disposition of all or substantially all of the assets of the Company.

15. Miscellaneous. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is approved by the Compensation Committee or the Board and agreed to in a writing signed by you and a duly authorized signatory of the Company. This Agreement replaces and supersedes your Change in Control Agreement, dated as of September 25, 2007, which shall have no further force or legal effect. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar

provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

16. Governing Law. This agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of law principles.

17. Arbitration.

(a) Except as provided in Section 17(c) below, this Agreement and any arbitration required hereunder shall be governed by the Federal Arbitration Act ("FAA") to the exclusion of any state law inconsistent with the FAA. Both the Company and you acknowledge and agree that any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof, or any dispute or controversy arising out of, relating to, or in connection with your employment with the Company or the termination of that employment, or any alleged violation of any federal, state, or local statute, regulation, common law, or public policy related to your employment with the Company shall be submitted to and shall be settled by binding arbitration, unless otherwise required by law, before a single arbitrator to be held in Suffolk, Virginia in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction. You specifically agree that for the purposes of any motion for summary judgment, or similar dispositive motion that is the functional equivalent to summary judgment, the arbitrator shall comply with and apply the substantive and procedural standards and procedures as set forth in Rule 56 of the Federal Rules of Civil Procedure in accordance with the applicable decisions of the federal district courts within the Commonwealth of Virginia and the federal district courts within the jurisdiction of the Fourth Circuit Court of Appeals.

(b) The arbitrator shall apply Virginia law to the merits of any dispute or claim, without reference to rules of conflicts of law; provided however, that federal law shall apply to all federal claims. You hereby consent to the personal jurisdiction of the state and federal courts located in Virginia for any action or proceeding arising from or relating to this Agreement or relating to any arbitration in which the parties are participants.

(c) The parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration agreement and without abridgment of the powers of the arbitrator.

(d) YOU HEREBY CONFIRM YOU HAVE READ AND UNDERSTAND THIS SECTION 17, WHICH DISCUSSES ARBITRATION, AND UNDERSTAND THAT BY SIGNING THIS AGREEMENT, YOU AGREE, EXCEPT AS PROVIDED IN SECTION 18(c), TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, UNLESS OTHERWISE REQUIRED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF YOUR RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF YOUR RELATIONSHIP WITH THE COMPANY. THE FOREGOING NOTWITHSTANDING, NOTHING IN SECTION 17 OF THIS AGREEMENT SHALL COMPEL MANDATORY ARBITRATION OF CLAIMS OF "SEXUAL ASSAULT" OR "SEXUAL HARASSMENT" AS DEFINED IN THE "ENDING FORCED ARBITRATION OF SEXUAL

ASSAULT AND SEXUAL HARASSMENT ACT OF 2022” (THE “ACT”), PROVIDED FURTHER THAT NOTHING IN THIS AGREEMENT SHALL PREVENT ARBITRATION OF SUCH SEXUAL ASSAULT OR SEXUAL HARASSMENT CLAIMS AS SPECIFICALLY ALLOWED FOR BY THE ACT.

18. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

19. Survival. Except as otherwise expressly provided herein, upon the Date of Termination or expiration of this Agreement at the completion of the Employment Period, the respective rights and obligations of the parties hereto shall survive such Date of Termination or expiration to the extent necessary to carry out the intentions of the parties embodied in the rights and obligations of the parties under this Agreement.

20. Deferred Compensation Omnibus Provision.

(a) It is intended that payments and benefits under this Agreement that are considered to be deferred compensation subject to Section 409A of the Code shall be provided and paid in a manner, and at such time and in such form, as complies with the applicable requirements of Section 409A of the Code to avoid the unfavorable tax consequences provided for therein for non-compliance. Nonetheless, the Company does not guaranty the tax treatment of any compensation payable to you. Notwithstanding any other provision of this Agreement, the Company’s Compensation Committee or Board of Directors is authorized to amend this Agreement, to amend or void any election made by you under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by it to be necessary or appropriate to comply with Section 409A of the Code. .

(b) Notwithstanding anything to the contrary herein, to the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Code to payments due to you upon or following a “separation from service,” then notwithstanding any other provision of this Agreement (or any otherwise applicable plan, policy, agreement or arrangement), any such payments that are otherwise due within six months following your “separation from service” (taking into account the preceding sentence of this paragraph) will be deferred without interest and paid to you in a lump sum immediately following that six month period (or, if earlier, upon your death).

(c) “Termination of employment” shall have the same meaning as “separation of service,” as that phrase is defined in Section 409A of the Code (taking into account all rules and presumptions provided for in the Section 409A regulations). Notwithstanding anything to the contrary in this Agreement, no portion of the benefits or payments payable hereunder (if any) due to a termination of employment will be paid until you have a “separation from service” from the Company within the meaning of Section 409A of the Code.

(d) Notwithstanding anything in this Agreement to the contrary, to the extent an expense, reimbursement or in-kind benefit provided to you pursuant to this Agreement or otherwise constitutes a “deferral of compensation” within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to you during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to you in any other calendar year, (ii) the reimbursements for expenses for which you are entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is

incurred, and (iii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

(e) Notwithstanding anything in this Agreement to the contrary, to the extent that any payments or benefits hereunder are contingent upon you executing a Release, and the 45 day period you are given to consider the Release spans two calendar years, then in no event will any such payments or benefits commence to be paid or be paid earlier than the first day of the second calendar year in such period. To the extent applicable, any amounts held back in the first calendar year pursuant to this provision will be paid to you on the same date that payments or benefits otherwise commence to be paid or are paid in the second calendar year.

21. Clawback. You agree that any incentive based compensation or award that you receive, or have received, from the Company or its affiliates under this Agreement or otherwise, will be subject to clawback by the Company as may be required by applicable law or stock exchange listing requirement and on such basis as the Board of the Company determines, including pursuant to any incentive compensation clawback policy adopted by the Company.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year first above written.

TOWNEBANK

By: \_\_\_\_\_  
William I. Foster III  
President and Chief Executive Officer

\_\_\_\_\_  
Brian K. Skinner

**TOWNEBANK**  
**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT**  
**FOR**  
**BRIAN K. SKINNER**

**Amended & Restated Effective January 1, 2019**

## **INTRODUCTION**

This TowneBank Supplemental Executive Retirement 2008 Plan Agreement (the “Plan”) is between TowneBank, a Virginia banking corporation (the “Bank”), and Brian K. Skinner (the “Participant”), is effective January 1, 2011, and is amended and restated effective January 1, 2019.

The Bank desires to provide an unfunded, nonqualified supplemental retirement benefit to the Participant, who is a select management and highly compensated employee who contributes materially to the long-term stability and financial success of the Bank. Benefits under this Plan are intended to supplement benefits under the Bank’s tax-qualified retirement plan. The Board has determined that the benefits to be paid to the Participant constitute reasonable compensation for the services to be rendered by the Participant.

## **ARTICLE I** **DEFINITIONS**

The following phrases or terms have the indicated meanings:

1.01     Bank. TowneBank and its successors and assigns.

1.02     Beneficiary. The person, persons, entity, entities or the estate of a Participant entitled to receive benefits under the Plan in accordance with a properly completed beneficiary designation form. If a Participant fails to complete a beneficiary designation form, or the form is incomplete, Beneficiary means the Participant’s surviving spouse if he is married as of his date of death; otherwise, the Participant’s estate. A Participant may amend or change his Beneficiary designation in accordance with procedures established by the Board,

1.03     Board. The Board of Directors of the Bank.

1.04     Cause. Cause has the same meaning as defined in the Participant’s Employment Agreement.

1.05     Committee. The Compensation Committee of the Bank’s Board of Directors, or such other Committee of the Board as may be delegated with the duty of administering and determining Participant eligibility under the Plan.

1.06     Code. The Internal Revenue Code of 1986, as amended.

1.07     Disability. A Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Bank.

1.08     Retirement Benefit. The annual benefit is \$329,644 (three hundred twenty-nine thousand six hundred forty-four dollars), and in no event may be benefit be less at age 65, except as provided in Article III.

1.09 Key Employee. Any Participant who, with respect to a publicly-traded company, is (i) one of the top-fifty most highly compensated officers with annual compensation in excess of \$175,000 (as adjusted from time to time by Treasury regulations); (ii) a five percent owner of the Bank; or (iii) a one percent owner of the Bank with annual compensation in excess of \$150,000 (as adjusted from time to time by Treasury regulations).

1.10 Participant. An eligible employee who is a member of management or is a highly compensated employee of the Bank, as defined in the Employee Retirement Income Security Act of 1974, and who is designated by the Board or Committee to participate in the Plan in accordance with Article II.

1.11 Retirement. Separation from service with the Bank on or after age 65.

## **ARTICLE II PARTICIPATION**

A Participant's participation in the Plan shall begin as of the date specified by the Committee.

## **ARTICLE III BENEFITS**

3.01 Retirement Benefit. Upon Retirement, the Participant shall be entitled to an annual Retirement Benefit equal to 40% of the Participant's 2019 base salary with an annual 4% increase until age 65. Accordingly, assuming a full-service period through October 11, 2035, the annual Retirement Benefit will equal \$329,644 (three hundred twenty-nine thousand six hundred forty four dollars), and in no event may the benefit be less at age 65, except as otherwise provided in Article III. The Retirement Benefit is payable in monthly installments for a period of 15 years.

If a Participant voluntarily terminates employment or becomes Disabled before October 11, 2035, the Participant shall be entitled to the annual reduced "Vested Benefit" that has vested according to the vesting schedule under Section 3.03. Reduced benefit payments shall not begin until after October 11, 2035, as provided in Section 3.02. The reduced benefit is payable in monthly installments for a period of 15 years.

3.02 Timing of Payment. Upon Retirement, payment of the Participant's Retirement Benefit shall begin as of the first pay period of the month (typically, the 15<sup>th</sup> of each month) following the Participant's Retirement. In all other cases under this Article, payments shall begin as of the first pay period of the month following the Participant's attainment of age 65; provided that, in the event of death, Section 3.06 shall instead apply. Notwithstanding the foregoing, payment to a Key Employee upon a separation from service (including Retirement) other than for death shall not begin until the first pay period of the seventh month following such separation. If payments are delayed for six months because the Participant is a Key Employee, the Participant shall receive a lump sum amount equal to seven monthly payments on the first pay period of the seventh month following separation from service and monthly payments thereafter commencing on the first pay period of the eighth month following separation from service.

3.03 Vesting. The Participant's Retirement Benefit shall vest as of each date in the "Vesting Date" column as follows, provided the Participant remains in full-time employment with the Company on such date, and the amount shown in the "Vested Benefit" column as follows is the annual amount payable hereunder, in monthly installments, for a period of 15 years:

| <b>Age</b> | <b>Vesting Date</b> | <b>Percent Vested</b> | <b>Vested Benefit</b> | <b>Minimum Salary</b> | <b>Benefit Percentage</b> |
|------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------------|
| 49         | 12/31/2019          | 87.00%                | \$153,120             | \$440,000             | 40.00%                    |
| 50         | 12/31/2020          | 93.67%                | \$171,454             | \$457,600             | 40.00%                    |
| 51         | 12/31/2021          | 100.00%               | \$190,362             | \$475,904             | 40.00%                    |
| 52         | 12/31/2022          | 100.00%               | \$197,976             | \$494,940             | 40.00%                    |
| 53         | 12/31/2023          | 100.00%               | \$205,895             | \$514,738             | 40.00%                    |
| 54         | 12/31/2024          | 100.00%               | \$214,131             | \$535,328             | 40.00%                    |
| 55         | 12/31/2025          | 100.00%               | \$222,696             | \$556,741             | 40.00%                    |
| 56         | 12/31/2026          | 100.00%               | \$231,604             | \$579,010             | 40.00%                    |
| 57         | 12/31/2027          | 100.00%               | \$240,868             | \$602,170             | 40.00%                    |
| 58         | 12/31/2028          | 100.00%               | \$250,503             | \$626,257             | 40.00%                    |
| 59         | 12/31/2029          | 100.00%               | \$260,523             | \$651,307             | 40.00%                    |
| 60         | 12/31/2030          | 100.00%               | \$270,943             | \$677,359             | 40.00%                    |
| 61         | 12/31/2031          | 100.00%               | \$281,781             | \$704,453             | 40.00%                    |
| 62         | 12/31/2032          | 100.00%               | \$293,052             | \$732,631             | 40.00%                    |
| 63         | 12/31/2033          | 100.00%               | \$304,774             | \$761,936             | 40.00%                    |
| 64         | 12/31/2034          | 100.00%               | \$316,965             | \$792,413             | 40.00%                    |
| 65         | 10/11/2035          | 100.00%               | \$329,644             | \$824,110             | 40.00%                    |

3.04 Involuntary Termination of Employment. If the Participant's employment is involuntarily terminated by the Bank without Cause, or if the Participant terminates for Good Reason, as defined in the Participant's Employment Agreement (in either case prior to Retirement), the Participant shall become fully vested in the Retirement Benefit and entitled to payment of the Retirement Benefit upon the Participant's attainment of age 65, as provided in Section 3.02.

3.05 Disability. If a Participant terminates employment with the Bank due to Disability, he shall be entitled to receive his vested Retirement benefit as determined pursuant to the vesting schedule in Section 3.03. Payments due to Disability (prior to Retirement) shall be made upon the Participant's attainment of age 65, as provided in Section 3.02.

### 3.06 Death Benefits.

(a) In the event of a Participant's death prior to termination of employment, the Participant shall become fully vested in, and entitled to the payment of the Retirement benefit. Annual payments shall be made to the Participant's Beneficiary over a 15-year period, commencing within 90 days following the Participant's death.

(b) If a Participant dies after benefit payments begin under the Plan, the Participant's Beneficiary shall be entitled to any payments remaining in the 15-year period. If the Beneficiary dies before the end of such 15-year period, any remaining payments shall be made to the Beneficiary's estate.

### 3.07 Loyalty and Confidentiality Covenants.

(a) Retirement. After a Participant's employment with the Bank is terminated by Retirement and except as provided in Section 3.07(c) below, the Bank's obligation to make any further Retirement Benefit payments hereunder shall cease immediately, and the Participant shall forfeit all rights under this Plan, if the Participant during the period he is entitled to receive Retirement benefits hereunder, whether directly or indirectly, as principal, agent, employee, employer, investor, co-partner or in any other individual or representative capacity whatsoever: (i) engages in a Competitive Business anywhere in the Market Area (as such terms are defined below) in any capacity that includes any of the significant responsibilities held or significant activities engaged in by the Participant while employed by the Bank or any of its Affiliates; (ii) solicits, or assists any other person in soliciting, any depositors or customers of the Bank or any of its Affiliates to make deposits in, borrow money from, or become customers of any other company conducting a Competitive Business in the Market Area; (iii) induces any customers of the Bank or its Affiliates to terminate their relationship with the Bank or its Affiliates; (iv) contacts, solicits, or assists in the solicitation of any employee to terminate his or her employment with the Bank or any of its Affiliates; or (v) discloses to any person (other than to his personal attorney or an employee of the Bank or an Affiliate) or utilizes in conducting any business any Confidential Information obtained by him while in the employ of the Bank, unless such information has become a matter of public knowledge at the time of such disclosure. Notwithstanding the foregoing, the Participant may purchase or otherwise acquire up to (but not more than) 1% of any class of securities of any business enterprise (but without otherwise participating in the activities of such enterprise) that engages in a Competitive Business in the Market Area and whose securities are listed on any national or regional securities exchange or have been registered under Section 12 of the Securities Exchange Act of 1934.

(b) Termination Prior to Retirement. In the event the Participant's employment is terminated for any reason prior to Retirement, and except as provided in Section 3.07(c), the Bank's obligation to make any Retirement Benefit payments hereunder shall cease immediately, and the Participant shall forfeit all rights under this Plan if the Participant, for the one-year period following the termination of employment, or for such other period as may be set forth in an employment agreement between the Bank and the Participant with respect to clauses (i), (ii), (iii), (iv) or (v) below, whether directly or indirectly, as principal, agent, employee, employer, investor, co-partner or in any other individual or representative capacity whatsoever: (i) engages in a Competitive Business anywhere in the Market Area in any capacity that includes any of the significant responsibilities held or significant activities engaged in by the Participant while employed by the Bank or any of its Affiliates; (ii) solicits, or assists any other person in soliciting, any depositors or customers of the Bank or any of its Affiliates to make deposits in, borrow money from, or become customers of any other company conducting a Competitive Business in the Market Area; (iii) induces any customers of the Bank or its Affiliates to terminate their relationship with the Bank or its Affiliates; (iv) contacts, solicits, or assists in the solicitation of any employee to terminate his or her employment with the Bank or any of its Affiliates; or (v) discloses to any person (other than to his personal attorney or an employee of the Bank or an Affiliate)

or utilizes in conducting any business any Confidential Information obtained by him while in the employ of the Bank, unless such information has become a matter of public knowledge at the time of such disclosure. Notwithstanding the foregoing, the Participant may purchase or otherwise acquire up to (but not more than) 1% of any class of securities of any business enterprise (but without otherwise participating in the activities of such enterprise) that engages in a Competitive Business in the Market Area and whose securities are listed on any national or regional securities exchange or have been registered under Section 12 of the Securities Exchange Act of 1934.

(c) In the event the Participant's employment is terminated by the Bank without Cause or by the Participant for Good Reason or due to his retirement following a Change in Control (but specifically excluding any voluntary termination by the Participant during the Window Period that would entitle him to certain severance payments and benefits), the provisions set forth in Section 3.07(a) or (b), as applicable, shall not apply and the Participant will not forfeit any rights under this Plan based on his employment or conduct after the termination of his employment.

(d) During the period the Participant is entitled to receive Retirement Benefit payments hereunder or is subject to any of the covenants set forth in Section 3.07(b), he shall provide the Bank with at least ten days written notice before the starting date of any employment, identifying the prospective employer and the job description, including a description of the proposed geographic area that defines the market area associated with the job description. The Participant shall notify in writing any new employer of the existence of the noncompetition, nonsolicitation, and confidentiality provisions under this Plan and shall promptly provide the Bank with a copy of such written notice. The Participant acknowledges and agrees that these notice provisions are necessary to protect the Bank's legitimate business interests.

(e) As used in this Plan, the term "Competitive Business" means the financial services business, which includes one or more of the following businesses: consumer savings, commercial banking, insurance brokerage, asset management, residential and commercial mortgage lending, and any other business in which the Bank or any of its Affiliates are engaged and in which you are significantly engaged at the time of termination of the Officer's employment; the term "Market Area" means the cities of Chesapeake, Portsmouth, Norfolk, Suffolk, Virginia Beach, Hampton, Poquoson, Newport News, and Williamsburg, Virginia, the Virginia counties James City, York, Gloucester and Isle of Wight, and any other county or municipality in which the Bank has established and is continuing to operate a banking office or a loan production office (excluding for purposes of this Plan an office providing residential mortgage loans) at the time of termination of the Officer's employment; the term "Affiliate" means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Bank; and the term "Confidential Information" shall include, but not be limited to, all financial and personnel data, computer software and all data base technologies, capital plans, customer lists and requirements, market studies, know-how, processes, trade secrets, and any other information concerning the nonpublic business and affairs of the Bank.

(f) The covenants contained in this Section 3.07 shall be construed and interpreted in any proceeding to permit their enforcement to the maximum extent permitted by law. The Participant agrees that the restrictions imposed herein are necessary for the reasonable and proper protection of the Bank and its Affiliates, and that each and every one of the restrictions is reasonable in respect to length of time, geographic area and scope of prohibited activities, and that the restrictions are neither overly restrictive on your post-employment activity nor overly burdensome for you to abide by. You covenant that you will not make any contention contrary to any of the foregoing representations in the future and agree that you will be estopped to deny or contradict the truth or accuracy of these representations. If, however, the time, geographic and/or scope of activity restrictions set forth in Section 3.07 are found by an arbitrator or court to exceed the standards deemed enforceable, the arbitrator or court, as applicable, is

empowered and directed to modify the restriction(s) to the extent necessary to make them enforceable. Notwithstanding anything to the contrary herein, nothing in this Plan shall be construed to prohibit any activity that cannot reasonably be construed to further in any meaningful way any actual or potential competition against the Bank or an Affiliate.

#### **ARTICLE IV** **GUARANTEES**

The Bank has only a contractual obligation to pay the benefits described in Article III. All benefits are to be satisfied solely out of the general corporate assets of the Bank which shall remain subject to the claims of its creditors. No assets of the Bank need be segregated or committed to the satisfaction of its obligations to any Participant or Beneficiary under this Plan, although, in its sole discretion, the Bank may segregate assets, in a trust or otherwise, for the purpose of paying benefits under the Plan. If the Bank, in its sole discretion, elects to purchase life insurance on the life of a Participant in connection with the Plan, the Participant must submit to a physical examination, if required by the insurer, and otherwise cooperate in the issuance of such policy or his rights under the Plan will be forfeited.

#### **ARTICLE V** **TERMINATION OF EMPLOYMENT**

5.01 No Guarantee of Employment. The Plan does not in any way limit the right of the Bank at any time and for any reason to terminate the Participant's employment or such Participant's status as an eligible employee. In no event shall the Plan, by its terms or by implication, constitute an employment contract of any nature whatsoever between the Bank and a Participant.

5.02 Termination of Employment. A Participant whose employment with the Bank is terminated with Cause shall be entitled to receive the amount of his vested benefit pursuant to the vesting schedule in Section 3.03 with benefit payments upon retirement age. Unvested benefits shall be forfeited. A Participant on authorized leave of absence from the Bank shall not be deemed to have terminated employment or lost his status as an eligible employee for the duration of such leave of absence, provided he returns to employment on or before the date of the end of the leave period.

#### **ARTICLE VI** **AMENDMENT OR TERMINATION OF PLAN**

This Plan may be amended or terminated only by a written instrument executed by both the Participant and the Bank, provided that no such amendment or termination shall deprive the Participant of any benefit that has vested hereunder prior to the date of such amendment or termination. In addition, the Bank reserves the right to amend the Plan for required changes in the tax or other applicable laws, so long as it does not reduce the vested benefits. The rights of the Bank set forth in this Article VI are subject to the condition that the Board or its delegate shall take no action to terminate the Plan or decrease the benefit that would become payable or is payable, as the case may be, with respect to a Participant who has become eligible for early, normal or postponed retirement under the Bank's tax-qualified retirement plan. Upon the termination of this Plan by the Board, the Plan shall no longer be of any further force or effect, and neither the Bank, nor the Participant shall have any further obligation or right under this Plan, other than vested benefits. Likewise, the rights of any individual who was a Participant and whose designation as a Participant is revoked or rescinded by the Board shall cease unvested benefits upon such action.

**ARTICLE VII**  
**OTHER BENEFITS AND AGREEMENTS**

The benefits provided for the Participant and his Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program of the Bank for its employees, and, except as may otherwise be expressly provided for, the Plan shall supplement and shall not supersede, modify or amend any other plan or program of the Bank in which a Participant is participating.

**ARTICLE VIII**  
**RESTRICTIONS ON TRANSFER OF BENEFITS**

No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefit. If the Participant or Beneficiary under the Plan should attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to a benefit hereunder, then such right or benefit, in the discretion of the Board, shall cease and terminate, and, in such event, the Board may hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Board may deem proper.

**ARTICLE IX**  
**ADMINISTRATION OF THE PLAN**

9.01 General. The Plan shall be administered by the Committee, in its sole and complete discretion. Subject to the provisions of the Plan, the Committee may adopt such rules and regulations as may be necessary to carry out the purposes hereof. The Committee's interpretation and construction of any provision of the Plan shall be final and conclusive. The Committee in its sole discretion may delegate ministerial duties with respect to the administration of the Plan to employees of the Bank or to third parties.

9.02 Indemnification of the Board. The Bank shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of membership on the Committee related to any shareholder or similar action involving the Plan, excepting only expenses and liabilities arising out of a member's own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include without limitation, the amount of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled.

9.03 Powers of the Board. In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify the amount and kind of benefits from time to time payable to Participants and their Beneficiaries under the Plan, to authorize all disbursements for such purposes, and to determine whether a Participant is entitled to a benefit under Plan section 3.01.

9.04 Information. To enable the Committee to perform its functions, the Bank shall supply full and timely information to the Committee on all matters relating to the compensation of all

Participants, their retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

9.05 Claims Procedure. All claims for benefits shall be in writing in a form satisfactory to the Committee. If the Committee wholly or partially denies a Participant's or Beneficiary's claim for benefits, the Board shall review the Participant's claim in accordance with applicable procedures described in the Employee Retirement Income Security Act of 1974.

9.06 Notice Requirement.

Any notice which shall be or may be given under the Plan shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Bank such notice shall be addressed, to the attention of the Secretary, at:

TowneBank  
6001 Harbour View Boulevard  
Suffolk, Virginia 23435

If notice is to be given to a Participant, such notice shall be addressed to the Participant's last known address on the records of the Bank.

9.07 Code Section 409A. To the extent applicable, this Plan is intended to comply with Code Section 409A, and the Committee shall interpret and administer the Plan and each term hereof, including without limitation any definition, in accordance therewith to avoid a violation of such Code Section.

## **ARTICLE X**

### **MISCELLANEOUS**

10.01 Binding Nature. The Plan shall be binding upon the Bank and its successors and assigns; subject to the powers set forth in Article VI, and upon the Participant, the Beneficiary, and either of their assigns, heirs, executors and administrators.

10.02 Governing Law. To the extent not preempted by federal law, the Plan shall be governed and construed under the laws of the Commonwealth of Virginia (including its choice of law rules, except to the extent those rules would require the application of the law of a state other than Virginia) as in effect at the time of their adoption and execution, respectively.

10.03 Construction. Masculine pronouns wherever used shall include feminine pronouns and the use of the singular shall include the plural.

## **ARTICLE XI**

### **ADOPTION**

The Bank has adopted this Plan, as amended and restated herein, pursuant action taken by the Board.

*(Signatures appear on the following page)*

As evidence of its adoption of the Plan, the Bank and the Participant have caused this document to be signed this \_\_\_\_ day of February, 2019.

**TOWNEBANK**

By: \_\_\_\_\_  
G. Robert Aston, Jr.  
Executive Chairman

**PARTICIPANT**

By: \_\_\_\_\_  
Brian K. Skinner

## CERTIFICATIONS

I, William I. Foster III, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2024, 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.

May 8, 2024

Date

/s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

CERTIFICATIONS

I, William B. Littreal, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2024, 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.

May 8, 2024

Date

/s/ William B. Littreal

William B. Littreal

Senior Executive Vice President/Chief Financial Officer

**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 March 31, 2024 (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.

May 8, 2024

Date

/s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

May 8, 2024

Date

/s/ William B. Littreal

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.*

**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 condensed consolidated balance sheet of TowneBank ("the Company") as of March 31, 2024, and the related condensed consolidated statements of income, comprehensive income (loss), cash flows and equity for the three-month periods ended March 31, 2024, and 2023, 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 condensed 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, 2023 and the related consolidated statements of income, comprehensive income (loss), cash flows and equity for the year then ended (not presented herein), and in our report dated February, 28, 2024, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2023, 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.

**FORVIS, LLP**

Charlotte, NC  
May 8, 2024