

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 June 30, 2025

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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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 August 1, 2025, was 75,424,601 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
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
BOLI	Bank-Owned Life Insurance
bp	Basis Points
C&I	Commercial and Industrial Business
CDA	Collateral-Dependent Asset
CRE	Commercial Real Estate
CRE - NOO	Commercial Real Estate - Non-owner Occupied
CRE - OO	Commercial Real Estate - Owner Occupied
ECL	Expected Credit Loss
Farmers	Farmers Bankshares, Inc.
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank of Atlanta
FRB	Federal Reserve Bank
GAAP	Accounting Principles Generally Accepted in the United States of America
GNMA	Government National Mortgage Association
GSE	Government Sponsored Enterprise
HELOC	Residential Home Equity Lines of Credit
HTM	Held-to-Maturity
LIHTC	Low Income Housing Tax Credits
MBS	Mortgage-backed Security
N/M	Not Meaningful
NENC	Northeast North Carolina
Old Point	Old Point Financial Corporation
PCD	Purchased Credit Deteriorated
REPO	Retail Repurchase Agreement
SCC	Virginia State Corporation Commission
SERP	Supplemental Executive Retirement Plan
SOFR	Secured Overnight Financing Rate
TBA	To Be Announced
TE	Tax-equivalent basis
U.S.	United States
Village	Village Bank and Trust Financial Corp.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

<i>(Dollars in thousands)</i>	June 30, 2025	December 31, 2024
	(unaudited)	(audited)
ASSETS		
Cash and due from banks	\$ 149,462	\$ 108,750
Interest-bearing deposits at FRB	838,315	1,127,878
Interest-bearing deposits in financial institutions	123,911	102,847
Total Cash and Cash Equivalents	1,111,688	1,339,475
Securities available for sale, at fair value (amortized cost of \$2,668,633 and \$2,509,970, and allowance for credit losses of \$1,520 and \$1,326 at June 30, 2025 and December 31, 2024, respectively)	2,553,975	2,353,365
Securities held to maturity, at amortized cost (fair value \$196,998 and \$203,883 at June 30, 2025 and December 31, 2024, respectively)	201,932	212,352
Less: allowance for credit losses	(67)	(77)
Securities held to maturity, net of allowance for credit losses	201,865	212,275
Other equity securities	12,248	12,100
FHLB stock	13,428	12,136
Total Securities	2,781,516	2,589,876
Mortgage loans held for sale	238,742	200,460
Loans, net of unearned income and deferred costs	12,359,673	11,459,055
Less: allowance for credit losses on loans	(134,187)	(123,923)
Net Loans	12,225,486	11,335,132
Premises and equipment, net	392,056	368,876
Goodwill	499,709	457,619
Other intangible assets, net	74,186	60,171
BOLI	295,434	279,802
Other assets	645,779	615,479
TOTAL ASSETS	\$ 18,264,596	\$ 17,246,890
LIABILITIES AND EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 4,754,340	\$ 4,253,053
Interest-bearing:		
Demand and money market accounts	7,654,317	7,329,669
Savings	332,108	311,841
Certificates of deposit	2,587,951	2,542,735
Total Deposits	15,328,716	14,437,298
Advances from the FHLB	12,838	3,218
Subordinated debt, net	260,430	260,001
Repurchase agreements and other borrowings	20,847	33,683
Total Borrowings	294,115	296,902
Other liabilities	402,823	357,063
TOTAL LIABILITIES	16,025,654	15,091,263
Commitments and contingencies (Note 9)		
Preferred stock:		
Authorized and unissued shares - 2,000,000	—	—
Common stock, \$1.667 par value: 150,000,000 shares authorized; 75,421,737 and 75,255,205 shares issued at June 30, 2025 and December 31, 2024, respectively	125,728	125,455
Capital surplus	1,130,728	1,122,147
Retained earnings	1,057,992	1,007,775
Common stock issued to deferred compensation trust, at cost: 1,107,681 and 1,046,121 shares at June 30, 2025 and December 31, 2024, respectively	(23,977)	(21,868)
Deferred compensation trust	23,977	21,868
Accumulated other comprehensive income (loss)	(83,103)	(116,045)
TOTAL SHAREHOLDERS' EQUITY	2,231,345	2,139,332
Noncontrolling interest	7,597	16,295
TOTAL EQUITY	2,238,942	2,155,627
TOTAL LIABILITIES AND EQUITY	\$ 18,264,596	\$ 17,246,890

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<i>(Dollars in thousands, except per share data)</i>				
INTEREST INCOME:				
Loans, including fees	\$ 169,772	\$ 154,549	\$ 322,093	\$ 305,523
Investment securities	24,850	22,928	47,689	42,924
Interest-bearing deposits in financial institutions and federal funds sold	10,241	14,512	22,042	28,746
Mortgage loans held for sale	2,770	2,945	5,423	4,661
Total interest income	207,633	194,934	397,247	381,854
INTEREST EXPENSE:				
Deposits	68,152	82,023	135,285	160,411
Advances from the FHLB	124	942	149	3,380
Subordinated debt, net	2,609	2,236	4,913	4,472
Repurchase agreements and other borrowings	(465)	685	(791)	1,325
Total interest expense	70,420	85,886	139,556	169,588
Net interest income	137,213	109,048	257,691	212,266
PROVISION FOR CREDIT LOSSES	6,410	(177)	8,830	(1,054)
Net interest income after provision for credit losses	130,803	109,225	248,861	213,320
NONINTEREST INCOME:				
Residential mortgage banking income, net	13,561	13,422	23,922	23,899
Insurance commissions and related income, net	25,677	24,031	52,102	49,570
Property management income, net	15,556	14,312	35,056	31,085
Service charges on deposit accounts	3,642	3,353	6,969	6,431
Credit card merchant fees, net	1,794	1,662	3,491	3,213
Investment commissions, net	3,158	2,580	6,233	4,923
BOLI	1,992	3,238	3,864	5,080
Gain on sale of equity investments	—	—	2,000	—
Other noninterest income	4,849	3,324	8,158	5,531
Net gain (loss) on investment securities	—	—	—	74
Total noninterest income	70,229	65,922	141,795	129,806
NONINTEREST EXPENSE:				
Salaries and employee benefits	78,362	71,349	153,440	142,726
Occupancy	9,791	9,717	19,124	19,139
Furniture and equipment	4,770	4,634	9,392	9,112
Amortization - intangibles	3,979	3,298	7,005	6,544
Software	6,835	7,056	13,128	13,156
Data processing	4,510	4,606	8,344	8,522
Professional fees	2,539	3,788	5,192	6,968
Advertising and marketing	3,228	3,524	7,701	8,106
FDIC and other insurance	3,032	2,133	5,893	6,491
Acquisition-related expenses	18,737	19	19,157	614
Other noninterest expenses	14,882	13,860	32,825	28,197
Total noninterest expense	150,665	123,984	281,201	249,575
Income before income tax expense and noncontrolling interest	50,367	51,163	109,455	93,551
Provision for income tax expense	11,098	8,124	19,299	15,385
Net income	\$ 39,269	\$ 43,039	\$ 90,156	\$ 78,166
Net income attributable to noncontrolling interest	(432)	(183)	(727)	(623)
Net income attributable to TowneBank	\$ 38,837	\$ 42,856	\$ 89,429	\$ 77,543
Per common share information				
Basic earnings	\$ 0.52	\$ 0.57	\$ 1.19	\$ 1.04
Diluted earnings	\$ 0.51	\$ 0.57	\$ 1.19	\$ 1.03

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 June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<i>(Dollars in thousands)</i>				
Net income	\$ 39,269	\$ 43,039	\$ 90,156	\$ 78,166
Other comprehensive income (loss)				
Unrealized gains (losses) on securities				
Unrealized holding gains (losses) arising during the period	6,107	(2,088)	42,141	(10,731)
Tax effect	(1,329)	455	(9,174)	2,337
Realized (gains) losses reclassified into earnings	—	—	—	(74)
Tax effect	—	—	—	16
Net unrealized gains (losses)	4,778	(1,633)	32,967	(8,452)
Pension and postretirement benefit plans				
Prior service costs	(7)	—	(14)	—
Tax effect	2	—	3	—
Actuarial gain (loss)	256	(907)	512	(1,814)
Tax effect	(56)	198	(112)	396
Amortization of prior service costs	136	165	271	330
Tax effect	(30)	(36)	(59)	(72)
Amortization of net actuarial (gain) loss	(400)	(543)	(800)	(1,086)
Tax effect	87	118	174	236
Change in retirement plans, net of tax	(12)	(1,005)	(25)	(2,010)
Other comprehensive income (loss), net of tax	4,766	(2,638)	32,942	(10,462)
Comprehensive income	\$ 44,035	\$ 40,401	\$ 123,098	\$ 67,704
Comprehensive income attributable to noncontrolling interest	(432)	(183)	(727)	(623)
Comprehensive income attributable to TowneBank	\$ 43,603	\$ 40,218	\$ 122,371	\$ 67,081

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)

	Six Months Ended	
	June 30,	
	2025	2024
<i>(Dollars in thousands)</i>		
OPERATING ACTIVITIES:		
Net income	\$ 90,156	\$ 78,166
Adjustments to reconcile net income to net cash used for operating activities:		
Net amortization of securities	(428)	2,666
Investment securities gains	—	(74)
Depreciation, amortization, and other intangible amortization	18,305	17,699
Amortization of debt issuance costs	337	310
Provision for credit losses	8,830	(1,054)
BOLI	(3,864)	(5,080)
Deferred income tax (benefit) expense	(6,034)	196
Share-based compensation expense	4,777	3,962
Originations of mortgage loans held for sale	(1,139,539)	(1,069,913)
Proceeds from sales of mortgage loans held for sale	1,138,342	1,052,104
Gain on sales of mortgage loans held for sale	(33,469)	(32,966)
Gain on sale of equity investments	(2,000)	—
Loss (gain) on disposal of fixed assets	125	(68)
(Gain) loss on sale and write-down of foreclosed assets	—	(9)
Changes in:		
Interest receivable	(3,323)	1,344
Other assets	(4,158)	9,594
Interest payable	700	(354)
Other liabilities	22,488	7,134
Net cash provided by operating activities	91,245	63,657
INVESTING ACTIVITIES:		
Purchase of available-for-sale securities	(207,737)	(282,548)
Sale of available-for-sale securities	1,530	48,098
Net change in FHLB stock	(289)	9,237
Proceeds from maturities, calls, and prepayments of available-for-sale securities	122,349	99,670
Proceeds from maturities, calls, and prepayments of held-to-maturity securities	10,354	265,107
Proceeds from maturities, calls, and prepayments of other securities	127	227
Net increase in loans	(324,697)	(125,813)
Net change in investment in LIHTC	(15,070)	(33,024)
Purchase of premises and equipment	(23,104)	(15,426)
Proceeds from sales of premises and equipment	1,424	2,186
Proceeds from sales of foreclosed assets	1,198	2,922
Proceeds from sale of equity investment	2,000	—
Proceeds from BOLI	2,011	4,821
Acquisition of business, net of cash acquired	(88,096)	(10,075)
Net cash used for investing activities	(518,000)	(34,618)
FINANCING ACTIVITIES:		
Net change in deposit accounts	253,924	379,382
Net change in short-term borrowings	(12,836)	(197,475)
Repayment of long-term borrowings	(379)	(367)
Distribution of noncontrolling interest	(476)	—
Purchase of noncontrolling interest	(3,646)	—
Cash dividends paid	(37,619)	(37,490)
Net cash provided by financing activities	198,968	144,050
Change in cash and cash equivalents	(227,787)	173,089
Cash and cash equivalents at beginning of year	1,339,475	1,128,357
Cash and cash equivalents at end of period	\$ 1,111,688	\$ 1,301,446
Supplemental cash flow information:		
Cash paid for interest	\$ 138,856	\$ 169,942
Cash (refunded) paid for federal income taxes	\$ 396	\$ (724)
Cash (refunded) paid for state income taxes	\$ 1,770	\$ 980
Noncash financing and investing activities:		
Transfer from loans to foreclosed property	\$ 1,698	\$ 2,586
Net unrealized gains (losses) on available-for-sale securities, net of tax	\$ 32,967	\$ (8,452)

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
Balance, January 1, 2025	75,255,205	\$ 125,455	\$ 1,122,147	\$ 1,007,775	\$ 21,868	\$ (21,868)	\$ (116,045)	\$ 16,295	\$ 2,155,627
Net income	—	—	—	50,592	—	—	—	295	50,887
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	28,176	—	28,176
Cash dividends declared on common stock (\$0.25 per share)	—	—	—	(18,849)	—	—	—	—	(18,849)
Directors' deferred compensation	—	—	—	—	101	(101)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(270)	(270)
Issuance of common stock - stock compensation plans	137,020	224	1,183	—	—	—	—	—	1,407
Balance, March 31, 2025	75,392,225	\$ 125,679	\$ 1,123,330	\$ 1,039,518	\$ 21,969	\$ (21,969)	\$ (87,869)	\$ 16,320	\$ 2,216,978
Net income	—	—	—	38,837	—	—	—	432	39,269
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	4,766	—	4,766
Cash dividends declared on common stock (\$0.27 per share)	—	—	—	(20,363)	—	—	—	—	(20,363)
Directors' deferred compensation	—	—	—	—	2,008	(2,008)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(206)	(206)
Issuance of common stock - stock compensation plans	29,512	49	2,095	—	—	—	—	—	2,144
Purchase of noncontrolling interest	—	—	5,303	—	—	—	—	(8,949)	(3,646)
Balance, June 30, 2025	75,421,737	\$ 125,728	\$ 1,130,728	\$ 1,057,992	\$ 23,977	\$ (23,977)	\$ (83,103)	\$ 7,597	\$ 2,238,942

<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
Balance, January 1, 2024	74,893,462	\$ 124,847	\$ 1,112,761	\$ 921,126	\$ 20,813	\$ (20,813)	\$ (118,762)	\$ 15,906	\$ 2,055,878
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
Balance, March 31, 2024	74,990,437	\$ 125,009	\$ 1,114,038	\$ 937,065	\$ 20,915	\$ (20,915)	\$ (126,586)	\$ 16,346	\$ 2,065,872
Net income	—	—	—	42,856	—	—	—	183	43,039
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	(2,638)	—	(2,638)
Cash dividends declared on common stock (\$0.25 per share)	—	—	—	(18,759)	—	—	—	—	(18,759)
Directors' deferred compensation	—	—	—	—	1,841	(1,841)	—	—	—
Issuance of common stock - stock compensation plans	48,652	81	1,721	—	—	—	—	—	1,802
Balance, June 30, 2024	75,039,089	\$ 125,090	\$ 1,115,759	\$ 961,162	\$ 22,756	\$ (22,756)	\$ (129,224)	\$ 16,529	\$ 2,089,316

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 2024 audited Consolidated Financial Statements and the 2024 Annual Report on Form 10-K. Results of operations for the three- and six- month periods ended June 30, 2025, 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
Topic 740 - Income Taxes - Improvements to Income Tax Disclosures ASU 2023-09 Issued December 2023	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.	The Company adopted this standard effective January 1, 2025. 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. The adoption of this standard 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
Topic 220 - Income Statement - Reporting Comprehensive Income - Subtopic 220-40 Expense Disaggregation Disclosures ASU 2024-03 Issued November 2024	Requires disclosure in the notes to the financial statements of specified information about certain costs and expenses.	Effective for annual reporting periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. This standard is to be applied either prospectively or retrospective. 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.

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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<i>(Dollars in thousands, except per share data)</i>				
Basic				
Net income available to common shareholders	\$ 38,837	\$ 42,856	\$ 89,429	\$ 77,543
Weighted-average common shares outstanding	75,240,678	74,925,877	75,195,424	74,871,149
Basic earnings per common share	\$ 0.52	\$ 0.57	\$ 1.19	\$ 1.04
Diluted				
Net income available to common shareholders	\$ 38,837	\$ 42,856	\$ 89,429	\$ 77,543
Annualized interest impact of Series IV Notes, net of tax	42	—	84	—
Net income for diluted earnings per share	\$ 38,879	\$ 42,856	\$ 89,513	\$ 77,543
Weighted-average common shares outstanding	75,240,678	74,925,877	75,195,424	74,871,149
Effect of dilutive securities:				
Impact of Series IV Notes	98,244	—	98,244	—
Stock compensation plans (1)	201,900	112,078	241,816	131,320
Weighted-average diluted shares outstanding	75,540,822	75,037,955	75,535,484	75,002,469
Diluted earnings per common share	\$ 0.51	\$ 0.57	\$ 1.19	\$ 1.03

(1) There were no anti-dilutive stock options or restricted stock shares to be excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2025 or 2024.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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Note 3. Mergers and Acquisitions

Old Point Financial Corporation: On April 2, 2025, the Company signed a definitive agreement and plan of merger (the "Old Point merger agreement"), pursuant to which the Company will acquire Old Point Financial Corporation ("Old Point"), and its wholly owned bank subsidiary, The Old Point National Bank of Phoebus ("OPNB"). The proposed acquisition of Old Point and OPNB, which has been approved by the Boards of Directors of TowneBank, Old Point, and OPNB, is expected to close in the third quarter of 2025, subject to customary closing conditions, including receipt of required regulatory approvals and approval of Old Point's shareholders. At March 31, 2025, Old Point had total assets of \$1.45 billion, net loans of \$1.0 billion, and total deposits of \$1.26 billion.

Under the terms of the Old Point merger agreement, the shareholders of Old Point will elect to receive either \$41.00 per share in cash or 1.140 shares of TowneBank common stock for each outstanding share of Old Point outstanding common stock. This corresponds to an aggregate transaction value of approximately \$203 million, based on Old Point common stock outstanding. Old Point shareholders will have the right to elect cash or stock consideration so long as the total stock consideration issued represents between 50% and 60% of the total consideration paid.

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

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

The merger has been accounted for under the acquisition method of accounting. Under this guidance, an entity is required to recognize the assets acquired, liabilities assumed, and consideration given at their fair value on the acquisition date. The assets and liabilities, both tangible and intangible, were recorded at the estimated fair values as of the April 1, 2025, merger date. Such fair values are preliminary estimates and are subject to adjustment for up to one year after the merger date, or when additional information relative to the closing date fair values becomes available and such information is considered final, whichever is earlier. The primary areas of the preliminary allocation of the fair value of consideration transferred that are not yet finalized relate to the fair values of loans, deferred tax assets, certain intangible assets acquired, and the residual goodwill. The fair value of consideration exchanged exceeded the recognized amount of the identifiable net assets and resulted in goodwill of \$42.09 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

Fair value of assets acquired:		
Cash and cash equivalents	\$	32,344
Securities available for sale		74,310
Other securities		1,245
Mortgage loans held for sale		3,615
Loans held for investment		576,574
Bank premises and equipment		12,896
Core deposit intangible		21,020
BOLI		13,098
Other assets		11,546
Total assets	\$	<u>746,648</u>
Fair value of liabilities assumed:		
Deposits	\$	637,494
FHLB advances		10,000
Subordinated debt net		14,419
Other liabilities		6,386
Total liabilities	\$	<u>668,299</u>
Net identifiable assets acquired	\$	78,349
Goodwill		42,090
Purchase price	\$	<u>120,439</u>
Purchase price:		
Cash Paid	\$	120,439

The loans acquired in the Village merger were divided into loans with evidence of credit quality deterioration, or PCD, which are accounted for under ASC 326 -10, and loans that do not meet this criteria (purchased performing). As of April 1, 2025, the estimated fair value of the Village purchased performing loans acquired was \$519.65 million, the related gross contractual amount was \$533.85 million, and the estimated contractual cash flows not expected to be collected were \$1.96 million.

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

Purchase price of financial assets with credit deterioration	\$	56,919
Allowance for credit losses at acquisition date		1,690
Discount attributable to other factors		4,567
Par value of financial assets with credit deterioration	\$	<u>63,176</u>

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Results of operations for Village prior to the acquisition date are not included in the Consolidated Statements of Income for the three-month period ended June 30, 2025. The results of activities from the former Village Bank operations that are included in the Consolidated Statements of Income from the date of acquisition through June 30, 2025 are broken out in the following table (dollars in thousands):

	Actual from Acquisition Date Through June 30, 2025	
Revenues (net interest income plus noninterest income)	\$	8,126
Net Income	\$	5,102

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):

June 30, 2025	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. agency securities	\$ 370,261	\$ 900	\$ (25,353)	\$ —	\$ 345,808
U.S. Treasury notes	77,372	1,752	(378)	—	78,746
Municipal securities	466,337	56	(27,903)	(315)	438,175
Trust preferred and other corporate securities	124,321	472	(9,667)	(1,205)	113,921
MBSs issued by GSEs and GNMA	1,630,342	2,868	(55,885)	—	1,577,325
Total available-for-sale securities	<u>\$ 2,668,633</u>	<u>\$ 6,048</u>	<u>\$ (119,186)</u>	<u>\$ (1,520)</u>	<u>\$ 2,553,975</u>
December 31, 2024	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. agency securities	\$ 325,566	\$ 149	\$ (31,798)	\$ —	\$ 293,917
U.S. Treasury notes	29,247	—	(818)	—	28,429
Municipal securities	472,018	75	(32,978)	(373)	438,742
Trust preferred and other corporate securities	101,950	1,093	(7,764)	(953)	94,326
MBSs issued by GSEs and GNMA	1,581,189	1,255	(84,493)	—	1,497,951
Total available-for-sale securities	<u>\$ 2,509,970</u>	<u>\$ 2,572</u>	<u>\$ (157,851)</u>	<u>\$ (1,326)</u>	<u>\$ 2,353,365</u>

(1) Amortized cost amounts exclude accrued interest receivable, which was \$11.82 million as of June 30, 2025, and \$11.02 million as of December 31, 2024, and is recorded in other assets on the Consolidated Balance Sheets.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Gross gains	\$ —	\$ —	\$ —	\$ 421
Gross (losses)	—	—	—	(347)
Net gains (losses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 74</u>
Sales proceeds*	\$ 1,559	\$ —	\$ 1,559	\$ 48,577

*Proceeds include interest on investment securities sold of \$29 thousand in the second quarter and first six months of 2025 and zero and \$480 thousand, respectively, in the second quarter and first six months of 2024.

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):

June 30, 2025	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. agency securities	\$ 92,973	\$ —	\$ (1,656)	\$ 91,317	\$ —
U.S. Treasury notes	96,250	—	(3,357)	92,893	—
Municipal securities	5,414	123	—	5,537	(4)
Trust preferred and other corporate securities	2,094	91	—	2,185	(63)
MBSs issued by GSEs	5,201	—	(135)	5,066	—
Total held-to-maturity securities	<u>\$ 201,932</u>	<u>\$ 214</u>	<u>\$ (5,148)</u>	<u>\$ 196,998</u>	<u>\$ (67)</u>
December 31, 2024	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. agency securities	\$ 102,622	\$ —	\$ (3,240)	\$ 99,382	\$ —
U.S. Treasury notes	96,710	—	(5,192)	91,518	—
Municipal securities	5,366	91	—	5,457	(6)
Trust preferred and other corporate securities	2,121	86	—	2,207	(71)
MBSs issued by GSEs	5,533	1	(215)	5,319	—
Total held-to-maturity securities	<u>\$ 212,352</u>	<u>\$ 178</u>	<u>\$ (8,647)</u>	<u>\$ 203,883</u>	<u>\$ (77)</u>

(1) Amortized cost amounts exclude accrued interest receivable, which was \$0.84 million as of June 30, 2025, and \$0.90 million as of December 31, 2024, and is recorded in other assets on the Consolidated Balance Sheets.

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Maturities of debt securities

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of debt securities are shown by contractual maturity (including MBS) 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
June 30, 2025				
Due in one year or less	\$ 67,444	\$ 66,400	\$ 74,824	\$ 73,864
Due after one year through five years	833,210	797,581	123,076	118,969
Due after five years through ten years	515,157	490,700	2,438	2,571
Due after ten years	1,252,822	1,199,294	1,594	1,594
	<u>\$ 2,668,633</u>	<u>\$ 2,553,975</u>	<u>\$ 201,932</u>	<u>\$ 196,998</u>
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
December 31, 2024				
Due in one year or less	\$ 7,610	\$ 7,541	\$ 54,790	\$ 53,710
Due after one year through five years	803,383	751,841	152,019	144,493
Due after five years through ten years	498,298	465,020	3,660	3,796
Due after ten years	1,200,679	1,128,963	1,883	1,884
	<u>\$ 2,509,970</u>	<u>\$ 2,353,365</u>	<u>\$ 212,352</u>	<u>\$ 203,883</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
June 30, 2025							
Description of Securities	Number						
U.S. agency securities	57	\$ 46,709	\$ (811)	\$ 208,016	\$ (24,542)	\$ 254,725	\$ (25,353)
U.S. Treasury notes	1	—	—	28,220	(378)	28,220	(378)
Municipal securities	62	10,712	(122)	121,260	(11,318)	131,972	(11,440)
MBSs issued by GSEs and GNMA	269	343,099	(4,580)	911,244	(51,306)	1,254,343	(55,886)
Total AFS securities	389	<u>\$ 400,520</u>	<u>\$ (5,513)</u>	<u>\$ 1,268,740</u>	<u>\$ (87,544)</u>	<u>\$ 1,669,260</u>	<u>\$ (93,057)</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
December 31, 2024							
Description of Securities	Number						
U.S. agency securities	64	\$ 66,465	\$ (1,653)	\$ 203,864	\$ (30,145)	\$ 270,329	\$ (31,798)
U.S. Treasury notes	2	—	—	28,429	(818)	28,429	(818)
Municipal securities	55	15,165	(125)	89,750	(8,957)	104,915	(9,082)
MBSs issued by GSEs and GNMA	273	452,521	(10,901)	883,687	(73,592)	1,336,208	(84,493)
Total AFS securities	394	<u>\$ 534,151</u>	<u>\$ (12,679)</u>	<u>\$ 1,205,730</u>	<u>\$ (113,512)</u>	<u>\$ 1,739,881</u>	<u>\$ (126,191)</u>

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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 June 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 338	\$ 924	\$ 1,262
Provision for credit losses	(23)	281	258
Balance, end of period	\$ 315	\$ 1,205	\$ 1,520

Three Months Ended June 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 337	\$ 1,045	\$ 1,382
Provision for credit losses	26	133	159
Balance, end of period	\$ 363	\$ 1,178	\$ 1,541

Six Months Ended June 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 373	\$ 953	\$ 1,326
Provision for credit losses	(58)	252	194
Balance, end of period	\$ 315	\$ 1,205	\$ 1,520

Six Months Ended June 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 280	\$ 1,218	\$ 1,498
Provision for credit losses	83	(40)	43
Balance, end of period	\$ 363	\$ 1,178	\$ 1,541

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 June 30, 2025. The following table reflects the credit ratings aggregated by investment category for HTM debt securities as of the dates indicated (dollars in thousands):

Description of Securities	Credit Ratings					Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	
U.S. agency securities	\$ 92,973	\$ —	\$ —	\$ —	\$ —	\$ 92,973
U.S. Treasury notes	74,826	21,424	—	—	—	96,250
Municipal securities	1,938	3,476	—	—	—	5,414
Trust preferred and other corporate securities	—	—	—	—	2,094	2,094
MBSs issued by GSEs	5,201	—	—	—	—	5,201
Total	\$ 174,938	\$ 24,900	\$ —	\$ —	\$ 2,094	\$ 201,932

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Description of Securities	Credit Ratings					Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	
U.S. agency securities	\$ 102,622	\$ —	\$ —	\$ —	\$ —	\$ 102,622
U.S. Treasury notes	96,710	—	—	—	—	96,710
Municipal securities	1,899	3,467	—	—	—	5,366
Trust preferred and other corporate securities	—	—	—	2,121	—	2,121
MBSs issued by GSEs	5,533	—	—	—	—	5,533
Total	<u>\$ 206,764</u>	<u>\$ 3,467</u>	<u>\$ —</u>	<u>\$ 2,121</u>	<u>\$ —</u>	<u>\$ 212,352</u>

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):

June 30, 2025							
Description of Securities	2025	2024	2023	2022	2021	Prior	Total
U.S. agency securities	\$ —	\$ —	\$ —	\$ 43,115	\$ 49,858	\$ —	\$ 92,973
U.S. Treasury notes	—	—	—	74,826	21,424	—	96,250
Municipal securities	—	—	—	—	—	5,414	5,414
Trust preferred and other corporate securities	—	—	—	—	—	2,094	2,094
MBSs issued by GSEs	—	—	—	—	—	5,201	5,201
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 117,941</u>	<u>\$ 71,282</u>	<u>\$ 12,709</u>	<u>\$ 201,932</u>

December 31, 2024							
Description of Securities	2024	2023	2022	2021	2020	Prior	Total
U.S. agency securities	\$ —	\$ —	\$ 28,011	\$ 74,611	\$ —	\$ —	\$ 102,622
U.S. Treasury notes	—	—	74,776	21,934	—	—	96,710
Municipal securities	—	—	—	—	—	5,366	5,366
Trust preferred and other corporate securities	—	—	—	—	—	2,121	2,121
MBSs issued by GSEs	—	—	—	—	—	5,533	5,533
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 102,787</u>	<u>\$ 96,545</u>	<u>\$ —</u>	<u>\$ 13,020</u>	<u>\$ 212,352</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 June 30, 2025	Trust Preferred and Other Corporate Securities		Total
	Municipal Securities		
Balance, beginning of period	\$ 4	\$ 64	\$ 68
Provision for credit losses	—	(1)	(1)
Balance, end of period	<u>\$ 4</u>	<u>\$ 63</u>	<u>\$ 67</u>

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Three Months Ended June 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 5	\$ 77	\$ 82
Provision for credit losses	1	(4)	(3)
Balance, end of period	\$ 6	\$ 73	\$ 79

Six Months Ended June 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 6	\$ 71	\$ 77
Provision for credit losses	(2)	(8)	(10)
Balance, end of period	\$ 4	\$ 63	\$ 67

Six Months Ended June 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 6	\$ 78	\$ 84
Provision for credit losses	—	(5)	(5)
Balance, end of period	\$ 6	\$ 73	\$ 79

Equity securities

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

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

	June 30, 2025	December 31, 2024
FHLB stock	\$ 13,428	\$ 12,136
Other equity securities	\$ 12,248	\$ 12,100

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):

	June 30, 2025	December 31, 2024
To secure federal, state, and municipal deposits	\$ 558,676	\$ 555,231
To secure borrowings from the FHLB	\$ 4,201	\$ 4,236
To secure repurchase agreements with commercial customers	\$ 58,051	\$ 59,002

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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 \$900.62 million, compared to December 31, 2024. The following table presents loan balances by major classification as of the dates indicated (in thousands):

	June 30, 2025	December 31, 2024
Commercial Real Estate		
Construction and land development	\$ 1,072,625	\$ 1,082,161
Owner occupied	1,815,900	1,628,731
Non-owner occupied	3,557,175	3,196,665
Multi-family	887,083	801,079
Total Commercial Real Estate	7,332,783	6,708,636
Residential 1-4 family	1,997,395	1,891,470
HELOC	480,610	410,594
C&I	1,370,564	1,280,394
Government	510,902	513,039
Indirect	579,041	567,245
Consumer loans and other	88,378	87,677
Loans, net of unearned income and deferred costs	\$ 12,359,673	\$ 11,459,055

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

	June 30, 2025	December 31, 2024
Deferred loan costs in excess of unearned income	\$ 2,858	\$ 3,061
Unaccreted discount on PCD loans	(6,901)	(2,869)
Unaccreted discount on non-PCD loans	(15,431)	(3,908)
Nonaccrual loans (1)	7,982	7,424
Loans pledged as collateral to secure overnight borrowings with the FHLB	3,048,407	3,037,444

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

	June 30, 2025	June 30, 2024
Three months ended	\$ 132	\$ 140
Six months ended	\$ 266	\$ 253

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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				
Loan Classification	For Quarter Ended June 30, 2025		For Six Months Ended June 30, 2025	
	Term Extension		Term Extension	
	Amortized Cost Basis at June 30, 2025	% of Total Class of Financing Receivable	Amortized Cost Basis at June 30, 2025	% of Total Class of Financing Receivable
Commercial Real Estate				
Owner occupied	\$ 1,216	0.07 %	\$ 12,029	0.66 %
Non-owner occupied	13,176	0.37 %	13,176	0.37 %
Total Commercial Real Estate	14,392	0.20 %	25,205	0.34 %
Residential 1-4 family	36	— %	232	0.01 %
HELOC	—	— %	500	0.10 %
C&I	2,019	0.15 %	2,571	0.19 %
Indirect	41	0.01 %	41	0.01 %
Total (1)	<u>\$ 16,488</u>	<u>0.13 %</u>	<u>\$ 28,549</u>	<u>0.23 %</u>

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

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Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Loan Classification	For Quarter Ended June 30, 2024		For Six Months Ended June 30, 2024	
	Convert to Interest Only		Convert to Interest Only	
	Amortized Cost Basis at June 30, 2024	% of Total Class of Financing Receivable	Amortized Cost Basis at June 30, 2024	% of Total Class of Financing Receivable
Commercial Real Estate				
Non-owner occupied	\$ 1,489	0.05 %	\$ 1,489	0.05 %
Total	\$ 1,489	0.05 %	\$ 1,489	0.05 %
Loan Classification	Term Extension		Term Extension	
	Amortized Cost Basis at June 30, 2024	% of Total Class of Financing Receivable	Amortized Cost Basis at June 30, 2024	% of Total Class of Financing Receivable
Commercial Real Estate				
Construction and land development	\$ 771	0.06 %	\$ 771	0.06 %
Owner occupied	10,815	0.65 %	16,614	0.99 %
Non-owner occupied	2,541	0.08 %	2,541	0.08 %
Total Commercial Real Estate	14,127	0.02 %	19,926	0.30 %
Residential 1-4 family	479	0.03 %	479	0.03 %
HELOC	98	0.02 %	98	0.02 %
C&I	6,248	0.48 %	7,748	0.60 %
Total (1)	\$ 20,952	0.18 %	\$ 28,251	0.25 %

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

The following table describes the financial effect of modifications made to borrowers experiencing financial difficulty for the periods ended June 30, 2025 and 2024:

Term Extension	
Loan Classification	Financial Effect
Commercial Real Estate	
Owner occupied	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of CRE-OO loans.
Non-owner occupied	Extended maturities and converted to interest only to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of CRE-NOO loans.
Residential 1-4 family	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of Residential 1-4 family loans.
HELOC	Extended line maturities to allow borrowers time to obtain financing and/or for sale of collateral. These modifications did not impact the weighted-average life of HELOC loans.
C&I	Extended maturities to allow time for resolution, sale of collateral, or alternate financing. These modifications did not impact the weighted-average life of C&I loans.
Indirect	Extended maturities to allow time for resolution, sale of collateral, or alternate financing. These modifications did not impact the weighted-average life of Indirect 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	Combined Term Extension and Principal Forgiveness	Combined Term Extension and Interest Rate Reduction
Defaults during the quarter ended March 31, 2025					
CRE- Owner occupied (1)	\$ —	\$ 7,462	\$ —	\$ —	\$ —
Defaults during the quarter ended June 30, 2025					
C&I	\$ —	\$ 114	\$ —	\$ —	\$ —
	\$ —	\$ 7,576	\$ —	\$ —	\$ —

(1) Brought current in Q2 2025.

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
Defaults during the quarter ended March 31, 2024					
C&I (1)	\$ —	\$ 584	\$ —	\$ —	\$ —
Defaults during the quarter ended June 30, 2024					
CRE- Construction and land development (1)	\$ —	\$ 771	\$ —	\$ —	\$ —
	\$ —	\$ 1,355	\$ —	\$ —	\$ —

(1) Brought current in Q3 2024.

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):

June 30, 2025	Payment Status (Amortized Cost Basis)		
	Current	30 - 89 Days Past Due	90+ Days Past Due
Loan Classification			
Commercial Real Estate			
Construction and land development	\$ 771	\$ —	\$ —
Owner occupied	14,097	—	—
Non-owner occupied	28,152	—	—
Total Commercial Real Estate	43,020	—	—
Residential 1-4 family	1,266	—	—
HELOC	500	—	—
C&I	5,304	—	114
Indirect	41	—	—
Consumer loans and other	1,462	—	—
	\$ 51,593	\$ —	\$ 114

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June 30, 2024	Payment Status (Amortized Cost Basis)		
	Current	30 - 89 Days Past Due	90+ Days Past Due
Loan Classification			
Commercial Real Estate			
Construction and land development	\$ —	\$ 771	\$ —
Owner occupied	16,614	—	—
Non-owner occupied	7,212	—	—
Total Commercial Real Estate	23,826	771	—
Residential 1-4 family	807	—	—
HELOC	98	—	—
C&I	7,748	—	584
	\$ 32,479	\$ 771	\$ 584

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

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

Loan Classification	June 30, 2025		June 30, 2024	
	Number	Available Commitment	Number	Available Commitment
Commercial Real Estate				
Owner occupied	5	\$ 541	—	\$ —
Non-owner occupied	3	3,007	—	—
Total Commercial Real Estate	8	3,548	—	—
Residential 1-4 family	1	13	—	—
C&I	6	518	2	224
	15	\$ 4,079	2	\$ 224

Note 6. Allowance for Credit Losses

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

	June 30, 2025	December 31, 2024
Accrued interest receivable on loans excluded from the estimate of ECL	\$ 39,250	\$ 36,297
Individually assessed loans	52,776	33,681
Specific reserves on individually assessed loans	869	574

Provision for Credit Losses	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Loans and unfunded loan commitments	\$ 6,153	\$ (334)	8,646	(1,093)
Initial provision for non-PCD Village loans and unfunded loan commitments	\$ 6,236	\$ —	6,236	—

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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- and six- month periods ended June 30, 2025 and 2024 (in thousands):

Three Months Ended June 30, 2025						
	Balance, Beginning of Period	Provision (Benefit)	Initial Allowance for PCD	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate						
Construction and land development	\$ 17,197	\$ 1,776	\$ —	\$ —	\$ 12	\$ 18,985
Owner occupied	14,303	1,209	151	—	19	15,682
Non-owner occupied	21,445	143	903	—	8	22,499
Multi-family	3,854	(192)	21	—	—	3,683
Residential 1-4 family	30,436	1,937	162	(46)	16	32,505
HELOC	18,182	1,597	130	—	55	19,964
C&I	11,220	(685)	323	(83)	470	11,245
Government	2,458	—	—	—	—	2,458
Indirect	5,186	553	—	(515)	78	5,302
Consumer loans and other	1,850	46	1	(56)	23	1,864
Total	<u>\$ 126,131</u>	<u>\$ 6,384</u>	<u>\$ 1,691</u>	<u>\$ (700)</u>	<u>\$ 681</u>	<u>\$ 134,187</u>

Three Months Ended June 30, 2024					
	Balance, Beginning of Period	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate					
Construction and land development	\$ 19,969	\$ (265)	\$ (77)	\$ 3	\$ 19,630
Owner occupied	14,330	279	—	20	14,629
Non-owner occupied	22,000	(739)	—	11	21,272
Multi-family	3,272	200	—	—	3,472
Residential 1-4 family	30,203	203	—	13	30,419
HELOC	16,226	(201)	—	56	16,081
C&I	9,685	577	(336)	685	10,611
Government	2,858	(111)	—	—	2,747
Indirect	4,782	151	(479)	97	4,551
Consumer loans and other	2,510	(396)	(122)	148	2,140
Total	<u>\$ 125,835</u>	<u>\$ (302)</u>	<u>\$ (1,014)</u>	<u>\$ 1,033</u>	<u>\$ 125,552</u>

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Six Months Ended June 30, 2025

	Balance, Beginning of Period	Provision (Benefit)	Initial Allowance for PCD	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate						
Construction and land development	\$ 18,158	\$ 749	\$ —	\$ (53)	\$ 131	\$ 18,985
Owner occupied	14,550	962	151	—	19	15,682
Non-owner occupied	21,175	405	903	—	16	22,499
Multi-family	3,819	(157)	21	—	—	3,683
Residential 1-4 family	30,908	1,452	162	(46)	29	32,505
HELOC	17,371	2,376	130	—	87	19,964
C&I	9,594	1,059	323	(206)	475	11,245
Government	2,603	(145)	—	—	—	2,458
Indirect	3,781	2,442	—	(1,104)	183	5,302
Consumer loans and other	1,964	75	1	(499)	323	1,864
Total	<u>\$ 123,923</u>	<u>\$ 9,218</u>	<u>\$ 1,691</u>	<u>\$ (1,908)</u>	<u>\$ 1,263</u>	<u>\$ 134,187</u>

Six Months Ended June 30, 2024

	Balance, Beginning of Period	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate					
Construction and land development	\$ 18,736	\$ 1,229	\$ (341)	\$ 6	\$ 19,630
Owner occupied	14,078	530	—	21	14,629
Non-owner occupied	22,098	(961)	—	135	21,272
Multi-family	3,133	339	—	—	3,472
Residential 1-4 family	32,363	(1,970)	—	26	30,419
HELOC	17,324	(1,316)	—	73	16,081
C&I	8,069	2,068	(336)	810	10,611
Government	3,092	(345)	—	—	2,747
Indirect	4,794	579	(991)	169	4,551
Consumer loans and other	2,774	(561)	(263)	190	2,140
Total	<u>\$ 126,461</u>	<u>\$ (408)</u>	<u>\$ (1,931)</u>	<u>\$ 1,430</u>	<u>\$ 125,552</u>

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The following table presents a roll forward of the allowance for off-balance-sheet exposure for the three and six months ended June 30, 2025 and 2024, related to loans held for investment, which is carried in other liabilities on our Consolidated Balance Sheets (in thousands):

	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period
Commercial Real Estate						
Construction and land development	\$ 978	\$ (367)	\$ 611	\$ 932	\$ (35)	\$ 897
Owner occupied	364	(75)	289	172	84	256
Non-owner occupied	304	4	308	313	(20)	293
Multi-family	30	37	67	115	(53)	62
Residential 1-4 family	—	—	—	—	—	—
HELOC	3,194	319	3,513	2,852	(19)	2,833
C&I	2,124	(163)	1,961	1,535	297	1,832
Government	—	—	—	—	—	—
Indirect	—	—	—	—	—	—
Consumer loans and other	1,502	14	1,516	1,656	(286)	1,370
Total	<u>\$ 8,496</u>	<u>\$ (231)</u>	<u>\$ 8,265</u>	<u>\$ 7,575</u>	<u>\$ (32)</u>	<u>\$ 7,543</u>

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period
Commercial Real Estate						
Construction and land development	\$ 1,496	\$ (886)	\$ 610	\$ 1,298	\$ (401)	\$ 897
Owner occupied	239	51	290	352	(96)	256
Non-owner occupied	215	93	308	379	(86)	293
Multi-family	36	31	67	111	(49)	62
Residential 1-4 family	—	—	—	—	—	—
HELOC	3,053	460	3,513	3,047	(214)	2,833
C&I	2,335	(374)	1,961	1,484	348	1,832
Government	—	—	—	—	—	—
Indirect	—	—	—	—	—	—
Consumer loans and other	1,463	53	1,516	1,557	(187)	1,370
Total	<u>\$ 8,837</u>	<u>\$ (572)</u>	<u>\$ 8,265</u>	<u>\$ 8,228</u>	<u>\$ (685)</u>	<u>\$ 7,543</u>

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

- changes in fiscal policy under the current administration, including increasing tariffs and potential recession;
- economic outlook both nationally and for the metropolitan areas within our footprint;
- uncertainty related to the movement of the Fed funds rate and its long-term impact on targeted inflation;
- potential impact of current geopolitical situations and retaliation to administrative actions globally;
- changes in unemployment; and

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- changes in Gross Domestic Product.

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

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.

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 March 2025.

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 June 30, 2025 and December 31, 2024 (in thousands):

June 30, 2025

Term Loans By Origination									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Construction and Land Development									
Pass	\$ 316,205	\$ 467,961	\$ 124,237	\$ 51,071	\$ 27,668	\$ 19,720	\$ 58,227	\$ —	\$ 1,065,089
Special Mention	201	3,929	278	—	—	—	—	410	4,818
Substandard	769	1,949	—	—	—	—	—	—	2,718
	<u>\$ 317,175</u>	<u>\$ 473,839</u>	<u>\$ 124,515</u>	<u>\$ 51,071</u>	<u>\$ 27,668</u>	<u>\$ 19,720</u>	<u>\$ 58,227</u>	<u>\$ 410</u>	<u>\$ 1,072,625</u>
Gross Write- Offs	\$ —	\$ —	\$ —	\$ 53	\$ —	\$ —	\$ —	\$ —	\$ 53

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	Term Loans By Origination								Revolving Loans Converted to Term	
	2025	2024	2023	2022	2021	Prior	Revolving Loans			Total
CRE - Owner Occupied										
Pass	\$ 240,519	\$ 185,009	\$ 221,454	\$ 291,317	\$ 325,544	\$ 448,509	\$ 37,272	\$ 2,623	\$ 1,752,247	
Special Mention	—	6,177	4,430	12,083	3,459	9,243	4,057	—	39,449	
Substandard	8,973	3,995	3,378	1,623	3,906	2,329	—	—	24,204	
	\$ 249,492	\$ 195,181	\$ 229,262	\$ 305,023	\$ 332,909	\$ 460,081	\$ 41,329	\$ 2,623	\$ 1,815,900	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
CRE - Non-Owner Occupied										
Pass	\$ 556,645	\$ 505,146	\$ 447,760	\$ 714,568	\$ 619,576	\$ 625,531	\$ 21,185	\$ 1,197	\$ 3,491,608	
Special Mention	—	2,124	5,996	17,255	16,098	6,677	—	381	48,531	
Substandard	9,765	1,364	466	569	1,570	3,302	—	—	17,036	
	\$ 566,410	\$ 508,634	\$ 454,222	\$ 732,392	\$ 637,244	\$ 635,510	\$ 21,185	\$ 1,578	\$ 3,557,175	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
CRE - Multi-Family										
Pass	\$ 125,474	\$ 141,695	\$ 177,889	\$ 257,559	\$ 89,167	\$ 85,814	\$ 7,358	\$ —	\$ 884,956	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	2,127	—	—	—	—	2,127	
	\$ 125,474	\$ 141,695	\$ 177,889	\$ 259,686	\$ 89,167	\$ 85,814	\$ 7,358	\$ —	\$ 887,083	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
C&I										
Pass	\$ 98,575	\$ 163,104	\$ 121,415	\$ 140,540	\$ 102,489	\$ 79,367	\$ 648,727	\$ 1,714	\$ 1,355,931	
Special Mention	450	376	1,068	1,210	45	2,051	1,905	—	7,105	
Substandard	268	779	578	1,580	278	118	3,587	340	7,528	
	\$ 99,293	\$ 164,259	\$ 123,061	\$ 143,330	\$ 102,812	\$ 81,536	\$ 654,219	\$ 2,054	\$ 1,370,564	
Gross Write- Offs	\$ —	\$ 45	\$ 6	\$ —	\$ 61	\$ 10	\$ —	\$ 84	\$ 206	
Government										
Pass	\$ 18,880	\$ 10,281	\$ 39,268	\$ 102,949	\$ 18,792	\$ 301,731	\$ 19,001	\$ —	\$ 510,902	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	
	\$ 18,880	\$ 10,281	\$ 39,268	\$ 102,949	\$ 18,792	\$ 301,731	\$ 19,001	\$ —	\$ 510,902	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	

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Term Loans By Origination										
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total	
Residential 1 - 4 Family										
Credit Score:										
> = 750	\$ 124,263	\$ 163,407	\$ 234,638	\$ 478,203	\$ 327,475	\$ 339,796	\$ 3,138	\$ 351	\$ 1,671,271	
650-749	10,963	22,716	38,361	97,345	66,459	74,293	288	—	310,425	
450-649	2,336	2,024	1,059	4,990	545	4,745	—	—	15,699	
300-449	—	—	—	—	—	—	—	—	—	
	\$ 137,562	\$ 188,147	\$ 274,058	\$ 580,538	\$ 394,479	\$ 418,834	\$ 3,426	\$ 351	\$ 1,997,395	
Gross Write-Offs	\$ —	\$ 46	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 46	
HELOC										
Credit Score:										
> = 750	\$ 759	\$ 2,235	\$ 854	\$ 1,171	\$ 36	\$ 1,148	\$ 363,324	\$ 624	\$ 370,151	
650-749	245	130	631	634	237	975	101,385	339	104,576	
450-649	—	—	127	130	318	772	4,404	—	5,751	
300-449	—	—	—	—	—	—	132	—	132	
	\$ 1,004	\$ 2,365	\$ 1,612	\$ 1,935	\$ 591	\$ 2,895	\$ 469,245	\$ 963	\$ 480,610	
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Indirect										
Credit Score:										
> = 750	\$ 103,483	\$ 131,110	\$ 61,347	\$ 58,951	\$ 23,806	\$ 2,816	\$ —	\$ —	\$ 381,513	
650-749	25,798	47,381	38,398	52,797	23,811	5,369	—	—	193,554	
450-649	1	56	254	1,292	926	1,437	—	—	3,966	
300-449	—	—	—	—	—	8	—	—	8	
	\$ 129,282	\$ 178,547	\$ 99,999	\$ 113,040	\$ 48,543	\$ 9,630	\$ —	\$ —	\$ 579,041	
Gross Write-Offs	\$ —	\$ 66	\$ 453	\$ 321	\$ 193	\$ 71	\$ —	\$ —	\$ 1,104	
Consumer Loans and Other										
Credit Score:										
> = 750	\$ 9,389	\$ 12,942	\$ 3,923	\$ 4,307	\$ 3,901	\$ 4,133	\$ 36,373	\$ 255	\$ 75,223	
650-749	2,453	1,974	1,395	1,160	930	471	3,882	104	12,369	
450-649	121	218	61	19	5	59	276	27	786	
300-649	—	—	—	—	—	—	—	—	—	
	\$ 11,963	\$ 15,134	\$ 5,379	\$ 5,486	\$ 4,836	\$ 4,663	\$ 40,531	\$ 386	\$ 88,378	
Gross Write-Offs	\$ —	\$ 393	\$ 6	\$ 90	\$ —	\$ 1	\$ —	\$ 9	\$ 499	
Grand Total	\$ 1,656,535	\$ 1,878,082	\$ 1,529,265	\$ 2,295,450	\$ 1,657,041	\$ 2,020,414	\$ 1,314,521	\$ 8,365	\$ 12,359,673	
Total Gross Write-Offs	\$ —	\$ 550	\$ 465	\$ 464	\$ 254	\$ 82	\$ —	\$ 93	\$ 1,908	

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December 31, 2024

Term Loans By Origination										
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total	
CRE - Construction and Land Development										
Pass	\$ 517,340	\$ 340,092	\$ 131,231	\$ 31,436	\$ 13,664	\$ 10,361	\$ 34,346	\$ —	\$ 1,078,470	
Special Mention	1,882	335	—	—	—	—	432	—	2,649	
Substandard	771	—	271	—	—	—	—	—	1,042	
	<u>\$ 519,993</u>	<u>\$ 340,427</u>	<u>\$ 131,502</u>	<u>\$ 31,436</u>	<u>\$ 13,664</u>	<u>\$ 10,361</u>	<u>\$ 34,778</u>	<u>\$ —</u>	<u>\$ 1,082,161</u>	
Gross Write- Offs	\$ 387	\$ —	\$ 183	\$ 77	\$ —	\$ —	\$ —	\$ —	\$ 647	
CRE - Owner Occupied										
Pass	\$ 180,337	\$ 219,117	\$ 305,499	\$ 349,664	\$ 203,117	\$ 286,376	\$ 25,437	\$ 95	\$ 1,569,642	
Special Mention	5,728	2,080	10,563	1,508	9,732	3,067	2,002	—	34,680	
Substandard	11,573	1,989	1,669	4,008	774	2,968	—	1,428	24,409	
	<u>\$ 197,638</u>	<u>\$ 223,186</u>	<u>\$ 317,731</u>	<u>\$ 355,180</u>	<u>\$ 213,623</u>	<u>\$ 292,411</u>	<u>\$ 27,439</u>	<u>\$ 1,523</u>	<u>\$ 1,628,731</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ —	\$ —	\$ 6	
CRE - Non-Owner Occupied										
Pass	\$ 577,376	\$ 515,328	\$ 692,885	\$ 619,483	\$ 358,900	\$ 367,331	\$ 18,415	\$ —	\$ 3,149,718	
Special Mention	47	—	16,019	22,212	2,373	2,172	—	—	42,823	
Substandard	3,977	—	—	—	—	147	—	—	4,124	
	<u>\$ 581,400</u>	<u>\$ 515,328</u>	<u>\$ 708,904</u>	<u>\$ 641,695</u>	<u>\$ 361,273</u>	<u>\$ 369,650</u>	<u>\$ 18,415</u>	<u>\$ —</u>	<u>\$ 3,196,665</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
CRE - Multi-Family										
Pass	\$ 159,030	\$ 84,815	\$ 232,412	\$ 168,848	\$ 93,952	\$ 52,248	\$ 4,620	\$ —	\$ 795,925	
Special Mention	—	—	2,127	—	—	—	—	—	2,127	
Substandard	3,000	—	—	—	—	27	—	—	3,027	
	<u>\$ 162,030</u>	<u>\$ 84,815</u>	<u>\$ 234,539</u>	<u>\$ 168,848</u>	<u>\$ 93,952</u>	<u>\$ 52,275</u>	<u>\$ 4,620</u>	<u>\$ —</u>	<u>\$ 801,079</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
C&I										
Pass	\$ 183,780	\$ 129,746	\$ 156,206	\$ 111,057	\$ 43,726	\$ 42,533	\$ 585,395	\$ 2,739	\$ 1,255,182	
Special Mention	2,078	789	1,345	1,618	1,392	699	8,083	423	16,427	
Substandard	852	840	285	50	839	108	4,900	911	8,785	
	<u>\$ 186,710</u>	<u>\$ 131,375</u>	<u>\$ 157,836</u>	<u>\$ 112,725</u>	<u>\$ 45,957</u>	<u>\$ 43,340</u>	<u>\$ 598,378</u>	<u>\$ 4,073</u>	<u>\$ 1,280,394</u>	
Gross Write- Offs	\$ —	\$ 291	\$ —	\$ 13	\$ —	\$ 32	\$ —	\$ 30	\$ 366	

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Term Loans By Origination									
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Government									
Pass	\$ 12,078	\$ 40,247	\$ 112,737	\$ 19,242	\$ 176,775	\$ 142,238	\$ 9,722	\$ —	\$ 513,039
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
	<u>\$ 12,078</u>	<u>\$ 40,247</u>	<u>\$ 112,737</u>	<u>\$ 19,242</u>	<u>\$ 176,775</u>	<u>\$ 142,238</u>	<u>\$ 9,722</u>	<u>\$ —</u>	<u>\$ 513,039</u>
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Residential 1 - 4 Family									
Credit Score:									
> = 750	\$ 187,962	\$ 210,559	\$ 471,660	\$ 332,579	\$ 143,637	\$ 217,611	\$ 645	\$ 553	\$ 1,565,206
650-749	28,143	38,346	100,229	67,502	33,082	46,184	—	—	313,486
450-649	2,112	698	5,006	562	323	4,077	—	—	12,778
300-449	—	—	—	—	—	—	—	—	—
	<u>\$ 218,217</u>	<u>\$ 249,603</u>	<u>\$ 576,895</u>	<u>\$ 400,643</u>	<u>\$ 177,042</u>	<u>\$ 267,872</u>	<u>\$ 645</u>	<u>\$ 553</u>	<u>\$ 1,891,470</u>
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
HELOC									
Credit Score:									
> = 750	\$ 753	\$ 1,025	\$ 1,339	\$ 288	\$ 176	\$ 506	\$ 306,210	\$ 313	\$ 310,610
650-749	145	520	604	246	—	1,724	90,814	181	94,234
450-649	29	130	—	261	49	722	4,271	159	5,621
300-449	—	—	—	—	—	—	129	—	129
	<u>\$ 927</u>	<u>\$ 1,675</u>	<u>\$ 1,943</u>	<u>\$ 795</u>	<u>\$ 225</u>	<u>\$ 2,952</u>	<u>\$ 401,424</u>	<u>\$ 653</u>	<u>\$ 410,594</u>
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Indirect									
Credit Score:									
> = 750	\$ 156,340	\$ 77,004	\$ 77,438	\$ 33,337	\$ 4,133	\$ 1,258	\$ —	\$ —	\$ 349,510
650-749	54,401	48,044	67,769	32,600	7,306	1,890	—	—	212,010
450-649	88	306	1,596	1,231	1,587	905	—	—	5,713
300-449	—	—	—	—	—	12	—	—	12
	<u>\$ 210,829</u>	<u>\$ 125,354</u>	<u>\$ 146,803</u>	<u>\$ 67,168</u>	<u>\$ 13,026</u>	<u>\$ 4,065</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 567,245</u>
Gross Write- Offs	\$ 6	\$ 418	\$ 1,060	\$ 427	\$ 98	\$ 59	\$ —	\$ —	\$ 2,068

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	Term Loans By Origination							Revolving Loans	Revolving Loans Converted to Term	Total								
	2024	2023	2022	2021	2020	Prior												
Consumer Loans and Other																		
Credit Score:																		
> = 750	\$	20,818	\$	5,167	\$	4,875	\$	4,381	\$	2,853	\$	2,631	\$	33,229	\$	4	\$	73,958
650-749		2,309		2,135		1,756		1,104		382		231		5,004		2		12,923
450-649		282		77		53		8		41		57		275		3		796
300-449		—		—		—		—		—		—		—		—		—
	\$	23,409	\$	7,379	\$	6,684	\$	5,493	\$	3,276	\$	2,919	\$	38,508	\$	9	\$	87,677
Gross Write-Offs	\$	14	\$	1	\$	322	\$	83	\$	14	\$	1	\$	1	\$	42	\$	478
Grand Total	\$	2,113,231	\$	1,719,389	\$	2,395,574	\$	1,803,225	\$	1,098,813	\$	1,188,083	\$	1,133,929	\$	6,811	\$	11,459,055
Total Gross Write-Offs	\$	407	\$	710	\$	1,565	\$	600	\$	112	\$	98	\$	1	\$	72	\$	3,565

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

In estimating ECL, ASC 326 prescribes that if foreclosure is probable, a CDA is required to be measured at the fair value of collateral. If foreclosure is not probable, the borrower is experiencing difficulty and repayment is expected to be repaid by operation of collateral, the Company uses the fair value of collateral excluding selling costs to determine ACL. At June 30, 2025, CDA loans measured at the fair value of collateral totaled \$50.76 million, with specific reserves of zero. At December 31, 2024, CDA loans measured at the fair value of collateral totaled \$23.42 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 June 30, 2025 and December 31, 2024 (in thousands):

June 30, 2025	Type of Collateral and Extent to Which Collateral Secures Loans				Financial Assets Not Considered Collateral Dependent	Total
	Residential Property	Investment Property	Commercial Property	Business Assets		
Commercial Real Estate						
Construction and land development	\$ —	\$ 2,780	\$ —	\$ —	\$ 1,069,845	\$ 1,072,625
Owner occupied	—	—	31,591	201	1,784,108	1,815,900
Non-owner occupied	—	61,703	—	—	3,495,472	3,557,175
Multi-family	—	2,128	—	—	884,955	887,083
Residential 1-4 family	8,776	—	—	—	1,988,619	1,997,395
HELOC	185	—	—	—	480,425	480,610
C&I	—	196	—	—	1,370,368	1,370,564
Government	—	—	—	—	510,902	510,902
Indirect	—	—	—	—	579,041	579,041
Consumer loans and other	—	—	—	—	88,378	88,378
Total, amortized cost	\$ 8,961	\$ 66,807	\$ 31,591	\$ 201	\$ 12,252,113	\$ 12,359,673
Collateral value	\$ 22,241	\$ 112,141	\$ 52,977	\$ —		

December 31, 2024	Type of Collateral and Extent to Which Collateral Secures Loans				Financial Assets Not Considered Collateral Dependent	Total
	Residential Property	Investment Property	Commercial Property	Business Assets		
Commercial Real Estate						
Construction and land development	\$ 273	\$ 3,337	\$ —	\$ —	\$ 1,078,551	\$ 1,082,161
Owner occupied	—	—	18,148	218	1,610,365	1,628,731
Non-owner occupied	—	41,946	—	—	3,154,719	3,196,665
Multi-family	—	3,028	—	—	798,051	801,079
Residential 1-4 family	4,111	—	—	—	1,887,359	1,891,470
HELOC	362	—	—	—	410,232	410,594
C&I	—	198	—	4,900	1,275,296	1,280,394
Government	—	—	—	—	513,039	513,039
Indirect	—	—	—	—	567,245	567,245
Consumer loans and other	—	—	—	—	87,677	87,677
Total, amortized cost	\$ 4,746	\$ 48,509	\$ 18,148	\$ 5,118	\$ 11,382,534	\$ 11,459,055
Collateral value	\$ 11,058	\$ 88,116	\$ 44,286	\$ 6,229		

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 June 30, 2025 and December 31, 2024 (in thousands):

June 30, 2025

June 30, 2025	Days Past Due								Accruing Loans Over 90 Days Past Due	
	Current	30-59	60-89	Over 90	Total Past Due	Total Loans				
Commercial Real Estate										
Construction and land development	\$	1,071,026	\$ —	\$ —	\$ 1,599	\$ 1,599	\$ 1,072,625	\$ —		
Owner occupied		1,815,734	—	—	166	166	1,815,900	—		
Non-owner occupied		3,555,811	—	—	1,364	1,364	3,557,175	—		
Multi-family		887,083	—	—	—	—	887,083	—		
Residential 1-4 family		1,994,766	348	662	1,619	2,629	1,997,395	—		
HELOC		478,776	1,304	466	64	1,834	480,610	63		
C&I		1,369,549	123	46	846	1,015	1,370,564	—		
Government		510,902	—	—	—	—	510,902	—		
Indirect		574,277	3,300	602	862	4,764	579,041	142		
Consumer loans and other		87,462	75	832	9	916	88,378	5		
Total	\$	12,345,386	\$ 5,150	\$ 2,608	\$ 6,529	\$ 14,287	\$ 12,359,673	\$ 210		

December 31, 2024

December 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	\$	1,081,888	\$ —	\$ —	\$ 273	\$ 273	\$ 1,082,161	\$ —
Owner occupied		1,628,407	—	—	324	324	1,628,731	—
Non-owner occupied		3,194,369	846	—	1,450	2,296	3,196,665	—
Multi-family		801,079	—	—	—	—	801,079	—
Residential 1-4 family		1,887,019	1,686	535	2,230	4,451	1,891,470	177
HELOC		409,259	216	244	875	1,335	410,594	531
C&I		1,279,698	184	109	403	696	1,280,394	—
Government		513,039	—	—	—	—	513,039	—
Indirect		559,898	4,381	1,587	1,379	7,347	567,245	129
Consumer loans and other		87,154	75	16	432	523	87,677	427
Total	\$	11,441,810	\$ 7,388	\$ 2,491	\$ 7,366	\$ 17,245	\$ 11,459,055	\$ 1,264

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 June 30, 2025 and December 31, 2024. 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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June 30, 2025	Nonaccrual Loans		Loans 90 Days or More Past Due, Not on Nonaccrual Status as of 06/30/25	Nonaccrual Loans With No Specific Reserve as of 06/30/25	Interest Income Recognized as of 06/30/25
	As of 03/31/25	As of 06/30/25			
Commercial Real Estate					
Construction and land development	\$ —	\$ 1,599	\$ —	\$ 1,599	\$ —
Owner occupied	407	306	—	306	—
Non-owner occupied	1,409	1,366	—	1,366	—
Multi-family	—	—	—	—	—
Residential 1-4 family	2,052	2,136	—	2,136	67
HELOC	301	25	63	25	53
C&I	1,293	1,478	—	609	4
Government	—	—	—	—	—
Indirect	1,122	1,070	142	1,070	20
Consumer loans and other	2	2	5	2	—
Total	\$ 6,586	\$ 7,982	\$ 210	\$ 7,113	\$ 144

December 31, 2024	Nonaccrual Loans		Loans 90 Days or More Past Due, Not on Nonaccrual Status as of 12/31/2024	Nonaccrual Loans With No Specific Reserve as of 12/31/2024	Interest Income Recognized as of 12/31/2024
	As of 12/31/2023	As of 12/31/2024			
Commercial Real Estate					
Construction and land development	\$ 185	\$ 273	\$ —	\$ 273	\$ 12
Owner occupied	521	415	—	415	43
Non-owner occupied	—	1,452	—	1,452	—
Multi-family	216	—	—	—	13
Residential 1-4 family	2,778	2,421	177	2,421	31
HELOC	698	485	531	485	74
C&I	1,217	1,030	—	459	260
Government	—	—	—	—	—
Indirect	1,228	1,346	129	1,346	45
Consumer loans and other	—	2	427	2	—
Total	\$ 6,843	\$ 7,424	\$ 1,264	\$ 6,853	\$ 478

Note 7. Leases

At June 30, 2025, we did not have any significant leases that had not yet commenced for which we had created a right-of-use asset and a lease liability. Lease assets are included in other assets, and lease liabilities are included in other liabilities on our Consolidated Balance Sheets.

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

	Leases	
	June 30, 2025	December 31, 2024
Assets		
Operating lease assets	\$ 47,874	\$ 48,311
Liabilities		
Operating lease liabilities	\$ 52,174	\$ 52,554

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We did not have financing leases at June 30, 2025 or December 31, 2024. At June 30, 2024, we had one financing lease with a purchase option that occurred on July 1, 2024, when the related financing liability was \$30.80 million.

The following table presents a summary of activity related to leases for the three- and six-month periods ended June 30, 2025 and 2024 (in thousands):

	Lease Cost			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Finance lease cost:				
Amortization of right-of-use assets	\$ —	\$ 151	\$ —	\$ 301
Interest on lease liabilities	—	710	—	1,403
Operating lease cost (1) included in occupancy expense	3,131	3,040	6,038	6,090
Variable lease cost included in occupancy expense	329	284	524	511
Sublease income included in occupancy expense	(70)	(69)	(140)	(111)
Net lease cost	\$ 3,390	\$ 4,116	\$ 6,422	\$ 8,194

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

The following table presents lease liability maturities, by year, as of June 30, 2025 (in thousands):

Maturity of Lease Liabilities	
	Operating Leases (1)
July 1 - December 31, 2025	\$ 5,239
2026	9,702
2027	9,083
2028	8,487
2029	6,331
Thereafter	36,519
Total lease payments	\$ 75,361
Less: interest	23,187
Present value of lease liabilities	\$ 52,174

(1) Operating lease payments include \$27.29 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.

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

Lease Term and Discount Rate		
	June 30, 2025	June 30, 2024
Weighted - average remaining lease term - finance leases (in years)	—	—
Weighted - average remaining lease term - operating leases (in years)	12.64	13.23
Weighted - average discount rate - finance leases	—%	—%
Weighted - average discount rate - operating leases	6.12%	5.68%

The following table presents other information with regard to leases for the three- and six-month periods ended June 30, 2025 and 2024 (in thousands):

	Other Information			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	\$ 2,676	\$ 2,693	\$ 5,221	\$ 5,412
Related Party Transactions (1)				
Rent expense included in occupancy expense	\$ 548	\$ 523	\$ 1,103	\$ 1,046

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

Note 8. Segment Reporting

Beginning with quarter-end March 31, 2025, the Company reports results under four reportable segments: Banking, Mortgage, Resort Vacation Management, and Insurance. This separation of Mortgage and Resort Vacation Management into two segments better aligns operating categories and reflects how Towne's leadership manages the business. Prior to quarter-end March 31, 2025, the Company reported financial results under three reportable segments (Banking, Realty, and Insurance), with the Realty segment consisting of mortgage banking, a realty company, and property management companies (resort and long-term). In 2023, TowneBank sold the majority of its ownership interest in the realty company which, through the nature of its activities, had been a bridge between mortgage banking and property management. TowneBank continued to report the results of the Realty segment for comparability purposes through the year ended December 31, 2024.

The Banking segment provides loan and deposit services to retail and commercial customers, as well as a variety of investment and asset management services. The Mortgage segment provides originations of a variety of mortgage loans which are originated and sold principally in the secondary market through purchase commitments from investors. The Resort Vacation Management segment provides residential property management services in multiple resort locations. The Insurance segment provides full-service commercial insurance, retail insurance, and employee benefit services.

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

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segment offers a distribution and referral network for the Mortgage and Insurance segments, and the Mortgage and Insurance segments offer a similar network for the Banking segment.

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

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

June 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Total assets	\$ 16,909,141	\$ 392,503	\$ 174,910	\$ 788,042	\$ 18,264,596
Total investment in equity method investees	21,182	376	—	—	21,558
December 31, 2024					
Total assets	\$ 16,045,510	\$ 342,100	\$ 132,595	\$ 726,685	\$ 17,246,890
Total investment in equity method investees	21,218	349	—	—	21,567
Dollar change in total assets between periods	\$ 863,631	\$ 50,403	\$ 42,315	\$ 61,357	\$ 1,017,706
Percentage change in total assets between periods	5.38 %	14.73 %	31.91 %	8.44 %	5.90 %

Three months ended June 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Total expenditures for long-lived assets - fixed assets	\$ 10,452	\$ 28	\$ 1,381	\$ —	\$ 11,861
Three months ended June 30, 2024					
Total expenditures for long-lived assets - fixed assets	\$ 3,294	\$ 37	\$ 1,774	\$ 109	\$ 5,214
Six months ended June 30, 2025					
Total expenditures for long-lived assets - fixed assets	\$ 20,584	\$ 378	\$ 1,968	\$ 174	\$ 23,104
Six months ended June 30, 2024					
Total expenditures for long-lived assets - fixed assets	\$ 10,763	\$ 37	\$ 4,589	\$ 37	\$ 15,426

The following table provides the change in net income, comparing the three and six months ended June 30, 2025 and 2024 (dollars in thousands):

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated
Net income attributable to TowneBank (\$) - three months	\$ (4,809)	\$ (1,674)	\$ 1,718	\$ 746	\$ (4,019)
Net income attributable to TowneBank (\$) - six months	\$ 9,868	\$ (1,770)	\$ 2,783	\$ 1,005	\$ 11,886

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

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

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

Three Months Ended June 30, 2025	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Interest income	\$ 203,398	\$ 4,235	\$ —	\$ —	\$ 207,633
Interest expense	67,073	3,371	(24)	—	70,420
Net interest income	136,325	864	24	—	137,213
Provision for credit losses	6,212	198	—	—	6,410
Net interest income after provision for credit losses	130,113	666	24	—	130,803
Noninterest income:					
Residential mortgage banking income, net	(522)	14,083	—	—	13,561
Insurance commissions and related income, net	(251)	—	—	25,928	25,677
Property management income, net	—	—	15,556	—	15,556
Service charges on deposit accounts	3,642	—	—	—	3,642
Credit card merchant fees, net	1,794	—	—	—	1,794
Investment commissions, net	3,158	—	—	—	3,158
BOLI	1,940	52	—	—	1,992
Income from unconsolidated subsidiaries	768	83	—	—	851
Gain on sale of equity investments	—	—	—	—	—
Net gain on investment securities	—	—	—	—	—
Other noninterest income	3,815	179	—	4	3,998
Total noninterest income	14,344	14,397	15,556	25,932	70,229
Total revenue	150,669	15,261	15,580	25,932	207,442
Noninterest expense:					
Salaries and employee benefits	52,850	7,315	5,250	12,947	78,362
Occupancy	7,342	1,098	574	777	9,791
Furniture and equipment	4,081	151	385	153	4,770
Amortization - intangibles	1,969	—	637	1,373	3,979
Software	4,427	790	877	741	6,835
Data processing	2,840	198	1,339	133	4,510
Professional fees	1,934	157	236	212	2,539
Advertising and marketing	1,883	420	750	175	3,228
FDIC and other insurance	2,676	117	113	126	3,032
Acquisition-related expenses	17,256	1,481	—	—	18,737
Other expenses	11,276	2,728	427	451	14,882
Total noninterest expense	108,534	14,455	10,588	17,088	150,665
Income (loss) before income tax, corporate allocation, and noncontrolling interest	35,923	608	4,992	8,844	50,367
Corporate allocation	1,535	(519)	(316)	(700)	—
Income (loss) before income tax provision and noncontrolling interest	37,458	89	4,676	8,144	50,367
Provision for income tax expense	7,814	(41)	1,227	2,098	11,098
Net income (loss)	29,644	130	3,449	6,046	39,269

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Three Months Ended June 30, 2025	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Net income attributable to noncontrolling interest	(124)	(308)	—	—	(432)
Net income (loss) attributable to TowneBank	\$ 29,520	\$ (178)	\$ 3,449	\$ 6,046	\$ 38,837
Net income (loss) as percentage of consolidated income	76.01 %	(0.46)%	8.88 %	15.57 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 5,236	\$ 145	\$ 203	\$ 116	\$ 5,700
Efficiency ratio (GAAP)	72.03 %	94.72 %	67.96 %	65.90 %	72.63 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(1.30)%	— %	(4.09)%	(5.30)%	(1.92)%
Efficiency ratio (non-GAAP)	70.73 %	94.72 %	63.87 %	60.60 %	70.71 %

Three Months Ended June 30, 2024	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Interest income	\$ 190,678	\$ 4,256	\$ —	\$ —	\$ 194,934
Interest expense	82,649	3,268	(31)	—	85,886
Net interest income	108,029	988	31	—	109,048
Provision for credit losses	(170)	(7)	—	—	(177)
Net interest income after provision for credit losses	108,199	995	31	—	109,225
Noninterest income:					
Residential mortgage banking income, net	(575)	13,997	—	—	13,422
Insurance commissions and related income, net	(778)	—	—	24,809	24,031
Property management income, net	—	—	14,312	—	14,312
Service charges on deposit accounts	3,353	—	—	—	3,353
Credit card merchant fees, net	1,662	—	—	—	1,662
Investment commissions, net	2,580	—	—	—	2,580
BOLI	3,186	52	—	—	3,238
Income from unconsolidated subsidiaries	492	68	—	—	560
Gain on sale of equity investments	—	—	—	—	—
Net gain on investment securities	—	—	—	—	—
Other noninterest income	2,514	190	54	6	2,764
Total noninterest income	12,434	14,307	14,366	24,815	65,922
Total revenue	120,463	15,295	14,397	24,815	174,970

Noninterest expense:					
Salaries and employee benefits	46,640	6,803	5,567	12,339	71,349
Occupancy	7,194	1,062	749	712	9,717
Furniture and equipment	3,810	149	447	228	4,634
Amortization - intangibles	1,117	144	637	1,400	3,298
Software	4,422	876	923	835	7,056
Data processing	2,609	170	1,720	107	4,606
Professional fees	3,146	142	320	180	3,788
Advertising and marketing	1,610	448	1,333	133	3,524
FDIC and other insurance	1,861	94	74	104	2,133
Acquisition-related expenses	—	—	19	—	19
Other expenses	9,939	2,535	482	904	13,860

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Three Months Ended June 30, 2024	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Total noninterest expense	82,348	12,423	12,271	16,942	123,984
Income (loss) before income tax, corporate allocation, and noncontrolling interest	38,285	2,879	2,126	7,873	51,163
Corporate allocation	1,232	(490)	—	(742)	—
Income (loss) before income tax provision and noncontrolling interest	39,517	2,389	2,126	7,131	51,163
Provision for income tax expense	5,130	482	681	1,831	8,124
Net income (loss)	34,387	1,907	1,445	5,300	43,039
Net income attributable to noncontrolling interest	(58)	(411)	286	—	(183)
Net income (loss) attributable to TowneBank	\$ 34,329	\$ 1,496	\$ 1,731	\$ 5,300	\$ 42,856
Net income (loss) as percentage of consolidated income	80.10 %	3.49 %	4.04 %	12.37 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 5,053	\$ 136	\$ 215	\$ 129	\$ 5,533
Efficiency ratio (GAAP)	68.36 %	81.22 %	85.23 %	68.27 %	70.86 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(0.93)%	(0.94)%	(4.42)%	(5.64)%	(1.88)%
Efficiency ratio (non-GAAP)	67.43 %	80.28 %	80.81 %	62.63 %	68.98 %

Six Months Ended June 30, 2025	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Interest income	\$ 388,994	\$ 8,253	\$ —	\$ —	\$ 397,247
Interest expense	133,085	6,506	(35)	—	139,556
Net interest income	255,909	1,747	35	—	257,691
Provision for credit losses	8,579	251	—	—	8,830
Net interest income after provision for credit losses	247,330	1,496	35	—	248,861
Noninterest income:					
Residential mortgage banking income, net	(742)	24,664	—	—	23,922
Insurance commissions and related income, net	(443)	—	—	52,545	52,102
Property management income, net	—	—	35,056	—	35,056
Service charges on deposit accounts	6,969	—	—	—	6,969
Credit card merchant fees, net	3,491	—	—	—	3,491
Investment commissions, net	6,233	—	—	—	6,233
BOLI	3,761	103	—	—	3,864
Income from unconsolidated subsidiaries	779	125	—	—	904
Gain on sale of equity investments	2,000	—	—	—	2,000
Net gain on investment securities	—	—	—	—	—
Other noninterest income	6,889	355	2	8	7,254
Total noninterest income	28,937	25,247	35,058	52,553	141,795
Total revenue	284,846	26,994	35,093	52,553	399,486
Noninterest expense:					
Salaries and employee benefits	102,534	14,346	10,698	25,862	153,440
Occupancy	14,321	2,036	1,189	1,578	19,124
Furniture and equipment	7,889	346	791	366	9,392

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Six Months Ended June 30, 2025	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Amortization - intangibles	2,951	—	1,273	2,781	7,005
Software	8,449	1,517	1,736	1,426	13,128
Data processing	5,448	360	2,283	253	8,344
Professional fees	3,944	383	362	503	5,192
Advertising and marketing	4,780	809	1,641	471	7,701
FDIC and other insurance	5,267	213	180	233	5,893
Acquisition-related expenses	17,676	1,481	—	—	19,157
Other expenses	23,246	5,191	3,040	1,348	32,825
Total noninterest expense	196,505	26,682	23,193	34,821	281,201
Income (loss) before income tax, corporate allocation, and noncontrolling interest	79,762	61	11,900	17,732	109,455
Corporate allocation	2,931	(869)	(636)	(1,426)	—
Income (loss) before income tax provision and noncontrolling interest	82,693	(808)	11,264	16,306	109,455
Provision for income tax expense	12,495	(281)	2,856	4,229	19,299
Net income (loss)	70,198	(527)	8,408	12,077	90,156
Net income attributable to noncontrolling interest	(82)	(425)	(220)	—	(727)
Net income (loss) attributable to TowneBank	\$ 70,116	\$ (952)	\$ 8,188	\$ 12,077	\$ 89,429
Net income (loss) as percentage of consolidated income	78.40 %	(1.06)%	9.16 %	13.50 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 10,389	\$ 280	\$ 396	\$ 236	\$ 11,301
Efficiency ratio (GAAP)	68.99 %	98.84 %	66.09 %	66.26 %	70.39 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(0.56)%	— %	(3.63)%	(5.29)%	(1.41)%
Efficiency ratio (non-GAAP)	68.43 %	98.84 %	62.46 %	60.97 %	68.98 %

Six Months Ended June 30, 2024	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Interest income	\$ 374,573	\$ 7,281	\$ —	\$ —	\$ 381,854
Interest expense	163,862	5,760	(34)	—	169,588
Net interest income	210,711	1,521	34	—	212,266
Provision for credit losses	(1,146)	92	—	—	(1,054)
Net interest income after provision for credit losses	211,857	1,429	34	—	213,320
Noninterest income:					
Residential mortgage banking income, net	(896)	24,795	—	—	23,899
Insurance commissions and related income, net	(778)	—	—	50,348	49,570
Property management income, net	—	—	31,085	—	31,085
Service charges on deposit accounts	6,431	—	—	—	6,431
Credit card merchant fees, net	3,213	—	—	—	3,213
Investment commissions, net	4,923	—	—	—	4,923
BOLI	4,978	102	—	—	5,080
Income from unconsolidated subsidiaries	152	97	—	—	249
Gain on sale of equity investments	—	—	—	—	—
Net gain on investment securities	74	—	—	—	74

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Six Months Ended June 30, 2024	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Other noninterest income	4,812	376	68	26	5,282
Total noninterest income	22,909	25,370	31,153	50,374	129,806
Total revenue	233,620	26,891	31,187	50,374	342,072
Noninterest expense:					
Salaries and employee benefits	93,113	13,459	11,099	25,055	142,726
Occupancy	14,254	2,124	1,257	1,504	19,139
Furniture and equipment	7,458	327	863	464	9,112
Amortization - intangibles	2,280	287	1,170	2,807	6,544
Software	8,476	1,663	1,531	1,486	13,156
Data processing	5,157	318	2,822	225	8,522
Professional fees	5,805	376	472	315	6,968
Advertising and marketing	4,618	830	2,371	287	8,106
FDIC and other insurance	5,983	196	109	203	6,491
Acquisition-related expenses	147	—	466	1	614
Other expenses	20,355	4,757	1,424	1,661	28,197
Total noninterest expense	167,646	24,337	23,584	34,008	249,575
Income (loss) before income tax, corporate allocation, and noncontrolling interest	67,120	2,462	7,603	16,366	93,551
Corporate allocation	2,301	(838)	—	(1,463)	—
Income (loss) before income tax provision and noncontrolling interest	69,421	1,624	7,603	14,903	93,551
Provision for income tax expense	9,235	280	2,039	3,831	15,385
Net income (loss)	60,186	1,344	5,564	11,072	78,166
Net income attributable to noncontrolling interest	62	(526)	(159)	—	(623)
Net income (loss) attributable to TowneBank	\$ 60,248	\$ 818	\$ 5,405	\$ 11,072	\$ 77,543
Net income (loss) as percentage of consolidated income	77.70 %	1.05 %	6.97 %	14.28 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 9,886	\$ 281	\$ 411	\$ 275	\$ 10,853
Efficiency ratio (GAAP)	71.76 %	90.50 %	75.62 %	67.51 %	72.96 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(0.95)%	(1.06)%	(3.75)%	(5.57)%	(1.90)%
Efficiency ratio (non-GAAP)	70.81 %	89.44 %	71.87 %	61.94 %	71.06 %

Note 9. Commitments and Contingencies

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

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

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	June 30, 2025	December 31, 2024
Off-balance-sheet commitments to extend credit	\$ 4,708,981	\$ 4,098,088
Standby letters of credit and financial guarantees	182,241	185,538
Allowance for credit losses from off-balance-sheet credit exposures	8,266	8,837
Mortgage loans sold to investors with estimated recourse	1,312,687	1,331,206
Mortgage warranty provision on mortgage loans sold	30,015	31,954

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):

	June 30, 2025		December 31, 2024	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Core deposit intangible	\$ 57,640	\$ 27,586	\$ 36,620	\$ 24,767
Non-compete agreements	205	159	205	142
Customer lists	72,937	40,811	78,235	41,940
Total intangible assets subject to amortization	130,782	68,556	115,060	66,849
Trade name	8,729	—	8,729	—
Contractual agreements	3,231	—	3,231	—
Total intangible assets not subject to amortization	11,960	—	11,960	—
Total other intangible assets	\$ 142,742	\$ 68,556	\$ 127,020	\$ 66,849

Amortization expense for intangible assets was \$3.98 million and \$3.30 million for the three-month periods ended June 30, 2025 and 2024, respectively. Amortization expense for intangible assets was \$7.01 million and \$6.54 million for the six-month periods ended June 30, 2025 and 2024, respectively.

Changes in the net carrying amount of goodwill related to each of the Company's segments since December 31, 2024, are as follows (in thousands):

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Balance, December 31, 2024	\$ 347,822	\$ 8,162	\$ 17,964	\$ 83,671	\$ 457,619
Acquisitions	42,090	—	—	—	42,090
Balance, June 30, 2025	\$ 389,912	\$ 8,162	\$ 17,964	\$ 83,671	\$ 499,709

In the first six months of 2025, the Company recorded an increase of \$42.09 million to goodwill and a \$14.02 million increase in intangible assets, net related to the acquisition of Village.

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Note 11. Postretirement Benefits

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

	SERP		Other Postretirement Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2025	2024	2025	2024
Service cost	\$ 982	\$ 1,073	\$ —	\$ —
Interest cost	782	667	7	7
Amortization of prior service costs	144	179	(8)	(14)
Amortization of actuarial (gain) loss	(373)	(509)	(27)	(34)
Net periodic postretirement benefit cost	<u>\$ 1,535</u>	<u>\$ 1,410</u>	<u>\$ (28)</u>	<u>\$ (41)</u>

	SERP		Other Postretirement Benefits	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Service cost	\$ 1,970	\$ 2,147	\$ —	\$ —
Interest cost	1,534	1,379	14	14
Amortization of prior service costs	288	358	(17)	(28)
Amortization of actuarial (gain) loss	(746)	(1,018)	(54)	(68)
Net periodic postretirement benefit cost	<u>\$ 3,046</u>	<u>\$ 2,866</u>	<u>\$ (57)</u>	<u>\$ (82)</u>

Postretirement benefit costs are included in our Consolidated Statements of Income for the three- and six-month periods ended June 30, 2025 and June 30, 2024. The service cost component of postretirement benefits is included in salaries and employee benefits. All other components of postretirement benefit costs are included in other expenses.

Note 12. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the components of accumulated other comprehensive income (loss) at June 30, 2025 and 2024 (in thousands), and changes in the six months then ended. The amounts reclassified from AOCI for the securities available for sale are included in gain (loss) on investment securities, net in the Consolidated Statements of Income, while the amounts reclassified from AOCI for the defined benefit plan are a component of salaries and employee benefits expense and other expenses in the Consolidated Statements of Income.

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	Unrealized Gains (Losses) on Securities (a)	Pension and Postretirement Plans (b)	Accumulated Other Comprehensive Income (Loss), Net of Tax
Balance, December 31, 2024	\$ (121,474)	\$ 5,429	\$ (116,045)
Other comprehensive income (loss) before reclassifications, net of tax	32,967	389	33,356
Amounts reclassified from AOCI, net of tax	—	(414)	(414)
Net change	32,967	(25)	32,942
Balance, June 30, 2025	<u>\$ (88,507)</u>	<u>\$ 5,404</u>	<u>\$ (83,103)</u>

	Unrealized Gains (Losses) on Securities (a)	Pension and Postretirement Plans (b)	Accumulated Other Comprehensive Income (Loss), Net of Tax
Balance, December 31, 2023	\$ (126,827)	\$ 8,065	\$ (118,762)
Other comprehensive income (loss) before reclassifications, net of tax	(8,394)	(1,418)	(9,812)
Amounts reclassified from AOCI, net of tax	(58)	(592)	(650)
Net change	(8,452)	(2,010)	(10,462)
Balance, June 30, 2024	<u>\$ (135,279)</u>	<u>\$ 6,055</u>	<u>\$ (129,224)</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.

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

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
Partnership assets not included on the Consolidated Balance Sheets	\$ 978,243	\$ 949,748
Carrying value of limited partner interests (1)	335,723	320,653
Maximum exposure to loss from limited partner investments	335,723	322,753
Funding commitments dependent on contractual milestones	97,848	101,865
Unfunded short-term construction loan commitments	—	2,900

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

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

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<i>(dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Tax benefit, net	\$ 1,799	\$ 1,928	\$ 3,767	\$ 3,140
Amortization expenses	10,026	9,340	19,601	14,845

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.

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

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 six-month period ended June 30, 2025, and the year ended December 31, 2024, the Company used a weighted-average fall-out rate of 9.78%.

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

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

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

The following table presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of June 30, 2025 and December 31, 2024 (in thousands):

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ —	\$ 345,808	\$ —	\$ 345,808
U.S. Treasury notes	78,746	—	—	78,746
Municipal securities	—	438,175	—	438,175
Mortgage-backed securities issued by GSEs	—	1,577,325	—	1,577,325
Trust preferred and other corporate securities	—	68,284	45,637	113,921
Mortgage loans held for sale	—	238,742	—	238,742
Forward loan commitment asset	—	14	—	14
Forward loan commitment liability	—	270	—	270
Derivative assets	—	7,006	2,186	9,192
Derivative liabilities	—	8,257	—	8,257

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	December 31, 2024			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ —	\$ 293,917	\$ —	\$ 293,917
U.S. Treasury notes	28,429	—	—	28,429
Municipal securities	—	438,742	—	438,742
Mortgage-backed securities issued by GSEs	—	1,497,951	—	1,497,951
Trust preferred and other corporate securities	—	63,999	30,327	94,326
Mortgage loans held for sale	—	200,460	—	200,460
Forward loan commitment asset	—	226	—	226
Forward loan commitment liability	—	18	—	18
Derivative assets	—	4,692	1,150	5,842
Derivative liabilities	—	4,281	—	4,281

The following table presents qualitative information about significant unobservable inputs utilized to measure the fair value of Level 3 securities measured on a recurring and nonrecurring basis. A range is presented where multiple securities are valued. There were no transfers out of Level 3 during the three and six months ending June 30, 2025.

Financial Instrument	Valuation Technique	Unobservable Input	As of June 30, 2025	As of December 31, 2024
			(Weighted Average)	(Weighted Average)
Securities AFS	Discounted cash flow	Discount rate	10.38% - 11.04%	8.50% - 10.50%
		Weighted average life	4.46 - 10.00 years	4.96 - 7.23 years
HTM security	Discounted cash flow	Discount rate	6.35%	5.34%
		Weighted average life	23.90 years	24.35 years

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

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

(dollars in thousands)	June 30, 2025	December 31, 2024
Aggregate fair value	\$ 238,742	\$ 200,460
Unpaid principal balance	231,649	197,929

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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Net Gains (Losses) Resulting from Changes in Fair Value				
(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Mortgage loans held for sale, at fair value	\$ 904	\$ (435)	\$ 2,381	\$ (1,624)

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis that were still held on the balance sheet at quarter-end, the following table provides the level of valuation assumptions used to determine each adjustment and the carrying value of the related assets at June 30, 2025 and December 31, 2024 (in thousands):

June 30, 2025	Level 1	Level 2	Level 3	Fair Value
Other real estate owned and other nonperforming assets	\$ —	\$ —	\$ 966	\$ 966

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

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

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

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

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 are a discount rate and weighted-average life.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 June 30, 2025 and December 31, 2024, are as follows (in thousands):

	Carrying	Estimated			
	Value	Fair Value	Level 1	Level 2	Level 3
June 30, 2025					
Cash and due from banks	\$ 149,462	\$ 149,462	\$ 149,462	\$ —	\$ —
Interest-bearing deposits at FRB	838,315	838,315	838,315	—	—
Interest-bearing deposits in financial institutions	123,911	123,911	123,911	—	—
Securities available for sale, net	2,553,975	2,553,975	78,746	2,429,592	45,637
Securities held to maturity, net	201,932	196,998	92,893	103,073	1,032
Other equity securities	12,248	12,248	—	12,248	—
Net loans	12,359,673	11,836,124	—	—	11,836,124
Interest receivable	52,849	52,849	—	52,849	—
Certificates of deposit	2,587,951	2,581,778	—	2,581,778	—
Advances from the FHLB	12,838	12,696	—	12,696	—
Subordinated debt, net	260,430	238,944	—	228,133	10,811
	Carrying	Estimated			
	Value	Fair Value	Level 1	Level 2	Level 3
December 31, 2024					
Cash and due from banks	\$ 108,750	\$ 108,750	\$ 108,750	\$ —	\$ —
Interest-bearing deposits at FRB	1,127,878	1,127,878	1,127,878	—	—
Interest-bearing deposits in financial institutions	102,847	102,847	102,847	—	—
Securities available for sale, net	2,353,365	2,353,365	28,429	2,294,609	30,327
Securities held to maturity, net	212,352	203,883	91,518	111,220	1,145
Other equity securities	12,100	12,100	—	12,100	—
Net loans	11,459,055	10,868,627	—	—	10,868,627
Interest receivable	49,526	49,526	—	49,526	—
Certificates of deposit	2,542,735	2,539,767	—	2,539,767	—
Advances from the FHLB	3,218	3,005	—	3,005	—
Subordinated debt, net	260,001	231,055	—	214,975	16,080

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

Note 15. Derivative Instruments and Hedging Activities

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

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To allow customers to effectively manage their exposure to variable rate loans, the Company also enters into interest rate swaps with customers, while at the same time entering into offsetting interest rate swaps with another financial institution. Changes in the fair value of the underlying derivative instruments substantially offset each other and do not have a material impact on the Company's results of operations.

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

	June 30, 2025		December 31, 2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate contracts included in other assets	\$ 374,917	\$ 3,024	\$ 347,778	\$ 2,346
Interest rate contracts included in other liabilities	\$ 359,315	\$ 2,089	\$ 175,059	\$ 785
Interest rate swaps included in other assets	\$ 296,761	\$ 6,168	\$ 354,544	\$ 3,496
Interest rate swaps included in other liabilities	\$ 296,761	\$ 6,168	\$ 354,544	\$ 3,496

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 June 30, 2025 and 2024, the Company recognized losses of \$0.19 million and \$1.14 million in gains, respectively, from mortgage banking derivatives. For the six months ended June 30, 2025 and 2024, the Company recognized losses of \$0.51 million and \$3.40 million in gains, respectively, from mortgage banking derivatives. For the three and six months ended June 30, 2025 and 2024, there were no gains or losses recognized on interest rate swaps.

Note 16. Revenue from Contracts with Customers

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

Revenue from Contracts with Customers:	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Investment management income				
Investment commissions, net	\$ 3,158	\$ 2,580	\$ 6,233	\$ 4,923
Total	\$ 3,158	\$ 2,580	\$ 6,233	\$ 4,923
Insurance income				
Property and casualty insurance income, net	\$ 22,055	\$ 20,668	\$ 44,717	\$ 42,139
Benefit insurance income, net	3,622	3,363	7,385	7,431
Total	\$ 25,677	\$ 24,031	\$ 52,102	\$ 49,570
Resort vacation management income				
Property management income, net	15,556	14,312	35,056	31,085
Total	\$ 15,556	\$ 14,312	\$ 35,056	\$ 31,085
Provision (benefit) expense for credit losses on future reservation receivables	\$ (52)	\$ (17)	\$ 295	\$ 272
Provision expense for credit losses on property and casualty insurance receivables	\$ (20)	\$ (25)	\$ (204)	\$ 40

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 direct bill insurance receivables is recorded in property and casualty insurance income.

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The Company had no material contract assets or contract liabilities recorded on the Consolidated Balance Sheets as of June 30, 2025 or December 31, 2024.

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

Note 17. Borrowings

TowneBank is a member of the FHLB and may borrow funds based on criteria established by the FHLB. 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. Securities pledged as collateral for REPOs consist primarily of MBSs issued by GSEs. The market value of securities pledged could decline. Due to the overnight short-term nature of REPOs, the carrying amount of repurchase agreements approximates fair value, and potential risk due to a decline in the value of the pledged collateral is low.

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.

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.

On December 5, 2024, TowneBank closed an offering of Series IV Towne Investment Units ("Series IV Units"). This subscription offering was to members and emeritus members of the Company's corporate and regional boards. Each Series IV unit consists of 138 shares of common stock priced at \$36.44 per share and one 5-year 6% convertible subordinated capital note in the principal amount of \$5,000. The convertible subordinated notes are convertible into common stock at the discretion of the noteholder at an initial conversion price of \$36.44 per share (equal to a conversion rate of 138 shares per \$5,000 principal amount of notes).

The Company sold 716 Series IV units, for aggregate proceeds of \$7.16 million in the offering, which resulted in the issuance of an aggregate of \$3.58 million in convertible subordinated capital notes and 98,808 shares of common stock. Interest on each note is payable on a semi-annual basis in arrears on June 1 and December 1 of each year, beginning June 1, 2025. The notes mature December 1, 2029.

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With the April 2025 acquisition of Village, the Company assumed subordinated debt with a total carrying value of \$14.42 million. During the second quarter, the Company redeemed the notes and on June 30, 2025 the carrying value was zero.

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

	June 30, 2025	December 31, 2024
Market value of securities pledged as collateral for REPOs	\$ 58,051	\$ 59,002
Carrying value of capital notes assumed with Farmers acquisition	\$ 8,128	\$ 8,003
Carrying value of Company-issued capital notes	\$ 248,968	\$ 248,659
Carrying value of Series IV Towne Investment Units	\$ 3,334	\$ 3,339
Total subordinated debt	<u>\$ 260,430</u>	<u>\$ 260,001</u>

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 2024 audited Consolidated Financial Statements included in our 2024 Annual Report to Shareholders and our 2024 Annual Report on Form 10-K. The financial statements contained in this Form 10-Q have been subject to a review by Forvis Mazars, LLP, independent certified public accountants, as described in their report included as Exhibit 99.

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

- *competitive pressures in the banking 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 2023 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, trade restrictions and tariffs, civil unrest, and terrorist attacks and the potential impact, directly or indirectly, on our business;*
- *the effects of weather-related or natural disasters, which may negatively affect our operations and/or our loan portfolio and increase our cost of conducting business;*
- *public health events (such as the COVID-19 pandemic) and governmental and societal responses to them;*
- *changes in the legislative or regulatory environment, including changes in accounting standards and tax laws, that may adversely affect our business;*
- *our ability to successfully integrate the businesses from recently completed and pending acquisitions, including our pending merger with Old Point, to the extent that it may take longer or be more difficult, time-consuming, or costly to accomplish than expected;*
- *our ability to close the transaction with Old Point when expected or at all because required approvals and other conditions to closing are not received or satisfied on the proposed terms or on the anticipated schedule;*
- *deposit attrition, operating costs, customer losses, and business disruption associated with recently completed or pending acquisitions, including reputational risk and adverse effects on relationships with employees, customers, or other business partners, that may be greater than expected;*

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

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, 2024, and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.

Overview

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

We have four reportable segments: Banking, Mortgage, Resort Vacation Management, and Insurance. Our Banking segment provides loan and deposit services to retail and commercial customers and also provides a variety of investment and asset management services. The Mortgage segment provides originations of a variety of mortgage loans. The Resort Vacation Management segment provides vacation rentals of distinctive resort properties, and 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 \$18.26 billion at June 30, 2025, compared to \$17.25 billion at December 31, 2024. The following table lists key asset and liability categories, as a percentage of total assets, as of the dates listed:

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	June 30, 2025	December 31, 2024
Total cash and cash equivalents	6.09 %	7.77 %
Total securities	15.23 %	15.02 %
Mortgage loans held for sale	1.31 %	1.16 %
Loans, net of unearned income and deferred costs	67.67 %	66.44 %
Total deposits	83.93 %	83.71 %
Noninterest-bearing deposits	26.03 %	24.66 %
Total borrowings	1.61 %	1.72 %

The Company completed the acquisition of Village April 1, 2025. The following table lists key asset and liability categories for the consolidated company and the acquired company for the periods indicated. For additional information about the acquisition, see Note 3. "Mergers and Acquisitions" of the Notes to Consolidated Financial Statements in this report.

(dollars in thousands)	June 30, 2025	March 31, 2025	Village Acquisition	Total Change Change	%
Total assets	\$ 18,264,596	\$ 17,511,880	\$ 745,848	\$ 752,716	4.30 %
Total cash and cash equivalents	1,111,688	1,317,330	32,344	(205,642)	(15.61)%
Total investment securities	2,781,516	2,696,769	74,310	84,747	3.14 %
Mortgage loans held for sale	238,742	168,510	3,615	70,232	41.68 %
Loans, net of unearned income and deferred costs ("loans")	12,359,673	11,652,746	576,574	706,927	6.07 %
Allowance for credit losses on loans	(134,187)	(126,131)	7,745	8,056	6.39 %
Noninterest-bearing deposits	4,754,340	4,313,553	238,543	440,787	10.22 %
Total deposits	15,328,716	14,608,548	637,494	720,168	4.93 %
Total borrowings	294,115	284,102	24,419	10,013	3.52 %
Allowance for credit losses on loans to period end loans	1.09 %	1.08 %			

The acquisition of Village assets was the primary source of increase in total assets in the quarter. Excluding Village assets, loans increased \$130.35 million, primarily in non-owner and owner occupied real estate and HELOCs. Cash and cash equivalents primarily declined because the acquisition was a cash transaction, with aggregated consideration of \$120.44 million paid. Investment securities increased primarily due to market value improvements in AFS securities during the quarter, excluding acquired securities. Net unrealized losses in our AFS debt securities decreased to \$113.14 million at June 30, 2025, from \$119.25 million at March 31, 2025. Management's focus remains on strategic balance sheet management with a concentration on aligning loan and deposit growth while maintaining strong levels of capital and liquidity.

The following table presents the key components affecting the Company's financial performance in the three and six months ended June 30, 2025, compared to prior year:

	Three Months Ended June 30,			
(dollars in thousands)	2025	2024	Change	%
Net income attributable to TowneBank	\$ 38,837	\$ 42,856	\$ (4,019)	(9.38)%
Net interest income	137,213	109,048	28,165	25.83 %
Noninterest income	70,229	65,922	4,307	6.53 %
Total revenue	207,442	174,970	32,472	18.56 %
Provision for credit losses	6,410	(177)	6,587	(3,721.47)%

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(dollars in thousands)	Three Months Ended			
	June 30,			
	2025	2024	Change	%
Noninterest expense	150,665	123,984	26,681	21.52 %
Acquisition-related expenses	18,737	19	18,718	N/M
Noninterest expense, excluding acquisition-related expenses	131,928	123,965	7,963	6.42 %

(dollars in thousands)	Six Months Ended			
	June 30,			
	2025	2024	Change	%
Net income attributable to TowneBank	\$ 89,429	\$ 77,543	\$ 11,886	15.33 %
Net interest income	257,691	212,266	45,425	21.40 %
Noninterest income	141,795	129,806	11,989	9.24 %
Total revenue	399,486	342,072	57,414	16.78 %
Provision for credit losses	8,830	(1,054)	9,884	(937.76)%
Noninterest expense	281,201	249,575	31,626	12.67 %
Acquisition-related expenses	19,157	614	18,543	N/M
Noninterest expense, excluding acquisition-related expenses	262,044	248,961	13,083	5.26 %

Net income attributable to TowneBank decreased in second quarter 2025, but increased in the year-to-date comparison. The second quarter decrease was attributable to acquisition-related expenses. Total revenue increased in the current quarter and first six months of 2025, compared to 2024, primarily due to rate-driven increases in net interest income. Acquisition-related expenses and salaries and employee benefits were the source of the increase in noninterest expense. This discussion should be read in conjunction with our Consolidated Financial Statements and notes to the financial statements appearing elsewhere in this report.

Critical Accounting Estimates and Significant Accounting Policies

Preparation of consolidated financial statements and related disclosures in conformity with GAAP requires management to make judgments, assumptions, and estimates in certain circumstances that affect amounts reported in the Consolidated Financial Statements and accompanying footnotes. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. We consider our policy for the allowance for credit losses to be a critical accounting policy. Refer to our 2024 Annual Report to Shareholders for further discussion of significant accounting policies.

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

ANALYSIS OF RESULTS OF OPERATIONS

Consolidated Performance Summary

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

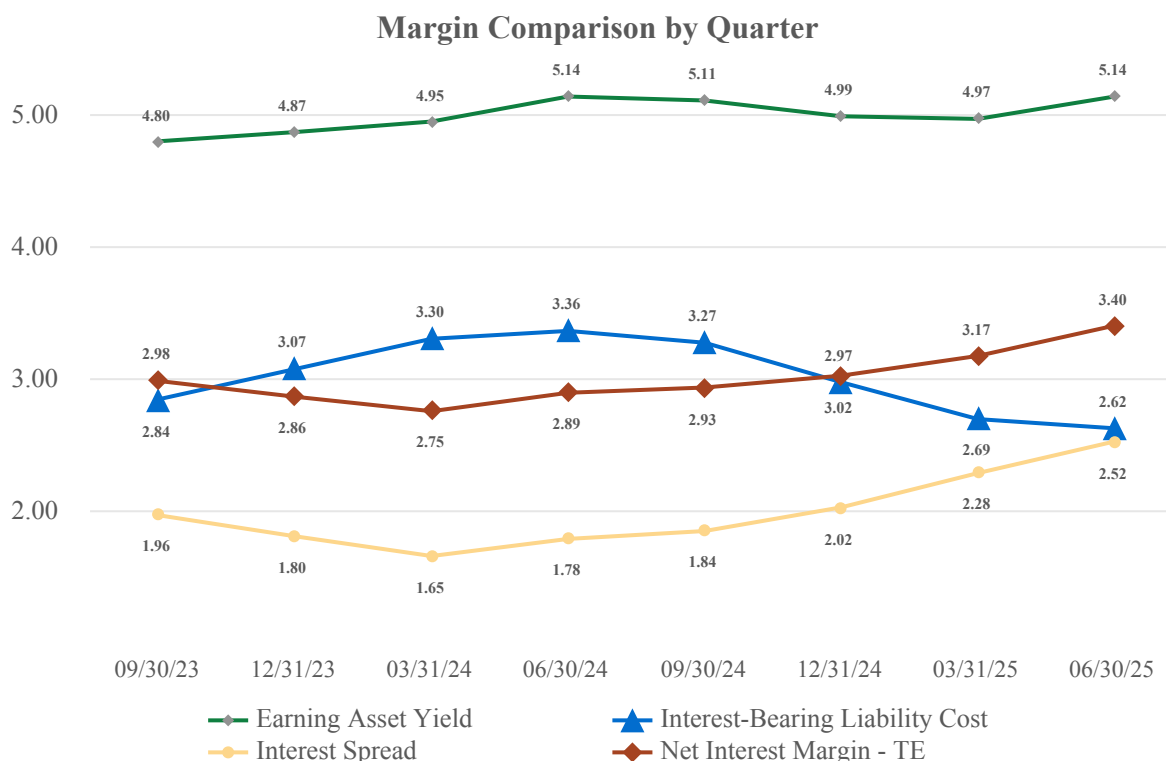
	Three Months Ended		Six Months Ended	
<i>(dollars in thousands, except per share data)</i>	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Total revenue	\$ 207,442	\$ 174,970	\$ 399,486	\$ 342,072
Operating revenue (non-GAAP)	\$ 207,442	\$ 174,970	\$ 397,486	\$ 341,998
Diluted earnings per share	\$ 0.51	\$ 0.57	\$ 1.19	\$ 1.03
Return on average assets	0.86 %	1.01 %	1.02 %	0.92 %
Return on average tangible assets (non-GAAP)	0.96 %	1.11 %	1.12 %	1.01 %
Return on average equity	7.12 %	8.43 %	8.29 %	7.63 %
Return on average tangible equity (non-GAAP)	10.39 %	12.03 %	11.73 %	10.95 %
Net interest margin	3.38 %	2.86 %	3.26 %	2.79 %
Net interest margin TE (non-GAAP)	3.40 %	2.89 %	3.29 %	2.82 %

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 cost of interest-bearing liabilities peaked in second quarter 2024 and has declined 74 bp as of June 30, 2025. Net interest margin began increasing after first quarter 2024 and has increased 65 bp since that point.

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TowneBank reported net interest income, on a TE basis ("net interest income-TE"), of \$138.27 million for the quarter ended June 30, 2025, which was \$28.14 million, or 25.55%, higher than second quarter 2024. Interest income-TE was \$208.69 million in the quarter ended June 30, 2025, a \$12.67 million, or 6.46%, increase over quarter-end June 30, 2024. Additionally, interest expense decreased \$15.47 million, or 18.01%, for the same period, driven by year-over-year decreases in rate.

In the six-month comparison net interest income on a TE basis increased \$45.36 million, or 21.15%, over prior year. Interest income-TE was \$399.38 million in the six months ended June 30, 2025, \$15.33 million, or 3.99%, higher than the six months ended June 30, 2024. Interest expense decreased 17.71%, or \$30.03 million, year over year.

Interest income growth in the quarter and first six months of 2025 was driven by volume. Average earning assets increased 6.17% to \$16.29 billion in the quarter ended June 30, 2025, from the comparative prior year quarter. The overall yield on earning assets in the current quarter was level with the prior year period. Average loan balances increased 7.26% in second quarter 2025 compared to the same period one year ago, and loan yields increased 11 bp. Average earning assets increased \$615.90 million, or 4.02%, in the six months ended June 30, 2025, compared to 2024, and the yield on earning assets increased 1 bp. Average loan balances increased \$492.69 million, or 4.31%, and loan yields increased 7 bp.

Interest expense declined in the quarter and first six months of 2025, driven by lower rates. Average interest-bearing liabilities were \$10.80 billion in second quarter 2025, an increase of 4.96% over the comparative prior year quarter. The cost of interest-bearing liabilities was 2.62% in second quarter 2025, a 74 bp decrease from second quarter 2024. The cost of interest-bearing deposits declined 71 bp for the same comparative periods. Average interest-bearing liabilities increased 3.53% in the six-month comparison, while the cost of interest-bearing liabilities declined 68 bp.

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TE net interest margin, which is net interest income-TE expressed as a percentage of average earning assets, was 3.40% for the quarter ended June 30, 2025, or 51 bp higher compared to quarter-end June 30, 2024. In the six-month comparison, TE net interest margin was 3.29%, or 47 bp, higher than prior year.

In response to economic indicators, the Federal Reserve Open Market Committee ("FOMC") began increasing the Federal Reserve's Federal Funds target range, a key financial index, in first quarter 2022. Those increases peaked in third quarter 2023 and remained there until late September 2024 when, in three consecutive meetings, the FOMC lowered the range a total of 100 basis points. The Federal Reserve's Federal Funds target range has not changed since December 2024.

From a repricing standpoint, interest-bearing liabilities are typically short-term and reprice more quickly than interest-earning assets which, in a declining rate environment, benefits earnings and, in an increasing rate environment, is detrimental to earnings. The Company has seen an 8 bp decrease in interest-bearing deposit costs from the linked quarter, and a 71 bp decrease from the prior year quarter, as a result of the decrease in the Federal Funds target range.

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

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

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) Three Months Ended June 30, 2025 Compared to Three Months Ended June 30, 2024		
	June 30, 2025			June 30, 2024			Rate (4)		
	Average	Interest	Average	Average	Interest	Average	Ended		
	Balance	Income/ Expense	Yield/ Rate	Balance	Income/ Expense	Yield/ Rate	June 30, 2024		
(dollars in thousands)							Rate (4)	Volume	Total
Assets:									
Loans (net of unearned income and deferred costs)	\$ 12,304,172	\$ 170,520	5.56 %	\$ 11,471,669	\$ 155,374	5.45 %	\$ 3,327	\$ 11,819	\$ 15,146
Taxable investment securities	2,598,093	23,361	3.60 %	2,368,476	21,671	3.66 %	(380)	2,070	1,690
Tax-exempt investment securities	172,083	1,802	4.19 %	156,503	1,521	3.89 %	123	158	281
Total securities	2,770,176	25,163	3.63 %	2,524,979	23,192	3.67 %	(257)	2,228	1,971
Interest-bearing deposits	1,045,727	10,241	3.93 %	1,182,816	14,512	4.93 %	(2,723)	(1,548)	(4,271)
Mortgage loans held for sale	172,102	2,770	6.44 %	165,392	2,945	7.12 %	(291)	116	(175)
Total earning assets	16,292,177	208,694	5.14 %	15,344,856	196,023	5.14 %	56	12,615	12,671
Less: allowance for loan losses	(131,837)			(126,792)					
Total nonearning assets	1,896,640			1,764,418					
Total assets	<u>\$ 18,056,980</u>			<u>\$ 16,982,482</u>					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	\$ 7,590,290	\$ 42,054	2.22 %	\$ 6,896,176	\$ 48,161	2.81 %	\$ (10,681)	\$ 4,574	\$ (6,107)
Savings	337,807	704	0.84 %	317,774	845	1.07 %	(192)	51	(141)
Certificates of deposit	2,560,313	25,394	3.98 %	2,715,615	33,017	4.89 %	(5,834)	(1,789)	(7,623)
Total interest-bearing deposits	10,488,410	68,152	2.61 %	9,929,565	82,023	3.32 %	(16,707)	2,836	(13,871)
Borrowings	34,799	(341)	(3.88)%	100,165	1,627	6.43 %	(1,399)	(569)	(1,968)
Subordinated debt, net	272,448	2,609	3.83 %	256,093	2,236	3.49 %	225	148	373
Total interest-bearing liabilities	10,795,657	70,420	2.62 %	10,285,823	85,886	3.36 %	(17,881)	2,415	(15,466)
							<u>\$ 17,937</u>	<u>\$ 10,200</u>	<u>\$ 28,137</u>
Demand deposits	4,685,835			4,267,590					
Other noninterest-bearing liabilities	387,166			383,447					
Total liabilities	15,868,658			14,936,860					
Shareholders' equity	2,188,322			2,045,622					
Total liabilities and equity	<u>\$ 18,056,980</u>			<u>\$ 16,982,482</u>					
Net interest income-TE (3)									
		\$ 138,274			\$ 110,137				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(1,061)			(1,089)				
Net interest income (GAAP)		<u>\$ 137,213</u>			<u>\$ 109,048</u>				
Interest rate spread (1)(3)									
			2.52 %			1.78 %			
Interest expense as a percent of average earning assets									
			1.73 %			2.25 %			
Net interest margin-TE (2)(3)									
			3.40 %			2.89 %			
Total cost of deposits									
			1.80 %			2.32 %			

(1) Interest rate spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities. Tax-equivalent basis.

(2) Net interest margin is net interest income expressed as a percentage of average earning assets. Tax-equivalent basis.

(3) Non-GAAP.

(4) Variances caused by the change in rate times the change in balances are allocated to rate.

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	Six Months Ended						Increase/(Decrease) Six Months Ended June 30, 2025 Compared to Six Months Ended June 30, 2024		
	June 30, 2025			June 30, 2024					
	Average	Interest	Average	Average	Interest	Average			
	Balance	Income/ Expense	Yield/ Rate	Balance	Income/ Expense	Yield/ Rate	Rate (4)	Volume	Total
<i>(dollars in thousands)</i>									
Assets:									
Loans (net of unearned income and deferred costs)	\$ 11,918,188	\$ 323,586	5.48 %	\$ 11,425,496	\$ 307,186	5.41 %	\$ 3,720	\$ 12,680	\$ 16,400
Taxable investment securities	2,538,402	44,662	3.52 %	2,404,564	40,385	3.36 %	1,971	2,306	4,277
Tax-exempt investment securities	174,071	3,663	4.21 %	159,021	3,071	3.86 %	288	304	592
Total securities	2,712,473	48,325	3.56 %	2,563,585	43,456	3.39 %	2,259	2,610	4,869
Interest-bearing deposits	1,122,263	22,042	3.96 %	1,175,069	28,746	4.92 %	(5,448)	(1,256)	(6,704)
Mortgage loans held for sale	168,251	5,423	6.45 %	141,130	4,661	6.61 %	(115)	877	762
Total earning assets	15,921,175	399,376	5.06 %	15,305,280	384,049	5.05 %	416	14,911	15,327
Less: allowance for loan losses	(128,072)			(127,102)					
Total nonearning assets	1,843,652			1,745,180					
Total assets	<u>\$ 17,636,755</u>			<u>\$ 16,923,358</u>					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	\$ 7,435,687	\$ 82,659	2.24 %	\$ 6,862,115	\$ 96,146	2.82 %	\$ (21,513)	\$ 8,026	\$ (13,487)
Savings	325,033	1,419	0.88 %	323,405	1,726	1.07 %	(315)	8	(307)
Certificates of deposit	2,550,430	51,207	4.05 %	2,649,777	62,539	4.75 %	(9,028)	(2,304)	(11,332)
Total interest-bearing deposits	10,311,150	135,285	2.65 %	9,835,297	160,411	3.28 %	(30,856)	5,730	(25,126)
Borrowings	32,217	(642)	(3.96)%	156,270	4,705	5.95 %	(3,621)	(1,726)	(5,347)
Subordinated debt, net	266,293	4,913	3.69 %	255,986	4,472	3.49 %	257	184	441
Total interest-bearing liabilities	10,609,660	139,556	2.65 %	10,247,553	169,588	3.33 %	(34,220)	4,188	(30,032)
							<u>\$ 34,636</u>	<u>\$ 10,723</u>	<u>\$ 45,359</u>
Demand deposits	4,482,341			4,245,847					
Other noninterest-bearing liabilities	370,508			387,010					
Total liabilities	15,462,509			14,880,410					
Shareholders' equity	2,174,246			2,042,948					
Total liabilities and equity	<u>\$ 17,636,755</u>			<u>\$ 16,923,358</u>					
Net interest income-TE (3)									
		\$ 259,820			\$ 214,461				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(2,129)			(2,195)				
Net interest income (GAAP)		<u>\$ 257,691</u>			<u>\$ 212,266</u>				
Interest rate spread (1)(3)									
			2.41 %			1.72 %			
Interest expense as a percent of average earning assets									
			1.77 %			2.23 %			
Net interest margin-TE (2)(3)									
			3.29 %			2.82 %			
Total cost of deposits									
			1.84 %			2.29 %			

- Interest rate spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities. Tax-equivalent basis.
- Net interest margin is net interest income expressed as a percentage of average earning assets. Tax-equivalent basis.
- Non-GAAP.
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Provision for Credit Losses. The second quarter 2025 provision for credit losses was an expense of \$6.41 million, compared to a benefit of \$177 thousand for the same period one year ago. The provision for the first six months of 2025 was an expense of \$8.83 million compared to a benefit of \$1.05 million in the prior year. The provision included an initial provision for credit losses of \$6.24 million related to non-PCD loans and commitments acquired in the Village transaction. In the second quarter and first six months of 2025, we had net charge-offs of \$19 thousand and \$645 thousand, respectively, compared to net recoveries of \$19 thousand and net charge-offs of \$501 thousand in the second quarter and first six months of 2024, respectively. In addition to the acquisition-related provision, continued strength in credit quality and loan growth were factors in the current quarter provision.

Noninterest Income. Total noninterest income for the three and six months ended June 30, 2025, was \$70.23 million and \$141.80 million, respectively, compared to \$65.92 million and \$129.81 million for the same respective periods in 2024. Noninterest income as a percentage of total operating income was 33.85% for second quarter 2025, compared with 37.68% for second quarter 2024.

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

	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
(dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Residential mortgage banking income, net	\$ 13,561		\$ 13,422		\$ 139	1.04 %	\$ 23	0.10 %
Insurance commissions and other income, net	25,677		24,031		1,646	6.85 %	2,532	5.11 %
Property management income, net	15,556		14,312		1,244	8.69 %	3,971	12.77 %
Service charges on deposit accounts	3,642		3,353		289	8.62 %	538	8.37 %
Credit card merchant fees, net	1,794		1,662		132	7.94 %	278	8.65 %
Investment commission income, net	3,158		2,580		578	22.40 %	1,310	26.61 %
BOLI	1,992		3,238		(1,246)	(38.48)%	(1,216)	(23.94)%
Gain on sale of equity investments	—		—		—	N/M	2,000	N/M
Other income	4,849		3,324		1,525	45.88 %	2,627	47.50 %
Subtotal before gain on investment securities	70,229		65,922		4,307	6.53 %	12,063	9.30 %
Net gain on investment securities	—		—		—	N/M	(74)	(100.00)%
Total noninterest income	\$ 70,229		\$ 65,922		\$ 4,307	6.53 %	\$ 11,989	9.24 %
Noninterest income/operating income (non-GAAP)	33.85 %		37.68 %					

In the second quarter and first six months of 2025, residential mortgage banking income, net of commission expense, increased marginally compared to the prior year periods, driven by an increase in production volume and partially offset by a decline in margin. Production volume was \$671.47 million in second quarter 2025, an increase of \$44.49 million, or 7.10%, compared to second quarter 2024. Production volume increased \$65.29 million, or 6.21%, in the six month comparison. Margins on the sale of loans decreased 15 bp in both the second quarter and first six months of 2025, compared to 2024. Purchase volume was over 90% of total loan volume in the periods presented. Management expects continued softness in mortgage banking given the current interest rate environment coupled with low inventory levels in several key markets.

In the second quarter and first six months of 2025 insurance commissions increased due to organic growth in property and casualty commission income. Contingency and bonus revenue, which consists primarily of amounts received from various property and casualty carriers, and employee benefits insurance, increased in

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the quarter comparison, but declined in the six-month comparison. Management continues to search for opportunities to grow insurance segment revenues both organically and through disciplined insurance agency acquisitions.

Property management income, net of commission expense, increased in the second quarter and first six months of 2025 compared to 2024, driven by an acquisition in first quarter 2024 and changes to our fee structure. The primary source of income from this line of business is vacation property commissions and associated fees.

BOLI income declined in the second quarter and first six months of 2025 compared to 2024 because of proceeds from life insurance claims in the prior year. In the first quarter of 2025, we recorded a \$2 million gain on the sale of an equity investment originally obtained in 2013 as collateral for a charged-off loan. We sold four securities with a carrying value of \$1.53 million, and recorded net losses of less than \$1 thousand in the second quarter of 2025. We sold seven investment securities with a carrying value of \$48.10 million in the first quarter 2024, and recorded net gains on the sale of \$74 thousand. We did not sell any securities in first quarter 2025 or second quarter 2024.

Noninterest Expense. For the quarter ended June 30, 2025, total noninterest expense was \$150.67 million, which was \$26.68 million higher than comparative 2024. For the six months ended June 30, 2025, total noninterest expense was \$281.20 million, or \$31.63 million more than the same period in 2024. As a percentage of operating income, noninterest expense was 72.63% for second quarter 2025 and 70.86% for comparative 2024.

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

	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
<i>(dollars in thousands)</i>					Amount	Percent	Amount	Percent
Salaries and employee benefits	\$ 78,362	\$ 71,349	\$ 153,440	\$ 142,726	\$ 7,013	9.83 %	\$ 10,714	7.51 %
Occupancy expense	9,791	9,717	19,124	19,139	74	0.76 %	(15)	(0.08)%
Furniture and equipment	4,770	4,634	9,392	9,112	136	2.93 %	280	3.07 %
Amortization - intangibles	3,979	3,298	7,005	6,544	681	20.65 %	461	7.04 %
Software	6,835	7,056	13,128	13,156	(221)	(3.13)%	(28)	(0.21)%
Data processing	4,510	4,606	8,344	8,522	(96)	(2.08)%	(178)	(2.09)%
Professional fees	2,539	3,788	5,192	6,968	(1,249)	(32.97)%	(1,776)	(25.49)%
Advertising and marketing	3,228	3,524	7,701	8,106	(296)	(8.40)%	(405)	(5.00)%
Other noninterest expenses:								
Acquisition-related expenses	18,737	19	19,157	614	18,718	N/M	18,543	N/M
Bank franchise tax/SCC fees	2,846	2,720	5,692	5,440	126	4.63 %	252	4.63 %
Charitable contributions	3,945	3,293	8,062	6,758	652	19.80 %	1,304	19.30 %
Directors fees and expenses	925	778	2,080	2,099	147	18.89 %	(19)	(0.91)%
FDIC and other insurance	3,032	2,133	5,893	6,491	899	42.15 %	(598)	(9.21)%
Other	3,612	3,428	9,916	6,615	184	5.37 %	3,301	49.90 %
Stationery and supplies	803	707	1,416	1,447	96	13.58 %	(31)	(2.14)%
Telephone and postage	1,448	1,275	3,133	2,858	173	13.57 %	275	9.62 %
Travel/meals/entertainment	1,303	1,659	2,526	2,980	(356)	(21.46)%	(454)	(15.23)%
Total other noninterest expenses	36,651	16,012	57,875	35,302	20,639	128.90 %	22,573	63.94 %
Total noninterest expense	<u>\$ 150,665</u>	<u>\$ 123,984</u>	<u>\$ 281,201</u>	<u>\$ 249,575</u>	<u>\$ 26,681</u>	21.52 %	<u>\$ 31,626</u>	12.67 %

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(dollars in thousands)	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
					Amount	Percent	Amount	Percent
Salaries and employee benefits/total noninterest expense	52.01 %	57.55 %	54.57 %	57.19 %	-554 bp	(9.63)%	-262 bp	(4.58)%
Noninterest expense/operating income (non-GAAP)	72.63 %	70.86 %	70.74 %	72.98 %	177 bp	2.50 %	-224 bp	(3.07)%

In second quarter and the first six months of 2025, salaries and employee benefits represented 52.01% and 54.57% of total noninterest expense, respectively, compared to 57.55% and 57.19% in the second quarter and first six months of 2024. The increase in salaries and benefits was driven by annual base salary increases that went into effect October 2024, the acquisition of Village, producer incentives, and health insurance costs. The Company opened a full-service branch in second quarter 2024, which is also impacting the year-over-year comparison.

In our Banking segment, we had a total of 1,621 full-time equivalent employees at June 30, 2025, as compared to 1,531 at June 30, 2024. In our non-Banking segments we had a total of 1,286 full-time equivalent employees at June 30, 2025, as compared to 1,307 at June 30, 2024.

The April 2025 acquisition of Village and the pending acquisition of Old Point Financial Corporation resulted in \$18.74 million in acquisition-related expenses in the quarter.

Provision for Income Taxes. Our provision for income tax expense represented an effective tax rate of 22.23%, and 17.75% in second quarter and first six month of 2025, respectively, compared to an effective rate of 15.93% and 16.56% for the same respective periods in 2024. The higher tax rate in the current quarter was due to an increase in state tax expense, an adjustment to deferred income tax related to the repurchase of noncontrolling interests in the Resort Vacation Management segment, and nondeductible expenses related to the Village acquisition. Management expects the tax rate to normalize in the second half of 2025 from the higher rate in the current period.

Segment Performance Summary

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

Banking Segment. The Banking segment is the primary source of consolidated net income attributable to TowneBank, contributing more than 75% in all periods. The increase in total revenue was driven by net interest income growth. The gain on sale of equity investment, noted previously, is included in other income.

The majority of the acquisition-related expenses noted previously are included in the Banking segment. Salaries and benefits increased due to a higher number of banking personnel, primarily related to the Village acquisition, producer incentives, and health insurance costs.

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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:

	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	Amount	Percent	Amount	Percent
<i>(dollars in thousands)</i>								
Interest income	\$203,398	\$190,678	\$388,994	\$374,573	\$ 12,720	6.67 %	\$ 14,421	3.85 %
Interest expense	67,073	82,649	133,085	163,862	(15,576)	(18.85)%	(30,777)	(18.78)%
Net interest income	136,325	108,029	255,909	210,711	28,296	26.19 %	45,198	21.45 %
Service charges on deposit accounts	3,642	3,353	6,969	6,431	289	8.62 %	538	8.37 %
Credit card merchant fees	1,794	1,662	3,491	3,213	132	7.94 %	278	8.65 %
Investment commissions, net	3,158	2,580	6,233	4,923	578	22.40 %	1,310	26.61 %
BOLI	1,940	3,186	3,761	4,978	(1,246)	(39.11)%	(1,217)	(24.45)%
Other income	3,810	1,653	8,483	3,290	2,157	130.49 %	5,193	157.84 %
Net gain (loss) on investment securities	—	—	—	74	—	— %	(74)	(100.00)%
Total noninterest income	14,344	12,434	28,937	22,909	1,910	15.36 %	6,028	26.31 %
Total revenue	150,669	120,463	284,846	233,620	30,206	25.07 %	51,226	21.93 %
Provision for credit losses	6,212	(170)	8,579	(1,146)	6,382	3,754.12 %	9,725	848.60 %
Salaries and employee benefits	52,850	46,640	102,534	93,113	6,210	13.31 %	9,421	10.12 %
Occupancy	7,342	7,194	14,321	14,254	148	2.06 %	67	0.47 %
Furniture and equipment	4,081	3,810	7,889	7,458	271	7.11 %	431	5.78 %
Amortization - intangibles	1,969	1,117	2,951	2,280	852	76.28 %	671	29.43 %
Software	4,427	4,422	8,449	8,476	5	0.11 %	(27)	(0.32)%
Data processing	2,840	2,609	5,448	5,157	231	8.85 %	291	5.64 %
Professional fees	1,934	3,146	3,944	5,805	(1,212)	(38.53)%	(1,861)	(32.06)%
Advertising and marketing	1,883	1,610	4,780	4,618	273	16.96 %	162	3.51 %
FDIC and other insurance	2,676	1,861	5,267	5,983	815	43.79 %	(716)	(11.97)%
Acquisition-related expenses	17,256	—	17,676	147	17,256	N/M	17,529	N/M
Other expenses	11,276	9,939	23,246	20,355	1,337	13.45 %	2,891	14.20 %
Total noninterest expenses	108,534	82,348	196,505	167,646	26,186	31.80 %	28,859	17.21 %
Income before income tax and corporate allocation	35,923	38,285	79,762	67,120	(2,362)	(6.17)%	12,642	18.83 %
Corporate allocation	1,535	1,232	2,931	2,301	303	24.59 %	630	27.38 %
Income before income tax provision and noncontrolling interest	37,458	39,517	82,693	69,421	(2,059)	(5.21)%	13,272	19.12 %
Provision for income tax expense	7,814	5,130	12,495	9,235	2,684	52.32 %	3,260	35.30 %
Net income	29,644	34,387	70,198	60,186	(4,743)	(13.79)%	10,012	16.64 %
Noncontrolling interest	(124)	(58)	(82)	62	(66)	(113.79)%	(144)	(232.26)%
Net income attributable to TowneBank	\$ 29,520	\$ 34,329	\$ 70,116	\$ 60,248	\$ (4,809)	(14.01)%	\$ 9,868	16.38 %
Salaries and employee benefits/total noninterest expense	48.69%	56.64%	52.18%	55.54%	-795 bp	(14.04)%	-336 bp	(6.05)%
Net Income attributable to TowneBank % of total consolidated income	76.01%	80.10%	78.40%	77.70%	-409 bp	(5.11)%	70 bp	0.90 %

Mortgage Segment. For the three months ended June 30, 2025, the Mortgage segment reported income before income tax provision and noncontrolling interest of \$89 thousand, as compared to \$2.39 million in 2024. For the six months ended June 30, 2025, the Mortgage segment reported losses before income tax provision and noncontrolling interest of \$0.81 million, as compared to income of \$1.62 million in 2024. The loss in the current periods was primarily due to expenses of \$1.48 million related to the Village acquisition.

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Gross realized gain on sale margin declined 15 bps, in both the second quarter and first six months of 2025 compared to the prior year periods.

Noninterest expenses increased, driven by acquisition-related expense and salaries and benefits. The total number of full-time equivalent employees in our Mortgage segment was 422 at June 30, 2025, compared to 423 at June 30, 2024.

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

	Three Months Ended				
	June 30,	March 31,	December 31,	September 30,	June 30,
	2025	2025	2024	2024	2024
Gross realized gain on sales and fees as a % of loans originated	3.13 %	3.18 %	3.25 %	3.28 %	3.28 %
Loans sold	\$ 596,009	\$ 475,518	\$ 629,120	\$ 526,998	\$ 605,134
Purchase %	92.37 %	89.94 %	89.46 %	91.49 %	94.85 %
Refinance %	7.63 %	10.06 %	10.54 %	8.51 %	5.15 %

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

	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
(dollars in thousands)					Amount	Percent	Amount	Percent
Residential mortgage banking income, net	\$ 14,083	\$ 13,997	\$ 24,664	\$ 24,795	\$ 86	0.61 %	\$ (131)	(0.53)%
BOLI	52	52	103	102	—	— %	1	0.98 %
Income from unconsolidated subsidiary	83	68	125	97	15	22.06 %	28	28.87 %
Net interest and other income	1,043	1,178	2,102	1,897	(135)	(11.46)%	205	10.81 %
Total revenue	15,261	15,295	26,994	26,891	(34)	(0.22)%	103	0.38 %
Provision for credit losses	198	(7)	251	92	205	(2,928.57)%	159	172.83 %
Salaries and employee benefits	7,315	6,803	14,346	13,459	512	7.53 %	887	6.59 %
Occupancy	1,098	1,062	2,036	2,124	36	3.39 %	(88)	(4.14)%
Furniture and equipment	151	149	346	327	2	1.34 %	19	5.81 %
Amortization - intangibles	—	144	—	287	(144)	(100.00)%	(287)	(100.00)%
Software	790	876	1,517	1,663	(86)	(9.82)%	(146)	(8.78)%
Data processing	198	170	360	318	28	16.47 %	42	13.21 %
Professional fees	157	142	383	376	15	10.56 %	7	1.86 %
Advertising and marketing	420	448	809	830	(28)	(6.25)%	(21)	(2.53)%
FDIC and other insurance	117	94	213	196	23	24.47 %	17	8.67 %
Acquisition-related expenses	1,481	—	1,481	—	1,481	N/M	1,481	N/M
Other expenses	2,728	2,535	5,191	4,757	193	7.61 %	434	9.12 %
Total expenses	14,455	12,423	26,682	24,337	2,032	16.36 %	2,345	9.64 %
Income before income tax, corporate allocation, and noncontrolling interest	608	2,879	61	2,462	(2,271)	(78.88)%	(2,401)	(97.52)%
Corporate allocation	(519)	(490)	(869)	(838)	(29)	(5.92)%	(31)	3.70 %

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	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
(dollars in thousands)					Amount	Percent	Amount	Percent
Income before income tax provision and noncontrolling interest	89	2,389	(808)	1,624	(2,300)	(96.27)%	(2,432)	(149.75)%
Provision for income tax	(41)	482	(281)	280	(523)	(108.51)%	(561)	(200.36)%
Net income	130	1,907	(527)	1,344	(1,777)	(93.18)%	(1,871)	(139.21)%
Noncontrolling interest	(308)	(411)	(425)	(526)	103	25.06 %	101	19.20 %
Net income attributable to TowneBank	\$ (178)	\$ 1,496	\$ (952)	\$ 818	\$ (1,674)	(111.90)%	\$ (1,770)	(216.38)%
Salaries and employee benefits/total noninterest expense	50.61 %	54.76 %	53.77 %	55.30 %	-415 bp	(7.58)%	-153 bp	(2.77)%
Net Income attributable to TowneBank % of total consolidated income	(0.46)%	3.49 %	(1.06)%	1.05 %	-395 bp	(113.18)%	-211 bp	(200.95)%
Key data:								
Loans originated, mortgage	\$494,108	\$430,398	\$ 794,807	\$ 719,588	\$ 63,710	14.80 %	\$ 75,219	10.45 %
Loans originated, joint venture	177,359	196,583	321,854	331,780	(19,224)	(9.78)%	(9,926)	(2.99)%
Total loans originated	\$671,467	\$626,981	\$1,116,661	\$1,051,368	\$ 44,486	7.10 %	\$ 65,293	6.21 %
Number of loans, mortgage	1,265	1,095	2,011	1,898	170	15.53 %	113	5.95 %
Number of loans, joint venture	485	605	920	1,049	(120)	(19.83)%	(129)	(12.30)%
Total number of loans	1,750	1,700	2,931	2,947	50	2.94 %	(16)	(0.54)%
Average loan amount, mortgage	\$ 391	\$ 393	\$ 395	\$ 379	\$ (2)	(0.51)%	\$ 16	4.22 %
Average loan amount, joint venture	366	325	350	316	41	12.62 %	34	10.76 %
Average loan amount	\$ 384	\$ 369	\$ 381	\$ 357	\$ 15	4.07 %	24	6.72 %
Number of originators, mortgage	132	123	132	123	9	7.32 %	9	7.32 %
Number of originators, joint venture	34	46	34	46	(12)	(26.09)%	(12)	(26.09)%
Total number of originators	166	169	166	169	(3)	(1.78)%	(3)	(1.78)%

Resort Vacation Management Segment. The Resort Vacation Management segment contributed 8.88% of consolidated net income attributable to TowneBank in the second quarter ended June 30, 2025, compared to 4.04% in the prior year quarter. In the six-month comparison, the Resort Vacation Management segment contributed 9.16% of consolidated net income attributable to TowneBank in 2025, compared to 6.97% in 2024. Net property management fees increased due to higher reservation levels, driven primarily by an acquisition in prior year. Additionally, changes to the Company's fee structure contributed to the increase.

Noninterest expenses declined in the current quarter and year to date, compared to prior year periods. The total number of full-time equivalent employees in our Resort Vacation Management segment was 382 at June 30, 2025, compared to 395 at June 30, 2024.

The following charts present revenue and expenses for the Resort Vacation Management segment for the periods presented:

	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
(dollars in thousands)					Amount	Percent	Amount	Percent
Property management fees, net	\$15,556	\$14,312	\$35,056	\$31,085	\$ 1,244	8.69 %	\$ 3,971	12.77 %
Net interest and other income	24	85	37	102	(61)	(71.76)%	(65)	(63.73)%

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(dollars in thousands)	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total revenue	15,580	14,397	35,093	31,187	1,183	8.22 %	3,906	12.52 %
Salaries and employee benefits	5,250	5,567	10,698	11,099	(317)	(5.69)%	(401)	(3.61)%
Occupancy	574	749	1,189	1,257	(175)	(23.36)%	(68)	(5.41)%
Furniture and equipment	385	447	791	863	(62)	(13.87)%	(72)	(8.34)%
Amortization - intangibles	637	637	1,273	1,170	—	— %	103	8.80 %
Software	877	923	1,736	1,531	(46)	(4.98)%	205	13.39 %
Data processing	1,339	1,720	2,283	2,822	(381)	(22.15)%	(539)	(19.10)%
Professional fees	236	320	362	472	(84)	(26.25)%	(110)	(23.31)%
Advertising and marketing	750	1,333	1,641	2,371	(583)	(43.74)%	(730)	(30.79)%
FDIC and other insurance	113	74	180	109	39	52.70 %	71	65.14 %
Acquisition-related expenses	—	19	—	466	(19)	(100.00)%	(466)	(100.00)%
Other expenses	427	482	3,040	1,424	(55)	(11.41)%	1,616	113.48 %
Total expenses	10,588	12,271	23,193	23,584	(1,683)	(13.72)%	(391)	(1.66)%
Income before income tax, corporate allocation, and noncontrolling interest	4,992	2,126	11,900	7,603	2,866	134.81 %	4,297	56.52 %
Corporate allocation	(316)	—	(636)	—	(316)	N/M	(636)	N/M
Income before income tax provision and noncontrolling interest	4,676	2,126	11,264	7,603	2,550	119.94 %	3,661	48.15 %
Provision for income tax	1,227	681	2,856	2,039	546	80.18 %	817	40.07 %
Net income	3,449	1,445	8,408	5,564	2,004	138.69 %	2,844	51.11 %
Noncontrolling interest	—	286	(220)	(159)	(286)	(100.00)%	(61)	(38.36)%
Net income attributable to TowneBank	<u>\$ 3,449</u>	<u>\$ 1,731</u>	<u>\$ 8,188</u>	<u>\$ 5,405</u>	<u>\$ 1,718</u>	<u>99.25 %</u>	<u>\$ 2,783</u>	<u>51.49 %</u>
Salaries and employee benefits/total noninterest expense	49.58 %	45.37 %	46.13 %	47.06 %	421 bp	9.28 %	-93 bp	(1.98)%
Net Income attributable to TowneBank % of total consolidated income	8.88 %	4.04 %	9.16 %	6.97 %	484 bp	119.80 %	219 bp	31.42 %

Insurance Segment. The Insurance segment contributed 15.57% of consolidated net income attributable to TowneBank in the second quarter ended June 30, 2025, compared to 12.37% in the prior year quarter. Revenue increased, driven by organic growth in property and casualty insurance commissions.

The total number of full-time equivalent employees in our Insurance segment was 482 at June 30, 2025, compared to 496 at June 30, 2024.

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

(dollars in thousands)	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Net commission and fee income:								
Property and casualty	\$ 23,306	\$ 22,225	\$ 46,629	\$ 42,947	\$ 1,081	4.86 %	\$ 3,682	8.57 %
Employee benefits	4,596	4,404	9,320	9,230	192	4.36 %	90	0.98 %
Specialized benefit services	—	—	—	9	—	— %	(9)	(100.00)%
Total net commissions and fees	27,902	26,629	55,949	52,186	1,273	4.78 %	3,763	7.21 %

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	Three Months Ended		Six Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30,		June 30,		Three Months Ended		Six Months Ended	
	2025		2024		2025 over 2024		2025 over 2024	
(dollars in thousands)	2025	2024	2025	2024	Amount	Percent	Amount	Percent
Contingency and bonus revenue	3,034	2,951	6,654	7,454	83	2.81 %	(800)	(10.73)%
Other income	4	6	8	17	(2)	(33.33)%	(9)	(52.94)%
Total revenues	30,940	29,586	62,611	59,657	1,354	4.58 %	2,954	4.95 %
Employee commission expense	5,008	4,771	10,058	9,283	237	4.97 %	775	8.35 %
Revenue, net of commission expense	25,932	24,815	52,553	50,374	1,117	4.50 %	2,179	4.33 %
Salaries and employee benefits	12,947	12,339	25,862	25,055	608	4.93 %	807	3.22 %
Occupancy	777	712	1,578	1,504	65	9.13 %	74	4.92 %
Furniture and equipment	153	228	366	464	(75)	(32.89)%	(98)	(21.12)%
Amortization - intangibles	1,373	1,400	2,781	2,807	(27)	(1.93)%	(26)	(0.93)%
Software	741	835	1,426	1,486	(94)	(11.26)%	(60)	(4.04)%
Data processing	133	107	253	225	26	24.30 %	28	12.44 %
Professional fees	212	180	503	315	32	17.78 %	188	59.68 %
Advertising and marketing	175	133	471	287	42	31.58 %	184	64.11 %
FDIC and other insurance	126	104	233	203	22	21.15 %	30	14.78 %
Acquisition-related expenses	—	—	—	1	—	— %	(1)	(100.00)%
Other expenses	451	904	1,348	1,661	(453)	(50.11)%	(313)	(18.84)%
Total operating expenses	17,088	16,942	34,821	34,008	146	0.86 %	813	2.39 %
Income before income tax, corporate allocation, and noncontrolling interest	8,844	7,873	17,732	16,366	971	12.33 %	1,366	8.35 %
Corporate allocation	(700)	(742)	(1,426)	(1,463)	42	5.66 %	37	2.53 %
Income before income tax provision and noncontrolling interest	8,144	7,131	16,306	14,903	1,013	14.21 %	1,403	9.41 %
Provision for income tax	2,098	1,831	4,229	3,831	267	14.58 %	398	10.39 %
Net income	6,046	5,300	12,077	11,072	746	14.08 %	1,005	9.08 %
Noncontrolling interest	—	—	—	—	—	— %	—	— %
Net income attributable to TowneBank	\$ 6,046	\$ 5,300	\$ 12,077	\$ 11,072	\$ 746	14.08 %	\$ 1,005	9.08 %
Salaries and employee benefits/total noninterest expense	75.77 %	72.83 %	74.27 %	73.67 %	294 bp	4.04 %	60 bp	0.81 %
Net Income attributable to TowneBank % of total consolidated income	15.57 %	12.37 %	13.50 %	14.28 %	320 bp	25.87 %	-78 bp	(5.46)%

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ANALYSIS OF FINANCIAL CONDITION

Overview. At June 30, 2025, total assets were \$18.26 billion, which is \$1.02 billion, or 5.90%, higher than total assets at December 31, 2024. Excluding assets acquired with Village, total assets would have increased \$271.86 million, or 1.58%. Our loan portfolio, less unearned income and deferred costs, made up 67.67% of our period-end assets and totaled \$12.36 billion at June 30, 2025. Average assets for the quarter ended June 30, 2025, were \$18.06 billion, an increase of \$0.71 billion, or 4.08%, from the quarter ended December 31, 2024. Management continues to prioritize balance sheet strength and strong levels of liquidity in the current environment.

Average earning assets for second quarter 2025 increased \$578.97 million from fourth quarter 2024 to \$16.29 billion. Our average total deposits were \$15.17 billion for second quarter 2025, an increase of \$620.61 million, or 4.26%, compared to fourth quarter 2024. Average noninterest-bearing deposits for the quarter ended June 30, 2025, increased \$298.92 million, or 6.81%, from the quarter ended December 31, 2024.

Interest-Bearing Deposits in Financial Institutions. Interest-bearing deposits in other banks and at the FRB and federal funds sold are used for daily cash management purposes, management of short-term interest rate opportunities, and liquidity. At June 30, 2025 and December 31, 2024, respectively, these balances were \$0.96 billion and \$1.23 billion and consisted mainly of deposits in other banks and overnight deposits with the FRB. At June 30, 2025, the Company had \$21.51 million in federal funds sold, compared to zero at December 31, 2024.

The average balance of interest-bearing deposits in other banks and at the FRB during second quarter 2025 was \$1.05 billion, or 6.42%, of average total earning assets, compared to \$1.45 billion, or 9.24%, of average total earning assets for fourth quarter 2024.

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 \$2.55 billion at June 30, 2025, compared with \$2.35 billion at December 31, 2024. The average balance during second quarter 2025 was \$2.54 billion, compared to \$2.36 billion during the quarter ended December 31, 2024. The average AFS debt securities portfolio represented 15.61% and 15.02% of average earning assets in second quarter 2025 and the quarter ended December 31, 2024, respectively. During the six months ended June 30, 2025, we had sales, maturities, and calls totaling \$123.88 million in investment securities that were classified as AFS.

Net unrealized losses related to the fair value of AFS debt securities decreased \$32.97 million in the first six months of 2025. 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 June 30, 2025, the allowance for credit losses on AFS debt securities was \$1.52 million, compared to \$1.33 million at December 31, 2024. For further financial details, see "Note 4. Investment Securities" of the Notes to Consolidated Financial Statements in this report.

Securities Held to Maturity. HTM debt securities are valued at amortized cost net of allowance for credit losses and totaled \$201.87 million at June 30, 2025, and \$212.28 million at December 31, 2024. The

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average balance during second quarter 2025 was \$201.91 million, compared with \$212.31 million in fourth quarter 2024, representing 1.24% and 1.35% of total average earning assets, respectively. These securities are held primarily for yield and pledging purposes. HTM debt securities are reviewed quarterly for potential credit losses. The allowance for credit losses on HTM debt securities was \$67 thousand at June 30, 2025, and \$77 thousand at December 31, 2024. During the six months ended June 30, 2025, we had maturities and calls totaling \$10.35 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 June 30, 2025, we held \$238.74 million in mortgage loans originated and intended for sale in the secondary market, as compared with \$200.46 million at December 31, 2024. Average mortgage loans held for sale were 1.06% of average earning assets for the quarter ended June 30, 2025, compared to 1.33% for the quarter ended December 31, 2024. The majority of mortgage loans held for sale are precommitted to investors, which minimizes our interest rate risk.

Loan Portfolio. Loans, net of unearned income and deferred costs, were \$12.36 billion at June 30, 2025, which was a \$900.62 million, or 7.86%, increase over \$11.46 billion at December 31, 2024. Excluding \$576.57 million in loans from the acquisition of Village, loans, net of unearned income and deferred costs, would have increased \$324.04 million, or 2.83% year to date. As a percentage of total average earning assets, average loans were 75.52% for the quarter ended June 30, 2025, compared with 72.90% for the quarter ended December 31, 2024.

Commercial real estate loans constituted 59.33% and 58.54% of our loan portfolio at June 30, 2025 and December 31, 2024, respectively. The following table provides additional information regarding commercial real estate loans segregated by the type of property securing the loans and the geographic region in which the loans were originated at June 30, 2025 (dollars in thousands):

Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	Classified (1)
Residential construction	\$ 224,179	20.90 %	\$ 135,102	\$ 89,077	\$ —
Improved lots	180,669	16.84 %	119,176	61,493	350
Raw land	150,616	14.04 %	85,875	64,741	1,599
Land development	159,537	14.87 %	125,558	33,979	769
Construction-to-perm	44,591	4.16 %	23,017	21,574	—
Presold residential construction	36,838	3.43 %	19,616	17,222	—
All other	276,195	25.76 %	172,769	103,426	—
Construction and land development	\$ 1,072,625	100.00 %	\$ 681,113	\$ 391,512	\$ 2,718
Percentage of Consolidated			63.50 %	36.50 %	0.25 %
Office buildings	\$ 506,952	27.92 %	\$ 352,178	\$ 154,774	\$ 1,725
Warehouse light industry	389,548	21.45 %	290,856	98,692	822
Auto dealer and repair	200,598	11.05 %	169,846	30,752	11,816
Restaurants	120,125	6.62 %	77,423	42,702	—
Retail Buildings	88,667	4.88 %	73,288	15,379	—
Churches	95,733	5.27 %	87,024	8,709	—
All other	414,277	22.81 %	258,156	156,121	9,841
Owner occupied	\$ 1,815,900	100.00 %	\$ 1,308,771	\$ 507,129	\$ 24,204
Percentage of Consolidated			72.07 %	27.93 %	1.33 %
Office buildings	\$ 834,551	23.46 %	\$ 511,107	\$ 323,444	\$ —
Hotels	850,281	23.90 %	726,966	123,315	3,482
Shopping centers	806,591	22.68 %	459,713	346,878	2,060
Warehouse light industry	440,175	12.37 %	256,839	183,336	—

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Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	Classified (1)
All other	625,577	17.59 %	437,818	187,759	11,494
Non-owner occupied	\$ 3,557,175	100.00 %	\$ 2,392,443	\$ 1,164,732	\$ 17,036
Percentage of Consolidated			67.26 %	32.74 %	0.48 %
Less than \$1 Million Origination	\$ 79,449	8.96 %	\$ 46,808	\$ 32,641	\$ —
More than \$1 Million Origination	807,634	91.04 %	513,006	294,628	2,127
Multi-family	\$ 887,083	100.00 %	\$ 559,814	\$ 327,269	\$ 2,127
Percentage of Consolidated			63.11 %	36.89 %	0.24 %
Total Commercial Real Estate	\$ 7,332,783		\$ 4,942,141	\$ 2,390,642	\$ 46,085
Percentage of Consolidated Total Commercial Real Estate			67.40 %	32.60 %	0.63 %

(1) Classified loans are defined as substandard or doubtful. Classified commercial real estate loans totaled \$46.09 million, or 73.50%, of total classified credits at June 30, 2025.

Allowance for Credit Losses and Asset Quality. The allowance for credit losses on funded loans at June 30, 2025 and December 31, 2024, was \$134.19 million and \$123.92 million, respectively. The \$10.26 million increase in the allowance included \$7.75 million in initial allowance for credit losses from the April 2025 acquisition of Village. In relation to the loans acquired from Village, the Company recorded an initial ACL of \$1.69 million for PCD loans and \$6.06 million for non-PCD loans. The additional increase in the allowance was driven by loan growth combined with our continued use of higher weightings of the more adverse macroeconomic forecast scenarios utilized in our models. The allowance was equal to 1.09% of total loans outstanding at June 30, 2025, compared with 1.08% at December 31, 2024.

Classified loans, defined as loans in the substandard and doubtful categories, represented 0.51% of total loans at June 30, 2025, and 0.43% of total loans at December 31, 2024. Total criticized loans, defined as special mention and classified loans, increased to \$169.64 million in second quarter 2025 from \$154.53 million in fourth quarter 2024. Loans 30 to 89 days past due totaled \$7.76 million at June 30, 2025, as compared to \$9.88 million at December 31, 2024. The allowance for credit losses on funded loans was equal to 16.81x of nonperforming loans at June 30, 2025, compared with 16.69x at December 31, 2024. 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.

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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):

	June 30, 2025	December 31, 2024
Real estate - construction and land development	\$ 18,985	\$ 18,158
Real estate - commercial owner occupied	15,682	14,550
Real estate - commercial non-owner occupied	22,499	21,175
Real estate - multi-family	3,683	3,819
Real estate - residential 1-4 family	32,505	30,908
HELOC	19,964	17,371
C&I	11,245	9,594
Government	2,458	2,603
Indirect	5,302	3,781
Consumer loans and other	1,864	1,964
Total	\$ 134,187	\$ 123,923

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

	Three Months Ended		
	June 30, 2025	December 31, 2024	December 31, 2024
<i>(dollars in thousands)</i>			
Nonperforming Assets			
Nonperforming loans	\$ 7,982	\$ 6,582	\$ 7,424
Foreclosed property	1,306	581	443
Total nonperforming assets	<u>\$ 9,288</u>	<u>\$ 7,163</u>	<u>\$ 7,867</u>
Loans past due 90 days and still accruing interest	<u>\$ 210</u>	<u>\$ 368</u>	<u>\$ 1,264</u>
Asset Quality Ratios			
Allowance for credit losses to nonperforming loans	16.81x	19.08x	16.69x
Allowance for credit losses to period-end loans	1.09%	1.10%	1.08%
Nonperforming loans to period-end loans	0.06%	0.06%	0.06%
Nonperforming assets to period-end assets	0.05%	0.04%	0.05%
Quarterly net charge-offs (recoveries) to average loans (annualized)	—%	—%	0.01%

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

	June 30, 2025	December 31, 2024
CRE - Construction and land development	\$ 1,599	\$ 273
CRE - Owner occupied	306	415
CRE - Non-owner occupied	1,366	1,452
CRE - Multi-family	—	—
Residential 1-4 family	2,136	2,421
HELOC	25	485
C&I	1,478	1,030
Government	—	—
Indirect	1,070	1,346
Consumer loans and other	2	2
Total nonperforming loans	<u>\$ 7,982</u>	<u>\$ 7,424</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. Similarly, residential mortgage loans and other consumer loans are also placed on nonaccrual status when full collection of principal and interest becomes doubtful, or when any portion of principal or interest becomes 120 days past due, whichever occurs first, unless the debt is both well-secured and in the process of collection or exempt under regulatory rules.

At June 30, 2025, we had \$9.29 million in nonperforming assets, which amounted to 0.05% of total assets. Additionally, loans 60-89 days past due, excluding nonperforming loans, totaled \$2.38 million, and there were \$210 thousand in loans past due 90 days or more that were accruing interest. Nonperforming assets consisted of \$7.98 million in nonperforming loans and \$1.31 million in foreclosed property as of June 30, 2025. Nonperforming loans increased by \$558 thousand from December 31, 2024. Foreclosed property increased \$0.86 million from December 31, 2024.

Deposits. Total deposits at June 30, 2025, were \$15.33 billion, representing an increase of \$1.06 billion, or 7.40%, compared to June 30, 2024. Excluding \$637.49 million in acquired deposits, total deposits would have increased \$418.63 million, or 2.93%, compared to prior year and \$253.92 million, or 1.76%, compared to December 31, 2024. Total average deposits were \$15.17 billion during second quarter 2025, compared to \$14.20 billion during second quarter 2024 and \$14.55 billion during fourth quarter 2024.

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	Total Deposits Period Ended			June 30, 2025 vs. June 30, 2024		June 30, 2025 vs. December 31, 2024	
	June 30,		December 31,	Change		Change	
	2025	2024	2024	\$	%	\$	%
<i>(dollars in thousands)</i>							
Interest-bearing demand and money market accounts	\$ 7,654,317	\$ 6,940,086	\$ 7,329,669	\$ 714,231	10.29 %	\$ 324,648	4.43 %
Regular savings	332,108	312,881	311,841	\$ 19,227	6.15 %	\$ 20,267	6.50 %
Certificates of deposit	2,587,951	2,715,848	2,542,735	\$ (127,897)	(4.71) %	\$ 45,216	1.78 %
Total interest-bearing	10,574,376	9,968,815	10,184,245	\$ 605,561	6.07 %	\$ 390,131	3.83 %
Noninterest-bearing demand	4,754,340	4,303,773	4,253,053	\$ 450,567	10.47 %	\$ 501,287	11.79 %
Total	<u>\$ 15,328,716</u>	<u>\$ 14,272,588</u>	<u>\$ 14,437,298</u>	<u>\$ 1,056,128</u>	7.40 %	<u>\$ 891,418</u>	6.17 %

At June 30, 2025, we had \$7.56 billion in estimated uninsured deposits, \$0.61 billion of which are collateralized by securities, for an estimated uncollateralized and adjusted uninsured deposit total of \$6.95 billion, roughly 45% of total deposits. Total liquidity sources at June 30, 2025, totaled \$6.91 billion, or 99% of adjusted uninsured deposits.

Average noninterest-bearing demand deposits as a percentage of average total deposits were 30.88% during second quarter 2025 and 30.06% during the same period in 2024. The cost of interest-bearing deposits was 2.61% for second quarter 2025, compared with 3.32% for second quarter 2024.

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					
	June 30,			December 31,		
	2025		2024	2024		
Interest-bearing demand and money market accounts	\$ 7,590,290	2.22 %	\$ 6,896,176	2.81 %	\$ 7,157,076	2.44 %
Regular savings	337,807	0.84 %	317,774	1.07 %	315,414	0.98 %
Certificates of deposit	2,560,313	3.98 %	2,715,615	4.89 %	2,694,236	4.61 %
Total interest-bearing	10,488,410	2.61 %	9,929,565	3.32 %	10,166,726	2.97 %
Noninterest-bearing demand	4,685,835		4,267,590		4,386,911	
Total	<u>\$ 15,174,245</u>	1.80 %	<u>\$ 14,197,155</u>	2.32 %	<u>\$ 14,553,637</u>	2.07 %

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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			
	June 30,			
	2025		2024	
Interest-bearing demand and money market accounts	\$ 7,590,290	50.02 %	\$ 6,896,176	48.57 %
Regular savings	337,807	2.23 %	317,774	2.24 %
Certificates of deposit	2,560,313	16.87 %	2,715,615	19.13 %
Total interest-bearing	10,488,410	69.12 %	9,929,565	69.94 %
Noninterest-bearing	4,685,835	30.88 %	4,267,590	30.06 %
Total	<u>\$ 15,174,245</u>	100.00 %	<u>\$ 14,197,155</u>	100.00 %

Advances from the Federal Home Loan Bank of Atlanta. Advances from the FHLB at June 30, 2025, were \$12.84 million, compared to \$3.22 million at December 31, 2024. The year-to-date increase was attributable to \$10.00 million in Village borrowings at the FHLB included in our acquisition. The average borrowing cost for FHLB advances in second quarter 2025 was 3.85%, and 3.24% in fourth quarter 2024.

The scheduled maturity dates, call dates, and related fixed interest rates on advances from the FHLB at June 30, 2025, are summarized as follows (dollars in thousands):

Maturity	Interest Rate	Call / Reset Date	Outstanding Amount
11/15/2028	3.43%	—	\$ 1,667
12/01/2028	2.83%	—	1,171
03/13/2026	4.04%	—	5,000
03/15/2027	3.90%	—	5,000
Total FHLB Loans			<u><u>\$ 12,838</u></u>

At June 30, 2025, certain residential, HELOCs, agency securities, and commercial mortgages secured by real estate with carrying values of \$3.05 billion collateralized the advances from the FHLB. At December 31, 2024, certain residential HELOCs, second mortgages, agency securities, and commercial mortgages secured by real estate with carrying values of \$3.05 billion collateralized the advances from the FHLB.

In addition to borrowings from the FHLB, we maintain various borrowing arrangements with financial institutions to support liquidity needs. Average total borrowings, including FHLB advances, were \$34.80 million during second quarter 2025, compared with \$36.71 million for fourth quarter 2024, while the average cost of these funds was (3.88)% and (1.61)%, respectively. The interest credit is related to a combination of low average borrowings during the quarter and the effects of interest capitalization on our construction in progress.

Subordinated Debt, net. On February 9, 2022, the Company issued \$250.00 million 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

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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.

On December 5, 2024, TowneBank closed an offering of Series IV Towne Investment Units ("Series IV units"). This subscription offering was to members and emeritus members of the Company corporate and regional boards. Each Series IV unit consisted of 138 shares of common stock priced at \$36.44 per share and one 5-year 6% convertible subordinated capital note in the principal amount of \$5,000. The convertible subordinated notes are convertible into common stock at the discretion of the noteholder at an initial conversion price of \$36.44 per share (equal to a conversion rate of 138 shares per \$5,000 principal amount of notes). The Company sold 716 Series IV units, for aggregate proceeds of \$7.16 million in the offering, which resulted in the issuance of an aggregate of \$3.58 million in convertible subordinated capital notes and 98,808 shares of common stock.

With the April 2025 acquisition of Village, the Company assumed subordinated debt with a total carrying value of \$14.42 million. During the second quarter, the Company redeemed the notes and on June 30, 2025 the carrying value was zero.

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

	June 30, 2025	December 31, 2024
Carrying value of subordinated notes	\$ 260,430	\$ 260,001
Average subordinate debt for the quarter ended	\$ 272,448	\$ 257,667
Average cost of subordinated notes for the quarter ended	3.83 %	3.51 %

Common Stock and Dividends. Our common stock is listed on the Nasdaq Global Select Market under the symbol TOWN. The following table shows dividends declared in 2025:

Applicable Quarter	Per Share Amount	Declaration Date	Record Date	Paid Date
First Quarter 2025	\$ 0.25	February 26, 2025	March 31, 2025	April 11, 2025
Second Quarter 2025	\$ 0.27	May 14, 2025	June 27, 2025	July 11, 2025

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

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

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their sale. We also have the ability to access short-term and long-term borrowings through FHLB, correspondent banks, federal funds purchased, and the Federal Reserve discount window.

The following table provides summarized information on our availability of liquid funds and borrowings as of June 30, 2025 (in thousands):

	June 30, 2025
Available Liquid Funds:	
Cash and cash equivalents	\$ 1,111,688
Unencumbered investment securities	1,953,524
Availability of Borrowings:	
Amount available from FHLB	1,667,204
Amount available from unsecured lines of credit with correspondent banks	150,000
Amount available from Federal Reserve discount window	2,030,715
	<u>\$ 6,913,131</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 June 30, 2025.

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

	June 30,		December 31,
	2025	2024	2024
Risk-based capital ratios (1):			
Common equity Tier 1 (4.5% minimum requirement)	11.77 %	12.43 %	12.77 %
Tier 1 (6.0% minimum requirement)	11.82 %	12.55 %	12.89 %
Total (8.0% minimum requirement)	14.49 %	15.34 %	15.68 %
Tier 1 leverage ratio (4.0% minimum requirement)	9.93 %	10.25 %	10.36 %

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

Non-GAAP Financial Measures

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

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

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.

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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:

Consolidate Financial Statements				
(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Average assets (GAAP)	\$ 18,056,980	\$ 16,982,482	\$ 17,636,755	\$ 16,923,358
Less: average goodwill and intangible assets	567,250	525,122	542,095	523,899
Average tangible assets (non-GAAP)	\$ 17,489,730	\$ 16,457,360	\$ 17,094,660	\$ 16,399,459
Average equity (GAAP)	\$ 2,188,322	\$ 2,045,622	\$ 2,174,246	\$ 2,042,948
Less: average goodwill and intangible assets	567,250	525,122	542,095	523,899
Average tangible equity (non-GAAP)	\$ 1,621,072	\$ 1,520,500	\$ 1,632,151	\$ 1,519,049
Average common equity (GAAP)	\$ 2,180,687	\$ 2,029,150	\$ 2,162,348	\$ 2,026,659
Less: average goodwill and intangible assets	567,250	525,122	542,095	523,899
Average tangible common equity (non-GAAP)	\$ 1,613,437	\$ 1,504,028	\$ 1,620,253	\$ 1,502,760
Net income (GAAP)	\$ 38,837	\$ 42,856	\$ 89,429	\$ 77,543
Amortization of intangibles, net of tax	3,143	2,605	5,534	5,170
Tangible net income (non-GAAP)	\$ 41,980	\$ 45,461	\$ 94,963	\$ 82,713
Total revenue (GAAP)	\$ 207,442	\$ 174,970	\$ 399,486	\$ 342,072
Net (gain)/loss on investment securities/equity investments	—	—	(2,000)	(74)
Operating income (non-GAAP)	\$ 207,442	\$ 174,970	\$ 397,486	\$ 341,998
Noninterest expense (GAAP)	\$ 150,665	\$ 123,984	\$ 281,201	\$ 249,575
Less: Amortization of intangibles	3,979	3,298	7,005	6,544
Noninterest expense net of amortization (non-GAAP)	\$ 146,686	\$ 120,686	\$ 274,196	\$ 243,031

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Return on average assets (GAAP basis)	0.86 %	1.01 %	1.02 %	0.92 %
Impact of excluding average goodwill and other intangibles and amortization	0.10 %	0.10 %	0.10 %	0.09 %
Return on average tangible assets (non-GAAP)	0.96 %	1.11 %	1.12 %	1.01 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Return on average equity (GAAP basis)	7.12 %	8.43 %	8.29 %	7.63 %
Impact of excluding average goodwill and other intangibles and amortization	3.27 %	3.60 %	3.44 %	3.32 %
Return on average tangible equity (non-GAAP)	10.39 %	12.03 %	11.73 %	10.95 %

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Efficiency ratio (GAAP)	72.63 %	70.86 %	70.39 %	72.96 %
Impact of excluding goodwill and other intangibles and amortization	(1.92)%	(1.88)%	(1.41)%	(1.90)%
Efficiency ratio (non-GAAP)	70.71 %	68.98 %	68.98 %	71.06 %

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.

	June 30,	
	2025	2024
Book value per share (GAAP basis)	\$ 29.58	\$ 27.62
Impact of excluding goodwill and other intangibles and amortization	(7.60)	(6.97)
Tangible book value per share (non-GAAP)	\$ 21.98	\$ 20.65

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.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

At June 30, 2025, we had \$5.12 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 Net Interest Income</u>
+ 200 basis points	5.33 %
+ 100 basis points	2.74 %
- 100 basis points	(0.29)%
- 200 basis points	(1.31)%

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

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

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

Change in Prime Rate	Change in Net Market Value (dollars in thousands)	
+ 200 basis points	\$	(48,983)
+ 100 basis points	\$	(18,594)
- 100 basis points	\$	36,576
- 200 basis points	\$	62,997

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

Item 4. Controls and Procedures

As of June 30, 2025, 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 June 30, 2025. 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 2024 Annual Report and Part II, Item 1A, of its Quarterly Report on Form 10-Q for the period ended March 31, 2025. 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 2024 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the period ended March 31, 2025.

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>
(2.2)	Agreement and Plan of Merger, dated as of April 2, 2025, by and among TowneBank, Old Point Financial Corporation, and The Old Point National Bank of Phoebus (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on April 7, 2025).
(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 August 6, 2025.

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

August 6, 2025

Date

By: /s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

August 6, 2025

Date

By: /s/ William B. Littreal

William B. Littreal

Senior Executive Vice President/Chief
Financial Officer

CERTIFICATIONS

I, William I. Foster III, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2025, 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.

August 6, 2025
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 June 30, 2025, 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.

August 6, 2025

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 June 30, 2025 (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.

August 6, 2025

Date

/s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

August 6, 2025

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.

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Tysons, VA 22102
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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 June 30, 2025, and the related condensed consolidated statements of income, comprehensive income (loss), equity for the three and six-month periods ended June 30, 2025 and 2024, and cash flows for the six-month periods ended June 30, 2025 and 2024, 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, 2024, and the related consolidated statements of income, comprehensive income (loss), equity and cash flows for the year then ended (not presented herein), and in our report dated February 28, 2025, 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, 2024, 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 Mazars, LLP

Tysons, VA

August 6, 2025