

FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-Q

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

For the quarterly period ended September 30, 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 October 31, 2025, was 78,932,955 shares.

TOWNE BANK

TABLE OF CONTENTS

Part I. Financial Information

Item 1.	Financial Statements	
	Glossary of Acronyms and Defined Terms	3
	Consolidated Balance Sheets	4
	September 30, 2025 (unaudited)	
	December 31, 2024 (audited)	
	Consolidated Statements of Income	5
	Three and Nine Months Ended September 30, 2025 (unaudited)	
	Three and Nine Months Ended September 30, 2024 (unaudited)	
	Consolidated Statements of Comprehensive Income (Loss)	6
	Three and Nine Months Ended September 30, 2025 (unaudited)	
	Three and Nine Months Ended September 30, 2024 (unaudited)	
	Consolidated Statements of Cash Flows	7
	Nine Months Ended September 30, 2025 (unaudited)	
	Nine Months Ended September 30, 2024 (unaudited)	
	Consolidated Statements of Equity	8
	Three and Nine Months Ended September 30, 2025 (unaudited)	
	Three and Nine Months Ended September 30, 2024 (unaudited)	
	Notes to Consolidated Financial Statements (unaudited)	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	61
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	90
Item 4.	Controls and Procedures	92

Part II. Other Information

Item 1.	Legal Proceedings	93
Item 1A.	Risk Factors	93
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	94
Item 3.	Defaults Upon Senior Securities	94
Item 4.	Mine Safety Disclosures	94
Item 5.	Other Information	94
Item 6.	Exhibits	94

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
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>	September 30,	December 31,
	2025	2024
	(unaudited)	(audited)
ASSETS		
Cash and due from banks	\$ 152,647	\$ 108,750
Interest-bearing deposits at FRB	974,514	1,127,878
Interest-bearing deposits in financial institutions	122,819	102,847
Total Cash and Cash Equivalents	1,249,980	1,339,475
Securities available for sale, at fair value (amortized cost of \$2,757,814 and \$2,509,970, and allowance for credit losses of \$1,350 and \$1,326 at September 30, 2025 and December 31, 2024, respectively)	2,668,599	2,353,365
Securities held to maturity, at amortized cost (fair value \$173,380 and \$203,883 at September 30, 2025 and December 31, 2024, respectively)	176,843	212,352
Less: allowance for credit losses	(65)	(77)
Securities held to maturity, net of allowance for credit losses	176,778	212,275
Other equity securities	12,420	12,100
FHLB stock	16,341	12,136
Total Securities	2,874,138	2,589,876
Mortgage loans held for sale	212,507	200,460
Loans, net of unearned income and deferred costs	13,379,033	11,459,055
Less: allowance for credit losses on loans	(149,175)	(123,923)
Net Loans	13,229,858	11,335,132
Premises and equipment, net	422,134	368,876
Goodwill	591,691	457,619
Other intangible assets, net	101,875	60,171
BOLI	334,527	279,802
Other assets	665,810	615,479
TOTAL ASSETS	\$ 19,682,520	\$ 17,246,890
LIABILITIES AND EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 5,139,488	\$ 4,253,053
Interest-bearing:		
Demand and money market accounts	8,273,987	7,329,669
Savings	331,168	311,841
Certificates of deposit	2,786,292	2,542,735
Total Deposits	16,530,935	14,437,298
Advances from the FHLB	52,646	3,218
Subordinated debt, net	283,847	260,001
Repurchase agreements and other borrowings	25,740	33,683
Total Borrowings	362,233	296,902
Other liabilities	384,321	357,063
TOTAL LIABILITIES	17,277,489	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; 78,928,417 and 75,255,205 shares issued at September 30, 2025 and December 31, 2024, respectively	131,574	125,455
Capital surplus	1,253,666	1,122,147
Retained earnings	1,075,657	1,007,775
Common stock issued to deferred compensation trust, at cost: 1,112,008 and 1,046,121 shares at September 30, 2025 and December 31, 2024, respectively	(24,130)	(21,868)
Deferred compensation trust	24,130	21,868
Accumulated other comprehensive income (loss)	(63,370)	(116,045)
TOTAL SHAREHOLDERS' EQUITY	2,397,527	2,139,332
Noncontrolling interest	7,504	16,295
TOTAL EQUITY	2,405,031	2,155,627
TOTAL LIABILITIES AND EQUITY	\$ 19,682,520	\$ 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<i>(Dollars in thousands, except per share data)</i>				
INTEREST INCOME:				
Loans, including fees	\$ 179,612	\$ 155,792	\$ 501,705	\$ 461,316
Investment securities	24,784	22,334	72,473	65,257
Interest-bearing deposits in financial institutions and federal funds sold	10,597	15,249	32,639	43,995
Mortgage loans held for sale	3,351	3,247	8,774	7,908
Total interest income	218,344	196,622	615,591	578,476
INTEREST EXPENSE:				
Deposits	69,143	82,128	204,428	242,539
Advances from the FHLB	258	29	407	3,408
Subordinated debt, net	2,461	2,237	7,374	6,710
Repurchase agreements and other borrowings	(470)	(54)	(1,261)	1,271
Total interest expense	71,392	84,340	210,948	253,928
Net interest income	146,952	112,282	404,643	324,548
PROVISION FOR CREDIT LOSSES	15,276	(1,100)	24,106	(2,154)
Net interest income after provision for credit losses	131,676	113,382	380,537	326,702
NONINTEREST INCOME:				
Residential mortgage banking income, net	13,123	11,786	37,046	35,685
Insurance commissions and related income, net	25,791	25,727	77,893	75,297
Property management income, net	13,529	11,221	48,585	42,306
Service charges on deposit accounts	4,056	3,117	11,025	9,548
Credit card merchant fees, net	1,909	1,830	5,400	5,042
Investment income, net	3,933	2,835	10,166	7,759
BOLI	2,157	1,886	6,021	6,966
Gain on sale of equity investments	—	20	2,000	20
Other noninterest income	4,222	3,814	12,379	9,345
Net gain (loss) on investment securities	(7)	—	(7)	74
Total noninterest income	68,713	62,236	210,508	192,042
NONINTEREST EXPENSE:				
Salaries and employee benefits	78,964	72,123	232,404	214,849
Occupancy	9,988	9,351	29,112	28,490
Furniture and equipment	5,044	4,657	14,436	13,769
Amortization - intangibles	4,427	3,130	11,431	9,675
Software	7,518	6,790	20,647	19,947
Data processing	4,630	4,701	12,974	13,223
Professional fees	2,999	4,720	8,191	11,689
Advertising and marketing	3,759	4,162	11,460	12,268
FDIC and other insurance	3,002	2,797	8,895	9,287
Acquisition-related expenses	17,814	460	36,971	1,073
Other noninterest expenses	15,593	14,009	48,418	42,205
Total noninterest expense	153,738	126,900	434,939	376,475
Income before income tax expense and noncontrolling interest	46,651	48,718	156,106	142,269
Provision for income tax expense	7,357	5,592	26,656	20,977
Net income	\$ 39,294	\$ 43,126	\$ 129,450	\$ 121,292
Net income attributable to noncontrolling interest	(317)	(177)	(1,044)	(800)
Net income attributable to TowneBank	\$ 38,977	\$ 42,949	\$ 128,406	\$ 120,492
Per common share information				
Basic earnings	\$ 0.51	\$ 0.57	\$ 1.70	\$ 1.61
Diluted earnings	\$ 0.51	\$ 0.57	\$ 1.69	\$ 1.61

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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<i>(Dollars in thousands)</i>				
Net income	\$ 39,294	\$ 43,126	\$ 129,450	\$ 121,292
Other comprehensive income (loss)				
Unrealized gains (losses) on securities				
Unrealized holding gains (losses) arising during the period	25,267	62,312	67,408	51,581
Tax effect	(5,527)	(13,566)	(14,701)	(11,229)
Realized (gains) losses reclassified into earnings	7	—	7	(74)
Tax effect	(2)	—	(2)	16
Net unrealized gains (losses)	19,745	48,746	52,712	40,294
Pension and postretirement benefit plans				
Prior service costs	(7)	—	(21)	—
Tax effect	2	—	5	—
Actuarial gain (loss)	255	(907)	767	(2,721)
Tax effect	(55)	196	(167)	592
Amortization of prior service costs	135	166	406	496
Tax effect	(29)	(36)	(88)	(108)
Amortization of net actuarial (gain) loss	(400)	(542)	(1,200)	(1,628)
Tax effect	87	119	261	355
Change in retirement plans, net of tax	(12)	(1,004)	(37)	(3,014)
Other comprehensive income (loss), net of tax	19,733	47,742	52,675	37,280
Comprehensive income	\$ 59,027	\$ 90,868	\$ 182,125	\$ 158,572
Comprehensive income attributable to noncontrolling interest	(317)	(177)	(1,044)	(800)
Comprehensive income attributable to TowneBank	\$ 58,710	\$ 90,691	\$ 181,081	\$ 157,772

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)

	Nine Months Ended September 30,	
	2025	2024
<i>(Dollars in thousands)</i>		
OPERATING ACTIVITIES:		
Net income	\$ 129,450	\$ 121,292
Adjustments to reconcile net income to net cash used for operating activities:		
Net amortization of securities	(695)	3,204
Investment securities losses (gains)	7	(74)
Depreciation, amortization, and other intangible amortization	28,647	26,415
Net accretion of purchased loans	(4,507)	(1,765)
Amortization of debt issuance costs	506	464
Provision for credit losses	24,106	(2,154)
BOLI	(6,021)	(6,966)
Deferred income tax (benefit) expense	(15,290)	(8,539)
Share-based compensation expense	7,182	5,869
Originations of mortgage loans held for sale	(1,785,851)	(1,671,567)
Proceeds from sales of mortgage loans held for sale	1,830,888	1,608,889
Gain on sales of mortgage loans held for sale	(53,468)	(51,655)
Gain on sale of equity investments	(2,000)	—
Loss (gain) on disposal of fixed assets	59	(693)
Loss (gain) on sale and write-down of foreclosed assets	2	(9)
Changes in:		
Interest receivable	(9,126)	2,470
Other assets	10,396	23,363
Interest payable	(3,865)	(3,481)
Other liabilities	(6,358)	(7,389)
Net cash provided by operating activities	144,062	37,674
INVESTING ACTIVITIES:		
Purchase of available-for-sale securities	(241,032)	(391,640)
Sale of available-for-sale securities	99,497	48,098
Net change in FHLB stock	(289)	9,237
Proceeds from maturities, calls, and prepayments of available-for-sale securities	177,633	158,423
Proceeds from maturities, calls, and prepayments of held-to-maturity securities	35,400	265,158
Proceeds from maturities, calls, and prepayments of other securities	52	1,112
Net increase in loans	(378,705)	(87,023)
Net change in investment in LIHTC	(18,422)	(39,963)
Purchase of premises and equipment	(34,671)	(47,510)
Proceeds from sales of premises and equipment	1,569	3,911
Proceeds from sales of foreclosed assets	3,459	4,146
Proceeds from sale of equity investment	2,000	—
Proceeds from BOLI	2,011	5,108
Acquisition of business, net of cash acquired	(54,773)	(10,075)
Net cash used for investing activities	(406,271)	(81,018)
FINANCING ACTIVITIES:		
Net change in deposit accounts	245,220	469,964
Net change in short-term borrowings	(9,428)	(201,856)
Repayment of long-term borrowings	(571)	(553)
Distribution of noncontrolling interest	(886)	(270)
Purchase of noncontrolling interest	(3,646)	—
Proceeds from issuance of common stock	—	4
Cash dividends paid	(57,975)	(56,238)
Net cash provided by financing activities	172,714	211,051
Change in cash and cash equivalents	(89,495)	167,707
Cash and cash equivalents at beginning of year	1,339,475	1,128,357
Cash and cash equivalents at end of period	\$ 1,249,980	\$ 1,296,064
Supplemental cash flow information:		
Cash paid for interest	\$ 214,813	\$ 257,409
Cash paid (refunded) for federal income taxes	\$ 2,396	\$ (724)
Cash (refunded) paid for state income taxes	\$ 2,652	\$ 1,447
Noncash financing and investing activities:		
Transfer from loans to foreclosed property	\$ 3,940	\$ 4,113
Net unrealized gains (losses) on available-for-sale securities, net of tax	\$ 52,712	\$ (40,294)
Common stock issued in connection with business acquisitions	\$ 128,005	\$ —

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
Net income	—	—	—	38,977	—	—	—	317	39,294
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	19,733	—	19,733
Cash dividends declared on common stock (\$0.27 per share)	—	—	—	(21,312)	—	—	—	—	(21,312)
Directors' deferred compensation	—	—	—	—	153	(153)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(410)	(410)
Issuance of common stock - acquisitions	3,473,562	5,791	121,639	—	—	—	—	—	127,430
Issuance of common stock - stock compensation plans	33,118	55	1,299	—	—	—	—	—	1,354
Balance, September 30, 2025	78,928,417	\$ 131,574	\$ 1,253,666	\$ 1,075,657	\$ 24,130	\$ (24,130)	\$ (63,370)	\$ 7,504	\$ 2,405,031

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 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
Net income	—	—	—	42,949	—	—	—	177	43,126
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	47,742	—	47,742
Cash dividends declared on common stock (\$0.25 per share)	—	—	—	(18,768)	—	—	—	—	(18,768)
Directors' deferred compensation	—	—	—	—	(532)	532	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(270)	(270)
Conversion of convertible debt into common stock	208	1	3	—	—	—	—	—	4
Issuance of common stock - stock compensation plans	29,365	48	1,517	—	—	—	—	—	1,565
Balance, September 30, 2024	75,068,662	\$ 125,139	\$ 1,117,279	\$ 985,343	\$ 22,224	\$ (22,224)	\$ (81,482)	\$ 16,436	\$ 2,162,715

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 nine-month periods ended September 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 retrospectively. The Company will comply with the new disclosure requirements and does not expect this pronouncement to have a material impact on its Consolidated Financial Statements.
Topic 350 - Intangibles - Goodwill and Other Subtopic 350-40 Internal-Use Software ASU 2025-06 Issued September 2025	Requires an entity to start capitalizing software costs when management has authorized and committed to funding a software project, it is probable the project will be completed, and it will be used to perform the function intended.	Effective for annual reporting periods beginning after December 15, 2027, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. This standard is to be applied either on a prospective transition approach, a modified transition approach, or a retrospective transition approach. The Company will comply with the new requirements and does not expect this pronouncement to have a material impact on its Consolidated Financial Statements.

Note 2. Earnings per Share and Shareholders' Equity

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<i>(Dollars in thousands, except per share data)</i>				
Basic				
Net income available to common shareholders	\$ 38,977	\$ 42,949	\$ 128,406	\$ 120,492
Weighted-average common shares outstanding	76,417,605	74,940,828	75,607,295	74,904,276
Basic earnings per common share	\$ 0.51	\$ 0.57	\$ 1.70	\$ 1.61
Diluted				
Net income available to common shareholders	\$ 38,977	\$ 42,949	\$ 128,406	\$ 120,492
Annualized interest impact of Series IV Notes, net of tax	42	—	127	—
Net income for diluted earnings per share	\$ 39,019	\$ 42,949	\$ 128,533	\$ 120,492
Weighted-average common shares outstanding	76,417,605	74,940,828	75,607,295	74,904,276
Effect of dilutive securities:				
Impact of Series IV Notes	98,244	—	98,244	—
Stock compensation plans (1)	247,791	200,833	246,648	139,572
Weighted-average diluted shares outstanding	76,763,640	75,141,661	75,952,187	75,043,848
Diluted earnings per common share	\$ 0.51	\$ 0.57	\$ 1.69	\$ 1.61

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

Note 3. Mergers and Acquisitions

Dogwood State Bank: On August 18, 2025, the Company signed a definitive agreement and plan of merger (the "Dogwood merger agreement"), pursuant to which the Company will acquire Dogwood State Bank ("Dogwood"), a North Carolina banking corporation. The proposed acquisition of Dogwood, which has been approved by the Boards of Directors of TowneBank and Dogwood, is expected to close in the first quarter of 2026, subject to customary closing conditions, including receipt of required regulatory approvals and approval of Dogwood's shareholders. At June 30, 2025, Dogwood had total assets of \$2.36 billion, net loans of \$1.86 billion, and total deposits of \$1.97 billion.

Upon the terms of the Dogwood merger agreement, Dogwood shareholders will receive 0.700 shares of the Company's common stock for each share of Dogwood common stock held immediately prior to the effective date of the merger.

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

In the merger with Old Point, Old Point shareholders elected to receive either \$41.00 per share in cash or 1.140 shares of TowneBank common stock for each outstanding share of Old Point outstanding common stock. This corresponds to an aggregate transaction value of approximately \$211 million, based on Old Point common stock outstanding. The elections were subject to proration and allocation procedures as included in the merger agreement, including procedures so that the total stock consideration issued represents between

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

50% and 60% of the total consideration paid. At the effective time of the merger, 40% of the shares of Old Point common stock were converted into the right to receive cash consideration, and 60% of the shares of Old Point common stock were converted into the right to receive the stock consideration. The cash consideration was funded through cash on hand from TowneBank

The merger has been accounted for under the acquisition method of accounting. Under this guidance, an entity is required to recognize the assets acquired, liabilities assumed, and consideration given at their fair value on the acquisition date. The assets and liabilities, both tangible and intangible, were recorded at the estimated fair values as of the September 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 \$91.44 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

Fair value of assets acquired:	
Cash and cash equivalents	\$ 117,251
Securities available for sale	208,834
Other securities	3,043
Loans held for investment	961,352
Bank premises and equipment	24,475
Core deposit intangible	31,390
BOLI	36,935
Other assets	20,856
Total assets	<u>\$ 1,404,136</u>
Fair value of liabilities assumed:	
Deposits	\$ 1,210,923
Repurchase agreements	1,484
FHLB advances	40,000
Subordinated debt net	25,181
Other liabilities	6,627
Total liabilities	<u>\$ 1,284,215</u>
Net identifiable assets acquired	\$ 119,921
Goodwill	91,436
Purchase price	<u>\$ 211,357</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Purchase price:

Number of Company common shares issued		3,488,818
Purchase price per share of Company's common stock	\$	36.69
Value of common stock issued	\$	128,005
Cash paid	\$	83,352
Total purchase price	\$	211,357

The loans acquired in the Old Point merger were divided into loans with evidence of credit quality deterioration, or PCD, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of September 1, 2025, the estimated fair value of the Old Point purchased performing loans acquired was \$887.69 million, the related gross contractual amount was \$909.52 million, and the estimated contractual cash flows not expected to be collected were \$3.88 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	\$	73,662
Allowance for credit losses at acquisition date		2,048
Discount attributable to other factors		4,002
Par value of financial assets with credit deterioration	\$	<u>79,712</u>

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 \$42.64 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fair value of assets acquired:		
Cash and cash equivalents	\$	32,342
Securities available for sale		74,310
Other securities		1,245
Mortgage loans held for sale		3,615
Loans held for investment		576,515
Bank premises and equipment		12,896
Core deposit intangible		21,020
BOLI		13,098
Other assets		11,203
Total assets	\$	746,244
Fair value of liabilities assumed:		
Deposits	\$	637,494
FHLB advances		10,000
Subordinated debt net		14,419
Other liabilities		6,528
Total liabilities	\$	668,441
Net identifiable assets acquired	\$	77,803
Goodwill		42,636
Purchase price	\$	120,439
Purchase price:		
Cash Paid	\$	120,439

During the quarter ended September 30, 2025, immaterial adjustments were made to the initial fair value estimates of loans held for investment, other assets, and other liabilities, which resulted in an overall \$0.55 million decrease in net identifiable assets acquired. 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):

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	\$	63,176

Results of operations for Old Point and Village prior to the acquisition dates are not included in the Consolidated Statements of Income for the three and nine months ended September 30, 2025. For informational purposes only, the following table presents the results of activities that are included in the Consolidated Statements of Income, related to the former Old Point and Village entities, from the date of acquisition, through September 30, 2025 (dollars in thousands):

	Actual for the Three Months Ended September 30, 2025	Actual from Acquisition Date Through September 30, 2025
Village:		
Revenues (net interest income plus noninterest income)	\$ 8,007	\$ 16,133
Net Income	\$ 5,485	\$ 10,586
Old Point:		
Revenues (net interest income plus noninterest income)	\$ 4,964	\$ 4,964
Net Income	\$ 3,469	\$ 3,469

The following table presents, for illustrative purposes only, certain pro forma information as if the Company had acquired Old Point and Village on January 1, 2024. These results combine the historical results of Old Point and Village in the Company's Consolidated Statements of Income and while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on January 1, 2024. No adjustments have been made to the pro forma results regarding possible revenue enhancements, provision for credit losses, or expense efficiencies. Pro forma adjustments below include the net impact of Village and Old Point's accretion and merger-related costs, as disclosed below. The Company expects to achieve further operating cost savings and other business synergies, as a result of the acquisitions, which are not reflected in the pro forma amounts below (dollars in thousands):

	Pro Forma for the Three Months Ended September 30,		Pro Forma for the Nine Months Ended September 30,	
	2025 (2)	2024 (3)	2025 (2)	2024 (3)
Revenues (net interest income plus noninterest income)	\$ 226,542	\$ 201,420	\$ 663,221	\$ 595,167
Net income (1)	\$ 60,760	\$ 47,944	\$ 168,918	\$ 91,006

- (1) For the periods presented, excludes Old Point and Village acquisition-related costs of \$22.64 million and \$42.08 million for the three- and nine-month periods ended September 30, 2025 and excludes \$0.36 million and includes \$42.08 million for the three- and nine-month periods ended September 30, 2024.
- (2) Includes the net impact of accretion adjustments of \$0.80 million and \$6.91 million for the three- and nine- month periods ended September 30, 2025.
- (3) Includes the net impact of accretion adjustments of \$5.46 million and \$16.38 million for the three- and nine- month periods ended September 30, 2024.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Investment Securities

Available-for-sale debt securities

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

September 30, 2025	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. agency securities	\$ 388,245	\$ 1,098	\$ (24,454)	\$ —	\$ 364,889
U.S. Treasury notes	81,593	1,944	(291)	—	83,246
Municipal securities	499,793	936	(22,018)	(316)	478,395
Trust preferred and other corporate securities	148,907	843	(6,459)	(1,034)	142,257
MBSs issued by GSEs and GNMA	1,639,276	5,920	(45,384)	—	1,599,812
Total available-for-sale securities	<u>\$ 2,757,814</u>	<u>\$ 10,741</u>	<u>\$ (98,606)</u>	<u>\$ (1,350)</u>	<u>\$ 2,668,599</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 \$13.59 million as of September 30, 2025, and \$11.02 million as of December 31, 2024, and is recorded in other assets on the Consolidated Balance Sheets.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Gross gains	\$ —	\$ —	\$ —	\$ 421
Gross (losses)	(7)	—	(7)	(347)
Net gains (losses)	<u>\$ (7)</u>	<u>\$ —</u>	<u>\$ (7)</u>	<u>\$ 74</u>

Sales proceeds*	\$ 98,256	\$ —	\$ 99,815	\$ 48,577
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*Proceeds include interest on investment securities sold of \$289 thousand in the third quarter and \$318 thousand in the first nine months of 2025 and zero and \$480 thousand, respectively, in the third quarter and first nine months of 2024.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Held-to-maturity debt securities

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

September 30, 2025	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. agency securities	\$ 68,140	\$ —	\$ (956)	\$ 67,184	\$ —
U.S. Treasury notes	96,017	—	(2,693)	93,324	—
Municipal securities	5,439	189	—	5,628	(4)
Trust preferred and other corporate securities	2,081	94	—	2,175	(61)
MBSs issued by GSEs	5,166	—	(97)	5,069	—
Total held-to-maturity securities	<u>\$ 176,843</u>	<u>\$ 283</u>	<u>\$ (3,746)</u>	<u>\$ 173,380</u>	<u>\$ (65)</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 \$0.81 million as of September 30, 2025, and \$0.90 million as of December 31, 2024, and is recorded in other assets on the Consolidated Balance Sheets.

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):

September 30, 2025	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 90,705	\$ 89,692	\$ 49,927	\$ 49,576
Due after one year through five years	816,224	786,590	123,376	120,179
Due after five years through ten years	554,696	535,538	1,959	2,044
Due after ten years	1,296,189	1,256,779	1,581	1,581
	<u>\$ 2,757,814</u>	<u>\$ 2,668,599</u>	<u>\$ 176,843</u>	<u>\$ 173,380</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	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):

September 30, 2025		Less than 12 months		12 months or more		Total	
Description of Securities	Number	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agency securities	66	\$ 36,380	\$ (306)	\$ 226,232	\$ (24,148)	\$ 262,612	\$ (24,454)
U.S. Treasury notes	1	—	—	28,486	(291)	28,486	(291)
Municipal securities	49	—	—	123,501	(9,737)	123,501	(9,737)
Trust preferred and other corporate securities	1	405	(28)	—	—	405	(28)
MBSs issued by GSEs and GNMA	246	114,534	(597)	1,009,391	(44,787)	1,123,925	(45,384)
Total AFS securities	<u>363</u>	<u>\$ 151,319</u>	<u>\$ (931)</u>	<u>\$ 1,387,610</u>	<u>\$ (78,963)</u>	<u>\$ 1,538,929</u>	<u>\$ (79,894)</u>

December 31, 2024		Less than 12 months		12 months or more		Total	
Description of Securities	Number	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agency securities	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	<u>394</u>	<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>

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended September 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 363	\$ 1,178	\$ 1,541
Provision for credit losses	(80)	(290)	(370)
Balance, end of period	\$ 283	\$ 888	\$ 1,171

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

Nine Months Ended September 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 280	\$ 1,218	\$ 1,498
Provision for credit losses	3	(330)	(327)
Balance, end of period	\$ 283	\$ 888	\$ 1,171

We monitor the credit quality of HTM debt securities through the use of credit ratings. These ratings are updated on a monthly basis, and were last updated September 30, 2025. The following table reflects the credit ratings aggregated by investment category for HTM debt securities as of the dates indicated (dollars in thousands):

September 30, 2025

Description of Securities	Credit Ratings					Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	
U.S. agency securities	\$ 68,140	\$ —	\$ —	\$ —	\$ —	\$ 68,140
U.S. Treasury notes	74,851	21,166	—	—	—	96,017
Municipal securities	1,958	3,481	—	—	—	5,439
Trust preferred and other corporate securities	—	—	—	2,081	—	2,081
MBSs issued by GSEs	5,166	—	—	—	—	5,166
Total	\$ 150,115	\$ 24,647	\$ —	\$ 2,081	\$ —	\$ 176,843

December 31, 2024

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	\$ 206,764	\$ 3,467	\$ —	\$ 2,121	\$ —	\$ 212,352

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

September 30, 2025

Description of Securities	2025	2024	2023	2022	2021	Prior	Total
U.S. agency securities	\$ —	\$ —	\$ —	\$ 38,167	\$ 29,973	\$ —	\$ 68,140
U.S. Treasury notes	—	—	—	74,851	21,166	—	96,017
Municipal securities	—	—	—	—	—	5,439	5,439
Trust preferred and other corporate securities	—	—	—	—	—	2,081	2,081
MBSs issued by GSEs	—	—	—	—	—	5,166	5,166
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 113,018</u>	<u>\$ 51,139</u>	<u>\$ 12,686</u>	<u>\$ 176,843</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 September 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 4	\$ 63	\$ 67
Provision for credit losses	—	(2)	(2)
Balance, end of period	<u>\$ 4</u>	<u>\$ 61</u>	<u>\$ 65</u>

Three Months Ended September 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 6	\$ 73	\$ 79
Provision for credit losses	—	(2)	(2)
Balance, end of period	<u>\$ 6</u>	<u>\$ 71</u>	<u>\$ 77</u>

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended September 30, 2024	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 6	\$ 78	\$ 84
Provision for credit losses	—	(7)	(7)
Balance, end of period	\$ 6	\$ 71	\$ 77

Equity securities

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

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

	September 30, 2025	December 31, 2024
FHLB stock	\$ 16,341	\$ 12,136
Other equity securities	\$ 12,420	\$ 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):

	September 30, 2025	December 31, 2024
To secure federal, state, and municipal deposits	\$ 643,826	\$ 555,231
To secure borrowings from the FHLB	\$ 3,278	\$ 4,236
To secure repurchase agreements with commercial customers	\$ 59,465	\$ 59,002

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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Total loans increased \$1.92 billion, compared to December 31, 2024. The following table presents loan balances by major classification as of the dates indicated (in thousands):

	September 30, 2025	December 31, 2024
Commercial Real Estate		
Construction and land development	\$ 1,239,372	\$ 1,082,161
Owner occupied	1,910,050	1,628,731
Non-owner occupied	3,808,755	3,196,665
Multi-family	920,254	801,079
Total Commercial Real Estate	7,878,431	6,708,636
Residential 1-4 family	2,189,417	1,891,470
HELOC	556,386	410,594
C&I	1,452,133	1,280,394
Government	504,543	513,039
Indirect	697,606	567,245
Consumer loans and other	100,517	87,677
Loans, net of unearned income and deferred costs	\$ 13,379,033	\$ 11,459,055

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

	September 30, 2025	December 31, 2024
Deferred loan costs in excess of unearned income	\$ 2,388	\$ 3,061
Unaccreted discount on PCD loans	(10,239)	(2,869)
Unaccreted discount on non-PCD loans	(35,702)	(3,908)
Nonaccrual loans (1)	7,698	7,424
Loans pledged as collateral to secure overnight borrowings with the FHLB	3,086,272	3,037,444

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

	September 30, 2025	September 30, 2024
Three months ended	\$ 175	\$ 106
Nine months ended	\$ 441	\$ 359

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):

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Loan Modifications Made to Borrowers Experiencing Financial Difficulty				
Loan Classification	For Quarter Ended September 30, 2025		For Nine Months Ended September 30, 2025	
	Convert to Interest Only		Convert to Interest Only	
	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable
Consumer loans and other	\$ 1,462	1.45 %	\$ 1,462	1.45 %
Subtotal	\$ 1,462	0.01 %	\$ 1,462	0.01 %
Loan Classification	Term Extension		Term Extension	
	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable
Commercial Real Estate				
Construction and land development	\$ 771	0.06 %	\$ 771	0.06 %
Owner occupied	1,498	0.08 %	4,784	0.25 %
Non-owner occupied	5,587	0.15 %	15,710	0.41 %
Total Commercial Real Estate	7,856	0.10 %	21,265	0.27 %
Residential 1-4 family	743	0.03 %	958	0.04 %
HELOC	377	0.07 %	877	0.16 %
C&I	2,089	0.14 %	3,469	0.24 %
Indirect	—	— %	40	0.01 %
Consumer loans and other	—	— %	—	— %
Subtotal	\$ 11,065	0.08 %	\$ 26,609	0.20 %
Loan Classification	Combination - Term Extension and Interest Rate Reduction		Combination - Term Extension and Interest Rate Reduction	
	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2025	% of Total Class of Financing Receivable
Commercial Real Estate				
Owner occupied	\$ 1,393	0.07 %	\$ 1,393	0.07 %
Total Commercial Real Estate	\$ 1,393	0.02 %	\$ 1,393	0.02 %
C&I	118	0.01 %	118	0.01 %
Subtotal	\$ 1,511	0.01 %	\$ 1,511	0.01 %
Total (1)	\$ 14,038	0.10 %	\$ 29,582	0.22 %

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Loan Modifications Made to Borrowers Experiencing Financial Difficulty				
Loan Classification	For Quarter Ended September 30, 2024		For Nine Months Ended September 30, 2024	
	Convert to Interest Only		Convert to Interest Only	
	Amortized Cost Basis at September 30, 2024	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2024	% of Total Class of Financing Receivable
Commercial Real Estate				
Non-owner occupied	\$ —	— %	\$ 1,488	0.05 %
Total Commercial Real Estate	—	— %	1,488	0.02 %
Consumer loans and other	1,462	1.76 %	1,462	1.76 %
Subtotal	\$ 1,462	0.01 %	\$ 2,950	0.03 %
Loan Classification	Term Extension		Term Extension	
	Amortized Cost Basis at September 30, 2024	% of Total Class of Financing Receivable	Amortized Cost Basis at September 30, 2024	% of Total Class of Financing Receivable
Commercial Real Estate				
Construction and land development	\$ 2,452	0.22 %	\$ 2,452	0.22 %
Owner occupied	1,656	0.10 %	16,338	0.99 %
Non-owner occupied	522	0.02 %	3,053	0.10 %
Total Commercial Real Estate	4,630	0.07 %	21,843	0.33 %
Residential 1-4 family	341	0.02 %	804	0.04 %
HELOC	98	0.02 %	98	0.02 %
C&I	5,184	0.41 %	6,171	0.49 %
Subtotal	\$ 10,253	0.09 %	\$ 28,916	0.25 %
Total (1)	\$ 11,715	0.10 %	\$ 31,866	0.28 %

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Term Extensions/ Rate Change as Applicable	
Loan Classification	Financial Effect
Commercial Real Estate	
Construction and land development	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of C&D loans.
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.
Interest Only	
Consumer loans and other	Converted to interest only to provide debt service relief and allow time for resolution. This modification did not impact the weighted-average life of Consumer loans.

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

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	\$ —	\$ —	\$ —
Defaults during the quarter ended September 30, 2025					
C&I	\$ —	\$ 14	\$ —	\$ —	\$ —
Residential 1-4 family	—	36	—	—	—
HELOC	—	500	—	—	—
	\$ —	\$ 550	\$ —	\$ —	\$ —
	\$ —	\$ 8,126	\$ —	\$ —	\$ —

(1) Brought current in Q2 2025.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	\$ —	\$ —	\$ —
Defaults during the quarter ended September 30, 2024					
CRE - Non-owner occupied	\$ 1,488	\$ —	\$ —	\$ —	\$ —
	\$ 1,488	\$ 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):

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 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	\$ 2,452	\$ —	\$ —
Owner occupied	16,338	—	—
Non-owner occupied	3,053	—	1,488
Total Commercial Real Estate	21,843	—	1,488
Residential 1-4 family	1,129	—	—
HELOC	98	—	—
C&I	6,171	—	—
Consumer loans and other	1,462	—	—
	\$ 30,703	\$ —	\$ 1,488

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	September 30, 2025		September 30, 2024	
	Number	Available Commitment	Number	Available Commitment
Commercial Real Estate				
Owner occupied	4	\$ 622	1	\$ 344
Non-owner occupied	1	3,000	1	457
Total Commercial Real Estate	5	3,622	2	801
Residential 1-4 family	1	13	—	—
C&I	8	804	2	393
	14	\$ 4,439	4	\$ 1,194

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Allowance for Credit Losses

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

	September 30, 2025	December 31, 2024
Accrued interest receivable on loans excluded from the estimate of ECL	\$ 42,436	\$ 36,297
Individually assessed loans	49,892	33,681
Specific reserves on individually assessed loans	1,994	574

Provision for Credit Losses	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Loans and unfunded loan commitments	\$ 15,447	\$ (727)	24,093	(1,820)
Initial provision for non-PCD Village loans and unfunded loan commitments	\$ —	\$ —	6,236	—
Initial provision for non-PCD Old Point loans and unfunded loan commitments	\$ 11,998	\$ —	11,998	—

The following table presents a roll forward of the allowance for our on-balance-sheet credit losses on our loans held for investment, at amortized cost, for the three- and nine-month periods ended September 30, 2025 and 2024 (in thousands):

Three Months Ended September 30, 2025							
	Balance, Beginning of Period	Initial Provision Non-PCD	Provision (Benefit)	Initial Allowance for PCD Assets	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate							
Construction and land development	\$ 18,985	\$ 1,008	\$ 1,013	\$ 93	\$ (124)	\$ —	\$ 20,975
Owner occupied	15,682	742	(4,843)	94	—	72	11,747
Non-owner occupied	22,499	1,883	1,887	1,290	—	10	27,569
Multi-family	3,683	300	2,212	41	—	—	6,236
Residential 1-4 family	32,505	2,658	(2,852)	116	—	7	32,434
HELOC	19,964	2,166	(1,914)	95	—	113	20,424
C&I	11,245	391	(501)	40	(33)	150	11,292
Government	2,458	2	1,381	—	—	—	3,841
Indirect	5,302	2,026	5,002	217	(425)	54	12,176
Consumer loans and other	1,864	273	361	62	(104)	25	2,481
Total	<u>\$ 134,187</u>	<u>\$ 11,449</u>	<u>\$ 1,746</u>	<u>\$ 2,048</u>	<u>\$ (686)</u>	<u>\$ 431</u>	<u>\$ 149,175</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended September 30, 2024

	Balance, Beginning of Period	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate					
Construction and land development	\$ 19,630	\$ (1,513)	\$ (306)	\$ 3	\$ 17,814
Owner occupied	14,629	317	(6)	—	14,940
Non-owner occupied	21,272	9	—	13	21,294
Multi-family	3,472	60	—	—	3,532
Residential 1-4 family	30,419	(204)	—	72	30,287
HELOC	16,081	533	—	13	16,627
C&I	10,611	(756)	(30)	75	9,900
Government	2,747	(164)	—	—	2,583
Indirect	4,551	50	(463)	65	4,203
Consumer loans and other	2,140	(16)	(146)	33	2,011
Total	<u>\$ 125,552</u>	<u>\$ (1,684)</u>	<u>\$ (951)</u>	<u>\$ 274</u>	<u>\$ 123,191</u>

Nine Months Ended September 30, 2025

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended September 30, 2024						
	Balance, Beginning of Period	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period	
Commercial Real Estate						
Construction and land development	\$ 18,736	\$ (284)	\$ (647)	\$ 9	\$ 17,814	
Owner occupied	14,078	847	(6)	21	14,940	
Non-owner occupied	22,098	(952)	—	148	21,294	
Multi-family	3,133	399	—	—	3,532	
Residential 1-4 family	32,363	(2,174)	—	98	30,287	
HELOC	17,324	(783)	—	86	16,627	
C&I	8,069	1,312	(366)	885	9,900	
Government	3,092	(509)	—	—	2,583	
Indirect	4,794	629	(1,454)	234	4,203	
Consumer loans and other	2,774	(577)	(409)	223	2,011	
Total	<u>\$ 126,461</u>	<u>\$ (2,092)</u>	<u>\$ (2,882)</u>	<u>\$ 1,704</u>	<u>\$ 123,191</u>	

The following table presents a roll forward of the allowance for off-balance-sheet exposure for the three and nine months ended September 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 September 30, 2025				
	Balance, Beginning of Period	Initial Provision - Old Point	Provision (Benefit)	Balance, End of Period
Commercial Real Estate				
Construction and land development	\$ 611	\$ 56	\$ 865	\$ 1,532
Owner occupied	289	7	(118)	178
Non-owner occupied	308	9	(3)	314
Multi-family	67	5	(18)	54
Residential 1-4 family	—	—	—	—
HELOC	3,513	304	(305)	3,512
C&I	1,961	74	1,484	3,519
Government	—	—	—	—
Indirect	—	—	—	—
Consumer loans and other	1,516	94	(201)	1,409
Total	<u>\$ 8,265</u>	<u>\$ 549</u>	<u>\$ 1,704</u>	<u>\$ 10,518</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended September 30, 2024

	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period
Commercial Real Estate			
Construction and land development	\$ 897	\$ 187	\$ 1,084
Owner occupied	256	29	285
Non-owner occupied	293	(61)	232
Multi-family	62	(11)	51
Residential 1-4 family	—	—	—
HELOC	2,833	93	2,926
C&I	1,832	672	2,504
Government	—	—	—
Indirect	—	—	—
Consumer loans and other	1,370	48	1,418
Total	<u>\$ 7,543</u>	<u>\$ 957</u>	<u>\$ 8,500</u>

Nine months ended September 30, 2025

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

Nine months ended September 30, 2024

	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period
Commercial Real Estate			
Construction and land development	\$ 1,298	\$ (214)	\$ 1,084
Owner occupied	352	(67)	285
Non-owner occupied	379	(147)	232
Multi-family	111	(60)	51
Residential 1-4 family	—	—	—
HELOC	3,047	(121)	2,926
C&I	1,484	1,020	2,504
Government	—	—	—
Indirect	—	—	—
Consumer loans and other	1,557	(139)	1,418
Total	<u>\$ 8,228</u>	<u>\$ 272</u>	<u>\$ 8,500</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 impacts of tariffs and deportations;
- economic outlook both nationally and for the metropolitan areas within our footprint;
- uncertainty related to inflation and its impact on the movement of the Fed funds rate;
- potential impact of current geopolitical situations and retaliation to administrative actions globally;
- changes in unemployment; and
- 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. In order to further enhance the accuracy and responsiveness of the models used for estimating credit losses, the Company implemented recalibrated models during the quarter ended September 30, 2025. In addition to utilizing more intuitive macroeconomic variables and providing improved sensitivity to economic conditions, the recalibrated models allow greater segmentation of loan portfolios, including non-owner occupied, owner occupied, multi-family, and indirect portfolios. While the overall credit allowance was not significantly impacted, the improved segmentation granularity resulted in allowance movement between certain loan portfolios.

Credit quality indicators

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

Credit risk grades are refreshed on an ongoing basis and affirmed at least 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides a breakdown of the Company's loans held for investment by credit score or risk grade and year of origination at September 30, 2025 and December 31, 2024 (in thousands):

September 30, 2025

	Term Loans By Origination							Revolving Loans	Revolving Loans Converted to Term	Total								
	2025	2024	2023	2022	2021	Prior												
CRE - Construction and Land Development																		
Pass	\$	536,487	\$	418,362	\$	94,517	\$	56,400	\$	25,373	\$	20,421	\$	79,140	\$	1,285	\$	1,231,985
Special Mention		—		3,929		648		—		—		—		—		—		4,577
Substandard		769		1,874		—		—		167		—		—		—		2,810
Gross Write- Offs	\$	537,256	\$	424,165	\$	95,165	\$	56,400	\$	25,540	\$	20,421	\$	79,140	\$	1,285	\$	1,239,372
	\$	—	\$	—	\$	—	\$	53	\$	—	\$	124	\$	—	\$	—	\$	177
CRE - Owner Occupied																		
Pass	\$	302,464	\$	194,626	\$	224,967	\$	299,763	\$	332,026	\$	467,333	\$	30,209	\$	246	\$	1,851,634
Special Mention		1,394		2,223		4,604		12,888		3,424		10,313		3,538		—		38,384
Substandard		1,567		7,840		3,341		1,413		3,859		2,012		—		—		20,032
Gross Write- Offs	\$	305,425	\$	204,689	\$	232,912	\$	314,064	\$	339,309	\$	479,658	\$	33,747	\$	246	\$	1,910,050
	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
CRE - Non-Owner Occupied																		
Pass	\$	643,185	\$	506,919	\$	468,511	\$	772,931	\$	688,887	\$	631,505	\$	31,263	\$	147	\$	3,743,348
Special Mention		11,927		2,180		5,968		13,601		6,495		5,708		—		—		45,879
Substandard		9,742		—		464		564		5,517		3,241		—		—		19,528
Gross Write- Offs	\$	664,854	\$	509,099	\$	474,943	\$	787,096	\$	700,899	\$	640,454	\$	31,263	\$	147	\$	3,808,755
	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
CRE - Multi-Family																		
Pass	\$	206,259	\$	109,436	\$	196,758	\$	217,197	\$	85,876	\$	92,040	\$	10,574	\$	—	\$	918,140
Special Mention		—		—		—		2,114		—		—		—		—		2,114
Substandard		—		—		—		—		—		—		—		—		—
Gross Write- Offs	\$	206,259	\$	109,436	\$	196,758	\$	219,311	\$	85,876	\$	92,040	\$	10,574	\$	—	\$	920,254
	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
C&I																		
Pass	\$	211,219	\$	161,458	\$	108,771	\$	133,236	\$	87,172	\$	56,225	\$	669,166	\$	5,079	\$	1,432,326
Special Mention		—		551		7,199		1,169		34		1,275		2,443		—		12,671
Substandard		1,107		798		556		1,117		109		782		2,667		—		7,136
Gross Write- Offs	\$	212,326	\$	162,807	\$	116,526	\$	135,522	\$	87,315	\$	58,282	\$	674,276	\$	5,079	\$	1,452,133
	\$	—	\$	45	\$	6	\$	—	\$	68	\$	31	\$	—	\$	89	\$	239

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Term Loans By Origination									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Government									
Pass	\$ 48,731	\$ 10,130	\$ 38,820	\$ 72,098	\$ 18,790	\$ 294,581	\$ 21,393	\$ —	\$ 504,543
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
	<u>\$ 48,731</u>	<u>\$ 10,130</u>	<u>\$ 38,820</u>	<u>\$ 72,098</u>	<u>\$ 18,790</u>	<u>\$ 294,581</u>	<u>\$ 21,393</u>	<u>\$ —</u>	<u>\$ 504,543</u>
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Residential 1 - 4 Family									
Credit Score:									
> = 750	\$ 189,501	\$ 175,230	\$ 241,571	\$ 495,006	\$ 341,981	\$ 373,740	\$ 1,454	\$ 2,205	\$ 1,820,688
650-749	23,709	26,679	47,356	98,066	69,798	81,866	280	—	347,754
450-649	2,325	2,715	2,015	6,123	892	6,826	—	79	20,975
300-449	—	—	—	—	—	—	—	—	—
	<u>\$ 215,535</u>	<u>\$ 204,624</u>	<u>\$ 290,942</u>	<u>\$ 599,195</u>	<u>\$ 412,671</u>	<u>\$ 462,432</u>	<u>\$ 1,734</u>	<u>\$ 2,284</u>	<u>\$ 2,189,417</u>
Gross Write- Offs	\$ —	\$ 46	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 46
HELOC									
Credit Score:									
> = 750	\$ 1,235	\$ 816	\$ 978	\$ 1,063	\$ 584	\$ 2,000	\$ 424,598	\$ 555	\$ 431,829
650-749	245	270	620	1,066	233	1,099	111,991	573	116,097
450-649	—	—	127	188	313	1,300	6,026	377	8,331
300-449	—	—	—	—	—	—	129	—	129
	<u>\$ 1,480</u>	<u>\$ 1,086</u>	<u>\$ 1,725</u>	<u>\$ 2,317</u>	<u>\$ 1,130</u>	<u>\$ 4,399</u>	<u>\$ 542,744</u>	<u>\$ 1,505</u>	<u>\$ 556,386</u>
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Indirect									
Credit Score:									
> = 750	\$ 170,886	\$ 125,776	\$ 65,805	\$ 71,819	\$ 21,142	\$ 2,258	\$ —	\$ —	\$ 457,686
650-749	49,467	50,972	40,668	53,765	21,325	4,383	—	—	220,580
450-649	2,770	3,037	3,919	6,437	1,807	1,363	—	—	19,333
300-449	—	—	—	—	—	7	—	—	7
	<u>\$ 223,123</u>	<u>\$ 179,785</u>	<u>\$ 110,392</u>	<u>\$ 132,021</u>	<u>\$ 44,274</u>	<u>\$ 8,011</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 697,606</u>
Gross Write- Offs	\$ 23	\$ 171	\$ 508	\$ 497	\$ 242	\$ 87	\$ —	\$ —	\$ 1,528

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Term Loans By Origination									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Consumer Loans and Other									
Credit Score:									
>= 750	\$ 9,960	\$ 11,281	\$ 3,611	\$ 4,334	\$ 3,763	\$ 9,257	\$ 39,367	\$ 1	\$ 81,574
650-749	3,052	2,070	1,426	939	860	3,788	3,774	137	16,046
450-649	318	489	71	92	2	1,675	244	6	2,897
300-649	—	—	—	—	—	—	—	—	—
	\$ 13,330	\$ 13,840	\$ 5,108	\$ 5,365	\$ 4,625	\$ 14,720	\$ 43,385	\$ 144	\$ 100,517
Gross Write-Offs	\$ 80	\$ 398	\$ 6	\$ 105	\$ 1	\$ 4	\$ —	\$ 9	\$ 603
Grand Total	\$ 2,428,319	\$ 1,819,661	\$ 1,563,291	\$ 2,323,389	\$ 1,720,429	\$ 2,074,998	\$ 1,438,256	\$ 10,690	\$ 13,379,033
Total Gross Write-Offs	\$ 103	\$ 660	\$ 520	\$ 655	\$ 311	\$ 246	\$ —	\$ 98	\$ 2,593

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
	\$ 519,993	\$ 340,427	\$ 131,502	\$ 31,436	\$ 13,664	\$ 10,361	\$ 34,778	\$ —	\$ 1,082,161
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
	\$ 197,638	\$ 223,186	\$ 317,731	\$ 355,180	\$ 213,623	\$ 292,411	\$ 27,439	\$ 1,523	\$ 1,628,731
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
	\$ 581,400	\$ 515,328	\$ 708,904	\$ 641,695	\$ 361,273	\$ 369,650	\$ 18,415	\$ —	\$ 3,196,665
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Term Loans By Origination										
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total		
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		
	\$ 162,030	\$ 84,815	\$ 234,539	\$ 168,848	\$ 93,952	\$ 52,275	\$ 4,620	\$ —	\$ 801,079		
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		
	\$ 186,710	\$ 131,375	\$ 157,836	\$ 112,725	\$ 45,957	\$ 43,340	\$ 598,378	\$ 4,073	\$ 1,280,394		
Gross Write- Offs	\$ —	\$ 291	\$ —	\$ 13	\$ —	\$ 32	\$ —	\$ 30	\$ 366		
Government											
Pass	\$ 12,078	\$ 40,247	\$ 112,737	\$ 19,242	\$ 176,775	\$ 142,238	\$ 9,722	\$ —	\$ 513,039		
Special Mention	—	—	—	—	—	—	—	—	—		
Substandard	—	—	—	—	—	—	—	—	—		
	\$ 12,078	\$ 40,247	\$ 112,737	\$ 19,242	\$ 176,775	\$ 142,238	\$ 9,722	\$ —	\$ 513,039		
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	—	—	—	—	—	—	—	—	—		
	\$ 218,217	\$ 249,603	\$ 576,895	\$ 400,643	\$ 177,042	\$ 267,872	\$ 645	\$ 553	\$ 1,891,470		
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		
	\$ 927	\$ 1,675	\$ 1,943	\$ 795	\$ 225	\$ 2,952	\$ 401,424	\$ 653	\$ 410,594		
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Term Loans By Origination										
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total	
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
	\$ 210,829	\$ 125,354	\$ 146,803	\$ 67,168	\$ 13,026	\$ 4,065	\$ —	\$ —	\$ —	\$ 567,245
Gross Write-Offs	\$ 6	\$ 418	\$ 1,060	\$ 427	\$ 98	\$ 59	\$ —	\$ —	\$ —	\$ 2,068
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 September 30, 2025, CDA loans measured at the fair value of collateral totaled \$47.93 million, with specific reserves of \$1.16 million. At December 31, 2024, CDA loans measured at the fair value of collateral totaled \$23.42 million, with specific reserves of zero.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides a breakdown between loans identified as CDAs and non-CDAs, by type and securing collateral, as well as collateral coverage for those loans at September 30, 2025 and December 31, 2024 (in thousands):

September 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	\$ —	\$ 2,673	\$ —	\$ —	\$ 1,236,699	\$ 1,239,372
Owner occupied	—	—	27,038	192	1,882,820	1,910,050
Non-owner occupied	—	61,468	—	—	3,747,287	3,808,755
Multi-family	—	2,114	—	—	918,140	920,254
Residential 1-4 family	9,667	172	—	—	2,179,578	2,189,417
HELOC	684	—	—	—	555,702	556,386
C&I	—	194	—	690	1,451,249	1,452,133
Government	—	—	—	—	504,543	504,543
Indirect	—	—	—	—	697,606	697,606
Consumer loans and other	—	—	—	—	100,517	100,517
Total, amortized cost	\$ 10,351	\$ 66,621	\$ 27,038	\$ 882	\$ 13,274,141	\$ 13,379,033
Collateral value	\$ 27,285	\$ 122,523	\$ 50,623	\$ 2,103		

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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table is an aging analysis at amortized cost of the Company's loans held for investment portfolio at September 30, 2025 and December 31, 2024 (in thousands):

September 30, 2025

	Current	Days Past Due			Total Past Due	Total Loans	Accruing Loans Over 90 Days Past Due
		30-59	60-89	Over 90			
Commercial Real Estate							
Construction and land development	1,233,936	\$ 3,745	\$ 167	\$ 1,524	\$ 5,436	\$ 1,239,372	\$ —
Owner occupied	1,909,212	786	—	52	838	1,910,050	52
Non-owner occupied	3,807,285	1,323	—	147	1,470	3,808,755	147
Multi-family	920,254	—	—	—	—	920,254	—
Residential 1-4 family	2,185,235	1,284	454	2,444	4,182	2,189,417	628
HELOC	553,643	1,622	530	591	2,743	556,386	313
C&I	1,448,795	1,988	577	773	3,338	1,452,133	—
Government	504,543	—	—	—	—	504,543	—
Indirect	688,631	5,663	1,925	1,387	8,975	697,606	553
Consumer loans and other	100,070	147	98	202	447	100,517	169
Total	\$ 13,351,604	\$ 16,558	\$ 3,751	\$ 7,120	\$ 27,429	\$ 13,379,033	\$ 1,862

December 31, 2024

	Current	Days Past Due			Total Past Due	Total Loans	Accruing Loans Over 90 Days Past Due
		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 September 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):

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025	Nonaccrual Loans		Accruing Loans Over 90 Days Past Due as of 09/30/25	Nonaccrual Loans With No Specific Reserve as of 09/30/25	Interest Income Recognized as of 09/30/25
	As of 06/30/25	As of 09/30/25			
Commercial Real Estate					
Construction and land development	\$ 1,599	\$ 1,524	\$ —	\$ 1,524	\$ 1
Owner occupied	306	135	52	135	107
Non-owner occupied	1,366	—	147	—	210
Multi-family	—	—	—	—	—
Residential 1-4 family	2,136	2,574	628	2,574	67
HELOC	25	305	313	305	53
C&I	1,478	2,065	—	1,235	4
Government	—	—	—	—	—
Indirect	1,070	1,069	553	1,069	21
Consumer loans and other	2	26	169	26	—
Total	\$ 7,982	\$ 7,698	\$ 1,862	\$ 6,868	\$ 463

December 31, 2024	Nonaccrual Loans		Accruing Loans Over 90 Days Past Due 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 September 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			
	September 30, 2025		December 31, 2024
Assets			
Operating lease assets	\$	46,785	\$ 48,311
Liabilities			
Operating lease liabilities	\$	51,043	\$ 52,554

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We did not have financing leases at September 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 nine-month periods ended September 30, 2025 and 2024 (in thousands):

	Lease Cost			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Finance lease cost:				
Amortization of right-of-use assets	\$ —	\$ —	\$ —	\$ 301
Interest on lease liabilities	—	—	—	1,403
Operating lease cost (1) included in occupancy expense	3,026	2,948	9,065	9,038
Variable lease cost included in occupancy expense	284	272	809	783
Sublease income included in occupancy expense	(71)	(70)	(212)	(181)
Net lease cost	\$ 3,239	\$ 3,150	\$ 9,662	\$ 11,344

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

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

Maturity of Lease Liabilities	
	Operating Leases (1)
October 1 - December 31, 2025	\$ 2,711
2026	10,087
2027	9,314
2028	8,534
2029	6,347
Thereafter	36,522
Total lease payments	\$ 73,515
Less: interest	22,472
Present value of lease liabilities	\$ 51,043

(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.

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

Lease Term and Discount Rate		
	September 30, 2025	September 30, 2024
Weighted - average remaining lease term - operating leases (in years)	12.46	12.91
Weighted - average discount rate - operating leases	6.19%	5.92%

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Other Information			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	\$ 2,697	\$ 2,538	\$ 7,918	\$ 7,950
Operating cash flows from finance leases	—	—	—	236
Related Party Transactions (1)				
Rent expense included in occupancy expense	\$ 555	\$ 533	\$ 1,658	\$ 1,579

(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 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, individual insurance, and employee benefit services.

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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):

September 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Total assets	\$ 18,339,678	\$ 376,386	\$ 142,762	\$ 823,694	\$ 19,682,520
Total investment in equity method investees	20,712	402	—	—	21,114
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	\$ 2,294,168	\$ 34,286	\$ 10,167	\$ 97,009	\$ 2,435,630
Percentage change in total assets between periods	14.30 %	10.02 %	7.67 %	13.35 %	14.12 %
Three months ended September 30, 2025					
Total expenditures for long-lived assets - fixed assets	\$ 9,829	\$ 58	\$ 1,523	\$ 157	\$ 11,567
Three months ended September 30, 2024					
Total expenditures for long-lived assets - fixed assets	\$ 31,824	\$ 91	\$ 107	\$ 62	\$ 32,084
Nine months ended September 30, 2025					
Total expenditures for long-lived assets - fixed assets	\$ 30,413	\$ 436	\$ 3,491	\$ 331	\$ 34,671
Nine months ended September 30, 2024					
Total expenditures for long-lived assets - fixed assets	\$ 42,587	\$ 128	\$ 4,696	\$ 99	\$ 47,510

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

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated
Net income attributable to TowneBank (\$) - three months	\$ (8,192)	\$ 533	\$ 3,292	\$ 395	\$ (3,972)
Net income attributable to TowneBank (\$) - nine months	\$ 1,676	\$ (1,238)	\$ 6,074	\$ 1,402	\$ 7,914

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Three Months Ended September 30, 2025	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Interest income	\$ 213,452	\$ 4,892	\$ —	\$ —	\$ 218,344
Interest expense	67,706	3,729	(43)	—	71,392
Net interest income	145,746	1,163	43	—	146,952
Provision for credit losses	15,148	128	—	—	15,276
Net interest income after provision for credit losses	130,598	1,035	43	—	131,676
Noninterest income:					
Residential mortgage banking income, net	(601)	13,724	—	—	13,123
Insurance commissions and related income, net	(777)	—	—	26,568	25,791
Property management income, net	—	—	13,529	—	13,529
Service charges on deposit accounts	4,056	—	—	—	4,056
Credit card merchant fees, net	1,909	—	—	—	1,909
Investment income, net	3,933	—	—	—	3,933
BOLI	2,106	51	—	—	2,157
Income from unconsolidated subsidiaries	690	107	—	—	797
Gain on sale of equity investments	—	—	—	—	—
Net gain (loss) on investment securities	(7)	—	—	—	(7)
Other noninterest income	3,214	200	1	10	3,425
Total noninterest income	14,523	14,082	13,530	26,578	68,713
Total revenue	160,269	15,245	13,573	26,578	215,665
Noninterest expense:					
Salaries and employee benefits	53,053	7,574	5,516	12,821	78,964
Occupancy	7,571	956	677	784	9,988
Furniture and equipment	4,302	151	431	160	5,044
Amortization - intangibles	2,417	—	637	1,373	4,427
Software	5,096	800	885	737	7,518
Data processing	2,853	209	1,428	140	4,630
Professional fees	2,514	117	92	276	2,999
Advertising and marketing	2,167	500	941	151	3,759
FDIC and other insurance	2,672	128	60	142	3,002
Acquisition-related expenses	17,761	53	—	—	17,814
Other expenses	13,272	2,466	(756)	611	15,593
Total noninterest expense	113,678	12,954	9,911	17,195	153,738
Income (loss) before income tax, corporate allocation, and noncontrolling interest	31,443	2,163	3,662	9,383	46,651
Corporate allocation	1,544	(502)	(329)	(713)	—
Income (loss) before income tax provision and noncontrolling interest	32,987	1,661	3,333	8,670	46,651
Provision for income tax expense	3,881	319	922	2,235	7,357
Net income (loss)	29,106	1,342	2,411	6,435	39,294
Net income attributable to noncontrolling interest	(112)	(205)	—	—	(317)
Net income (loss) attributable to TowneBank	\$ 28,994	\$ 1,137	\$ 2,411	\$ 6,435	\$ 38,977
Net income (loss) as percentage of consolidated income	74.39 %	2.92 %	6.18 %	16.51 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 5,466	\$ 140	\$ 201	\$ 108	\$ 5,915

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended September 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Efficiency ratio (GAAP)	70.93 %	84.97 %	73.02 %	64.70 %	71.29 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(1.51)%	— %	(4.69)%	(5.17)%	(2.06)%
Efficiency ratio (non-GAAP)	69.42 %	84.97 %	68.33 %	59.53 %	69.23 %

Three Months Ended September 30, 2024	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	\$ 192,084	\$ 4,538	\$ —	\$ —	\$ 196,622
Interest expense	80,515	3,825	—	—	84,340
Net interest income	111,569	713	—	—	112,282
Provision for credit losses	(1,043)	(57)	—	—	(1,100)
Net interest income after provision for credit losses	112,612	770	—	—	113,382
Noninterest income:					
Residential mortgage banking income, net	(425)	12,211	—	—	11,786
Insurance commissions and related income, net	(198)	—	—	25,925	25,727
Property management income, net	—	—	11,221	—	11,221
Service charges on deposit accounts	3,117	—	—	—	3,117
Credit card merchant fees, net	1,830	—	—	—	1,830
Investment income, net	2,835	—	—	—	2,835
BOLI	1,836	50	—	—	1,886
Income from unconsolidated subsidiaries	488	51	—	—	539
Gain on sale of equity investments	—	—	—	20	20
Net gain (loss) on investment securities	—	—	—	—	—
Other noninterest income	3,127	141	2	5	3,275
Total noninterest income	12,610	12,453	11,223	25,950	62,236
Total revenue	124,179	13,166	11,223	25,950	174,518
Noninterest expense:					
Salaries and employee benefits	47,148	6,513	5,842	12,620	72,123
Occupancy	6,963	975	663	750	9,351
Furniture and equipment	3,878	151	453	175	4,657
Amortization - intangibles	1,072	—	637	1,421	3,130
Software	4,336	744	964	746	6,790
Data processing	2,765	205	1,616	115	4,701
Professional fees	4,123	219	152	226	4,720
Advertising and marketing	2,141	407	1,379	235	4,162
FDIC and other insurance	2,493	91	60	153	2,797
Acquisition-related expenses	460	—	—	—	460
Other expenses	10,356	2,327	675	651	14,009
Total noninterest expense	85,735	11,632	12,441	17,092	126,900
Income (loss) before income tax, corporate allocation, and noncontrolling interest	39,487	1,591	(1,218)	8,858	48,718
Corporate allocation	1,223	(484)	—	(739)	—
Income (loss) before income tax provision and noncontrolling interest	40,710	1,107	(1,218)	8,119	48,718
Provision for income tax expense	3,495	218	(200)	2,079	5,592

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended September 30, 2024	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Net income (loss)	37,215	889	(1,018)	6,040	43,126
Net income attributable to noncontrolling interest	(29)	(285)	137	—	(177)
Net income (loss) attributable to TowneBank	<u>\$ 37,186</u>	<u>\$ 604</u>	<u>\$ (881)</u>	<u>\$ 6,040</u>	<u>\$ 42,949</u>
Net income (loss) as percentage of consolidated income	86.58 %	1.41 %	(2.05)%	14.06 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 5,127	\$ 132	\$ 196	\$ 129	\$ 5,584
Efficiency ratio (GAAP)	69.04 %	88.35 %	110.85 %	65.87 %	72.71 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(0.86)%	— %	(5.67)%	(5.43)%	(1.78)%
Efficiency ratio (non-GAAP)	68.18 %	88.35 %	105.18 %	60.44 %	70.93 %

Nine Months Ended September 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	\$ 602,446	\$ 13,145	\$ —	\$ —	\$ 615,591
Interest expense	200,792	10,234	(78)	—	210,948
Net interest income	401,654	2,911	78	—	404,643
Provision for credit losses	23,727	379	—	—	24,106
Net interest income after provision for credit losses	377,927	2,532	78	—	380,537
Noninterest income:					
Residential mortgage banking income, net	(1,342)	38,388	—	—	37,046
Insurance commissions and related income, net	(1,220)	—	—	79,113	77,893
Property management income, net	—	—	48,585	—	48,585
Service charges on deposit accounts	11,025	—	—	—	11,025
Credit card merchant fees, net	5,400	—	—	—	5,400
Investment income, net	10,166	—	—	—	10,166
BOLI	5,867	154	—	—	6,021
Income from unconsolidated subsidiaries	1,469	232	—	—	1,701
Gain on sale of equity investments	2,000	—	—	—	2,000
Net gain (loss) on investment securities	(7)	—	—	—	(7)
Other noninterest income	10,102	555	3	18	10,678
Total noninterest income	43,460	39,329	48,588	79,131	210,508
Total revenue	445,114	42,240	48,666	79,131	615,151
Noninterest expense:					
Salaries and employee benefits	155,588	21,920	16,214	38,682	232,404
Occupancy	21,892	2,993	1,865	2,362	29,112
Furniture and equipment	12,191	497	1,222	526	14,436
Amortization - intangibles	5,367	—	1,911	4,153	11,431
Software	13,545	2,317	2,622	2,163	20,647
Data processing	8,301	570	3,711	392	12,974
Professional fees	6,458	500	454	779	8,191
Advertising and marketing	6,947	1,309	2,582	622	11,460
FDIC and other insurance	7,938	341	240	376	8,895
Acquisition-related expenses	35,437	1,534	—	—	36,971

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended September 30, 2025	Resort				Consolidated
	Banking	Mortgage	Vacation Management	Insurance	Totals
Other expenses	36,519	7,657	2,284	1,958	48,418
Total noninterest expense	310,183	39,638	33,105	52,013	434,939
Income (loss) before income tax, corporate allocation, and noncontrolling interest	111,204	2,223	15,561	27,118	156,106
Corporate allocation	4,475	(1,371)	(965)	(2,139)	—
Income (loss) before income tax provision and noncontrolling interest	115,679	852	14,596	24,979	156,106
Provision for income tax expense	16,375	38	3,778	6,465	26,656
Net income (loss)	99,304	814	10,818	18,514	129,450
Net income attributable to noncontrolling interest	(194)	(630)	(220)	—	(1,044)
Net income (loss) attributable to TowneBank	\$ 99,110	\$ 184	\$ 10,598	\$ 18,514	\$ 128,406
Net income (loss) as percentage of consolidated income	77.19 %	0.14 %	8.25 %	14.42 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 15,856	\$ 419	\$ 597	\$ 344	\$ 17,216
Efficiency ratio (GAAP)	69.69 %	93.84 %	68.02 %	65.73 %	70.70 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(0.90)%	— %	(3.92)%	(5.25)%	(1.63)%
Efficiency ratio (non-GAAP)	68.79 %	93.84 %	64.10 %	60.48 %	69.07 %

Nine Months Ended September 30, 2024	Resort				Consolidated
	Banking	Mortgage	Vacation Management	Insurance	Totals
Interest income	\$ 566,657	\$ 11,819	\$ —	\$ —	\$ 578,476
Interest expense	244,377	9,585	(34)	—	253,928
Net interest income	322,280	2,234	34	—	324,548
Provision for credit losses	(2,189)	35	—	—	(2,154)
Net interest income after provision for credit losses	324,469	2,199	34	—	326,702
Noninterest income:					
Residential mortgage banking income, net	(1,321)	37,006	—	—	35,685
Insurance commissions and related income, net	(976)	—	—	76,273	75,297
Property management income, net	—	—	42,306	—	42,306
Service charges on deposit accounts	9,548	—	—	—	9,548
Credit card merchant fees, net	5,042	—	—	—	5,042
Investment income, net	7,759	—	—	—	7,759
BOLI	6,814	152	—	—	6,966
Income from unconsolidated subsidiaries	641	148	—	—	789
Gain on sale of equity investments	—	—	—	20	20
Net gain (loss) on investment securities	74	—	—	—	74
Other noninterest income	7,938	517	70	31	8,556
Total noninterest income	35,519	37,823	42,376	76,324	192,042
Total revenue	357,799	40,057	42,410	76,324	516,590
Noninterest expense:					
Salaries and employee benefits	140,261	19,972	16,941	37,675	214,849
Occupancy	21,217	3,099	1,920	2,254	28,490
Furniture and equipment	11,336	478	1,316	639	13,769
Amortization - intangibles	3,352	287	1,807	4,229	9,675

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended September 30, 2024	Resort				Consolidated Totals
	Banking	Mortgage	Vacation Management	Insurance	
Software	12,813	2,407	2,495	2,232	19,947
Data processing	7,922	523	4,438	340	13,223
Professional fees	9,929	595	624	541	11,689
Advertising and marketing	6,759	1,237	3,750	522	12,268
FDIC and other insurance	8,475	287	169	356	9,287
Acquisition-related expenses	606	—	466	1	1,073
Other expenses	30,711	7,084	2,099	2,311	42,205
Total noninterest expense	253,381	35,969	36,025	51,100	376,475
Income (loss) before income tax, corporate allocation, and noncontrolling interest	106,607	4,053	6,385	25,224	142,269
Corporate allocation	3,524	(1,322)	—	(2,202)	—
Income (loss) before income tax provision and noncontrolling interest	110,131	2,731	6,385	23,022	142,269
Provision for income tax expense	12,731	497	1,839	5,910	20,977
Net income (loss)	97,400	2,234	4,546	17,112	121,292
Net income attributable to noncontrolling interest	34	(812)	(22)	—	(800)
Net income (loss) attributable to TowneBank	<u>\$ 97,434</u>	<u>\$ 1,422</u>	<u>\$ 4,524</u>	<u>\$ 17,112</u>	<u>\$ 120,492</u>
Net income (loss) as percentage of consolidated income	80.87 %	1.18 %	3.75 %	14.20 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 15,013	\$ 414	\$ 607	\$ 404	\$ 16,438
Efficiency ratio (GAAP)	70.82 %	89.79 %	84.94 %	66.95 %	72.88 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(0.93)%	(0.71)%	(4.26)%	(5.52)%	(1.86)%
Efficiency ratio (non-GAAP)	69.89 %	89.08 %	80.68 %	61.43 %	71.02 %

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):

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	September 30, 2025	December 31, 2024
Off-balance-sheet commitments to extend credit	\$ 4,775,656	\$ 4,098,088
Standby letters of credit and financial guarantees	175,428	185,538
Allowance for credit losses from off-balance-sheet credit exposures	10,518	8,837
Mortgage loans sold to investors with estimated recourse	1,480,027	1,331,206
Mortgage warranty provision on mortgage loans sold	39,079	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):

	September 30, 2025		December 31, 2024	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Core deposit intangible	\$ 89,030	\$ 29,938	\$ 36,620	\$ 24,767
Non-compete agreements	205	168	205	142
Customer lists	73,663	42,877	78,235	41,940
Total intangible assets subject to amortization	162,898	72,983	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	\$ 174,858	\$ 72,983	\$ 127,020	\$ 66,849

Amortization expense for intangible assets was \$4.43 million and \$3.13 million for the three-month periods ended September 30, 2025 and 2024, respectively. Amortization expense for intangible assets was \$11.43 million and \$9.68 million for the nine-month periods ended September 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	134,072	—	—	—	134,072
Balance, September 30, 2025	\$ 481,894	\$ 8,162	\$ 17,964	\$ 83,671	\$ 591,691

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recorded the following acquisition-related changes in the first nine months of 2025 (in thousands):

	Village		Old Point	
Increase to goodwill	\$	42,636	\$	91,436
Increase to intangible assets	\$	21,020	\$	31,390

Note 11. Postretirement Benefits

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

	SERP		Other Postretirement Benefits	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2025	2024	2025	2024
Service cost	\$ 982	\$ 1,073	\$ —	\$ —
Interest cost	782	667	7	7
Amortization of prior service costs	144	179	(9)	(13)
Amortization of actuarial (gain) loss	(374)	(507)	(26)	(35)
Net periodic postretirement benefit cost	\$ 1,534	\$ 1,412	\$ (28)	\$ (41)

	SERP		Other Postretirement Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Service cost	\$ 2,953	\$ 3,220	\$ —	\$ —
Interest cost	2,316	2,046	21	21
Amortization of prior service costs	432	537	(26)	(41)
Amortization of actuarial (gain) loss	(1,120)	(1,525)	(80)	(103)
Net periodic postretirement benefit cost	\$ 4,581	\$ 4,278	\$ (85)	\$ (123)

Postretirement benefit costs are included in our Consolidated Statements of Income for the three- and nine-month periods ended September 30, 2025 and September 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 September 30, 2025 and 2024 (in thousands), and changes in the nine months then ended. The amounts reclassified from AOCI for the securities available for sale are included in gain (loss) on investment securities, net in the Consolidated Statements of Income, while the amounts reclassified from AOCI for the defined benefit plan are a component of salaries and employee benefits expense and other expenses in the Consolidated Statements of Income.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Unrealized Gains (Losses) on Securities (a)	Pension and Postretirement Plans (b)	Accumulated Other Comprehensive Income (Loss), Net of Tax
Balance, December 31, 2024	\$ (121,474)	\$ 5,429	\$ (116,045)
Other comprehensive income (loss) before reclassifications, net of tax	52,707	584	53,291
Amounts reclassified from AOCI, net of tax	5	(621)	(616)
Net change	52,712	(37)	52,675
Balance, September 30, 2025	<u>\$ (68,762)</u>	<u>\$ 5,392</u>	<u>\$ (63,370)</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	40,352	(2,129)	38,223
Amounts reclassified from AOCI, net of tax	(58)	(885)	(943)
Net change	40,294	(3,014)	37,280
Balance, September 30, 2024	<u>\$ (86,533)</u>	<u>\$ 5,051</u>	<u>\$ (81,482)</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>	September 30, 2025	December 31, 2024
Partnership assets not included on the Consolidated Balance Sheets	\$ 1,025,043	\$ 949,748
Carrying value of limited partner interests (1)	339,075	320,653
Maximum exposure to loss from limited partner investments	339,075	322,753
Funding commitments dependent on contractual milestones	110,851	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:

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Tax benefit, net	\$ 2,586	\$ 2,463	\$ 6,353	\$ 5,603
Amortization expenses	11,389	10,793	29,280	25,638

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

	September 30, 2025			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ —	\$ 364,889	\$ —	\$ 364,889
U.S. Treasury notes	83,246	—	—	83,246
Municipal securities	—	478,395	—	478,395
Mortgage-backed securities issued by GSEs	—	1,599,812	—	1,599,812
Trust preferred and other corporate securities	—	93,146	49,111	142,257
Mortgage loans held for sale	—	212,507	—	212,507
Forward loan commitment asset	—	134	—	134
Forward loan commitment liability	—	129	—	129
Derivative assets	—	7,930	2,212	10,142
Derivative liabilities	—	9,041	—	9,041

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	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 nine months ending September 30, 2025.

Financial Instrument	Valuation Technique	Unobservable Input	As of September 30, 2025	As of December 31, 2024
			(Weighted Average)	(Weighted Average)
Securities AFS	Discounted cash flow	Discount rate	8.66% - 9.53%	8.50% - 10.50%
		Weighted average life	4.20 - 9.75 years	4.96 - 7.23 years
HTM security	Discounted cash flow	Discount rate	6.19%	5.34%
		Weighted average life	23.60 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)	September 30, 2025	December 31, 2024
Aggregate fair value	\$ 212,507	\$ 200,460
Unpaid principal balance	206,832	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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)	Net Gains (Losses) Resulting from Changes in Fair Value			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Mortgage loans held for sale, at fair value	\$ (975)	\$ 1,097	\$ 1,407	\$ (526)

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

September 30, 2025	Level 1	Level 2	Level 3	Fair Value
Other real estate owned and other nonperforming assets	\$ —	\$ —	\$ 1,597	\$ 1,597

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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
September 30, 2025					
Cash and due from banks	\$ 152,647	\$ 152,647	\$ 152,647	\$ —	\$ —
Interest-bearing deposits at FRB	974,514	974,514	974,514	—	—
Interest-bearing deposits in financial institutions	122,819	122,819	122,819	—	—
Securities available for sale, net	2,668,599	2,668,599	83,246	2,536,242	49,111
Securities held to maturity, net	176,843	173,380	93,324	79,014	1,042
Other equity securities	12,420	12,420	—	12,420	—
Net loans	13,379,033	12,933,384	—	—	12,933,384
Interest receivable	58,652	58,652	—	58,652	—
Certificates of deposit	2,786,292	2,782,557	—	2,782,557	—
Advances from the FHLB	52,646	52,969	—	52,969	—
Subordinated debt, net	283,847	224,460	—	217,100	7,360
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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	September 30, 2025		December 31, 2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate contracts included in other assets	\$ 383,236	\$ 2,694	\$ 347,778	\$ 2,346
Interest rate contracts included in other liabilities	\$ 274,929	\$ 1,592	\$ 175,059	\$ 785
Interest rate swaps included in other assets	\$ 345,668	\$ 7,449	\$ 354,544	\$ 3,496
Interest rate swaps included in other liabilities	\$ 345,668	\$ 7,449	\$ 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 September 30, 2025 and 2024, the Company recognized gains of \$1.83 million and losses of \$0.98 million, respectively, from mortgage banking derivatives. For the nine months ended September 30, 2025 and 2024, the Company recognized gains of \$1.33 million and \$2.42 million, respectively, from mortgage banking derivatives. For the three and nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Investment management income				
Investment income, net	\$ 3,933	\$ 2,835	\$ 10,166	\$ 7,759
Total	\$ 3,933	\$ 2,835	\$ 10,166	\$ 7,759
Insurance income				
Property and casualty insurance income, net	\$ 21,995	\$ 22,329	\$ 66,712	\$ 64,468
Benefit insurance income, net	3,796	3,398	11,181	10,829
Total	\$ 25,791	\$ 25,727	\$ 77,893	\$ 75,297
Resort vacation management income				
Property management income, net	13,529	11,221	48,585	42,306
Total	\$ 13,529	\$ 11,221	\$ 48,585	\$ 42,306
Provision (benefit) expense for credit losses on future reservation receivables	\$ (278)	\$ 261	\$ 16	\$ 533
Provision expense for credit losses on property and casualty insurance receivables	\$ (19)	\$ (54)	\$ (224)	\$ (14)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company had no material contract assets or contract liabilities recorded on the Consolidated Balance Sheets as of September 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.

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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Company assumed 3.50% fixed-to-floating subordinated debt, originally issued July 14, 2021, with a carrying value of \$25.18 million, in the September 2025 acquisition of Old Point. These notes bear a fixed rate until July 15, 2026, when they convert to a floating rate based on the three-month SOFR plus 286 bp. Interest is paid semi-annually in arrears on the fixed debt. Upon conversion to a floating rate, interest will be paid quarterly in arrears. The notes mature July 15, 2031.

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

	September 30, 2025	December 31, 2024
Market value of securities pledged as collateral for REPOs	\$ 59,465	\$ 59,002
Carrying value of capital notes assumed with acquisitions	\$ 31,376	\$ 8,003
Carrying value of Company-issued capital notes	\$ 249,123	\$ 248,659
Carrying value of Series IV Towne Investment Units	\$ 3,348	\$ 3,339
Total subordinated debt	\$ 283,847	\$ 260,001

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 recent merger with Old Point and our pending merger with Dogwood, 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 Dogwood 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;*

PART I. FINANCIAL INFORMATION

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

- *costs or difficulties related to the integration of the businesses that we have acquired that may be greater than expected;*
- *expected growth opportunities or cost savings associated with recently completed 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;*
- *competitors that may have greater financial resources and develop products that enable them to compete more successfully;*
- *changes in business conditions;*
- *changes in the securities market; and*
- *changes in our local economy with regard to our market area, including any adverse impact of actual and proposed cuts on federal spending, including defense, security, and other military spending on the economy.*

Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events, or otherwise. For additional information on factors that could materially influence forward-looking statements included in this report, see the "Risk Factors" in TowneBank's Annual Report on Form 10-K for the year ended December 31, 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 \$19.68 billion at September 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:

PART I. FINANCIAL INFORMATION

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

	September 30, 2025	December 31, 2024
Total cash and cash equivalents	6.35 %	7.77 %
Total securities	14.60 %	15.02 %
Mortgage loans held for sale	1.08 %	1.16 %
Loans, net of unearned income and deferred costs	67.97 %	66.44 %
Total deposits	83.99 %	83.71 %
Noninterest-bearing deposits	26.11 %	24.66 %
Total borrowings	1.84 %	1.72 %

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

	September 30, 2025	June 30, 2025	Old Point Acquisition	Total Change Change	Total Change %
<i>(dollars in thousands)</i>					
Total assets	\$ 19,682,520	\$ 18,264,596	\$ 1,404,136	\$ 1,417,924	7.76 %
Total cash and cash equivalents	1,249,980	1,111,688	117,251	138,292	12.44 %
Total investment securities	2,874,138	2,781,516	208,834	92,622	3.33 %
Mortgage loans held for sale	212,507	238,742	—	(26,235)	(10.99)%
Loans, net of unearned income and deferred costs ("loans")	13,379,033	12,359,673	961,352	1,019,360	8.25 %
Allowance for credit losses on loans	(149,175)	(134,187)	—	14,988	11.17 %
Noninterest-bearing deposits	5,139,488	4,754,340	306,066	385,148	8.10 %
Total deposits	16,530,935	15,328,716	1,210,923	1,202,219	7.84 %
Total borrowings	362,233	294,115	66,664	68,118	23.16 %
Goodwill related to acquisitions			91,436		
Acquisition-related allowance on loans increase			13,497		
Allowance for credit losses on loans to period end loans	1.11 %	1.09 %			

The acquisition of Old Point assets was the primary source of increase in total assets in the quarter. Excluding Old Point assets, loans increased \$58.01 million. We acquired \$208.83 million in investment securities with Old Point, but sold \$97.97 million of that total during the quarter in order to better align our investment portfolio. Net unrealized losses in our AFS debt securities decreased to \$87.87 million at September 30, 2025, from \$113.14 million at June 30, 2025. Included in the acquisition of Old Point was \$40.00 million in FHLB borrowings and \$25.18 million in subordinated debt. 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 nine months ended September 30, 2025, compared to prior year:

	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
<i>(dollars in thousands)</i>	2025	2024	Change	%	2025	2024	Change	%
Net income attributable to TowneBank	\$ 38,977	\$ 42,949	\$ (3,972)	(9.25)%	\$ 128,406	\$ 120,492	\$ 7,914	6.57 %

PART I. FINANCIAL INFORMATION

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

(dollars in thousands)	Three Months Ended				Nine Months Ended			
	September 30,		Change	%	September 30,		Change	%
	2025	2024			2025	2024		
Net interest income	146,952	112,282	34,670	30.88 %	404,643	324,548	80,095	24.68 %
Noninterest income	68,713	62,236	6,477	10.41 %	210,508	192,042	18,466	9.62 %
Total revenue	215,665	174,518	41,147	23.58 %	615,151	516,590	98,561	19.08 %
Provision for credit losses	15,276	(1,100)	16,376	(1,488.73)	24,106	(2,154)	26,260	(1219.13)%
Noninterest expense	153,738	126,900	26,838	21.15 %	434,939	376,475	58,464	15.53 %
Acquisition-related expenses	17,814	460	17,354	N/M	36,971	1,073	35,898	3345.57 %
Noninterest expense, excluding acquisition-related expenses	135,924	126,440	9,484	7.50 %	397,968	375,402	22,566	6.01 %

Net income attributable to TowneBank decreased in third quarter 2025, but increased in the year-to-date comparison. The third quarter decrease was attributable to acquisition-related expenses. Total revenue increased in the current quarter and first nine months of 2025, compared to 2024, primarily due to rate-driven increases in net interest income and increases in noninterest 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.

ANALYSIS OF RESULTS OF OPERATIONS

Consolidated Performance Summary

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

(dollars in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2025	2024	2025	2024
Total revenue	\$ 215,665	\$ 174,518	\$ 615,151	\$ 516,590
Operating revenue (non-GAAP)	\$ 215,672	\$ 174,498	\$ 613,158	\$ 516,496
Diluted earnings per share	\$ 0.51	\$ 0.57	\$ 1.69	\$ 1.61
Return on average assets	0.83 %	1.00 %	0.96 %	0.95 %
Return on average tangible assets (non-GAAP)	0.94 %	1.09 %	1.06 %	1.04 %
Return on average equity	6.78 %	8.12 %	7.77 %	7.80 %
Return on average tangible equity (non-GAAP)	10.10 %	11.42 %	11.18 %	11.11 %
Net interest margin	3.48 %	2.90 %	3.34 %	2.83 %
Net interest margin TE (non-GAAP)	3.50 %	2.93 %	3.36 %	2.86 %

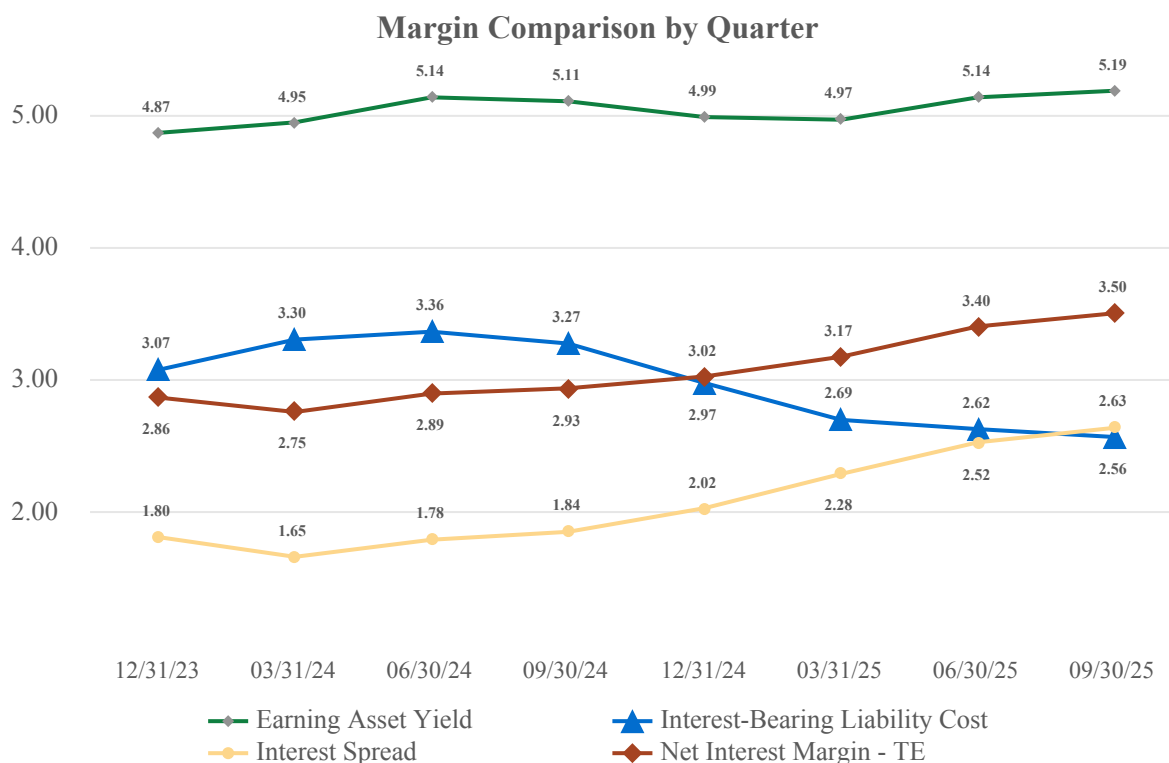
PART I. FINANCIAL INFORMATION

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

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 Federal Reserve Open Market Committee lowered the target range for the Federal Reserve's Federal Funds, effective September 18, 2025, after nine months of no change to a range of 4.00% to 4.25%. Given the timing of this change, there will be no material impact on yield in the current quarter.

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 80 bp as of September 30, 2025. Net interest margin began increasing after first quarter 2024 and has increased 75 bp since that point.



TowneBank reported net interest income, on a TE basis ("net interest income-TE"), of \$148.03 million for the quarter ended September 30, 2025, which was \$34.64 million, or 30.55%, higher than third quarter 2024. Interest income-TE was \$219.43 million in the quarter ended September 30, 2025, a \$21.69 million, or 10.97%, increase over quarter-end September 30, 2024. Additionally, interest expense decreased \$12.95 million, or 15.35%, for the same period, driven by year-over-year decreases in rate.

Interest income growth in third quarter 2025 was driven by volume. Average earning assets increased 8.89% to \$16.77 billion in the quarter ended September 30, 2025, from the comparative prior year quarter, and the overall yield on earning assets was 8 bp higher than the prior year quarter. Average loan balances increased 10.89% in third quarter 2025 compared to one year ago, and loan yields increased 19 bp.

PART I. FINANCIAL INFORMATION

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

Interest expense declined in third quarter 2025, driven by lower rates. Average interest-bearing liabilities were \$11.07 billion in third quarter 2025, an increase of 8.01% over the comparative prior year quarter. The cost of interest-bearing liabilities declined 71 bp from third quarter 2024 to 2.56% in third quarter 2025. The cost of interest-bearing deposits declined 73 bp for the same comparative periods.

In the nine-month comparison, net interest income on a TE basis increased \$80.00 million, or 24.40%, over prior year. Interest income-TE was \$618.80 million in the nine months ended September 30, 2025, \$37.02 million, or 6.36%, higher than the nine months ended September 30, 2024. Interest expense decreased 16.93%, or \$42.98 million, year over year.

As in the quarterly comparison, interest income in the first nine months of 2025 was driven by volume increases. Average earning assets increased \$0.87 billion, or 5.67%, in the nine months ended September 30, 2025, compared to 2024, and the yield on earning assets increased 3 bp. Average loan balances increased \$0.75 billion, or 6.53%, and loan yields increased 12 bp.

Interest expense declined in the first nine months of 2025 compared to 2024, driven by lower rates. The cost of interest-bearing deposits declined 67 bp for the same comparative periods. Average interest-bearing liabilities increased 5.04% in the nine-month comparison, while the cost of interest-bearing liabilities declined 69 bp.

TE net interest margin, which is net interest income-TE expressed as a percentage of average earning assets, was 3.50% for the quarter ended September 30, 2025, or 57 bp higher compared to quarter-end September 30, 2024. In the nine-month comparison, TE net interest margin was 3.36%, or 50 bp, higher than prior year.

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

PART I. FINANCIAL INFORMATION

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 September 30, 2025 Compared to Three Months Ended September 30, 2024		
	September 30, 2025			September 30, 2024			Rate (4) Volume Total		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate			
<i>(dollars in thousands)</i>									
Assets:									
Loans (net of unearned income and deferred costs)	\$ 12,662,595	\$ 180,361	5.65 %	\$ 11,419,428	\$ 156,610	5.46 %	\$ 5,873	\$ 17,878	\$ 23,751
Taxable investment securities	2,627,476	23,203	3.53 %	2,376,102	20,940	3.53 %	43	2,220	2,263
Tax-exempt investment securities	176,193	1,913	4.34 %	168,768	1,686	4.00 %	151	76	227
Total securities	2,803,669	25,116	3.58 %	2,544,870	22,626	3.56 %	194	2,296	2,490
Interest-bearing deposits	1,096,909	10,597	3.83 %	1,226,445	15,249	4.95 %	(3,166)	(1,486)	(4,652)
Mortgage loans held for sale	204,949	3,351	6.54 %	208,513	3,247	6.23 %	160	(56)	104
Total earning assets	16,768,122	219,425	5.19 %	15,399,256	197,732	5.11 %	3,061	18,632	21,693
Less: allowance for loan losses	(139,408)			(125,331)					
Total nonearning assets	1,995,385			1,754,216					
Total assets	<u>\$ 18,624,099</u>			<u>\$ 17,028,141</u>					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	\$ 7,791,983	\$ 43,015	2.19 %	\$ 6,917,622	\$ 48,896	2.81 %	\$ (11,629)	\$ 5,748	\$ (5,881)
Savings	332,403	684	0.82 %	315,338	842	1.06 %	(202)	44	(158)
Certificates of deposit	2,626,140	25,444	3.84 %	2,723,437	32,390	4.73 %	(5,835)	(1,111)	(6,946)
Total interest-bearing deposits	10,750,526	69,143	2.55 %	9,956,397	82,128	3.28 %	(17,666)	4,681	(12,985)
Borrowings	49,111	(212)	(1.69)%	33,867	(25)	(0.29)%	(171)	(16)	(187)
Subordinated debt, net	267,755	2,461	3.68 %	256,309	2,237	3.49 %	122	102	224
Total interest-bearing liabilities	11,067,392	71,392	2.56 %	10,246,573	84,340	3.27 %	(17,715)	4,767	(12,948)
							<u>\$ 20,776</u>	<u>\$ 13,865</u>	<u>\$ 34,641</u>
Demand deposits	4,898,006			4,305,783					
Other noninterest-bearing liabilities	378,717			370,736					
Total liabilities	16,344,115			14,923,092					
Shareholders' equity	2,279,984			2,105,049					
Total liabilities and equity	<u>\$ 18,624,099</u>			<u>\$ 17,028,141</u>					
Net interest income-TE (3)									
		\$ 148,033			\$ 113,392				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(1,081)			(1,110)				
Net interest income (GAAP)		<u>\$ 146,952</u>			<u>\$ 112,282</u>				
Interest rate spread (1)(3)									
			2.63 %			1.84 %			
Interest expense as a percent of average earning assets									
			1.69 %			2.18 %			
Net interest margin-TE (2)(3)									
			3.50 %			2.93 %			
Total cost of deposits									
			1.75 %			2.29 %			

(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.

PART I. FINANCIAL INFORMATION

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

	Nine Months Ended						Increase/(Decrease) Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024		
	September 30, 2025			September 30, 2024					
	Average	Interest	Average		Interest	Average			
	Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Rate (4)	Volume	Total
(dollars in thousands)									
Assets:									
Loans (net of unearned income and deferred costs)	\$ 12,169,050	\$ 503,947	5.54 %	\$ 11,423,458	\$ 463,794	5.42 %	\$ 9,753	\$ 30,400	\$ 40,153
Taxable investment securities	2,568,420	67,866	3.52 %	2,395,007	61,327	3.41 %	2,000	4,539	6,539
Tax-exempt investment securities	174,786	5,575	4.25 %	162,294	4,756	3.91 %	438	381	819
Total securities	2,743,206	73,441	3.57 %	2,557,301	66,083	3.45 %	2,438	4,920	7,358
Interest-bearing deposits	1,113,719	32,639	3.92 %	1,192,319	43,995	4.93 %	(8,593)	(2,763)	(11,356)
Mortgage loans held for sale	180,618	8,774	6.48 %	163,755	7,908	6.44 %	48	818	866
Total earning assets	16,206,593	618,801	5.10 %	15,336,833	581,780	5.07 %	3,646	33,375	37,021
Less: allowance for loan losses	(131,892)			(126,508)					
Total nonearning assets	1,894,785			1,748,215					
Total assets	\$ 17,969,486			\$ 16,958,540					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	\$ 7,555,758	\$ 125,675	2.22 %	\$ 6,880,752	\$ 145,042	2.82 %	\$ (32,590)	\$ 13,223	\$ (19,367)
Savings	327,517	2,102	0.86 %	320,696	2,569	1.07 %	(520)	53	(467)
Certificates of deposit	2,575,944	76,651	3.98 %	2,674,509	94,928	4.74 %	(14,870)	(3,407)	(18,277)
Total interest-bearing deposits	10,459,219	204,428	2.61 %	9,875,957	242,539	3.28 %	(47,980)	9,869	(38,111)
Borrowings	37,910	(854)	(2.97)%	115,171	4,679	5.34 %	(3,867)	(1,666)	(5,533)
Subordinated debt, net	266,786	7,374	3.69 %	256,094	6,710	3.49 %	377	287	664
Total interest-bearing liabilities	10,763,915	210,948	2.62 %	10,247,222	253,928	3.31 %	(51,470)	8,490	(42,980)
							\$ 55,116	\$ 24,885	\$ 80,001
Demand deposits	4,622,418			4,265,971					
Other noninterest-bearing liabilities	373,274			381,547					
Total liabilities	15,759,607			14,894,740					
Shareholders' equity	2,209,879			2,063,800					
Total liabilities and equity	\$ 17,969,486			\$ 16,958,540					
Net interest income-TE (3)		\$ 407,853			\$ 327,852				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(3,210)			(3,304)				
Net interest income (GAAP)		\$ 404,643			\$ 324,548				
Interest rate spread (1)(3)			2.48 %			1.76 %			
Interest expense as a percent of average earning assets			1.74 %			2.21 %			
Net interest margin-TE (2)(3)			3.36 %			2.86 %			
Total cost of deposits			1.81 %			2.29 %			

- (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.

PART I. FINANCIAL INFORMATION

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

Provision for Credit Losses. The third quarter 2025 provision for credit losses was an expense of \$15.28 million, compared to a benefit of \$1.10 million for the same period one year ago. The provision for the first nine months of 2025 was an expense of \$24.11 million compared to a benefit of \$2.15 million in the prior year.

The third quarter of 2025 provision included an initial provision for credit losses of \$12.00 million related to non-PCD loans and commitments acquired in the Old Point transaction. The provision in the first nine months of 2025 included initial provisions for credit losses of \$18.23 million related to non-PCD loans and commitments acquired in the Old Point and Village transactions. In the third quarter and first nine months of 2025, we had net charge-offs of \$255 thousand and \$899 thousand, respectively, compared to net recoveries of \$677 thousand and net charge-offs of \$1.18 million in the third quarter and first nine 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 nine months ended September 30, 2025, was \$68.71 million and \$210.51 million, respectively, compared to \$62.24 million and \$192.04 million for the same respective periods in 2024. Noninterest income as a percentage of total operating income was 31.86% for third quarter 2025, compared with 35.67% for third 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		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025	2024	2025	2024	Amount	Percent	Amount	Percent
<i>(dollars in thousands)</i>								
Residential mortgage banking income, net	\$13,123	\$11,786	\$37,046	\$35,685	\$ 1,337	11.34 %	\$ 1,361	3.81 %
Insurance commissions and other income, net	25,791	25,727	77,893	75,297	64	0.25 %	2,596	3.45 %
Property management income, net	13,529	11,221	48,585	42,306	2,308	20.57 %	6,279	14.84 %
Service charges on deposit accounts	4,056	3,117	11,025	9,548	939	30.13 %	1,477	15.47 %
Credit card merchant fees, net	1,909	1,830	5,400	5,042	79	4.32 %	358	7.10 %
Investment income, net	3,933	2,835	10,166	7,759	1,098	38.73 %	2,407	31.02 %
BOLI	2,157	1,886	6,021	6,966	271	14.37 %	(945)	(13.57)%
Gain on sale of equity investments	—	20	2,000	20	(20)	(100.00)%	1,980	N/M
Other income	4,222	3,814	12,379	9,345	408	10.70 %	3,034	32.47 %
Subtotal before gain on investment securities	68,720	62,236	210,515	191,968	6,484	10.42 %	18,547	9.66 %
Net gain (loss) on investment securities	(7)	—	(7)	74	(7)	N/M	(81)	(109.46)%
Total noninterest income	<u>\$68,713</u>	<u>\$62,236</u>	<u>\$210,508</u>	<u>\$192,042</u>	<u>\$ 6,477</u>	10.41 %	<u>\$ 18,466</u>	9.62 %
Noninterest income/operating income (non-GAAP)	31.86 %	35.67 %	34.33 %	37.18 %				

In the third quarter and first nine months of 2025, the increase in residential mortgage banking income, net of commission expense, was driven by an increase in production volume. Margin improved in third quarter 2025 compared to the same period in 2024, but declined year to date. Production volume was \$636.36 million in third quarter 2025, an increase of \$38.18 million, or 6.38%, compared to third quarter 2024. Production volume increased \$103.47 million, or 6.27%, in the nine-month comparison. Margins on the sale of loans increased 4 bp to 3.32% in third quarter 2025, compared to 2024. Margins declined 9 bp from 3.30% in the first nine months of 2024 to 3.21% in the first nine months of 2025. Purchase volume was over 90% of total loan volume in the periods presented. Management expects continued softness in

PART I. FINANCIAL INFORMATION

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

mortgage banking given the current interest rate environment coupled with low inventory levels in several key markets.

In the third quarter and first nine months of 2025, insurance commissions increased marginally driven by property and casualty insurance. Contingency and bonus revenue, which consists primarily of amounts received from various property and casualty carriers, decreased in both the quarter comparison and first nine months of 2025. 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 third quarter and first nine months of 2025 compared to 2024, driven by changes to our fee structure resulting in revenue growth and a first quarter 2024 acquisition impacting year-to-date results. The primary source of income from this line of business is vacation property commissions and associated fees.

BOLI income declined in the first nine months of 2025 compared to 2024 because of proceeds from life insurance claims in the prior year. We sold 55 securities, related to our Old Point acquisition, with a carrying value of \$97.97 million, and recorded net losses of \$7 thousand in third quarter 2025. We sold 59 securities with a carrying value of \$99.50 million, and recorded net losses of less than \$7 thousand in the first nine months of 2025. We sold seven investment securities with a carrying value of \$48.10 million in the first nine months of 2024, and recorded net gains on the sale of \$74 thousand. In first quarter 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.

Noninterest Expense. For the quarter ended September 30, 2025, total noninterest expense was \$153.74 million, which was \$26.84 million higher than comparative 2024. For the nine months ended September 30, 2025, total noninterest expense was \$434.94 million, or \$58.46 million more than the same period in 2024. As a percentage of operating income, noninterest expense was 71.28% for third quarter 2025 and 72.72% for comparative 2024.

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

	Three Months Ended		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
(dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Salaries and employee benefits	\$ 78,964	\$ 72,123	\$ 232,404	\$ 214,849	\$ 6,841	9.49 %	\$ 17,555	8.17 %
Occupancy expense	9,988	9,351	29,112	28,490	637	6.81 %	622	2.18 %
Furniture and equipment	5,044	4,657	14,436	13,769	387	8.31 %	667	4.84 %
Amortization - intangibles	4,427	3,130	11,431	9,675	1,297	41.44 %	1,756	18.15 %
Software	7,518	6,790	20,647	19,947	728	10.72 %	700	3.51 %
Data processing	4,630	4,701	12,974	13,223	(71)	(1.51)%	(249)	(1.88)%
Professional fees	2,999	4,720	8,191	11,689	(1,721)	(36.46)%	(3,498)	(29.93)%
Advertising and marketing	3,759	4,162	11,460	12,268	(403)	(9.68)%	(808)	(6.59)%
Other noninterest expenses:								
Acquisition-related expenses	17,814	460	36,971	1,073	17,354	N/M	35,898	N/M
Bank franchise tax/SCC fees	2,873	2,731	8,564	8,171	142	5.20 %	393	4.81 %
Charitable contributions	5,055	3,007	13,117	9,764	2,048	68.11 %	3,353	34.34 %
Directors fees and expenses	874	1,754	2,954	3,853	(880)	(50.17)%	(899)	(23.33)%
FDIC and other insurance	3,002	2,797	8,895	9,287	205	7.33 %	(392)	(4.22)%

PART I. FINANCIAL INFORMATION

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

(dollars in thousands)	Three Months Ended		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
					Amount	Percent	Amount	Percent
Other	3,492	3,039	13,409	9,653	453	14.91 %	3,756	38.91 %
Stationery and supplies	733	697	2,149	2,144	36	5.16 %	5	0.23 %
Telephone and postage	1,395	1,711	4,528	4,570	(316)	(18.47)%	(42)	(0.92)%
Travel/meals/entertainment	1,171	1,070	3,697	4,050	101	9.44 %	(353)	(8.72)%
Total other noninterest expenses	36,409	17,266	94,284	52,565	19,143	110.87 %	41,719	79.37 %
Total noninterest expense	<u>\$ 153,738</u>	<u>\$ 126,900</u>	<u>\$ 434,939</u>	<u>\$ 376,475</u>	<u>\$ 26,838</u>	21.15 %	<u>\$ 58,464</u>	15.53 %
Salaries and employee benefits/total noninterest expense	51.36 %	56.83 %	53.43 %	57.07 %	-547 bp	(9.63)%	-364 bp	(6.38)%
Noninterest expense/operating income (non-GAAP)	71.28 %	72.72 %	70.93 %	72.89 %	-144 bp	(1.98)%	-196 bp	(2.69)%

In third quarter and the first nine months of 2025, salaries and employee benefits represented 51.36% and 53.43% of total noninterest expense, respectively, compared to 56.83% and 57.07% in the third quarter and first nine months of 2024. The increase in salaries and benefits was driven by the acquisitions of Old Point and Village, annual base salary increases that went into effect October 2024, higher performance-based 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.

The Village and Old Point acquisitions represented \$3.03 million of the \$6.84 million increase in salaries and benefits expenses, compared to the prior year quarter and \$5.22 million of the year-to-date increase. In our Banking segment, we had a total of 1,804 full-time equivalent employees at September 30, 2025, as compared to 1,471 at September 30, 2024. In our non-Banking segments we had a total of 1,251 full-time equivalent employees at September 30, 2025, as compared to 1,253 at September 30, 2024.

The acquisitions of Village and Old Point, and the pending acquisition of Dogwood State Bank, which is expected to be completed first quarter 2026, resulted in \$17.81 million in acquisition-related expenses in the quarter, and \$36.97 million in acquisition-related expenses in the first nine months of 2025 compared to \$460 thousand and \$1.07 million for the same respective periods in 2024.

Provision for Income Taxes. Our provision for income tax expense represented an effective tax rate of 15.88%, and 17.19% in third quarter and the first nine month of 2025, respectively, compared to an effective rate of 11.52% and 14.83% for the same respective periods in 2024. The increase in the effective rate in the third quarter and first nine months of 2025 compared to 2024 was due to an increase in state tax expense and nondeductible expenses related to the Old Point and Village acquisitions.

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 70% in all periods. The increase in total revenue was driven by net

PART I. FINANCIAL INFORMATION

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

interest income growth. However, in the quarterly comparison, this increase was outpaced by increases in acquisition-related expenses, including provision expense and salaries and benefits.

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 Old Point and Village acquisitions, producer incentives, and health insurance costs.

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

	Three Months Ended		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025	2024	2025	2024	Amount	Percent	Amount	Percent
<i>(dollars in thousands)</i>								
Interest income	\$213,452	\$192,084	\$602,446	\$566,657	\$ 21,368	11.12 %	\$ 35,789	6.32 %
Interest expense	67,706	80,515	200,792	244,377	(12,809)	(15.91)%	(43,585)	(17.84)%
Net interest income	145,746	111,569	401,654	322,280	34,177	30.63 %	79,374	24.63 %
Service charges on deposit accounts	4,056	3,117	11,025	9,548	939	30.13 %	1,477	15.47 %
Credit card merchant fees	1,909	1,830	5,400	5,042	79	4.32 %	358	7.10 %
Investment income, net	3,933	2,835	10,166	7,759	1,098	38.73 %	2,407	31.02 %
BOLI	2,106	1,836	5,867	6,814	270	14.71 %	(947)	(13.90)%
Other income	2,526	2,992	11,009	6,282	(466)	(15.57)%	4,727	75.25 %
Net gain (loss) on investment securities	(7)	—	(7)	74	(7)	N/M	(81)	(109.46)%
Total noninterest income	14,523	12,610	43,460	35,519	1,913	15.17 %	7,941	22.36 %
Total revenue	160,269	124,179	445,114	357,799	36,090	29.06 %	87,315	24.40 %
Provision for credit losses	15,148	(1,043)	23,727	(2,189)	16,191	1,552.35 %	25,916	1,183.92 %
Salaries and employee benefits	53,053	47,148	155,588	140,261	5,905	12.52 %	15,327	10.93 %
Occupancy	7,571	6,963	21,892	21,217	608	8.73 %	675	3.18 %
Furniture and equipment	4,302	3,878	12,191	11,336	424	10.93 %	855	7.54 %
Amortization - intangibles	2,417	1,072	5,367	3,352	1,345	125.47 %	2,015	60.11 %
Software	5,096	4,336	13,545	12,813	760	17.53 %	732	5.71 %
Data processing	2,853	2,765	8,301	7,922	88	3.18 %	379	4.78 %
Professional fees	2,514	4,123	6,458	9,929	(1,609)	(39.02)%	(3,471)	(34.96)%
Advertising and marketing	2,167	2,141	6,947	6,759	26	1.21 %	188	2.78 %
FDIC and other insurance	2,672	2,493	7,938	8,475	179	7.18 %	(537)	(6.34)%
Acquisition-related expenses	17,761	460	35,437	606	17,301	N/M	34,831	N/M
Other expenses	13,272	10,356	36,519	30,711	2,916	28.16 %	5,808	18.91 %
Total noninterest expenses	113,678	85,735	310,183	253,381	27,943	32.59 %	56,802	22.42 %
Income before income tax and corporate allocation	31,443	39,487	111,204	106,607	(8,044)	(20.37)%	4,597	4.31 %
Corporate allocation	1,544	1,223	4,475	3,524	321	26.25 %	951	26.99 %
Income before income tax provision and noncontrolling interest	32,987	40,710	115,679	110,131	(7,723)	(18.97)%	5,548	5.04 %
Provision for income tax expense	3,881	3,495	16,375	12,731	386	11.04 %	3,644	28.62 %
Net income	29,106	37,215	99,304	97,400	(8,109)	(21.79)%	1,904	1.95 %
Noncontrolling interest	(112)	(29)	(194)	34	(83)	(286.21)%	(228)	(670.59)%
Net income attributable to TowneBank	\$ 28,994	\$ 37,186	\$ 99,110	\$ 97,434	\$ (8,192)	(22.03)%	\$ 1,676	1.72 %
Salaries and employee benefits/total noninterest expense	46.67%	54.99%	50.16%	55.36%	-832 bp	(15.13)%	-520 bp	(9.39)%

PART I. FINANCIAL INFORMATION

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

(dollars in thousands)	Three Months Ended		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
					Amount	Percent	Amount	Percent
Net Income attributable to TowneBank % of total consolidated income	74.39%	86.58%	77.18%	80.87%	-1,219 bp	(14.08)%	-369 bp	(4.56)%

Mortgage Segment. For the three months ended September 30, 2025, the Mortgage segment reported income before income tax provision and noncontrolling interest of \$1.66 million, as compared to \$1.11 million in 2024. For the nine months ended September 30, 2025, the Mortgage segment reported income before income tax provision and noncontrolling interest of \$0.85 million, as compared to \$2.73 million in 2024.

Increased production and margin were the source of the increase in the quarter. Gross realized gain on sale margin increased 4 bp, after dipping throughout 2025.

Year-to-date, margin declined 9 bp, impacting income before income tax provision and noncontrolling interest. Additionally, 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 427 at September 30, 2025, compared to 402 at September 30, 2024.

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

	Three Months Ended				
	September 30,	June 30,	March 31,	December 31,	September 30,
	2025	2025	2025	2024	2024
Gross realized gain on sales and fees as a % of loans originated	3.32 %	3.13 %	3.18 %	3.25 %	3.28 %
Loans sold	\$ 657,822	\$ 596,009	\$ 475,518	\$ 629,120	\$ 526,998
Purchase %	91.84 %	92.37 %	89.94 %	89.46 %	91.49 %
Refinance %	8.16 %	7.63 %	10.06 %	10.54 %	8.51 %

PART I. FINANCIAL INFORMATION

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

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

	Three Months Ended		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
<i>(dollars in thousands)</i>					Amount	Percent	Amount	Percent
Residential mortgage banking income, net	\$ 13,724	\$ 12,211	\$38,388	\$37,006	\$ 1,513	12.39 %	\$ 1,382	3.73 %
BOLI	51	50	154	152	1	2.00 %	2	1.32 %
Income from unconsolidated subsidiary	107	51	232	148	56	109.80 %	84	56.76 %
Net interest and other income	1,363	854	3,466	2,751	509	59.60 %	715	25.99 %
Total revenue	15,245	13,166	42,240	40,057	2,079	15.79 %	2,183	5.45 %
Provision for credit losses	128	(57)	379	35	185	324.56 %	344	982.86 %
Salaries and employee benefits	7,574	6,513	21,920	19,972	1,061	16.29 %	1,948	9.75 %
Occupancy	956	975	2,993	3,099	(19)	(1.95)%	(106)	(3.42)%
Furniture and equipment	151	151	497	478	—	— %	19	3.97 %
Amortization - intangibles	—	—	—	287	—	N/M	(287)	(100.00)%
Software	800	744	2,317	2,407	56	7.53 %	(90)	(3.74)%
Data processing	209	205	570	523	4	1.95 %	47	8.99 %
Professional fees	117	219	500	595	(102)	(46.58)%	(95)	(15.97)%
Advertising and marketing	500	407	1,309	1,237	93	22.85 %	72	5.82 %
FDIC and other insurance	128	91	341	287	37	40.66 %	54	18.82 %
Acquisition-related expenses	53	—	1,534	—	53	N/M	1,534	N/M
Other expenses	2,466	2,327	7,657	7,084	139	5.97 %	573	8.09 %
Total expenses	12,954	11,632	39,638	35,969	1,322	11.37 %	3,669	10.20 %
Income before income tax, corporate allocation, and noncontrolling interest	2,163	1,591	2,223	4,053	572	35.95 %	(1,830)	(45.15)%
Corporate allocation	(502)	(484)	(1,371)	(1,322)	(18)	(3.72)%	(49)	(3.71)%
Income before income tax provision and noncontrolling interest	1,661	1,107	852	2,731	554	50.05 %	(1,879)	(68.80)%
Provision for income tax	319	218	38	497	101	46.33 %	(459)	(92.35)%
Net income	1,342	889	814	2,234	453	50.96 %	(1,420)	(63.56)%
Noncontrolling interest	(205)	(285)	(630)	(812)	80	28.07 %	182	22.41 %
Net income attributable to TowneBank	\$ 1,137	\$ 604	\$ 184	\$ 1,422	\$ 533	88.25 %	\$ (1,238)	(87.06)%
Salaries and employee benefits/total noninterest expense	58.47 %	55.99 %	55.30 %	55.53 %	248 bp	4.43 %	-23 bp	(0.41)%
Net Income attributable to TowneBank % of total consolidated income	2.92 %	1.41 %	0.14 %	1.18 %	151 bp	107.09 %	-104 bp	(88.14)%

PART I. FINANCIAL INFORMATION

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

Key data:

Loans originated, mortgage	\$491,921	\$421,570	\$1,286,729	\$1,141,159	\$ 70,351	16.69 %	\$ 145,570	12.76 %
Loans originated, joint venture	144,440	176,612	466,294	508,392	(32,172)	(18.22)%	(42,098)	(8.28)%
Total loans originated	\$636,361	\$598,182	\$1,753,023	\$1,649,551	\$ 38,179	6.38 %	\$ 103,472	6.27 %
Number of loans, mortgage	1,268	1,096	3,279	2,994	172	15.69 %	285	9.52 %
Number of loans, joint venture	411	541	1,331	1,590	(130)	(24.03)%	(259)	(16.29)%
Total number of loans	1,679	1,637	4,610	4,584	42	2.57 %	26	0.57 %
Average loan amount, mortgage	\$ 388	\$ 385	\$ 392	\$ 381	\$ 3	0.78 %	\$ 11	2.89 %
Average loan amount, joint venture	351	326	350	320	25	7.67 %	30	9.38 %
Average loan amount	\$ 379	\$ 365	\$ 380	\$ 360	\$ 14	3.84 %	20	5.56 %
Number of originators, mortgage	137	117	137	117	20	17.09 %	20	17.09 %
Number of originators, joint venture	32	42	32	42	(10)	(23.81)%	(10)	(23.81)%
Total number of originators	169	159	169	159	10	6.29 %	10	6.29 %

Resort Vacation Management Segment. The Resort Vacation Management segment reported income before income tax provision and noncontrolling interest of \$3.33 million compared to a loss of \$1.22 million for the three months ended September 30, 2025, compared to 2024. For the nine months ended September 30, 2025, the Resort Vacation Management segment reported income before income tax provision and noncontrolling interest of \$14.60 million, as compared to \$6.39 million in 2024.

Net property management fees increased revenue growth driven by changes to our fee structure and, for the year-to-date period, higher reservation levels driven by a prior year acquisition. In third quarter 2025, adjustments to acquired company earnouts resulted in \$1.11 million reduction in noninterest expenses. The total number of full-time equivalent employees in our Resort Vacation Management segment was 345 at September 30, 2025, compared to 365 at September 30, 2024.

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

PART I. FINANCIAL INFORMATION

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

(dollars in thousands)	Three Months Ended		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025	2024	2025	2024	2025 over 2024		2025 over 2024	
					Amount	Percent	Amount	Percent
Property management fees, net	\$ 13,529	\$ 11,221	\$48,585	\$42,306	\$ 2,308	20.57 %	\$ 6,279	14.84 %
Net interest and other income	44	2	81	104	42	N/M	(23)	(22.12)%
Total revenue	13,573	11,223	48,666	42,410	2,350	20.94 %	6,256	14.75 %
Salaries and employee benefits	5,516	5,842	16,214	16,941	(326)	(5.58)%	(727)	(4.29)%
Occupancy	677	663	1,865	1,920	14	2.11 %	(55)	(2.86)%
Furniture and equipment	431	453	1,222	1,316	(22)	(4.86)%	(94)	(7.14)%
Amortization - intangibles	637	637	1,911	1,807	—	— %	104	5.76 %
Software	885	964	2,622	2,495	(79)	(8.20)%	127	5.09 %
Data processing	1,428	1,616	3,711	4,438	(188)	(11.63)%	(727)	(16.38)%
Professional fees	92	152	454	624	(60)	(39.47)%	(170)	(27.24)%
Advertising and marketing	941	1,379	2,582	3,750	(438)	(31.76)%	(1,168)	(31.15)%
FDIC and other insurance	60	60	240	169	—	— %	71	42.01 %
Acquisition-related expenses	—	—	—	466	—	N/M	(466)	(100.00)%
Other expenses	(756)	675	2,284	2,099	(1,431)	(212.00)%	185	8.81 %
Total expenses	9,911	12,441	33,105	36,025	(2,530)	(20.34)%	(2,920)	(8.11)%
Income before income tax, corporate allocation, and noncontrolling interest	3,662	(1,218)	15,561	6,385	4,880	400.66 %	9,176	143.71 %
Corporate allocation	(329)	—	(965)	—	(329)	N/M	(965)	N/M
Income before income tax provision and noncontrolling interest	3,333	(1,218)	14,596	6,385	4,551	373.65 %	8,211	128.60 %
Provision for income tax	922	(200)	3,778	1,839	1,122	561.00 %	1,939	105.44 %
Net income	2,411	(1,018)	10,818	4,546	3,429	336.84 %	6,272	137.97 %
Noncontrolling interest	—	137	(220)	(22)	(137)	(100.00)%	(198)	(900.00)%
Net income attributable to TowneBank	<u>\$ 2,411</u>	<u>\$ (881)</u>	<u>\$10,598</u>	<u>\$ 4,524</u>	<u>\$ 3,292</u>	<u>373.67 %</u>	<u>\$ 6,074</u>	<u>134.26 %</u>
Salaries and employee benefits/total noninterest expense	55.66 %	46.96 %	48.98 %	47.03 %	870 bp	18.53 %	195 bp	4.15 %
Net Income attributable to TowneBank % of total consolidated income	6.19 %	(2.05)%	8.25 %	3.75 %	824 bp	401.95 %	450 bp	120.00 %

Insurance Segment. The Insurance segment contributed 16.51% of consolidated net income attributable to TowneBank in the third quarter ended September 30, 2025, compared to 14.06% in the prior year quarter. Increases in revenue, driven by organic growth, were partially offset by reductions in contingency income.

The total number of full-time equivalent employees in our Insurance segment was 479 at September 30, 2025, compared to 486 at September 30, 2024.

PART I. FINANCIAL INFORMATION

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

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

	Three Months Ended		Nine Months Ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30,		September 30,		Three Months Ended		Nine Months Ended	
	2025		2025		2025 over 2024		2025 over 2024	
(dollars in thousands)	2025	2024	2025	2024	Amount	Percent	Amount	Percent
Net commission and fee income:								
Property and casualty	\$24,030	\$23,157	\$70,659	\$66,104	\$ 873	3.77 %	\$ 4,555	6.89 %
Employee benefits	4,925	4,483	14,245	13,712	442	9.86 %	533	3.89 %
Specialized benefit services	—	—	—	10	—	— %	(10)	(100.00)%
Total net commissions and fees	28,955	27,640	84,904	79,826	1,315	4.76 %	5,078	6.36 %
Contingency and bonus revenue	2,556	2,731	9,210	10,185	(175)	(6.41)%	(975)	(9.57)%
Other income	10	25	18	41	(15)	(60.00)%	(23)	(56.10)%
Total revenues	31,521	30,396	94,132	90,052	1,125	3.70 %	4,080	4.53 %
Employee commission expense	4,943	4,446	15,001	13,728	497	11.18 %	1,273	9.27 %
Revenue, net of commission expense	26,578	25,950	79,131	76,324	628	2.42 %	2,807	3.68 %
Salaries and employee benefits	12,821	12,620	38,682	37,675	201	1.59 %	1,007	2.67 %
Occupancy	784	750	2,362	2,254	34	4.53 %	108	4.79 %
Furniture and equipment	160	175	526	639	(15)	(8.57)%	(113)	(17.68)%
Amortization - intangibles	1,373	1,421	4,153	4,229	(48)	(3.38)%	(76)	(1.80)%
Software	737	746	2,163	2,232	(9)	(1.21)%	(69)	(3.09)%
Data processing	140	115	392	340	25	21.74 %	52	15.29 %
Professional fees	276	226	779	541	50	22.12 %	238	43.99 %
Advertising and marketing	151	235	622	522	(84)	(35.74)%	100	19.16 %
FDIC and other insurance	142	153	376	356	(11)	(7.19)%	20	5.62 %
Acquisition-related expenses	—	—	—	1	—	— %	(1)	(100.00)%
Other expenses	611	651	1,958	2,311	(40)	(6.14)%	(353)	(15.27)%
Total operating expenses	17,195	17,092	52,013	51,100	103	0.60 %	913	1.79 %
Income before income tax, corporate allocation, and noncontrolling interest	9,383	8,858	27,118	25,224	525	5.93 %	1,894	7.51 %
Corporate allocation	(713)	(739)	(2,139)	(2,202)	26	3.52 %	63	2.86 %
Income before income tax provision and noncontrolling interest	8,670	8,119	24,979	23,022	551	6.79 %	1,957	8.50 %
Provision for income tax	2,235	2,079	6,465	5,910	156	7.50 %	555	9.39 %
Net income	6,435	6,040	18,514	17,112	395	6.54 %	1,402	8.19 %
Noncontrolling interest	—	—	—	—	—	— %	—	— %
Net income attributable to TowneBank	\$ 6,435	\$ 6,040	\$18,514	\$17,112	\$ 395	6.54 %	\$ 1,402	8.19 %
Salaries and employee benefits/total noninterest expense	74.56 %	73.84 %	74.37 %	73.73 %	72 bp	0.98 %	64 bp	0.87 %
Net Income attributable to TowneBank % of total consolidated income	16.51 %	14.06 %	14.42 %	14.20 %	245 bp	17.43 %	22 bp	1.55 %

PART I. FINANCIAL INFORMATION

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

ANALYSIS OF FINANCIAL CONDITION

Overview. At September 30, 2025, total assets were \$19.68 billion, which is \$2.44 billion, or 14.12%, higher than total assets at December 31, 2024. The primary drivers of asset growth during 2025 were the acquisitions of Old Point and Village. Our loan portfolio, less unearned income and deferred costs, made up 67.97% of our period-end assets and totaled \$13.38 billion at September 30, 2025. Average assets for the quarter ended September 30, 2025, were \$18.62 billion, an increase of \$1.27 billion, or 7.35%, 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 third quarter 2025 increased \$1.05 billion from fourth quarter 2024 to \$16.77 billion. Our average total deposits were \$15.65 billion for third quarter 2025, an increase of \$1.09 billion, or 7.52%, compared to fourth quarter 2024. Average noninterest-bearing deposits for the quarter ended September 30, 2025, increased \$511.10 million, or 11.65%, 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 September 30, 2025 and December 31, 2024, respectively, these balances were \$1.10 billion and \$1.23 billion and consisted mainly of deposits in other banks and overnight deposits with the FRB. At September 30, 2025, the Company had \$14.50 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 third quarter 2025 was \$1.10 billion, or 6.54%, 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 \$2.67 billion at September 30, 2025, compared with \$2.35 billion at December 31, 2024. The average balance during third quarter 2025 was \$2.58 billion, compared to \$2.36 billion during the quarter ended December 31, 2024. The average AFS debt securities portfolio represented 15.37% and 15.02% of average earning assets in third quarter 2025 and the quarter ended December 31, 2024, respectively. During the nine months ended September 30, 2025, we had sales, maturities, and calls totaling \$277.13 million in investment securities that were classified as AFS.

Net unrealized losses related to the fair value of AFS debt securities decreased \$52.71 million in the first nine 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 September 30, 2025, the allowance for credit losses on AFS debt securities was \$1.35 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 \$176.78 million at September 30, 2025, and \$212.28 million at December 31, 2024. The

PART I. FINANCIAL INFORMATION

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

average balance during third quarter 2025 was \$199.93 million, compared with \$212.31 million in fourth quarter 2024, representing 1.19% 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 \$65 thousand at September 30, 2025, and \$77 thousand at December 31, 2024. During the nine months ended September 30, 2025, we had maturities and calls totaling \$35.40 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 September 30, 2025, we held \$212.51 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 1.22% of average earning assets for the quarter ended September 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 \$13.38 billion at September 30, 2025, which was a \$1.92 billion, or 16.76%, increase over \$11.46 billion at December 31, 2024. Excluding \$1.54 billion in loans from the acquisitions of Old Point and Village, loans, net of unearned income and deferred costs, would have increased \$382 million, or 3.33%, year to date. As a percentage of total average earning assets, average loans were 75.52% for the quarter ended September 30, 2025, compared with 72.90% for the quarter ended December 31, 2024.

Commercial real estate loans constituted 58.89% and 58.54% of our loan portfolio at September 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 September 30, 2025 (dollars in thousands):

Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	Classified (1)
Residential construction	\$ 239,817	19.35 %	\$ 142,210	\$ 97,607	\$ —
Improved lots	237,074	19.13 %	178,466	58,608	517
Raw land	167,025	13.48 %	106,270	60,755	1,522
Land development	154,163	12.44 %	122,472	31,691	771
Construction-to-perm	41,507	3.35 %	17,544	23,963	—
Presold residential construction	32,304	2.61 %	19,029	13,275	—
All other	367,482	29.64 %	279,188	88,294	—
Construction and land development	\$ 1,239,372	100.00 %	\$ 865,179	\$ 374,193	\$ 2,810
Percentage of Consolidated			69.81 %	30.19 %	0.23 %
Office buildings	\$ 514,323	26.93 %	\$ 361,133	\$ 153,190	\$ 5,422
Warehouse light industry	376,839	19.73 %	278,397	98,442	801
Auto dealer and repair	191,349	10.02 %	161,891	29,458	3,605
Restaurants	117,205	6.14 %	74,777	42,428	—
Retail Buildings	78,317	4.10 %	60,169	18,148	—
Churches	94,473	4.95 %	82,566	11,907	—
All other	537,544	28.13 %	378,100	159,444	10,204
Owner occupied	\$ 1,910,050	100.00 %	\$ 1,397,033	\$ 513,017	\$ 20,032
Percentage of Consolidated			73.14 %	26.86 %	1.05 %
Office buildings	\$ 792,142	20.80 %	\$ 487,166	\$ 304,976	\$ —
Hotels	872,835	22.92 %	701,127	171,708	2,088
Shopping centers	785,819	20.63 %	445,133	340,686	2,043
Warehouse light industry	431,693	11.33 %	239,865	191,828	—

PART I. FINANCIAL INFORMATION

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

Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	Classified (1)
All other	926,266	24.32 %	725,940	200,326	15,397
Non-owner occupied	\$ 3,808,755	100.00 %	\$ 2,599,231	\$ 1,209,524	\$ 19,528
Percentage of Consolidated			68.24 %	31.76 %	0.51 %
Less than \$1 Million Origination	\$ 124,026	13.48 %	\$ 90,317	\$ 33,709	\$ —
More than \$1 Million Origination	796,228	86.52 %	502,467	293,761	—
Multi-family	\$ 920,254	100.00 %	\$ 592,784	\$ 327,470	\$ —
Percentage of Consolidated			64.42 %	35.58 %	— %
Total Commercial Real Estate	\$ 7,878,431		\$ 5,454,227	\$ 2,424,204	\$ 42,370
Percentage of Consolidated Total Commercial Real Estate			69.23 %	30.77 %	0.54 %

(1) Classified loans are defined as substandard or doubtful. Classified commercial real estate loans totaled \$42.37 million, or 67.86%, of total classified credits at September 30, 2025.

Allowance for Credit Losses and Asset Quality. The allowance for credit losses on funded loans at September 30, 2025 and December 31, 2024, was \$149.18 million and \$123.92 million, respectively. The \$25.25 million increase in the allowance included \$21.24 million in initial allowance for credit losses from acquisitions. Additional increases in the allowance were primarily driven by loan portfolio growth. The allowance was equal to 1.11% of total loans outstanding at September 30, 2025, compared with 1.08% at December 31, 2024.

(in thousands)	Initial ACL For Loans Acquired		
	PCD Loans	Non-PCD Loans	Combined
April 1 acquisition of Village	\$ 1,691	6,055	\$ 7,746
September 1 acquisition of Old Point	\$ 2,048	11,449	\$ 13,497
Total Initial ACL	\$ 3,739	\$ 17,504	\$ 21,243

Classified loans, defined as loans in the substandard and doubtful categories, represented 0.47% of total loans at September 30, 2025, and 0.43% of total loans at December 31, 2024. Total criticized loans, defined as special mention and classified loans, increased to \$172.83 million in third quarter 2025 from \$154.53 million in fourth quarter 2024. Loans 30 to 89 days past due totaled \$20.31 million at September 30, 2025, as compared to \$9.88 million at December 31, 2024. The allowance for credit losses on funded loans was equal to 19.38x of nonperforming loans at September 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.

PART I. FINANCIAL INFORMATION

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

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

	September 30, 2025	December 31, 2024
Real estate - construction and land development	\$ 20,975	\$ 18,158
Real estate - commercial owner occupied	11,747	14,550
Real estate - commercial non-owner occupied	27,569	21,175
Real estate - multi-family	6,236	3,819
Real estate - residential 1-4 family	32,434	30,908
HELOC	20,424	17,371
C&I	11,292	9,594
Government	3,841	2,603
Indirect	12,176	3,781
Consumer loans and other	2,481	1,964
Total	\$ 149,175	\$ 123,923

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

	Three Months Ended		
	September 30,		December 31,
	2025	2024	2024
<i>(dollars in thousands)</i>			
Nonperforming Assets			
Nonperforming loans	\$ 7,698	\$ 6,588	\$ 7,424
Former bank premises	885	—	—
Foreclosed property	1,798	884	443
Total nonperforming assets	<u>\$ 10,381</u>	<u>\$ 7,472</u>	<u>\$ 7,867</u>
Loans past due 90 days and still accruing interest	<u>\$ 1,863</u>	<u>\$ 510</u>	<u>\$ 1,264</u>
Asset Quality Ratios			
Allowance for credit losses to nonperforming loans	19.38x	18.70x	16.69x
Allowance for credit losses to period-end loans	1.11%	1.08%	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%	0.02%	0.01%

PART I. FINANCIAL INFORMATION**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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

	September 30, 2025	December 31, 2024
CRE - Construction and land development	\$ 1,524	\$ 273
CRE - Owner occupied	135	415
CRE - Non-owner occupied	—	1,452
CRE - Multi-family	—	—
Residential 1-4 family	2,574	2,421
HELOC	305	485
C&I	2,065	1,030
Government	—	—
Indirect	1,069	1,346
Consumer loans and other	26	2
Total nonperforming loans	<u>\$ 7,698</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 September 30, 2025, we had \$10.38 million in nonperforming assets, which amounted to 0.05% of total assets. Additionally, loans 60-89 days past due, excluding nonperforming loans, totaled \$3.63 million, and there were \$1.86 million in loans past due 90 days or more that were accruing interest. Nonperforming assets consisted of \$7.70 million in nonperforming loans, \$0.89 million in former bank premises, and \$1.80 million in foreclosed property as of September 30, 2025. Nonperforming loans increased by \$274 thousand from December 31, 2024. Foreclosed property increased \$1.36 billion from December 31, 2024, including \$0.71 million in other real estate owned and \$0.65 million in repossessed vehicles.

Deposits. Total deposits at September 30, 2025, were \$16.53 billion, representing an increase of \$2.17 billion, or 15.09%, compared to September 30, 2024. Excluding \$1.85 billion in acquired deposits, total deposits would have increased \$319.35 million, or 2.22%, compared to prior year and \$245.22 million, or 1.70%, compared to December 31, 2024. Total average deposits were \$15.65 billion during third quarter 2025, compared to \$14.26 billion during third quarter 2024 and \$14.55 billion during fourth quarter 2024.

PART I. FINANCIAL INFORMATION

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

(dollars in thousands)	Total Deposits Period Ended			September 30, 2025 vs. September 30, 2024		September 30, 2025 vs. December 31, 2024	
	September 30,		December 31,	Change		Change	
	2025	2024	2024	\$	%	\$	%
Interest-bearing demand and money market accounts	\$ 8,273,987	\$ 6,990,103	\$ 7,329,669	\$ 1,283,884	18.37 %	\$ 944,318	12.88 %
Regular savings	331,168	319,970	311,841	\$ 11,198	3.50 %	\$ 19,327	6.20 %
Certificates of deposit	2,786,292	2,785,469	2,542,735	\$ 823	0.03 %	\$ 243,557	9.58 %
Total interest-bearing	11,391,447	10,095,542	10,184,245	\$ 1,295,905	12.84 %	\$ 1,207,202	11.85 %
Noninterest-bearing demand	5,139,488	4,267,628	4,253,053	\$ 871,860	20.43 %	\$ 886,435	20.84 %
Total	<u>\$ 16,530,935</u>	<u>\$ 14,363,170</u>	<u>\$ 14,437,298</u>	<u>\$ 2,167,765</u>	15.09 %	<u>\$ 2,093,637</u>	14.50 %

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

	September 30, 2025			
	Consolidated	% of Total Deposits	Virginia (1)	North Carolina
Noninterest-bearing demand	\$ 5,139,488	31.09 %	\$ 4,356,600	\$ 782,888
Interest-bearing demand	2,106,071	12.74 %	1,568,705	537,366
Money market	6,167,916	37.31 %	4,690,577	1,477,339
Regular savings	331,168	2.00 %	325,000	6,168
Certificates of deposit	2,786,292	16.86 %	2,484,412	301,880
	<u>\$ 16,530,935</u>	100.00 %	<u>\$ 13,425,294</u>	<u>\$ 3,105,641</u>

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

	December 31, 2024			
	Consolidated	% of Total Deposits	Virginia (1)	North Carolina
Noninterest-bearing demand	\$ 4,253,053	29.46 %	\$ 3,572,147	\$ 680,906
Interest-bearing demand	1,631,898	11.30 %	1,203,013	428,885
Money market	5,697,771	39.47 %	4,128,223	1,569,548
Regular savings	311,841	2.16 %	303,920	7,921
Certificates of deposit	2,542,735	17.61 %	2,202,703	340,032
	<u>\$ 14,437,298</u>	100.00 %	<u>\$ 11,410,006</u>	<u>\$ 3,027,292</u>

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

At September 30, 2025, we had \$7.69 billion in estimated uninsured deposits, \$0.69 billion of which are collateralized by securities, for an estimated uncollateralized and adjusted uninsured deposit total of \$7.01 billion, roughly 42% of total deposits. Total liquidity sources at September 30, 2025, totaled \$7.10 billion, or 101% of adjusted uninsured deposits.

Average noninterest-bearing demand deposits as a percentage of average total deposits were 31.30% during third quarter 2025 and 30.19% during the same period in 2024. The cost of interest-bearing deposits was 2.55% for third quarter 2025, compared with 3.28% for third quarter 2024.

PART I. FINANCIAL INFORMATION

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

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

	Average Balance/Cost Rate					
	Three Months Ended					
	September 30,				December 31,	
	2025		2024		2024	
Interest-bearing demand and money market accounts	\$ 7,791,983	2.19 %	\$ 6,917,622	2.81 %	\$ 7,157,076	2.44 %
Regular savings	332,403	0.82 %	315,338	1.06 %	315,414	0.98 %
Certificates of deposit	2,626,140	3.84 %	2,723,437	4.73 %	2,694,236	4.61 %
Total interest-bearing	10,750,526	2.55 %	9,956,397	3.28 %	10,166,726	2.97 %
Noninterest-bearing demand	4,898,006		4,305,783		4,386,911	
Total	<u>\$ 15,648,532</u>	1.75 %	<u>\$ 14,262,180</u>	2.29 %	<u>\$ 14,553,637</u>	2.07 %

	Average Balance/Cost Rate			
	Nine Months Ended			
	September 30,			
	2025		2024	
Interest-bearing demand and money market accounts	\$ 7,555,758	2.22 %	\$ 6,880,752	2.82 %
Regular savings	327,517	0.86 %	320,696	1.07 %
Certificates of deposit	2,575,944	3.98 %	2,674,509	4.74 %
Total interest-bearing	10,459,219	2.61 %	9,875,957	3.28 %
Noninterest-bearing demand	4,622,418		4,265,971	
Total	<u>\$ 15,081,637</u>	1.81 %	<u>\$ 14,141,928</u>	2.29 %

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

	Average Balance and Composition					
	Three Months Ended					
	September 30,				December 31,	
	2025		2024		2024	
Interest-bearing demand and money market accounts	\$ 7,791,983	49.80 %	\$ 6,917,622	48.50 %	\$ 7,157,076	49.18 %
Regular savings	332,403	2.12 %	315,338	2.21 %	315,414	2.17 %
Certificates of deposit	2,626,140	16.78 %	2,723,437	19.10 %	2,694,236	18.51 %
Total interest-bearing	10,750,526	68.70 %	9,956,397	69.81 %	10,166,726	69.86 %
Noninterest-bearing	4,898,006	31.30 %	4,305,783	30.19 %	4,386,911	30.14 %
Total	<u>\$ 15,648,532</u>	100.00 %	<u>\$ 14,262,180</u>	100.00 %	<u>\$ 14,553,637</u>	100.00 %

PART I. FINANCIAL INFORMATION

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

	Average Balance and Composition			
	Nine Months Ended			
	September 30,			
	2025		2024	
Interest-bearing demand and money market accounts	\$ 7,555,758	50.10 %	\$ 6,880,752	48.65 %
Regular savings	327,517	2.17 %	320,696	2.27 %
Certificates of deposit	2,575,944	17.08 %	2,674,509	18.91 %
Total interest-bearing	10,459,219	69.35 %	9,875,957	69.83 %
Noninterest-bearing	4,622,418	30.65 %	4,265,971	30.17 %
Total	<u>\$ 15,081,637</u>	100.00 %	<u>\$ 14,141,928</u>	100.00 %

Advances from the Federal Home Loan Bank of Atlanta. Advances from the FHLB at September 30, 2025, were \$52.65 million, compared to \$3.22 million at December 31, 2024. The year-to-date increase was primarily attributable to recent acquisitions. We acquired long-term borrowings with the FHLB totaling \$40.00 million from Old Point and \$10.00 million from Village. The average borrowing cost for FHLB advances in third quarter 2025 was 3.96%, and 3.24% in fourth quarter 2024.

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

Maturity	Interest Rate	Call / Reset Date	Outstanding Amount
11/15/2028	3.43%	—	\$ 1,554
12/01/2028	2.83%	—	1,092
03/13/2026	4.04%	—	5,000
03/15/2027	3.90%	—	5,000
07/09/2027	4.33%	7/9/2026	20,000
07/09/2029	3.69%	1/9/2026	20,000
Total FHLB Loans			<u><u>\$ 52,646</u></u>

At September 30, 2025, certain residential, HELOCs, agency securities, and commercial mortgages secured by real estate with carrying values of \$3.09 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 \$49.11 million during third quarter 2025, compared with \$36.71 million for fourth quarter 2024, while the average cost of these funds was (1.69)% 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

PART I. FINANCIAL INFORMATION

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

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 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 second quarter 2025, the Company redeemed the notes and on June 30, 2025 the carrying value was zero.

The Company assumed 3.50% fixed-to-floating subordinated debt, originally issued July 14, 2021, with a carrying value of \$25.18 million, in the September 2025 acquisition of Old Point. These notes bear a fixed rate until July 15, 2026, when they convert to a floating rate based on the three-month SOFR plus 286 bp. Interest is paid semi-annually in arrears on the fixed debt. Upon conversion to a floating rate, interest will be paid quarterly in arrears. The notes mature July 15, 2031.

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

	September 30, 2025		December 31, 2024	
Carrying value of subordinated notes	\$	283,847	\$	260,001
Average subordinate debt for the quarter ended	\$	267,755	\$	257,667
Average cost of subordinated notes for the quarter ended		3.68 %		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
Third Quarter 2025	\$ 0.27	August 27, 2025	September 29, 2025	October 10, 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

PART I. FINANCIAL INFORMATION

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

Committee ("ALCO"). Our liquid assets consist of cash, interest-bearing deposits in financial institutions, federal funds sold, securities available for sale, investments, and loans maturing within one year. Mortgage loans held for sale are typically held on our books for less than 60 days and are funded, primarily, through their sale. We also have the ability to access short-term and long-term borrowings through FHLB, correspondent banks, federal funds purchased, and the Federal Reserve discount window.

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

	September 30, 2025
Available Liquid Funds:	
Cash and cash equivalents	\$ 1,249,980
Unencumbered investment securities	1,931,255
Availability of Borrowings:	
Amount available from FHLB	1,676,781
Amount available from unsecured lines of credit with correspondent banks	150,000
Amount available from Federal Reserve discount window	2,089,790
	<u>\$ 7,097,806</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 September 30, 2025.

PART I. FINANCIAL INFORMATION

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

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

	September 30,		December 31,
	2025	2024	2024
Risk-based capital ratios (1):			
Common equity Tier 1 (4.5% minimum requirement)	11.18 %	12.63 %	12.77 %
Tier 1 (6.0% minimum requirement)	11.23 %	12.76 %	12.89 %
Total (8.0% minimum requirement)	13.98 %	15.54 %	15.68 %
Tier 1 leverage ratio (4.0% minimum requirement)	9.84 %	10.38 %	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.

PART I. FINANCIAL INFORMATION

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

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

Consolidated Financial Statements

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<i>(dollars in thousands)</i>				
Average assets (GAAP)	\$ 18,624,099	\$ 17,028,141	\$ 17,969,486	\$ 16,958,540
Less: average goodwill and intangible assets	611,836	522,219	565,597	523,335
Average tangible assets (non-GAAP)	\$ 18,012,263	\$ 16,505,922	\$ 17,403,889	\$ 16,435,205
Average equity (GAAP)	\$ 2,279,984	\$ 2,105,049	\$ 2,209,879	\$ 2,063,800
Less: average goodwill and intangible assets	611,836	522,219	565,597	523,335
Average tangible equity (non-GAAP)	\$ 1,668,148	\$ 1,582,830	\$ 1,644,282	\$ 1,540,465
Average common equity (GAAP)	\$ 2,272,509	\$ 2,088,674	\$ 2,199,472	\$ 2,047,482
Less: average goodwill and intangible assets	611,836	522,219	565,597	523,335
Average tangible common equity (non-GAAP)	\$ 1,660,673	\$ 1,566,455	\$ 1,633,875	\$ 1,524,147
Net income (GAAP)	\$ 38,977	\$ 42,949	\$ 128,406	\$ 120,492
Amortization of intangibles, net of tax	3,497	2,473	9,030	7,643
Tangible net income (non-GAAP)	\$ 42,474	\$ 45,422	\$ 137,436	\$ 128,135
Total revenue (GAAP)	\$ 215,665	\$ 174,518	\$ 615,151	\$ 516,590
Net (gain)/loss on investment securities/equity investments	7	(20)	(1,993)	(94)
Operating income (non-GAAP)	\$ 215,672	\$ 174,498	\$ 613,158	\$ 516,496
Noninterest expense (GAAP)	\$ 153,738	\$ 126,900	\$ 434,939	\$ 376,475
Less: Amortization of intangibles	4,427	3,130	11,431	9,675
Noninterest expense net of amortization (non-GAAP)	\$ 149,311	\$ 123,770	\$ 423,508	\$ 366,800

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Return on average assets (GAAP basis)	0.83 %	1.00 %	0.96 %	0.95 %
Impact of excluding average goodwill and other intangibles and amortization	0.11 %	0.09 %	0.10 %	0.09 %
Return on average tangible assets (non-GAAP)	0.94 %	1.09 %	1.06 %	1.04 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Return on average equity (GAAP basis)	6.78 %	8.12 %	7.77 %	7.80 %
Impact of excluding average goodwill and other intangibles and amortization	3.32 %	3.30 %	3.41 %	3.31 %
Return on average tangible equity (non-GAAP)	10.10 %	11.42 %	11.18 %	11.11 %

PART I. FINANCIAL INFORMATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Efficiency ratio (GAAP)	71.29 %	72.71 %	70.70 %	72.88 %
Impact of excluding goodwill and other intangibles and amortization	(2.06)%	(1.78)%	(1.63)%	(1.86)%
Efficiency ratio (non-GAAP)	69.23 %	70.93 %	69.07 %	71.02 %

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

	September 30,	
	2025	2024
Book value per share (GAAP basis)	\$ 30.38	\$ 28.59
Impact of excluding goodwill and other intangibles and amortization	(8.79)	(6.94)
Tangible book value per share (non-GAAP)	\$ 21.59	\$ 21.65

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.

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

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

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

At September 30, 2025, we had \$5.04 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	5.37 %
+ 100 basis points	2.75 %
- 100 basis points	(0.95)%
- 200 basis points	(2.26)%

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:

<u>Change in Prime Rate</u>	<u>Change in Net Market Value (dollars in thousands)</u>	
+ 200 basis points	\$	35,053
+ 100 basis points	\$	23,627
- 100 basis points	\$	(19,459)
- 200 basis points	\$	(48,494)

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

Item 4. Controls and Procedures

As of September 30, 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 September 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. 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 other than the addition of the risk factors relating to recently closed and pending acquisitions as set forth below.

We may not be able to successfully integrate the operations from recently closed and pending acquisitions into the Company, which integration may be more difficult, costly or time-consuming than expected.

The success of recently closed and pending acquisitions and our future operating performance will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining each of the business of Old Point, which we acquired on September 1, 2025, and the business of Dogwood, which we agreed to acquire on August 18, 2025, into the business of TowneBank. The success of these transactions will, in turn, depend on a number of factors, including our ability to (i) integrate the operations and branches of these banks, (ii) retain their deposits and customers, (iii) control the incremental increase in noninterest expense arising from the mergers in a manner that enables the combined bank to improve its overall operating efficiencies, and (iv) retain and integrate the appropriate personnel into our operations and reduce overlapping bank personnel. Bank integrations both before and following mergers require the dedication of the time and resources of our management team and may temporarily distract management's attention from our day-to-day business. If we are unable to successfully complete the integration of Old Point and integrate Dogwood, the anticipated benefits and cost savings of the mergers, including expected operating efficiencies and eliminating redundant costs, may not be realized fully, or at all, or may take longer to realize than expected.

We will incur significant transaction and merger-related integration costs in connection with our mergers with Old Point and Dogwood.

We expect to incur significant costs associated with completing the merger and integrating the operations of Old Point and Dogwood. We continue to assess the impact of these costs. Although we believe that the elimination of duplicate costs, as well as the realization of other efficiencies related to the integration of the businesses, will offset incremental transaction and merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

Regulatory approvals for the Dogwood merger may not be received, may take longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.

Before the merger with Dogwood may be completed, various approvals must be obtained from bank regulatory authorities, including the FDIC and the Virginia Bureau of Financial Institutions. These regulators may impose conditions on the granting of such approvals or request changes to the terms of the merger. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying

PART II. OTHER INFORMATION

completion of the merger or of imposing additional costs or limitations on us following the merger. If the necessary governmental approvals contain such conditions or changes, our business, financial condition and results of operations following the merger may be materially adversely affected. Furthermore, such conditions or changes may constitute, result in or be reasonably expected to result in a burdensome condition that may allow us or Dogwood to refuse to complete the merger.

A significant delay in the completion of the Dogwood merger could have a material adverse effect on us as a combined company.

The Dogwood merger agreement is subject to a number of conditions that must be fulfilled in order to complete the merger. Those conditions include, among others: (i) approval of the merger agreement by the Dogwood shareholders, (ii) receipt of all required approvals from bank regulatory authorities and expiration of all applicable waiting periods, and (iii) absence of any order, decree or injunction enjoining or prohibiting the completion of the merger. If these conditions to the completion of the merger are not fulfilled when expected and, as a result, the completion of the merger is delayed, the diversion of management attention from pursuing other opportunities, the interruptions to each company's ongoing business during the pendency of the merger, the incurrence of additional merger-related expenses, and other market and economic factors could have a material adverse effect on the combined company's business, financial condition and results of operations.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No. Description

- | | |
|--------|---|
| (2.1) | Agreement and Plan of Merger, dated as of 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). |
| (2.2) | Agreement and Plan of Merger, dated as of August 18, 2025, by and between TowneBank and Dogwood State Bank (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on August 22, 2025). |
| (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 November 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

November 6, 2025

Date

By: /s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

November 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 September 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.

November 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 September 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.

November 6, 2025

Date

/s/ William B. Littreal

William B. Littreal

Senior Executive Vice President/Chief Financial Officer

Exhibit (32)

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

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

1. Our Quarterly Report on Form 10-Q for the quarter ended September 30, 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.

November 6, 2025

Date

/s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

November 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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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of TowneBank

Results of Review of Interim Financial Statements

We have reviewed the consolidated balance sheet of TowneBank (the "Company") as of September 30, 2025, and the related consolidated statements of income, comprehensive income (loss), equity for the three and nine-month periods ended September 30, 2025 and 2024, and cash flows for the nine-month periods ended September 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 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 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

November 6, 2025