

FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-Q

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

For the quarterly period ended March 31, 2026

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 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

The number of shares of the Company's common stock outstanding as of April 30, 2026, was 92,378,787 shares.

TOWNE BANK

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

<i>(Dollars in thousands)</i>	March 31, 2026	December 31, 2025
ASSETS	(unaudited)	(audited)
Cash and due from banks	\$ 95,472	\$ 129,941
Interest-bearing deposits at FRB	1,346,573	1,097,155
Interest-bearing deposits in financial institutions	119,922	123,553
Total Cash and Cash Equivalents	1,561,967	1,350,649
Securities available for sale, at fair value (amortized cost of \$2,945,181 and \$2,784,462, and allowance for credit losses of \$1,355 and \$1,207 at March 31, 2026 and December 31, 2025, respectively)	2,862,427	2,710,189
Securities held to maturity, at amortized cost (fair value \$124,409 and \$154,269 at March 31, 2026 and December 31, 2025, respectively)	126,527	156,697
Less: allowance for credit losses	(33)	(65)
Securities held to maturity, net of allowance for credit losses	126,494	156,632
Other equity securities	15,463	12,219
FHLB stock	24,985	16,341
Total Securities	3,029,369	2,895,381
Mortgage loans held for sale	171,735	154,444
Government guaranteed loans held for sale	5,498	—
Loans, net of unearned income and deferred costs	15,261,160	13,335,804
Less: allowance for credit losses on loans	(199,267)	(147,343)
Net Loans	15,061,893	13,188,461
Premises and equipment, net	438,792	430,987
Goodwill	804,143	594,080
Other intangible assets, net	102,631	96,528
BOLI	385,087	337,425
Other assets	694,197	639,386
Assets held for sale	103,396	—
TOTAL ASSETS	\$ 22,358,708	\$ 19,687,341
LIABILITIES AND EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 5,597,395	\$ 5,073,157
Interest-bearing:		
Demand and money market accounts	9,293,443	8,390,884
Savings	457,028	332,752
Certificates of deposit	3,132,406	2,712,324
Total Deposits	18,480,272	16,509,117
Advances from the FHLB	197,257	52,452
Subordinated debt, net	284,236	283,870
Repurchase agreements and other borrowings	30,988	34,817
Total Borrowings	512,481	371,139
Other liabilities	414,979	378,076
Liabilities held for sale	52,460	—
TOTAL LIABILITIES	19,460,192	17,258,332
Commitments and contingencies (Note 9)		
Preferred stock:		
Authorized and unissued shares - 2,000,000	—	—
Common stock, \$1.667 par value: 150,000,000 shares authorized; 92,366,411 and 78,964,038 shares issued at March 31, 2026 and December 31, 2025, respectively	153,975	131,633
Capital surplus	1,692,582	1,254,776
Retained earnings	1,103,397	1,087,343
Common stock issued to deferred compensation trust, at cost: 1,080,732 and 1,086,290 shares at March 31, 2026 and December 31, 2025, respectively	(23,095)	(23,293)
Deferred compensation trust	23,095	23,293
Accumulated other comprehensive income (loss)	(58,266)	(51,685)
TOTAL SHAREHOLDERS' EQUITY	2,891,688	2,422,067
Noncontrolling interest	6,828	6,942
TOTAL EQUITY	2,898,516	2,429,009
TOTAL LIABILITIES AND EQUITY	\$ 22,358,708	\$ 19,687,341

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Three Months Ended	
	March 31,	
<i>(Dollars in thousands, except per share data)</i>	2026	2025
INTEREST INCOME:		
Loans, including fees	\$ 209,512	\$ 152,322
Investment securities	27,351	22,839
Interest-bearing deposits in financial institutions and federal funds sold	11,459	11,801
Mortgage loans held for sale	2,077	2,653
Total interest income	250,399	189,615
INTEREST EXPENSE:		
Deposits	72,508	67,133
Advances from the FHLB	2,425	25
Subordinated debt, net	2,750	2,304
Repurchase agreements and other borrowings	(226)	(325)
Total interest expense	77,457	69,137
Net interest income	172,942	120,478
PROVISION FOR CREDIT LOSSES	344	2,420
Net interest income after provision for credit losses	172,598	118,058
NONINTEREST INCOME:		
Residential mortgage banking income, net	11,734	10,361
Insurance commissions and related income, net	26,034	26,424
Property management income, net	12,440	10,553
Service charges on deposit accounts	4,642	3,327
Credit card merchant fees, net	1,919	1,697
Investment commissions, net	3,720	3,075
BOLI	3,019	1,872
Government lending income, net	4,201	—
Gain on sale of equity investments	—	2,000
Other noninterest income	5,670	3,310
Net gain (loss) on investment securities	126	—
Total noninterest income	73,505	62,619
NONINTEREST EXPENSE:		
Salaries and employee benefits	93,179	75,078
Occupancy	12,005	9,333
Furniture and equipment	5,899	4,621
Amortization - intangibles	6,321	3,026
Software	8,398	6,293
Data processing	4,931	3,835
Professional fees	3,253	2,653
Advertising and marketing	5,677	4,472
FDIC and other insurance	2,894	2,860
Acquisition-related expenses	31,685	420
Other noninterest expenses	21,644	17,945
Total noninterest expense	195,886	130,536
Income before income tax expense and noncontrolling interest	50,217	50,141
Provision for income tax expense	9,116	6,132
Net income	41,101	44,009
Net income attributable to noncontrolling interest	(108)	(295)
Net income attributable to TowneBank	\$ 40,993	\$ 43,714
Per common share information		
Basic earnings	\$ 0.45	\$ 0.58
Diluted earnings	\$ 0.45	\$ 0.58

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)

<i>(Dollars in thousands)</i>	Three Months Ended March 31,	
	2026	2025
Net income	\$ 41,101	\$ 44,009
Other comprehensive income (loss)		
Unrealized gains (losses) on securities		
Unrealized holding gains (losses) arising during the period	(8,207)	36,034
Tax effect	1,775	(7,845)
Realized (gains) losses reclassified into earnings	(126)	—
Tax effect	26	—
Net unrealized gains (losses)	<u>(6,532)</u>	<u>28,189</u>
Pension and postretirement benefit plans		
Prior service costs	—	(7)
Tax effect	—	1
Actuarial gain (loss)	262	256
Tax effect	(57)	(56)
Amortization of prior service costs	133	135
Tax effect	(29)	(29)
Amortization of net actuarial (gain) loss	(457)	(400)
Tax effect	99	87
Change in retirement plans, net of tax	<u>(49)</u>	<u>(13)</u>
Other comprehensive income (loss), net of tax	<u>(6,581)</u>	<u>28,176</u>
Comprehensive income	<u>\$ 34,520</u>	<u>\$ 72,185</u>
Comprehensive income attributable to noncontrolling interest	<u>(108)</u>	<u>(295)</u>
Comprehensive income attributable to TowneBank	<u>\$ 34,412</u>	<u>\$ 71,890</u>

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended	
	March 31,	
	2026	2025
<i>(Dollars in thousands)</i>		
OPERATING ACTIVITIES:		
Net income	\$ 41,101	\$ 44,009
Adjustments to reconcile net income to net cash used for operating activities:		
Net (accretion) amortization of securities	(1,029)	174
Investment securities gains	(126)	—
Depreciation, amortization, and other intangible amortization	13,163	8,626
Amortization of debt issuance costs	169	168
Provision for credit losses	344	2,420
BOLI	(3,019)	(1,872)
Deferred income tax expense (benefit)	4,093	(1,882)
Share-based compensation expense	2,865	2,345
Originations of mortgage loans held for sale	(560,835)	(445,336)
Proceeds from sales of mortgage loans held for sale	560,086	490,848
Gain on sales of mortgage loans held for sale	(16,542)	(13,562)
Gain on sale of government guaranteed loans held for sale	(3,760)	—
Net originations from sales of government guaranteed loans held for sale	(1,738)	—
Gain on sale of equity investments	—	(2,000)
Loss on disposal of fixed assets	161	219
Gain on sale and write-down of foreclosed assets	(21)	—
Changes in:		
Interest receivable	(9,296)	(337)
Other assets	68,202	(6,213)
Assets held for sale	(103,396)	—
Interest payable	2,194	(2,586)
Liabilities held for sale	52,460	—
Other liabilities	(4,627)	46,862
Net cash provided by operating activities	40,449	121,883
INVESTING ACTIVITIES:		
Purchase of available-for-sale securities	(124,534)	(122,420)
Purchase of other securities	—	(123)
Sale of available-for-sale securities	66,741	—
Net change in FHLB stock	(633)	(289)
Proceeds from maturities, calls, and prepayments of available-for-sale securities	75,796	41,563
Proceeds from maturities, calls, and prepayments of held-to-maturity securities	30,048	10,309
Proceeds from maturities, calls, and prepayments of other securities	860	—
Net change in loans	77,483	(195,697)
Net change in investment in LIHTC	(8,220)	(11,552)
Purchase of premises and equipment	(13,588)	(11,243)
Proceeds from sales of premises and equipment	194	1,204
Proceeds from sales of foreclosed assets	1,246	1,037
Proceeds from sale of equity investment	—	2,000
Proceeds from BOLI	—	2,011
Acquisition of business, net of cash acquired	61,410	—
Net cash provided by (used for) investing activities	166,803	(283,200)
FINANCING ACTIVITIES:		
Net change in deposit accounts	39,642	171,250
Net change in short-term borrowings	(13,829)	(12,808)
Repayment of long-term borrowings	(195)	(189)
Distribution of noncontrolling interest	(222)	(270)
Cash dividends paid	(21,330)	(18,811)
Net cash provided by financing activities	4,066	139,172
Change in cash and cash equivalents	211,318	(22,145)
Cash and cash equivalents at beginning of year	1,350,649	1,339,475
Cash and cash equivalents at end of period	\$ 1,561,967	\$ 1,317,330
Supplemental cash flow information:		
Cash paid for interest	\$ 75,262	\$ 71,723
Cash paid (refunded) for federal income taxes	\$ 1,000	\$ (990)
Cash (refunded) paid for state income taxes - total	\$ 966	\$ (43)
Noncash financing and investing activities:		
Transfer from loans to foreclosed property	\$ 1,230	\$ 1,380
Net unrealized gains (losses) on available-for-sale securities, net of tax	\$ (6,532)	\$ 28,189
Common stock issued in connection with business acquisitions	13,182,144	\$ —

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, 2026	78,964,038	\$ 131,633	\$ 1,254,776	\$ 1,087,343	\$ 23,293	\$ (23,293)	\$ (51,685)	\$ 6,942	\$ 2,429,009
Net income	—	—	—	40,993	—	—	—	108	41,101
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	(6,581)	—	(6,581)
Cash dividends declared on common stock (\$0.27 per share)	—	—	—	(24,939)	—	—	—	—	(24,939)
Directors' deferred compensation	—	—	—	—	(198)	198	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(222)	(222)
Issuance of common stock - acquisitions	13,182,144	21,975	435,973	—	—	—	—	—	457,948
Issuance of common stock - stock compensation plans	220,229	367	1,833	—	—	—	—	—	2,200
Balance, March 31, 2026	92,366,411	\$ 153,975	\$ 1,692,582	\$ 1,103,397	\$ 23,095	\$ (23,095)	\$ (58,266)	\$ 6,828	\$ 2,898,516

<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, 2025	75,255,205	\$ 125,455	\$ 1,122,147	\$ 1,000,072	\$ 21,868	\$ (21,868)	\$ (116,045)	\$ 15,429	\$ 2,147,058
Net income	—	—	—	43,714	—	—	—	295	44,009
Other comprehensive income (loss), net of taxes	—	—	—	—	—	—	28,176	—	28,176
Cash dividends declared on common stock (\$0.25 per share)	—	—	—	(18,849)	—	—	—	—	(18,849)
Directors' deferred compensation	—	—	—	—	101	(101)	—	—	—
Distribution of interests in joint ventures	—	—	—	—	—	—	—	(270)	(270)
Issuance of common stock - stock compensation plans	137,020	224	1,183	—	—	—	—	—	1,407
Balance, March 31, 2025	75,392,225	\$ 125,679	\$ 1,123,330	\$ 1,024,937	\$ 21,969	\$ (21,969)	\$ (87,869)	\$ 15,454	\$ 2,201,531

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of TowneBank have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all of the disclosures and notes necessary for a complete presentation of financial position, results of operations, and cash flow activity required in accordance with GAAP. In the opinion of management, the financial statements reflect all adjustments of a normal, recurring nature that are necessary for a fair presentation for the periods presented as required by Regulation S-X, Rule 10-01, of the SEC. These statements should be read in conjunction with the Company's 2025 audited Consolidated Financial Statements and the 2025 Annual Report on Form 10-K. Results of operations for the three-month period ended March 31, 2026, are not necessarily indicative of the results of operations for the full year or any other interim periods.

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

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

Recent accounting pronouncements:

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

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	
	March 31,	
<i>(Dollars in thousands, except per share data)</i>	2026	2025
Basic		
Net income available to common shareholders	\$ 40,993	\$ 43,714
Weighted-average common shares outstanding	90,433,283	75,149,668
Basic earnings per common share	<u>\$ 0.45</u>	<u>\$ 0.58</u>
Diluted		
Net income available to common shareholders	\$ 40,993	\$ 43,714
Annualized interest impact of Series IV Notes, net of tax	42	42
Net income for diluted earnings per share	<u>\$ 41,035</u>	<u>\$ 43,756</u>
Weighted-average common shares outstanding	90,433,283	75,149,668
Effect of dilutive securities:		
Impact of Series IV Notes	96,872	98,244
Stock compensation plans (1)	244,962	279,801
Weighted-average diluted shares outstanding	<u>90,775,117</u>	<u>75,527,713</u>
Diluted earnings per common share	<u>\$ 0.45</u>	<u>\$ 0.58</u>

(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 months ended March 31, 2026 or 2025.

Note 3. Mergers and Acquisitions

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

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

The merger has been accounted for under the acquisition method of accounting. Under this guidance, an entity is required to recognize the assets acquired, liabilities assumed, and consideration given at their fair value on the acquisition date. The assets and liabilities, both tangible and intangible, were recorded at the estimated fair values as of the January 12, 2026, merger date. Such fair values are preliminary estimates and are subject to adjustment for up to one year after the merger date, or when additional information relative to the closing date fair values becomes available and such information is considered final, whichever is earlier. The primary areas of the preliminary allocation of the fair value of consideration transferred that are not yet finalized relate to the fair values of loans, deferred tax assets, certain intangible assets acquired, and the residual goodwill. The fair value of consideration exchanged exceeded the recognized amount of the identifiable net assets and resulted in goodwill of \$227.47 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

TOWNE BANK

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 Dogwood as of January 12, 2026 (dollars in thousands):

Fair value of assets acquired:	
Cash and cash equivalents	\$ 61,423
Securities available for sale	177,962
Other securities	13,014
Loans held for investment	1,951,553
Bank premises and equipment	26,943
Core deposit intangible	30,490
BOLI	45,438
Servicing assets	4,606
Other assets	37,049
Total assets	\$ 2,348,478
Fair value of liabilities assumed:	
Deposits	\$ 1,931,513
FHLB advances	155,000
Other liabilities	31,475
Total liabilities	\$ 2,117,988
Net identifiable assets acquired	\$ 230,490
Goodwill	227,470
Purchase price	\$ 457,960
Purchase price:	
Number of Company common shares issued	13,182,144
Purchase price per share of Company's common stock	\$ 34.74
Value of common stock issued	\$ 457,948
Cash paid	\$ 12
Total purchase price	\$ 457,960

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	\$ 97,514
Allowance for credit losses at acquisition date	17,960
Discount attributable to other factors	4,667
Par value of financial assets with credit deterioration	\$ 120,141

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

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

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

The merger has been accounted for under the acquisition method of accounting. Under this guidance, an entity is required to recognize the assets acquired, liabilities assumed, and consideration given at their fair value on the acquisition date. Assets and liabilities, both tangible and intangible, were recorded at estimated fair values as of the September 1, 2025, merger date. 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. 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 residual goodwill. The fair value of consideration exchanged exceeded the recognized amount of identifiable net assets and resulted in goodwill of \$94.03 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

Fair value of assets acquired:	
Cash and cash equivalents	\$ 117,241
Securities available for sale	208,834
Other securities	3,043
Loans held for investment	958,719
Bank premises and equipment	23,928
Core deposit intangible	31,390
BOLI	36,935

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Other assets		21,675
Total assets	\$	<u>1,401,765</u>
Fair value of liabilities assumed:		
Deposits	\$	1,210,923
Repurchase agreements		1,484
FHLB advances		40,000
Subordinated debt net		25,274
Other liabilities		6,752
Total liabilities	\$	<u>1,284,433</u>
Net identifiable assets acquired	\$	117,332
Goodwill		94,025
Purchase price	\$	<u>211,357</u>
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	\$	<u>211,357</u>

During the quarter ended March 31, 2026, immaterial adjustments were made to the initial fair value estimates of bank premises and equipment and other assets which resulted in an overall \$0.50 million decrease in net identifiable assets acquired. Loans acquired in the Old Point merger were divided into loans with evidence of credit quality deterioration, or PCD, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of September 1, 2025, the estimated fair value of Old Point purchased performing loans acquired was \$879.31 million, the related gross contractual amount was \$1.04 billion, and estimated contractual cash flows not expected to be collected were \$7.08 million.

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

Purchase price of financial assets with credit deterioration	\$	79,408
Allowance for credit losses at acquisition date		2,048
Discount attributable to other factors		4,997
Par value of financial assets with credit deterioration	\$	<u>86,453</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.

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

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

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

Fair value of assets acquired:	
Cash and cash equivalents	\$ 32,313
Securities available for sale	74,310
Other securities	1,245
Mortgage loans held for sale	3,615
Loans held for investment	576,239
Bank premises and equipment	12,896
Core deposit intangible	21,020
BOLI	13,098
Other assets	11,191
Total assets	<u>\$ 745,927</u>
Fair value of liabilities assumed:	
Deposits	\$ 637,494
FHLB advances	10,000
Subordinated debt net	14,419
Other liabilities	6,567
Total liabilities	<u>\$ 668,480</u>
Net identifiable assets acquired	\$ 77,447
Goodwill	42,992
Purchase price	<u>\$ 120,439</u>

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Purchase price:

Cash Paid	\$	120,439
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During the quarter ended March 31, 2026, immaterial adjustments were made to the initial fair value estimates of cash and other liabilities, which resulted in an overall \$0.01 million decrease in net identifiable assets acquired. Loans acquired in the Village merger were divided into loans with evidence of credit quality deterioration, or PCD, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of April 1, 2025, the estimated fair value of the Village purchased performing loans acquired was \$519.32 million, the related gross contractual amount was \$602.61 million, and estimated contractual cash flows not expected to be collected were \$3.56 million.

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

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

Results of operations for Dogwood prior to the acquisition date are not included in the Consolidated Statements of Income and did not have a material impact for the three months ended March 31, 2026.

The following table presents, for illustrative purposes only, certain pro forma information as if the Company had acquired Village, Old Point, and Dogwood on January 1, 2025. These results combine the historical results of Village, Old Point, and Dogwood in the Company's Consolidated Statements of Income, and while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on January 1, 2025. No adjustments have been made to the pro forma results regarding possible revenue enhancements, provision for credit losses, or expense efficiencies. Pro forma adjustments below include the net impact of Village, Old Point, and Dogwood's accretion and merger-related costs, as disclosed below. The Company expects to achieve further operating cost savings and other business synergies, as a result of the acquisitions, which are not reflected in the pro forma amounts below (dollars in thousands):

	Pro Forma for the	
	Three Months Ended	
	March 31,	
	<u>2026</u>	<u>2025</u>
Revenues (net interest income plus noninterest income)	\$ 247,414	\$ 237,020
Net income	\$ 63,931	\$ 24,961
Total acquisition-related expenses (net of tax)	\$ (23,735)	\$ 27,829
Accretion adjustments	\$ (1,142)	\$ (214)

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Note 4. Investment Securities

Available-for-sale debt securities

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

March 31, 2026	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. agency securities	\$ 406,853	\$ 1,579	\$ (22,275)	\$ —	\$ 386,157
U.S. Treasury notes	82,308	1,373	(285)	—	83,396
Municipal securities	556,894	1,214	(22,456)	(421)	535,231
Trust preferred and other corporate securities	165,169	1,393	(5,109)	(934)	160,519
MBSs issued by GSEs and GNMA	1,733,957	4,335	(41,168)	—	1,697,124
Total available-for-sale securities	<u>\$ 2,945,181</u>	<u>\$ 9,894</u>	<u>\$ (91,293)</u>	<u>\$ (1,355)</u>	<u>\$ 2,862,427</u>

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

(1) Amortized cost amounts exclude accrued interest receivable, which was \$14.48 million as of March 31, 2026, and \$12.81 million as of December 31, 2025, 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 March 31,	
	2026	2025
Gross gains	\$ 236	\$ —
Gross (losses)	(110)	—
Net gains (losses)	<u>\$ 126</u>	<u>\$ —</u>
Sales proceeds*	\$ 66,962	\$ —

*Proceeds include interest on investment securities sold of \$221 thousand in first quarter 2026 and zero in first quarter 2025.

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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):

	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
March 31, 2026					
U.S. agency securities	\$ 18,339	\$ —	\$ (498)	\$ 17,841	\$ —
U.S. Treasury notes	95,551	—	(1,759)	93,792	—
Municipal securities	5,490	116	—	5,606	(2)
Trust preferred and other corporate securities	2,054	80	—	2,134	(31)
MBSs issued by GSEs	5,093	—	(57)	5,036	—
Total held-to-maturity securities	<u>\$ 126,527</u>	<u>\$ 196</u>	<u>\$ (2,314)</u>	<u>\$ 124,409</u>	<u>\$ (33)</u>
December 31, 2025					
U.S. agency securities	\$ 48,252	\$ —	\$ (559)	\$ 47,693	\$ —
U.S. Treasury notes	95,783	—	(2,050)	93,733	—
Municipal securities	5,464	165	—	5,629	(4)
Trust preferred and other corporate securities	2,068	88	—	2,156	(61)
MBSs issued by GSEs	5,130	—	(72)	5,058	—
Total held-to-maturity securities	<u>\$ 156,697</u>	<u>\$ 253</u>	<u>\$ (2,681)</u>	<u>\$ 154,269</u>	<u>\$ (65)</u>

(1) Amortized cost amounts exclude accrued interest receivable, which was \$0.74 million as of March 31, 2026, and \$0.78 million as of December 31, 2025, 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 MBSs) as of the dates indicated in the following table (dollars in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
March 31, 2026				
Due in one year or less	\$ 190,437	\$ 188,307	\$ 100,644	\$ 98,829
Due after one year through five years	775,705	748,836	22,329	21,982
Due after five years through ten years	511,869	494,847	2,000	2,044
Due after ten years	1,467,170	1,430,437	1,554	1,554
	<u>\$ 2,945,181</u>	<u>\$ 2,862,427</u>	<u>\$ 126,527</u>	<u>\$ 124,409</u>

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

March 31, 2026		Less than 12 months		12 months or more		Total	
Description of Securities	Number	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agency securities	68	\$ 51,434	\$ (310)	\$ 212,302	\$ (21,965)	\$ 263,736	\$ (22,275)
U.S. Treasury notes	7	4,166	(25)	28,877	(260)	33,043	(285)
Municipal securities	47	19,934	(389)	129,762	(9,024)	149,696	(9,413)
Trust preferred and other corporate securities	5	8,707	(34)	—	—	8,707	(34)
MBSs issued by GSEs and GNMA	346	394,965	(3,176)	886,335	(37,992)	1,281,300	(41,168)
Total AFS securities	<u>473</u>	<u>\$ 479,206</u>	<u>\$ (3,934)</u>	<u>\$ 1,257,276</u>	<u>\$ (69,241)</u>	<u>\$ 1,736,482</u>	<u>\$ (73,175)</u>

December 31, 2025		Less than 12 months		12 months or more		Total	
Description of Securities	Number	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. agency securities	61	\$ 24,410	\$ (178)	\$ 228,559	\$ (22,402)	\$ 252,969	\$ (22,580)
U.S. Treasury notes	1	—	—	28,773	(185)	28,773	(185)
Municipal securities	42	2,272	(1)	140,200	(8,741)	142,472	(8,742)
Trust preferred and other corporate securities	1	1,515	(8)	—	—	1,515	(8)
MBSs issued by GSEs and GNMA	244	153,664	(775)	948,747	(38,417)	1,102,411	(39,192)
Total AFS securities	<u>349</u>	<u>\$ 181,861</u>	<u>\$ (962)</u>	<u>\$ 1,346,279</u>	<u>\$ (69,745)</u>	<u>\$ 1,528,140</u>	<u>\$ (70,707)</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 March 31, 2026	Trust Preferred and Other Corporate Securities		Total
	Municipal Securities		
Balance, beginning of period	\$ 218	\$ 989	\$ 1,207
Provision for credit losses	203	(55)	148
Balance, end of period	<u>\$ 421</u>	<u>\$ 934</u>	<u>\$ 1,355</u>

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Three Months Ended March 31, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 373	\$ 953	\$ 1,326
Provision for credit losses	(35)	(29)	(64)
Balance, end of period	<u>\$ 338</u>	<u>\$ 924</u>	<u>\$ 1,262</u>

We monitor the credit quality of HTM debt securities through the use of credit ratings. These ratings are updated on a monthly basis, and were last updated March 31, 2026. The following table reflects the credit ratings aggregated by investment category for HTM debt securities as of the dates indicated (dollars in thousands):

Description of Securities	Credit Ratings					Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	
U.S. agency securities	\$ 18,339	\$ —	\$ —	\$ —	\$ —	\$ 18,339
U.S. Treasury notes	74,903	20,648	—	—	—	95,551
Municipal securities	2,000	3,490	—	—	—	5,490
Trust preferred and other corporate securities	—	—	500	1,554	—	2,054
MBSs issued by GSEs	5,093	—	—	—	—	5,093
Total	<u>\$ 100,335</u>	<u>\$ 24,138</u>	<u>\$ 500</u>	<u>\$ 1,554</u>	<u>\$ —</u>	<u>\$ 126,527</u>

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

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

Description of Securities	2026	2025	2024	2023	2022	Prior	Total
U.S. agency securities	\$ —	\$ —	\$ —	\$ —	\$ 18,339	\$ —	\$ 18,339
U.S. Treasury notes	—	—	—	—	74,903	20,648	95,551
Municipal securities	—	—	—	—	—	5,490	5,490
Trust preferred and other corporate securities	—	—	—	—	—	2,054	2,054
MBSs issued by GSEs	—	—	—	—	—	5,093	5,093
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 93,242</u>	<u>\$ 33,285</u>	<u>\$ 126,527</u>

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December 31, 2025

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

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

Three Months Ended March 31, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 4	\$ 61	\$ 65
Provision for credit losses	(2)	(30)	(32)
Balance, end of period	\$ 2	\$ 31	\$ 33

Three Months Ended March 31, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	\$ 6	\$ 71	\$ 77
Provision for credit losses	(2)	(7)	(9)
Balance, end of period	\$ 4	\$ 64	\$ 68

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):

	March 31, 2026	December 31, 2025
FHLB stock	\$ 24,985	\$ 16,341
Other equity securities	\$ 15,463	\$ 12,219

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

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Pledged securities

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

	March 31, 2026	December 31, 2025
To secure federal, state, and municipal deposits	\$ 768,431	\$ 739,843
To secure borrowings from the FHLB	\$ 2,603	\$ 2,822
To secure repurchase agreements with commercial customers	\$ 47,024	\$ 58,987

Note 5. Loans Held for Investment

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

Total loans increased \$1.93 billion, compared to December 31, 2025. The following table presents loan balances by major classification as of the dates indicated (in thousands):

	March 31, 2026	December 31, 2025
Community Banking:		
Commercial Real Estate		
Construction and land development	\$ 1,450,284	\$ 1,266,242
Owner occupied	2,359,542	1,932,015
Non-owner occupied	4,284,890	3,777,350
Multi-family	894,653	858,212
Total Commercial Real Estate	8,989,369	7,833,819
Residential 1-4 family	2,334,199	2,181,949
HELOC	674,293	583,725
C&I	1,619,980	1,455,455
Government	499,769	507,586
Indirect	693,811	672,401
Consumer loans and other	219,057	100,869
Community Banking Loans, net of unearned income and deferred costs	\$ 15,030,478	\$ 13,335,804
Government Guaranteed Lending:		
Commercial Real Estate		
Construction and land development	28,840	—
Owner occupied	88,072	—
Total Commercial Real Estate	116,912	—
C&I	\$ 113,770	\$ —
Government Guaranteed Lending, net of unearned income and deferred costs	\$ 230,682	\$ —
Total Loans Held for Investment, net of unearned income and deferred costs	\$ 15,261,160	\$ 13,335,804

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

	March 31, 2026	December 31, 2025
Deferred loan costs in excess of unearned income	\$ 1,664	\$ 1,727
Unaccreted discount on PCD loans	(13,086)	(9,521)
Unaccreted discount on non-PCD loans	(35,587)	(34,246)
Nonaccrual loans (1)	32,751	11,726
Loans pledged as collateral to secure overnight borrowings with the FHLB	3,764,437	2,977,435

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

	March 31, 2026	March 31, 2025
Three months ended	\$ 637	\$ 134

Modifications to Debtors Experiencing Financial Difficulty

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

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

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Loan Modifications Made to Borrowers Experiencing Financial Difficulty		
For Quarter Ended March 31, 2026		
Loan Classification	Convert to Interest Only	
	Amortized Cost Basis at March 31, 2026	% of Total Class of Financing Receivable
C&I	\$ 70	— %
Subtotal	\$ 70	— %
Term Extension		
Loan Classification	Amortized Cost Basis at March 31, 2026	% of Total Class of Financing Receivable
Commercial Real Estate		
Construction and land development	\$ 4,700	0.32 %
Owner occupied	1,561	0.06 %
Non-owner occupied	381	0.01 %
Total Commercial Real Estate	6,642	0.07 %
Residential 1-4 family	372	0.02 %
HELOC	1,719	0.25 %
C&I	1,830	0.11 %
Consumer loans and other	22	0.01 %
Subtotal	\$ 10,585	0.07 %
Combination - Term Extension and Interest Rate Reduction		
Loan Classification	Amortized Cost Basis at March 31, 2026	% of Total Class of Financing Receivable
Commercial Real Estate		
Owner occupied	\$ 113	— %
Total (1)	\$ 10,768	0.07 %

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

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Loan Classification	Term Extension	
	Amortized Cost Basis at March 31, 2025	% of Total Class of Financing Receivable
Commercial Real Estate		
Owner occupied	\$ 12,009	0.73 %
Non-owner occupied	5,865	0.18 %
Total Commercial Real Estate	17,874	0.26 %
Residential 1-4 family	212	0.01 %
HELOC	500	0.12 %
C&I	5,666	0.42 %
Total (1)	\$ 24,252	0.21 %

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

The following table describes the financial effect of modifications made to borrowers experiencing financial difficulty for the periods ended March 31, 2026 and 2025:

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

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

Loan Classification	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted				
	Interest Rate Reduction	Term Extension	Principal Forgiveness	Combined Term Extension and Principal Forgiveness	Combined Term Extension and Interest Rate Reduction
Defaults during the quarter ended March 31, 2026					
Residential 1-4 family	\$ —	\$ 344	\$ —	\$ —	\$ —
	<u>\$ —</u>	<u>\$ 344</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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	\$ —	\$ 7,462	\$ —	\$ —	\$ —
	<u>\$ —</u>	<u>\$ 7,462</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

March 31, 2026	Payment Status (Amortized Cost Basis)		
	Current	30 - 89 Days Past Due	90+ Days Past Due
Loan Classification			
Commercial Real Estate			
Construction and land development	\$ 4,700	\$ —	\$ —
Owner occupied	3,329	—	—
Non-owner occupied	13,977	—	2,670
Total Commercial Real Estate	22,006	—	2,670
Residential 1-4 family	565	310	34
HELOC	1,892	—	—
C&I	2,809	—	10
Indirect	36	—	—
Consumer loans and other	1,404	—	—
	<u>\$ 28,712</u>	<u>\$ 310</u>	<u>\$ 2,714</u>

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March 31, 2025	Payment Status (Amortized Cost Basis)		
	Current	30 - 89 Days Past Due	90+ Days Past Due
Loan Classification			
Commercial Real Estate			
Construction and land development	\$ 771	\$ —	\$ —
Owner occupied	9,646	7,462	—
Non-owner occupied	20,663	—	1,408
Total Commercial Real Estate	31,080	7,462	1,408
Residential 1-4 family	1,260	—	—
HELOC	598	—	—
C&I	8,871	117	636
Consumer loans and other	1,462	—	—
	\$ 43,271	\$ 7,579	\$ 2,044

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

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

Loan Classification	March 31, 2026		March 31, 2025	
	Number	Available Commitment	Number	Available Commitment
Commercial Real Estate				
Construction and land development	1	\$ 1,123	—	\$ —
Owner occupied	1	112	5	852
Non-owner occupied	0	—	2	3,183
Total Commercial Real Estate	2	1,235	7	4,035
Residential 1-4 family	0	—	1	13
C&I	3	71	5	519
	5	\$ 1,306	13	\$ 4,567

Note 6. Allowance for Credit Losses

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

	March 31, 2026	December 31, 2025
Accrued interest receivable on loans excluded from the estimate of ECL	\$ 49,845	\$ 42,858
Individually assessed loans	73,680	54,767
Specific reserves on individually assessed loans	14,361	1,651
	Three Months Ended March 31,	
	2026	2025
Provision for Credit Losses		
Loans and unfunded loan commitments	\$ 227	\$ 2,493

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

Three Months Ended March 31, 2026						
	Balance, Beginning of Period	Initial Allowance Dogwood	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate						
Construction and land development	\$ 20,204	\$ 2,844	\$ (3,274)	\$ —	\$ 1	\$ 19,775
Owner occupied	11,378	2,689	(449)	—	—	13,618
Non-owner occupied	27,592	6,840	(53)	—	75	34,454
Multi-family	5,830	388	398	—	—	6,616
Residential 1-4 family	31,797	3,219	33	(19)	124	35,154
HELOC	20,803	2,276	(820)	(3)	114	22,370
C&I	11,852	10,312	236	—	136	22,536
Government	3,975	—	679	—	—	4,654
Indirect	11,462	—	343	(514)	100	11,391
Consumer loans and other	2,450	2,692	(173)	(156)	12	4,825
Government guaranteed loans	—	22,947	2,487	(1,602)	42	23,874
Total	<u>\$ 147,343</u>	<u>\$ 54,207</u>	<u>\$ (593)</u>	<u>\$ (2,294)</u>	<u>\$ 604</u>	<u>\$ 199,267</u>

Three Months Ended March 31, 2025					
	Balance, Beginning of Period	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate					
Construction and land development	\$ 18,158	\$ (1,027)	\$ (53)	\$ 119	\$ 17,197
Owner occupied	14,550	(247)	—	—	14,303
Non-owner occupied	21,175	262	—	8	21,445
Multi-family	3,819	35	—	—	3,854
Residential 1-4 family	30,908	(485)	—	13	30,436
HELOC	17,371	779	—	32	18,182
C&I	9,594	1,744	(123)	5	11,220
Government	2,603	(145)	—	—	2,458
Indirect	3,781	1,889	(589)	105	5,186
Consumer loans and other	1,964	29	(443)	300	1,850
Total	<u>\$ 123,923</u>	<u>\$ 2,834</u>	<u>\$ (1,208)</u>	<u>\$ 582</u>	<u>\$ 126,131</u>

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

	Three Months Ended March 31, 2026			
	Balance, Beginning of Period	Initial Provision - Dogwood	Provision (Benefit)	Balance, End of Period
Commercial Real Estate				
Construction and land development	\$ 1,215	\$ 154	\$ 31	\$ 1,400
Owner occupied	173	64	(63)	174
Non-owner occupied	231	80	(81)	230
Multi-family	43	24	(23)	44
Residential 1-4 family	—	—	—	—
HELOC	3,611	282	(110)	3,783
C&I	3,523	493	(107)	3,909
Government	—	—	—	—
Indirect	—	—	—	—
Consumer loans and other	1,581	13	28	1,622
Government guaranteed loans	—	54	(18)	36
Total	<u>\$ 10,377</u>	<u>\$ 1,164</u>	<u>\$ (343)</u>	<u>\$ 11,198</u>

	Three Months Ended March 31, 2025		
	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period
Commercial Real Estate			
Construction and land development	\$ 1,496	\$ (518)	\$ 978
Owner occupied	239	125	364
Non-owner occupied	215	89	304
Multi-family	36	(6)	30
Residential 1-4 family	—	—	—
HELOC	3,053	141	3,194
C&I	2,335	(211)	2,124
Government	—	—	—
Indirect	—	—	—
Consumer loans and other	1,463	39	1,502
Total	<u>\$ 8,837</u>	<u>\$ (341)</u>	<u>\$ 8,496</u>

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

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

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used for estimating credit losses, the Company implemented recalibrated models during the quarter ended September 30, 2025. In addition to utilizing more intuitive macroeconomic variables and providing improved sensitivity to economic conditions, the recalibrated models allow greater segmentation of loan portfolios, including non-owner occupied, owner occupied, multi-family, and indirect portfolios. While the overall credit allowance was not significantly impacted, the improved segmentation granularity resulted in allowance movement between certain loan portfolios.

Credit quality indicators

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

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

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

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

March 31, 2026

Community Banking									
Term Loans By Origination									
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Construction and Land Development									
Pass	\$ 195,422	\$ 673,485	\$ 285,543	\$ 102,763	\$ 53,133	\$ 46,360	\$ 74,131	\$ 1,282	\$ 1,432,119
Special Mention	3,929	—	—	836	—	—	—	—	4,765
Substandard	771	115	350	12,044	120	—	—	—	13,400
	<u>\$ 200,122</u>	<u>\$ 673,600</u>	<u>\$ 285,893</u>	<u>\$ 115,643</u>	<u>\$ 53,253</u>	<u>\$ 46,360</u>	<u>\$ 74,131</u>	<u>\$ 1,282</u>	<u>\$ 1,450,284</u>
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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Term Loans By Origination										
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total	
CRE - Owner Occupied										
Pass	\$ 129,271	\$ 481,042	\$ 270,055	\$ 259,650	\$ 370,072	\$ 745,141	\$ 30,534	\$ 1,310	\$ 2,287,075	
Special Mention	2,289	9,542	3,216	2,796	4,681	17,078	2,144	—	41,746	
Substandard	173	2,045	7,771	5,011	8,368	5,966	1,387	—	30,721	
	<u>\$ 131,733</u>	<u>\$ 492,629</u>	<u>\$ 281,042</u>	<u>\$ 267,457</u>	<u>\$ 383,121</u>	<u>\$ 768,185</u>	<u>\$ 34,065</u>	<u>\$ 1,310</u>	<u>\$ 2,359,542</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
CRE - Non-Owner Occupied										
Pass	\$ 240,044	\$ 877,532	\$ 595,056	\$ 471,534	\$ 779,916	\$ 1,220,881	\$ 30,639	\$ —	\$ 4,215,602	
Special Mention	4,249	11,486	2,055	3,541	19,682	9,006	—	—	50,019	
Substandard	—	2,670	—	3,064	4,784	8,751	—	—	19,269	
	<u>\$ 244,293</u>	<u>\$ 891,688</u>	<u>\$ 597,111</u>	<u>\$ 478,139</u>	<u>\$ 804,382</u>	<u>\$ 1,238,638</u>	<u>\$ 30,639</u>	<u>\$ —</u>	<u>\$ 4,284,890</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
CRE - Multi-Family										
Pass	\$ 47,452	\$ 198,652	\$ 108,578	\$ 158,552	\$ 201,420	\$ 163,073	\$ 14,692	\$ —	\$ 892,419	
Special Mention	—	—	—	—	2,086	—	—	—	2,086	
Substandard	—	—	—	—	—	148	—	—	148	
	<u>\$ 47,452</u>	<u>\$ 198,652</u>	<u>\$ 108,578</u>	<u>\$ 158,552</u>	<u>\$ 203,506</u>	<u>\$ 163,221</u>	<u>\$ 14,692</u>	<u>\$ —</u>	<u>\$ 894,653</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
C&I										
Pass	\$ 72,643	\$ 317,796	\$ 185,449	\$ 98,652	\$ 114,308	\$ 121,532	\$ 672,775	\$ 2,602	\$ 1,585,757	
Special Mention	1,906	5,299	572	2,732	6,727	1,237	2,978	2,620	24,071	
Substandard	1,150	562	990	3,726	727	907	2,090	—	10,152	
	<u>\$ 75,699</u>	<u>\$ 323,657</u>	<u>\$ 187,011</u>	<u>\$ 105,110</u>	<u>\$ 121,762</u>	<u>\$ 123,676</u>	<u>\$ 677,843</u>	<u>\$ 5,222</u>	<u>\$ 1,619,980</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Government										
Pass	\$ 29,905	\$ 25,949	\$ 9,827	\$ 37,392	\$ 70,436	\$ 305,638	\$ 20,622	\$ —	\$ 499,769	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	
	<u>\$ 29,905</u>	<u>\$ 25,949</u>	<u>\$ 9,827</u>	<u>\$ 37,392</u>	<u>\$ 70,436</u>	<u>\$ 305,638</u>	<u>\$ 20,622</u>	<u>\$ —</u>	<u>\$ 499,769</u>	
Gross Write- Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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Term Loans By Origination										
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total	
Residential 1 - 4 Family										
Credit Score:										
> = 750	\$ 72,983	\$ 271,310	\$ 167,616	\$ 240,479	\$ 521,094	\$ 703,074	\$ —	\$ —	\$ —	\$ 1,976,556
650-749	11,812	33,599	28,097	42,570	89,677	133,759	266	—	—	339,780
450-649	—	2,300	1,929	1,376	5,289	6,969	—	—	—	17,863
300-449	—	—	—	—	—	—	—	—	—	—
	<u>\$ 84,795</u>	<u>\$ 307,209</u>	<u>\$ 197,642</u>	<u>\$ 284,425</u>	<u>\$ 616,060</u>	<u>\$ 843,802</u>	<u>\$ 266</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,334,199</u>
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19	\$ —	\$ —	\$ —	\$ 19
HELOC										
Credit Score:										
> = 750	\$ 1,275	\$ 23,763	\$ 12,579	\$ 8,309	\$ 7,956	\$ 20,151	\$ 477,049	\$ 813	\$ —	\$ 551,895
650-749	960	—	365	717	667	2,092	110,748	754	—	116,303
450-649	128	173	—	125	262	779	4,397	74	—	5,938
300-449	—	—	—	—	—	23	134	—	—	157
	<u>\$ 2,363</u>	<u>\$ 23,936</u>	<u>\$ 12,944</u>	<u>\$ 9,151</u>	<u>\$ 8,885</u>	<u>\$ 23,045</u>	<u>\$ 592,328</u>	<u>\$ 1,641</u>	<u>\$ —</u>	<u>\$ 674,293</u>
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 3
Indirect										
Credit Score:										
> = 750	\$ 64,214	\$ 196,280	\$ 101,266	\$ 53,521	\$ 54,221	\$ 14,734	\$ —	\$ —	\$ —	\$ 484,236
650-749	10,829	53,959	42,368	34,000	43,976	17,272	—	—	—	202,404
450-649	9	893	1,365	868	2,282	1,750	—	—	—	7,167
300-449	—	—	—	—	—	4	—	—	—	4
	<u>\$ 75,052</u>	<u>\$ 251,132</u>	<u>\$ 144,999</u>	<u>\$ 88,389</u>	<u>\$ 100,479</u>	<u>\$ 33,760</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 693,811</u>
Gross Write-Offs	\$ —	\$ 31	\$ 155	\$ 104	\$ 173	\$ 51	\$ —	\$ —	\$ —	\$ 514
Consumer Loans and Other										
Credit Score:										
> = 750	\$ 10,230	\$ 13,615	\$ 14,494	\$ 28,250	\$ 26,791	\$ 61,733	\$ 50,579	\$ 4	\$ —	\$ 205,696
650-749	259	2,759	1,227	1,372	859	1,486	4,526	—	—	12,488
450-649	59	209	143	58	56	174	172	2	—	873
300-649	—	—	—	—	—	—	—	—	—	—
	<u>\$ 10,548</u>	<u>\$ 16,583</u>	<u>\$ 15,864</u>	<u>\$ 29,680</u>	<u>\$ 27,706</u>	<u>\$ 63,393</u>	<u>\$ 55,277</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 219,057</u>
Gross Write-Offs	\$ —	\$ 7	\$ 65	\$ 8	\$ 33	\$ 43	\$ —	\$ —	\$ —	\$ 156
Total Community Banking										
Total	<u>\$ 901,962</u>	<u>\$ 3,205,035</u>	<u>\$ 1,840,911</u>	<u>\$ 1,573,938</u>	<u>\$ 2,389,590</u>	<u>\$ 3,609,718</u>	<u>\$ 1,499,863</u>	<u>\$ 9,461</u>	<u>\$ —</u>	<u>\$ 15,030,478</u>
Gross Write-offs	\$ —	\$ 38	\$ 220	\$ 112	\$ 206	\$ 113	\$ —	\$ 3	\$ —	\$ 692

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Government Guaranteed Banking

Term Loans By Origination									
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 24,041	\$ 40,487	\$ 60,886	\$ 21,743	\$ 22,543	\$ 46,481	\$ —	\$ —	\$ 216,181
Special Mention	—	213	1,145	1,686	812	1,439	—	—	5,295
Substandard	—	8	1,575	986	3,710	2,927	—	—	9,206
Doubtful	—	—	—	—	—	—	—	—	—
	<u>\$ 24,041</u>	<u>\$ 40,708</u>	<u>\$ 63,606</u>	<u>\$ 24,415</u>	<u>\$ 27,065</u>	<u>\$ 50,847</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 230,682</u>
Gross Write-Offs	\$ —	\$ 167	\$ 197	\$ 517	\$ 609	\$ 112	\$ —	\$ —	\$ 1,602
Total Loan Portfolio									
Grand Total	<u>\$ 926,003</u>	<u>\$ 3,245,743</u>	<u>\$ 1,904,517</u>	<u>\$ 1,598,353</u>	<u>\$ 2,416,655</u>	<u>\$ 3,660,565</u>	<u>\$ 1,499,863</u>	<u>\$ 9,461</u>	<u>\$ 15,261,160</u>
Total Gross Write-Offs	\$ —	\$ 205	\$ 417	\$ 629	\$ 815	\$ 225	\$ —	\$ 3	\$ 2,294

December 31, 2025

Community Banking

Term Loans By Origination									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Construction and Land Development									
Pass	\$ 721,764	\$ 313,250	\$ 67,548	\$ 38,551	\$ 21,868	\$ 17,992	\$ 71,508	\$ 1,950	\$ 1,254,431
Special Mention	—	3,929	633	—	—	—	—	—	4,562
Substandard	771	5,590	733	31	124	—	—	—	7,249
	<u>\$ 722,535</u>	<u>\$ 322,769</u>	<u>\$ 68,914</u>	<u>\$ 38,582</u>	<u>\$ 21,992</u>	<u>\$ 17,992</u>	<u>\$ 71,508</u>	<u>\$ 1,950</u>	<u>\$ 1,266,242</u>
Gross Write-Offs	\$ —	\$ —	\$ —	\$ 53	\$ —	\$ 124	\$ —	\$ —	\$ 177
CRE - Owner Occupied									
Pass	\$ 388,407	\$ 206,389	\$ 199,455	\$ 296,504	\$ 318,402	\$ 425,719	\$ 28,975	\$ 1,039	\$ 1,864,890
Special Mention	4,140	1,858	9,279	10,086	7,699	10,866	3,503	—	47,431
Substandard	1,912	7,763	3,255	1,002	3,816	1,946	—	—	19,694
	<u>\$ 394,459</u>	<u>\$ 216,010</u>	<u>\$ 211,989</u>	<u>\$ 307,592</u>	<u>\$ 329,917</u>	<u>\$ 438,531</u>	<u>\$ 32,478</u>	<u>\$ 1,039</u>	<u>\$ 1,932,015</u>
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
CRE - Non-Owner Occupied									
Pass	\$ 760,891	\$ 509,709	\$ 452,910	\$ 696,656	\$ 670,026	\$ 595,730	\$ 31,892	\$ 77	\$ 3,717,891
Special Mention	12,991	2,072	3,577	19,776	4,614	4,453	—	—	47,483
Substandard	2,671	108	462	—	5,476	3,259	—	—	11,976
	<u>\$ 776,553</u>	<u>\$ 511,889</u>	<u>\$ 456,949</u>	<u>\$ 716,432</u>	<u>\$ 680,116</u>	<u>\$ 603,442</u>	<u>\$ 31,892</u>	<u>\$ 77</u>	<u>\$ 3,777,350</u>
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
CRE - Multi-Family									
Pass	\$ 231,867	\$ 94,092	\$ 159,855	\$ 186,161	\$ 83,545	\$ 86,222	\$ 14,369	\$ —	\$ 856,111
Special Mention	—	—	—	2,101	—	—	—	—	2,101
Substandard	—	—	—	—	—	—	—	—	—
	<u>\$ 231,867</u>	<u>\$ 94,092</u>	<u>\$ 159,855</u>	<u>\$ 188,262</u>	<u>\$ 83,545</u>	<u>\$ 86,222</u>	<u>\$ 14,369</u>	<u>\$ —</u>	<u>\$ 858,212</u>
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
C&I									
Pass	\$ 258,117	\$ 159,979	\$ 99,586	\$ 121,940	\$ 74,008	\$ 49,778	\$ 674,988	\$ 2,302	\$ 1,440,698

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Community Banking

Term Loans By Origination

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Special Mention	200	421	1,070	2,014	24	1,361	3,459	—	8,549
Substandard	932	342	697	1,043	243	870	2,081	—	6,208
	\$ 259,249	\$ 160,742	\$ 101,353	\$ 124,997	\$ 74,275	\$ 52,009	\$ 680,528	\$ 2,302	\$ 1,455,455
Gross Write-Offs	\$ —	\$ 330	\$ 27	\$ —	\$ 78	\$ 31	\$ —	\$ 1,057	\$ 1,523
Government									
Pass	\$ 55,948	\$ 9,980	\$ 38,384	\$ 71,280	\$ 18,588	\$ 291,068	\$ 22,338	\$ —	\$ 507,586
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
	\$ 55,948	\$ 9,980	\$ 38,384	\$ 71,280	\$ 18,588	\$ 291,068	\$ 22,338	\$ —	\$ 507,586
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Residential 1 - 4 Family									
Credit Score:									
> = 750	\$ 260,378	\$ 161,205	\$ 228,658	\$ 479,989	\$ 332,009	\$ 354,368	\$ 935	\$ 409	\$ 1,817,951
650-749	31,672	26,381	46,415	93,458	67,508	78,195	273	—	343,902
450-649	2,312	2,502	1,863	5,980	852	6,587	—	—	20,096
300-449	—	—	—	—	—	—	—	—	—
	\$ 294,362	\$ 190,088	\$ 276,936	\$ 579,427	\$ 400,369	\$ 439,150	\$ 1,208	\$ 409	\$ 2,181,949
Gross Write-Offs	\$ —	\$ 46	\$ —	\$ 41	\$ —	\$ —	\$ —	\$ —	\$ 87
HELOC									
Credit Score:									
> = 750	\$ 2,681	\$ 806	\$ 725	\$ 976	\$ 308	\$ 1,406	\$ 451,959	\$ 893	\$ 459,754
650-749	—	264	657	960	726	1,379	112,122	117	116,225
450-649	179	—	126	157	130	1,224	5,801	—	7,617
300-449	—	—	—	—	—	—	129	—	129
	\$ 2,860	\$ 1,070	\$ 1,508	\$ 2,093	\$ 1,164	\$ 4,009	\$ 570,011	\$ 1,010	\$ 583,725
Gross Write-Offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12	\$ —	\$ —	\$ 12
Indirect									
Credit Score:									
> = 750	\$ 201,973	\$ 112,204	\$ 57,309	\$ 61,105	\$ 17,238	\$ 1,467	\$ —	\$ —	\$ 451,296
650-749	55,691	45,499	36,022	47,054	17,768	3,183	—	—	205,217
450-649	2,489	2,641	3,080	5,138	1,520	1,015	—	—	15,883
300-449	—	—	—	—	—	5	—	—	5
	\$ 260,153	\$ 160,344	\$ 96,411	\$ 113,297	\$ 36,526	\$ 5,670	\$ —	\$ —	\$ 672,401
Gross Write-Offs	\$ 66	\$ 298	\$ 740	\$ 812	\$ 304	\$ 123	\$ —	\$ —	\$ 2,343
Consumer Loans and Other									
Credit Score:									
> = 750	\$ 17,676	\$ 8,296	\$ 4,210	\$ 2,946	\$ 4,886	\$ 8,745	\$ 35,342	\$ 101	\$ 82,202
650-749	3,237	1,873	1,412	778	728	3,738	4,360	6	16,132
450-649	246	412	72	81	1	1,490	229	4	2,535
300-449	—	—	—	—	—	—	—	—	—
	\$ 21,159	\$ 10,581	\$ 5,694	\$ 3,805	\$ 5,615	\$ 13,973	\$ 39,931	\$ 111	\$ 100,869
Gross Write-Offs	\$ 105	\$ 398	\$ 9	\$ 106	\$ 1	\$ 31	\$ —	\$ 112	\$ 762

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Community Banking									
Term Loans By Origination									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Grand Total	\$ 3,019,145	\$ 1,677,565	\$ 1,417,993	\$ 2,145,767	\$ 1,652,107	\$ 1,952,066	\$ 1,464,263	\$ 6,898	\$ 13,335,804
Total Gross Write-Offs	\$ 171	\$ 1,072	\$ 776	\$ 1,012	\$ 383	\$ 321	\$ —	\$ 1,169	\$ 4,904

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

In estimating ECL, ASC 326 prescribes that if foreclosure is probable, a CDA is required to be measured at the fair value of collateral. If foreclosure is not probable, the borrower is experiencing difficulty and repayment is expected to be repaid by operation of collateral, the Company uses the fair value of collateral excluding selling costs to determine ACL. At March 31, 2026, CDA loans measured at the fair value of collateral totaled \$67.77 million, with specific reserves of \$13.82 million. At December 31, 2025, CDA loans measured at the fair value of collateral totaled \$47.82 million, with specific reserves of \$1.11 million.

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

March 31, 2026	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	\$ —	\$ 4,366	\$ —	\$ —	\$ 1,445,918	\$ 1,450,284
Owner occupied	—	—	31,189	173	2,328,180	2,359,542
Non-owner occupied	—	60,234	—	—	4,224,656	4,284,890
Multi-family	—	2,086	—	—	892,567	894,653
Residential 1-4 family	1,913	4,704	—	—	2,327,582	2,334,199
HELOC	742	—	—	—	673,551	674,293
C&I	—	—	—	2,904	1,617,076	1,619,980
Government	—	—	—	—	499,769	499,769
Indirect	—	—	—	—	693,811	693,811
Consumer loans and other	—	—	—	—	219,057	219,057
Government guaranteed loans	—	—	—	—	230,682	230,682
Total, amortized cost	\$ 2,655	\$ 71,390	\$ 31,189	\$ 3,077	\$ 15,152,849	\$ 15,261,160
Collateral value	\$ 20,953	\$ 197,668	\$ 91,179	\$ 4,742		

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December 31, 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	\$ —	\$ 7,110	\$ —	\$ —	\$ 1,259,132	\$ 1,266,242
Owner occupied	—	—	29,236	183	1,902,596	1,932,015
Non-owner occupied	—	53,041	—	—	3,724,309	3,777,350
Multi-family	—	2,101	—	—	856,111	858,212
Residential 1-4 family	8,815	—	—	—	2,173,134	2,181,949
HELOC	683	—	—	—	583,042	583,725
C&I	—	—	—	682	1,454,773	1,455,455
Government	—	—	—	—	507,586	507,586
Indirect	—	—	—	—	672,401	672,401
Consumer loans and other	—	—	—	—	100,869	100,869
Total, amortized cost	\$ 9,498	\$ 62,252	\$ 29,236	\$ 865	\$ 13,233,953	\$ 13,335,804
Collateral value	\$ 21,239	\$ 115,495	\$ 81,003	\$ 2,103		

Nonaccrual and past due loans

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

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

March 31, 2026	Days Past Due				Total Past Due	Total Loans	Accruing Loans Over 90 Days Past Due
	Current	30-59	60-89	Over 90			
Commercial Real Estate							
Construction and land development	\$ 1,449,841	\$ 239	\$ —	\$ 204	\$ 443	\$ 1,450,284	\$ 115
Owner occupied	2,354,315	445	1,480	3,302	5,227	2,359,542	581
Non-owner occupied	4,276,555	—	170	8,165	8,335	4,284,890	—
Multi-family	894,653	—	—	—	—	894,653	—
Residential 1-4 family	2,322,429	7,241	576	3,953	11,770	2,334,199	—
HELOC	670,953	1,247	371	1,722	3,340	674,293	498
C&I	1,612,188	2,999	100	4,693	7,792	1,619,980	—
Government	499,769	—	—	—	—	499,769	—
Indirect	680,736	6,236	3,323	3,516	13,075	693,811	1,288
Consumer loans and other	217,222	1,343	269	223	1,835	219,057	5
Government guaranteed loans	218,579	5,298	1,955	4,850	12,103	230,682	—
Total	\$ 15,197,240	\$ 25,048	\$ 8,244	\$ 30,628	\$ 63,920	\$ 15,261,160	\$ 2,487

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

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

March 31, 2026	Nonaccrual Loans		Loans 90 Days or More Past Due, Not on Nonaccrual Status as of 03/31/26	Nonaccrual Loans With No Specific Reserve as of 03/31/26	Interest Income Recognized as of 03/31/26
	As of 12/31/25	As of 03/31/26			
Commercial Real Estate					
Construction and land development	\$ 1,621	\$ 89	\$ 115	\$ 89	\$ 159
Owner occupied	135	1,494	581	1,347	—
Non-owner occupied	3,058	8,166	—	7,382	10
Multi-family	—	148	—	148	—
Residential 1-4 family	2,272	5,367	—	5,367	5
HELOC	989	1,408	498	1,408	2
C&I	2,179	5,215	—	1,182	8
Government	—	—	—	—	—
Indirect	1,451	2,731	1,288	2,731	2
Consumer loans and other	21	493	5	493	—
Government guaranteed	—	7,640	—	5,285	—
Total	\$ 11,726	\$ 32,751	\$ 2,487	\$ 25,432	\$ 186

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

Note 7. Leases

At March 31, 2026, we did not have any significant leases that had not yet commenced for which we had created a right-of-use asset and a lease liability. Lease assets are included in other assets, and lease liabilities are included in other liabilities on our Consolidated Balance Sheets.

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

	Leases	
	March 31, 2026	December 31, 2025
Assets		
Operating lease assets	\$ 52,326	\$ 45,778
Liabilities		
Operating lease liabilities	\$ 56,796	\$ 49,974

The following table presents a summary of activity related to leases for the three-month periods ended March 31, 2026 and 2025 (in thousands):

	Lease Cost	
	Three Months Ended March 31,	
	2026	2025
Operating lease cost (1) included in occupancy expense	\$ 3,500	\$ 2,907
Variable lease cost included in occupancy expense	272	195
Sublease income included in occupancy expense	(71)	(70)
Net lease cost	\$ 3,701	\$ 3,032

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

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The following table presents lease liability maturities, by year, as of March 31, 2026 (in thousands):

Maturity of Lease Liabilities	
	Operating Leases (1)
April 1 - December 31, 2026	\$ 8,806
2027	11,375
2028	10,760
2029	8,496
2030	6,777
Thereafter	38,271
Total lease payments	\$ 84,485
Less: interest	27,689
Present value of lease liabilities	\$ 56,796

(1) Operating lease payments include \$26.95 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:

	March 31, 2026	March 31, 2025
Weighted - average remaining lease term - operating leases (in years)	11.81	12.78
Weighted - average discount rate - operating leases	7.91%	6.03%

The following table presents other information with regard to leases for the three-month periods ended March 31, 2026 and 2025 (in thousands):

	Other Information	
	Three Months Ended March 31,	
	2026	2025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 3,231	\$ 2,545
Related Party Transactions (1)		
Rent expense included in occupancy expense	\$ 590	\$ 555

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

Note 8. Segment Reporting

On April 3, 2026, the Company completed the sale of its Resort Vacation Management segment for \$250 million and an estimated pre-tax gain on sale of approximately \$195 million after transaction costs. At March 31, 2026, the segment met held-for-sale criteria, therefore amortization and depreciation related to the segment were stopped, assets and liabilities to be retained by the Company were moved to the Banking segment, and assets and liabilities identified as held for sale were moved to assets held for sale and liabilities held for sale in the Banking segment.

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The Company reports income results under four reportable segments: Banking, Mortgage, Resort Vacation Management, and Insurance. The Banking segment provides loan and deposit services to retail and commercial customers, as well as a variety of investment and asset management services. The Mortgage segment provides originations of a variety of mortgage loans which are originated and sold principally in the secondary market through purchase commitments from investors. The Resort Vacation Management segment 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.

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):

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
March 31, 2026					
Total assets	\$ 21,157,082	\$ 324,016	\$ —	\$ 877,610	\$ 22,358,708
Total investment in equity method investees	20,952	313	—	—	21,265
December 31, 2025					
Total assets	\$ 18,430,307	\$ 304,664	\$ 103,321	\$ 849,049	\$ 19,687,341
Total investment in equity method investees	20,871	314	—	—	21,185
Dollar change in total assets between periods	\$ 2,726,775	\$ 19,352	\$ (103,321)	\$ 28,561	\$ 2,671,367
Percentage change in total assets between periods	14.80 %	6.35 %	(100.00)%	3.36 %	13.57 %
Three months ended March 31, 2026					
Total expenditures for long-lived assets - fixed assets	\$ 13,289	\$ 40	\$ —	\$ 259	\$ 13,588
Three months ended March 31, 2025					
Total expenditures for long-lived assets - fixed assets	\$ 10,132	\$ 350	\$ 587	\$ 174	\$ 11,243

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The following table provides the composition of assets held for sale and liabilities held for sale related to Resort Vacation Management as of the date indicated (dollars in thousands):

	March 31, 2026
Assets	
Total cash held in escrow	\$ 47,126
Premises and equipment, net	6,868
Goodwill	17,964
Other intangibles, net	18,066
Other assets	13,372
Total assets held for sale	\$ 103,396
Liabilities	
Escrow accounts	\$ 47,126
Other liabilities	5,334
Total liabilities held for sale	\$ 52,460

The following table provides the change in net income, comparing the three months ended March 31, 2026 and 2025 (dollars in thousands):

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated
Net income attributable to TowneBank (\$) - three months	\$ (6,881)	\$ 1,069	\$ 3,876	\$ (785)	\$ (2,721)

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

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

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

Three Months Ended March 31, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	\$ 246,804	\$ 3,595	\$ —	\$ —	\$ 250,399
Interest expense	74,816	2,641	—	—	77,457
Net interest income	171,988	954	—	—	172,942
Provision for credit losses	505	(161)	—	—	344
Net interest income after provision for credit losses	171,483	1,115	—	—	172,598
Noninterest income:					
Residential mortgage banking income, net	(764)	12,498	—	—	11,734
Insurance commissions and related income, net	(269)	—	—	26,303	26,034
Property management income, net	—	—	12,440	—	12,440
Service charges on deposit accounts	4,642	—	—	—	4,642
Credit card merchant fees, net	1,919	—	—	—	1,919
Investment commissions, net	3,720	—	—	—	3,720
BOLI	2,967	52	—	—	3,019

TOWNE BANK

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Three Months Ended March 31, 2026	Resort				Consolidated
	Banking	Mortgage	Vacation Management	Insurance	
Government lending income, net	4,201	—	—	—	4,201
Income from unconsolidated subsidiaries	84	34	—	—	118
Net gain (loss) on investment securities	126	—	—	—	126
Other noninterest income	5,375	164	1	12	5,552
Total noninterest income	22,001	12,748	12,441	26,315	73,505
Total revenue	193,989	13,702	12,441	26,315	246,447
Noninterest expense:					
Salaries and employee benefits	66,135	7,945	5,081	14,018	93,179
Occupancy	9,731	866	627	781	12,005
Furniture and equipment	5,214	176	335	174	5,899
Amortization - intangibles	4,554	—	425	1,342	6,321
Software	5,914	786	848	850	8,398
Data processing	3,805	144	877	105	4,931
Professional fees	2,764	133	110	246	3,253
Advertising and marketing	4,236	418	821	202	5,677
FDIC and other insurance	2,487	149	118	140	2,894
Acquisition-related expenses	31,683	—	2	—	31,685
Other expenses	18,150	2,330	489	675	21,644
Total noninterest expense	154,673	12,947	9,733	18,533	195,886
Income (loss) before income tax, corporate allocation, and noncontrolling interest	38,811	916	2,708	7,782	50,217
Corporate allocation	1,431	(416)	(290)	(725)	—
Income (loss) before income tax provision and noncontrolling interest	40,242	500	2,418	7,057	50,217
Provision for income tax expense	6,537	87	681	1,811	9,116
Net income (loss)	33,705	413	1,737	5,246	41,101
Net income attributable to noncontrolling interest	11	(119)	—	—	(108)
Net income (loss) attributable to TowneBank	\$ 33,716	\$ 294	\$ 1,737	\$ 5,246	\$ 40,993
Net income (loss) as percentage of consolidated income	82.24 %	0.72 %	4.24 %	12.80 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 6,480	\$ 122	\$ 150	\$ 87	\$ 6,839
Efficiency ratio (GAAP)	79.73 %	94.49 %	78.23 %	70.43 %	79.48 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(2.29)%	— %	(3.41)%	(5.10)%	(2.52)%
Efficiency ratio (non-GAAP)	77.44 %	94.49 %	74.82 %	65.33 %	76.96 %

Three Months Ended March 31, 2025	Resort				Consolidated
	Banking	Mortgage	Vacation Management	Insurance	
Interest income	\$ 185,597	\$ 4,018	\$ —	\$ —	\$ 189,615
Interest expense	66,013	3,135	(11)	—	69,137
Net interest income	119,584	883	11	—	120,478
Provision for credit losses	2,367	53	—	—	2,420
Net interest income after provision for credit losses	117,217	830	11	—	118,058

Noninterest income:

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Three Months Ended March 31, 2025	Resort				Consolidated
	Banking	Mortgage	Vacation Management	Insurance	
Residential mortgage banking income, net	(219)	10,580	—	—	10,361
Insurance commissions and related income, net	(193)	—	—	26,617	26,424
Property management income, net	—	—	10,553	—	10,553
Service charges on deposit accounts	3,327	—	—	—	3,327
Credit card merchant fees, net	1,697	—	—	—	1,697
Investment commissions, net	3,075	—	—	—	3,075
BOLI	1,821	51	—	—	1,872
Income from unconsolidated subsidiaries	11	42	—	—	53
Gain on sale of equity investments	2,000	—	—	—	2,000
Net gain (loss) on investment securities	—	—	—	—	—
Other noninterest income	3,075	176	2	4	3,257
Total noninterest income	14,594	10,849	10,555	26,621	62,619
Total revenue	134,178	11,732	10,566	26,621	183,097
Noninterest expense:					
Salaries and employee benefits	49,684	7,031	5,448	12,915	75,078
Occupancy	6,979	939	614	801	9,333
Furniture and equipment	3,808	195	405	213	4,621
Amortization - intangibles	981	—	637	1,408	3,026
Software	4,022	727	859	685	6,293
Data processing	2,609	163	944	119	3,835
Professional fees	2,010	226	126	291	2,653
Advertising and marketing	2,897	389	892	294	4,472
FDIC and other insurance	2,590	96	67	107	2,860
Acquisition-related expenses	420	—	—	—	420
Other expenses	11,971	2,461	2,613	900	17,945
Total noninterest expense	87,971	12,227	12,605	17,733	130,536
Income (loss) before income tax, corporate allocation, and noncontrolling interest	43,840	(548)	(2,039)	8,888	50,141
Corporate allocation	1,396	(350)	(320)	(726)	—
Income (loss) before income tax provision and noncontrolling interest	45,236	(898)	(2,359)	8,162	50,141
Provision for income tax expense	4,681	(240)	(440)	2,131	6,132
Net income (loss)	40,555	(658)	(1,919)	6,031	44,009
Net income attributable to noncontrolling interest	42	(117)	(220)	—	(295)
Net income (loss) attributable to TowneBank	\$ 40,597	\$ (775)	\$ (2,139)	\$ 6,031	\$ 43,714
Net income (loss) as percentage of consolidated income	92.86 %	(1.77)%	(4.89)%	13.80 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	\$ 5,153	\$ 134	\$ 193	\$ 119	\$ 5,599
Efficiency ratio (GAAP)	65.56 %	104.22 %	119.30 %	66.61 %	71.29 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	0.25 %	— %	(6.03)%	(5.29)%	(0.88)%
Efficiency ratio (non-GAAP)	65.81 %	104.22 %	113.27 %	61.32 %	70.41 %

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Note 9. Commitments and Contingencies

Commitments to extend credit are agreements to lend to customers, provided there is no violation of any condition set forth in the contract. Commitments are evaluated on a case-by-case basis based on the customer's creditworthiness. They tend to have fixed expiration dates and may expire without being utilized. Therefore, total commitment amounts may not necessarily represent future cash requirements. 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):

	March 31, 2026	December 31, 2025
Off-balance-sheet commitments to extend credit	\$ 5,170,961	\$ 4,744,512
Standby letters of credit and financial guarantees	170,727	162,746
Allowance for credit losses from off-balance-sheet credit exposures	11,198	10,377
Mortgage loans sold to investors with estimated recourse	1,424,361	1,547,824
Mortgage warranty provision on mortgage loans sold	37,070	41,599

Note 10. Goodwill and Other Intangibles

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

	March 31, 2026		December 31, 2025	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Core deposit intangible	\$ 119,520	\$ 37,718	\$ 89,030	\$ 33,229
Non-compete agreements	105	80	205	176
Customer lists	48,906	31,433	73,663	44,925
Total intangible assets subject to amortization	168,531	69,231	162,898	78,330
Trade name	100	—	8,729	—
Contractual agreements	3,231	—	3,231	—
Total intangible assets not subject to amortization	3,331	—	11,960	—
Total other intangible assets	\$ 171,862	\$ 69,231	\$ 174,858	\$ 78,330

Amortization expense for intangible assets was \$6.32 million and \$3.03 million for the three-month periods ended March 31, 2026 and 2025, respectively. Net intangibles totaling \$18.07 million related to the Resort Vacation Management segment were transferred to assets held for sale at March 31, 2026.

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

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Balance, December 31, 2025	\$ 484,283	\$ 8,162	\$ 17,964	\$ 83,671	\$ 594,080
Acquisitions	227,470	—	—	—	227,470
Transferred to held for sale	—	—	(17,964)	—	(17,964)
Purchase adjustment	557	—	—	—	557
Balance, March 31, 2026	\$ 712,310	\$ 8,162	\$ —	\$ 83,671	\$ 804,143

Goodwill related to our Resort Vacation Management segment was moved to assets held for sale at March 31, 2026. The Company recorded the following acquisition-related changes in the first three months of 2026 (in thousands):

	Dogwood	Old Point	Village
Increase to goodwill	\$ 227,470	\$ 495	\$ 61
Increase to intangible assets	\$ 30,490	\$ —	\$ —

Note 11. Postretirement Benefits

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

	SERP		Other Postretirement Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2026	2025	2026	2025
Service cost	\$ 1,031	\$ 988	\$ —	\$ —
Interest cost	936	752	8	7
Amortization of prior service costs	133	144	—	(9)
Amortization of actuarial (gain) loss	(443)	(373)	(14)	(27)
Net periodic postretirement benefit cost	\$ 1,657	\$ 1,511	\$ (6)	\$ (29)

Postretirement benefit costs are included in our Consolidated Statements of Income for the three-month periods ended March 31, 2026 and March 31, 2025. The service cost component of postretirement benefits is included in salaries and employee benefits. All other components of postretirement benefit costs are included in other expenses.

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Note 12. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the components of accumulated other comprehensive income (loss) at March 31, 2026 and 2025 (in thousands), and changes in the three months then ended. The amounts reclassified from AOCI for the securities available for sale are included in gain (loss) on investment securities, net in the Consolidated Statements of Income, while the amounts reclassified from AOCI for the defined benefit plan are a component of salaries and employee benefits expense and other expenses in the Consolidated Statements of Income.

	Unrealized Gains (Losses) on Securities (a)	Pension and Postretirement Plans (b)	Accumulated Other Comprehensive Income (Loss), Net of Tax
Balance, December 31, 2025	\$ (57,267)	\$ 5,582	\$ (51,685)
Other comprehensive income (loss) before reclassifications, net of tax	(6,432)	205	(6,227)
Amounts reclassified from AOCI, net of tax	(100)	(254)	(354)
Net change	(6,532)	(49)	(6,581)
Balance, March 31, 2026	<u>\$ (63,799)</u>	<u>\$ 5,533</u>	<u>\$ (58,266)</u>

	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	28,189	194	28,383
Amounts reclassified from AOCI, net of tax	—	(207)	(207)
Net change	28,189	(13)	28,176
Balance, March 31, 2025	<u>\$ (93,285)</u>	<u>\$ 5,416</u>	<u>\$ (87,869)</u>

(a) For additional information about securities, refer to Note 4.

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

Note 13. Variable Interest Entities

Low Income Housing Tax Credit Partnerships

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

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

<i>(dollars in thousands)</i>	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Partnership assets not included on the Consolidated Balance Sheets	\$ 1,061,171	\$ 1,052,374
Carrying value of limited partner interests (1)	342,549	334,329
Maximum exposure to loss from limited partner investments	342,549	332,329
Funding commitments dependent on contractual milestones	107,880	104,383

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

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

<i>(dollars in thousands)</i>	<u>Three Months Ended March 31,</u>	
	<u>2026</u>	<u>2025</u>
Tax benefit, net	\$ 2,709	\$ 1,968
Amortization expenses	11,198	9,575

Note 14. Fair Value Disclosures

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

- Level 1** Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Valuation is based on observable inputs, other than Level 1 prices, which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Valuation is based on unobservable inputs that are supported by little or no market activity and which are significant to the fair value of the assets or liabilities.

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

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

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

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loan commitment or interest rate lock with the customer. For additional information about mortgage loans held for sale, refer to Note 15.

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

Derivative financial instruments: Interest rate lock commitments, related to the origination of mortgage loans held for sale, are recorded at estimated fair value based on the value of the underlying loan, which in turn is based on quoted prices for similar loans in the secondary market. However, this value is adjusted by a factor which considers the likelihood that the loan in a lock position will ultimately close. This factor, the fall-out rate, is derived from the Company's internal data and is adjusted using management judgment. The fall-out rate is largely dependent on the processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock. As such, interest rate lock commitments are classified as recurring Level 3. For the three-month period ended March 31, 2026, and the year ended December 31, 2025, the Company used a weighted-average fall-out rate of 12.27%.

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

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

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

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

	March 31, 2026			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	\$ —	\$ 386,157	\$ —	\$ 386,157
U.S. Treasury notes	83,396	—	—	83,396
Municipal securities	—	535,231	—	535,231
Mortgage-backed securities issued by GSEs	—	1,697,124	—	1,697,124
Trust preferred and other corporate securities	—	109,413	51,106	160,519
Mortgage loans held for sale	—	171,735	—	171,735
Government guaranteed loans held for sale	—	5,498	—	5,498
Forward loan commitment asset	—	540	—	540
Forward loan commitment liability	—	17	—	17
Derivative assets	—	7,470	2,003	9,473
Derivative liabilities	—	6,554	—	6,554

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

The following table presents qualitative information about significant unobservable inputs utilized to measure the fair value of Level 3 securities measured on a recurring and nonrecurring basis. A range is presented where multiple securities are valued. There were no transfers out of Level 3 during the three months ended March 31, 2026.

Financial Instrument	Valuation Technique	Unobservable Input	As of March 31, 2026	As of December 31, 2025
			(Weighted Average)	(Weighted Average)
Securities AFS	Discounted cash flow	Discount rate	8.59% - 8.71%	8.55% - 9.16%
		Weighted average life	3.70 - 5.94 years	3.96 - 9.50 years
Securities HTM	Discounted cash flow	Discount rate	6.14%	4.25%
		Weighted average life	23.10 years	23.35 years

TowneBank elects the fair value option for mortgage loans held for sale. This election allows for a more effective offset of the changes in fair value of the loans, the forward loan commitments, and mandatory

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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):

<i>(dollars in thousands)</i>	March 31, 2026	December 31, 2025
Aggregate fair value	\$ 171,735	\$ 154,444
Unpaid principal balance	169,331	150,481

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

<i>(in thousands)</i>	Net Gains (Losses) Resulting from Changes in Fair Value	
	Three Months Ended March 31,	
	2026	2025
Mortgage loans held for sale, at fair value	\$ (1,934)	\$ 1,477

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 March 31, 2026 and December 31, 2025 (in thousands):

March 31, 2026	Level 1	Level 2	Level 3	Fair Value
Collateral-dependent loans with specific reserves	\$ —	\$ —	\$ 67,778	\$ 67,778
Other real estate owned and other nonperforming assets	—	—	18,360	18,360
Government guaranteed loan servicing assets	—	—	5,044	5,044

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

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

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

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

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

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

	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
March 31, 2026					
Cash and due from banks	\$ 95,472	\$ 95,472	\$ 95,472	\$ —	\$ —
Interest-bearing deposits at FRB	1,346,573	1,346,573	1,346,573	—	—
Interest-bearing deposits in financial institutions	119,922	119,922	119,922	—	—
Securities available for sale, net	2,862,427	2,862,427	83,396	2,727,925	51,106
Securities held to maturity, net	126,527	124,409	93,792	29,580	1,037
Other equity securities	15,463	15,463	—	15,463	—
Net loans	15,261,160	14,836,700	—	—	14,836,700
Interest receivable	66,940	66,940	—	66,940	—
Certificates of deposit	3,132,406	3,124,472	—	3,124,472	—
Advances from the FHLB	197,257	197,539	—	197,539	—
Subordinated debt, net	284,236	258,621	—	226,500	32,121
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
December 31, 2025					
Cash and due from banks	\$ 129,941	\$ 129,941	\$ 129,941	\$ —	\$ —
Interest-bearing deposits at FRB	1,097,155	1,097,155	1,097,155	—	—
Interest-bearing deposits in financial institutions	123,553	123,553	123,553	—	—
Securities available for sale, net	2,710,189	2,710,189	83,631	2,579,194	47,364
Securities held to maturity, net	156,697	154,269	93,733	59,291	1,245
Other equity securities	12,219	12,219	—	12,219	—
Net loans	13,335,804	12,923,023	—	—	12,923,023
Interest receivable	57,644	57,644	—	57,644	—
Certificates of deposit	2,712,324	2,709,531	—	2,709,531	—
Advances from the FHLB	52,452	52,818	—	52,818	—
Subordinated debt, net	283,870	259,733	—	228,045	31,688

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

Note 15. Derivative Instruments and Hedging Activities

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

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

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

	March 31, 2026		December 31, 2025	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate contracts included in other assets	\$ 410,730	\$ 3,545	\$ 197,897	\$ 1,383
Interest rate contracts included in other liabilities	182,974	627	202,951	455
Interest rate swaps included in other assets	384,799	5,927	364,788	7,281
Interest rate swaps included in other liabilities	384,799	5,927	364,788	7,281

Gains and losses from mortgage banking derivatives are included in residential mortgage banking income, net in the Consolidated Statements of Income. For the three months ended March 31, 2026 and 2025, the Company recognized gains of \$2.63 million and losses of \$0.32 million, respectively, from mortgage banking derivatives. For the three months ended March 31, 2026 and 2025, there were no gains or losses recognized on interest rate swaps.

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Note 16. Revenue from Contracts with Customers

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

Revenue from Contracts with Customers:	Three Months Ended March 31,	
	2026	2025
Investment management income		
Investment commissions, net	\$ 3,720	\$ 3,075
Total	\$ 3,720	\$ 3,075
Insurance income		
Property and casualty insurance income, net	\$ 21,895	\$ 22,661
Benefit insurance income, net	4,139	3,763
Total	\$ 26,034	\$ 26,424
Resort vacation management income		
Property management income, net	12,440	10,553
Total	\$ 12,440	\$ 10,553
Provision expense for credit losses on property and casualty insurance receivables	\$ (16)	\$ (184)

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 March 31, 2026 or December 31, 2025.

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

Note 17. Borrowings

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

The Company also has REPOs 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

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Item 1. Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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):

	March 31, 2026	December 31, 2025
Market value of securities pledged as collateral for REPOs	\$ 47,024	\$ 58,987
Carrying value of capital notes assumed with acquisitions	\$ 31,478	\$ 31,280
Carrying value of Company-issued capital notes	\$ 249,433	\$ 249,278
Carrying value of Series IV Towne Investment Units	\$ 3,325	\$ 3,312
Total subordinated debt	<u>\$ 284,236</u>	<u>\$ 283,870</u>

PART I. FINANCIAL INFORMATION

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

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

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

- competitive pressures in the banking and financial services industry that may increase significantly;*
- changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held, as well as the value of other financial assets held;*
- an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize our overall liquidity or capitalization;*
- changes in the creditworthiness of customers and possible impairment of the collectability of loans;*
- insufficiency of our allowance for credit losses due to market conditions, inflation, changing interest rates, or other factors;*
- adverse developments in the financial industry generally, 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 and changes impacting the rulemaking, supervision, examination, and enforcement priorities of the federal banking agencies, that may adversely affect our business;*
- our ability to successfully integrate the businesses from recently completed acquisitions, including our mergers with Old Point Financial Corporation and Dogwood State Bank, to the extent that that process may take longer or be more difficult, time-consuming, or costly to accomplish than expected;*
- deposit attrition, operating costs, customer losses, and business disruption associated with recently completed acquisitions, including reputational risk and adverse effects on relationships with employees, customers, or other business partners, that may be greater than expected;*
- costs or difficulties related to the integration of the businesses that we have acquired that may be greater than expected;*

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- *expected growth opportunities or cost savings associated with recently completed acquisitions that may not be fully realized or realized within the expected time frame;*
- *the diversion of management's attention and time from ongoing business operations and opportunities on merger and integration related matters;*
- *the introduction of new lines of business or new products and services;*
- *cybersecurity threats or attacks, whether directed at us or at vendors or other third parties with which we interact;*
- *the implementation of new technologies, and the ability to develop and maintain reliable electronic systems;*
- *competitors that may have greater financial resources and develop products that enable them to compete more successfully;*
- *changes in business conditions;*
- *changes in the securities market; and*
- *changes in our local economy with regard to our market area, including any adverse impact of actual and proposed cuts 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, 2025, and related disclosures in other filings that have been, or will be, filed by TowneBank with the Federal Deposit Insurance Corporation.

Overview

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

On April 3, 2026, the Company completed the sale of its Resort Vacation Management segment for a value of \$250 million, and an estimated pre-tax gain on sale of approximately \$195 million after transaction costs. At March 31, 2026, the segment met held-for-sale criteria, therefore amortization and depreciation related to the segment were stopped, assets and liabilities to be retained by the Company were moved to the Banking segment, and assets and liabilities identified as held for sale were moved to assets held for sale and liabilities held for sale in the Banking segment.

For income statement purposes, we have four reportable segments in the first quarter of 2026 compared to 2025. After the sale of our Resort Vacation Management segment, we will have three reportable segments: Banking, Mortgage, 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 residential property management services in multiple resort locations. The Insurance segment provides a full line of commercial and consumer insurance products and financial services, as well as employee benefit services.

TowneBank had total assets of \$22.36 billion at March 31, 2026, compared to \$19.69 billion at December 31, 2025. The following table lists key asset and liability categories, as a percentage of total assets, as of the dates listed:

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	March 31, 2026	December 31, 2025
Total cash and cash equivalents	6.99 %	6.86 %
Total securities	13.55 %	14.71 %
Mortgage loans held for sale	0.77 %	0.78 %
Loans, net of unearned income and deferred costs	68.26 %	67.74 %
Total deposits	82.65 %	83.86 %
Noninterest-bearing deposits	25.03 %	25.77 %
Total borrowings	2.29 %	1.89 %

The Company completed the acquisition of Dogwood on January 12, 2026. 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 company. For additional information about the acquisition, see Note 3, "Mergers and Acquisitions" of the Notes to Consolidated Financial Statements in this report.

<i>(dollars in thousands)</i>	March 31, 2025	December 31, 2025	Dogwood Acquisition	Total Change Change	%
Total assets	\$ 22,358,708	\$ 19,687,341	\$ 2,348,478	\$ 2,671,367	13.57 %
Total cash and cash equivalents	1,561,967	1,350,649	61,423	211,318	15.65 %
Total investment securities	3,029,369	2,895,381	190,976	133,988	4.63 %
Mortgage loans held for sale	171,735	154,444	—	17,291	11.20 %
Loans, net of unearned income and deferred costs	15,261,160	13,335,804	1,951,553	1,925,356	14.44 %
Allowance for credit losses on loans	(199,267)	(147,343)	54,207	51,924	35.24 %
Assets held for sale	103,396	—	—	103,396	N/M
Total deposits	18,480,272	16,509,117	1,931,513	1,971,155	11.94 %
Total borrowings	512,481	371,139	155,000	141,342	38.08 %
Liabilities held for sale	52,460	—	—	52,460	N/M
Goodwill related to acquisition			227,470		
Acquisition-related allowance on loans increase - community banking			31,260		
Acquisition-related allowance on loans increase - government guaranteed lending			22,947		
Total allowance for credit losses on loans to period end loans	1.31 %	1.10 %			

The acquisition of Dogwood assets was the primary source of increase in total assets in the quarter. We acquired \$190.98 million in investment securities with Dogwood and sold \$66.62 million of the combined securities portfolios during the quarter to better align our investments. Net unrealized losses in our AFS debt securities increased to \$81.40 million at March 31, 2026, from \$73.07 million at December 31, 2025. Included in the acquisition of Dogwood was \$155.00 million in FHLB borrowings.

With completion of the acquisition of Dogwood, we added government guaranteed loans to the portfolio and servicing assets. Government guaranteed loans held for sale include the guaranteed portion of loans originated through the small business lending division that are expected to be sold in the secondary market to investors. We are required to retain 10% of the principal balance of the loans consisting of unguaranteed dollars. Servicing assets are included in other assets when a government guaranteed loan is sold with servicing retained.

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Our allowance for credit losses on loans increased \$51.92 million in the quarter. Day 1 allowances related to the acquisition of Dogwood totaled \$54.21 million, including \$22.95 million related to the government guaranteed loan portfolio and \$31.26 million related to the community banking portfolio.

The following table presents the key components affecting the Company's financial performance in the three months ended March 31, 2026, compared to prior year:

<i>(dollars in thousands)</i>	Three Months Ended			
	March 31,			
	2026	2025	Change	%
Net income attributable to TowneBank	\$ 40,993	\$ 43,714	\$ (2,721)	(6.22)%
Net interest income	172,942	120,478	52,464	43.55 %
Noninterest income	73,505	62,619	10,886	17.38 %
Total revenue	246,447	183,097	63,350	34.60 %
Provision for credit losses	344	2,420	(2,076)	(85.79)%
Noninterest expense	195,886	130,536	65,350	50.06 %
Acquisition-related expenses	31,685	420	31,265	N/M
Noninterest expense, excluding acquisition-related expenses	164,201	130,116	34,085	26.20 %

Net income attributable to TowneBank decreased in first quarter 2026, driven by acquisition-related expenses of \$31.69 million. Total revenue was a record \$246.45 million in first quarter 2026, which was primarily due to volume driven increases in net interest income. Towne acquired three financial institutions since April 1, 2025, that contributed \$38.06 million in net interest income during the current quarter. These acquisitions also impacted noninterest expenses through general increases due to the addition of facilities and specific acquisition-related expenses and salaries and employee benefits.

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

Critical Accounting Estimates and Significant Accounting Policies

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

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

ANALYSIS OF RESULTS OF OPERATIONS

Consolidated Performance Summary

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

<i>(dollars in thousands, except per share data)</i>	Three Months Ended	
	March 31, 2026	March 31, 2025
Total revenue	\$ 246,447	\$ 183,097
Operating revenue (non-GAAP)	\$ 246,321	\$ 181,097
Diluted earnings per share	\$ 0.45	\$ 0.58
Return on average assets	0.76 %	1.03 %
Return on average tangible assets (non-GAAP)	0.89 %	1.12 %
Return on average equity	5.84 %	8.21 %
Return on average tangible equity (non-GAAP)	9.55 %	11.39 %
Net interest margin	3.58 %	3.14 %
Net interest margin TE (non-GAAP)	3.60 %	3.17 %

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 December 11, 2025, to a range of 3.50% to 3.75%.

TowneBank reported net interest income, on a TE basis ("net interest income-TE"), of \$174.11 million for the quarter ended March 31, 2026, which was \$52.57 million, or 43.25%, higher than first quarter 2025. Interest income-TE was \$251.57 million in the quarter ended March 31, 2026, a \$60.89 million, or 31.93%, increase over quarter-end March 31, 2025. Interest expense increased \$8.32 million, or 12.03%, for the same period.

Interest income growth in first quarter 2026 was driven by volume. Average earning assets increased 26.15% to \$19.61 billion in the quarter ended March 31, 2026, from the comparative prior year quarter, and the overall yield on earning assets was 23 bp higher than the prior year quarter. Average loan balances increased 30.40% in first quarter 2026 compared to one year ago, and loan yields increased 29 bp.

Interest expense increased in first quarter 2026, driven by volume increases that outpaced the decline in rates. Average interest-bearing liabilities were \$13.16 billion in first quarter 2026, an increase of 26.24% over the comparative prior year quarter. The cost of interest-bearing liabilities declined 30 bp from first quarter 2025 to 2.39% in first quarter 2026. The cost of interest-bearing deposits declined 36 bp for the same comparative periods.

TE net interest margin, which is net interest income-TE expressed as a percentage of average earning assets, was 3.60% for the quarter ended March 31, 2026, or 43 bp higher compared to quarter-end March 31, 2025.

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

	Three Months Ended						Increase/(Decrease) Three Months Ended March 31, 2026 Compared to Three Months Ended March 31, 2025		
	March 31, 2026			March 31, 2025			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)	\$ 15,032,919	\$ 210,226	5.67 %	\$ 11,527,915	\$ 153,068	5.38 %	\$ 8,511	\$ 48,647	\$ 57,158
Taxable investment securities	2,805,229	25,181	3.59 %	2,478,048	21,301	3.44 %	974	2,906	3,880
Tax-exempt investment securities	245,092	2,625	4.28 %	176,081	1,860	4.23 %	26	739	765
Total securities	3,050,321	27,806	3.65 %	2,654,129	23,161	3.49 %	1,000	3,645	4,645
Interest-bearing deposits	1,388,016	11,459	3.35 %	1,199,650	11,801	3.99 %	(2,048)	1,706	(342)
Mortgage loans held for sale	140,438	2,077	5.92 %	164,358	2,653	6.46 %	(210)	(366)	(576)
Total earning assets	19,611,694	251,568	5.20 %	15,546,052	190,683	4.97 %	7,253	53,632	60,885
Less: allowance for loan losses	(179,029)			(124,265)					
Total nonearning assets	2,455,700			1,790,075					
Total assets	<u>\$21,888,365</u>			<u>\$17,211,862</u>					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	\$ 9,081,281	\$ 44,822	2.00 %	\$ 7,279,365	\$ 40,606	2.26 %	\$ (5,045)	\$ 9,261	\$ 4,216
Savings	421,240	613	0.59 %	312,118	714	0.93 %	(306)	205	(101)
Certificates of deposit	3,097,422	27,073	3.54 %	2,540,438	25,813	4.12 %	(3,916)	5,176	1,260
Total interest-bearing deposits	12,599,943	72,508	2.33 %	10,131,921	67,133	2.69 %	(9,267)	14,642	5,375
Borrowings	272,569	2,199	3.23 %	29,606	(300)	(4.05)%	1,333	1,166	2,499
Subordinated debt, net	284,025	2,750	3.87 %	260,070	2,304	3.54 %	224	222	446
Total interest-bearing liabilities	13,156,537	77,457	2.39 %	10,421,597	69,137	2.69 %	(7,710)	16,030	8,320
							<u>\$ 14,963</u>	<u>\$ 37,602</u>	<u>\$ 52,565</u>
Demand deposits	5,463,137			4,276,586					
Other noninterest-bearing liabilities	419,807			353,665					
Total liabilities	19,039,481			15,051,848					
Shareholders' equity	2,848,884			2,160,014					
Total liabilities and equity	<u>\$21,888,365</u>			<u>\$17,211,862</u>					
Net interest income-TE (3)		\$ 174,111			\$ 121,546				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(1,169)			(1,068)				
Net interest income (GAAP)		<u>\$ 172,942</u>			<u>\$ 120,478</u>				
Interest rate spread (1)(3)			2.81 %			2.28 %			
Interest expense as a percent of average earning assets			1.60 %			1.80 %			
Net interest margin-TE (2)(3)			3.60 %			3.17 %			
Total cost of deposits			1.63 %			1.89 %			

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

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Provision for Credit Losses. The first quarter 2026 provision for credit losses was an expense of \$344 thousand compared to \$2.42 million for the same period one year ago. In first quarter 2026 we had net charge-offs of \$1.69 million, compared to net charge-offs of \$0.63 million in first quarter 2025, respectively. Provision expense was driven by a combination of modest loan growth, continued strength in credit quality, and changes in the macroeconomic forecast scenarios utilized in our models.

Noninterest Income. Total noninterest income for the three months ended March 31, 2026, was \$73.51 million, compared to \$62.62 million in first quarter 2025. Noninterest income as a percentage of total operating income was 29.84% for first quarter 2026, compared with 34.58% for first quarter 2025.

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

<i>(dollars in thousands)</i>	Three Months Ended		Increase/(Decrease)	
	March 31,		Three Months Ended	
	2026	2025	Amount	Percent
Residential mortgage banking income, net	\$11,734	\$10,361	\$ 1,373	13.25 %
Insurance commissions and other income, net	26,034	26,424	(390)	(1.48)%
Property management income, net	12,440	10,553	1,887	17.88 %
Service charges on deposit accounts	4,642	3,327	1,315	39.53 %
Credit card merchant fees, net	1,919	1,697	222	13.08 %
Investment commissions, net	3,720	3,075	645	20.98 %
BOLI	3,019	1,872	1,147	61.27 %
Government lending income, net	4,201	—	4,201	N/M
Gain on sale of equity investments	—	2,000	(2,000)	(100.00)%
Other income	5,670	3,310	2,360	71.30 %
Subtotal before gain on investment securities	73,379	62,619	10,760	17.18 %
Net gain (loss) on investment securities	126	—	126	N/M
Total noninterest income	\$73,505	\$62,619	\$ 10,886	17.38 %
Noninterest income/operating income (non-GAAP)	29.84 %	34.58 %		

In first quarter 2026, the increase in residential mortgage banking income, net of commission expense, was driven by an increase in production volume. Production volume was \$575.35 million in first quarter 2026, an increase of \$130.16 million, or 29.24%, compared to first quarter 2025. Margins on the sale of loans were 3.09% in first quarter 2026 compared to 3.18% in first quarter 2025. Refinance activities increased early in first quarter 2026 when market rates temporarily decreased, so purchase volume in the quarter was 77.57% compared to 89.94% in first quarter 2025.

Insurance commissions decreased marginally, driven by declines in in both property and casualty and benefits insurance. Contingency and bonus revenue, which consists primarily of amounts received from various property and casualty carriers, increased in the quarter compared to first quarter 2025. Management continues to search for opportunities to grow insurance segment revenues both organically and through disciplined insurance agency acquisitions.

Government lending income, net is new in first quarter 2026 and represents noninterest income related to government guaranteed loans held for sale. Property management income, net increased in first quarter 2026 compared to 2025, driven by changes to our fee structure resulting in revenue growth. BOLI insurance assets were included in the three recent acquisitions, leading to an increase in income.

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We sold 11 securities with a carrying value of \$66.61 million, and recorded net gains of \$126 thousand in first quarter 2026. We did not sell any investment securities in first quarter 2025.

Noninterest Expense. For the quarter ended March 31, 2026, total noninterest expense was \$195.89 million, which was \$65.35 million higher than comparative 2025. As a percentage of operating income, noninterest expense was 79.52% for first quarter 2026 and 72.08% for comparative 2025.

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

<i>(dollars in thousands)</i>	Three Months Ended		Increase/(Decrease)	
	March 31,		Three Months Ended	
	2026	2025	Amount	Percent
Salaries and employee benefits	\$ 93,179	\$ 75,078	\$ 18,101	24.11 %
Occupancy expense	12,005	9,333	2,672	28.63 %
Furniture and equipment	5,899	4,621	1,278	27.66 %
Amortization - intangibles	6,321	3,026	3,295	108.89 %
Software	8,398	6,293	2,105	33.45 %
Data processing	4,931	3,835	1,096	28.58 %
Professional fees	3,253	2,653	600	22.62 %
Advertising and marketing	5,677	4,472	1,205	26.95 %
Other noninterest expenses:				
Acquisition-related expenses	31,685	420	31,265	N/M
Bank franchise tax/SCC fees	2,906	2,846	60	2.11 %
Charitable contributions	5,622	4,118	1,504	36.52 %
Directors fees and expenses	1,982	1,154	828	71.75 %
FDIC and other insurance	2,894	2,860	34	1.19 %
Other	6,596	6,306	290	4.60 %
Stationery and supplies	873	613	260	42.41 %
Telephone and postage	1,649	1,685	(36)	(2.14)%
Travel/meals/entertainment	2,016	1,223	793	64.84 %
Total other noninterest expenses	56,223	21,225	34,998	164.89 %
Total noninterest expense	<u>\$ 195,886</u>	<u>\$ 130,536</u>	<u>\$ 65,350</u>	50.06 %
Salaries and employee benefits/total noninterest expense	47.57 %	57.52 %	-995 bp	(17.30)%
Noninterest expense/operating income (non-GAAP)	79.52 %	72.08 %	744 bp	10.32 %

In first quarter 2026, salaries and employee benefits represented 47.57% of total noninterest expense, compared to 57.52% in first quarter 2025. The increase in salaries and benefits was driven by the acquisitions of Dogwood, Old Point, and Village, annual base salary increases that went into effect mid-September 2025, higher performance-based incentives, and health insurance costs.

Costs due to additional personnel related to acquisitions represented \$10.39 million of the \$18.10 million increase in salaries and benefits expenses, compared to the prior year quarter. In our Banking segment, we had a total of 1,939 full-time equivalent employees at March 31, 2026, as compared to 1,485 at March 31, 2025. In our non-Banking segments we had a total of 1,199 full-time equivalent employees at March 31, 2026, as compared to 1,219 at March 31, 2025.

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The acquisitions of Dogwood, Old Point, and Village, as well as the sale of Resort Property Management, resulted in \$31.69 million in acquisition-related expenses in the quarter, compared to \$420 thousand in 2025.

Provision for Income Taxes. Our provision for income tax expense in first quarter 2026 represented an effective tax rate of 18.19%, compared to an effective rate of 12.30% in first quarter 2025. The change in the effective rate was due to increases in state tax expense and non-deductible merger and acquisition expenses.

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 80% in both quarters. The increase in total revenue was driven by net interest income growth. However, this growth was outpaced by increases in acquisition-related expenses 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, 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:

<i>(dollars in thousands)</i>	Three Months Ended		Increase/(Decrease)	
	March 31,		Three Months Ended	
	2026	2025	Amount	Percent
Interest income	\$246,804	\$185,597	\$ 61,207	32.98 %
Interest expense	74,816	66,013	8,803	13.34 %
Net interest income	171,988	119,584	52,404	43.82 %
Service charges on deposit accounts	4,642	3,327	1,315	39.53 %
Credit card merchant fees	1,919	1,697	222	13.08 %
Investment commissions, net	3,720	3,075	645	20.98 %
BOLI	2,967	1,821	1,146	62.93 %
Government lending income, net	4,201	—	4,201	N/M
Other income	4,426	4,674	(248)	(5.31)%
Net gain (loss) on investment securities	126	—	126	N/M
Total noninterest income	22,001	14,594	7,407	50.75 %
Total revenue	193,989	134,178	59,811	44.58 %
Provision for credit losses	505	2,367	(1,862)	(78.66)%
Salaries and employee benefits	66,135	49,684	16,451	33.11 %
Occupancy	9,731	6,979	2,752	39.43 %
Furniture and equipment	5,214	3,808	1,406	36.92 %
Amortization - intangibles	4,554	981	3,573	364.22 %
Software	5,914	4,022	1,892	47.04 %

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(dollars in thousands)	Three Months Ended		Increase/(Decrease)	
	March 31,		Three Months Ended	
	2026	2025	Amount	Percent
Data processing	3,805	2,609	1,196	45.84 %
Professional fees	2,764	2,010	754	37.51 %
Advertising and marketing	4,236	2,897	1,339	46.22 %
FDIC and other insurance	2,487	2,590	(103)	(3.98)%
Acquisition-related expenses	31,683	420	31,263	N/M
Other expenses	18,150	11,971	6,179	51.62 %
Total noninterest expenses	154,673	87,971	66,702	75.82 %
Income before income tax and corporate allocation	38,811	43,840	(5,029)	(11.47)%
Corporate allocation	1,431	1,396	35	2.51 %
Income before income tax provision and noncontrolling interest	40,242	45,236	(4,994)	(11.04)%
Provision for income tax expense	6,537	4,681	1,856	39.65 %
Net income	33,705	40,555	(6,850)	(16.89)%
Noncontrolling interest	11	42	(31)	(73.81)%
Net income attributable to TowneBank	\$ 33,716	\$ 40,597	\$ (6,881)	(16.95)%
Salaries and employee benefits/total noninterest expense	42.76%	56.48%	-1,372 bp	(24.29)%
Net income attributable to TowneBank % of total consolidated income	82.24%	92.86%	-1,062 bp	(11.44)%

Mortgage Segment. For the three months ended March 31, 2026, the Mortgage segment reported income before income tax provision and noncontrolling interest of \$0.50 million, as compared to a loss of \$0.90 million in 2025.

Increased production, offset by margin compression, was the source of the increase in the quarter. Gross realized gain on sale margin decreased 9 bp from first quarter 2025. Refinance activity increased to over 20% in the quarter for the first time since first quarter 2022. This spike was due to the temporary drop in mortgage rates early in the quarter.

The total number of full-time equivalent employees in our Mortgage segment was 416 at March 31, 2026, compared to 406 at March 31, 2025.

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

	Three Months Ended				
	March 31,	December 31,	September 30,	June 30,	March 31,
	2026	2025	2025	2025	2025
Gross realized gain on sales and fees as a % of loans originated	3.09 %	3.19 %	3.32 %	3.13 %	3.18 %
Loans sold	\$ 527,428	\$ 652,853	\$ 657,822	\$ 596,009	\$ 475,518
Purchase %	77.57 %	82.23 %	91.84 %	92.37 %	89.94 %
Refinance %	22.43 %	17.77 %	8.16 %	7.63 %	10.06 %

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

<i>(dollars in thousands)</i>	Three Months Ended		Increase/(Decrease)	
	March 31,		Three Months Ended	
	2026	2025	Amount	Percent
Residential mortgage banking income, net	\$ 12,498	\$ 10,580	\$ 1,918	18.13 %
BOLI	52	51	1	1.96 %
Income from unconsolidated subsidiary	34	42	(8)	(19.05)%
Net interest and other income	1,118	1,059	59	5.57 %
Total revenue	13,702	11,732	1,970	16.79 %
Provision for credit losses	(161)	53	(214)	(403.77)%
Salaries and employee benefits	7,945	7,031	914	13.00 %
Occupancy	866	939	(73)	(7.77)%
Furniture and equipment	176	195	(19)	(9.74)%
Software	786	727	59	8.12 %
Data processing	144	163	(19)	(11.66)%
Professional fees	133	226	(93)	(41.15)%
Advertising and marketing	418	389	29	7.46 %
FDIC and other insurance	149	96	53	55.21 %
Acquisition-related expenses	—	—	—	N/M
Other expenses	2,330	2,461	(131)	(5.32)%
Total expenses	12,947	12,227	720	5.89 %
Income before income tax, corporate allocation, and noncontrolling interest	916	(548)	1,464	267.15 %
Corporate allocation	(416)	(350)	(66)	(18.86)%
Income before income tax provision and noncontrolling interest	500	(898)	1,398	155.68 %
Provision for income tax	87	(240)	327	136.25 %
Net income	413	(658)	1,071	162.77 %
Noncontrolling interest	(119)	(117)	(2)	(1.71)%
Net income attributable to TowneBank	\$ 294	\$ (775)	\$ 1,069	137.94 %
Salaries and employee benefits/total noninterest expense	61.37 %	57.50 %	387 bp	6.73 %
Net income attributable to TowneBank % of total consolidated income	0.72 %	(1.77)%	249 bp	140.68 %
Loans originated, mortgage	\$469,323	\$300,699	\$ 168,624	56.08 %
Loans originated, joint venture	106,027	144,495	(38,468)	(26.62)%
Total loans originated	\$575,350	\$445,194	\$ 130,156	29.24 %
Number of loans, mortgage	1,135	746	389	52.14 %
Number of loans, joint venture	288	435	(147)	(33.79)%
Total number of loans	1,423	1,181	242	20.49 %
Average loan amount, mortgage	\$ 414	\$ 403	\$ 11	2.73 %
Average loan amount, joint venture	368	332	36	10.84 %
Average loan amount	\$ 404	\$ 377	\$ 27	7.16 %
Number of originators, mortgage	133	120	13	10.83 %
Number of originators, joint venture	29	41	(12)	(29.27)%
Total number of originators	162	161	1	0.62 %

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Resort Vacation Management Segment. The Resort Vacation Management segment reported income before income tax provision and noncontrolling interest of \$2.42 million for the three months ended March 31, 2026 compared to a loss of \$2.36 million for the three months ended March 31, 2025.

Net property management fees increased driven by changes to our fee structure compared to prior year. The total number of full-time equivalent employees in our Resort Vacation Management segment was 298 at March 31, 2026, compared to 336 at March 31, 2025.

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

(dollars in thousands)	Three Months Ended		Increase/(Decrease)	
	March 31,		Three Months Ended	
	2026	2025	Amount	Percent
Property management fees, net	\$ 12,440	\$ 10,553	\$ 1,887	17.88 %
Net interest and other income	1	13	(12)	N/M
Total revenue	12,441	10,566	1,875	17.75 %
Salaries and employee benefits	5,081	5,448	(367)	(6.74)%
Occupancy	627	614	13	2.12 %
Furniture and equipment	335	405	(70)	(17.28)%
Amortization - intangibles	425	637	(212)	(33.28)%
Software	848	859	(11)	(1.28)%
Data processing	877	944	(67)	(7.10)%
Professional fees	110	126	(16)	(12.70)%
Advertising and marketing	821	892	(71)	(7.96)%
FDIC and other insurance	118	67	51	76.12 %
Acquisition-related expenses	2	—	2	N/M
Other expenses	489	2,613	(2,124)	(81.29)%
Total expenses	9,733	12,605	(2,872)	(22.78)%
Income before income tax, corporate allocation, and noncontrolling interest	2,708	(2,039)	4,747	232.81 %
Corporate allocation	(290)	(320)	30	9.38 %
Income before income tax provision and noncontrolling interest	2,418	(2,359)	4,777	202.50 %
Provision for income tax	681	(440)	1,121	254.77 %
Net income	1,737	(1,919)	3,656	190.52 %
Noncontrolling interest	—	(220)	220	(100.00)%
Net income attributable to TowneBank	\$ 1,737	\$ (2,139)	\$ 3,876	181.21 %
Salaries and employee benefits/total noninterest expense	52.20 %	43.22 %	898 bp	20.78 %
Net income attributable to TowneBank % of total consolidated income	4.24 %	(4.89)%	913 bp	186.71 %

Insurance Segment. The Insurance segment reported income before income tax provision and noncontrolling interest of \$7.06 million for the three months ended March 31, 2026, compared to \$8.16 million in first quarter 2025. Our Insurance segment utilizes a number of property and casualty insurance carriers to meet the needs of their clients. Property and casualty markets are experiencing a gradual softening as rate increases moderate, which is impacting commissions and fees. Contingent revenue consists primarily of amounts received from these carriers, based on nonclient-specific factors including the aggregate loss performance of insurance policies and the volume of business. The Company expects to

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continue to actively pursue attractive insurance agency acquisitions, with a strategic objective to grow revenues to \$150-\$200 million.

The total number of full-time equivalent employees in our Insurance segment was 485 at March 31, 2026, compared to 477 at March 31, 2025.

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

<i>(dollars in thousands)</i>	Three Months Ended		Increase/(Decrease)	
	March 31,		Three Months Ended	
	2026	2025	Amount	Percent
Net commission and fee income:				
Property and casualty	\$22,450	\$23,322	\$ (872)	(3.74)%
Employee benefits	4,876	4,725	151	3.20 %
Total net commissions and fees	27,326	28,047	(721)	(2.57)%
Contingency and bonus revenue	3,730	3,620	110	3.04 %
Other income	12	4	8	200.00 %
Total revenues	31,068	31,671	(603)	(1.90)%
Employee commission expense	4,753	5,050	(297)	(5.88)%
Revenue, net of commission expense	26,315	26,621	(306)	(1.15)%
Salaries and employee benefits	14,018	12,915	1,103	8.54 %
Occupancy	781	801	(20)	(2.50)%
Furniture and equipment	174	213	(39)	(18.31)%
Amortization - intangibles	1,342	1,408	(66)	(4.69)%
Software	850	685	165	24.09 %
Data processing	105	119	(14)	(11.76)%
Professional fees	246	291	(45)	(15.46)%
Advertising and marketing	202	294	(92)	(31.29)%
FDIC and other insurance	140	107	33	30.84 %
Acquisition-related expenses	—	—	—	— %
Other expenses	675	900	(225)	(25.00)%
Total operating expenses	18,533	17,733	800	4.51 %
Income before income tax, corporate allocation, and noncontrolling interest	7,782	8,888	(1,106)	(12.44)%
Corporate allocation	(725)	(726)	1	0.14 %
Income before income tax provision and noncontrolling interest	7,057	8,162	(1,105)	(13.54)%
Provision for income tax	1,811	2,131	(320)	(15.02)%
Net income	5,246	6,031	(785)	(13.02)%
Noncontrolling interest	—	—	—	— %
Net income attributable to TowneBank	\$ 5,246	\$ 6,031	\$ (785)	(13.02)%
Salaries and employee benefits/total noninterest expense	75.64 %	72.83 %	281 bp	3.86 %
Net income attributable to TowneBank % of total consolidated income	12.80 %	13.80 %	-100 bp	(7.25)%

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ANALYSIS OF FINANCIAL CONDITION

Overview. At March 31, 2026, total assets were \$22.36 billion, which is \$2.67 billion, or 13.57%, higher than total assets at December 31, 2025. The primary driver of asset growth in first quarter 2026 was the acquisition of Dogwood. Our loan portfolio, less unearned income and deferred costs, made up 68.26% of our period-end assets and totaled \$15.26 billion at March 31, 2026. Average assets for the quarter ended March 31, 2026, were \$21.89 billion, an increase of \$2.18 billion, or 11.07%, from the quarter ended December 31, 2025. Management continues to prioritize balance sheet strength and strong levels of liquidity in the current environment.

Average earning assets for first quarter 2026 increased \$1.88 billion from fourth quarter 2025 to \$19.61 billion. Our average total deposits were \$18.06 billion for first quarter 2026, an increase of \$1.49 billion, or 9.00%, compared to fourth quarter 2025. Average noninterest-bearing deposits for the quarter ended March 31, 2026, increased \$278.78 million, or 5.38%, from the quarter ended December 31, 2025.

Interest-Bearing Deposits in Financial Institutions. Interest-bearing deposits in other banks and at the FRB and federal funds sold are used for daily cash management purposes, management of short-term interest rate opportunities, and liquidity. At March 31, 2026 and December 31, 2025, respectively, these balances were \$1.47 billion and \$1.22 billion and consisted mainly of deposits in other banks and overnight deposits with the FRB. At March 31, 2026, the Company had \$12.02 million in federal funds sold, compared to \$15.75 million at December 31, 2025.

The average balance of interest-bearing deposits in other banks and at the FRB during first quarter 2026 was \$1.39 billion, or 7.08%, of average total earning assets, compared to \$1.30 billion, or 7.34%, of average total earning assets for fourth quarter 2025.

Securities Available for Sale. Our AFS debt securities portfolio is reported at fair value, which is determined based on market prices of similar instruments. The AFS debt securities portfolio was \$2.86 billion at March 31, 2026, compared with \$2.71 billion at December 31, 2025. The average balance during first quarter 2026 was \$2.87 billion, compared to \$2.70 billion during the quarter ended December 31, 2025. The average AFS debt securities portfolio represented 14.61% and 15.21% of average earning assets in first quarter 2026 and the quarter ended December 31, 2025, respectively. During the three months ended March 31, 2026, we had sales, maturities, and calls totaling \$142.54 million in investment securities that were classified as AFS.

Net unrealized losses related to the fair value of AFS debt securities increased \$6.53 million in the first three months of 2026. Unrealized losses in the AFS debt securities portfolio are primarily driven by the increase in market interest rates rather than credit quality. AFS debt securities are reviewed quarterly to assess whether an allowance for credit losses is required. An allowance for credit losses on impaired AFS debt securities is recorded when the present value of expected future cash flows of the investment security is less than its amortized cost basis, limited to the amount by which the security's amortized cost basis exceeds the fair value. At March 31, 2026, the allowance for credit losses on AFS debt securities was \$1.36 million, compared to \$1.21 million at December 31, 2025. For further financial details, see "Note 4. Investment Securities" of the Notes to Consolidated Financial Statements in this report.

Securities Held to Maturity. HTM debt securities are valued at amortized cost net of allowance for credit losses and totaled \$126.49 million at March 31, 2026, and \$156.63 million at December 31, 2025. The

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average balance during first quarter 2026 was \$143.24 million, compared with \$161.29 million in fourth quarter 2025, representing 0.73% and 0.91% of total average earning assets, respectively. These securities are held primarily for yield and pledging purposes. HTM debt securities are reviewed quarterly for potential credit losses. The allowance for credit losses on HTM debt securities was \$33 thousand at March 31, 2026, and \$65 thousand at December 31, 2025. During the three months ended March 31, 2026, we had maturities and calls totaling \$30.05 million in HTM debt securities. For further financial details, see "Note 4. Investment Securities" of the Notes to Consolidated Financial Statements in this report.

Loans Held for Sale. At March 31, 2026, loans held for sale totaled \$177.23 million and consisted of \$171.74 million in mortgage loans held for sale and \$5.50 million in government guaranteed loans held for sale.

Mortgage loans held for sale totaled \$154.44 million at December 31, 2025, and are intended for sale in the secondary market. Average mortgage loans held for sale were 0.70% of average earning assets for the quarter ended March 31, 2026, compared to 1.06% for the quarter ended December 31, 2025. The majority of mortgage loans held for sale are precommitted to investors, which minimizes our interest rate risk.

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

Loan Portfolio. Loans, net of unearned income and deferred costs, were \$15.26 billion at March 31, 2026, which was a \$1.93 billion, or 14.44%, increase over \$13.34 billion at December 31, 2025. Excluding \$1.95 billion in loans from the acquisitions of Dogwood, loans, net of unearned income and deferred costs, would have decreased \$26.20 million, or 0.20%. As a percentage of total average earning assets, average loans were 76.65% for the quarter ended March 31, 2026, compared with 75.31% for the quarter ended December 31, 2025.

Commercial real estate loans constituted 59.67% and 58.75% of our loan portfolio at March 31, 2026 and December 31, 2025, respectively. The following table provides additional information regarding commercial real estate loans segregated by the type of property securing the loans and the geographic region in which the loans were originated at March 31, 2026 (dollars in thousands):

Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	Classified (1)
Residential construction	\$ 312,272	21.12 %	\$ 164,869	\$ 147,403	\$ —
Improved lots	176,452	11.93 %	113,801	62,651	472
Raw land	181,201	12.25 %	122,947	58,254	—
Land development	192,808	13.04 %	152,018	40,790	886
Construction-to-perm	57,548	3.89 %	23,853	33,695	—
Presold residential construction	44,987	3.04 %	22,667	22,320	—
All other	513,856	34.73 %	263,263	250,593	218
Construction and land development	\$ 1,479,124	100.00 %	\$ 863,418	\$ 615,706	\$ 1,576
Percentage of Consolidated			58.37 %	41.63 %	0.11 %
Office buildings	\$ 529,261	21.62 %	\$ 349,302	\$ 179,959	\$ 4,013
Warehouse light industry	415,060	16.96 %	312,518	102,542	680
Auto dealer and repair	207,698	8.49 %	184,276	23,422	3,565
Restaurants	140,425	5.74 %	98,635	41,790	—
Retail buildings	79,320	3.24 %	60,644	18,676	—
Churches	107,658	4.40 %	96,497	11,161	6

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Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	Classified (1)
All other	968,192	39.55 %	387,323	580,869	24,033
Owner occupied	\$ 2,447,614	100.00 %	\$ 1,489,195	\$ 958,419	\$ 32,297
Percentage of Consolidated			60.84 %	39.16 %	1.32 %
Office buildings	849,811	19.84 %	\$ 550,581	\$ 299,230	\$ 3,902
Hotels	956,586	22.32 %	769,702	186,884	2,032
Shopping centers	788,713	18.41 %	497,043	291,670	2,010
Warehouse light industry	447,867	10.45 %	256,324	191,543	—
All other	1,241,913	28.98 %	529,204	712,709	23,383
Non-owner occupied	\$ 4,284,890	100.00 %	\$ 2,602,854	\$ 1,682,036	\$ 31,327
Percentage of Consolidated			60.74 %	39.26 %	0.73 %
Less than \$1 Million Origination	\$ 112,118	12.53 %	\$ 79,587	\$ 32,531	\$ 148
More than \$1 Million Origination	782,535	87.47 %	456,205	326,330	—
Multi-family	\$ 894,653	100.00 %	\$ 535,792	\$ 358,861	\$ 148
Percentage of Consolidated			59.89 %	40.11 %	0.02 %
Total Commercial Real Estate	\$ 9,106,281		\$ 5,491,259	\$ 3,615,022	\$ 65,348
Percentage of Consolidated Total Commercial Real Estate			60.30 %	39.70 %	0.72 %

(1) Classified loans are defined as substandard or doubtful. Classified commercial real estate loans totaled \$65.35 million, or 64.96%, of total classified credits at March 31, 2026.

Allowance for Credit Losses and Asset Quality. The allowance for credit losses on funded loans at March 31, 2026 and December 31, 2025, was \$199.27 million and \$147.34 million, respectively. The \$51.92 million increase in the allowance included \$54.21 million in initial allowance for credit losses from the acquisition of Dogwood. This \$54.21 million initial allowance was split between community banking loans for \$31.26 million and the unguaranteed portion retained on the Company's balance sheet for loans originated through the government guaranteed lending program for \$22.95 million. The allowance was equal to 1.31% of total loans outstanding at March 31, 2026, compared with 1.10% at December 31, 2025.

Classified loans, defined as loans in the substandard and doubtful categories, represented 0.66% of total loans at March 31, 2026, and 0.45% of total loans at December 31, 2025. Total criticized loans, defined as special mention and classified loans, increased to \$231.29 million in first quarter 2026 from \$172.10 million in fourth quarter 2025. Loans 30 to 89 days past due totaled \$33.29 million at March 31, 2026, as compared to \$16.52 million at December 31, 2025. The allowance for credit losses on funded loans was equal to 6.08x of nonperforming loans at March 31, 2026, compared with 12.57x at December 31, 2025. Our allowance for credit losses, for both funded loans and unfunded commitments, was determined by evaluating numerous variables, many of which are interrelated or dependent on other assumptions and estimates, and considered past events, current conditions, and reasonable and supportable forecasts. We believe the quality of our loan portfolio supports the level of our allowance for credit losses and that it is adequate to cover estimated lifetime credit losses expected in the loan portfolio based on our reasonable and supportable forecasts at that date.

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

	March 31, 2026	December 31, 2025
Real estate - construction and land development	\$ 19,775	\$ 20,204
Real estate - commercial owner occupied	13,618	11,378
Real estate - commercial non-owner occupied	34,454	27,592
Real estate - multi-family	6,616	5,830
Real estate - residential 1-4 family	35,154	31,797
HELOC	22,370	20,803
C&I	22,536	11,852
Government	4,654	3,975
Indirect	11,391	11,462
Consumer loans and other	4,825	2,450
Government guaranteed loans	23,874	—
Total	\$ 199,267	\$ 147,343

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

	Three Months Ended		
	March 31, 2026	2025	December 31, 2025
<i>(dollars in thousands)</i>			
Nonperforming Assets			
Nonperforming loans	\$ 32,751	\$ 6,586	\$ 11,726
Former bank premises	16,323	—	879
Foreclosed property	2,037	786	1,754
Total nonperforming assets	\$ 51,111	\$ 7,372	\$ 14,359
Loans past due 90 days and still accruing interest	\$ 2,487	\$ 15	\$ 890
Asset Quality Ratios			
Allowance for credit losses to nonperforming loans	6.08x	19.15x	12.57x
Nonperforming loans to period-end loans	0.21%	0.06%	0.09%
Nonperforming assets to period-end assets	0.23%	0.04%	0.07%
Quarterly net charge-offs (recoveries) to average loans (annualized)	0.05%	0.02%	0.02%
Allowance for credit losses to period-end loans	1.31%	1.08%	1.10%
Community banking allowance for credit losses to period-end loans	1.15%	1.08%	1.10%
Government guaranteed lending allowance for credit losses to period-end loans	0.16%	—%	—%

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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):

	March 31, 2026	December 31, 2025
CRE - Construction and land development	\$ 89	\$ 1,621
CRE - Owner occupied	1,494	135
CRE - Non-owner occupied	8,166	3,058
CRE - Multi-family	148	—
Residential 1-4 family	5,367	2,272
HELOC	1,408	989
C&I	5,215	2,179
Government	—	—
Indirect	2,731	1,451
Consumer loans and other	493	21
Government guaranteed loans	7,640	—
Total nonperforming loans	<u>\$ 32,751</u>	<u>\$ 11,726</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 March 31, 2026, we had \$51.11 million in nonperforming assets, which amounted to 0.23% of total assets. Additionally, loans 60-89 days past due, excluding nonperforming loans, totaled \$7.90 million, and there were \$2.49 million in loans past due 90 days or more that were accruing interest. Nonperforming assets consisted of \$32.75 million in nonperforming loans, \$16.32 million in former bank premises, and \$2.04 million in foreclosed property as of March 31, 2026. Nonperforming loans increased by \$21.03 million from December 31, 2025. Increases in nonperforming assets in first quarter 2026 were primarily attributable to the acquisition of Dogwood. Foreclosed property increased \$283 thousand from December 31, 2025, including \$103 thousand in other real estate owned and \$180 thousand in repossessed vehicles.

Deposits. Total deposits at March 31, 2026, were \$18.48 billion, representing an increase of \$3.87 billion, or 26.50%, compared to March 31, 2025. Total deposits increased \$1.97 billion, or 11.94%, compared to December 31, 2025. Total average deposits were \$18.06 billion during first quarter 2026, compared to \$14.41 billion during first quarter 2025 and \$16.57 billion during fourth quarter 2025.

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	Total Deposits			March 31, 2026 vs.		March 31, 2026 vs.	
	Period Ended			March 31, 2025		December 31, 2025	
	March 31,		December	Change		Change	
(dollars in thousands)	2026	2025	31, 2025	\$	%	\$	%
Interest-bearing demand and money market accounts	\$ 9,293,443	\$ 7,463,355	\$ 8,390,884	\$ 1,830,088	24.52 %	\$ 902,559	10.76 %
Regular savings	457,028	312,151	332,752	\$ 144,877	46.41 %	\$ 124,276	37.35 %
Certificates of deposit	3,132,406	2,519,489	2,712,324	\$ 612,917	24.33 %	\$ 420,082	15.49 %
Total interest-bearing	12,882,877	10,294,995	11,435,960	\$ 2,587,882	25.14 %	\$ 1,446,917	12.65 %
Noninterest-bearing demand	5,597,395	4,313,553	5,073,157	\$ 1,283,842	29.76 %	\$ 524,238	10.33 %
Total	<u>\$ 18,480,272</u>	<u>\$ 14,608,548</u>	<u>\$ 16,509,117</u>	<u>\$ 3,871,724</u>	26.50 %	<u>\$ 1,971,155</u>	11.94 %

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

	March 31, 2026			
	Consolidated	% of Total Deposits	Virginia (1)	Carolinas
Noninterest-bearing demand	\$ 5,597,395	30.29 %	\$ 4,390,892	\$ 1,206,503
Interest-bearing demand	2,290,850	12.40 %	1,592,715	698,135
Money market	7,002,593	37.89 %	4,734,154	2,268,439
Regular savings	457,028	2.47 %	403,235	53,793
Certificates of deposit	3,132,406	16.95 %	2,635,480	496,926
	<u>\$ 18,480,272</u>	100.00 %	<u>\$ 13,756,476</u>	<u>\$ 4,723,796</u>

	December 31, 2025			
	Consolidated	% of Total Deposits	Virginia (1)	Carolinas
Noninterest-bearing demand	\$ 5,073,157	30.73 %	\$ 4,249,797	\$ 823,360
Interest-bearing demand	2,132,357	12.92 %	1,648,316	484,041
Money market	6,258,527	37.90 %	4,812,064	1,446,463
Regular savings	332,752	2.02 %	325,643	7,109
Certificates of deposit	2,712,314	16.43 %	2,398,219	314,105
	<u>\$ 16,509,107</u>	100.00 %	<u>\$ 13,434,039</u>	<u>\$ 3,075,078</u>

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

At March 31, 2026, we had \$8.58 billion in estimated uninsured deposits, \$0.77 billion of which are collateralized by securities, for an estimated uncollateralized and adjusted uninsured deposit total of \$7.81 billion, roughly 42% of total deposits. Total liquidity sources at March 31, 2026, totaled \$7.66 billion, or 98% of adjusted uninsured deposits.

Average noninterest-bearing demand deposits as a percentage of average total deposits were 30.24% during first quarter 2026 and 29.68% during the same period in 2025. The cost of interest-bearing deposits was 2.33% for first quarter 2026, compared with 2.69% for first quarter 2025.

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

	Average Balance/Cost Rate					
	Three Months Ended					
	March 31,			December 31,		
	2026		2025		2025	
Interest-bearing demand and money market accounts	\$ 9,081,281	2.00 %	\$ 7,279,365	2.26 %	\$ 8,266,287	2.03 %
Regular savings	421,240	0.59 %	312,118	0.93 %	331,959	0.75 %
Certificates of deposit	3,097,422	3.54 %	2,540,438	4.12 %	2,789,603	3.72 %
Total interest-bearing	12,599,943	2.33 %	10,131,921	2.69 %	11,387,849	2.40 %
Noninterest-bearing demand	5,463,137		4,276,586		5,184,356	
Total	<u>\$ 18,063,080</u>	1.63 %	<u>\$ 14,408,507</u>	1.89 %	<u>\$ 16,572,205</u>	1.65 %

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

	Average Balance and Composition					
	Three Months Ended					
	March 31,			December 31,		
	2026		2025		2025	
Interest-bearing demand and money market accounts	\$ 9,081,281	50.28 %	\$ 7,279,365	50.52 %	\$ 8,266,287	49.89 %
Regular savings	421,240	2.33 %	312,118	2.17 %	331,959	2.00 %
Certificates of deposit	3,097,422	17.15 %	2,540,438	17.63 %	2,789,603	16.83 %
Total interest-bearing	12,599,943	69.76 %	10,131,921	70.32 %	11,387,849	68.72 %
Noninterest-bearing	5,463,137	30.24 %	4,276,586	29.68 %	5,184,356	31.28 %
Total	<u>\$ 18,063,080</u>	100.00 %	<u>\$ 14,408,507</u>	100.00 %	<u>\$ 16,572,205</u>	100.00 %

Advances from the Federal Home Loan Bank of Atlanta. Advances from the FHLB at March 31, 2026, were \$197.26 million, compared to \$52.45 million at December 31, 2025. The year-to-date increase was primarily attributable to the Dogwood acquisition. In 2025, 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 first quarter 2026 was 4.07%, and 4.02% in fourth quarter 2025.

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The scheduled maturity dates, call dates, and related fixed interest rates on advances from the FHLB at March 31, 2026, are summarized as follows (dollars in thousands):

Maturity	Interest Rate	Call / Reset Date	Outstanding Amount
04/20/2026	3.82%	—	\$ 100,000
04/30/2026	4.56%	—	\$ 5,000
05/20/2026	4.46%	—	\$ 5,000
05/21/2026	4.56%	—	\$ 5,000
05/21/2026	4.72%	—	\$ 5,000
12/14/2026	4.27%	6/15/2026	\$ 5,000
06/17/2027	4.00%	6/17/2026	\$ 5,000
03/05/2027	4.11%	—	\$ 15,000
03/15/2027	3.90%	—	\$ 5,000
07/09/2027	4.33%	07/09/2026	\$ 20,000
11/05/2027	4.59%	—	\$ 5,000
11/15/2028	3.43%	—	\$ 1,326
12/01/2028	2.83%	—	\$ 931
07/09/2029	3.69%	04/09/2026	\$ 20,000
Total FHLB Loans			\$ 197,257

At March 31, 2026, certain residential, HELOCs, agency securities, and commercial mortgages secured by real estate with carrying values of \$3.77 billion collateralized the advances from the FHLB. At December 31, 2025, certain residential HELOCs, second mortgages, agency securities, and commercial mortgages secured by real estate with carrying values of \$2.99 billion collateralized the advances from the FHLB.

In addition to borrowings from the FHLB, we maintain various borrowing arrangements with financial institutions to support liquidity needs. Average total borrowings, including FHLB advances, were \$272.57 million during first quarter 2026, compared with \$81.15 million for fourth quarter 2025, while the average cost of these funds was 3.23% and (0.17)%, respectively. The interest credit in the prior year was related to a combination of low average borrowings during the quarter and the effects of interest capitalization on our construction in progress.

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

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

	March 31, 2026	December 31, 2025
Carrying value of subordinated notes	\$ 284,236	\$ 283,870
Average subordinate debt for the quarter ended	\$ 284,025	\$ 283,601
Average cost of subordinated notes for the quarter ended	3.87 %	3.90 %

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

Applicable Quarter	Per Share Amount	Declaration Date	Record Date	Paid Date
First Quarter 2026	\$ 0.27	February 25, 2026	March 31, 2026	April 10, 2026
Special Dividend	\$ 0.70	April 22, 2026	May 4, 2026	May 20, 2026

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

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

The following table provides summarized information on our availability of liquid funds and borrowings as of March 31, 2026 (in thousands):

	March 31, 2026
Available Liquid Funds:	
Cash and cash equivalents	\$ 1,561,967
Unencumbered investment securities	1,945,944
Availability of Borrowings:	
Amount available from FHLB	1,920,794
Amount available from unsecured lines of credit with correspondent banks	150,000
Amount available from Federal Reserve discount window	2,077,280
	<u>\$ 7,655,985</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

PART I. FINANCIAL INFORMATION

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provide insight into the Company's financial condition, asset quality, and capital adequacy. These ratios include:

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

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

Risk-based capital ratios, which include CET1, Tier 1 capital, total capital, and leverage capital, are calculated based on Basel III regulatory transitional guidance related to the measurement of capital, risk-weighted assets, and average assets. Under FDIC rules, we are considered "well capitalized" as of March 31, 2026.

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

	March 31,		December 31,
	2026	2025	2025
Risk-based capital ratios (1):			
Common equity Tier 1 (4.5% minimum requirement)	11.43 %	12.75 %	11.34 %
Tier 1 (6.0% minimum requirement)	11.47 %	12.87 %	11.39 %
Total (8.0% minimum requirement)	13.87 %	15.65 %	14.14 %
Tier 1 leverage ratio (4.0% minimum requirement)	9.75 %	10.61 %	9.36 %

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

Non-GAAP Financial Measures

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

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

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

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tangible equity. This adjustment allows management to review the Company's core operating results and core capital position.

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

Consolidated Financial Statements

<i>(dollars in thousands)</i>	Three Months Ended March 31,	
	2026	2025
Average assets (GAAP)	\$ 21,888,365	\$ 17,211,862
Less: average goodwill and intangible assets	896,106	516,661
Average tangible assets (non-GAAP)	\$ 20,992,259	\$ 16,695,201
Average equity (GAAP)	\$ 2,848,884	\$ 2,160,014
Less: average goodwill and intangible assets	896,106	516,661
Average tangible equity (non-GAAP)	\$ 1,952,778	\$ 1,643,353
Average common equity (GAAP)	\$ 2,842,105	\$ 2,143,806
Less: average goodwill and intangible assets	896,106	516,661
Average tangible common equity (non-GAAP)	\$ 1,945,999	\$ 1,627,145
Net income (GAAP)	\$ 40,993	\$ 43,714
Amortization of intangibles, net of tax	4,994	2,391
Tangible net income (non-GAAP)	\$ 45,987	\$ 46,105
Total revenue (GAAP)	\$ 246,447	\$ 183,097
Net (gain)/loss on investment securities/equity investments	(126)	(2,000)
Operating income (non-GAAP)	\$ 246,321	\$ 181,097
Noninterest expense (GAAP)	\$ 195,886	\$ 130,536
Less: Amortization of intangibles	6,321	3,026
Noninterest expense net of amortization (non-GAAP)	\$ 189,565	\$ 127,510
	Three Months Ended March 31,	
	2026	2025
Return on average assets (GAAP basis)	0.76 %	1.03 %
Impact of excluding average goodwill and other intangibles and amortization	0.13 %	0.09 %
Return on average tangible assets (non-GAAP)	0.89 %	1.12 %
	Three Months Ended March 31,	
	2026	2025
Return on average equity (GAAP basis)	5.84 %	8.21 %
Impact of excluding average goodwill and other intangibles and amortization	3.71 %	3.18 %
Return on average tangible equity (non-GAAP)	9.55 %	11.39 %

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	<u>Three Months Ended March 31,</u>	
	<u>2026</u>	<u>2025</u>
Efficiency ratio (GAAP)	79.48 %	71.29 %
Impact of excluding goodwill and other intangibles and amortization	(2.52)%	(0.88)%
Efficiency ratio (non-GAAP)	<u>76.96 %</u>	<u>70.41 %</u>

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.

	<u>March 31,</u>	
	<u>2026</u>	<u>2025</u>
Book value per share (GAAP basis)	\$ 31.31	\$ 29.00
Impact of excluding goodwill and other intangibles and amortization	(9.82)	(6.83)
Tangible book value per share (non-GAAP)	<u>\$ 21.49</u>	<u>\$ 22.17</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

At March 31, 2026, we had \$6.50 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	4.04 %
+ 100 basis points	2.13 %
- 100 basis points	(3.35)%
- 200 basis points	(5.86)%

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	\$ (208,553)
+ 100 basis points	\$ (102,050)
- 100 basis points	\$ 41,780
- 200 basis points	\$ 76,981

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 March 31, 2026, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are adequate and effective.

Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2026. There were no changes that occurred during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
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|--------|--|
| (2.1) | Agreement and Plan of Merger, dated as of August 18, 2025, by and between TowneBank and Dogwood State Bank (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on August 22, 2025). |
| (2.2) | Equity Purchase Agreement, dated as of April 3, 2026, by and among Belcrest Vacations Acquisitions, LLC, GSH Residential Real Estate Corporation, Towne Financial Services Group, LLC, TowneBank Investment Corporation and TowneBank (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on April 6, 2026). |
| (10.1) | Amended and Restated Employment Agreement, dated March 20, 2026, by and between TowneBank and G. Robert Aston, Jr. (incorporated by reference to Exhibit 10.1 to our Form 8-K, previously filed with the FDIC on March 26, 2026). |
| (10.2) | Amended and Restated Life Insurance Agreement, dated March 20, 2026, by and among TowneBank, G. Robert Aston, Jr. and certain trustees (incorporated by reference to Exhibit 10.2 to our Form 8-K, previously filed with the FDIC on March 26, 2026). |
| (10.3) | Split Dollar Life Insurance Agreement, dated March 20, 2026, by and between TowneBank and G. Robert Aston, Jr. (incorporated by reference to Exhibit 10.3 to our Form 8-K, previously filed with the FDIC on March 26, 2026). |
| (31.1) | Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| (31.2) | Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

PART II. OTHER INFORMATION

- (32) Certification Pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
- (99) Report of Independent Registered Public Accounting Firm dated May 7, 2026.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TOWNEBANK

May 7, 2026

Date

By: /s/ William I. Foster III

William I. Foster III
President and Chief Executive Officer

May 7, 2026

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 March 31, 2026, of TowneBank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors, and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 7, 2026

Date

/s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

CERTIFICATIONS

I, William B. Littreal, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2026, of TowneBank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors, and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 7, 2026

Date

/s/ William B. Littreal

William B. Littreal

Senior Executive Vice President/Chief Financial Officer

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

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

1. Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2026 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, our financial condition and results of operations as of and for the period covered by the Report.

May 7, 2026

Date

/s/ William I. Foster III

William I. Foster III

President and Chief Executive Officer

May 7, 2026

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.

Forvis Mazars, LLP
1410 Spring Hill Road, Suite 500
Tysons, VA 22102
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of TowneBank

Results of Review of Interim Financial Statements

We have reviewed the condensed consolidated balance sheet of TowneBank (the "Company") as of March 31, 2026, and the related condensed consolidated statements of income, comprehensive income (loss), equity, and cash flows for the three-month periods ended March 31, 2026 and 2025, and the related notes (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

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

Basis for Review Results

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

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

Forvis Mazars, LLP

Tysons, VA

May 7, 2026