FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-Q

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

For the quarterly period ended June 30, 2026

FDIC Insurance Cert. Number: 35095

TOWNEBANK

(Exact name of registrant as specified in its charter)

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

(757) 638-7500

(Registrant's telephone number, including area code)

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

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

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

Yes [X] No [ ]

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

Yes [ ] No [ ]

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes [ ] No [X]

The number of shares of the Company's common stock outstanding as of July 30, 2026, was 92,437,275 shares.

TOWNEBANK

TABLE OF CONTENTS

Part I. Financial Information

Part II. Other Information

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

(Dollars in thousands)	June 30, 2026	December 31, 2025
ASSETS	(unaudited)	(audited)
Cash and due from banks	$ 158,770	$ 129,941
Interest-bearing deposits at FRB	1,546,624	1,097,155
Interest-bearing deposits in financial institutions	110,086	123,553
Total Cash and Cash Equivalents	1,815,480	1,350,649
Securities available for sale, at fair value (amortized cost of $3,027,130 and $2,784,462, and allowance for credit losses of $1,028 and $1,207 at June 30, 2026 and December 31, 2025, respectively)	2,940,962	2,710,189
Securities held to maturity, at amortized cost (fair value $124,597 and $154,269 at June 30, 2026 and December 31, 2025, respectively)	126,333	156,697
Less: allowance for credit losses	(32)	(65)
Securities held to maturity, net of allowance for credit losses	126,301	156,632
Other equity securities	15,907	12,219
FHLB stock	21,550	16,341
Total Securities	3,104,720	2,895,381
Mortgage loans held for sale	275,602	154,444
Government guaranteed loans held for sale	33,915	—
Loans, net of unearned income and deferred costs	15,169,675	13,335,804
Less: allowance for credit losses on loans	(199,918)	(147,343)
Net Loans	14,969,757	13,188,461
Premises and equipment, net	444,807	430,987
Goodwill	808,644	594,080
Other intangible assets, net	96,765	96,528
BOLI	387,841	337,425
Other assets	679,428	639,386
TOTAL ASSETS	$ 22,616,959	$ 19,687,341
LIABILITIES AND EQUITY		
Deposits:		
Noninterest-bearing demand	$ 5,842,944	$ 5,073,157
Interest-bearing:		
Demand and money market accounts	9,468,690	8,390,884
Savings	436,751	332,752
Certificates of deposit	2,965,060	2,712,324
Total Deposits	18,713,445	16,509,117
Advances from the FHLB	127,060	52,452
Subordinated debt, net	284,207	283,870
Repurchase agreements and other borrowings	38,971	34,817
Total Borrowings	450,238	371,139
Other liabilities	451,756	378,076
TOTAL LIABILITIES	19,615,439	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; 92,433,645 and 78,964,038 shares issued at June 30, 2026 and December 31, 2025, respectively	154,087	131,633
Capital surplus	1,695,607	1,254,776
Retained earnings	1,206,036	1,087,343
Common stock issued to deferred compensation trust, at cost: 1,137,994 and 1,086,290 shares at June 30, 2026 and December 31, 2025, respectively	(24,986)	(23,293)
Deferred compensation trust	24,986	23,293
Accumulated other comprehensive income (loss)	(61,247)	(51,685)
TOTAL SHAREHOLDERS' EQUITY	2,994,483	2,422,067
Noncontrolling interest	7,037	6,942
TOTAL EQUITY	3,001,520	2,429,009
TOTAL LIABILITIES AND EQUITY	$ 22,616,959	$ 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)

(Dollars in thousands, except per share data)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
INTEREST INCOME:				
Loans, including fees	$ 215,308	$ 169,772	$ 424,820	$ 322,093
Investment securities	28,236	24,850	55,586	47,689
Interest-bearing deposits in financial institutions and federal funds sold	14,023	10,241	25,483	22,042
Mortgage loans held for sale	3,076	2,770	5,153	5,423
Total interest income	260,643	207,633	511,042	397,247
INTEREST EXPENSE:				
Deposits	71,481	68,152	143,988	135,285
Advances from the FHLB	1,671	124	4,096	149
Subordinated debt, net	2,736	2,609	5,486	4,913
Repurchase agreements and other borrowings	(362)	(465)	(588)	(791)
Total interest expense	75,526	70,420	152,982	139,556
Net interest income	185,117	137,213	358,060	257,691
PROVISION FOR CREDIT LOSSES	625	6,410	969	8,830
Net interest income after provision for credit losses	184,492	130,803	357,091	248,861
NONINTEREST INCOME:				
Residential mortgage banking income, net	12,537	13,561	24,271	23,922
Insurance commissions and related income, net	25,294	25,677	51,328	52,102
Property management income, net	—	18,207	12,440	28,759
Service charges on deposit accounts	4,747	3,642	9,389	6,969
Credit card merchant fees, net	2,145	1,794	4,064	3,491
Investment commissions, net	3,795	3,158	7,515	6,233
BOLI	2,760	1,992	5,779	3,864
Government guaranteed lending income, net	1,994	—	6,195	—
Gain on sale of equity investments	198,550	—	198,550	2,000
Other noninterest income	7,327	4,849	12,997	8,158
Net gain (loss) on investment securities	—	—	126	—
Total noninterest income	259,149	72,880	332,654	135,498
NONINTEREST EXPENSE:				
Salaries and employee benefits	88,730	78,362	181,909	153,440
Occupancy	11,793	9,791	23,798	19,124
Furniture and equipment	5,347	4,770	11,246	9,392
Amortization - intangibles	5,866	3,979	12,187	7,005
Software	7,475	6,835	15,873	13,128
Data processing	3,492	4,510	8,423	8,344
Professional fees	3,164	2,539	6,417	5,192
Advertising and marketing	3,210	3,228	8,887	7,701
FDIC and other insurance	4,285	3,032	7,179	5,893
Acquisition-related expenses	11,212	18,737	42,897	19,157
Other noninterest expenses	45,369	14,882	67,013	32,825
Total noninterest expense	189,943	150,665	385,829	281,201
Income before income tax expense and noncontrolling interest	253,698	53,018	303,916	103,158
Provision for income tax expense	60,080	11,699	69,197	17,831
Net income	193,618	41,319	234,719	85,327
Net income attributable to noncontrolling interest	(432)	(432)	(540)	(727)
Net income attributable to TowneBank	$ 193,186	$ 40,887	$ 234,179	$ 84,600
Per common share information				
Basic earnings	$ 2.10	$ 0.54	$ 2.56	$ 1.13
Diluted earnings	$ 2.09	$ 0.54	$ 2.56	$ 1.12

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

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Net income	$ 193,618	$ 41,319	$ 234,719	$ 85,327
Other comprehensive income (loss)				
Unrealized gains (losses) on securities				
Unrealized holding gains (losses) arising during the period	(3,741)	6,107	(11,948)	42,141
Tax effect	809	(1,329)	2,584	(9,174)
Realized (gains) losses reclassified into earnings	—	—	(126)	—
Tax effect	—	—	26	—
Net unrealized gains (losses)	(2,932)	4,778	(9,464)	32,967
Pension and postretirement benefit plans				
Prior service costs	—	(7)	—	(14)
Tax effect	—	2	—	3
Actuarial gain (loss)	262	256	524	512
Tax effect	(57)	(56)	(114)	(112)
Amortization of prior service costs	133	136	266	271
Tax effect	(28)	(30)	(57)	(59)
Amortization of net actuarial (gain) loss	(458)	(400)	(915)	(800)
Tax effect	99	87	198	174
Change in retirement plans, net of tax	(49)	(12)	(98)	(25)
Other comprehensive income (loss), net of tax	(2,981)	4,766	(9,562)	32,942
Comprehensive income	$ 190,637	$ 46,085	$ 225,157	$ 118,269
Comprehensive income attributable to noncontrolling interest	(432)	(432)	(540)	(727)
Comprehensive income attributable to TowneBank	$ 190,205	$ 45,653	$ 224,617	$ 117,542

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

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(Dollars in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
OPERATING ACTIVITIES:		
Net income	$ 234,719	$ 85,327
Adjustments to reconcile net income to net cash used for operating activities:		
Net (accretion) amortization of securities	(2,799)	(428)
Investment securities gains	(126)	—
Depreciation, amortization, and other intangible amortization	25,849	18,305
Amortization of debt issuance costs	337	337
Provision for credit losses	969	8,830
BOLI	(5,779)	(3,864)
Deferred income tax expense (benefit)	13,187	(6,034)
Share-based compensation expense	6,148	4,777
Originations of mortgage loans held for sale	(1,307,228)	(1,139,539)
Proceeds from sales of mortgage loans held for sale	1,223,003	1,138,342
Gain on sales of mortgage loans held for sale	(36,932)	(33,469)
Gain on sale of government guaranteed loans held for sale	(6,446)	—
Net originations from sales of government guaranteed loans held for sale	9,510	—
Gain on sale of equity investments	(198,550)	(2,000)
Loss on disposal of fixed assets	72	125
Gain on sale and write-down of foreclosed assets	255	—
Changes in:		
Interest receivable	(7,446)	(3,323)
Other assets	32,468	671
Interest payable	4,520	700
Other liabilities	24,142	22,488
Net cash provided by operating activities	9,873	91,245
INVESTING ACTIVITIES:		
Purchase of available-for-sale securities	(341,756)	(207,737)
Sale of available-for-sale securities	66,741	1,530
Net change in FHLB stock	2,801	(289)
Proceeds from maturities, calls, and prepayments of available-for-sale securities	212,985	122,349
Proceeds from maturities, calls, and prepayments of held-to-maturity securities	30,094	10,354
Proceeds from maturities, calls, and prepayments of other securities	416	127
Net change in loans	107,968	(324,697)
Net change in investment in LIHTC	(12,633)	(15,070)
Purchase of premises and equipment	(21,629)	(23,104)
Proceeds from sales of premises and equipment	415	1,424
Proceeds from sales of foreclosed assets	13,251	1,198
Proceeds from sale of equity investment	248,842	2,000
Proceeds from BOLI	642	2,011
Acquisition of business, net of cash acquired	61,411	(88,096)
Net cash provided by (used for) investing activities	369,548	(518,000)
FINANCING ACTIVITIES:		
Net change in deposit accounts	272,815	253,924
Net change in short-term borrowings	(45,846)	(12,836)
Repayment of long-term borrowings	(30,392)	(379)
Distribution of noncontrolling interest	(445)	(476)
Purchase of noncontrolling interest	—	(3,646)
Cash dividends paid	(110,722)	(37,619)
Net cash provided by financing activities	85,410	198,968
Change in cash and cash equivalents	464,831	(227,787)
Cash and cash equivalents at beginning of year	1,350,649	1,339,475
Cash and cash equivalents at end of period	$ 1,815,480	$ 1,111,688
Supplemental cash flow information:		
Cash paid for interest	$ 148,462	$ 138,856
Cash paid (refunded) for federal income taxes	$ 3,017	$ 396
Cash paid (refunded) for state income taxes - total	$ 1,983	$ 1,770
Noncash financing and investing activities:		
Transfer from loans to foreclosed property	$ 17,980	$ 1,698
Net unrealized gains (losses) on available-for-sale securities, net of tax	$ (9,464)	$ 32,967
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

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

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

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

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

Note 1. Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of TowneBank have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all of the disclosures and notes necessary for a complete presentation of financial position, results of operations, and cash flow activity required in accordance with GAAP. In the opinion of management, the financial statements reflect all adjustments of a normal, recurring nature that are necessary for a fair presentation for the periods presented as required by Regulation S-X, Rule 10-01, of the SEC. These statements should be read in conjunction with the Company's 2025 audited Consolidated Financial Statements and the 2025 Annual Report on Form 10-K. Results of operations for the three- and six-month periods ended June 30, 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 June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share data)	**2026**	**2025**	**2026**	**2025**
Basic				
Net income available to common shareholders	$ 193,186	$ 40,887	$ 234,179	$ 84,600
Weighted-average common shares outstanding	92,165,341	75,240,678	91,304,096	75,195,424
Basic earnings per common share	$ 2.10	$ 0.54	$ 2.56	$ 1.13
Diluted				
Net income available to common shareholders	$ 193,186	$ 40,887	$ 234,179	$ 84,600
Annualized interest impact of Series IV Notes, net of tax	41	42	83	84
Net income for diluted earnings per share	$ 193,227	$ 40,929	$ 234,262	$ 84,684
Weighted-average common shares outstanding	92,165,341	75,240,678	91,304,096	75,195,424
Effect of dilutive securities:				
Impact of Series IV Notes	96,872	98,244	96,872	98,244
Stock compensation plans (1)	201,345	201,900	215,273	241,816
Weighted-average diluted shares outstanding	92,463,558	75,540,822	91,616,241	75,535,484
Diluted earnings per common share	$ 2.09	$ 0.54	$ 2.56	$ 1.12

(1) There were no anti-dilutive stock options or restricted stock shares to be excluded from the computation of diluted earnings per share for the three and six months ended June 30, 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 $233.27 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

The following table presents the estimated fair values of the assets acquired and liabilities assumed for 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
Government guaranteed loans held for sale		36,981
Loans held for investment		1,905,599
Bank premises and equipment		25,620
Core deposit intangible		30,490
BOLI		45,438
Servicing assets		4,606
Other assets		41,916
Total assets	$	2,343,049
Fair value of liabilities assumed:		
Deposits	$	1,931,513
FHLB advances		155,000
Other liabilities		31,844
Total liabilities	$	2,118,357
Net identifiable assets acquired	$	224,692
Goodwill		233,268
Purchase price	$	457,960
Purchase price:		
Number of Company common shares issued		13,182,144
Purchase price per share of Company's common stock	$	34.74
Value of common stock issued	$	457,948
Cash paid	$	12
Total purchase price	$	457,960

During the quarter ended June 30, 2026, immaterial adjustments were made to the initial fair value estimates of government guaranteed loans held for sale, loans held for investment, bank premises and equipment, other assets, deferred taxes, and other liabilities, which resulted in an overall $5.80 million decrease in net identifiable assets acquired.

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

Purchase price of financial assets with credit deterioration	$	94,842
Allowance for credit losses at acquisition date		25,257
Discount attributable to other factors		9,576
Par value of financial assets with credit deterioration	$	129,675

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

Old Point Financial Corporation: On September 1, 2025, TowneBank completed its acquisition of Old Point Financial Corporation ("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 $92.73 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

The following table presents 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		956,429
Bank premises and equipment		26,927
Core deposit intangible		31,390
BOLI		36,935
Other assets		22,360
Total assets	$	1,403,159
Fair value of liabilities assumed:		
Deposits	$	1,210,981
Repurchase agreements		1,484
FHLB advances		40,000
Subordinated debt net		25,274
Other liabilities		6,792
Total liabilities	$	1,284,531
Net identifiable assets acquired	$	118,628
Goodwill		92,729
Purchase price	$	211,357
Purchase price:		
Number of Company common shares issued		3,488,818
Purchase price per share of Company's common stock	$	36.69
Value of common stock issued	$	128,005
Cash paid	$	83,352
Total purchase price	$	211,357

During the quarter ended June 30, 2026, immaterial adjustments were made to the initial fair value estimates of loans held for investment, bank premises and equipment, other assets, and other liabilities, which resulted in an overall $1.30 million decrease in net identifiable assets acquired. Loans acquired in the Old Point merger were divided into loans with evidence of credit quality deterioration, or PCD, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of September 1, 2025, the estimated fair value of Old Point purchased performing loans acquired was $876.64 million, the related gross contractual amount was $1.04 billion, and estimated contractual cash flows not expected to be collected were $7.05 million.

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

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

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

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

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

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

Fair value of assets acquired:		
Cash and cash equivalents	$	32,313
Securities available for sale		74,310
Other securities		1,245
Mortgage loans held for sale		3,615
Loans held for investment		576,239
Bank premises and equipment		12,896
Core deposit intangible		21,020
BOLI		13,098
Other assets		11,191
Total assets	$	745,927
Fair value of liabilities assumed:		

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

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

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

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

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

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

	Pro Forma for the Three Months Ended June 30,				Pro Forma for the Six Months Ended June 30,			
	2026		2025		2026		2025	
Revenues (net interest income plus noninterest income)	$	442,903	$	254,839	$	690,318	$	493,030
Net income	$	201,458	$	47,408	$	265,388	$	59,080
Total acquisition-related expenses (net of tax)	$	(8,983)	$	179	$	(32,717)	$	43,601
Accretion adjustments	$	(900)	$	(214)	$	(4,322)	$	14,365

Note 4. Investment Securities

Available-for-sale debt securities

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

June 30, 2026	Amortized Cost (1)		Gross Unrealized Gains		Gross Unrealized Losses		Allowance for Credit Losses		Fair Value	
U.S. agency securities	$	425,589	$	628	$	(23,479)	$	—	$	402,738
U.S. Treasury notes		176,731		852		(1,190)		—		176,393
Municipal securities		558,184		2,920		(20,180)		(287)		540,637
Trust preferred and other corporate securities		166,510		1,758		(4,228)		(741)		163,299
MBSs issued by GSEs and GNMA		1,700,116		2,914		(45,135)		—		1,657,895
Total available-for-sale securities	$	3,027,130	$	9,072	$	(94,212)	$	(1,028)	$	2,940,962

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

(1) Amortized cost amounts exclude accrued interest receivable, which was $14.68 million as of June 30, 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 June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Gross gains	$ —	$ —	$ 236	$ —
Gross (losses)	—	—	(110)	—
Net gains (losses)	$ —	$ —	$ 126	$ —
Sales proceeds*	$ —	$ 1,559	$ 66,962	$ 1,559

*There were no investment securities sold in second quarter 2026. Proceeds include interest on investment securities sold of $29 thousand in second quarter 2025. Proceeds include interest on investment securities sold of $221 thousand and $29 thousand in the first six months of 2026 and 2025, respectively.

Held-to-maturity debt securities

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

June 30, 2026	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
U.S. agency securities	$ 18,403	$ —	$ (541)	$ 17,862	$ —
U.S. Treasury notes	95,317	—	(1,374)	93,943	—
Municipal securities	5,515	124	—	5,639	(2)
Trust preferred and other corporate securities	2,041	71	—	2,112	(30)
MBSs issued by GSEs	5,057	—	(16)	5,041	—
Total held-to-maturity securities	$ 126,333	$ 195	$ (1,931)	$ 124,597	$ (32)

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

(1) Amortized cost amounts exclude accrued interest receivable, which was $0.70 million as of June 30, 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	
June 30, 2026	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 204,536	$ 202,099	$ 100,374	$ 98,984
Due after one year through five years	760,780	732,996	22,397	21,998
Due after five years through ten years	529,433	511,825	2,021	2,074
Due after ten years	1,532,381	1,494,042	1,541	1,541
	$ 3,027,130	$ 2,940,962	$ 126,333	$ 124,597

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

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

June 30, 2026		Less than 12 months		12 months or more		Total	
Description of Securities	**Number**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
U.S. agency securities	90	$ 109,491	$ (1,291)	$ 205,438	$ (22,188)	$ 314,929	$ (23,479)
U.S. Treasury notes	9	97,450	(909)	29,039	(282)	126,489	(1,191)
Municipal securities	52	18,639	(232)	132,471	(9,085)	151,110	(9,317)
Trust preferred and other corporate securities	2	4,182	(16)	—	—	4,182	(16)
MBSs issued by GSEs and GNMA	384	483,797	(6,267)	827,201	(38,868)	1,310,998	(45,135)
Total AFS securities	537	$ 713,559	$ (8,715)	$ 1,194,149	$ (70,423)	$ 1,907,708	$ (79,138)

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

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

Three Months Ended June 30, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 421	$ 934	$ 1,355
Provision for credit losses	(134)	(193)	(327)
Balance, end of period	$ 287	$ 741	$ 1,028

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

Six Months Ended June 30, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 218	$ 989	$ 1,207
Provision for credit losses	69	(248)	(179)
Balance, end of period	$ 287	$ 741	$ 1,028

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

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

June 30, 2026	Credit Ratings					
Description of Securities	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Total
U.S. agency securities	$ 18,403	$ —	$ —	$ —	$ —	$ 18,403
U.S. Treasury notes	74,929	20,388	—	—	—	95,317
Municipal securities	2,020	3,495	—	—	—	5,515
Trust preferred and other corporate securities	—	—	500	1,541	—	2,041
MBSs issued by GSEs	5,057	—	—	—	—	5,057
Total	$ 100,409	$ 23,883	$ 500	$ 1,541	$ —	$ 126,333

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

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

June 30, 2026							
Description of Securities	2026	2025	2024	2023	2022	Prior	Total
U.S. agency securities	$ —	$ —	$ —	$ —	$ 18,403	$ —	$ 18,403
U.S. Treasury notes	—	—	—	—	74,929	20,388	95,317
Municipal securities	—	—	—	—	—	5,515	5,515
Trust preferred and other corporate securities	—	—	—	—	—	2,041	2,041
MBSs issued by GSEs	—	—	—	—	—	5,057	5,057
Total	$ —	$ —	$ —	$ —	$ 93,332	$ 33,001	$ 126,333

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 June 30, 2026	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 2	$ 31	$ 33
Provision for credit losses	—	(1)	(1)
Balance, end of period	$ 2	$ 30	$ 32

Three Months Ended June 30, 2025	Municipal Securities	Trust Preferred and Other Corporate Securities	Total
Balance, beginning of period	$ 4	$ 64	$ 68
Provision for credit losses	—	(1)	(1)
Balance, end of period	$ 4	$ 63	$ 67

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

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

Equity securities

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

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

	June 30, 2026	December 31, 2025
FHLB stock	$ 21,550	$ 16,341
Other equity securities	$ 15,907	$ 12,219

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

Pledged securities

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

	June 30, 2026		December 31, 2025	
To secure federal, state, and municipal deposits	$	749,627	$	739,843
To secure borrowings from the FHLB	$	2,356	$	2,822
To secure repurchase agreements with commercial customers	$	41,038	$	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 $1.83 billion, compared to December 31, 2025. The following table presents loan balances by major classification as of the dates indicated (in thousands):

	June 30, 2026		December 31, 2025	
Community Banking:				
Commercial Real Estate				
Construction and land development	$	1,308,080	$	1,266,242
Owner occupied		2,401,402		1,932,015
Non-owner occupied		4,317,091		3,777,350
Multi-family		865,154		858,212
Total Commercial Real Estate		8,891,727		7,833,819
Residential 1-4 family		2,326,019		2,181,949
HELOC		682,941		583,725
C&I		1,615,241		1,455,455
Government		524,444		507,586
Indirect		690,321		672,401
Consumer loans and other		222,970		100,869
Community Banking Loans, net of unearned income and deferred costs	$	14,953,663	$	13,335,804
Government Guaranteed Lending:				
Commercial Real Estate				
Construction and land development		12,846		—
Owner occupied		94,943		—
Total Commercial Real Estate		107,789		—
C&I	$	108,216	$	—
Consumer		7		—
Government Guaranteed Lending, net of unearned income and deferred costs	$	216,012	$	—
Total Loans Held for Investment, net of unearned income and deferred costs	$	15,169,675	$	13,335,804

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

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

	June 30, 2026	December 31, 2025
Deferred loan costs in excess of unearned income	$ 1,973	$ 1,727
Unaccreted discount on PCD loans	(13,762)	(9,521)
Unaccreted discount on non-PCD loans	(35,048)	(34,246)
Nonaccrual loans (1)	32,430	11,726
Loans pledged as collateral to secure overnight borrowings with the FHLB	3,874,506	2,977,435

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

	June 30, 2026	June 30, 2025
Three months ended	$ 656	$ 132
Six months ended	$ 1,293	$ 266

Modifications to Debtors Experiencing Financial Difficulty

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

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

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

	For Quarter Ended June 30, 2026		For Six Months Ended June 30, 2026	
	Convert to Interest Only		Convert to Interest Only	
Loan Classification	**Amortized Cost Basis at June 30, 2026**	**% of Total Class of Financing Receivable**	**Amortized Cost Basis at June 30, 2026**	**% of Total Class of Financing Receivable**
Commercial Real Estate				
Non-owner occupied	228	0.01 %	$ 228	0.01 %
Total Commercial Real Estate	228		228	
C&I	$ —	— %	$ 50	— %
Subtotal	$ 228	— %	$ 278	— %
	Term Extension		Term Extension	
Loan Classification	**Amortized Cost Basis at June 30, 2026**	**% of Total Class of Financing Receivable**	**Amortized Cost Basis at June 30, 2026**	**% of Total Class of Financing Receivable**
Commercial Real Estate				
Construction and land development	$ 1,119	0.08 %	$ 5,048	0.38 %
Owner occupied	349	0.01 %	1,958	0.08 %
Non-owner occupied	15,398	0.36 %	11,850	0.27 %
Total Commercial Real Estate	16,866	0.19 %	18,856	0.21 %
Residential 1-4 family	112	— %	173	0.01 %
HELOC	1,691	0.25 %	1,885	0.28 %
C&I	1,495	0.09 %	2,688	0.16 %
Consumer loans and other	—	— %	22	0.01 %
Subtotal	$ 20,164	0.13 %	$ 23,624	0.16 %
Total (1)	**$ 20,392**	**0.13 %**	**$ 23,902**	**0.16 %**

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

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

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

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

The following table describes the financial effect of modifications made to borrowers experiencing financial difficulty for the periods ended June 30, 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.
Indirect	Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of Indirect loans.
C&I	Extended maturities and converted to interest only to allow time for resolution, sale of collateral, or alternate financing. These modifications did not impact the weighted-average life of C&I loans.
Consumer loans and other	Extended maturities and/or rate to allow time for resolution and/or alternate financing. This modification did not impact the weighted-average life of Consumer loans.

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

	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted				
Loan Classification	**Interest Rate Reduction**	**Term Extension**	**Principal Forgiveness**	**Combined Term Extension and Principal Forgiveness**	**Combined Term Extension and Interest Rate Reduction**
Defaults during the quarter ended March 31, 2026					
Residential 1-4 family (1)	$ —	$ 344	$ —	$ —	$ —
Defaults during the quarter ended June 30, 2026					
C&I	$ —	$ 674	$ —	$ —	$ —
	$ —	$ 1,018	$ —	$ —	$ —

(1) One of two loans in the balance was brought current in Q2 2026.

	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted				
Loan Classification	**Interest Rate Reduction**	**Term Extension**	**Principal Forgiveness**	**Combined Term Extension and Principal Forgiveness**	**Combined Term Extension and Interest Rate Reduction**
Defaults during the quarter ended March 31, 2025					
CRE-Owner Occupied (1)	$ —	$ 7,462	$ —	$ —	$ —
Defaults during the quarter ended June 30, 2025					
C&I	$ —	$ 114	$ —	$ —	$ —
	$ —	$ 7,576	$ —	$ —	$ —

(1) Brought current in Q2 2025.

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

June 30, 2026	Payment Status (Amortized Cost Basis)		
Loan Classification	**Current**	**30 - 89 Days Past Due**	**90+ Days Past Due**
Commercial Real Estate			
Construction and land development	$ 5,048	$ —	$ —
Owner occupied	3,603	—	—
Non-owner occupied	14,564	—	—
Total Commercial Real Estate	23,215	—	—
Residential 1-4 family	667	—	34
HELOC	1,885	—	—
C&I	2,485	—	674
Indirect	—	—	—
Consumer loans and other	1,360	—	—
	$ 29,612	$ —	$ 708

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

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):

	June 30, 2026		June 30, 2025	
Loan Classification	Number	Available Commitment	Number	Available Commitment
Commercial Real Estate				
Owner occupied	0	$ —	5	$ 541
Non-owner occupied	1	1,123	3	3,007
Total Commercial Real Estate	1	1,123	8	3,548
Residential 1-4 family	0	—	1	13
C&I	2	1,922	6	518
	3	$ 3,045	15	$ 4,079

Note 6. Allowance for Credit Losses

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

	June 30, 2026	December 31, 2025
Accrued interest receivable on loans excluded from the estimate of ECL	$ 48,312	$ 42,858
Individually assessed loans	85,099	54,767
Specific reserves on individually assessed loans	18,782	1,651

	Three Months Ended June 30,		Six Months Ended June 30,	
Provision for Credit Losses	2026	2025	2026	2025
Loans and unfunded loan commitments	$ 953	$ 6,153	1,180	8,646
Initial provision for non-PCD Village loans and unfunded loan commitments	$ —	$ 6,236	—	6,236

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 June 30, 2026	Balance, Beginning of Period	Initial Allowance Dogwood	Initial Allowance Old Point	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 19,775	$ —	$ —	$ (4,030)	$ —	$ 1	$ 15,746
Owner occupied	13,618	—	—	1,315	—	—	14,933
Non-owner occupied	34,454	—	—	(1,154)	—	10	33,310
Multi-family	6,616	—	—	(512)	—	—	6,104
Residential 1-4 family	35,154	—	—	135	—	23	35,312
HELOC	22,370	—	—	1,203	(31)	41	23,583
C&I	22,536	8,927	—	(1,627)	(547)	143	29,432
Government	4,654	—	—	152	—	—	4,806
Indirect	11,391	—	2,175	3,329	(4,128)	126	12,893
Consumer loans and other	4,825	—	—	865	(114)	23	5,599
Government guaranteed loans	23,874	(3,642)	—	(729)	(1,508)	205	18,200
Total	$ 199,267	$ 5,285	$ 2,175	$ (1,053)	$ (6,328)	$ 572	$ 199,918

Three Months Ended June 30, 2025	Balance, Beginning of Period	Initial Provision Non-PCD Loans	Provision (Benefit)	Initial Allowance for PCD Loans	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 17,197	$ 975	$ 801	$ —	$ —	$ 12	$ 18,985
Owner occupied	14,303	977	232	151	—	19	15,682
Non-owner occupied	21,445	954	(811)	903	—	8	22,499
Multi-family	3,854	60	(252)	21	—	—	3,683
Residential 1-4 family	30,436	1,577	360	162	(46)	16	32,505
HELOC	18,182	873	724	130	—	55	19,964
C&I	11,220	575	(1,260)	323	(83)	470	11,245
Government	2,458	—	—	—	—	—	2,458
Indirect	5,186	—	553	—	(515)	78	5,302
Consumer loans and other	1,850	64	(18)	1	(56)	23	1,864
Total	$ 126,131	$ 6,055	$ 329	$ 1,691	$ (700)	$ 681	$ 134,187

Six Months Ended June 30, 2026	Balance, Beginning of Period	Initial Allowance Dogwood	Initial Allowance Old Point	Provision (Benefit)	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 20,204	$ 2,844	$ —	$ (7,304)	$ —	$ 2	$ 15,746
Owner occupied	11,378	2,689	—	866	—	—	14,933
Non-owner occupied	27,592	6,840	—	(1,207)	—	85	33,310
Multi-family	5,830	388	—	(114)	—	—	6,104
Residential 1-4 family	31,797	3,219	—	168	(19)	147	35,312
HELOC	20,803	2,276	—	383	(34)	155	23,583
C&I	11,852	19,239	—	(1,391)	(547)	279	29,432
Government	3,975	—	—	831	—	—	4,806
Indirect	11,462	—	2,175	3,672	(4,642)	226	12,893
Consumer loans and other	2,450	2,692	—	692	(270)	35	5,599
Government guaranteed loans	—	19,305	—	1,758	(3,110)	247	18,200
Total	$ 147,343	$ 59,492	$ 2,175	$ (1,646)	$ (8,622)	$ 1,176	$ 199,918

Six Months Ended June 30, 2025	Balance, Beginning of Period	Initial Provision Non-PCD Loans	Provision (Benefit)	Initial Allowance for PCD Loans	Write-offs	Recoveries	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 18,158	$ 975	$ (226)	$ —	$ (53)	$ 131	$ 18,985
Owner occupied	14,550	977	(15)	151	—	19	15,682
Non-owner occupied	21,175	954	(549)	903	—	16	22,499
Multi-family	3,819	60	(217)	21	—	—	3,683
Residential 1-4 family	30,908	1,577	(125)	162	(46)	29	32,505
HELOC	17,371	873	1,503	130	—	87	19,964
C&I	9,594	575	484	323	(206)	475	11,245
Government	2,603	—	(145)	—	—	—	2,458
Indirect	3,781	—	2,442	—	(1,104)	183	5,302
Consumer loans and other	1,964	64	11	1	(499)	323	1,864
Total	$ 123,923	$ 6,055	$ 3,163	$ 1,691	$ (1,908)	$ 1,263	$ 134,187

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 June 30, 2026			Six Months Ended June 30, 2026			
	Balance, Beginning of Period	Provision (Benefit)	Balance, End of Period	Balance, Beginning of Period	Initial Provision - Dogwood	Provision (Benefit)	Balance, End of Period
Commercial Real Estate							
Construction and land development	$ 1,400	$ 902	$ 2,302	$ 1,215	$ 154	$ 933	$ 2,302
Owner occupied	174	(25)	149	173	64	(88)	149
Non-owner occupied	230	(5)	225	231	80	(86)	225
Multi-family	44	1	45	43	24	(22)	45
Residential 1-4 family	—	—	—	—	—	—	—
HELOC	3,783	192	3,975	3,611	282	82	3,975
C&I	3,909	786	4,695	3,523	493	679	4,695
Government	—	—	—	—	—	—	—
Indirect	—	—	—	—	—	—	—
Consumer loans and other	1,622	118	1,740	1,581	13	146	1,740
Government guaranteed loans	36	36	72	—	54	18	72
Total	$ 11,198	$ 2,005	$ 13,203	$ 10,377	$ 1,164	$ 1,662	$ 13,203

	Three Months Ended June 30, 2025				Six Months Ended June 30, 2025			
	Balance, Beginning of Period	Initial Allowance for PCD Loans	Provision (Benefit)	Balance, End of Period	Balance, Beginning of Period	Initial Allowance for PCD Loans	Provision (Benefit)	Balance, End of Period
Commercial Real Estate								
Construction and land development	$ 978	$ 28	$ (396)	$ 610	$ 1,496	$ 28	$ (914)	$ 610
Owner occupied	364	42	(116)	290	239	42	9	290
Non-owner occupied	304	5	(1)	308	215	5	88	308
Multi-family	30	—	37	67	36	—	31	67
Residential 1-4 family	—	—	—	—	—	—	—	—
HELOC	3,194	—	319	3,513	3,053	—	460	3,513
C&I	2,124	106	(269)	1,961	2,335	106	(480)	1,961
Government	—	—	—	—	—	—	—	—
Indirect	—	—	—	—	—	—	—	—
Consumer loans and other	1,502	—	14	1,516	1,463	—	53	1,516
Total	$ 8,496	$ 181	$ (412)	$ 8,265	$ 8,837	$ 181	$ (753)	$ 8,265

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

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

In general, the macroeconomic forecast scenarios utilized in the current quarter models showed increased uncertainty and moderate deterioration from the previous quarter. Additional factors considered were changes in loan portfolio composition, interest rates, loan risk ratings, charge-off experience, and inherent risks within specific loan groups. In order to further enhance the accuracy and responsiveness of the models used for estimating credit losses, the Company implemented recalibrated models during the quarter ended September 30, 2025. In addition to utilizing more intuitive macroeconomic variables and providing improved sensitivity to economic conditions, the recalibrated models allow greater segmentation of loan portfolios, including non-owner occupied, owner occupied, multi-family, and indirect portfolios. While the overall credit allowance was not significantly impacted, the improved segmentation granularity resulted in allowance movement between certain loan portfolios.

Credit quality indicators

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

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

For consumer-related credits, the Company utilizes credit scores calculated and maintained by one of three credit bureaus. Credit scores range between 300 and 850, with a lower score indicating a potentially higher risk. Credit scores are updated semi-annually, with the most recent update in 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 June 30, 2026 and December 31, 2025 (in thousands):

June 30, 2026

Community Banking

	Term Loans By Origination								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Construction and Land Development									
Pass	$ 355,228	$ 568,506	$ 162,665	$ 84,771	$ 34,613	$ 33,596	$ 53,809	$ 12,608	$ 1,305,796
Special Mention	—	—	—	818	—	—	—	—	818
Substandard	1,119	220	—	—	120	7	—	—	1,466
	$ 356,347	$ 568,726	$ 162,665	$ 85,589	$ 34,733	$ 33,603	$ 53,809	$ 12,608	$ 1,308,080
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

	Term Loans By Origination								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
CRE - Owner Occupied									
Pass	$ 258,084	$ 473,409	$ 261,445	$ 238,223	$ 366,352	$ 700,157	$ 29,465	$ 256	$ 2,327,391
Special Mention	3,952	8,915	4,924	1,704	2,254	15,991	2,155	—	39,895
Substandard	164	1,126	6,780	5,945	12,904	5,752	1,445	—	34,116
	$ 262,200	$ 483,450	$ 273,149	$ 245,872	$ 381,510	$ 721,900	$ 33,065	$ 256	$ 2,401,402
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE - Non-Owner Occupied									
Pass	$ 525,387	$ 873,811	$ 560,187	$ 434,254	$ 693,414	$ 1,098,934	$ 31,860	$ 1,476	$ 4,219,323
Special Mention	26,612	—	—	18,928	13,016	6,338	—	—	64,894
Substandard	350	2,670	2,055	14,071	3,949	9,779	—	—	32,874
	$ 552,349	$ 876,481	$ 562,242	$ 467,253	$ 710,379	$ 1,115,051	$ 31,860	$ 1,476	$ 4,317,091
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE - Multi-Family									
Pass	$ 142,027	$ 185,245	$ 99,213	$ 69,027	$ 200,198	$ 152,685	$ 5,749	$ 8,796	$ 862,940
Special Mention	—	—	—	—	2,073	—	—	—	2,073
Substandard	—	—	—	—	—	141	—	—	141
	$ 142,027	$ 185,245	$ 99,213	$ 69,027	$ 202,271	$ 152,826	$ 5,749	$ 8,796	$ 865,154
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
C&I									
Pass	$ 165,067	$ 287,746	$ 154,547	$ 72,371	$ 103,285	$ 117,163	$ 664,106	$ 2,354	$ 1,566,639
Special Mention	1,833	5,956	1,337	2,319	9,086	1,152	4,075	600	26,358
Substandard	1,328	464	1,105	3,650	689	12,405	2,114	489	22,244
	$ 168,228	$ 294,166	$ 156,989	$ 78,340	$ 113,060	$ 130,720	$ 670,295	$ 3,443	$ 1,615,241
Gross Write-Offs	$ —	$ 8	$ —	$ 539	$ —	$ —	$ —	$ —	$ 547
Government									
Pass	$ 47,455	$ 22,737	$ 9,676	$ 36,866	$ 69,480	$ 299,980	$ 38,250	$ —	$ 524,444
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
	$ 47,455	$ 22,737	$ 9,676	$ 36,866	$ 69,480	$ 299,980	$ 38,250	$ —	$ 524,444
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential 1 - 4 Family									
Credit Score:									
> = 750	$ 159,782	$ 245,301	$ 152,785	$ 236,204	$ 508,282	$ 666,149	$ —	$ 495	$ 1,968,998
650-749	23,766	32,460	27,001	38,911	87,454	129,423	258	—	339,273
450-649	61	2,321	1,917	1,361	5,241	6,847	—	—	17,748
300-449	—	—	—	—	—	—	—	—	—
	$ 183,609	$ 280,082	$ 181,703	$ 276,476	$ 600,977	$ 802,419	$ 258	$ 495	$ 2,326,019
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ 19	$ —	$ —	$ 19

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

	Term Loans By Origination								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
HELOC									
Credit Score:									
> = 750	$ 953	$ 23,990	$ 11,959	$ 8,609	$ 8,179	$ 18,322	$ 491,150	$ 365	$ 563,527
650-749	132	—	248	926	1,062	1,904	108,176	825	113,273
450-649	655	—	—	245	261	845	3,830	145	5,981
300-449	—	—	—	—	—	22	138	—	160
	$ 1,740	$ 23,990	$ 12,207	$ 9,780	$ 9,502	$ 21,093	$ 603,294	$ 1,335	$ 682,941
Gross Write-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 34	$ 34
Indirect									
Credit Score:									
> = 750	$ 131,351	$ 175,091	$ 89,462	$ 45,204	$ 43,830	$ 11,100	$ —	$ —	$ 496,038
650-749	23,075	48,742	37,585	29,101	37,169	13,277	—	—	188,949
450-649	9	859	796	693	1,868	1,107	—	—	5,332
300-449	—	—	—	—	—	2	—	—	2
	$ 154,435	$ 224,692	$ 127,843	$ 74,998	$ 82,867	$ 25,486	$ —	$ —	$ 690,321
Gross Write-Offs	$ —	$ 886	$ 1,398	$ 927	$ 912	$ 519	$ —	$ —	$ 4,642
Consumer Loans and Other									
Credit Score:									
> = 750	$ 16,135	$ 10,563	$ 13,730	$ 26,120	$ 25,477	$ 57,272	$ 59,038	$ 20	$ 208,355
650-749	2,433	2,404	1,067	1,225	478	1,229	4,942	—	13,778
450-649	124	136	89	54	53	207	172	2	837
300-449	—	—	—	—	—	—	—	—	—
	$ 18,692	$ 13,103	$ 14,886	$ 27,399	$ 26,008	$ 58,708	$ 64,152	$ 22	$ 222,970
Gross Write-Offs	$ —	$ 70	$ 66	$ 15	$ 39	$ 69	$ 9	$ 2	$ 270
	Total Community Banking								
Total	$ 1,887,082	$ 2,972,672	$ 1,600,573	$ 1,371,600	$ 2,230,787	$ 3,361,786	$ 1,500,732	$ 28,431	$ 14,953,663
Gross Write-offs	$ —	$ 964	$ 1,464	$ 1,481	$ 951	$ 607	$ 9	$ 36	$ 5,512

Government Guaranteed Banking

	Term Loans By Origination								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 14,674	$ 35,127	$ 66,487	$ 20,574	$ 36,220	$ 32,109	$ —	$ —	$ 205,191
Special Mention	—	—	—	1,023	1,699	1,199	—	23	3,944
Substandard	—	—	—	323	3,655	2,808	—	91	6,877
Doubtful	—	—	—	—	—	—	—	—	—
	$ 14,674	$ 35,127	$ 66,487	$ 21,920	$ 41,574	$ 36,116	$ —	$ 114	$ 216,012
Gross Write-Offs	$ —	$ 167	$ 1,168	$ 676	$ 987	$ 112	$ —	$ —	$ 3,110
	Total Loan Portfolio								
Grand Total	$ 1,901,756	$ 3,007,799	$ 1,667,060	$ 1,393,520	$ 2,272,361	$ 3,397,902	$ 1,500,732	$ 28,545	$ 15,169,675
Total Gross Write-Offs	$ —	$ 1,131	$ 2,632	$ 2,157	$ 1,938	$ 719	$ 9	$ 36	$ 8,622

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

December 31, 2025

	Community Banking								
	Term Loans By Origination								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
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
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 June 30, 2026, CDA loans measured at the fair value of collateral totaled $80.80 million, with specific reserves of $18.29 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 June 30, 2026 and December 31, 2025 (in thousands):

	Type of Collateral and Extent to Which Collateral Secures Loans					
June 30, 2026	Residential Property	Investment Property	Commercial Property	Business Assets	Financial Assets Not Considered Collateral Dependent	Total
Commercial Real Estate						
Construction and land development	$ —	$ 1,101	$ —	$ —	$ 1,306,979	$ 1,308,080
Owner occupied	—	—	31,091	—	2,370,311	2,401,402
Non-owner occupied	—	48,943	—	—	4,268,148	4,317,091
Multi-family	—	2,073	—	—	863,081	865,154
Residential 1-4 family	3,076	4,789	—	—	2,318,154	2,326,019
HELOC	1,605	—	—	—	681,336	682,941
C&I	—	—	—	2,842	1,612,399	1,615,241
Government	—	—	—	—	524,444	524,444
Indirect	—	—	—	—	690,321	690,321
Consumer loans and other	—	—	—	—	222,970	222,970
Government guaranteed loans	—	—	—	—	216,012	216,012
Total, amortized cost	$ 4,681	$ 56,906	$ 31,091	$ 2,842	$ 15,074,155	$ 15,169,675
Collateral value	$ 14,458	$ 152,529	$ 98,113	$ 4,603		

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

Nonaccrual and past due loans

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

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

June 30, 2026		Days Past Due				
	Current	30-59	60-89	Over 90	Total Past Due	Total Loans	Accruing Loans Over 90 Days Past Due
Commercial Real Estate							
Construction and land development	$ 1,307,557	$ 215	$ —	$ 308	$ 523	$ 1,308,080	$ 104
Owner occupied	2,396,630	1,727	—	3,045	4,772	2,401,402	—
Non-owner occupied	4,308,917	—	—	8,174	8,174	4,317,091	—
Multi-family	863,845	1,309	—	—	1,309	865,154	—
Residential 1-4 family	2,322,272	128	2,203	1,416	3,747	2,326,019	70
HELOC	679,951	1,756	429	805	2,990	682,941	—
C&I	1,596,472	10,274	3,570	4,925	18,769	1,615,241	—
Government	524,444	—	—	—	—	524,444	—
Indirect	680,824	4,992	2,651	1,854	9,497	690,321	912
Consumer loans and other	222,005	602	119	244	965	222,970	9
Government guaranteed loans	209,213	2,050	851	3,898	6,799	216,012	—
Total	$ 15,112,130	$ 23,053	$ 9,823	$ 24,669	$ 57,545	$ 15,169,675	$ 1,095

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

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

June 30, 2026	Nonaccrual Loans As of 03/31/26	Nonaccrual Loans As of 06/30/26	Loans 90 Days or More Past Due, Not on Nonaccrual Status as of 06/30/26	Nonaccrual Loans With No Specific Reserve as of 06/30/26	Interest Income Recognized as of 06/30/26
Commercial Real Estate					
Construction and land development	$ 89	$ 204	$ 104	$ 204	$ 159
Owner occupied	1,494	1,562	—	1,562	—
Non-owner occupied	8,166	12,339	—	7,209	10
Multi-family	148	142	—	142	—
Residential 1-4 family	5,367	2,570	70	2,570	68
HELOC	1,408	1,779	—	1,779	4
C&I	5,215	5,348	—	1,954	11
Government	—	—	—	—	—
Indirect	2,731	1,314	912	1,314	15
Consumer loans and other	493	328	9	328	11
Government guaranteed	7,640	6,844	—	6,844	—
Total	$ 32,751	$ 32,430	$ 1,095	$ 23,906	$ 278

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

Note 7. Leases

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

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

	June 30, 2026	December 31, 2025
Assets		
Operating lease assets	$ 50,619	$ 45,778
Liabilities		
Operating lease liabilities	$ 55,048	$ 49,974

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating lease cost (1) included in occupancy expense	$ 3,505	$ 3,131	7,005	6,038
Variable lease cost included in occupancy expense	365	329	638	524
Sublease income included in occupancy expense	(72)	(70)	(144)	(140)
Net lease cost	$ 3,798	$ 3,390	$ 7,499	$ 6,422

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

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

	Operating Leases (1)
July 1 - December 31, 2026	$ 5,928
2027	11,489
2028	10,870
2029	8,519
2030	6,730
Thereafter	37,949
Total lease payments	$ 81,485
Less: interest	26,437
Present value of lease liabilities	$ 55,048

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

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

	June 30, 2026	June 30, 2025
Weighted - average remaining lease term - operating leases (in years)	11.73	12.64
Weighted - average discount rate - operating leases	7.88%	6.12%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	$ 2,852	$ 2,676	$ 6,083	$ 5,221
Related Party Transactions (1)				
Rent expense included in occupancy expense	$ 598	$ 548	$ 1,189	$ 1,103

(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. The table below provides a breakdown of the net gain on sale (in thousands):

Gain on sale	$	198,550
Acquisition related expenses		(8,683)
Pretax gain on sale		189,867
Federal tax expense		(41,138)
State tax expense		(9,169)
Net gain on sale	$	139,560

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

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

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

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

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

June 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Total assets	$ 21,264,320	$ 444,585	$ —	$ 908,054	$ 22,616,959
Total investment in equity method investees	21,133	390	—	—	21,523
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	$ 2,834,013	$ 139,921	$ (103,321)	$ 59,005	$ 2,929,618
Percentage change in total assets between periods	15.38 %	45.93 %	(100.00)%	6.95 %	14.88 %

Three months ended June 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Total expenditures for long-lived assets - fixed assets	$ 7,839	$ 49	$ —	$ 153	$ 8,041
Three months ended June 30, 2025					
Total expenditures for long-lived assets - fixed assets	$ 10,452	$ 28	$ 1,381	$ —	$ 11,861
Six months ended June 30, 2026					
Total expenditures for long-lived assets - fixed assets	$ 21,128	$ 89	$ —	$ 412	$ 21,629
Six months ended June 30, 2025					
Total expenditures for long-lived assets - fixed assets	$ 20,584	$ 378	$ 1,968	$ 174	$ 23,104

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

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated
Net income attributable to TowneBank ($) - three months	$ 157,711	$ 769	$ (5,499)	$ (682)	$ 152,299
Net income attributable to TowneBank ($) - six months	$ 150,831	$ 1,838	$ (1,623)	$ (1,467)	$ 149,579

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 June 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 255,969	$ 4,674	$ —	$ —	$ 260,643
Interest expense	72,122	3,404	—	—	75,526
Net interest income	183,847	1,270	—	—	185,117
Provision for credit losses	688	(63)	—	—	625

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

Three Months Ended June 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Net interest income after provision for credit losses	183,159	1,333	—	—	184,492
Noninterest income:					
Residential mortgage banking income, net	(855)	13,392	—	—	12,537
Insurance commissions and related income, net	(560)	—	—	25,854	25,294
Property management income, net	—	—	—	—	—
Service charges on deposit accounts	4,747	—	—	—	4,747
Credit card merchant fees, net	2,145	—	—	—	2,145
Investment commissions, net	3,795	—	—	—	3,795
BOLI	2,707	53	—	—	2,760
Government guaranteed lending income, net	1,994	—	—	—	1,994
Income from unconsolidated subsidiaries	879	119	—	—	998
Gain on sale of equity investments	198,550	—	—	—	198,550
Net gain (loss) on investment securities	—	—	—	—	—
Other noninterest income	6,163	161	—	5	6,329
Total noninterest income	219,565	13,725	—	25,859	259,149
Total revenue	403,412	14,995	—	25,859	444,266
Noninterest expense:					
Salaries and employee benefits	67,192	8,011	—	13,527	88,730
Occupancy	10,073	950	—	770	11,793
Furniture and equipment	5,064	140	—	143	5,347
Amortization - intangibles	4,603	—	—	1,263	5,866
Software	5,898	754	—	823	7,475
Data processing	3,196	169	—	127	3,492
Professional fees	2,727	166	—	271	3,164
Advertising and marketing	2,636	352	—	222	3,210
FDIC and other insurance	3,964	163	—	158	4,285
Acquisition-related expenses	11,212	—	—	—	11,212
Other expenses	41,916	2,700	—	753	45,369
Total noninterest expense	158,481	13,405	—	18,057	189,943
Income (loss) before income tax, corporate allocation, and noncontrolling interest	244,243	1,653	—	7,802	253,698
Corporate allocation	1,136	(531)	—	(605)	—
Income (loss) before income tax provision and noncontrolling interest	245,379	1,122	—	7,197	253,698
Provision for income tax expense	58,021	226	—	1,833	60,080
Net income (loss)	187,358	896	—	5,364	193,618
Net income attributable to noncontrolling interest	(127)	(305)	—	—	(432)
Net income (loss) attributable to TowneBank	$ 187,231	$ 591	$ —	$ 5,364	$ 193,186
Net income (loss) as percentage of consolidated income	96.91 %	0.31 %	— %	2.78 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 6,620	$ 122	$ —	$ 79	$ 6,821

Three Months Ended June 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Efficiency ratio (GAAP)	39.29 %	89.40 %	— %	69.83 %	42.75 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	35.82 %	— %	— %	(4.89)%	32.16 %
Efficiency ratio (non-GAAP)	75.11 %	89.40 %	— %	64.94 %	74.91 %

Three Months Ended June 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 203,398	$ 4,235	$ —	$ —	$ 207,633
Interest expense	67,073	3,371	(24)	—	70,420
Net interest income	136,325	864	24	—	137,213
Provision for credit losses	6,212	198	—	—	6,410
Net interest income after provision for credit losses	130,113	666	24	—	130,803
Noninterest income:					
Residential mortgage banking income, net	(522)	14,083	—	—	13,561
Insurance commissions and related income, net	(251)	—	—	25,928	25,677
Property management income, net	—	—	18,207	—	18,207
Service charges on deposit accounts	3,642	—	—	—	3,642
Credit card merchant fees, net	1,794	—	—	—	1,794
Investment commissions, net	3,158	—	—	—	3,158
BOLI	1,940	52	—	—	1,992
Income from unconsolidated subsidiaries	768	83	—	—	851
Gain on sale of equity investments	—	—	—	—	—
Net gain (loss) on investment securities	—	—	—	—	—
Other noninterest income	3,815	179	—	4	3,998
Total noninterest income	14,344	14,397	18,207	25,932	72,880
Total revenue	150,669	15,261	18,231	25,932	210,093
Noninterest expense:					
Salaries and employee benefits	52,850	7,315	5,250	12,947	78,362
Occupancy	7,342	1,098	574	777	9,791
Furniture and equipment	4,081	151	385	153	4,770
Amortization - intangibles	1,969	—	637	1,373	3,979
Software	4,427	790	877	741	6,835
Data processing	2,840	198	1,339	133	4,510
Professional fees	1,934	157	236	212	2,539
Advertising and marketing	1,883	420	750	175	3,228
FDIC and other insurance	2,676	117	113	126	3,032
Acquisition-related expenses	17,256	1,481	—	—	18,737
Other expenses	11,276	2,728	427	451	14,882
Total noninterest expense	108,534	14,455	10,588	17,088	150,665
Income (loss) before income tax, corporate allocation, and noncontrolling interest	35,923	608	7,643	8,844	53,018
Corporate allocation	1,535	(519)	(316)	(700)	—
Income (loss) before income tax provision and noncontrolling interest	37,458	89	7,327	8,144	53,018

Three Months Ended June 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Provision for income tax expense	7,814	(41)	1,828	2,098	11,699
Net income (loss)	29,644	130	5,499	6,046	41,319
Net income attributable to noncontrolling interest	(124)	(308)	—	—	(432)
Net income (loss) attributable to TowneBank	$ 29,520	$ (178)	$ 5,499	$ 6,046	$ 40,887
Net income (loss) as percentage of consolidated income	72.19 %	(0.43)%	13.45 %	14.79 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 5,236	$ 145	$ 203	$ 116	$ 5,700
Efficiency ratio (GAAP)	72.03 %	94.72 %	58.08 %	65.90 %	71.71 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(1.30)%	— %	(3.50)%	(5.30)%	(1.89)%
Efficiency ratio (non-GAAP)	70.73 %	94.72 %	54.58 %	60.60 %	69.82 %

Six Months Ended June 30, 2026	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 502,773	$ 8,269	$ —	$ —	$ 511,042
Interest expense	146,936	6,046	—	—	152,982
Net interest income	355,837	2,223	—	—	358,060
Provision for credit losses	1,194	(225)	—	—	969
Net interest income after provision for credit losses	354,643	2,448	—	—	357,091
Noninterest income:					
Residential mortgage banking income, net	(1,619)	25,890	—	—	24,271
Insurance commissions and related income, net	(830)	—	—	52,158	51,328
Property management income, net	—	—	12,440	—	12,440
Service charges on deposit accounts	9,389	—	—	—	9,389
Credit card merchant fees, net	4,064	—	—	—	4,064
Investment commissions, net	7,515	—	—	—	7,515
BOLI	5,674	105	—	—	5,779
Government lending income, net	6,195	—	—	—	6,195
Income from unconsolidated subsidiaries	963	152	—	—	1,115
Gain on sale of equity investments	198,550	—	—	—	198,550
Net gain (loss) on investment securities	126	—	—	—	126
Other noninterest income	11,539	325	1	17	11,882
Total noninterest income	241,566	26,472	12,441	52,175	332,654
Total revenue	597,403	28,695	12,441	52,175	690,714
Noninterest expense:					
Salaries and employee benefits	133,327	15,956	5,081	27,545	181,909
Occupancy	19,804	1,815	627	1,552	23,798
Furniture and equipment	10,277	316	335	318	11,246
Amortization - intangibles	9,157	—	425	2,605	12,187
Software	11,813	1,540	848	1,672	15,873
Data processing	7,000	314	878	231	8,423
Professional fees	5,491	298	110	518	6,417
Advertising and marketing	6,872	769	821	425	8,887

FDIC and other insurance	6,451	312	118	298	7,179
Acquisition-related expenses	42,895	—	2	—	42,897
Other expenses	60,066	5,031	489	1,427	67,013
Total noninterest expense	313,153	26,351	9,734	36,591	385,829
Income (loss) before income tax, corporate allocation, and noncontrolling interest	283,056	2,569	2,707	15,584	303,916
Corporate allocation	2,567	(947)	(290)	(1,330)	—
Income (loss) before income tax provision and noncontrolling interest	285,623	1,622	2,417	14,254	303,916
Provision for income tax expense	64,560	312	681	3,644	69,197
Net income (loss)	221,063	1,310	1,736	10,610	234,719
Net income attributable to noncontrolling interest	(116)	(424)	—	—	(540)
Net income (loss) attributable to TowneBank	$ 220,947	$ 886	$ 1,736	$ 10,610	$ 234,179
Net income (loss) as percentage of consolidated income	94.35 %	0.38 %	0.74 %	4.53 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 13,100	$ 244	$ 150	$ 166	$ 13,660
Efficiency ratio (GAAP)	52.42 %	91.83 %	78.24 %	70.13 %	55.86 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	23.82 %	— %	(3.41)%	(4.99)%	20.08 %
Efficiency ratio (non-GAAP)	76.24 %	91.83 %	74.83 %	65.14 %	75.94 %

Six Months Ended June 30, 2025	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Interest income	$ 388,994	$ 8,253	$ —	$ —	$ 397,247
Interest expense	133,085	6,506	(35)	—	139,556
Net interest income	255,909	1,747	35	—	257,691
Provision for credit losses	8,579	251	—	—	8,830
Net interest income after provision for credit losses	247,330	1,496	35	—	248,861
Noninterest income:					
Residential mortgage banking income, net	(742)	24,664	—	—	23,922
Insurance commissions and related income, net	(443)	—	—	52,545	52,102
Property management income, net	—	—	28,759	—	28,759
Service charges on deposit accounts	6,969	—	—	—	6,969
Credit card merchant fees, net	3,491	—	—	—	3,491
Investment commissions, net	6,233	—	—	—	6,233
BOLI	3,761	103	—	—	3,864
Income from unconsolidated subsidiaries	779	125	—	—	904
Gain on sale of equity investments	2,000	—	—	—	2,000
Net gain (loss) on investment securities	—	—	—	—	—
Other noninterest income	6,889	355	2	8	7,254
Total noninterest income	28,937	25,247	28,761	52,553	135,498
Total revenue	284,846	26,994	28,796	52,553	393,189
Noninterest expense:					
Salaries and employee benefits	102,534	14,346	10,698	25,862	153,440
Occupancy	14,321	2,036	1,189	1,578	19,124
Furniture and equipment	7,889	346	791	366	9,392
Amortization - intangibles	2,951	—	1,273	2,781	7,005

Software	8,449	1,517	1,736	1,426	13,128
Data processing	5,448	360	2,283	253	8,344
Professional fees	3,944	383	362	503	5,192
Advertising and marketing	4,780	809	1,641	471	7,701
FDIC and other insurance	5,267	213	180	233	5,893
Acquisition-related expenses	17,676	1,481	—	—	19,157
Other expenses	23,246	5,191	3,040	1,348	32,825
Total noninterest expense	196,505	26,682	23,193	34,821	281,201
Income (loss) before income tax, corporate allocation, and noncontrolling interest	79,762	61	5,603	17,732	103,158
Corporate allocation	2,931	(869)	(636)	(1,426)	—
Income (loss) before income tax provision and noncontrolling interest	82,693	(808)	4,967	16,306	103,158
Provision for income tax expense	12,495	(281)	1,388	4,229	17,831
Net income (loss)	70,198	(527)	3,579	12,077	85,327
Net income attributable to noncontrolling interest	(82)	(425)	(220)	—	(727)
Net income (loss) attributable to TowneBank	$ 70,116	$ (952)	$ 3,359	$ 12,077	$ 84,600
Net income (loss) as percentage of consolidated income	82.88 %	(1.13)%	3.97 %	14.28 %	100.00 %
Depreciation included in occupancy, furniture and equipment, and software	$ 10,389	$ 280	$ 396	$ 236	$ 11,301
Efficiency ratio (GAAP)	68.99 %	98.84 %	80.54 %	66.26 %	71.52 %
Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization	(0.56)%	— %	(4.42)%	(5.29)%	(1.43)%
Efficiency ratio (non-GAAP)	68.43 %	98.84 %	76.12 %	60.97 %	70.09 %

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):

	June 30, 2026	December 31, 2025
Off-balance-sheet commitments to extend credit	$ 5,362,927	$ 4,744,512
Standby letters of credit and financial guarantees	166,177	162,746
Allowance for credit losses from off-balance-sheet credit exposures	13,203	10,377
Mortgage loans sold to investors with estimated recourse	1,377,688	1,547,824
Mortgage warranty provision on mortgage loans sold	31,006	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):

	June 30, 2026		December 31, 2025	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Core deposit intangible	$ 119,520	$ 42,256	$ 89,030	$ 33,229
Non-compete agreements	105	83	205	176
Customer lists	48,906	32,758	73,663	44,925
Total intangible assets subject to amortization	168,531	75,097	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	$ 75,097	$ 174,858	$ 78,330

Amortization expense for intangible assets was $5.87 million and $3.98 million for the three-month periods ended June 30, 2026 and 2025, respectively. Amortization expense for intangible assets was $12.19 million and $7.01 million for the six-month periods ended June 30, 2026 and 2025, respectively. Net intangibles totaling $18.07 million related to the Resort Vacation Management segment were included in the valuation of that segment at the time of sale.

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

	Banking	Mortgage	Resort Vacation Management	Insurance	Consolidated Totals
Balance, December 31, 2025	$ 484,283	$ 8,162	$ 17,964	$ 83,671	$ 594,080
Acquisitions	227,470	—	—	—	227,470
Segment sold April 3, 2026	—	—	(17,964)	—	(17,964)
Purchase adjustment	5,058	—	—	—	5,058
Balance, June 30, 2026	$ 716,811	$ 8,162	$ —	$ 83,671	$ 808,644

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

	Dogwood	Old Point	Village
Increase (decrease) in goodwill	$ 233,268	$ (801)	$ 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 June 30,		Three Months Ended June 30,	
	2026	2025	2026	2025
Service cost	$ 1,030	$ 982	$ —	$ —
Interest cost	936	782	9	7
Amortization of prior service costs	133	144	—	(8)
Amortization of actuarial (gain) loss	(443)	(373)	(15)	(27)
Net periodic postretirement benefit cost	$ 1,656	$ 1,535	$ (6)	$ (28)

	SERP		Other Postretirement Benefits	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Service cost	$ 2,061	$ 1,970	$ —	$ —
Interest cost	1,872	1,534	17	14
Amortization of prior service costs	266	288	—	(17)
Amortization of actuarial (gain) loss	(886)	(746)	(29)	(54)
Net periodic postretirement benefit cost	$ 3,313	$ 3,046	$ (12)	$ (57)

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

Note 12. Accumulated Other Comprehensive Income (Loss)

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

	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	(9,364)	410	(8,954)
Amounts reclassified from AOCI, net of tax	(100)	(508)	(608)
Net change	(9,464)	(98)	(9,562)
Balance, June 30, 2026	$ (66,731)	$ 5,484	$ (61,247)

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

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

Note 13. Variable Interest Entities

Low Income Housing Tax Credit Partnerships

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

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

(dollars in thousands)	June 30, 2026	December 31, 2025
Partnership assets not included on the Consolidated Balance Sheets	$ 1,094,154	$ 1,052,374
Carrying value of limited partner interests (1)	346,962	334,329
Maximum exposure to loss from limited partner investments	346,962	332,329
Funding commitments dependent on contractual milestones	92,218	104,383

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2026	2025	2026	2025
Tax benefit, net	$ 2,668	$ 1,799	$ 5,377	$ 3,767
Amortization expenses	11,470	10,026	22,667	19,601

Note 14. Fair Value Disclosures

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

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

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

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

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

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

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

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

Derivative financial instruments: Interest rate lock commitments, related to the origination of mortgage loans held for sale, are recorded at estimated fair value based on the value of the underlying loan, which in turn is based on quoted prices for similar loans in the secondary market. However, this value is adjusted by a factor which considers the likelihood that the loan in a lock position will ultimately close. This factor, the fall-out rate, is derived from the Company's internal data and is adjusted using management judgment. The fall-out rate is largely dependent on the processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock. As such, interest rate lock commitments are classified as recurring Level 3. For the six-month period ended June 30, 2026, and the year ended December 31, 2025, the Company used a weighted-average fall-out rate of 12.27%.

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

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

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

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

	June 30, 2026			
	Level 1	Level 2	Level 3	Total
U.S. agency securities	$ —	$ 402,738	$ —	$ 402,738
U.S. Treasury notes	176,393	—	—	176,393
Municipal securities	—	540,637	—	540,637
Mortgage-backed securities issued by GSEs	—	1,657,895	—	1,657,895
Trust preferred and other corporate securities	—	112,052	51,247	163,299
Mortgage loans held for sale	—	275,602	—	275,602
Government guaranteed loans held for sale	—	33,915	—	33,915
Forward loan commitment asset	—	102	—	102
Forward loan commitment liability	—	132	—	132
Derivative assets	—	5,352	1,831	7,183
Derivative liabilities	—	5,819	—	5,819

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

	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 six months ended June 30, 2026.

			As of June 30, 2026	As of December 31, 2025
Financial Instrument	Valuation Technique	Unobservable Input	(Weighted Average)	(Weighted Average)
Securities AFS	Discounted cash flow	Discount rate	8.42% - 8.72%	8.55% - 9.16%
		Weighted average life	3.46 - 9.00 years	3.96 - 9.50 years
Securities HTM	Discounted cash flow	Discount rate	6.17%	4.25%
		Weighted average life	22.85 years	23.35 years

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

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

(dollars in thousands)	June 30, 2026	December 31, 2025
Aggregate fair value	$ 275,602	$ 154,444
Unpaid principal balance	269,599	150,481

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

Net Gains (Losses) Resulting from Changes in Fair Value

(in thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Mortgage loans held for sale, at fair value	$ 1,526	$ 904	$ (408)	$ 2,381

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

June 30, 2026	Level 1	Level 2	Level 3	Fair Value
Collateral-dependent loans with specific reserves	$ —	$ —	$ 80,799	$ 80,799
Other real estate owned and other nonperforming assets	—	—	15,884	15,884
Government guaranteed loan servicing assets	—	—	5,323	5,323

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

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

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

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

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

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

June 30, 2026	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Cash and due from banks	$ 158,770	$ 158,770	$ 158,770	$ —	$ —
Interest-bearing deposits at FRB	1,546,624	1,546,624	1,546,624	—	—
Interest-bearing deposits in financial institutions	110,086	110,086	110,086	—	—
Securities available for sale, net	2,940,962	2,940,962	176,393	2,713,322	51,247
Securities held to maturity, net	126,333	124,597	93,943	29,625	1,029
Other equity securities	15,907	15,907	—	15,907	—
Net loans	15,169,675	14,768,199	—	—	14,768,199
Interest receivable	65,090	65,090	—	65,090	—
Certificates of deposit	2,965,060	2,954,367	—	2,954,367	—
Advances from the FHLB	127,060	126,906	—	126,906	—
Subordinated debt, net	284,207	280,790	—	245,830	34,960

December 31, 2025	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Cash and due from banks	$ 129,941	$ 129,941	$ 129,941	$ —	$ —
Interest-bearing deposits at FRB	1,097,155	1,097,155	1,097,155	—	—
Interest-bearing deposits in financial institutions	123,553	123,553	123,553	—	—
Securities available for sale, net	2,710,189	2,710,189	83,631	2,579,194	47,364
Securities held to maturity, net	156,697	154,269	93,733	59,291	1,245
Other equity securities	12,219	12,219	—	12,219	—
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

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):

	June 30, 2026		December 31, 2025	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate contracts included in other assets	$ 376,409	$ 2,286	$ 197,897	$ 1,383
Interest rate contracts included in other liabilities	306,401	788	202,951	455
Interest rate swaps included in other assets	388,020	4,897	364,788	7,281
Interest rate swaps included in other liabilities	388,020	4,897	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 June 30, 2026 and 2025, the Company recognized losses of $1.38 million and $0.19 million, respectively, from mortgage banking derivatives. For the six months ended June 30, 2026 and 2025, the Company recognized gains of $1.25 million and losses of $0.51 million, respectively, from mortgage banking derivatives. For the three and six months ended June 30, 2026 and 2025, there were no gains or losses recognized on interest rate swaps.

Note 16. Revenue from Contracts with Customers

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Revenue from Contracts with Customers:	2026	2025	2026	2025
Investment management income				
Investment commissions, net	$ 3,795	$ 3,158	$ 7,515	$ 6,233
Total	$ 3,795	$ 3,158	$ 7,515	$ 6,233
Insurance income				
Property and casualty insurance income, net	$ 21,155	$ 22,055	$ 43,050	$ 44,717
Benefit insurance income, net	4,139	3,622	8,278	7,385
Total	$ 25,294	$ 25,677	$ 51,328	$ 52,102
Resort vacation management income				
Property management income, net	—	18,207	12,440	28,759
Total	$ —	$ 18,207	$ 12,440	$ 28,759
Provision expense for credit losses on property and casualty insurance receivables	$ 45	$ (20)	$ 28	$ (204)

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

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

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

Note 17. Borrowings

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

The Company also has REPOs 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 in subordinated notes, redeemable in whole or in part, on or after February 15, 2027, that is accruing interest at a fixed rate of 3.125% until February 15, 2027, converting to a floating rate of three-month SOFR plus 1.68% for the next five years.

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

	June 30, 2026	December 31, 2025
Market value of securities pledged as collateral for REPOs	$ 41,038	$ 58,987
Carrying value of capital notes assumed with acquisitions	$ 31,281	$ 31,280
Carrying value of Company-issued capital notes	$ 249,587	$ 249,278
Carrying value of Series IV Towne Investment Units	$ 3,339	$ 3,312
Total subordinated debt	$ 284,207	$ 283,870

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 and Dogwood 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;*
- *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 to federal spending, including defense, security, and military spending on the economy.*

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

Overview

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

On April 3, 2026, the Company completed the sale of its Resort Vacation Management segment for a value of $250 million and a pre-tax gain of $198.55 million. During second quarter, in conjunction with that gain, the Company made a special charitable foundation contribution of $25 million to TowneBank Foundation. Additionally, TowneBank paid a special dividend of $0.70 per common share, representing approximately 32% of the gain on the sale before taxes and deal costs.

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

TowneBank had total assets of $22.62 billion at June 30, 2026, compared to $19.69 billion at December 31, 2025. The following table lists key asset and liability categories, as a percentage of total assets, as of the dates listed:

	June 30, 2026	December 31, 2025
Total cash and cash equivalents	8.03 %	6.86 %
Total securities	13.73 %	14.71 %
Mortgage loans held for sale	1.22 %	0.78 %
Loans, net of unearned income and deferred costs	67.07 %	67.74 %
Total deposits	82.74 %	83.86 %
Noninterest-bearing deposits	25.83 %	25.77 %
Total borrowings	1.99 %	1.89 %

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

(dollars in thousands)	June 30, 2026	March 31, 2026	Total Change Change	Total Change %
Total assets	$22,616,959	$22,358,708	$ 258,251	1.16 %
Total cash and cash equivalents	1,815,480	1,561,967	253,513	16.23 %
Total investment securities	3,104,720	3,029,369	75,351	2.49 %
Mortgage loans held for sale	275,602	171,735	103,867	60.48 %
Loans, net of unearned income and deferred costs	15,169,675	15,261,160	(91,485)	(0.60)%
Allowance for credit losses on loans	(199,918)	(199,267)	651	0.33 %
Assets held for sale	—	103,396	(103,396)	N/M
Total deposits	18,713,445	18,480,272	233,173	1.26 %
Total borrowings	450,238	512,481	(62,243)	(12.15)%
Liabilities held for sale	—	52,460	(52,460)	N/M
Goodwill related to acquisition	4,502	228,026		
Acquisition-related allowance on loans increase - community banking	11,102	31,260		
Acquisition-related allowance on loans (decrease) increase - government guaranteed lending	(3,642)	22,947		
Total allowance for credit losses on loans to period end loans	1.32 %	1.31 %		

At March 31, 2026, the Resort Vacation Management 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. At June 30, 2026, all assets and liabilities held for sale have been disposed of and there are no balances in either category.

During the second quarter, the Company experienced its most significant balance sheet increases in cash and cash equivalents and deposits. Net unrealized losses in our AFS debt securities increased to $85.14 million at June 30, 2026, from $81.40 million at March 31, 2026. Mortgage loans held for sale increased while loans, net of unearned income and deferred costs declined marginally. The Company paid down FHLB borrowings in the quarter, primarily related to acquired debt.

Our allowance for credit losses on loans increased $651 thousand in the quarter and our provision was a benefit of $1.05 million. Adjustments to the purchase price allocations resulted in additional Day 1 allowances related to the acquisition of Dogwood of $5.29 million, including an allowance reduction of $3.64 million related to the government guaranteed loan portfolio. Additional Day 1 allowances related to indirect loans from the acquisition of Old Point totaled $2.18 million in the quarter.

PART I. FINANCIAL INFORMATION

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

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

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
(dollars in thousands)	2026	2025	Change	%	2026	2025	Change	%
Net income attributable to TowneBank	$ 193,186	$ 40,887	$ 152,299	372.49 %	$234,179	$ 84,600	$149,579	176.81 %
Net income attributable to TowneBank, excluding tax-effected one-time adjustments	63,031	$ 40,887	$ 22,144	54.16 %	104,024	$ 84,600	19,424	22.96 %
Net interest income	185,117	137,213	47,904	34.91 %	358,060	257,691	100,369	38.95 %
Noninterest income	259,149	72,880	186,269	255.58 %	332,654	135,498	197,156	145.50 %
Total revenue	444,266	210,093	234,173	111.46 %	690,714	393,189	297,525	75.67 %
Provision for credit losses	625	6,410	(5,785)	(90.25)%	969	8,830	(7,861)	(89.03)%
Noninterest expense	189,943	150,665	39,278	26.07 %	385,829	281,201	104,628	37.21 %
Acquisition-related expenses	11,212	18,737	(7,525)	N/M	42,897	19,157	23,740	N/M
Noninterest expense, excluding acquisition-related expenses	178,731	131,928	46,803	35.48 %	342,932	262,044	80,888	30.87 %
Noninterest expense, excluding acquisition-related expenses and one-time contribution	153,731	131,928	21,803	16.53 %	317,932	262,044	55,888	21.33 %

Net income attributable to TowneBank increased $152.30 million, or 372.49%, in second quarter and increased $149.58 million in the first six months of 2026. The increase was largely driven by the $198.55 million pre-tax gain on the sale of our Resort Vacations Management segment, partially offset by a special charitable foundation contribution of $25 million and acquisition-related expenses of $11.21 million. Net interest income increased $47.90 million in the quarter and $100.37 million year-to-date 2026, driven by a combination of volume increases and an improvement in rates. Noninterest expense increases included salaries and employee benefits, occupancy expense, amortization expense in both periods compared to prior year. Mergers and acquisitions expense decreased in second quarter 2026 but increased in the six month comparison to 2025. Towne acquired two financial institutions after second quarter 2025 that impacted both revenues and expenses in the periods presented.

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.

PART I. FINANCIAL INFORMATION

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:

(dollars in thousands, except per share data)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Total revenue	$ 444,266	$ 210,093	$ 690,714	$ 393,189
Operating revenue (non-GAAP)	$ 245,716	$ 210,093	$ 492,038	$ 391,189
Diluted earnings per share	$ 2.09	$ 0.54	$ 2.56	$ 1.12
Return on average assets	3.45 %	0.91 %	2.13 %	0.97 %
Return on average tangible assets (non-GAAP)	3.68 %	1.01 %	2.31 %	1.06 %
Return on average equity	25.66 %	7.52 %	16.09 %	7.86 %
Return on average tangible equity (non-GAAP)	37.63 %	10.94 %	24.21 %	11.16 %
Net interest margin	3.68 %	3.38 %	3.63 %	3.26 %
Net interest margin TE (non-GAAP)	3.70 %	3.40 %	3.65 %	3.29 %

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

TowneBank reported net interest income, on a TE basis ("net interest income-TE"), of $186.39 million for the quarter ended June 30, 2026, which was $48.11 million, or 34.80%, higher than second quarter 2025. In the six-month comparison, net interest income-TE increased $100.68 million, or 38.75%, over prior year.

Interest income-TE was $261.91 million in second quarter 2026, a $53.22 million, or 25.50%, increase over June 30, 2025. In the six-month comparison, interest income-TE was $513.48 million, a $114.11 million, or 28.57%, increase over 2025. Interest income growth in the second quarter and first six months of 2026 was driven by volume. For the quarter ended June 30, 2026, average earning assets grew 23.92% year over year to $20.19 billion, while the overall yield on earning assets increased 6 bp from the prior-year quarter. Average loan balances increased 23.88% in second quarter 2026 compared to one year ago, while loan yields increased 13 bp. Average earning assets increased $3.98 billion or 25.00%, in the six months ended June 30, 2026, from the comparative prior year, and the overall yield on earning assets was 14 bp higher. Average loan balances increased 27.02% in the first six months of 2026 compared to 2025, and loan yields increased 20 bp.

Interest expense increased $5.11 million, or 7.25%, in the current quarter and $13.43 million, or 9.62%, in the first six months of 2026 compared to 2025, driven by volume increases that outpaced the decline in rates. Average interest-bearing liabilities were $13.26 billion in second quarter 2026, an increase of 22.85% over the comparative prior year quarter. The cost of interest-bearing liabilities declined 34 bp from second quarter 2025 to 2.28% in second quarter 2026. The cost of interest-bearing deposits declined 37 bp for the same comparative periods. Average interest-bearing liabilities increased $2.60 billion in the first half of 2026 compared to 2025, while the cost of interest-bearing liabilities declined 31 bp.

TE net interest margin, which is net interest income-TE expressed as a percentage of average earning assets, was 3.70% for the quarter and 3.65% for the six months ended June 30, 2026, 30 bp and 36 bp higher, respectively, compared to the same periods ended June 30, 2025.

The following table depicts our interest income on earning assets and related average yields, as well as interest expense on interest-bearing liabilities and related average rates paid for the periods presented. Also presented for the three- and six-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 June 30, 2026 Compared to Three Months Ended June 30, 2025		
	June 30, 2026			June 30, 2025					
(dollars in thousands)	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Rate (4)	Volume	Total
Assets:									
Loans (net of unearned income and deferred costs)	$ 15,241,959	$ 216,044	5.69 %	$ 12,304,172	$ 170,520	5.56 %	$ 3,964	$ 41,560	$ 45,524
Taxable investment securities	2,808,164	25,687	3.66 %	2,598,093	23,361	3.60 %	410	1,916	2,326
Tax-exempt investment securities	275,487	3,083	4.48 %	172,083	1,802	4.19 %	131	1,150	1,281
Total securities	3,083,651	28,770	3.73 %	2,770,176	25,163	3.63 %	541	3,066	3,607
Interest-bearing deposits	1,659,332	14,023	3.39 %	1,045,727	10,241	3.93 %	(1,560)	5,342	3,782
Loans held for sale	203,978	3,076	6.03 %	172,102	2,770	6.44 %	(183)	489	306
Total earning assets	20,188,920	261,913	5.20 %	16,292,177	208,694	5.14 %	2,762	50,457	53,219
Less: allowance for loan losses	(202,001)			(131,837)					
Total nonearning assets	2,499,032			1,896,640					
Total assets	$ 22,485,951			$ 18,056,980					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	$ 9,279,980	$ 44,758	1.93 %	$ 7,590,290	$ 42,054	2.22 %	$ (5,892)	$ 8,596	$ 2,704
Savings	446,151	619	0.56 %	337,807	704	0.84 %	(274)	189	(85)
Certificates of deposit	3,076,803	26,104	3.40 %	2,560,313	25,394	3.98 %	(3,981)	4,691	710
Total interest-bearing deposits	12,802,934	71,481	2.24 %	10,488,410	68,152	2.61 %	(10,147)	13,476	3,329
Borrowings	175,152	1,309	2.96 %	34,799	(341)	(3.88)%	1,338	312	1,650
Subordinated debt, net	284,404	2,736	3.85 %	272,448	2,609	3.83 %	12	115	127
Total interest-bearing liabilities	13,262,490	75,526	2.28 %	10,795,657	70,420	2.62 %	(8,797)	13,903	5,106
							$ 11,559	$ 36,554	$ 48,113
Demand deposits	5,693,724			4,685,835					
Other noninterest-bearing liabilities	510,177			387,166					
Total liabilities	19,466,391			15,868,658					
Shareholders' equity	3,019,560			2,188,322					
Total liabilities and equity	$ 22,485,951			$ 18,056,980					
Net interest income-TE (3)		$ 186,387			$ 138,274				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(1,270)			(1,061)				
Net interest income (GAAP)		$ 185,117			$ 137,213				
Interest rate spread (1)(3)			2.92 %			2.52 %			
Interest expense as a percent of average earning assets			1.50 %			1.73 %			
Net interest margin-TE (2)(3)			3.70 %			3.40 %			
Total cost of deposits			1.55 %			1.80 %			

(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.

	Six Months Ended						Increase/(Decrease) Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025		
	June 30, 2026			June 30, 2025					
(*dollars in thousands*)	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Rate (4)	Volume	Total
Assets:									
Loans (net of unearned income and deferred costs)	$ 15,138,015	$ 426,269	5.68 %	$ 11,918,188	$ 323,586	5.48 %	$ 11,418	$ 91,265	$ 102,683
Taxable investment securities	2,806,705	50,869	3.62 %	2,538,402	44,662	3.52 %	1,376	4,831	6,207
Tax-exempt investment securities	260,373	5,708	4.38 %	174,071	3,663	4.21 %	159	1,886	2,045
Total securities	3,067,078	56,577	3.69 %	2,712,473	48,325	3.56 %	1,535	6,717	8,252
Interest-bearing deposits	1,524,424	25,483	3.37 %	1,122,263	22,042	3.96 %	(3,627)	7,068	3,441
Loans held for sale	172,384	5,153	5.98 %	168,251	5,423	6.45 %	(401)	131	(270)
Total earning assets	19,901,901	513,482	5.20 %	15,921,175	399,376	5.06 %	8,925	105,181	114,106
Less: allowance for loan losses	(190,578)			(128,072)					
Total nonearning assets	2,477,485			1,843,652					
Total assets	$ 22,188,808			$ 17,636,755					
Liabilities and Equity:									
Interest-bearing deposits									
Demand and money market	$ 9,181,179	$ 89,578	1.97 %	$ 7,435,687	$ 82,659	2.24 %	$ (9,488)	$ 16,407	$ 6,919
Savings	433,765	1,232	0.57 %	325,033	1,419	0.88 %	(581)	394	(187)
Certificates of deposit	3,087,055	53,178	3.47 %	2,550,430	51,207	4.05 %	(7,890)	9,861	1,971
Total interest-bearing deposits	12,701,999	143,988	2.29 %	10,311,150	135,285	2.65 %	(17,959)	26,662	8,703
Borrowings	223,592	3,508	3.12 %	32,217	(642)	(3.96)%	2,724	1,426	4,150
Subordinated debt, net	284,215	5,486	3.86 %	266,293	4,913	3.69 %	232	341	573
Total interest-bearing liabilities	13,209,806	152,982	2.34 %	10,609,660	139,556	2.65 %	(15,003)	28,429	13,426
							$ 23,928	$ 76,752	$ 100,680
Demand deposits	5,579,068			4,482,341					
Other noninterest-bearing liabilities	465,240			370,508					
Total liabilities	19,254,114			15,462,509					
Shareholders' equity	2,934,694			2,174,246					
Total liabilities and equity	$ 22,188,808			$ 17,636,755					
Net interest income-TE (3)		$ 360,500			$ 259,820				
Reconciliation of Non-GAAP Financial Measures:									
TE basis adjustment		(2,440)			(2,129)				
Net interest income (GAAP)		$ 358,060			$ 257,691				
Interest rate spread (1)(3)			2.86 %			2.41 %			
Interest expense as a percent of average earning assets			1.55 %			1.77 %			
Net interest margin-TE (2)(3)			3.65 %			3.29 %			
Total cost of deposits			1.59 %			1.84 %			

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

Provision for Credit Losses. In second quarter 2026, the provision for credit losses was $625 thousand compared to $6.41 million for the same period in 2025. The provision for the first six months of 2026 was $969 thousand compared to $8.83 million in prior year. In the second quarter and first six months of 2026, we had net charge-offs of $5.76 million and $7.45 million, respectively, compared to net charge-offs of $19 thousand and $645 thousand for the same respective periods in 2025. The provision was driven by an increase in the provision on unfunded loan commitments, partially offset by a combination of a slight decline in loan balances, continued strength in credit quality, and changes in the macroeconomic forecast scenarios utilized in our models.

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

	Three Months Ended		Six Months Ended	
Net Charge-offs	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Community bank	$ 451	$ (418)	$ 167	$ (276)
Indirect	4,002	437	4,416	921
Government guaranteed lending	1,303	—	2,863	—
Total	$ 5,756	$ 19	$ 7,446	$ 645

Noninterest Income. Total noninterest income for the three and six months ended June 30, 2026, was $259.15 million and $332.65 million, respectively. Excluding the gain on sale of Vacations Resort Management, noninterest income would have been $60.60 million in second quarter 2026 compared to $72.88 million in 2025, and $134.10 million in the first six months of 2026 compared to $135.50 million one year prior.

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

	Three Months Ended June 30,		Six Months Ended June 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Six Months Ended 2026 over 2025	
(dollars in thousands)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Residential mortgage banking income, net	$12,537	$13,561	$ 24,271	$ 23,922	$ (1,024)	(7.55)%	$ 349	1.46 %
Insurance commissions and other income, net	25,294	25,677	51,328	52,102	(383)	(1.49)%	(774)	(1.49)%
Property management income, net	—	18,207	12,440	28,759	(18,207)	(100.00)%	(16,319)	(56.74)%
Service charges on deposit accounts	4,747	3,642	9,389	6,969	1,105	30.34 %	2,420	34.73 %
Credit card merchant fees, net	2,145	1,794	4,064	3,491	351	19.57 %	573	16.41 %
Investment commissions, net	3,795	3,158	7,515	6,233	637	20.17 %	1,282	20.57 %
BOLI	2,760	1,992	5,779	3,864	768	38.55 %	1,915	49.56 %
Government guaranteed lending income, net	1,994	—	6,195	—	1,994	N/M	6,195	N/M
Gain on sale of equity investments	198,550	—	198,550	2,000	198,550	N/M	196,550	N/M
Other income	7,327	4,849	12,997	8,158	2,478	51.10 %	4,839	59.32 %
Subtotal before gain on investment securities	259,149	72,880	332,528	135,498	186,269	255.58 %	197,030	145.41 %
Net gain (loss) on investment securities	—	—	126	—	—	N/M	126	N/M
Total noninterest income	$259,149	$72,880	$332,654	$135,498	$ 186,269	255.58 %	$ 197,156	145.50 %
Noninterest income/operating income (non-GAAP)	105.47 %	34.69 %	67.61 %	34.64 %				
Noninterest income, excluding gain on sale of equity investments/operating income (non-GAAP)	24.66 %	34.69 %	27.25 %	34.64 %				

In second quarter 2026, the decrease in residential mortgage banking income, net of commission expense, was driven by margin compression. Production volume was $734.65 million in second quarter 2026, an increase of $63.18 million, or 9.41%, compared to second quarter 2025. Margins on the sale of loans were 2.97% in second quarter 2026 compared to 3.13% in second quarter 2025. Refinance activities decreased to to less than 10%, which is comparable to the prior year quarter. In the first six months of 2026, residential mortgage banking income, net of commission expense increased, driven by higher production levels offset by a 13 bp decline in margin.

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

Property management income was zero in the quarter and down $16.32 million, compared to prior year, as a result of the sale of the Resort Vacation Management segment on April 3, 2026. Government lending income, net was new in first quarter 2026 and represents noninterest income related to government guaranteed loans held for sale. Proceeds from life insurance claims and an increase in BOLI insurance assets related to the three recent acquisitions led to an increase in income.

We did not sell any investment securities in second quarter 2026, but sold 11 securities with a carrying value of $66.61 million, and recorded net gains of $126 thousand in the first half of 2026. We sold 4 investment securities with a carrying value of $1.53 million, and recorded net losses of less than $1 thousand in the second quarter and first six months of 2025, respectively.

Noninterest Expense. For the quarter ended June 30, 2026, total noninterest expense was $189.94 million, which was $39.28 million higher than comparative 2025. Noninterest expense increased $104.63 million, or 37.21%, in the first six months of 2026 compared to 2025. As a percentage of operating income, noninterest expense was 77.30% for second quarter 2026 and 71.71% for comparative 2025.

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

	Three Months Ended June 30,		Six Months Ended June 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Six Months Ended 2026 over 2025	
(dollars in thousands)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Salaries and employee benefits	$ 88,730	$ 78,362	$ 181,909	$ 153,440	$ 10,368	13.23 %	$ 28,469	18.55 %
Occupancy expense	11,793	9,791	23,798	19,124	2,002	20.45 %	4,674	24.44 %
Furniture and equipment	5,347	4,770	11,246	9,392	577	12.10 %	1,854	19.74 %
Amortization - intangibles	5,866	3,979	12,187	7,005	1,887	47.42 %	5,182	73.98 %
Software	7,475	6,835	15,873	13,128	640	9.36 %	2,745	20.91 %
Data processing	3,492	4,510	8,423	8,344	(1,018)	(22.57)%	79	0.95 %
Professional fees	3,164	2,539	6,417	5,192	625	24.62 %	1,225	23.59 %
Advertising and marketing	3,210	3,228	8,887	7,701	(18)	(0.56)%	1,186	15.40 %
Other noninterest expenses:								
Acquisition-related expenses	11,212	18,737	42,897	19,157	(7,525)	(40.16)%	23,740	123.92 %
Bank franchise tax/SCC fees	3,636	2,846	6,542	5,692	790	27.76 %	850	14.93 %
Charitable contributions	29,715	3,945	35,337	8,062	25,770	653.23 %	27,275	338.32 %
Directors fees and expenses	859	925	2,841	2,080	(66)	(7.14)%	761	36.59 %

	Three Months Ended June 30,		Six Months Ended June 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Six Months Ended 2026 over 2025	
(*dollars in thousands*)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
FDIC and other insurance	4,285	3,032	7,179	5,893	1,253	41.33 %	1,286	21.82 %
Other	7,339	3,612	13,935	9,916	3,727	103.18 %	4,019	40.53 %
Stationery and supplies	750	803	1,623	1,416	(53)	(6.60)%	207	14.62 %
Telephone and postage	1,440	1,448	3,089	3,133	(8)	(0.55)%	(44)	(1.40)%
Travel/meals/entertainment	1,630	1,303	3,646	2,526	327	25.10 %	1,120	44.34 %
Total other noninterest expenses	60,866	36,651	117,089	57,875	24,215	66.07 %	59,214	102.31 %
Total noninterest expense	$ 189,943	$ 150,665	$ 385,829	$ 281,201	$ 39,278	26.07 %	$ 104,628	37.21 %
Salaries and employee benefits/total noninterest expense	46.71 %	52.01 %	47.15 %	54.57 %	-530 bp	(10.19)%	-742 bp	(13.60)%
Noninterest expense/operating income (non-GAAP)	77.30 %	71.71 %	78.41 %	71.88 %	559 bp	7.80 %	653 bp	9.08 %

Excluding the special charitable foundation contribution of $25 million, noninterest expense would have increased $14.28 million, or 9.48%, in second quarter and $79.63 million, or 28.32%, in the six months' comparison of 2026 to 2025.

In second quarter and the first six months of 2026, salaries and employee benefits represented 46.71% and 47.15% of total noninterest expense, compared to 52.01% and 54.57%, respectively, for the same comparative periods in 2025. The increase in salaries and benefits was driven by the acquisitions of Dogwood, Old Point, and Village, annual base salary increases that went into effect mid-September 2025, higher performance-based incentives, and health insurance costs.

The increase in salaries and benefits expense was primarily attributable to additional personnel related to acquisitions, which contributed $8.62 million of the $10.37 million increase for the second quarter of 2026 and $17.42 million of the $28.47 million increase for the first six months of 2026, compared to the respective prior year periods. In our Banking segment, we had a total of 2,011 full-time equivalent employees at June 30, 2026, compared to 1,621 at June 30, 2025. In our non-Banking segments we had a total of 921 full-time equivalent employees at June 30, 2026, compared to 1,286 at June 30, 2025.

Acquisition-related expenses were $11.21 million and $42.90 million in second quarter and the first six months of 2026, compared to $18.74 million, and $19.16 million for the same respective periods in 2025.

Provision for Income Taxes. Our provision for income tax expense in second quarter 2026 represented an effective tax rate of 23.72%, compared to an effective rate of 22.25% in second quarter 2025. In the six-month comparison, our effective tax rate was 22.81%, compared to an effective rate of 17.41% in 2025. Increases in state tax expense related to the sale of the Resort Vacation Management business were the primary source of the increase in both periods.

Segment Performance Summary

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

Banking Segment. The Banking segment is the primary source of consolidated net income attributable to TowneBank. Excluding the gain on the sale of our Resort Vacation Management segment, total revenue would have increased $54.19 million second quarter 2026 compared to 2025, driven by net interest income growth. Noninterest expense, excluding the special charitable foundation contribution of $25 million, increased $24.95 million in second quarter 2026 compared to 2025, driven primarily by increases in salaries and benefits, occupancy, and amortization expenses.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Six Months Ended 2026 over 2025	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**	**Amount**	**Percent**	**Amount**	**Percent**
Interest income	$255,969	$203,398	$502,773	$388,994	$ 52,571	25.85 %	$ 113,779	29.25 %
Interest expense	72,122	67,073	146,936	133,085	5,049	7.53 %	13,851	10.41 %
Net interest income	183,847	136,325	355,837	255,909	47,522	34.86 %	99,928	39.05 %
Service charges on deposit accounts	4,747	3,642	9,389	6,969	1,105	30.34 %	2,420	34.73 %
Credit card merchant fees	2,145	1,794	4,064	3,491	351	19.57 %	573	16.41 %
Investment commissions, net	3,795	3,158	7,515	6,233	637	20.17 %	1,282	20.57 %
BOLI	2,707	1,940	5,674	3,761	767	39.54 %	1,913	50.86 %
Government guaranteed lending income, net	1,994	—	6,195	—	1,994	N/M	6,195	N/M
Other income	5,627	3,810	10,053	6,483	1,817	47.69 %	3,570	55.07 %
Gain on sale of equity investment	198,550	—	198,550	2,000	198,550	N/M	196,550	N/M
Net gain (loss) on investment securities	—	—	126	—	—	— %	126	N/M
Total noninterest income	219,565	14,344	241,566	28,937	205,221	1,430.71 %	212,629	734.80 %
Total revenue	403,412	150,669	597,403	284,846	252,743	167.75 %	312,557	109.73 %
Provision for credit losses	688	6,212	1,194	8,579	(5,524)	(88.92)%	(7,385)	(86.08)%
Salaries and employee benefits	67,192	52,850	133,327	102,534	14,342	27.14 %	30,793	30.03 %
Occupancy	10,073	7,342	19,804	14,321	2,731	37.20 %	5,483	38.29 %
Furniture and equipment	5,064	4,081	10,277	7,889	983	24.09 %	2,388	30.27 %
Amortization - intangibles	4,603	1,969	9,157	2,951	2,634	133.77 %	6,206	210.30 %
Software	5,898	4,427	11,813	8,449	1,471	33.23 %	3,364	39.82 %
Data processing	3,196	2,840	7,000	5,448	356	12.54 %	1,552	28.49 %
Professional fees	2,727	1,934	5,491	3,944	793	41.00 %	1,547	39.22 %
Advertising and marketing	2,636	1,883	6,872	4,780	753	39.99 %	2,092	43.77 %
FDIC and other insurance	3,964	2,676	6,451	5,267	1,288	48.13 %	1,184	22.48 %
Acquisition-related expenses	11,212	17,256	42,895	17,676	(6,044)	(35.03)%	25,219	142.67 %
Other expenses	41,916	11,276	60,066	23,246	30,640	271.73 %	36,820	158.39 %
Total noninterest expenses	158,481	108,534	313,153	196,505	49,947	46.02 %	116,648	59.36 %
Income before income tax and corporate allocation	244,243	35,923	283,056	79,762	208,320	579.91 %	203,294	254.88 %
Corporate allocation	1,136	1,535	2,567	2,931	(399)	(25.99)%	(364)	(12.42)%
Income before income tax provision and noncontrolling interest	245,379	37,458	285,623	82,693	207,921	555.08 %	202,930	245.40 %
Provision for income tax expense	58,021	7,814	64,560	12,495	50,207	642.53 %	52,065	416.69 %
Net income	187,358	29,644	221,063	70,198	157,714	532.03 %	150,865	214.91 %
Noncontrolling interest	(127)	(124)	(116)	(82)	(3)	(2.42)%	(34)	(41.46)%

	Three Months Ended June 30,		Six Months Ended June 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Six Months Ended 2026 over 2025	
(*dollars in thousands*)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Net income attributable to TowneBank	$187,231	$ 29,520	$220,947	$ 70,116	$ 157,711	534.25 %	$ 150,831	215.12 %
Salaries and employee benefits/total noninterest expense	42.40%	48.69%	42.58%	52.18%	-629 bp	(12.92)%	-960 bp	(18.40)%
Net income attributable to TowneBank % of total consolidated income	96.91%	72.19%	94.35 %	82.88%	2,472 bp	34.24 %	1,147 bp	13.84 %

Mortgage Segment. For the three and six months ended June 30, 2026, the Mortgage segment reported income before income tax provision and noncontrolling interest of $1.12 million and $1.62 million, compared to income of $89 thousand and a loss of $0.81 million for the same respective periods in 2025.

Increased production was more than offset by margin compression. Gross realized gain on sale margin decreased 16 bp from second quarter 2025, and 13 bp compared to the first six months of 2025. Refinance activity dropped back to less than 10% in second quarter 2026 after a spike to over 20% in first quarter 2026.

The total number of full-time equivalent employees in our Mortgage segment was 432 at June 30, 2026, compared to 422 at June 30, 2025.

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

	Three Months Ended				
	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025
Gross realized gain on sales and fees as a % of loans originated	2.97 %	3.09 %	3.19 %	3.32 %	3.13 %
Loans sold	$ 597,947	$ 527,428	$ 652,853	$ 657,822	$ 596,009
Purchase %	91.58 %	77.57 %	82.23 %	91.84 %	92.37 %
Refinance %	8.42 %	22.43 %	17.77 %	8.16 %	7.63 %

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

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

	Three Months Ended June 30,		Six Months Ended June 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Six Months Ended 2026 over 2025	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**	**Amount**	**Percent**	**Amount**	**Percent**
Residential mortgage banking income, net	$ 13,392	$ 14,083	$ 25,890	$ 24,664	$ (691)	(4.91)%	$ 1,226	4.97 %
BOLI	53	52	105	103	1	1.92 %	2	1.94 %
Income from unconsolidated subsidiary	119	83	152	125	36	43.37 %	27	21.60 %
Net interest and other income	1,431	1,043	2,548	2,102	388	37.20 %	446	21.22 %
Total revenue	14,995	15,261	28,695	26,994	(266)	(1.74)%	1,701	6.30 %
Provision for credit losses	(63)	198	(225)	251	(261)	(131.82)%	(476)	(189.64)%
Salaries and employee benefits	8,011	7,315	15,956	14,346	696	9.51 %	1,610	11.22 %
Occupancy	950	1,098	1,815	2,036	(148)	(13.48)%	(221)	(10.85)%
Furniture and equipment	140	151	316	346	(11)	(7.28)%	(30)	(8.67)%
Software	754	790	1,540	1,517	(36)	(4.56)%	23	1.52 %
Data processing	169	198	314	360	(29)	(14.65)%	(46)	(12.78)%
Professional fees	166	157	298	383	9	5.73 %	(85)	(22.19)%
Advertising and marketing	352	420	769	809	(68)	(16.19)%	(40)	(4.94)%
FDIC and other insurance	163	117	312	213	46	39.32 %	99	46.48 %
Acquisition-related expenses	—	1,481	—	1,481	(1,481)	(100.00)%	(1,481)	100.00 %
Other expenses	2,700	2,728	5,031	5,191	(28)	(1.03)%	(160)	(3.08)%
Total expenses	13,405	14,455	26,351	26,682	(1,050)	(7.26)%	(331)	(1.24)%
Income before income tax, corporate allocation, and noncontrolling interest	1,653	608	2,569	61	1,045	171.88 %	2,508	4,111.48 %
Corporate allocation	(531)	(519)	(947)	(869)	(12)	(2.31)%	(78)	(8.98)%
Income before income tax provision and noncontrolling interest	1,122	89	1,622	(808)	1,033	1,160.67 %	2,430	300.74 %
Provision for income tax	226	(41)	312	(281)	267	651.22 %	593	211.03 %
Net income	896	130	1,310	(527)	766	589.23 %	1,837	348.58 %
Noncontrolling interest	(305)	(308)	(424)	(425)	3	0.97 %	1	0.24 %
Net income attributable to TowneBank	$ 591	$ (178)	$ 886	$ (952)	$ 769	432.02 %	$ 1,838	193.07 %
Salaries and employee benefits/total noninterest expense	59.76 %	50.61 %	60.55 %	53.77 %	915 bp	18.08 %	678 bp	12.61 %
Net income attributable to TowneBank % of total consolidated income	0.31 %	(0.43)%	0.38 %	(1.13)%	74 bp	172.09 %	151 bp	133.63 %

					Increase/(Decrease) Three Months Ended June 30, 2026 June 30, 2025		Increase/(Decrease) Six Months Ended June 30, 2026 June 30, 2025	
	June 30,		Six Months Ended June 30,					
(dollars in thousands)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Loans originated, mortgage	$597,622	$494,108	$1,066,945	$ 794,807	$ 103,514	20.95 %	$ 272,138	34.24 %
Loans originated, joint venture	137,028	177,359	243,056	321,854	(40,331)	(22.74)%	(78,798)	(24.48)%
Total loans originated	$734,650	$671,467	$1,310,001	$1,116,661	$ 63,183	9.41 %	$ 193,340	17.31 %
Number of loans, mortgage	1,453	1,265	2,588	2,011	188	14.86 %	577	28.69 %
Number of loans, joint venture	374	485	662	920	(111)	(22.89)%	(258)	(28.04)%
Total number of loans	1,827	1,750	3,250	2,931	77	4.40 %	319	10.88 %
Average loan amount, mortgage	$ 411	$ 391	$ 412	$ 395	$ 20	5.12 %	$ 17	4.30 %
Average loan amount, joint venture	366	366	367	350	—	— %	17	4.86 %
Average loan amount	$ 402	$ 384	$ 403	$ 381	$ 18	4.69 %	22	5.77 %
Gain on sales and fees % of loans originated	2.97%	3.13%	3.02%	3.15%	-16 bp	(5.11)%	-13 bp	(4.13)%
Number of originators, mortgage	140	132	140	132	8	6.06 %	8	6.06 %
Number of originators, joint venture	28	34	28	34	(6)	(17.65)%	(6)	(17.65)%
Total number of originators	168	166	168	166	2	1.20 %	2	1.20 %

Resort Vacation Management Segment. The sale of our Resort Vacation Management segment was completed April 3, 2026, for a selling price of $250 million and an estimated gross gain of $198.55 million. This transaction was recorded in the Banking segment. The table below provides a breakdown of the net gain on sale (in thousands):

Gain on sale	$ 198,550
Acquisition-related expenses	(8,683)
Pretax gain on sale	189,867
Federal tax expense	(41,138)
State tax expense	(9,169)
Net gain on sale	$ 139,560

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

	Three Months Ended June 30,		Six Months Ended June 30,		Increase/(Decrease) Three Months Ended 2026 over 2025		Increase/(Decrease) Six Months Ended 2026 over 2025	
(dollars in thousands)	2026	2025	2026	2025	Amount	Percent	Amount	Percent
Property management fees, net	$ —	$ 18,207	$ 12,440	$ 28,759	$ (18,207)	(100.00)%	$ (16,319)	(56.74)%
Net interest and other income	—	24	1	37	(24)	(100.00)%	(36)	(97.30)%
Total revenue	—	18,231	12,441	28,796	(18,231)	(100.00)%	(16,355)	(56.80)%
Salaries and employee benefits	—	5,250	5,081	10,698	(5,250)	(100.00)%	(5,617)	(52.51)%
Occupancy	—	574	627	1,189	(574)	(100.00)%	(562)	(47.27)%
Furniture and equipment	—	385	335	791	(385)	(100.00)%	(456)	(57.65)%
Amortization - intangibles	—	637	425	1,273	(637)	(100.00)%	(848)	(66.61)%
Software	—	877	848	1,736	(877)	(100.00)%	(888)	(51.15)%
Data processing	—	1,339	878	2,283	(1,339)	(100.00)%	(1,405)	(61.54)%
Professional fees	—	236	110	362	(236)	(100.00)%	(252)	(69.61)%
Advertising and marketing	—	750	821	1,641	(750)	(100.00)%	(820)	(49.97)%
FDIC and other insurance	—	113	118	180	(113)	(100.00)%	(62)	(34.44)%
Acquisition-related expenses	—	—	2	—	—	N/M	2	N/M
Other expenses	—	427	489	3,040	(427)	(100.00)%	(2,551)	(83.91)%
Total expenses	—	10,588	9,734	23,193	(10,588)	(100.00)%	(13,459)	(58.03)%
Income before income tax, corporate allocation, and noncontrolling interest	—	7,643	2,707	5,603	(7,643)	(100.00)%	(2,896)	(51.69)%
Corporate allocation	—	(316)	(290)	(636)	316	100.00 %	346	(54.40)%
Income before income tax provision and noncontrolling interest	—	7,327	2,417	4,967	(7,327)	(100.00)%	(2,550)	(51.34)%
Provision for income tax	—	1,828	681	1,388	(1,828)	(100.00)%	(707)	(50.94)%
Net income	—	5,499	1,736	3,579	(5,499)	(100.00)%	(1,843)	(51.49)%
Noncontrolling interest	—	—	—	(220)	—	N/M	220	100.00 %
Net income attributable to TowneBank	$ —	$ 5,499	$ 1,736	$ 3,359	$ (5,499)	(100.00)%	$ (1,623)	(48.32)%
Salaries and employee benefits/total noninterest expense	— %	49.58 %	52.20 %	46.13 %	-4,958 bp	(100.00)%	607 bp	13.16 %
Net income attributable to TowneBank % of total consolidated income	— %	13.45 %	0.74 %	3.97 %	-1,345 bp	100.00 %	-323 bp	(81.36)%

Insurance Segment. The Insurance segment reported income before income tax provision and noncontrolling interest of $7.20 million and $14.25 million for the three and six months ended June 30, 2026, compared to $8.14 million and $16.31 million for the same comparative periods in 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 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 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 489 at June 30, 2026, compared to 482 at June 30, 2025.

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

(dollars in thousands)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Increase/(Decrease) Three Months Ended 2026 over 2025 Amount	Increase/(Decrease) Three Months Ended 2026 over 2025 Percent	Increase/(Decrease) Six Months Ended 2026 over 2025 Amount	Increase/(Decrease) Six Months Ended 2026 over 2025 Percent
Net commission and fee income:								
Property and casualty	$ 23,068	$ 23,306	$ 45,519	$ 46,629	$ (238)	(1.02)%	$ (1,110)	(2.38)%
Employee benefits	4,940	4,596	9,815	9,320	344	7.48 %	495	5.31 %
Total net commissions and fees	28,008	27,902	55,334	55,949	106	0.38 %	(615)	(1.10)%
Contingency and bonus revenue	2,828	3,034	6,559	6,654	(206)	(6.79)%	(95)	(1.43)%
Other income	5	4	17	8	1	25.00 %	9	112.50 %
Total revenues	30,841	30,940	61,910	62,611	(99)	(0.32)%	(701)	(1.12)%
Employee commission expense	4,982	5,008	9,735	10,058	(26)	(0.52)%	(323)	(3.21)%
Revenue, net of commission expense	25,859	25,932	52,175	52,553	(73)	(0.28)%	(378)	(0.72)%
Salaries and employee benefits	13,527	12,947	27,545	25,862	580	4.48 %	1,683	6.51 %
Occupancy	770	777	1,552	1,578	(7)	(0.90)%	(26)	(1.65)%
Furniture and equipment	143	153	318	366	(10)	(6.54)%	(48)	(13.11)%
Amortization - intangibles	1,263	1,373	2,605	2,781	(110)	(8.01)%	(176)	(6.33)%
Software	823	741	1,672	1,426	82	11.07 %	246	17.25 %
Data processing	127	133	231	253	(6)	(4.51)%	(22)	(8.70)%
Professional fees	271	212	518	503	59	27.83 %	15	2.98 %
Advertising and marketing	222	175	425	471	47	26.86 %	(46)	(9.77)%
FDIC and other insurance	158	126	298	233	32	25.40 %	65	27.90 %
Other expenses	753	451	1,427	1,348	302	66.96 %	79	5.86 %
Total operating expenses	18,057	17,088	36,591	34,821	969	5.67 %	1,770	5.08 %
Income before income tax, corporate allocation, and noncontrolling interest	7,802	8,844	15,584	17,732	(1,042)	(11.78)%	(2,148)	(12.11)%
Corporate allocation	(605)	(700)	(1,330)	(1,426)	95	13.57 %	96	6.73 %
Income before income tax provision and noncontrolling interest	7,197	8,144	14,254	16,306	(947)	(11.63)%	(2,052)	(12.58)%
Provision for income tax	1,833	2,098	3,644	4,229	(265)	(12.63)%	(585)	(13.83)%
Net income	5,364	6,046	10,610	12,077	(682)	(11.28)%	(1,467)	(12.15)%
Noncontrolling interest	—	—	—	—	—	— %	—	— %
Net income attributable to TowneBank	$ 5,364	$ 6,046	$ 10,610	$ 12,077	$ (682)	(11.28)%	$ (1,467)	(12.15)%
Salaries and employee benefits/total noninterest expense	74.91 %	75.77 %	75.28 %	74.27 %	-86 bp	(1.14)%	101 bp	1.36 %
Net income attributable to TowneBank % of total consolidated income	2.78 %	14.79 %	4.53 %	14.28 %	-1,201 bp	(81.20)%	-975 bp	(68.28)%

ANALYSIS OF FINANCIAL CONDITION

Overview. At June 30, 2026, total assets were $22.62 billion, which is $2.93 billion, or 14.88%, higher than total assets at December 31, 2025. The primary driver of asset growth in 2026 was the acquisition of Dogwood. Our loan portfolio, less unearned income and deferred costs, made up 67.07% of our period-end assets and totaled $15.17 billion at June 30, 2026. Average assets for the quarter ended June 30, 2026, were $22.49 billion, an increase of $2.78 billion, or 14.10%, 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 second quarter 2026 increased $2.46 billion from fourth quarter 2025 to $20.19 billion. Our average total deposits were $18.50 billion for second quarter 2026, an increase of $1.92 billion, or 11.61%, compared to fourth quarter 2025. Average noninterest-bearing deposits for the quarter ended June 30, 2026, increased $509.37 million, or 9.83%, 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 June 30, 2026 and December 31, 2025, respectively, these balances were $1.66 billion and $1.22 billion and consisted mainly of deposits in other banks and overnight deposits with the FRB. At June 30, 2026, the Company had zero in federal funds sold, compared to $15.75 million at December 31, 2025.

The average balance of interest-bearing deposits in other banks and at the FRB during second quarter 2026 was $1.66 billion, or 8.22%, of average total earning assets, compared to $1.30 billion, or 7.34%, of average total earning assets for fourth quarter 2025.

Securities Available for Sale. Our AFS debt securities portfolio is reported at fair value, which is determined based on market prices of similar instruments. The AFS debt securities portfolio was $2.94 billion at June 30, 2026, compared with $2.71 billion at December 31, 2025. The average balance during second quarter 2026 was $2.92 billion, compared to $2.70 billion during the quarter ended December 31, 2025. The average AFS debt securities portfolio represented 14.46% and 15.21% of average earning assets in second quarter 2026 and the quarter ended December 31, 2025, respectively. During the six months ended June 30, 2026, we had sales, maturities, and calls totaling $279.73 million in investment securities that were classified as AFS.

Net unrealized losses related to the fair value of AFS debt securities increased $9.46 million in the first six 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 June 30, 2026, the allowance for credit losses on AFS debt securities was $1.03 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 $126.30 million at June 30, 2026, and $156.63 million at December 31, 2025. The average balance during second quarter 2026 was $126.42 million, compared with $161.29 million in fourth quarter 2025, representing 0.63% and 0.91% of total average earning assets, respectively. These securities are held primarily for yield and pledging purposes. HTM debt securities are reviewed quarterly for potential credit losses. The allowance for credit losses on HTM debt securities was $32 thousand at June 30, 2026, and $65 thousand at December 31, 2025. During the six months ended June 30, 2026, we had maturities and calls totaling $30.09 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 June 30, 2026, loans held for sale totaled $309.52 million and consisted of $275.60 million in mortgage loans held for sale and $33.92 million in government guaranteed loans held for sale.

Mortgage loans held for sale totaled $154.44 million at December 31, 2025, and are intended for sale in the secondary market. Average mortgage loans held for sale were 1.01% of average earning assets for the quarter ended June 30, 2026, compared to 1.06% for the quarter ended December 31, 2025. The majority of mortgage loans held for sale are precommitted to investors, which minimizes our interest rate risk.

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

Loan Portfolio. Loans, net of unearned income and deferred costs, were $15.17 billion at June 30, 2026, which was a $1.83 billion, or 13.75%, increase over $13.34 billion at December 31, 2025. Excluding $1.90 billion in loans from the acquisitions of Dogwood, loans, net of unearned income and deferred costs, would have decreased $71.73 million, or 0.54%. As a percentage of total average earning assets, average loans were 75.50% for the quarter ended June 30, 2026, compared with 75.31% for the quarter ended December 31, 2025.

Commercial real estate loans constituted 59.33% and 58.75% of our loan portfolio at June 30, 2026 and December 31, 2025, respectively. The following table provides additional information regarding commercial real estate loans segregated by the type of property securing the loans and the geographic region in which the loans were originated at June 30, 2026 (dollars in thousands):

Description Within Major Classification	Consolidated	% of Major Class	Virginia / NENC	North Carolina	South Carolina	Classified (1)
Residential construction	$ 291,929	22.11 %	$ 145,230	$ 128,440	$ 18,259	$ —
Improved lots	182,758	13.84 %	123,864	58,894	—	696
Raw land	164,387	12.44 %	102,696	61,691	—	—
Land development	164,082	12.42 %	124,270	39,812	—	771
Construction-to-perm	64,265	4.87 %	23,884	40,381	—	—
Presold residential construction	48,930	3.70 %	29,866	19,064		—
All other	404,575	30.62 %	183,930	193,697	26,948	12,288
Construction and land development	**$ 1,320,926**	**100.00 %**	**$ 733,740**	**$ 541,979**	**$ 45,207**	**$ 13,755**
Percentage of Consolidated			**55.55 %**	**41.03 %**	**3.42 %**	**1.04 %**
Office buildings	$ 532,700	21.34 %	$ 347,614	$ 185,037	$ 49	$ 3,971
Warehouse light industry	398,225	15.95 %	305,931	92,294	—	3,083
Auto dealer and repair	207,014	8.29 %	185,990	21,024	—	3,535
Restaurants	139,293	5.58 %	97,881	41,412	—	—
Retail buildings	81,954	3.28 %	61,536	20,418	—	—
Churches	107,649	4.31 %	96,684	10,965	—	2

Description Within Major Classification		Consolidated	% of Major Class	Virginia / NENC	North Carolina	South Carolina	Classified (1)
All other		1,029,510	41.25 %	396,912	562,868	69,730	24,337
Owner occupied	**$**	**2,496,345**	**100.00 %**	**$ 1,492,548**	**$ 934,018**	**$ 69,779**	**$ 34,928**
Percentage of Consolidated				**59.79 %**	**37.42 %**	**2.80 %**	**1.40 %**
Office buildings	$	886,722	20.53 %	$ 588,253	$ 298,469	$ —	$ 3,814
Hotels		887,468	20.56 %	668,544	218,924	—	2,011
Shopping centers		792,572	18.36 %	498,929	293,643	—	1,536
Warehouse light industry		475,651	11.02 %	263,931	211,720	—	4,401
All other		1,274,678	29.53 %	521,474	706,988	46,216	8,992
Non-owner occupied	**$**	**4,317,091**	**100.00 %**	**$ 2,541,131**	**$ 1,729,744**	**$ 46,216**	**$ 20,754**
Percentage of Consolidated				**58.86 %**	**40.07 %**	**1.07 %**	**0.48 %**
Less than $1 Million Origination	$	91,094	10.53 %	$ 59,420	$ 31,674	$ —	$ 142
More than $1 Million Origination		774,060	89.47 %	422,065	341,978	10,017	—
Multi-family	**$**	**865,154**	**100.00 %**	**$ 481,485**	**$ 373,652**	**$ 10,017**	**$ 142**
Percentage of Consolidated				**55.65 %**	**43.19 %**	**1.16 %**	**0.02 %**
Total Commercial Real Estate	**$**	**8,999,516**		**$ 5,248,904**	**$ 3,579,393**	**$ 171,219**	**$ 69,579**
Percentage of Consolidated Total Commercial Real Estate				**58.33 %**	**39.77 %**	**1.90 %**	**0.77 %**

(1) Classified loans are defined as substandard or doubtful. Classified commercial real estate loans totaled $69.58 million, or 62.31%, of total classified credits at June 30, 2026.

Allowance for Credit Losses and Asset Quality. The allowance for credit losses on funded loans at June 30, 2026 and December 31, 2025, was $199.92 million and $147.34 million, respectively. The $52.58 million increase in the allowance included $59.49 million in initial allowance for credit losses from the acquisition of Dogwood and a $2.18 million purchase price adjustment to increase the initial allowance for credit losses from the acquisition of Old Point. Additionally, the initial allowance from Dogwood was split between community banking loans of $40.19 million and the unguaranteed portion retained on the Company's balance sheet for loans originated through the government guaranteed lending program of $19.30 million. The initial allowance adjustment for Old Point was related to indirect loans. The allowance was equal to 1.32% of total loans outstanding at June 30, 2026, compared with 1.10% at December 31, 2025.

Classified loans, defined as loans in the substandard and doubtful categories, represented 0.74% of total loans at June 30, 2026, and 0.45% of total loans at December 31, 2025. Total criticized loans, defined as special mention and classified loans, increased to $262.70 million in second quarter 2026 from $172.10 million in fourth quarter 2025. Loans 30 to 89 days past due totaled $32.88 million at June 30, 2026, compared to $16.52 million at December 31, 2025. The allowance for credit losses on funded loans was equal to 6.16x of nonperforming loans at June 30, 2026, compared with 12.57x at December 31, 2025. Our allowance for credit losses, for both funded loans and unfunded commitments, was determined by evaluating numerous variables, many of which are interrelated or dependent on other assumptions and estimates, and considered past events, current conditions, and reasonable and supportable forecasts. We believe the quality of our loan portfolio supports the level of our allowance for credit losses and that it is adequate to cover estimated lifetime credit losses expected in the loan portfolio based on our reasonable and supportable forecasts at that date.

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

	June 30, 2026	December 31, 2025
Real estate - construction and land development	$ 15,746	$ 20,204
Real estate - commercial owner occupied	14,933	11,378
Real estate - commercial non-owner occupied	33,310	27,592
Real estate - multi-family	6,104	5,830
Real estate - residential 1-4 family	35,312	31,797
HELOC	23,583	20,803
C&I	29,432	11,852
Government	4,806	3,975
Indirect	12,893	11,462
Consumer loans and other	5,599	2,450
Government guaranteed loans	18,200	—
Total	$ 199,918	$ 147,343

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

	Three Months Ended		
	June 30,		December 31,
(dollars in thousands)	2026	2025	2025
Nonperforming Assets			
Nonperforming loans	$ 32,430	$ 7,982	$ 11,726
Former bank premises	14,061	—	879
Foreclosed property	1,823	1,306	1,754
Total nonperforming assets	$ 48,314	$ 9,288	$ 14,359
Loans past due 90 days and still accruing interest	$ 1,095	$ 210	$ 890
Asset Quality Ratios			
Allowance for credit losses to nonperforming loans	6.16x	16.81x	12.57x
Nonperforming loans to period-end loans	0.21%	0.06%	0.09%
Nonperforming assets to period-end assets	0.21%	0.05%	0.07%
Quarterly net charge-offs (recoveries) to average loans (annualized)	0.15%	—%	0.02%
Allowance for credit losses to period-end loans	1.32%	1.09%	1.10%
Community banking allowance for credit losses to period-end loans	1.20%	1.09%	1.10%
Government guaranteed lending allowance for credit losses to period-end loans	0.12%	—%	—%

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

	June 30, 2026	December 31, 2025
CRE - Construction and land development	$ 204	$ 1,621
CRE - Owner occupied	1,562	135
CRE - Non-owner occupied	12,339	3,058
CRE - Multi-family	142	—
Residential 1-4 family	2,570	2,272
HELOC	1,779	989
C&I	5,348	2,179
Government	—	—
Indirect	1,314	1,451
Consumer loans and other	328	21
Government guaranteed loans	6,844	—
Total nonperforming loans	$ 32,430	$ 11,726

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

At June 30, 2026, we had $48.31 million in nonperforming assets, which amounted to 0.21% of total assets. Additionally, loans 60-89 days past due, excluding nonperforming loans, totaled $9.17 million, and there were $1.10 million in loans past due 90 days or more that were accruing interest. Nonperforming assets consisted of $32.43 million in nonperforming loans, $14.06 million in former bank premises, and $1.82 million in foreclosed property as of June 30, 2026. Nonperforming loans increased by $20.70 million from December 31, 2025. Increases in nonperforming assets in the first six months of 2026 were primarily attributable to the acquisition of Dogwood. Foreclosed property increased $69 thousand from December 31, 2025, driven by a $103 thousand increase in other real estate owned offset by a $34 thousand decline in repossessed vehicles.

Deposits. Total deposits at June 30, 2026, were $18.71 billion, representing an increase of $3.38 billion, or 22.08%, compared to June 30, 2025. Total deposits increased $2.20 billion, or 13.35%, compared to December 31, 2025. Total average deposits were $18.50 billion during second quarter 2026, compared to $15.17 billion during second quarter 2025 and $16.57 billion during fourth quarter 2025.

	Total Deposits Period Ended			June 30, 2026 vs. June 30, 2025		June 30, 2026 vs. December 31, 2025	
	June 30,		December 31,	Change		Change	
(dollars in thousands)	2026	2025	2025	$	%	$	%
Interest-bearing demand and money market accounts	$ 9,468,690	$ 7,654,317	$ 8,390,884	$ 1,814,373	23.70 %	$ 1,077,806	12.84 %
Regular savings	436,751	332,108	332,752	$ 104,643	31.51 %	$ 103,999	31.25 %
Certificates of deposit	2,965,060	2,587,951	2,712,324	$ 377,109	14.57 %	$ 252,736	9.32 %
Total interest-bearing	12,870,501	10,574,376	11,435,960	$ 2,296,125	21.71 %	$ 1,434,541	12.54 %
Noninterest-bearing demand	5,842,944	4,754,340	5,073,157	$ 1,088,604	22.90 %	$ 769,787	15.17 %
Total	$ 18,713,445	$ 15,328,716	$ 16,509,117	$ 3,384,729	22.08 %	$ 2,204,328	13.35 %

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

	June 30, 2026				
	Consolidated	% of Total Deposits	Virginia (1)	North Carolina	South Carolina (2)
Noninterest-bearing demand	$ 5,842,944	31.22 %	$ 4,555,429	$ 1,159,085	$ 128,430
Interest-bearing demand	2,468,278	13.19 %	1,726,558	706,620	35,100
Money market	7,000,412	37.41 %	4,762,663	2,137,298	100,451
Regular savings	436,751	2.33 %	387,987	12,874	35,890
Certificates of deposit	2,965,060	15.84 %	2,507,715	341,661	115,684
	$ 18,713,445	100.00 %	$ 13,940,352	$ 4,357,538	$ 415,555

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

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

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

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

At June 30, 2026, we had $9.03 billion in estimated uninsured deposits, $0.70 billion of which are collateralized by securities, for an estimated uncollateralized and adjusted uninsured deposit total of $8.33 billion, roughly 45% of total deposits. Total liquidity sources at June 30, 2026, totaled $8.18 billion, or 98% of adjusted uninsured deposits.

Average noninterest-bearing demand deposits as a percentage of average total deposits were 30.78% during second quarter 2026 and 30.88% during the same period in 2025. The cost of interest-bearing deposits was 2.24% for second quarter 2026, compared with 2.61% for second quarter 2025.

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

	Average Balance/Cost Rate					
	Three Months Ended					
	June 30,				December 31,	
	2026		2025		2025	
Interest-bearing demand and money market accounts	$ 9,279,980	1.93 %	$ 7,590,290	2.22 %	$ 8,266,287	2.03 %
Regular savings	446,151	0.56 %	337,807	0.84 %	331,959	0.75 %
Certificates of deposit	3,076,803	3.40 %	2,560,313	3.98 %	2,789,603	3.72 %
Total interest-bearing	12,802,934	2.24 %	10,488,410	2.61 %	11,387,849	2.40 %
Noninterest-bearing demand	5,693,724		4,685,835		5,184,356	
Total	$ 18,496,658	1.55 %	$ 15,174,245	1.80 %	$ 16,572,205	1.65 %

	Average Balance/Cost Rate			
	Six Months Ended			
	June 30,			
	2026		2025	
Interest-bearing demand and money market accounts	$ 9,181,179	1.97 %	$ 7,435,687	2.24 %
Regular savings	433,765	0.57 %	325,033	0.88 %
Certificates of deposit	3,087,055	3.47 %	2,550,430	4.05 %
Total interest-bearing	12,701,999	2.29 %	10,311,150	2.65 %
Noninterest-bearing demand	5,579,068		4,482,341	
Total	$ 18,281,067	1.59 %	$ 14,793,491	1.84 %

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

	Average Balance and Composition					
	Three Months Ended					
	June 30,				December 31,	
	2026		2025		2025	
Interest-bearing demand and money market accounts	$ 9,279,980	50.18 %	$ 7,590,290	50.02 %	$ 8,266,287	49.89 %
Regular savings	446,151	2.41 %	337,807	2.23 %	331,959	2.00 %
Certificates of deposit	3,076,803	16.63 %	2,560,313	16.87 %	2,789,603	16.83 %
Total interest-bearing	12,802,934	69.22 %	10,488,410	69.12 %	11,387,849	68.72 %
Noninterest-bearing	5,693,724	30.78 %	4,685,835	30.88 %	5,184,356	31.28 %
Total	$ 18,496,658	100.00 %	$ 15,174,245	100.00 %	$ 16,572,205	100.00 %

	Average Balance and Composition Six Months Ended June 30,			
	2026		2025	
Interest-bearing demand and money market accounts	$ 9,181,179	50.22 %	$ 7,435,687	50.26 %
Regular savings	433,765	2.37 %	325,033	2.20 %
Certificates of deposit	3,087,055	16.89 %	2,550,430	17.24 %
Total interest-bearing	12,701,999	69.48 %	10,311,150	69.70 %
Noninterest-bearing	5,579,068	30.52 %	4,482,341	30.30 %
Total	$ 18,281,067	100.00 %	$ 14,793,491	100.00 %

Advances from the Federal Home Loan Bank of Atlanta. Advances from the FHLB at June 30, 2026, were $127.06 million, compared to $52.45 million at December 31, 2025. The year-to-date increase was primarily attributable to the Dogwood acquisition, which included $155.00 million in FHLB borrowings. The Company repaid $70.20 million in FHLB borrowings in second quarter 2026. 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 second quarter 2026 was 4.55%, and 4.02% in fourth quarter 2025.

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

Maturity	Interest Rate	Call / Reset Date	Outstanding Amount	
7/20/2026 (1)	3.82%	—	$	50,000
03/15/2027	3.90%	—	$	5,000
04/29/2027	3.90%	—	$	50,000
11/15/2028	3.43%	—	$	1,211
12/01/2028	2.83%	—	$	849
07/09/2029	3.69%	10/09/2026	$	20,000
		Total FHLB Loans	$	127,060

(1) This advance was repaid on July 20, 2026.

At June 30, 2026, certain loan products and securities with carrying values of $3.88 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 $175.15 million during second quarter 2026, compared with $81.15 million for fourth quarter 2025, while the average cost of these funds was 2.96% and (0.17)%, respectively. The interest credit in the prior year was related to a combination of low average borrowings during the quarter and the effects of interest capitalization on our construction in progress.

Subordinated Debt, net. On February 9, 2022, the Company issued $250.00 million in subordinated notes, redeemable in whole or in part, on or after February 15, 2027, that is accruing interest at a fixed rate of

3.125% until February 15, 2027, converting to a floating rate of three-month SOFR plus 1.68% for the next five years.

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

	June 30, 2026	December 31, 2025
Carrying value of subordinated notes	$ 284,207	$ 283,870
Average subordinate debt for the quarter ended	$ 284,404	$ 283,601
Average cost of subordinated notes for the quarter ended	3.85 %	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
Second Quarter 2026	$ 0.28	May 20, 2026	June 26, 2026	July 10, 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 June 30, 2026 (in thousands):

	June 30, 2026
Available Liquid Funds:	
Cash and cash equivalents	$ 1,815,480
Unencumbered investment securities	2,043,917
Availability of Borrowings:	
Amount available from FHLB	2,168,318
Amount available from unsecured lines of credit with correspondent banks	150,000
Amount available from Federal Reserve discount window	1,999,404
	$ 8,177,119

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

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

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

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

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

	June 30,		December 31,
	2026	2025	2025
Risk-based capital ratios (1):			
Common equity Tier 1 (4.5% minimum requirement)	12.16 %	11.77 %	11.34 %
Tier 1 (6.0% minimum requirement)	12.20 %	11.82 %	11.39 %
Total (8.0% minimum requirement)	14.63 %	14.49 %	14.14 %
Tier 1 leverage ratio (4.0% minimum requirement)	10.00 %	9.93 %	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 tangible equity. This adjustment allows management to review the Company's core operating results and core capital position.

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

Consolidated Financial Statements

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2026	2025	2026	2025
Average assets (GAAP)	$ 22,485,951	$ 18,056,980	$ 22,188,808	$ 17,636,755
Less: average goodwill and intangible assets	911,261	567,250	903,725	542,095
Average tangible assets (non-GAAP)	$ 21,574,690	$ 17,489,730	$ 21,285,083	$ 17,094,660
Average equity (GAAP)	$ 3,019,560	$ 2,188,322	$ 2,934,694	$ 2,174,246
Less: average goodwill and intangible assets	911,261	567,250	903,725	542,095
Average tangible equity (non-GAAP)	$ 2,108,299	$ 1,621,072	$ 2,030,969	$ 1,632,151
Average common equity (GAAP)	$ 3,012,709	$ 2,180,687	$ 2,927,879	$ 2,162,348
Less: average goodwill and intangible assets	911,261	567,250	903,725	542,095
Average tangible common equity (non-GAAP)	$ 2,101,448	$ 1,613,437	$ 2,024,154	$ 1,620,253
Net income (GAAP)	$ 193,186	$ 40,887	$ 234,179	$ 84,600
Amortization of intangibles, net of tax	4,634	3,143	9,628	5,534
Tangible net income (non-GAAP)	$ 197,820	$ 44,030	$ 243,807	$ 90,134
Total revenue (GAAP)	$ 444,266	$ 210,093	$ 690,714	$ 393,189
Net (gain)/loss on investment securities/equity investments	(198,550)	—	(198,676)	(2,000)
Operating income (non-GAAP)	$ 245,716	$ 210,093	$ 492,038	$ 391,189
Noninterest expense (GAAP)	$ 189,943	$ 150,665	$ 385,829	$ 281,201
Less: Amortization of intangibles	5,866	3,979	12,187	7,005
Noninterest expense net of amortization (non-GAAP)	$ 184,077	$ 146,686	$ 373,642	$ 274,196

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Return on average assets (GAAP basis)	3.45 %	0.91 %	2.13 %	0.97 %
Impact of excluding average goodwill and other intangibles and amortization	0.23 %	0.10 %	0.18 %	0.09 %
Return on average tangible assets (non-GAAP)	3.68 %	1.01 %	2.31 %	1.06 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Return on average equity (GAAP basis)	25.66 %	7.52 %	16.09 %	7.86 %
Impact of excluding average goodwill and other intangibles and amortization	11.97 %	3.42 %	8.12 %	3.30 %
Return on average tangible equity (non-GAAP)	37.63 %	10.94 %	24.21 %	11.16 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Efficiency ratio (GAAP)	42.75 %	71.71 %	55.86 %	71.52 %
Impact of excluding goodwill and other intangibles and amortization	32.16 %	(1.89)%	20.08 %	(1.43)%
Efficiency ratio (non-GAAP)	74.91 %	69.82 %	75.94 %	70.09 %

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

	June 30,	
	2026	2025
Book value per share (GAAP basis)	$ 32.40	$ 29.41
Impact of excluding goodwill and other intangibles and amortization	(9.80)	(7.61)
Tangible book value per share (non-GAAP)	$ 22.60	$ 21.80

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.

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

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.

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

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

At June 30, 2026, we had $5.81 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.

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

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

Change in Prime Rate	% Change in Net Interest Income
+ 200 basis points	5.41 %
+ 100 basis points	2.79 %
- 100 basis points	(3.91)%
- 200 basis points	(7.05)%

Market Value Simulation: Market value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Market values are calculated based on discounted cash flow analysis. The net market value is the market value of all assets minus the market value of all liabilities. The change in net market value over different rate environments is an indication of the longer-term repricing risk in the balance sheet. The same assumptions are used in the market value simulation as in the earnings simulation. The following table reflects the change in net market value over different rate environments:

Change in Prime Rate	Change in Net Market Value (dollars in thousands)	
+ 200 basis points	$	(143,441)
+ 100 basis points	$	(70,593)
- 100 basis points	$	1,412
- 200 basis points	$	(10,697)

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

Item 4. Controls and Procedures

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings
In the ordinary course of operations, we are a party to various legal proceedings. Based upon information currently available, management believes that such legal proceedings, in the aggregate, will not have a material adverse effect on our business, financial condition, or results of operations.

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Mine Safety Disclosures
Not applicable

Item 5. Other Information
None

Item 6. Exhibits

Exhibit No.	Description
(2.1)	Agreement and Plan of Merger, dated as of August 18, 2025, by and between TowneBank and Dogwood State Bank (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on August 22, 2025).
(2.2)	Equity Purchase Agreement, dated as of April 3, 2026, by and among Belcrest Vacations Acquisitions, LLC, GSH Residential Real Estate Corporation, Towne Financial Services Group, LLC, TowneBank Investment Corporation and TowneBank (incorporated by reference to Exhibit 2.1 to our Form 8-K, previously filed with the FDIC on April 6, 2026).
(10.1)	Employment Agreement, dated as of August 18, 2025, by and among TowneBank, Steven W. Jones and, for limited purposes, Dogwood State Bank (now known as TowneBank).
(10.2)	Supplemental Executive Retirement Plan Agreement, effective as of January 12, 2026, between TowneBank and Steven W. Jones.
(31.1)	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Certification Pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
(99)	Report of Independent Registered Public Accounting Firm dated August 6, 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

August 6, 2026	By:	/s/ William I. Foster III
Date		William I. Foster III President and Chief Executive Officer
August 6, 2026	By:	/s/ William B. Littreal
Date		William B. Littreal Senior Executive Vice President/Chief Financial Officer

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of August 18, 2025 by and among TowneBank, a Virginia banking corporation (the "Company"), Steven W. Jones and, solely for purposes of the impact of this Agreement on the "Prior Agreement" (as defined below), Dogwood State Bank (f/k/a Sound Bank), a North Carolina state-chartered bank ("Dogwood").

WHEREAS, the Company and Dogwood, have entered into the Agreement and Plan of Merger dated as of August 18, 2025 (the "Merger Agreement"), under which Dogwood will merge with and into the Company, with the Company being the surviving corporation (the "Merger");

WHEREAS, your continued service to Dogwood between the date this Agreement is signed and the consummation of the Merger will help maintain the value of Dogwood and contribute to the success of the combined organization;

WHEREAS, based on your position as a key executive officer of Dogwood and as a material inducement for the Company to enter into the Merger Agreement, you and the Company have agreed that upon the consummation of the Merger you shall become an employee of the Company;

WHEREAS, you currently provide services to Dogwood pursuant to the Executive Employment Agreement between you and Dogwood dated May 6, 2019 (the "Prior Agreement"), which Prior Agreement shall continue in effect until the consummation of the Merger; and

WHEREAS, for good and valuable consideration, including the mutual promises and covenants contained herein, you are willing to make your services available to the Company on the terms and subject to the conditions set forth herein.

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

1. Employment and Acceptance. Conditional upon the consummation of the Merger and you being employed by Dogwood as of the Closing Date (as defined in the Merger Agreement), and effective on the Closing Date, you shall be employed as President, TowneBank of the Carolinas, under the terms and conditions of this Agreement. You shall have duties and responsibilities that are commensurate with your position and shall also render such other services and duties as may be reasonably assigned to you from time to time by the Company, consistent with your position with the Company. You accept and agree to such employment and agree to carry out your duties and responsibilities to the best of your ability in a competent, efficient and businesslike manner. You further agree to comply with all the policies, standards and codes of conduct of the Company now or hereafter adopted.

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

2. Term. This Agreement shall be effective as of the Closing Date and, except as otherwise set forth herein, shall expire on December 31, 2030; provided that on December 31, 2029 and on each December 31st thereafter (each such December 31st is referred to as a "Renewal Date"), this Agreement shall be automatically extended for an additional calendar year from such Renewal Date so as to expire two (2) years from such Renewal Date. This Agreement shall not, however, be extended if the Company or you gives written notice ("Nonrenewal Notice") of such party's election not to renew and extend the term of this Agreement on or before such Renewal Date (the initial and any extended term of this Agreement is referred to as the "Employment Period"). The last day of the Employment Period is sometimes referred to in this Agreement as the "Expiration Date." Upon this Agreement becoming effective on the Closing Date, and except to the limited extent provided in Section 3(e), the Prior Agreement shall automatically be canceled and terminated and replaced in its entirety by this Agreement. Notwithstanding anything in this Agreement to the contrary, in the event that the Merger Agreement is terminated pursuant to its terms prior to the Closing Date, this Agreement shall expire and be of no further force or effect on the date of termination of the Merger Agreement, and the Prior Agreement shall remain in effect in accordance with its terms.

3. Compensation.

(a) Base Salary. Commencing on the Closing Date and continuing during the remainder of the Employment Period, you shall receive for your services an annual base salary (the "Annual Base Salary") in an amount to be determined by the Company in accordance with the salary administration program of the Company as it may from time to time be in effect. The Annual Base Salary shall be reviewed on an annual or other regular periodic basis and may be adjusted upward or downward in the sole discretion of the Compensation Committee or the Board of Directors of the Company (the "Board"), provided that any downward adjustment shall be proportionate to reductions in base salaries of other similarly situated officers of the Company. In no event, however, shall the Annual Base Salary be less than the gross amount of $750,000.

(b) Annual Incentive Plan. Commencing on the Closing Date and continuing during the remainder of the Employment Period, you may be entitled to receive annual incentive payments in such amounts (which may include shares of Company common stock) and at such times as may be determined by the Company pursuant to its incentive plan then in effect for similarly situated officers of the Company. Any annual incentive shall be paid to you no later than two and one-half months after the end of the year for which the annual incentive is awarded. To be eligible to earn and receive any incentive, you must be employed by the Company on the date such incentive is paid in order for it to be deemed earned, unless (i) you become disabled, die, or retire in accordance with the Company's retirement policy after the date on which the Company determined the specific amount of your incentive under the applicable incentive plan, or (ii) your employment terminates on the Expiration Date due to non-renewal of this Agreement by the Company under Section 2.

(c) Stock Compensation. Commencing on the Closing Date and continuing during the remainder of the Employment Period, you may be entitled to receive stock awards under the TowneBank 2025 Stock Incentive Plan (the "Stock Incentive Plan") or any successor plan then in effect in such amounts and subject to such terms and conditions as determined by the Compensation Committee or the Board.

(d) Restricted Stock Unit Grant. Subject to the approval of the Board, the Company shall make a restricted stock unit grant to you representing the right to receive the number of shares of common stock of the Company with a grant date value of $1,000,000. The restricted stock unit grant shall be presented for approval by the Board at the first regular meeting of the Board after the Closing Date, and, if approved, such grant shall be issued no later than sixty (60) days after the Closing Date. The restricted stock unit grant shall provide, among other things, that the units shall vest in full on the fifth anniversary of the date of grant, provided you remain employed by the Company on such anniversary date, except as provided in the award agreement evidencing the restricted stock unit grant. In that regard, the award agreement for the restricted stock unit grant under this Section 3(d) shall include provisions to accelerate vesting for termination of employment due to death or disability, by action of the Company without Cause, or by your resignation for Good Reason. In addition, and notwithstanding any provisions in the award agreement to the contrary, the restricted stock unit grant under this Section 3(d) shall fully vest if your employment terminates on the Expiration Date due to due to non-renewal of this Agreement by the Company under Section 2.

(e) Closing Payment.

(i) Background. Pursuant to Section 7(a)(i) of the Prior Agreement, if your employment is terminated on or within 180 days following the Closing Date under certain circumstances as specified in the Prior Agreement, you would be entitled to "Severance Pay" (as defined in the Prior Agreement). Also, under Section 8(b) of the Prior Agreement, any amounts payable under the Prior Agreement, including the Severance Pay, may be subject to reduction to the extent necessary for you to avoid certain excise taxes under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), all as determined by an "Accountant" (as defined in the Prior Agreement) to be engaged by Dogwood. The severance payments under Section 7(a)(i) of the Prior Agreement were in part consideration for certain covenants set forth in Section 9 of the Prior Agreement, and the payment provided by this Section 3(e) is likewise in consideration of, and conditioned on, your compliance with the covenants set forth in Section 5.

(ii) Payment. In lieu of payment pursuant to Section 7(a)(i) of the Prior Agreement, you shall be eligible to receive a payment in an amount equal to the amount of the Severance Pay determined immediately prior to the Closing Date, subject to reduction as determined by the Accountant in accordance with Section 8(b) of the Prior Agreement (the "Closing Payment"). The Closing Payment shall be made in a single cash payment, less applicable taxes, on or within forty-five (45) days following the Closing Date. You hereby agree and acknowledge that following your receipt of the Closing Payment, no additional amounts shall be owed to you under the Prior Agreement.

(iii) Termination of Prior Agreement; Surviving Provisions. The payout of the Closing Payment shall be in connection with the termination and liquidation of the separation pay feature of the Prior Agreement and any other similar separation pay agreements of Dogwood that are subject to Section 409A of the Code, all in accordance with the provisions of Treas. Reg. Section 1.409A-3(j)(4)(ix)(B). Accordingly, upon the Merger and as provided in Section 2, the Prior Agreement shall be canceled and terminated in its entirety, including (for the avoidance of doubt), the provisions of Section 7 of the Prior Agreement; provided, however, that the provisions of Section 8(b) of the Prior Agreement shall survive and continue to apply after the Merger with respect to any payments that are determined by the Accountant to be subject to the requirements of Sections 280G and 4999 of the Code by reason of the Merger.

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

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

(h) Supplemental Executive Retirement Benefits. As soon as reasonably practicable after the date hereof, the Company shall offer to enter into a supplemental executive retirement plan (the "SERP") with you that shall provide for certain supplemental nonqualified cash retirement benefits equal to 40% of your initial Annual Base Salary as of the Closing Date, assuming an annual 4% increase in your Annual Base Salary, until age 65, payable for a period of 15 years beginning at the later of age 65 and your separation of service, subject to the terms and conditions of the SERP. The retirement benefit shall vest ratably (on an annual basis) over the number of years (not to exceed 15) from the effective date of the SERP through your attainment of age 65, subject to earlier vesting under the terms of the SERP. The Company acknowledges and agrees that the value of your "Long-Term Incentive Award" as defined and payable under the Long-Term Incentive Agreement, dated as of July 16, 2021 and amended and restated as of September 1, 2022, by and between Dogwood and you (the "Dogwood SERP") shall be fully vested as of the Closing Date.

(i) Automobile. Commencing on the Closing Date and continuing during the remainder of the Employment Period, the Company may elect to provide you with either: (i) an appropriate automobile and shall cover the costs associated with the operation of the automobile, including insurance, maintenance and fuel; or (ii) a monthly allowance in an amount determined by the Company to cover the expenses for an automobile, in each case subject to the policies established from time to time by the Company.

4. Termination and Termination Benefits. Notwithstanding the provisions of Section 2, your employment shall terminate under the following circumstances and shall be subject to the following provisions:

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

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

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

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

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

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

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

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

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

(d) Termination by the Company Without Cause. Your employment may be terminated by the Company without Cause during the term of this Agreement at any time upon written notice to you, which termination shall be effective immediately or on such later date as specified in the written notice. In the event your employment is terminated without Cause, you shall receive any earned but unpaid base salary through the date of termination, payable in accordance with law. In addition, you shall receive the following benefits, provided that you sign a release agreement and waiver of claims in favor of the Company, its Affiliates and their respective officers and directors in a form substantially consistent with **Exhibit A** (the "Release") and the Release has become effective and irrevocable within sixty (60) days following the date of termination.

(i) A cash severance payment determined as follows:

(A) If the termination of your employment occurs not on or within thirty-six (36) months following a "Change in Control" (as defined in Section 7(i)), then the cash severance payment shall be equal to two (2) times your Annual Base Salary; or

(B) If the termination of your employment occurs on or within thirty-six (36) months following a Change in Control, then the cash severance payment shall be equal to 2.9 times your Final Compensation. For purposes of this Agreement, "Final Compensation" means your Annual Base Salary, plus the highest annual bonus (including the grant date market value of any restricted stock or other stock-based award that comprises a portion of the annual bonus) earned for the two most recently completed years.

For purposes of the foregoing clauses (A) and (B), "Annual Base Salary" shall be determined based on that Annual Base Salary in effect on the date of the termination of your employment, which, for the avoidance of doubt shall not be reduced by any amount contributed by you during the most recently completed year pursuant to a salary reduction agreement or any other program that provides for pre-tax salary reductions or compensation deferrals and without regard to any reduction that would have constituted Good Reason. The cash severance payment shall be payable within sixty (60) days following the date of termination.

(ii) If you timely elect continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse you for the difference between the monthly COBRA premium amount paid by you for your and your eligible dependents' group health insurance coverage and the monthly premium amount paid by similarly situated active employees. You shall be eligible to receive such reimbursement until the earliest of: (A) the Expiration Date or for one (1) year following the date of termination, whichever period is greater; (B) the date you are no longer eligible to receive COBRA continuation coverage; or (C) the date on which you become eligible to receive substantially similar coverage from another employer, as determined by the Company in its discretion. Notwithstanding the foregoing, if the payments by the Company under this Section 4(d)(ii) would violate the nondiscrimination rules applicable to non-grandfathered plans or would result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder (the "PPACA"), the parties agree to reform this Section 4(d)(ii) in a manner as is necessary to comply with the PPACA.

(iii) The obligation of the Company to make any payments and provide any benefits to you under this Agreement shall cease effective upon you engaging in any conduct or activity that otherwise would have been prohibited under Section 5. To the extent any payments have been made to you under Section 4(d)(i) or (ii), you shall repay such payments to the Company within ten (10) calendar days after the Company's written demand.

(e) Termination by You for Good Reason. You may voluntarily terminate your employment under this Agreement at any time for Good Reason and be entitled to receive the compensation and other benefits set forth in Section 4(d) relating to a termination without Cause, provided you sign the Release and it becomes effective and irrevocable within sixty (60) days following the date of termination. You must provide written notice to the Company of the existence of the event or condition constituting such Good Reason within thirty (30) days after the initial occurrence of the event or condition alleged to constitute Good Reason. Upon delivery of such notice by you, the Company shall have a period of thirty (30) days during which it may remedy in good faith the event or condition constituting Good Reason, and your employment shall continue in effect during such time so long as the Company is making diligent efforts to cure. In the event the Company shall remedy in good faith the event or condition constituting Good Reason, then such notice of termination shall be null and void, and the Company shall not be required to pay the amount due to you under this Section 4(e). If such event or condition is not remedied within such thirty (30)-day period, any termination of employment by you for Good Reason must occur within thirty (30) days after the period for remedying such event or condition has expired.

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

(i) the assignment to you, without your written consent, of duties materially inconsistent with your position, authority, duties or responsibilities as contemplated by Section 1;

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

(iii) the relocation of your primary office by more than thirty-five (35) miles from its location as of the date of this Agreement; or

(iv) the failure of the Company to comply with the provisions of Section 3 or a material breach by the Company of any other provision of this Agreement.

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

(f) Nonrenewal. Your employment shall terminate on the Expiration Date if the Company delivers to you a Nonrenewal Notice pursuant to Section 2, in which case the Company may elect to pay you your base salary in lieu of allowing you to work for all or a portion of the remainder of the Employment Period.

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

5. Loyalty Covenants. You acknowledge that because of your unique role and employment with the Company, you will be exposed to, utilize, and leverage, all for the benefit of the Company, among other things, Company Confidential Information, Customer and business partner relationships (and the goodwill associated with those relationships) and, therefore, you agree that it is reasonable for the Company to restrict your use of the Company's Confidential Information, its Customer and other goodwill, and its competitive position of the Company, both during and after your employment with the Company. The covenants in this Section 5 may be referred to herein collectively as the "Loyalty Covenants."

(a) Duty of Loyalty. Commencing on the Closing Date and continuing during the remainder of your employment by the Company, you agree that you shall devote substantially all of your working business hours to, and during such time, make the best use of your energy, knowledge and training toward executing your job responsibilities and advancing the Company's interests in its business. During the Employment Period, you shall not engage in any commercial or business activity, for your own benefit or for the benefit of any third-party that is likely to: (i) conflict with the Company's business or financial interests; (ii) inequitably disadvantage the Company; (iii) divert or misappropriate business resources, business opportunities, trade secrets, or Confidential Information of the Company; (iv) adversely affect your job performance or interfere with the obligations you owe the Company, including fiduciary obligations (as applicable); or (v) constitute a violation of Section 5(b) or (c). For clarity, you shall not be prohibited from: (A) serving on the boards of directors of non-profit organizations;

(B) participating in charitable, civic, educational, community, or trade-association activities; or (C) managing your passive personal investments, in each case, so long as such activities do not interfere, either individually or in the aggregate, with your obligations hereunder.

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

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

(c) Nonsolicitation of Customers. You agree that during the Employment Period and for a one-year period following the earlier of (i) the expiration of this Agreement or (ii) the termination of your employment for any reason, including resignation or retirement, during the Employment Period, you shall not, on your own behalf or on behalf of any Person, directly or indirectly: (i) solicit, call upon, initiate communication or contact, or transact business with any Customer (as such term is defined below) to make deposits in, borrow money from, or become a customer of any other Person conducting a Competitive Business; or (ii) induce any Customer to terminate or negatively diminish its relationship with the Company or its Affiliates.

(d) Nonsolicitation of Employees. You agree that during the Employment Period and for a one-year period following the earlier of (i) the expiration of this Agreement or (ii) the termination of your employment for any reason, including resignation or retirement, during the Employment Period, you shall not, on your own behalf or on behalf of any Person, directly or indirectly, solicit, hire or cause to be hired, including by way of introduction to any third-party with hiring authority, any individual who was an employee of the Company or its Affiliates at the time of your termination or at any time within the six (6)-month period preceding the date of termination of your employment, to work or provide services for any Person that engages in a Competitive Business within the Market Area; provided, however, nothing in this Section 5(d) is intended to prevent the hire of any Person who responds to a publicly posted, bona fide job advertisement so long as you do not otherwise violate the terms of this Section 5(d) and so long as the employment of such Person does not violate the terms of any agreement such Person has with the Company.

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

"Competitive Business" means the financial services business in which the Company or any of its Affiliates is engaged at the time your employment ends, including one or more of the following businesses: consumer and commercial banking (including the offering of depository accounts and consumer, commercial and real estate lending products and services), and any other business in which the Company or any of its Affiliates are engaged, provided that you were substantially and materially engaged in any such business described in this Section 5(e) any time within the six (6)-month period preceding the termination of your employment from the Company for any reason (or, if you were on a leave of absence immediately prior to such termination of your employment, the six (6)-month period preceding such leave of absence).

"Market Area" means the following areas, and includes your physical presence in the Market Area or your providing services in the Market Area remotely via teleworking or telecommuting: (i) any city, county or other municipality in North Carolina or South Carolina in which the Company operates a banking office and any area within a twenty (20) statute mile radius of any Company banking office located in such geographic territory; and (ii) any other city, county or other municipality in which you, on behalf of the Company, provided services of at least three (3) months to the Company during the twenty four (24)-month period prior to the cessation of your employment, as long as at the time of the cessation of your employment the Company continues to operate a banking office in such geographic location, and any area within a twenty (20) statute mile radius of any Company banking office located in such geographic territory.

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

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

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

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

(f) Disclosure and Use Restrictions.

(i) You agree and covenant:

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

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

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

(ii) Nothing in this Agreement restricts or prohibits your or your counsel from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before a self-regulatory authority or a governmental, law enforcement or other regulatory authority, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Congress, and any Office of Inspector General (collectively, the "Regulators"), from participating in any reporting of, investigation into, or proceeding regarding suspected violations of law, or from making other disclosures that are protected under or from receiving an award for information provided under the whistleblower provisions of state or federal law or regulation. You do not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents containing confidential information to the Regulators, or make any such reports or disclosures to the Regulators. You are not required to notify the Company that you or your counsel have engaged in such communications with the Regulators. You recognize and agree that, in connection with any such activity outlined above, you must inform the Regulators that the information you or your counsel is providing is confidential. In addition, nothing herein has the purpose or effect of prohibiting you from discussing or disclosing the details relating to any claim of sexual assault or sexual harassment, as defined under federal or state laws including §§ 18.2-61, 18.2-67.1, 18.2-67.3, 18.2-67.4, or 30-129.4 of the Code of Virginia, or any settlements pertaining thereto.

(iii) The Company hereby informs you that, notwithstanding any provision of this Agreement to the contrary, an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law, or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

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

(h) Non-disparagement. You shall not at any time during or after the Employment Period make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company or its business, or any of its directors, employees, customers, and other associated third parties. The Company shall instruct its officers and the members of the Board to not, when speaking on behalf of the Company, at any time during or after the Employment Period make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning you. This Section 5(h) does not, in any way, restrict or impede you from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by law, regulation or order. You shall promptly provide written notice of any such order to the Company.

(i) Acknowledgment. The covenants contained in this Section 5 shall be construed and interpreted in any proceeding to permit their enforcement to the maximum extent permitted by law. You agree that the restrictions imposed herein are necessary for the reasonable and proper protection of Dogwood, the Company and their respective Affiliates, and that each and every one of the restrictions is reasonable in respect to length of time, geographic area and scope of prohibited activities, and that the restrictions are neither overly restrictive on your post-employment activity nor overly burdensome for you to abide by. You shall not make any contention contrary to any of the foregoing representations in the future and agree that you will be estopped to deny or contradict the truth or accuracy of these representations.

(j) Enforcement. You acknowledge that damages at law would not be a measurable or adequate remedy for breach of the covenants contained in this Section 5 and, accordingly, you agree (without requiring that the Company show economic loss or other actual damage and without limiting any other remedies that may be available to the Company) to submit to the equitable jurisdiction of any court of competent jurisdiction in connection with any action to enjoin you from violating any such covenants. To the extent permitted by applicable law, you hereby waive any claim or defense that the Company has an adequate remedy at law, and you shall not urge in any such action or proceeding the defense that any such remedy exists at law. If either you or the Company is successful in whole or in part in any legal, equitable, or arbitration action against the other in connection with the covenants included in this Section 5, the prevailing party shall be entitled to payment of all costs, including reasonable attorney's fees. All the provisions of this Section 5 shall survive the termination and expiration of this Agreement.

(k) Tolling of Certain Periods. The post-employment one (1)-year periods governing your obligations of Noncompetition and Nonsolicitation in this Section 5 and the Non-Disclosure Period (collectively, the "Periods") shall be extended by each day of any Period during which you are in breach of any provision of Section 5, and each day of any Period required for litigation necessary to enforce any provision of Section 5, shall extend the applicable Period(s) by one (1) additional day, so that the Company obtains the full benefit of the Period(s). If litigation is commenced against you to enforce this Agreement, you understand the applicable Period(s) shall be tolled immediately upon the filing of a civil action by the Company alleging a violation of this Agreement and shall remain tolled until the Final Determination of such litigation. Further, you acknowledge that the provisions calling for a look back period (*e.g.*, "the twelve (12) months preceding the termination of your employment….") are intended solely as a means of narrowing the definitions of Competitive Business, Customer, Market Area, etc., and are not intended to, nor shall they, under any circumstance, be construed to define the duration of any Period. "Final Determination" shall mean the expiration of time to file any possible appeal from a final judgment in such legal action or, if an appeal be taken, the final determination of the final appellate proceeding.

(l) Change in Control. Notwithstanding anything to the contrary contained in this Agreement, following the occurrence of a Change in Control:

(i) If your employment is terminated without Cause or for Good Reason, the Noncompetition and Nonsolicitation of Customers covenants set forth in Sections 5(b) and (c), respectively, shall not apply to you after the date of termination of your employment; and

(ii) If the term of this Agreement is not renewed by the Company, the Noncompetition and Nonsolicitation of Customers covenants set forth in Sections 5(b) and (c), respectively, shall not apply to you after the expiration of the then-current term of this Agreement.

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

6. Arbitration.

(a) Except as provided in Section 6(c) and subject to Section 5(i), this Agreement and any arbitration required hereunder shall be governed by the Federal Arbitration Act (the "FAA") to the exclusion of any state law inconsistent with the FAA.

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

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

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

(d) YOU HEREBY CONFIRM YOU HAVE READ AND UNDERSTAND THIS SECTION 6, WHICH DISCUSSES ARBITRATION, AND UNDERSTAND THAT BY SIGNING THIS AGREEMENT, YOU AGREE, EXCEPT AS PROVIDED IN SECTION 6(c), TO SUBMIT ANY CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS AGREEMENT, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH OR TERMINATION THEREOF TO BINDING ARBITRATION, UNLESS OTHERWISE REQUIRED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF YOUR RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF YOUR RELATIONSHIP WITH THE COMPANY. THE FOREGOING NOTWITHSTANDING, NOTHING IN THIS SECTION 6 SHALL COMPEL MANDATORY ARBITRATION OF CLAIMS OF "SEXUAL ASSAULT" OR "SEXUAL HARASSMENT" AS DEFINED IN THE "ENDING FORCED ARBITRATION OF SEXUAL ASSAULT AND SEXUAL

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

7. Miscellaneous.

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

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

(c) Entire Agreement; Amendments. Except as otherwise specifically provided herein, this Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes the Prior Agreement (except as otherwise expressly provided in Section 3(e)(iii)), as well as all other prior agreements and understandings, oral or written, between the parties, with the exception of the Dogwood SERP. This Agreement may be amended only by an agreement signed by the parties hereto. In an event of a conflict between this Agreement and any other agreements entered into by the parties hereto, the terms of this Agreement shall control.

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

(e) Binding Effect; Survival. This Agreement is binding upon and shall inure to the benefit of the parties and their respective successors, heirs and assigns, provided that no part of this Agreement is assignable by you. The Company shall require any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business and/or assets of the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Except as otherwise expressly provided herein, upon the termination or expiration of this Agreement the respective rights and obligations of the parties hereto shall survive such termination or expiration to the extent necessary to carry out the intentions of the parties set forth in this Agreement; provided, however, that notwithstanding anything in this Agreement to the contrary, in the event that the Merger Agreement is terminated pursuant to its terms prior to the Closing Date, this Agreement shall expire and be of no further force or effect on the date of termination of the Merger Agreement.

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

(g) Clawback. Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation or award that you receive, or have received, from the Company or any Affiliates under this Agreement or otherwise, shall be subject to such deductions and clawback by the Company as may be required by applicable law, government regulation or stock exchange listing requirement and on such basis as the Board determines, including pursuant to any incentive compensation clawback policy adopted by the Board (*e.g.*, the TowneBank Incentive Compensation Clawback Policy), but in no event with a look-back period of more than three (3) years, unless required by applicable law or stock exchange listing requirement.

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

(i) Change in Control Defined. For purposes of this Agreement, a "Change in Control" shall mean:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Act")), other than any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of beneficial ownership (within the meaning of Rule 13d-3 under the Act) of 30% or more of the then outstanding shares of common stock of the Company;

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

(iii) Consummation by the Company of a reorganization, merger, share exchange or consolidation (a "Reorganization"), provided that a Reorganization shall not constitute a Change in Control if, upon consummation of the Reorganization, each of the following conditions is satisfied: (1) more than 50% of the then outstanding shares of common stock of the corporation resulting from the Reorganization is beneficially owned by all or substantially all of the former shareholders of the Company in substantially the same proportions as their ownership existed in the Company immediately prior to the Reorganization; and (2) at least a majority of the members of the board of directors of the corporation resulting from the Reorganization were members of the Incumbent Board at the time of the execution of the initial agreement providing for the Reorganization; or

(iv) The sale, transfer or assignment of all or substantially all of the assets of the Company and its Affiliates to a third party.

(j) Tax Withholding. All amounts set forth in this Agreement are gross amounts. The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(k) Section 409A Compliance.

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

(ii) Notwithstanding any other provision of this Agreement, if any payment or benefit provided to you in connection with your termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and you are determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i) (as determined in accordance with the methodology established by the Company as in effect on the date of the termination of your employment), then such payment or benefit shall not be paid until the first payroll date to occur following the six (6)-month anniversary of the date of termination (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to you in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. If you die during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of your estate on the first to occur of the Specified Employee Payment Date or 30 calendar days after the date of your death.

(iii) Notwithstanding any other provision of this Agreement, all reimbursements and in-kind benefits provided under this Agreement that are subject to Section 409A of the Code shall be made in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (A) any reimbursement is for expenses incurred during your lifetime (or during a shorter period of time specified in this Agreement); (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (C) the reimbursement of an eligible expense shall be made no later than the last day of the calendar year following the year in which the expense is incurred; and (D) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(l) Section 280G.

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

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

(iii) Any such reduction shall be made in accordance with Section 409A of the Code and shall be implemented by determining the Parachute Ratio (as defined below) for each Covered Payment and then by reducing the Covered Payments in order, beginning with the Covered Payment with the highest Parachute Ratio. For Covered Payments with the same Parachute Ratio, later Covered Payments shall be reduced before earlier Covered Payments. For Covered Payments with the same Parachute Ratio and the same time of payment, each Covered Payment shall be reduced proportionately. For purposes of this paragraph, "Parachute Ratio" means a fraction, (x) the numerator of which is the value of the applicable Covered Payment, as calculated for purposes of Section 280G of the Code, and (y) the denominator of which is the economic value of the applicable Covered Payment.

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

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

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

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

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

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

(o) Interpretation. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. For purposes of this Agreement, the terms “including” or “includes” shall mean “including, without limitation” and the word “or” shall be understood to mean “and/or.”

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

[*Signatures on following page*]

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

TOWNEBANK

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

DOGWOOD STATE BANK

By: /s/ David Therit

David Therit
Chief Financial Officer

By: /s/ Steven W. Jones
Steven W. Jones

EXHIBIT A

Form of Release

RELEASE

This General Release of all Claims (this "Release") is entered into on [●], 202[●] by and between TowneBank, a Virginia banking corporation (the "Company") and Steven W. Jones ("Executive").

1. Release by Executive. In consideration of certain payments and benefits made or to be made to Executive pursuant to the terms of the Employment Agreement, dated as of [●], 2025, by and between the Company and Executive (the "Employment Agreement"), Executive, on Executive's own behalf and on behalf of Executive's heirs and assigns, hereby irrevocably and unconditionally releases and forever discharges, individually and collectively, the Company, its subsidiaries and affiliates and their respective past, present and future officers, directors, shareholders, employees, representatives, employee benefit plan administrators and trustees, predecessors, successors, assigns and all other persons acting by, through or in concert with them (collectively, the "Released Parties"), from any and all charges, claims, complaints, demands, liabilities, actions or causes of action, losses, costs or expenses of any kind whatsoever (including related attorneys' fees and costs), known or unknown, suspected or unsuspected, contingent or absolute, that Executive may now have or has ever had against the Company by reason of any acts, omissions, transactions or events occurring at any time through and including the date Executive signs this Release. This Release applies, without limitation, to all claims of any nature whatsoever relating to any alleged disparate treatment, denial of wages or benefits, wrongful or unlawful discharge or other adverse employment decision, all claims relating to any contract of employment or promises of compensation, whether express or implied, or any other claim related to Executive's employment with the Company, or termination of Executive's employment with the Company, including, but not limited to, any claims based on Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Age Discrimination in Employment Act, the North Carolina common law doctrine of wrongful discharge, the Americans With Disabilities Act, the Employment Retirement Income Security Act, the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the North Carolina Wage and Hour Act, the North Carolina Equal Employment Practices Act, the North Carolina Parental Leave Law for School Involvement, the North Carolina Persons With Disabilities Protection Act, the North Carolina Retaliatory Employment Discrimination Law, the North Carolina Occupational Safety and Health Act, and other applicable federal, state or local laws, ordinance or regulations relating to discrimination and/or employee benefits of any type whatsoever to the full extent permitted by law.

2. Exclusions from Release. This Release does not apply to claims that arise after the date Executive signs this Release, as indicated by the date affixed to Executive's signature below; to claims arising out of or relating to any provisions of the Employment Agreement that survive termination of the Employment Agreement and Executive's employment thereunder, or to claims for accrued benefits which may now or hereafter be due Executive under any employee retirement or welfare benefit plan maintained by the Company. Nor does this Release apply to claims under the North Carolina Workers Compensation Act; provided, however, that Executive acknowledges and agrees that Executive has not suffered any work-related injury or illness for which Executive has not already filed a claim. Executive understands and agrees that this Release does not affect

Executive's right to file a charge with an administrative agency or participate in any agency investigation, but does bar Executive's right to receive monetary compensation in connection with any charge or lawsuit filed by Executive or by any other person or entity, or by the Equal Employment Opportunity Commission or any other federal, state or local government agency.

3. Release of ADEA Claims. Executive understands that the claims released in this Release include claims under the Age Discrimination in Employment Act. The Company hereby advises Executive to consult with an attorney before signing this Release. Executive acknowledges that Executive has been so advised and has had the opportunity to consult with an attorney of his/her choosing before signing this Release. Executive acknowledges and agrees that Executive has read the entire Release and understands its terms, and knowingly, freely and voluntarily assents to all of its terms. Executive further acknowledges and agrees that Executive has had a period of at least [twenty-one (21)] [forty-five (45)] days ("Consideration Period") to consider the terms of this Release and decide whether to execute it, and that if Executive executes this Release before the end of the Consideration Period, Executive was not induced to do so by any representation of the Company, but decided to do so after careful and thorough consideration of the Release and after having had an opportunity to consult with an attorney.

4. Covenants. Executive acknowledges and agrees that the payments referenced in Section 1 are in consideration for Executive's compliance with the terms of this Release and the terms of the Employment Agreement (including Section 5 thereof) that survive Executive's termination of employment.

5. Revocation. Executive may revoke this Release by giving written notice of revocation within seven (7) days following the date on which Executive executes this Release, as indicated by the date affixed to Executive's signature below (the "Revocation Period"); the notice must be delivered to the President & Chief Executive Officer of the Company before the end of the business day on the last day of the Revocation Period. If Executive revokes this Release, it shall become null and void in its entirety, and Executive shall not receive the payments provided for in the Employment Agreement that are conditioned on the execution of this Release.

[Remainder of page intentionally left blank; signature page follows.]

IN WITNESS WHEREOF, Executive has duly executed this Release as of the date indicated below.

Executive

____

Date

Exhibit 10.2

[Executed Copy]
[Corrected Vesting Schedule]

TOWNEBANK

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT

FOR

STEVEN W. JONES

Effective as of January 12, 2026

INTRODUCTION

This TowneBank Supplemental Executive Retirement Plan Agreement (the "Plan") is between TowneBank, a Virginia banking corporation (the "Company"), and Steven W. Jones (the "Participant") and is effective January 12, 2026.

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

ARTICLE I
DEFINITIONS

Unless defined elsewhere in this Plan, capitalized terms have the following meanings:

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

1.02 Board. The Board of Directors of the Company.

1.03 Cause. If the Participant is a party to an employment, change in control, or service agreement with the Company or an Affiliate and such agreement provides for a definition of Cause, the definition of Cause contained in the agreement shall govern. In all other cases, Cause shall mean:

(i) Continual or deliberate neglect by the Participant in the performance of his material duties and responsibilities as established from time to time by the Company, or the Participant's repeated failure or refusal to follow reasonable instructions or policies of the Company after being advised in writing of such failure or refusal and being given a reasonable opportunity and period (as determined by the Company) to remedy such failure or refusal (provided that such conduct is, in the reasonable discretion of the Company, susceptible to a cure);

(ii) Conviction of, indictment for (or its procedural equivalent), entering of a guilty plea or plea of no contest with respect to a felony, a crime of moral turpitude or any other crime with respect to which imprisonment is a possible punishment (with the exception of any misdemeanor driving offense), or the commission of an act of embezzlement or fraud against the Company;

(iii) Violation in any material respect of any code or standard of conduct generally applicable to employees of the Company;

(iv) Dishonesty of the Participant with respect to the Company, or breach of a fiduciary duty owed to the Company; or

(v) The engaging by the Participant in conduct that is reasonably likely to result, in the good faith judgment of the Company, in material injury to the Company, monetarily, reputationally or otherwise.

The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to whether the Participant has been discharged for Cause.

1.04 Change in Control. If the Participant is a party to an employment, change in control, or service agreement with the Company or an Affiliate and such agreement provides for a definition of Change in Control, the definition of Change in Control contained in the agreement shall govern. In all other cases, Change in Control shall be deemed to have occurred if any one of the conditions in paragraphs (i) - (iii) have been satisfied at any time:

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

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

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

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

(iii) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, or the consummation of a sale, transfer or assignment of all or substantially all of the assets of the Company and its Affiliates to a third party.

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

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

1.07 Company. TowneBank and its successors and assigns.

1.08 Disability or Disabled. If the Participant is a party to an employment, change in control, or service agreement with the Company or an Affiliate and such agreement provides for a definition of Disability or Disabled, the definition contained in the agreement. In all other cases, the Committee shall determine whether a Disability exists and such determination shall be conclusive.

1.09 Good Reason. If the Participant is a party to an employment, change in control, or service agreement with the Company or an Affiliate and such agreement provides for a definition of Good Reason, the definition contained in the agreement shall govern. In all other cases, Good Reason shall mean the occurrence of one or more of the following without the Participant's express written consent, which circumstances are not remedied in good faith by the Company within thirty (30) days of its receipt of a written notice from the Participant describing the applicable circumstances (which notice must be provided by the Participant within ninety (90) days of the initial occurrence of the applicable circumstances): (i) any material, adverse change in the Participant's position, duties, responsibilities, or authority; (ii) a material reduction in the Participant's base salary or bonus opportunity unless any such base salary or bonus opportunity reduction is proportionate to reductions in base salaries or bonus opportunities of other similarly situated officers of the Company; or (iii) a geographical relocation of the Participant's principal office location by more than thirty-five (35) miles.

1.10 Key Employee. Any Participant who, with respect to a publicly-traded company, is (i) one of the top-fifty most highly compensated officers with annual compensation in excess of $235,000 (as adjusted for cost-of-living from time to time by IRS guidance); (ii) a five percent owner of the Company; or (iii) a one percent owner of the Company with annual compensation in excess of $160,000 (as adjusted from time to time by Treasury regulations).

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

1.12 Retirement. Separation from service with the Company on or after age 65.

1.13 Retirement Benefit. The annual benefit represents 40% of the Participant's base salary in effect as of January 12, 2026 with an annual 4% increase assumption until age 65, or $394,780 (three hundred ninety four thousand seven hundred eighty dollars), except as otherwise provided under Article III.

ARTICLE II
PARTICIPATION

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

ARTICLE III
BENEFITS

3.01 Retirement Benefit. Upon Retirement and with a full service period with the Company through June 2, 2033, the Participant shall be entitled to an annual Retirement Benefit equal to 40% of his base salary in effect as of January 12, 2026 with an annual 4% increase assumption until age 65, or $394,780 (three hundred ninety four thousand seven hundred eighty dollars), payable in monthly installments for a period of 15 years. If the Participant voluntarily terminates employment or becomes Disabled before June 2, 2033, he shall be entitled to the reduced Retirement Benefit that has vested according to the vesting schedule under Section 3.03. The reduced benefit is payable in monthly installments for a period of 15 years.

3.02 Timing of Payment. Upon Retirement, monthly payments under this Article shall begin as of the first pay period of the month (typically, the 15th of each month) following the Participant's Retirement. In all other cases under this Article, except Section 3.06, monthly payments shall begin on the later of the 60th day following the Participant's separation from service or the first pay period after he attains (or would have attained in the event of death) age 65, and shall continue on the first pay period of each month thereafter until 180 monthly payments have been made. Notwithstanding the foregoing, in the event that payment to a Key Employee is made based upon a separation from service (including Retirement), other than for death, payment shall not begin until the first pay period of the seventh month following such separation, as applicable under Code Section 409A. In such event, the Participant shall receive a lump sum amount on the first pay period of the seventh month following separation from service that includes monthly payments that would have been made absent the delay under the preceding sentence, with the remaining monthly payments commencing on the first pay period of the eighth month following separation from service.

3.03 Vesting. The Participant's annual Retirement Benefit shall vest as of each date as follows, provided the Participant remains in full-time employment with the Company on such date:

Age	Service Period Vesting Dates	Percent Vested	Minimum Salary	Percentage Benefit	Vested Retirement Benefit
58	12/31/2026	12.5%	$750,000	40%	$37,500
59	12/31/2027	25.0%	$780,000	40%	$78,000
60	12/31/2028	37.5%	$811,200	40%	$121,680
61	12/31/2029	50.0%	$843,648	40%	$168,730
62	12/31/2030	62.5%	$877,394	40%	$219,348
63	12/31/2031	75.0%	$912,490	40%	$273,747
64	12/31/2032	87.5%	$948,989	40%	$332,146
65	6/2/2033	100%	$986,949	40%	$394,780
66	12/31/2034	100%	$1,026,427	40%	$410,571
67	12/31/2035	100%	$1,067,484	40%	$426,994
68	12/31/2036	100%	$1,110,183	40%	$444,073
69	12/31/2037	100%	$1,154,591	40%	$461,836
70	12/31/2038	100%	$1,200,774	40%	$480,310

3.04 Involuntary Termination of Employment. If the Participant's employment is involuntarily terminated by the Company without Cause, or if the Participant terminates his employment for Good Reason, the Participant shall become fully vested in the full Retirement Benefit, subject to the satisfaction of the following conditions:

(i) In the case of a termination of employment without Cause or for Good Reason, the Participant signs a release and waiver of claims in favor of the Company, its Affiliates and their respective officers and directors in a form provided by the Company no later than the date of termination of employment, and such release has become effective no later than 60 days following such termination; and

(ii) In the case of a termination of employment for Good Reason, the Participant has provided written notice to the Company of the existence of the event or condition constituting such Good Reason within ninety (90) days of the initial occurrence of the event or condition alleged to constitute Good Reason, and the Company has failed, within thirty (30) days after receipt of such notice, to remedy in good faith the event or condition constituting Good Reason.

If such conditions are not met, no additional vesting will occur under this Section 3.04, and the Participant shall be entitled to receive his vested Retirement Benefit as determined pursuant to the vesting schedule in Section 3.03. The benefit will be payable in monthly installments upon the later of separation from service or the attainment of age 65, as provided in Section 3.02.

3.05 Disability. If the Participant terminates employment with the Company due to Disability, he shall be entitled to receive his vested Retirement Benefit as determined pursuant to the vesting schedule in Section 3.03. The "Vested Retirement Benefit," as shown in Section 3.03, will be payable in monthly installments upon the later of separation from service or the Participant's attainment of age 65, as provided in Section 3.02.

3.06 Death Benefits.

(a) In the event of the Participant's death prior to termination of employment, the Participant shall become fully vested in and entitled to the payment of the Retirement Benefit. Monthly payments shall be made to the Participant's Beneficiary over a 15-year period, commencing on the first pay period of the month after the later of the Participant's death or the date he would have attained age 65.

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

3.07 Loyalty and Confidentiality Covenants.

(a) Retirement. After the Participant's employment with the Company is terminated by Retirement and except as provided in Section 3.07(c) below, the Company's obligation to make any further Retirement Benefit payments hereunder shall cease immediately, and the Participant shall forfeit all rights under this Plan, if the Participant during the period he is entitled to receive Retirement Benefits hereunder, whether directly or indirectly, as a principal, agent, employee, employer, investor, director, consultant, co-partner or in any other individual or representative capacity whatsoever: (i) engages in a Competitive Business anywhere in the Market Area (as such terms are defined below) in a competitive capacity holding a similar office or engaging in similar duties to those which Participant held or performed on behalf of the Company or any of its Affiliates (as defined below) during Participant's employment with the Company, (ii) solicits, or assists any other Person (as defined below) in soliciting, any Customers (as defined below) to make deposits in, borrow money from, or become customers of any other company conducting a Competitive Business in the Market Area; (iii) induces any Customers of the Company or its Affiliates to terminate their relationship with the Company or its Affiliates; (iv) contacts, solicits or assists in the solicitation of any employee of the Company or any of its Affiliates or any individual who had been an employee of the Company or any of its Affiliates within the preceding six-month period to terminate or resign his or her employment with the Company or any of its Affiliates; or (v) except as required by any court, supervisory authority or administrative agency or as may be otherwise required by applicable law, without the written consent of a person duly authorized by the Company, discloses to any Person (other than to his personal attorney, or an employee of the Company or an Affiliate), or utilizes in conducting any business any Confidential Information (as defined below) obtained by him while in the employ of the Company, unless such information has become a matter of public knowledge at the time of such disclosure. Notwithstanding the foregoing, the Participant may purchase or otherwise acquire up to (but not more than) 1% of any class of securities of any business enterprise (but without otherwise participating in the activities of such enterprise) that engages in a Competitive Business in the Market Area and whose securities are listed on any national or regional securities exchange or have been registered under Section 12 of the Securities Exchange Act of 1934.

(b) Termination Prior to Retirement. In the event the Participant's employment is terminated for any reason prior to Retirement, and except as provided in Section 3.07(c), the Company's obligation to make any Retirement Benefit payments hereunder shall cease immediately, and the Participant shall forfeit all rights under this Plan if the Participant, for the one-year period following the termination of employment, or for such other period as may be set forth in Participant's employment agreement with the Company, if any, with respect to clauses (i), (ii), (iii), (iv), or (v) below, and during the period he is entitled to receive any Retirement Benefit hereunder, whether directly or indirectly, as a principal, agent, employee, employer, investor, co-partner or in any other individual or representative capacity whatsoever: (i) engages in a Competitive Business anywhere in the Market Area (as such terms are defined below) in a competitive capacity holding a similar office or engaging in similar duties to those Participant held or performed on behalf of the Company or any of its Affiliates during Participant's employment with the Company, (ii) solicits, or assists any other Person (as defined below) in soliciting, any Customers (as defined below) to make deposits in, borrow money from, or become customers of any other company conducting a Competitive Business in the Market Area; (iii) induces any Customers to terminate their relationship with the Company or its Affiliates; (iv) contacts, solicits or assists in the solicitation of any employee of the Company or any of its Affiliates or any person who had been an employee of the Company or any of its Affiliates within the preceding six-month period to terminate or resign his or her employment with the Company or its Affiliates; or (v) except as required by a court, supervisory authority or administrative agency or as may be otherwise required by applicable law, without the written consent of a person duly authorized by the Company, discloses to any Person (other than to his personal attorney or an employee of the Company or an Affiliate) or utilizes in conducting any business any Confidential Information obtained by him while in the employ of the Company, unless such information has become a matter of public knowledge at the time of such disclosure. Notwithstanding the foregoing, the Participant may purchase or otherwise acquire up to (but not more than) 1% of any class of securities of any business enterprise (but without otherwise participating in the activities of such enterprise) that engages in a Competitive Business in the Market Area and whose securities are listed on any national or regional securities exchange or have been registered under Section 12 of the Securities Exchange Act of 1934.

(c) Change in Control. Notwithstanding any other provisions of the Plan, if, following a Change in Control of the Company, (i) the Participant's employment is terminated without Cause or the Participant terminates his employment for Good Reason, or (ii) the Participant retires on or after attaining age 65, the non-competition provisions set forth in clause (i) in Sections 3.07(a) or (b), as applicable, shall not apply, and the Participant will not forfeit any rights under this Plan based on his engaging in a Competitive Business in the Market Area as contemplated by such clause (i).

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

(e) Definitions. As used in this Plan, the term "Competitive Business" means any of the following businesses in which the Participant has been significantly engaged in during the last year of the Participant's employment with the Company on behalf of the Company: consumer and commercial banking (including the offering of depository accounts and consumer and commercial lending products and services); insurance brokerage, securities brokerage and asset management, residential and commercial mortgage lending, and any other business in which the Company or any of its Affiliates are engaged; the term "Market Area" means all the cities, counties, or other municipalities in which the Company has established and is continuing to operate a banking office or a loan production office (excluding for purposes of this Plan an office providing residential mortgage loans) at the time of termination of the Participant's employment; the term "Customer" means customers or clients (including any prospective customers or clients) of the Company or any of its Affiliates the Participant contacted in any manner during the last year of the Participant's employment in furtherance of the business of the Company or any of its Affiliates or about whom the Participant has information that is confidential and that is not available publicly; the term "Person" means any person, partnership, corporation, company, group or other entity; the term "Affiliate" means a Person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company; and the term "Confidential Information" shall include, but not be limited to, all financial and personnel data, computer software and all data base technologies, capital plans, customer lists and requirements, market studies, know-how, processes, trade secrets, and any other information concerning the non-public business and affairs of the Company.

(f) Reasonableness of Restrictions. The Participant and the Company have examined in detail these restrictive covenants and agree that the restrictive covenants imposed on the Participant are necessary for the reasonable and proper protection of the legitimate business interests of the Company, that each of the restrictions is reasonable in respect to length of time, geographic area and scope of restricted activities, and that such restrictions are not overly restrictive on the Participant's post-employment activity nor overly burdensome for the Participant to abide by. The restrictive covenants on the Participant set forth herein are of the essence of this Plan, and they shall be construed as independent of any other provision in this Plan.

ARTICLE IV
GUARANTEES

The Company has only a contractual obligation to pay the benefits described in Article III. All benefits are to be satisfied solely out of the general corporate assets of the

Company which shall remain subject to the claims of its creditors. No assets of the Company need be segregated or committed to the satisfaction of its obligations to any Participant or Beneficiary under this Plan, although, in its sole discretion, the Company may segregate assets, in a trust or otherwise, for the purpose of paying benefits under the Plan. If the Company, in its sole discretion, elects to purchase life insurance on the life of the Participant in connection with the Plan, the Participant must submit to a physical examination, if required by the insurer, and otherwise cooperate in the issuance of such policy or his rights under the Plan will be forfeited.

ARTICLE V
TERMINATION OF EMPLOYMENT

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

5.02 Termination of Employment. If the Participant's employment with the Company is terminated with Cause, he shall immediately cease to be a Participant under this Plan and shall forfeit all rights under this Plan. If the Participant is on an authorized leave of absence from the Company, he shall not be deemed to have terminated employment or lost his status as an eligible employee for the duration of such leave of absence, provided he returns to employment on or before the date of the end of the leave period.

ARTICLE VI
AMENDMENT OR TERMINATION OF PLAN

This Plan may be amended or terminated only by a written instrument executed by both the Participant and the Company. The rights of the Company set forth in this Article VI are subject to the condition that the Board or its delegate shall take no action to terminate the Plan or decrease the benefit that would become payable or is payable, as the case may be, with respect to a Participant who has become eligible for early, normal or postponed retirement under the Company's tax-qualified retirement plan. Upon the termination of this Plan by the Board, the Plan shall no longer be of any further force or effect, and neither the Company, nor the Participant shall have any further obligation or right under this Plan.

ARTICLE VII
OTHER BENEFITS AND AGREEMENTS

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

Company in which the Participant is participating or agreement to which the Participant is a party.

ARTICLE VIII
RESTRICTIONS ON TRANSFER OF BENEFITS

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

ARTICLE IX
ADMINISTRATION OF THE PLAN

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

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

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

9.04 Information. To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee on all matters relating to the compensation of the Participant, his retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

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

9.06 Notice Requirement.

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

TowneBank
6001 Harbour View Boulevard
Suffolk, Virginia 23435

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

9.07 Code Section 409A. To the extent applicable, this Plan is intended to comply with Code Section 409A, and the Committee shall interpret and administer the Plan and each term hereof, including without limitation any definition, in accordance therewith to avoid a violation of such Code Section. Each payment hereunder shall be treated as a separate payment for purposes of Code Section 409A, and the right to a series of installment payments hereunder shall be treated as a right to a series of separate payments.

ARTICLE X
MISCELLANEOUS

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

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

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

10.04 Validity. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and effect. If any clause or provision of this Plan is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, then the remainder of this Plan shall not be affected thereby, and in lieu of each clause or provision of this Plan shall not be affected thereby, and in lieu of each clause or provision of this Plan which is illegal, invalid or unenforceable, there shall be added, as part of this Plan, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and as may be legal, valid and enforceable.

ARTICLE XI
ADOPTION

The Board has approved the Plan and authorized the execution of the Plan on behalf of the Company by its President and Chief Executive Officer.

(Signatures appear on the following page)

The Company and the Participant have caused this Plan to be executed this 12th day of January, 2026.

TOWNEBANK

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

PARTICIPANT

By: /s/ Steven W. Jones
Steven W. Jones

Exhibit (31.1)

CERTIFICATIONS

I, William I. Foster III, certify that:

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

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

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

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

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

August 6, 2026	/s/ William I. Foster III
Date	William I. Foster III
	President and Chief Executive Officer

Exhibit (31.2)

CERTIFICATIONS

I, William B. Littreal, certify that:

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

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

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

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

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

August 6, 2026	/s/ William B. Littreal
Date	William B. Littreal Senior Executive Vice President/Chief Financial Officer

Exhibit (32)

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

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

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

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

August 6, 2026	/s/ William I. Foster III
Date	William I. Foster III President and Chief Executive Officer
August 6, 2026	/s/ William B. Littreal
Date	William B. Littreal Senior Executive Vice President/Chief Financial Officer

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

Exhibit 99

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of TowneBank

Results of Review of Interim Financial Statements

We have reviewed the condensed consolidated balance sheet of TowneBank (the "Company") as of June 30, 2026, and the related condensed consolidated statements of income, comprehensive income (loss), equity for the three and six-month periods ended June 30, 2026 and 2025, and cash flows for the six-month periods ended June 30, 2026 and 2025, and the related notes (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the 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.

/s/ Forvis Mazars, LLP

Tysons, VA

August 6, 2026