



TOWNE BANK



2025 ANNUAL REPORT



**TOWNEBANK**  
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# TOWNEBANK

## GLOSSARY OF ACRONYMS AND DEFINED TERMS

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As used in this report, the terms "Company," "we," "us," and "our" refer to TowneBank and our consolidated subsidiaries. The following list of acronyms and abbreviations are used in various sections of this Report, including the Notes to Consolidated Financial Statements and Management's Discussion and Analysis.

|                 |                                                                            |
|-----------------|----------------------------------------------------------------------------|
| ACL             | Allowance for Credit Loss                                                  |
| AFS             | Available-for-Sale                                                         |
| ALCO            | Asset/Liability Management Committee                                       |
| AMERIBOR        | American Interbank Offered Rate                                            |
| AML             | Anti-Money Laundering                                                      |
| 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                                                               |
| BHHS            | Berkshire Hathaway HomeServices                                            |
| C&I             | Commercial and Industrial                                                  |
| CDA             | Collateral-Dependent Asset                                                 |
| CDARS           | Certificate of Deposit Account Registry Service                            |
| CECL            | Current Expected Credit Loss                                               |
| CET1            | Common Equity Tier 1                                                       |
| CFPB            | Consumer Financial Protection Bureau                                       |
| CRA             | Community Investment Act                                                   |
| CRE             | Commercial Real Estate                                                     |
| DIF             | Deposit Insurance Fund                                                     |
| Dogwood         | Dogwood State Bank                                                         |
| EAD             | Exposure at Default                                                        |
| ECL             | Expected Credit Loss                                                       |
| EPS             | Earnings Per Share                                                         |
| Farmers         | Farmers Bankshares, Inc.                                                   |
| FASB            | Financial Accounting Standards Board                                       |
| FDIA            | Federal Deposit Insurance Act                                              |
| FDIC            | Federal Deposit Insurance Corporation                                      |
| Federal Reserve | Board of Governors of the Federal Reserve System                           |
| FHLB            | Federal Home Loan Bank of Atlanta                                          |
| FOMC            | Federal Reserve Open Market Committee                                      |
| 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                                                           |
| LGD             | Loss Given Default                                                         |
| LIHTC           | Low Income Housing Tax Credits                                             |

# TOWNEBANK

## GLOSSARY OF ACRONYMS AND DEFINED TERMS

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|              |                                           |
|--------------|-------------------------------------------|
| MBS          | Mortgage-backed Securities                |
| N/M          | Not Meaningful                            |
| NENC         | North Eastern North Carolina              |
| OCC          | Office of the Comptroller of the Currency |
| OFAC         | Office of Foreign Assets Control          |
| Old Point    | Old Point Financial Corporation           |
| OREO         | Other Real Estate Owned                   |
| Paragon      | Paragon Commercial Corporation            |
| Paragon Bank | Paragon Commercial Bank                   |
| PCD          | Purchase Credit Deteriorated              |
| PD           | Probability of Default                    |
| REPO         | Retail Repurchase Agreement               |
| RJFS         | Raymond James Financial Services, Inc.    |
| ROU          | Right of Use                              |
| SCC          | Virginia State Corporation Commission     |
| SEC          | Securities and Exchange Commission        |
| SERP         | Supplemental Executive Retirement Plan    |
| SOFR         | Secured Overnight Financing Rate          |
| TBA          | To Be Announced                           |
| TWM          | Towne Wealth Management                   |
| U.S.         | United States of America                  |
| VIE          | Variable Interest Entity                  |
| Village      | Village Bank and Trust Financial Corp.    |

## TOWNEBANK

### FORWARD LOOKING STATEMENTS

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

- competitive pressures in the banking industry that may increase significantly;*
- changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held;*
- an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize our overall liquidity or capitalization;*
- changes in the creditworthiness of customers and 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 past and future acquisitions, including our recent mergers with Old Point Financial Corporation and Dogwood State Bank, to the extent 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 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;*
- our competitors that may have greater financial resources and develop products that enable them to compete more successfully;*
- changes in business conditions;*

## TOWNEBANK

### FORWARD LOOKING STATEMENTS

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- *changes in the securities market; and*
- *changes in our local economy with regard to our market area.*

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

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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#### OVERVIEW

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

Our financial services include banking, resort vacation management, mortgage, insurance, employee benefit services, and investments. We have four reportable segments: Banking, Mortgage, Resort Vacation Management, and Insurance. Our Banking segment provides loan and deposit services to retail and commercial customers and also provides a variety of investment and asset management services. The Mortgage segment provides originations of a variety of mortgage loans, and the Resort Vacation Management segment offers vacation rentals of distinctive resort properties. The Insurance segment provides a full line of commercial and consumer insurance products and financial services, as well as employee benefit services.

TowneBank had total assets of \$19.69 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:

|                                                  | December 31, 2025 | December 31, 2024 |
|--------------------------------------------------|-------------------|-------------------|
| Total Cash and Cash Equivalents                  | 6.86 %            | 7.77 %            |
| Total Securities                                 | 14.71 %           | 15.02 %           |
| Mortgage loans held for sale                     | 0.78 %            | 1.16 %            |
| Loans, net of unearned income and deferred costs | 67.74 %           | 66.47 %           |
| Total Deposits                                   | 83.86 %           | 83.75 %           |
| Noninterest-bearing Deposits                     | 25.77 %           | 24.67 %           |
| Total Borrowings                                 | 1.89 %            | 1.72 %            |

The Company completed two acquisitions in 2025 while management also continued to focus on maintaining a strong balance sheet, aligning loan growth with core deposit growth. The table below provides a snapshot of the Company balance sheets at December 31, 2025 and 2024, as well as Day 1 acquisition totals. Loans, net of unearned income and deferred cost, increased \$1.88 billion, total securities increased \$305.51 million, and total deposits increased \$2.07 billion. Borrowings increased \$74.24 million, primarily long-term FHLB advances.

The fair value of our AFS securities portfolio improved to an unrealized loss position of \$73.07 million at December 31, 2025, from an unrealized loss position of \$155.28 million at December 31, 2024. In addition to reducing the unrealized losses in our AFS securities portfolio, this swing, net of tax, positively impacted accumulated other comprehensive income, which is included in equity, by \$64.21 million.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected balance sheet and income statement data as of the dates and for the periods indicated were as follows:

| (dollars in thousands)                           | December 31, 2025 | December 31, 2024 | Increase/<br>(Decrease) | % Change | Acquisitions (1) |
|--------------------------------------------------|-------------------|-------------------|-------------------------|----------|------------------|
| Total assets                                     | \$ 19,687,341     | \$ 17,238,321     | \$ 2,449,020            | 14.21 %  | \$ 2,148,005     |
| Total cash and cash equivalents                  | 1,350,649         | 1,339,475         | 11,174                  | 0.83 %   | 149,583          |
| Mortgage loans held for sale                     | 154,444           | 200,460           | (46,016)                | (22.96)% | 3,615            |
| Total securities                                 | 2,895,381         | 2,589,876         | 305,505                 | 11.80 %  | 287,432          |
| Loans, net of unearned income and deferred costs | 13,335,804        | 11,459,055        | 1,876,749               | 16.38 %  | 1,534,958        |
| Other assets                                     | 639,386           | 606,910           | 32,476                  | 5.35 %   | 32,603           |
| Total liabilities                                | 17,258,332        | 15,091,263        | 2,167,069               | 14.36 %  | 1,952,670        |
| Total deposits                                   | 16,509,117        | 14,437,298        | 2,071,819               | 14.35 %  | 1,848,417        |
| Total borrowings                                 | 371,139           | 296,902           | 74,237                  | 25.00 %  | 91,177           |
| Total equity                                     | 2,429,009         | 2,147,058         | 281,951                 | 13.13 %  | —                |
| Net income attributable to TowneBank             | 169,526           | 161,356           | 8,170                   | 5.06 %   | —                |
| Net interest income                              | 563,607           | 442,605           | 121,002                 | 27.34 %  | —                |
| Total provision for credit losses                | 23,937            | (548)             | 24,485                  | N/M      | —                |
| Total noninterest income                         | 272,110           | 250,681           | 21,429                  | 8.55 %   | —                |
| Total noninterest expense                        | 601,564           | 503,916           | 97,648                  | 19.38 %  | —                |

(1) Village and Old Point acquisitions. For further financial details, see Note 2, "Mergers and Acquisitions," in the Notes to Consolidated Financial Statements.

Net income attributable to TowneBank increased \$8.17 million for the year ended December 31, 2025, compared to 2024. Total revenue increased \$142.43 million, compared to prior year, driven by an increase in net interest income of \$121.00 million, and noninterest income increased \$21.43 million. Noninterest expense increased \$97.65 million, primarily in salaries and benefits and acquisition-related expenses, additionally, provision for credit losses increased \$24.49 million.

Noninterest income growth sources were insurance commissions, residential mortgage banking income, property management income, service charges, investment commission income, and a gain on sale of equity investment. Organic growth increased insurance income, higher production levels drove residential mortgage banking income and investment commission income, and an increase in the number of deposit accounts drove the increase in service charges. Property management income growth was attributable to changes in fee structure between years and improved results from Maryland and Tennessee properties. We recorded a gain on sale of equity investment in 2025 related to the sale of collateral from a 2013 loan charge-off.

Increases in our provision for credit losses and noninterest expenses were primarily driven by our acquisitions. Salaries and employee benefits, amortization, and acquisition-related expenses comprised \$86.14 million, or 88.21%, of the total increase in noninterest expense.

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ANALYSIS OF RESULTS OF OPERATIONS

#### Consolidated Performance Summary

**Results of Operations:** We reported the following for the years ended December 31, 2025, 2024, and 2023:

| <i>(dollars in thousands, except per share data)</i> | 2025       | 2024       | 2023       |
|------------------------------------------------------|------------|------------|------------|
| Total revenue                                        | \$ 835,717 | \$ 693,286 | \$ 693,414 |
| Operating revenue (non-GAAP)                         | \$ 833,586 | \$ 692,974 | \$ 684,037 |
| Diluted earnings per share                           | \$ 2.21    | \$ 2.15    | \$ 2.05    |
| Return on average assets                             | 0.92 %     | 0.95 %     | 0.92 %     |
| Return on average tangible assets (non-GAAP)         | 1.03 %     | 1.04 %     | 1.02 %     |
| Return on average equity                             | 7.50 %     | 7.75 %     | 7.77 %     |
| Return on average tangible equity (non-GAAP)         | 11.00 %    | 10.99 %    | 11.36 %    |
| Net interest margin                                  | 3.40 %     | 2.87 %     | 3.03 %     |
| Net interest margin taxable equivalent (non-GAAP)    | 3.42 %     | 2.90 %     | 3.06 %     |

**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 impacted by market interest rates and the mix and volume of earning assets and interest-bearing liabilities. Net interest income increased \$121.00 million in 2025 compared to 2024, driven by a combination of increases in earning asset income and decreases in interest-bearing liability costs. The yields and rates in the following discussion and tables have been computed based upon interest income and expense adjusted to a taxable equivalent basis (non-GAAP) using a 21% federal marginal tax rate.

Net interest margin, on a tax-equivalent basis (non-GAAP), which is net interest income expressed as a percentage of average earning assets, was 3.42% in the year ended December 31, 2025, 52 bp higher than 2.90% one year ago. Net interest income, on a tax-equivalent basis (non-GAAP), was \$567.96 million for the year ended December 31, 2025, which was \$120.96 million, or 27.06%, over prior year. Primarily, volume-driven growth in acquired loans and investments contributed to the increase in interest income. This increase was further enhanced by rate-driven declines in interest expense.

Interest income, on a tax-equivalent basis (non-GAAP), was \$850.62 million for the year ended December 31, 2025, \$71.69 million, or 9.20%, higher than \$778.93 million for the year ended December 31, 2024. Average earning assets grew to \$16.59 billion in 2025 from \$15.43 billion in 2024, an increase of \$1.16 billion, or 7.51%. The yield on earning assets was 5.13% in the year ended December 31, 2025, compared to 5.05% in the year ended December 31, 2024. Average loan balances were \$1.04 billion, or 9.06%, higher in 2025 than in 2024, while loan yields increased 15 bp.

Interest expense for the year ended December 31, 2025, declined by \$49.27 million, or 14.84%, to \$282.65 million, from \$331.92 million for the year ended December 31, 2024. The balance of average interest-bearing liabilities increased to \$11.01 billion in 2025 from \$10.30 billion in 2024, an increase of \$0.71 billion, or 6.91%. Average interest-bearing deposits were \$10.69 billion, or 7.48%, higher in 2025 than 2024, while related interest cost decreased 64 bp.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Interest spread, which is the difference between average interest yield and average interest cost, increased 73 bp to 2.56% in 2025 compared to 1.83% in 2024. Interest-bearing deposits are typically short-term in nature and therefore reprice more frequently than loans which have longer maturities and repricing intervals.

The following table includes average balances, interest income and expense, and average yields and costs for the periods indicated (dollars in thousands):

|                                                         | Year Ended December 31, |                         |                    |                     |                         |                    |                     |                         |                    |
|---------------------------------------------------------|-------------------------|-------------------------|--------------------|---------------------|-------------------------|--------------------|---------------------|-------------------------|--------------------|
|                                                         | 2025                    |                         |                    | 2024                |                         |                    | 2023                |                         |                    |
|                                                         | Average Balance         | Interest Income/Expense | Average Yield/Rate | Average Balance     | Interest Income/Expense | Average Yield/Rate | Average Balance     | Interest Income/Expense | Average Yield/Rate |
| <b>Assets:</b>                                          |                         |                         |                    |                     |                         |                    |                     |                         |                    |
| Loans (net of unearned income and deferred costs)       | \$12,467,388            | \$ 694,504              | 5.57 %             | \$11,431,451        | \$ 619,505              | 5.42 %             | \$11,177,132        | \$ 565,453              | 5.06 %             |
| Taxable investment securities                           | 2,598,519               | 92,120                  | 3.55 %             | 2,401,605           | 82,049                  | 3.42 %             | 2,406,845           | 71,476                  | 2.97 %             |
| Tax-exempt investment securities                        | 181,008                 | 7,960                   | 4.40 %             | 165,806             | 6,588                   | 3.97 %             | 200,040             | 7,872                   | 3.94 %             |
| Total securities                                        | 2,779,527               | 100,080                 | 3.60 %             | 2,567,411           | 88,637                  | 3.45 %             | 2,606,885           | 79,348                  | 3.04 %             |
| Interest-bearing deposits                               | 1,161,118               | 44,464                  | 3.83 %             | 1,257,373           | 59,791                  | 4.76 %             | 1,170,156           | 54,135                  | 4.63 %             |
| Mortgage loans held for sale                            | 182,457                 | 11,568                  | 6.34 %             | 175,207             | 10,995                  | 6.28 %             | 167,240             | 10,965                  | 6.56 %             |
| Total earning assets                                    | 16,590,490              | 850,616                 | 5.13 %             | 15,431,442          | 778,928                 | 5.05 %             | 15,121,413          | 709,901                 | 4.69 %             |
| Less: allowance for loan losses                         | (136,216)               |                         |                    | (125,643)           |                         |                    | (121,878)           |                         |                    |
| Total nonearning assets                                 | 1,953,254               |                         |                    | 1,750,922           |                         |                    | 1,657,151           |                         |                    |
| Total assets                                            | <u>\$18,407,528</u>     |                         |                    | <u>\$17,056,721</u> |                         |                    | <u>\$16,656,686</u> |                         |                    |
| <b>Liabilities and Equity:</b>                          |                         |                         |                    |                     |                         |                    |                     |                         |                    |
| <b>Interest-bearing deposits</b>                        |                         |                         |                    |                     |                         |                    |                     |                         |                    |
| Demand and money market                                 | \$ 7,734,850            | \$ 167,901              | 2.17 %             | \$ 6,950,210        | \$ 188,936              | 2.72 %             | \$ 6,459,679        | \$ 143,574              | 2.22 %             |
| Savings                                                 | 328,637                 | 2,728                   | 0.83 %             | 319,369             | 3,345                   | 1.05 %             | 368,440             | 3,639                   | 0.99 %             |
| Certificates of deposit                                 | 2,629,798               | 102,776                 | 3.91 %             | 2,679,468           | 126,143                 | 4.71 %             | 2,067,053           | 72,763                  | 3.52 %             |
| Total interest-bearing deposits                         | 10,693,285              | 273,405                 | 2.56 %             | 9,949,047           | 318,424                 | 3.20 %             | 8,895,172           | 219,976                 | 2.47 %             |
| Borrowings                                              | 48,809                  | (890)                   | (1.80)%            | 95,448              | 4,529                   | 4.67 %             | 407,125             | 18,600                  | 4.51 %             |
| Subordinated debt, net                                  | 271,024                 | 10,138                  | 3.74 %             | 256,489             | 8,970                   | 3.50 %             | 254,129             | 8,886                   | 3.50 %             |
| Total interest-bearing liabilities                      | 11,013,118              | 282,653                 | 2.57 %             | 10,300,984          | 331,923                 | 3.22 %             | 9,556,426           | 247,462                 | 2.59 %             |
| <b>Noninterest-bearing liabilities</b>                  |                         |                         |                    |                     |                         |                    |                     |                         |                    |
| Demand deposits                                         | 4,764,057               |                         |                    | 4,296,372           |                         |                    | 4,756,681           |                         |                    |
| Other noninterest-bearing liabilities                   | 368,102                 |                         |                    | 374,372             |                         |                    | 368,585             |                         |                    |
| Total liabilities                                       | 16,145,277              |                         |                    | 14,971,728          |                         |                    | 14,681,692          |                         |                    |
| Shareholders' equity                                    | 2,262,251               |                         |                    | 2,084,993           |                         |                    | 1,974,994           |                         |                    |
| Total liabilities and equity                            | <u>\$18,407,528</u>     |                         |                    | <u>\$17,056,721</u> |                         |                    | <u>\$16,656,686</u> |                         |                    |
| Net interest income (tax-equivalent basis)(3)           |                         | \$ 567,963              |                    |                     | \$ 447,005              |                    |                     | \$ 462,439              |                    |
| <b>Reconciliation of Non-GAAP Financial Measures:</b>   |                         |                         |                    |                     |                         |                    |                     |                         |                    |
| Tax-equivalent basis adjustment                         |                         | (4,356)                 |                    |                     | (4,400)                 |                    |                     | (4,659)                 |                    |
| Net interest income (GAAP)                              |                         | <u>\$ 563,607</u>       |                    |                     | <u>\$ 442,605</u>       |                    |                     | <u>\$ 457,780</u>       |                    |
| Interest rate spread (1)(3)                             |                         |                         | 2.56 %             |                     |                         | 1.83 %             |                     |                         | 2.10 %             |
| Interest expense as a percent of average earning assets |                         |                         | 1.70 %             |                     |                         | 2.15 %             |                     |                         | 1.64 %             |
| Net interest margin (tax-equivalent basis) (2)(3)       |                         |                         | 3.42 %             |                     |                         | 2.90 %             |                     |                         | 3.06 %             |
| Total cost of deposits                                  |                         |                         | 1.77 %             |                     |                         | 2.24 %             |                     |                         | 1.61 %             |

(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.

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of volume and rate analysis is to describe the impact on interest income resulting from changes in average balances and average interest rates from those in effect during the previous year. The following table includes volume and rate analysis for the periods indicated:

|                                                   | 2025 vs 2024 Increase (Decrease) |           |            | 2024 vs 2023 Increase (Decrease) |             |             |
|---------------------------------------------------|----------------------------------|-----------|------------|----------------------------------|-------------|-------------|
|                                                   | Due to Changes In                |           |            | Due to Changes In                |             |             |
| (in thousands)                                    | Volume                           | Rate (1)  | Total      | Volume                           | Rate (1)    | Total       |
| <b>Assets:</b>                                    |                                  |           |            |                                  |             |             |
| Loans (net of unearned income and deferred costs) | \$ 54,470                        | \$ 20,529 | \$ 74,999  | \$ 13,088                        | \$ 40,964   | \$ 54,052   |
| Taxable investment securities                     | 6,901                            | 3,170     | 10,071     | (156)                            | 10,729      | 10,573      |
| Tax-exempt investment securities                  | 634                              | 738       | 1,372      | (1,360)                          | 76          | (1,284)     |
| Interest-bearing deposits                         | (4,326)                          | (11,001)  | (15,327)   | 4,117                            | 1,539       | 5,656       |
| Loans held for sale                               | 459                              | 114       | 573        | 511                              | (481)       | 30          |
| Total earning assets                              | 58,138                           | 13,550    | 71,688     | 16,200                           | 52,827      | 69,027      |
| <b>Liabilities and Equity:</b>                    |                                  |           |            |                                  |             |             |
| Interest-bearing deposits:                        |                                  |           |            |                                  |             |             |
| Demand and money market accounts                  | 18,796                           | (39,831)  | (21,035)   | 11,520                           | 33,842      | 45,362      |
| Savings                                           | 95                               | (712)     | (617)      | (505)                            | 211         | (294)       |
| Certificates of deposit                           | (2,299)                          | (21,068)  | (23,367)   | 24,959                           | 28,421      | 53,380      |
| Total interest-bearing deposits                   | 16,592                           | (61,611)  | (45,019)   | 35,974                           | 62,474      | 98,448      |
| Borrowings                                        | (1,413)                          | (4,006)   | (5,419)    | (14,714)                         | 643         | (14,071)    |
| Subordinated debt                                 | 524                              | 644       | 1,168      | 83                               | 1           | 84          |
| Total interest-bearing liabilities                | 15,703                           | (64,973)  | (49,270)   | 21,343                           | 63,118      | 84,461      |
| Net interest income (tax-equivalent basis)(2)     | \$ 42,435                        | \$ 78,523 | \$ 120,958 | \$ (5,143)                       | \$ (10,291) | \$ (15,434) |

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

(2) Non-GAAP.

**Provision for Credit Losses:** Financial assets with the contractual right to receive cash, including loans, HTM debt securities, trade receivables, net investments in leases, and off-balance-sheet credit exposures, are required to be measured at amortized cost and to be presented at the net amount expected to be collected. Credit losses on AFS debt securities are accounted for as an allowance for credit losses, which is a valuation account that is deducted from the amortized cost basis of the financial asset to present the net carrying value and the amount expected to be collected on the financial asset. The allowance is established through a provision for credit losses charged against earnings.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table presents a breakdown of the provision for credit losses included in our Consolidated Statements of Income for the applicable periods (in thousands):

|                                                                             | Year Ended December 31, |                 |                  |
|-----------------------------------------------------------------------------|-------------------------|-----------------|------------------|
|                                                                             | 2025                    | 2024            | 2023             |
| Provision for loan losses                                                   | \$ 22,529               | \$ (978)        | \$ 17,141        |
| Provision for off-balance-sheet exposures                                   | 1,540                   | 609             | 1,124            |
| Provision for HTM security losses                                           | (12)                    | (7)             | 1                |
| Provision for AFS security losses                                           | (120)                   | (172)           | 413              |
| Total provision for credit losses                                           | <u>\$ 23,937</u>        | <u>\$ (548)</u> | <u>\$ 18,679</u> |
| Initial provision for non-PCD Village loans and unfunded loan commitments   | \$ 6,236                | \$ —            | \$ —             |
| Initial provision for non-PCD Old Point loans and unfunded loan commitments | \$ 11,998               | \$ —            | \$ —             |
| Initial provision for non-PCD Farmers loans and unfunded loan commitments   | \$ —                    | \$ —            | \$ 4,008         |

At loan acquisition or origination, the Company is required to calculate and record an estimated life of loan loss through earnings. Additionally, management is required to employ a prospective approach to reasonable and supportable forecasts to inform credit loss estimates. The provision for credit losses recorded in 2025 was an expense of \$23.94 million, compared to a benefit of \$0.55 million in 2024. Our 2025 provision included \$18.23 million in initial provision for credit losses from the acquisition of Old Point and Village. Our 2023 provision included \$4.01 million in initial provision for credit losses from the acquisition of Farmers. Net charge-offs for 2025 were \$2.85 million compared to \$1.56 million for 2024. Excluding the initial provision related to acquisitions in 2025, the provision expense was driven by a combination of modest loan growth, changes in our portfolio composition, continued strength in credit quality, and changes in the macroeconomic forecast scenarios utilized in our models. The allowance for credit losses on loans as a percentage of period-end loans was 1.10% and 1.08% at December 31, 2025 and 2024, respectively.

For further discussion and analysis of the loan portfolio and the allowance for credit losses on loans, see the "Analysis of Financial Condition" section found later in this report. Also, see Note 3, "Investment Securities," Note 4, "Loans," and Note 5, "Allowance for Credit Losses on Loans," in the Notes to Consolidated Financial Statements.

**Noninterest Income:** Total noninterest income for the year ended December 31, 2025, was \$272.11 million, \$21.43 million, or 8.55%, higher than 2024. Noninterest income, excluding the gain on sale of investment securities, for the year ended December 31, 2025, was 32.64% of total operating revenue, compared with 36.16% for 2024.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table provides an analysis of noninterest income for the periods indicated (dollars in thousands):

| For the Year Ended December 31,                  |                  |                  |                  | 2025 over 2024      |          | 2024 over 2023      |           |
|--------------------------------------------------|------------------|------------------|------------------|---------------------|----------|---------------------|-----------|
|                                                  | 2025             | 2024             | 2023             | Increase/(Decrease) |          | Increase/(Decrease) |           |
|                                                  |                  |                  |                  | Amount              | %        | Amount              | %         |
| Residential mortgage banking income, net         | \$ 48,584        | \$ 46,957        | \$ 39,415        | \$ 1,627            | 3.46 %   | \$ 7,542            | 19.13 %   |
| Insurance commissions and related income, net    | 101,013          | 98,562           | 90,305           | 2,451               | 2.49 %   | 8,257               | 9.14 %    |
| Property management income, net                  | 57,620           | 50,028           | 47,083           | 7,592               | 15.18 %  | 2,945               | 6.25 %    |
| Real estate brokerage income, net                | —                | —                | 3,530            | —                   | N/M      | (3,530)             | (100.00)% |
| Service charges on deposit accounts              | 15,663           | 12,838           | 11,631           | 2,825               | 22.00 %  | 1,207               | 10.38 %   |
| Credit card merchant fees, net                   | 7,208            | 6,529            | 6,709            | 679                 | 10.40 %  | (180)               | (2.68)%   |
| BOLI                                             | 8,919            | 11,444           | 7,402            | (2,525)             | (22.06)% | 4,042               | 54.61 %   |
| Gain on sale of equity investments               | 2,125            | 238              | 9,377            | 1,887               | 792.86 % | (9,139)             | N/M       |
| Investment commissions, net                      | 13,318           | 10,953           | 8,962            | 2,365               | 21.59 %  | 1,991               | 22.22 %   |
| Other income                                     |                  |                  |                  |                     |          |                     |           |
| Service fees on loans                            | 7,161            | 6,589            | 6,471            | 572                 | 8.68 %   | 118                 | 1.82 %    |
| Income (loss) from equity method investments     | 2,032            | 1,243            | (966)            | 789                 | 63.48 %  | 2,209               | 228.67 %  |
| Commercial mortgage brokerage fees, net          | 313              | 158              | 95               | 155                 | 98.10 %  | 63                  | 66.32 %   |
| Other                                            | 8,148            | 5,068            | 5,620            | 3,080               | 60.77 %  | (552)               | (9.82)%   |
| Total other income                               | 17,654           | 13,058           | 11,220           | 4,596               | 35.20 %  | 1,838               | 16.38 %   |
| Noninterest income before securities gain/(loss) | 272,104          | 250,607          | 235,634          | 21,497              | 8.58 %   | 14,973              | 6.35 %    |
| Gain/(loss) on securities available for sale     | 6                | 74               | —                | (68)                | (91.89)% | 74                  | N/M       |
| Total noninterest income                         | <u>\$272,110</u> | <u>\$250,681</u> | <u>\$235,634</u> | <u>\$ 21,429</u>    | 8.55 %   | <u>\$ 15,047</u>    | 6.39 %    |

For the year ended December 31, 2025, residential mortgage banking income, net of commission expense, increased due to marginally higher production levels as well as an increase in the average per loan dollar value. Production volume was \$2.38 billion in 2025, increasing 7.29%, or \$161.38 million, as compared to 2024. Refinance activity increased during the year, but remained low at 10.89% of total volume in 2025 compared to 7.28% in 2024. For further information, refer to our discussion of the Mortgage segment in this Annual Report, which provides a comparative schedule of operations.

Insurance commissions and related income, net of commission expense, increased in 2025, driven by continued strong customer retention and organic growth. Contingency and bonus income declined year over year. Management continues to pursue opportunities to grow insurance revenues both organically and through strategic acquisitions.

For the year ended December 31, 2025, compared to 2024, the increase in property management income, net, was driven by changes in the fee structure and improved results at our Maryland and Tennessee properties. Property management income was revised in 2024 and 2023 to reflect changes in the timing of revenue recognition. These revisions did not have a material impact on property management income, net.

An increase of service charges on deposit accounts was driven by the volume of acquired accounts and fee structure changes. Average deposits increased 8.51% in the year ended December 31, 2025. Investment commissions, net, increased due to higher production levels. Income from BOLI decreased due to there being no claims on life insurance proceeds in 2025 and several claims in 2024.

In 2025, we recorded a \$2 million gain on the sale of an equity investment originally obtained in 2013 as collateral for a charged-off loan. Income from unconsolidated subs is included in other noninterest income.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

In the year ended December 31, 2025, Towne recorded net gains on the sale of investment securities of \$6 thousand, and sales proceeds of \$100.72 million, compared to \$74 thousand, and sales proceeds of \$48.58 million in 2024.

**Noninterest Expense:** Total noninterest expense for 2025 was \$601.56 million, which was \$97.65 million, or 19.38%, higher than 2024. Total noninterest expense to total operating revenue was 72.17% for the year ended December 31, 2025, compared with 72.72% for 2024.

The following table provides an analysis of noninterest expense for the periods indicated (dollars in thousands):

| For the year ended December 31,                          | 2025      | 2024       | 2023      | 2025 over 2024      |           | 2024 over 2023      |          |
|----------------------------------------------------------|-----------|------------|-----------|---------------------|-----------|---------------------|----------|
|                                                          |           |            |           | Increase/(Decrease) |           | Increase/(Decrease) |          |
|                                                          | Amount    | %          | Amount    | %                   |           | Amount              | %        |
| Salaries and benefits                                    | \$317,492 |            | \$289,248 |                     | \$ 28,244 | \$ 19,090           |          |
|                                                          |           | 9.76 %     |           |                     |           |                     | 7.07 %   |
| Occupancy                                                | 40,479    |            | 38,309    |                     | 2,170     | 1,423               |          |
|                                                          |           | 5.66 %     |           |                     |           |                     | 3.86 %   |
| Furniture and equipment                                  | 19,751    |            | 18,619    |                     | 1,132     | 1,441               |          |
|                                                          |           | 6.08 %     |           |                     |           |                     | 8.39 %   |
| Amortization - intangibles                               | 16,778    |            | 12,769    |                     | 4,009     | (1,386)             |          |
|                                                          |           | 31.40 %    |           |                     |           |                     | (9.79)%  |
| Software                                                 | 27,633    |            | 26,816    |                     | 817       | 2,150               |          |
|                                                          |           | 3.05 %     |           |                     |           |                     | 8.72 %   |
| Data processing                                          | 17,210    |            | 17,011    |                     | 199       | 1,978               |          |
|                                                          |           | 1.17 %     |           |                     |           |                     | 13.16 %  |
| Professional fees                                        | 11,122    |            | 15,134    |                     | (4,012)   | 2,848               |          |
|                                                          |           | (26.51)%   |           |                     |           |                     | 23.18 %  |
| Advertising and marketing                                | 15,127    |            | 15,627    |                     | (500)     | 237                 |          |
|                                                          |           | (3.20)%    |           |                     |           |                     | 1.54 %   |
| FDIC and other insurance                                 | 12,324    |            | 11,821    |                     | 503       | (4,408)             |          |
|                                                          |           | 4.26 %     |           |                     |           |                     | (27.16)% |
| Acquisition-related expense                              | 55,227    |            | 1,342     |                     | 53,885    | (8,252)             |          |
|                                                          |           | 4,015.28 % |           |                     |           |                     | (86.01)% |
| Other expenses                                           |           |            |           |                     |           |                     |          |
| Bank franchise tax/SCC fees                              | 11,424    |            | 11,292    |                     | 132       | 1,151               |          |
|                                                          |           | 1.17 %     |           |                     |           |                     | 11.35 %  |
| Charitable contributions                                 | 17,298    |            | 13,140    |                     | 4,158     | 1,336               |          |
|                                                          |           | 31.64 %    |           |                     |           |                     | 11.32 %  |
| Directors' expense                                       | 3,888     |            | 4,831     |                     | (943)     | 1,389               |          |
|                                                          |           | (19.52)%   |           |                     |           |                     | 40.35 %  |
| Foreclosed property expense                              | 364       |            | 177       |                     | 187       | 35                  |          |
|                                                          |           | 105.65 %   |           |                     |           |                     | 24.65 %  |
| Other                                                    | 21,174    |            | 13,924    |                     | 7,250     | (3,867)             |          |
|                                                          |           | 52.07 %    |           |                     |           |                     | (21.74)% |
| Stationery and office supplies                           | 3,104     |            | 2,859     |                     | 245       | (380)               |          |
|                                                          |           | 8.57 %     |           |                     |           |                     | (11.73)% |
| Telephone and postage                                    | 5,964     |            | 5,814     |                     | 150       | (479)               |          |
|                                                          |           | 2.58 %     |           |                     |           |                     | (7.61)%  |
| Travel/Meals/Entertainment                               | 5,205     |            | 5,183     |                     | 22        | 388                 |          |
|                                                          |           | 0.42 %     |           |                     |           |                     | 8.09 %   |
| Total other expenses                                     | 68,421    |            | 57,220    |                     | 11,201    | (427)               |          |
|                                                          |           | 19.58 %    |           |                     |           |                     | (0.74)%  |
| Total noninterest expense                                | \$601,564 |            | \$503,916 |                     | \$ 97,648 | \$ 14,694           |          |
|                                                          |           | 19.38 %    |           |                     |           |                     | 3.00 %   |
| Salaries and employee benefits/total noninterest expense | 52.78 %   |            | 57.40 %   |                     |           |                     |          |
|                                                          |           |            | 55.22 %   |                     |           |                     |          |

Salaries and employee benefits, the largest portion of noninterest expense, increased in 2025, compared to prior year, driven by a higher number of bank employees due to acquisitions, increased year-over-year health insurance costs, annual base salary increases, and increases in performance-based compensation. Salaries and employee benefits, represents 52.78% of total noninterest expense for the year ended December 31, 2025, compared to 57.40% for the year ended December 31, 2024.

In our Banking segment, we had a total of 1,787 full-time equivalent employees at December 31, 2025, which was a 301 increase over 1,486 at December 31, 2024. In our non-Banking segments at December 31, 2025, we had a total of 1,189 full-time equivalent employees, a decrease from 1,234 at December 31, 2024.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Towne continues to reposition and grow its facilities for optimal member service. Increases in occupancy and furniture and equipment are related to acquisitions and these changes.

Acquisition-related expenses increased driven by the acquisition of Village and Old Point in 2025 and expenses related to the acquisition of Dogwood State Bank that was completed January 12, 2026. The increase in core deposit intangibles related to our 2025 acquisitions resulted in higher amortization of intangibles.

Professional fees decreased due to a reduction in the use of outside services and consulting. The Company increased its charitable contributions in 2025.

**Income Taxes:** Income taxes for the year ended December 31, 2025, were \$39.43 million. This was \$11.88 million over the 2024 total of \$27.55 million. The effective tax rate increased to 18.87% in 2025 compared to 14.58% in 2024, primarily due to a decreased benefit from tax losses and credits related to LIHTC investment properties and an increase in state tax expense and nondeductible expense related to acquisitions.

### SEGMENT PERFORMANCE SUMMARY

Our reportable segments are a traditional full-service community bank, a mortgage business, a resort vacation management company, and a full-service insurance agency. In this section, we discuss the performance and financial results of our segments. For further financial details, see Note 26, "Segment Reporting," in the Notes to Consolidated Financial Statements.

**Banking Segment:** For the year ended December 31, 2025, the Banking segment represented 80.79%, or \$136.95 million, of our total consolidated net income, compared to 83.73% and \$135.11 million for 2024. Overall earnings increased \$1.84 million, or 1.36%.

The Banking segment's primary source of revenue is net interest income. Total interest income and fees increased \$70.46 million while total interest expense decreased \$49.71 million for a net interest income increase of \$120.17 million, or 27.35%, for the year ended December 31, 2025.

Noninterest income increases were driven by investment income, acquisition-related service charge growth, and a \$2 million gain on the sale of an equity investment originally obtained in 2013 as collateral for a charged-off loan.

Partially offsetting revenue growth were increases in the provision for credit losses and noninterest expense, driven primarily by Towne's two acquisitions during the year. The provision for credit losses increased \$24.44 million over prior year.

Salaries and employee benefits expense increased, driven by growth in the number of employees, annual base salary adjustments, health insurance cost increases, and performance-based incentive increases. Full-time equivalent employees in the Banking segment increased by 301 in 2025 compared to 2024, driven by acquisitions. Acquisition-related expenses increased \$52.57 million, and intangible amortization increased \$4.35 million.

The following chart presents revenue and expenses for the Banking segment for the periods indicated (dollars in thousands):

|                     | Year Ended<br>December 31, |           |           | Increase/(Decrease) |          |                |         |
|---------------------|----------------------------|-----------|-----------|---------------------|----------|----------------|---------|
|                     |                            |           |           | 2025 over 2024      |          | 2024 over 2023 |         |
|                     | 2025                       | 2024      | 2023      | Amount              | Percent  | Amount         | Percent |
| Interest income     | \$828,769                  | \$758,309 | \$689,030 | \$ 70,460           | 9.29 %   | \$ 69,279      | 10.05 % |
| Interest expense    | 269,184                    | 318,892   | 232,959   | (49,708)            | (15.59)% | 85,933         | 36.89 % |
| Net interest income | 559,585                    | 439,417   | 456,071   | 120,168             | 27.35 %  | (16,654)       | (3.65)% |

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

|                                                                     | Year Ended       |                  |                  | Increase/(Decrease) |           |                |           |
|---------------------------------------------------------------------|------------------|------------------|------------------|---------------------|-----------|----------------|-----------|
|                                                                     | December 31,     |                  |                  | 2025 over 2024      |           | 2024 over 2023 |           |
|                                                                     | 2025             | 2024             | 2023             | Amount              | Percent   | Amount         | Percent   |
| Service charges on deposit accounts                                 | 15,663           | 12,838           | 11,631           | 2,825               | 22.00 %   | 1,207          | 10.38 %   |
| Credit card merchant fees                                           | 7,208            | 6,529            | 6,709            | 679                 | 10.40 %   | (180)          | (2.68)%   |
| Investment income, net                                              | 13,318           | 10,953           | 8,962            | 2,365               | 21.59 %   | 1,991          | 22.22 %   |
| BOLI                                                                | 8,648            | 11,181           | 7,154            | (2,533)             | (22.65)%  | 4,027          | 56.29 %   |
| Other income                                                        | 14,592           | 8,370            | 9,002            | 6,222               | 74.34 %   | (632)          | (7.02)%   |
| Net gain (loss) on investment securities                            | 6                | 74               | —                | (68)                | N/M       | 74             | N/M       |
| Total noninterest income                                            | 59,435           | 49,945           | 43,458           | 9,490               | 19.00 %   | 6,487          | 14.93 %   |
| Total revenue                                                       | 619,020          | 489,362          | 499,529          | 129,658             | 26.50 %   | (10,167)       | (2.04)%   |
| Provision for credit losses                                         | 23,776           | (665)            | 19,273           | 24,441              | N/M       | (19,938)       | (103.45)% |
| Salaries and employee benefits                                      | 214,256          | 190,391          | 170,733          | 23,865              | 12.53 %   | 19,658         | 11.51 %   |
| Occupancy                                                           | 30,896           | 28,579           | 26,698           | 2,317               | 8.11 %    | 1,881          | 7.05 %    |
| Furniture and equipment                                             | 16,795           | 15,423           | 13,771           | 1,372               | 8.90 %    | 1,652          | 12.00 %   |
| Amortization - intangibles                                          | 8,724            | 4,378            | 5,154            | 4,346               | 99.27 %   | (776)          | (15.06)%  |
| Software                                                            | 18,160           | 17,358           | 16,065           | 802                 | 4.62 %    | 1,293          | 8.05 %    |
| Data processing                                                     | 11,574           | 10,503           | 8,972            | 1,071               | 10.20 %   | 1,531          | 17.06 %   |
| Professional fees                                                   | 8,880            | 12,576           | 10,162           | (3,696)             | (29.39)%  | 2,414          | 23.76 %   |
| Advertising and marketing                                           | 9,373            | 8,743            | 8,039            | 630                 | 7.21 %    | 704            | 8.76 %    |
| FDIC and other insurance                                            | 11,028           | 10,719           | 15,101           | 309                 | 2.88 %    | (4,382)        | (29.02)%  |
| Acquisition-related expenses                                        | 53,447           | 875              | 9,083            | 52,572              | N/M       | (8,208)        | (90.37)%  |
| Other expenses                                                      | 52,916           | 42,032           | 42,397           | 10,884              | 25.89 %   | (365)          | (0.86)%   |
| Total noninterest expenses                                          | 436,049          | 341,577          | 326,175          | 94,472              | 27.66 %   | 15,402         | 4.72 %    |
| Income before income tax and corporate allocation                   | 159,195          | 148,450          | 154,081          | 10,745              | 7.24 %    | (5,631)        | (3.65)%   |
| Corporate allocation                                                | 5,924            | 4,696            | 4,817            | 1,228               | 26.15 %   | (121)          | (2.51)%   |
| Income before income tax provision and noncontrolling interest      | 165,119          | 153,146          | 158,898          | 11,973              | 7.82 %    | (5,752)        | (3.62)%   |
| Provision for income tax expense                                    | 27,900           | 18,006           | 23,866           | 9,894               | 54.95 %   | (5,860)        | (24.55)%  |
| Net income                                                          | 137,219          | 135,140          | 135,032          | 2,079               | 1.54 %    | 108            | 0.08 %    |
| Noncontrolling interest                                             | (267)            | (29)             | —                | (238)               | (820.69)% | (29)           | N/M       |
| Net income attributable to TowneBank                                | <u>\$136,952</u> | <u>\$135,111</u> | <u>\$135,032</u> | <u>\$ 1,841</u>     | 1.36 %    | <u>\$ 79</u>   | 0.06 %    |
| Salaries and employee benefits/total noninterest expense            | 49.14%           | 55.74%           | 52.34%           | -660 bp             | (11.84)%  | 340 bp         | 6.50 %    |
| Net Income attributable to TowneBank % of total consolidated income | 80.79%           | 83.73 %          | 88.13 %          | -294 bp             | (3.51)%   | -440 bp        | (4.99)%   |

**Mortgage Segment:** For the year ended December 31, 2025, the Mortgage segment reported income of \$146 thousand compared to \$1.75 million for 2024.

Total revenue increases were driven by a \$161.38 million increase in volume. However, gross realized gain on sale volume decreased 8 bp from 2024, and noninterest expense increases outpaced revenue growth. The primary areas of increases in noninterest expense were salaries and benefits and acquisition-related expenses. Full-time equivalent employees in the Mortgage segment increased by 11 in 2025 compared to 2024.

The following chart presents revenue and expenses for the Mortgage segment for the periods indicated (dollars in thousands):

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

|                                                                             | Year Ended<br>December 31, |          |           | Increase/(Decrease) |           |                |           |
|-----------------------------------------------------------------------------|----------------------------|----------|-----------|---------------------|-----------|----------------|-----------|
|                                                                             | 2025                       | 2024     | 2023      | 2025 over 2024      |           | 2024 over 2023 |           |
|                                                                             |                            |          |           | Amount              | Percent   | Amount         | Percent   |
| Residential mortgage banking income, net                                    | \$50,558                   | \$48,586 | \$41,287  | \$ 1,972            | 4.06 %    | \$ 7,299       | 17.68 %   |
| BOLI                                                                        | 271                        | 263      | 248       | 8                   | 3.04 %    | 15             | 6.05 %    |
| Income from unconsolidated subsidiary                                       | 250                        | 216      | (1,309)   | 34                  | 15.74 %   | 1,525          | 116.50 %  |
| Gain on sale of equity investment                                           | —                          | —        | 8,833     | —                   | — %       | (8,833)        | (100.00)% |
| Net interest and other income                                               | 4,620                      | 4,301    | 7,194     | 319                 | 7.42 %    | (2,893)        | (40.21)%  |
| Total revenue                                                               | 55,699                     | 53,366   | 56,253    | 2,333               | 4.37 %    | (2,887)        | (5.13)%   |
| Provision for credit losses                                                 | 161                        | 117      | (594)     | 44                  | (37.61)%  | 711            | (119.70)% |
| Salaries and employee benefits                                              | 29,696                     | 26,684   | 32,332    | 3,012               | 11.29 %   | (5,648)        | (17.47)%  |
| Occupancy                                                                   | 3,900                      | 4,079    | 5,312     | (179)               | (4.39)%   | (1,233)        | (23.21)%  |
| Furniture and equipment                                                     | 667                        | 636      | 1,061     | 31                  | 4.87 %    | (425)          | (40.06)%  |
| Amortization - intangibles                                                  | —                          | 288      | 575       | (288)               | (100.00)% | (287)          | (49.91)%  |
| Software                                                                    | 3,114                      | 3,127    | 3,332     | (13)                | (0.42)%   | (205)          | (6.15)%   |
| Data processing                                                             | 755                        | 717      | 621       | 38                  | 5.30 %    | 96             | 15.46 %   |
| Professional fees                                                           | 663                        | 847      | 864       | (184)               | (21.72)%  | (17)           | (1.97)%   |
| Advertising and marketing                                                   | 1,757                      | 1,643    | 2,779     | 114                 | 6.94 %    | (1,136)        | (40.88)%  |
| FDIC and other insurance                                                    | 470                        | 399      | 538       | 71                  | 17.79 %   | (139)          | (25.84)%  |
| Acquisition-related expenses                                                | 1,780                      | —        | 288       | 1,780               | N/M       | (288)          | (100.00)% |
| Other expenses                                                              | 9,952                      | 9,738    | 11,363    | 214                 | 2.20 %    | (1,625)        | (14.30)%  |
| Total expenses                                                              | 52,754                     | 48,158   | 59,065    | 4,596               | 9.54 %    | (10,907)       | (18.47)%  |
| Income before income tax, corporate allocation, and noncontrolling interest | 2,784                      | 5,091    | (2,218)   | (2,307)             | (45.32)%  | 7,309          | 329.53 %  |
| Corporate allocation                                                        | (1,821)                    | (1,759)  | (2,152)   | (62)                | (3.52)%   | 393            | 18.26 %   |
| Income before income tax provision and noncontrolling interest              | 963                        | 3,332    | (4,370)   | (2,369)             | (71.10)%  | 7,702          | (176.25)% |
| Provision for income tax                                                    | 39                         | 619      | (1,048)   | (580)               | (93.70)%  | 1,667          | 159.06 %  |
| Net income                                                                  | 924                        | 2,713    | (3,322)   | (1,789)             | (65.94)%  | 6,035          | 181.67 %  |
| Noncontrolling interest                                                     | (778)                      | (967)    | (835)     | 189                 | 19.54 %   | (132)          | (15.81)%  |
| Net income attributable to TowneBank                                        | \$ 146                     | \$ 1,746 | \$(4,157) | \$ (1,600)          | (91.64)%  | \$ 5,903       | 142.00 %  |
| Salaries and employee benefits/total noninterest expense                    | 56.29 %                    | 55.41 %  | 54.74 %   | 88 bp               | 1.59 %    | 67 bp          | 1.22 %    |
| Net Income attributable to TowneBank % of total consolidated income         | 0.09 %                     | 1.08 %   | (2.71)%   | -99 bp              | (91.67)%  | 379 bp         | (139.85)% |

The following chart shows key data for the Mortgage segment for the periods indicated (dollars in thousands):

|                                 | Year Ended<br>December 31, |             |             | Increase/(Decrease) |          |                |         |
|---------------------------------|----------------------------|-------------|-------------|---------------------|----------|----------------|---------|
|                                 | 2025                       | 2024        | 2023        | 2025 over 2024      |          | 2024 over 2023 |         |
|                                 |                            |             |             | Amount              | Percent  | Amount         | Percent |
| Key data:                       |                            |             |             |                     |          |                |         |
| Loans originated, mortgage      | \$1,791,462                | \$1,526,396 | \$1,340,454 | \$265,066           | 17.37 %  | \$185,942      | 13.87 % |
| Loans originated, joint venture | 584,891                    | 688,580     | 641,622     | (103,689)           | (15.06)% | 46,958         | 7.32 %  |
| Total loans originated          | \$2,376,353                | \$2,214,976 | \$1,982,076 | \$161,377           | 7.29 %   | \$232,900      | 11.75 % |
| Purchase %                      | 89.11%                     | 92.72%      | 95.67%      |                     |          |                |         |
| Refinance %                     | 10.89%                     | 7.28%       | 4.33%       |                     |          |                |         |
| Refinance volume                | \$258,723                  | \$ 161,257  | \$ 85,789   |                     |          |                |         |

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

|                                                                 | Year Ended<br>December 31, |        |        | Increase/(Decrease) |          |                |          |
|-----------------------------------------------------------------|----------------------------|--------|--------|---------------------|----------|----------------|----------|
|                                                                 | 2025                       | 2024   | 2023   | 2025 over 2024      |          | 2024 over 2023 |          |
|                                                                 |                            |        |        | Amount              | Percent  | Amount         | Percent  |
| Gross realized gain on sale and fees as a % of loans originated | 3.21%                      | 3.29%  | 3.07%  |                     |          |                |          |
| Number of loans, mortgage                                       | 4,493                      | 3,975  | 3,582  | 518                 | 13.03 %  | 393            | 10.97 %  |
| Number of loans, joint venture                                  | 1,668                      | 2,098  | 2,106  | (430)               | (20.50)% | (8)            | (0.38)%  |
| Total number of loans                                           | 6,161                      | 6,073  | 5,688  | 88                  | 1.45 %   | 385            | 6.77 %   |
| Average loan amount, mortgage                                   | \$ 399                     | \$ 384 | \$ 374 | \$ 15               | 3.91 %   | \$ 10          | 2.67 %   |
| Average loan amount, joint venture                              | 351                        | 328    | 305    | 23                  | 7.01 %   | 23             | 7.54 %   |
| Average loan amount                                             | \$ 386                     | \$ 365 | \$ 348 | \$ 21               | 5.75 %   | \$ 17          | 4.89 %   |
| Number of originators, mortgage                                 | 133                        | 118    | 131    | 15                  | 12.71 %  | (13)           | (9.92)%  |
| Number of originators, joint venture                            | 28                         | 42     | 50     | (14)                | (33.33)% | (8)            | (16.00)% |
| Number of originators                                           | 161                        | 160    | 181    | 1                   | 0.63 %   | (21)           | (11.60)% |

**Resort Vacation Management Segment:** The Resort Vacation Management segment represented 6.06%, or \$10.28 million, of our total consolidated net income in 2025, compared to 1.68%, or \$2.70 million, in 2024.

Total revenue increased while noninterest expenses declined. This was driven by changes in fee structure and improved results at our Maryland and Tennessee properties. In 2024 and 2023, property management fees, net and net income were revised to reflect a change in the timing of revenue recognition. This revision did not have a material impact on earnings.

The following chart presents revenue and expenses for the Resort Vacation Management segment for the periods indicated (dollars in thousands):

|                                | Year Ended<br>December 31, |          |          | Increase/(Decrease) |           |                |          |
|--------------------------------|----------------------------|----------|----------|---------------------|-----------|----------------|----------|
|                                | 2025                       | 2024     | 2023     | 2025 over 2024      |           | 2024 over 2023 |          |
|                                |                            |          |          | Amount              | Percent   | Amount         | Percent  |
| Property management fees, net  | \$57,620                   | \$50,028 | \$46,658 | \$ 7,592            | 15.18 %   | \$ 3,370       | 7.22 %   |
| Net interest and other income  | 150                        | 107      | 51       | 43                  | 40.19 %   | 56             | 109.80 % |
| Total revenue                  | 57,770                     | 50,135   | 46,709   | 7,635               | 15.23 %   | 3,426          | 7.33 %   |
| Salaries and employee benefits | 21,313                     | 21,737   | 20,626   | (424)               | (1.95)%   | 1,111          | 5.39 %   |
| Occupancy                      | 2,530                      | 2,561    | 1,846    | (31)                | (1.21)%   | 715            | 38.73 %  |
| Furniture and equipment        | 1,628                      | 1,751    | 1,483    | (123)               | (7.02)%   | 268            | 18.07 %  |
| Amortization - intangibles     | 2,547                      | 2,443    | 2,328    | 104                 | 4.26 %    | 115            | 4.94 %   |
| Software                       | 3,377                      | 3,434    | 2,933    | (57)                | (1.66)%   | 501            | 17.08 %  |
| Data processing                | 4,385                      | 5,334    | 4,834    | (949)               | (17.79)%  | 500            | 10.34 %  |
| Professional fees              | 517                        | 930      | 760      | (413)               | (44.41)%  | 170            | 22.37 %  |
| Advertising and marketing      | 3,203                      | 4,558    | 3,870    | (1,355)             | (29.73)%  | 688            | 17.78 %  |
| FDIC and other insurance       | 314                        | 239      | 129      | 75                  | 31.38 %   | 110            | 85.27 %  |
| Acquisition-related expenses   | —                          | 466      | 137      | (466)               | (100.00)% | 329            | 240.15 % |
| Other expenses                 | 2,383                      | 2,560    | 2,111    | (177)               | (6.91)%   | 449            | 21.27 %  |
| Total expenses                 | 42,197                     | 46,013   | 41,057   | (3,816)             | (8.29)%   | 4,956          | 12.07 %  |

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

|                                                                             |                 |                |                |                 |           |                 |          |
|-----------------------------------------------------------------------------|-----------------|----------------|----------------|-----------------|-----------|-----------------|----------|
| Income before income tax, corporate allocation, and noncontrolling interest | 15,573          | 4,122          | 5,652          | 11,451          | 277.80 %  | (1,530)         | (27.07)% |
| Corporate allocation                                                        | (1,262)         | —              | —              | (1,262)         | N/M       | —               | N/M      |
| Income before income tax provision and noncontrolling interest              | 14,311          | 4,122          | 5,652          | 10,189          | 247.19 %  | (1,530)         | (27.07)% |
| Provision for income tax                                                    | 3,811           | 1,397          | 1,576          | 2,414           | 172.80 %  | (179)           | (11.36)% |
| Net income                                                                  | 10,500          | 2,725          | 4,076          | 7,775           | 285.32 %  | (1,351)         | (33.15)% |
| Noncontrolling interest                                                     | (220)           | (21)           | (558)          | (199)           | (947.62)% | 537             | 96.24 %  |
| Net income attributable to TowneBank                                        | <u>\$10,280</u> | <u>\$2,704</u> | <u>\$3,518</u> | <u>\$ 7,576</u> | 280.18 %  | <u>\$ (814)</u> | (23.14)% |
| Salaries and employee benefits/total noninterest expense                    | 50.51 %         | 47.24 %        | 50.24 %        | 327 bp          | 6.92 %    | -300 bp         | (5.97)%  |
| Net Income attributable to TowneBank % of total consolidated income         | 6.06 %          | 1.68 %         | 2.30 %         | 438 bp          | (260.71)% | -62 bp          | (26.96)% |

**Insurance Segment:** The Insurance segment comprises property and casualty and group benefits divisions. The Insurance segment represented 13.06%, or \$22.15 million, of our total consolidated net income in 2025 compared to 13.51%, or \$21.80 million, in 2024.

Increases in revenue, driven by organic growth, were partially offset by reductions in contingency income. Contingent revenue consists primarily of amounts received from various property and casualty insurance carriers. These carriers use several nonclient-specific factors to determine the amount of contingency payments made to insurance brokers. Such factors include the aggregate loss performance of insurance policies previously placed and the volume of business, among other things. The Company expects to continue actively pursuing attractive insurance agency acquisitions, with a strategic objective to grow revenues to \$150-\$200 million.

Full-time equivalent employees decreased 1.03% to 480 in 2025, from 485 in 2024.

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart presents revenue and expenses for the Insurance segment for the periods indicated (dollars in thousands):

|                                                                             | Year Ended<br>December 31, |          |          | Increase/(Decrease) |           |                |          |
|-----------------------------------------------------------------------------|----------------------------|----------|----------|---------------------|-----------|----------------|----------|
|                                                                             | 2025                       | 2024     | 2023     | 2025 over 2024      |           | 2024 over 2023 |          |
|                                                                             |                            |          |          | Amount              | Percent   | Amount         | Percent  |
| Net commission and fee income:                                              |                            |          |          |                     |           |                |          |
| Property and casualty                                                       | \$91,444                   | \$86,679 | \$80,054 | \$ 4,765            | 5.50 %    | \$ 6,625       | 8.28 %   |
| Employee benefits                                                           | 19,134                     | 18,047   | 17,726   | 1,087               | 6.02 %    | 321            | 1.81 %   |
| Specialized benefit services                                                | —                          | 10       | 481      | (10)                | (100.00)% | (471)          | (97.92)% |
| Total net commissions and fees                                              | 110,578                    | 104,736  | 98,261   | 5,842               | 5.58 %    | 6,475          | 6.59 %   |
| Contingency and bonus revenue                                               | 11,746                     | 13,110   | 10,619   | (1,364)             | (10.40)%  | 2,491          | 23.46 %  |
| Other income                                                                | 149                        | 263      | 580      | (114)               | (43.35)%  | (317)          | (54.66)% |
| Total revenues                                                              | 122,473                    | 118,109  | 109,460  | 4,364               | 3.69 %    | 8,649          | 7.90 %   |
| Employee commission expense                                                 | 19,245                     | 17,686   | 18,537   | 1,559               | 8.81 %    | (851)          | (4.59)%  |
| Revenue, net of commission expense                                          | 103,228                    | 100,423  | 90,923   | 2,805               | 2.79 %    | 9,500          | 10.45 %  |
| Salaries and employee benefits                                              | 52,227                     | 50,436   | 46,467   | 1,791               | 3.55 %    | 3,969          | 8.54 %   |
| Occupancy                                                                   | 3,153                      | 3,090    | 3,030    | 63                  | 2.04 %    | 60             | 1.98 %   |
| Furniture and equipment                                                     | 661                        | 809      | 863      | (148)               | (18.29)%  | (54)           | (6.26)%  |
| Amortization - intangibles                                                  | 5,507                      | 5,660    | 6,098    | (153)               | (2.70)%   | (438)          | (7.18)%  |
| Software                                                                    | 2,982                      | 2,897    | 2,336    | 85                  | 2.93 %    | 561            | 24.02 %  |
| Data processing                                                             | 496                        | 457      | 606      | 39                  | 8.53 %    | (149)          | (24.59)% |
| Professional fees                                                           | 1,062                      | 781      | 500      | 281                 | 35.98 %   | 281            | 56.20 %  |
| Advertising and marketing                                                   | 794                        | 683      | 702      | 111                 | 16.25 %   | (19)           | (2.71)%  |
| FDIC and other insurance                                                    | 512                        | 464      | 461      | 48                  | 10.34 %   | 3              | 0.65 %   |
| Acquisition-related expenses                                                | —                          | 1        | 86       | (1)                 | (100.00)% | (85)           | (98.84)% |
| Other expenses                                                              | 3,170                      | 2,890    | 1,776    | 280                 | 9.69 %    | 1,114          | 62.73 %  |
| Total operating expenses                                                    | 70,564                     | 68,168   | 62,925   | 2,396               | 3.51 %    | 5,243          | 8.33 %   |
| Income before income tax, corporate allocation, and noncontrolling interest | 32,664                     | 32,255   | 27,998   | 409                 | 1.27 %    | 4,257          | 15.20 %  |
| Corporate allocation                                                        | (2,841)                    | (2,937)  | (2,665)  | 96                  | 3.27 %    | (272)          | (10.21)% |
| Income before income tax provision and noncontrolling interest              | 29,823                     | 29,318   | 25,333   | 505                 | 1.72 %    | 3,985          | 15.73 %  |
| Provision for income tax                                                    | 7,675                      | 7,523    | 6,521    | 152                 | 2.02 %    | 1,002          | 15.37 %  |
| Net income                                                                  | 22,148                     | 21,795   | 18,812   | 353                 | 1.62 %    | 2,983          | 15.86 %  |
| Noncontrolling interest                                                     | —                          | —        | —        | —                   | — %       | —              | — %      |
| Net income attributable to TowneBank                                        | \$22,148                   | \$21,795 | \$18,812 | \$ 353              | 1.62 %    | \$ 2,983       | 15.86 %  |
| Salaries and employee benefits/total noninterest expense                    | 74.01 %                    | 73.99 %  | 73.85 %  | 2 bp                | 0.03 %    | 14 bp          | 0.19 %   |
| Net Income attributable to TowneBank % of total consolidated income         | 13.06 %                    | 13.51 %  | 12.28 %  | -45 bp              | (3.33)%   | 123 bp         | 10.02 %  |

## ANALYSIS OF FINANCIAL CONDITION

**Overview:** Our total assets increased \$2.45 billion, or 14.21%, to \$19.69 billion at December 31, 2025, from \$17.24 billion at December 31, 2024. Our loan portfolio increased by 16.38%, or \$1.88 billion, to \$13.34 billion at December 31, 2025, from \$11.46 billion at December 31, 2024. The primary drivers of asset and loan portfolio growth in 2025 were the acquisitions of Village and Old Point. Management continues to prioritize balance sheet strength and strong levels of liquidity in the current environment.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our total average assets were \$18.41 billion for 2025, reflecting an increase of \$1.35 billion, or 7.92%, compared to the 2024 average of \$17.06 billion. Average earning assets were \$16.59 billion in 2025, reflecting an increase of \$1.16 billion, or 7.51%, compared to 2024. Our average total deposits were \$15.46 billion in 2025, reflecting growth of \$1.21 billion, or 8.51%, compared to 2024. Total deposits increased \$2.07 billion, or 14.35%, on a year-over-year basis. Noninterest-bearing deposits increased \$0.82 billion, or 19.28%.

**Interest-Bearing Deposits in Financial Institutions:** Interest-bearing deposits in other banks, at the FRB, and federal funds sold are used for daily cash management purposes, management of short-term interest rate opportunities, and liquidity. At December 31, 2025, these balances were \$1.22 billion, nearly level with \$1.23 billion one year prior, and consisted mainly of overnight deposits with the FRB and deposits in other banks.

The average balance of interest-bearing deposits at the FRB, in other banks, and federal funds sold in 2025 was \$1.16 billion, or 7.00% of average total earning assets, compared with \$1.26 billion, or 8.15% of average total earning assets in 2024.

**Securities:** Our securities consist of AFS debt securities, HTM debt securities, and other equity securities. Our AFS debt securities portfolio, which is held primarily for earnings, liquidity, and asset/liability management purposes, is reported at fair value based on market prices for similar instruments. Our HTM debt securities portfolio, which is held primarily for yield and pledging purposes, is valued at amortized cost. Our investment portfolio totaled \$2.90 billion as of December 31, 2025, with a balance of \$2.71 billion in AFS, \$156.63 million in HTM, \$12.22 million in other equity securities, and \$16.34 million in FHLB stock. Average yield on AFS debt securities was 3.55% at December 31, 2025, compared with 3.38% at December 31, 2024. Average yield on HTM debt securities was 1.65% at December 31, 2025, compared to 1.60% at December 31, 2024.

We record an allowance for credit losses on our AFS debt securities portfolio and on our HTM debt securities portfolio as appropriate. These portfolios are reviewed quarterly to assess whether an allowance for credit losses is required. The allowance is charged through a provision for credit losses in our Consolidated Statements of Income. Net unrealized losses related to the fair value of AFS debt securities decreased \$64.21 million, net of tax, in 2025. Unrealized losses in this portfolio are primarily related to changes in market interest rates rather than deterioration in credit quality. At December 31, 2025, our allowance for credit losses on AFS debt securities was \$1.21 million and our allowance for credit losses on HTM debt securities was \$65 thousand, compared to \$1.33 million and \$77 thousand, respectively, at December 31, 2024.

Both our AFS and HTM debt securities portfolios consist of U.S. Treasury notes, U.S. agency securities, municipal securities, MBS, and trust preferred corporate obligations. Our investment activities are governed internally by a written and board-approved investment policy, which is administered by our ALCO, which generally meets quarterly to review the economic environment, to assess current activities for appropriateness, and to establish investment strategies.

Investment strategies are established by the ALCO in consideration of the interest rate cycle, balance sheet mix, actual and anticipated loan demand, funding options, and our overall interest rate sensitivity. In general, the investment portfolio is managed in a manner appropriate with attainment of the following goals: (i) to provide a sufficient margin of liquid assets to cover unanticipated deposit and loan fluctuations, seasonal funds flow variations, and overall funds management objectives; (ii) to provide eligible securities to secure public funds, trust deposits, and repurchase agreements as prescribed by law; and (iii) to earn the maximum return on funds invested that is commensurate with meeting the requirements of (i) and (ii).

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table provides information regarding the composition of our AFS and HTM securities portfolio, showing selected maturities and yields for the periods indicated (dollars in thousands). For more information, refer to Note 3, "Investment Securities," in the Notes to Consolidated Financial Statements.

|                                            | Year Ended December 31, |                      |                            |                     |                      |                            |                     |                      |                            |
|--------------------------------------------|-------------------------|----------------------|----------------------------|---------------------|----------------------|----------------------------|---------------------|----------------------|----------------------------|
|                                            | 2025                    |                      |                            | 2024                |                      |                            | 2023                |                      |                            |
|                                            | Amortized Cost          | Estimated Fair Value | Weighted Average Yield (1) | Amortized Cost      | Estimated Fair Value | Weighted Average Yield (1) | Amortized Cost      | Estimated Fair Value | Weighted Average Yield (1) |
| <b>Securities Available for Sale:</b>      |                         |                      |                            |                     |                      |                            |                     |                      |                            |
| U.S. agency securities                     | \$ 387,050              | \$ 365,644           | 3.63 %                     | \$ 325,566          | \$ 293,917           | 3.45 %                     | \$ 334,782          | \$ 306,386           | 3.60 %                     |
| U.S. Treasury notes                        | 81,860                  | 83,631               | 4.03 %                     | 29,247              | 28,429               | 2.97 %                     | 28,559              | 27,684               | 2.97 %                     |
| Municipal securities                       | 510,498                 | 494,162              | 2.77 %                     | 472,018             | 438,742              | 2.52 %                     | 544,433             | 509,854              | 2.52 %                     |
| Trust preferred corporate securities       | 148,131                 | 142,005              | 5.54 %                     | 101,950             | 94,326               | 4.15 %                     | 101,664             | 84,793               | 4.13 %                     |
| Mortgage-backed securities                 | 1,656,923               | 1,624,747            | 3.57 %                     | 1,581,189           | 1,497,951            | 3.58 %                     | 1,283,525           | 1,200,625            | 3.15 %                     |
| <b>Total securities available for sale</b> | <b>\$ 2,784,462</b>     | <b>\$ 2,710,189</b>  | <b>3.55 %</b>              | <b>\$ 2,509,970</b> | <b>\$ 2,353,365</b>  | <b>3.38 %</b>              | <b>\$ 2,292,963</b> | <b>\$ 2,129,342</b>  | <b>3.11 %</b>              |
| <b>Securities Held to Maturity:</b>        |                         |                      |                            |                     |                      |                            |                     |                      |                            |
| U.S. agency securities                     | \$ 48,252               | \$ 47,693            | 1.64 %                     | \$ 102,622          | \$ 99,382            | 1.53 %                     | \$ 101,850          | \$ 95,878            | 1.53 %                     |
| U.S. Treasury notes                        | 95,783                  | 93,733               | 1.46 %                     | 96,710              | 91,518               | 1.45 %                     | 362,593             | 353,578              | 1.69 %                     |
| Municipal securities                       | 5,464                   | 5,629                | 3.99 %                     | 5,366               | 5,457                | 3.98 %                     | 5,272               | 5,551                | 3.98 %                     |
| Trust preferred corporate securities       | 2,068                   | 2,156                | 3.63 %                     | 2,121               | 2,207                | 3.59 %                     | 2,172               | 2,273                | 3.55 %                     |
| Mortgage-backed securities                 | 5,130                   | 5,058                | 2.01 %                     | 5,533               | 5,319                | 2.30 %                     | 5,705               | 5,376                | 2.35 %                     |
| <b>Total securities held to maturity</b>   | <b>\$ 156,697</b>       | <b>\$ 154,269</b>    | <b>1.65 %</b>              | <b>\$ 212,352</b>   | <b>\$ 203,883</b>    | <b>1.60 %</b>              | <b>\$ 477,592</b>   | <b>\$ 462,656</b>    | <b>1.70 %</b>              |

(1) Yields are presented on a taxable-equivalent basis using the federal statutory tax rate of 21%.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table indicates the maturities of securities at December 31, 2025 (dollars in thousands):

|                                             | Available for Sale  |                     |                            | Held to Maturity  |                   |                            |
|---------------------------------------------|---------------------|---------------------|----------------------------|-------------------|-------------------|----------------------------|
|                                             | Amortized Cost      | Fair Market Value   | Weighted Average Yield (1) | Amortized Cost    | Fair Market Value | Weighted Average Yield (1) |
| <b>U.S. Treasury notes</b>                  |                     |                     |                            |                   |                   |                            |
| Due in one year or less                     | \$ 3,989            | \$ 3,992            | 4.07 %                     | \$ 20,905         | \$ 20,479         | 1.25 %                     |
| After one year through five years           | 54,363              | 54,998              | 3.73 %                     | 74,878            | 73,254            | 1.52 %                     |
| After five years through ten years          | 23,508              | 24,641              | 4.73 %                     | —                 | —                 | — %                        |
| After ten years                             | —                   | —                   | — %                        | —                 | —                 | — %                        |
| <b>U.S. agency securities</b>               |                     |                     |                            |                   |                   |                            |
| Due in one year or less                     | 1,370               | 1,373               | 3.92 %                     | 29,977            | 29,877            | 1.21 %                     |
| After one year through five years           | 49,202              | 48,441              | 2.88 %                     | 18,275            | 17,816            | 2.35 %                     |
| After five years through ten years          | 54,422              | 52,619              | 3.46 %                     | —                 | —                 | — %                        |
| After ten years                             | 282,056             | 263,211             | 3.79 %                     | —                 | —                 | — %                        |
| <b>Municipal securities</b>                 |                     |                     |                            |                   |                   |                            |
| Due in one year or less                     | 56,237              | 55,902              | 2.37 %                     | —                 | —                 | — %                        |
| After one year through five years           | 201,503             | 195,357             | 2.19 %                     | 3,485             | 3,572             | 3.87 %                     |
| After five years through ten years          | 133,959             | 126,989             | 2.91 %                     | 1,979             | 2,057             | 4.20 %                     |
| After ten years                             | 118,799             | 115,914             | 3.78 %                     | —                 | —                 | — %                        |
| <b>Mortgage-backed securities</b>           |                     |                     |                            |                   |                   |                            |
| Due in one year or less                     | 50,822              | 50,283              | 1.69 %                     | 5,130             | 5,058             | 2.01 %                     |
| After one year through five years           | 481,473             | 462,935             | 2.35 %                     | —                 | —                 | — %                        |
| After five years through ten years          | 188,203             | 184,736             | 3.83 %                     | —                 | —                 | — %                        |
| After ten years                             | 936,425             | 926,793             | 4.25 %                     | —                 | —                 | — %                        |
| <b>Trust preferred corporate securities</b> |                     |                     |                            |                   |                   |                            |
| Due in one year or less                     | —                   | —                   | — %                        | 500               | 588               | 8.75 %                     |
| After one year through five years           | 16,025              | 16,312              | 6.34 %                     | —                 | —                 | — %                        |
| After five years through ten years          | 132,106             | 125,693             | 5.44 %                     | 1,568             | 1,568             | 2.00 %                     |
| After ten years                             | —                   | —                   | — %                        | —                 | —                 | — %                        |
| <b>Total Portfolio</b>                      | <b>\$ 2,784,462</b> | <b>\$ 2,710,189</b> | <b>3.55 %</b>              | <b>\$ 156,697</b> | <b>\$ 154,269</b> | <b>1.65 %</b>              |

(1) Yields are presented on a taxable-equivalent basis using the federal statutory tax rate of 21%.

**Loans Held for Sale:** At December 31, 2025, we held \$154.44 million in mortgage loans originated and intended for sale in the secondary market, compared with \$200.46 million at December 31, 2024. Average loans held for sale were 1.10% and 1.14% of average earning assets for the years ended December 31, 2025 and 2024, respectively.

Our mortgage banking activities include two types of commitments: rate lock commitments and forward mortgage loan sales contracts. Rate lock commitments are loans in our pipeline that have an interest rate locked with the customer. The commitments are generally for periods of 60 days and are at market rates. In order to mitigate the effect of the interest rate risk inherent in providing rate lock commitments, we enter into either a forward loan sales contract under best efforts delivery, or a trade of TBA MBS ("notional securities") for mandatory delivery. When the interest rate is locked with the borrower, the rate lock commitment and MBS position are undesignated derivatives and marked to fair value through earnings. The fair value of the rate lock derivative is based on quoted prices for similar loans in the secondary market adjusted by a factor which considers the likelihood that the loan in a lock position will ultimately close. Both the rate lock commitment and the corresponding TBA MBS 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. Forward loan sale commitments that economically hedge the closed loan inventory are recognized at fair value on the Consolidated Balance Sheet

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

**Loan Portfolio:** Our loan portfolio, net of unearned income and deferred costs, totaled \$13.34 billion at December 31, 2025. As a percentage of total average earning assets, average loans were 75.15% in 2025, compared with 74.08% in 2024. Lending activities represent our primary source of income. The following tables provide the balance and composition of the loan portfolio by major classification for the periods indicated (dollars in thousands):

| Year Ended December 31,                                 | 2025                 | 2024                 |
|---------------------------------------------------------|----------------------|----------------------|
| <b>Commercial Real Estate</b>                           |                      |                      |
| Construction and land development                       | \$ 1,266,242         | \$ 1,082,161         |
| Owner occupied                                          | 1,932,015            | 1,628,731            |
| Non-owner occupied                                      | 3,777,350            | 3,196,665            |
| Multi-family                                            | 858,212              | 801,079              |
| <b>Total Commercial Real Estate</b>                     | <b>7,833,819</b>     | <b>6,708,636</b>     |
| <b>Residential 1-4 family</b>                           | <b>2,181,949</b>     | <b>1,891,470</b>     |
| <b>HELOC</b>                                            | <b>583,725</b>       | <b>410,594</b>       |
| <b>C&amp;I</b>                                          | <b>1,455,455</b>     | <b>1,280,394</b>     |
| <b>Government</b>                                       | <b>507,586</b>       | <b>513,039</b>       |
| <b>Indirect</b>                                         | <b>672,401</b>       | <b>567,245</b>       |
| <b>Consumer and other</b>                               | <b>100,869</b>       | <b>87,677</b>        |
| <b>Loans, net of unearned income and deferred costs</b> | <b>\$ 13,335,804</b> | <b>\$ 11,459,055</b> |
| Year Ended December 31,                                 | 2025                 | 2024                 |
| <b>Commercial Real Estate</b>                           |                      |                      |
| Construction and land development                       | 9.50 %               | 9.44 %               |
| Owner occupied                                          | 14.49 %              | 14.21 %              |
| Non-owner occupied                                      | 28.32 %              | 27.90 %              |
| Multi-family                                            | 6.44 %               | 6.99 %               |
| <b>Total Commercial Real Estate</b>                     | <b>58.75 %</b>       | <b>58.54 %</b>       |
| <b>Residential 1-4 family</b>                           | <b>16.36 %</b>       | <b>16.51 %</b>       |
| <b>HELOC</b>                                            | <b>4.38 %</b>        | <b>3.58 %</b>        |
| <b>C&amp;I</b>                                          | <b>10.91 %</b>       | <b>11.17 %</b>       |
| <b>Government</b>                                       | <b>3.81 %</b>        | <b>4.48 %</b>        |
| <b>Indirect</b>                                         | <b>5.04 %</b>        | <b>4.95 %</b>        |
| <b>Consumer and other</b>                               | <b>0.75 %</b>        | <b>0.77 %</b>        |
| <b>Loans, net of unearned income and deferred costs</b> | <b>100.00 %</b>      | <b>100.00 %</b>      |

Commercial real estate loans constituted 58.75% and 58.54% of our loan portfolio at December 31, 2025 and 2024, respectively. The table below provides additional information regarding commercial real estate loans segregating by the type of property securing the loans and the geographic region in which the loans were originated as of December 31, 2025 (dollars in thousands):

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| Description Within Major Classification                        | Consolidated        | % of Major Class | Virginia / NENC     | North Carolina      | Classified (1)   |
|----------------------------------------------------------------|---------------------|------------------|---------------------|---------------------|------------------|
| Residential construction                                       | \$ 231,681          | 18.30 %          | \$ 146,125          | \$ 85,556           | \$ —             |
| Improved lots                                                  | 245,157             | 19.36 %          | 176,646             | 68,511              | 507              |
| Land development                                               | 172,860             | 13.65 %          | 134,197             | 38,663              | 771              |
| Raw land                                                       | 170,038             | 13.43 %          | 109,455             | 60,583              | 5,971            |
| Construction-to-perm                                           | 49,021              | 3.87 %           | 19,245              | 29,776              | —                |
| All other                                                      | 397,485             | 31.39 %          | 287,774             | 109,711             | —                |
| <b>Construction and land development</b>                       | <b>\$ 1,266,242</b> | <b>100.00 %</b>  | <b>\$ 873,442</b>   | <b>\$ 392,800</b>   | <b>\$ 7,249</b>  |
| <b>Percentage of Consolidated</b>                              |                     |                  | <b>68.98 %</b>      | <b>31.02 %</b>      | <b>0.57 %</b>    |
| Office buildings                                               | \$ 523,164          | 27.08 %          | \$ 345,090          | \$ 178,074          | \$ 5,315         |
| Warehouse light industry                                       | 367,658             | 19.03 %          | 273,531             | 94,127              | 779              |
| Auto dealer and repair                                         | 208,766             | 10.81 %          | 180,367             | 28,399              | 3,587            |
| Restaurants                                                    | 122,009             | 6.32 %           | 79,919              | 42,090              | —                |
| All other                                                      | 710,418             | 36.76 %          | 513,500             | 196,918             | 10,013           |
| <b>Owner occupied</b>                                          | <b>\$ 1,932,015</b> | <b>100.00 %</b>  | <b>\$ 1,392,407</b> | <b>\$ 539,608</b>   | <b>\$ 19,694</b> |
| <b>Percentage of Consolidated</b>                              |                     |                  | <b>72.07 %</b>      | <b>27.93 %</b>      | <b>1.02 %</b>    |
| Office buildings                                               | \$ 799,562          | 21.17 %          | \$ 503,861          | \$ 295,701          | \$ —             |
| Hotels                                                         | 883,341             | 23.39 %          | 715,307             | 168,034             | 2,069            |
| Shopping centers                                               | 729,648             | 19.32 %          | 434,741             | 294,907             | 2,135            |
| Warehouse light industry                                       | 442,283             | 11.71 %          | 245,893             | 196,390             | —                |
| All other                                                      | 922,516             | 24.41 %          | 721,635             | 200,881             | 7,772            |
| <b>Non-owner occupied</b>                                      | <b>\$ 3,777,350</b> | <b>100.00 %</b>  | <b>\$ 2,621,437</b> | <b>\$ 1,155,913</b> | <b>\$ 11,976</b> |
| <b>Percentage of Consolidated</b>                              |                     |                  | <b>69.40 %</b>      | <b>30.60 %</b>      | <b>0.32 %</b>    |
| Less than \$1 Million Origination                              | \$ 117,716          | 13.72 %          | \$ 82,597           | \$ 35,119           | \$ —             |
| More than \$1 Million Origination                              | 740,496             | 86.28 %          | 481,381             | 259,115             | —                |
| <b>Multi-family</b>                                            | <b>\$ 858,212</b>   | <b>100.00 %</b>  | <b>\$ 563,978</b>   | <b>\$ 294,234</b>   | <b>\$ —</b>      |
| <b>Percentage of Consolidated</b>                              |                     |                  | <b>65.72 %</b>      | <b>34.28 %</b>      | <b>— %</b>       |
| <b>Total Commercial Real Estate</b>                            | <b>\$ 7,833,819</b> |                  | <b>\$ 5,451,264</b> | <b>\$ 2,382,555</b> | <b>\$ 38,919</b> |
| <b>Percentage of Consolidated Total Commercial Real Estate</b> |                     |                  | <b>69.59 %</b>      | <b>30.41 %</b>      | <b>0.50 %</b>    |

(1) Classified loans are defined as substandard or doubtful. Classified commercial real estate loans totaled \$38.92 million, or 65.04% of total classified credits at December 31, 2025.

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The table below provides the maturity and sensitivity of the loan portfolio at December 31, 2025 (in thousands):

|                                                         | Due in One<br>Year or Less | Due After<br>One Year<br>Through<br>Five Years | Due After<br>Five Years<br>Through<br>Fifteen<br>Years | Due After<br>Fifteen<br>Years | Totals               | Due After One Year<br>Fixed Rates | Adjustable<br>Rates |
|---------------------------------------------------------|----------------------------|------------------------------------------------|--------------------------------------------------------|-------------------------------|----------------------|-----------------------------------|---------------------|
| <b>Commercial Real Estate</b>                           |                            |                                                |                                                        |                               |                      |                                   |                     |
| Construction and land development                       | \$ 651,817                 | \$ 446,124                                     | \$ 136,306                                             | \$ 31,995                     | \$ 1,266,242         | \$ 213,443                        | \$ 400,982          |
| Owner occupied                                          | 164,236                    | 904,061                                        | 756,900                                                | 106,818                       | 1,932,015            | 1,529,507                         | 238,272             |
| Non-owner occupied                                      | 561,117                    | 2,032,584                                      | 1,036,708                                              | 146,941                       | 3,777,350            | 2,473,888                         | 742,345             |
| Multi-family                                            | 164,036                    | 514,121                                        | 173,606                                                | 6,449                         | 858,212              | 530,427                           | 163,749             |
| <b>Residential 1-4 family</b>                           | 119,364                    | 515,768                                        | 180,721                                                | 1,366,096                     | 2,181,949            | 1,254,336                         | 808,249             |
| <b>HELOC</b>                                            | 52,752                     | 43,494                                         | 65,976                                                 | 421,503                       | 583,725              | 6,803                             | 524,170             |
| <b>C&amp;I</b>                                          | 694,086                    | 526,258                                        | 232,226                                                | 2,885                         | 1,455,455            | 521,160                           | 240,209             |
| <b>Government</b>                                       | 56,047                     | 32,746                                         | 147,351                                                | 271,442                       | 507,586              | 308,680                           | 142,859             |
| <b>Indirect</b>                                         | 2,103                      | 476,162                                        | 194,136                                                | —                             | 672,401              | 670,275                           | 23                  |
| <b>Consumer and other</b>                               | 33,030                     | 41,031                                         | 22,603                                                 | 4,205                         | 100,869              | 45,293                            | 22,546              |
| <b>Loans, net of unearned income and deferred costs</b> | <u>\$ 2,498,588</u>        | <u>\$ 5,532,349</u>                            | <u>\$ 2,946,533</u>                                    | <u>\$ 2,358,334</u>           | <u>\$ 13,335,804</u> | <u>\$ 7,553,812</u>               | <u>\$ 3,283,404</u> |

The following table is a summary of our floating rate loan portfolio and contractual interest rate indices at December 31, 2025 (dollars in thousands):

| Contractual Interest Rate Index         | Floating Rate<br>(at floor rate) | Floating Rate<br>(not at floor<br>or ceiling<br>rate) | Floating Rate<br>(at ceiling<br>rate) | Total Floating<br>Rate | Percentage of<br>Floating<br>Rate Loans |
|-----------------------------------------|----------------------------------|-------------------------------------------------------|---------------------------------------|------------------------|-----------------------------------------|
| Wall Street Journal Prime               | \$ 9,157                         | \$ 1,624,046                                          | \$ 60,124                             | \$ 1,693,327           | 35.47 %                                 |
| AMERIBOR                                | 500                              | 272,167                                               | 54,159                                | 326,826                | 6.85 %                                  |
| SOFR                                    | 38,538                           | 1,880,598                                             | 27,939                                | 1,947,075              | 40.79 %                                 |
| Other contractual interest rate indices | 36,057                           | 747,160                                               | 23,348                                | 806,565                | 16.89 %                                 |
|                                         | <u>\$ 84,252</u>                 | <u>\$ 4,523,971</u>                                   | <u>\$ 165,570</u>                     | <u>\$ 4,773,793</u>    | <u>100.00 %</u>                         |

**Allowance for Credit Losses and Asset Quality:** We incorporate reasonable and supportable forecasts into our credit loss estimates, and losses are estimated over the life of the loan and recorded at origination or acquisition. The allowance for credit losses on funded loans is established through a provision for credit losses charged against earnings. The allowance for credit losses on unfunded commitments is recorded in other liabilities, with a provision for credit losses charged against earnings. The level of the allowance for credit losses is an estimate of expected losses inherent in the Company's portfolio at December 31, 2025.

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

The allowance for credit losses on funded loans at December 31, 2025 and 2024, was \$147.34 million and \$123.92 million, respectively. In 2025, the Company increased the allowance for credit losses on funded loans by \$23.42 million, \$21.24 million of which was related to acquired loans. The remaining increase of \$2.18 million was driven by limited organic loan growth, changes in portfolio risk profile, and was partially offset by slight

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improvements in the macroeconomic scenarios we use in our model. Net charge-offs were \$2.85 million in 2025. The allowance was equal to 1.10% of total loans outstanding at December 31, 2025, compared with 1.08% at December 31, 2024.

Classified loans, defined as loans in the substandard and doubtful categories, remained low at 0.45% of total loans at December 31, 2025, up from 0.43% at December 31, 2024. Loans 30 to 89 days past due were \$16.52 million at December 31, 2025, compared to \$9.88 million at December 31, 2024. The allowance for credit losses on funded loans was equal to 12.57x of nonperforming loans at December 31, 2025, compared with 16.69x at December 31, 2024. Our allowance for unfunded commitments was \$10.38 million and \$8.84 million at December 31, 2025 and 2024, respectively.

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 on funded loans among the various loan types as of the dates indicated (dollars in thousands):

|                                             | December 31,      |                 | December 31,      |                 |
|---------------------------------------------|-------------------|-----------------|-------------------|-----------------|
|                                             | 2025              | %               | 2024              | %               |
| Real estate - construction and development  | \$ 20,204         | 13.71 %         | \$ 18,158         | 14.65 %         |
| Real estate - commercial owner occupied     | 11,378            | 7.72 %          | 14,550            | 11.74 %         |
| Real estate - commercial non-owner occupied | 27,592            | 18.73 %         | 21,175            | 17.09 %         |
| Real estate - multi-family                  | 5,830             | 3.96 %          | 3,819             | 3.08 %          |
| Real estate - residential 1-4 family        | 31,797            | 21.58 %         | 30,908            | 24.94 %         |
| HELOC                                       | 20,803            | 14.12 %         | 17,371            | 14.02 %         |
| C&I                                         | 11,852            | 8.04 %          | 9,594             | 7.74 %          |
| Government                                  | 3,975             | 2.70 %          | 2,603             | 2.10 %          |
| Indirect                                    | 11,462            | 7.78 %          | 3,781             | 3.05 %          |
| Consumer and other loans                    | 2,450             | 1.66 %          | 1,964             | 1.59 %          |
| <b>Total</b>                                | <b>\$ 147,343</b> | <b>100.00 %</b> | <b>\$ 123,923</b> | <b>100.00 %</b> |

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The following table provides information on the allowance for credit losses on nonperforming loans and assets for the periods indicated (dollars in thousands):

| Year Ended December 31,                          | 2025             | 2024            |
|--------------------------------------------------|------------------|-----------------|
| Nonperforming assets:                            |                  |                 |
| Nonperforming loans                              | \$ 11,726        | \$ 7,424        |
| Former bank premises                             | 879              | —               |
| Foreclosed property                              | 1,754            | 443             |
| Total nonperforming assets                       | <u>\$ 14,359</u> | <u>\$ 7,867</u> |
| Loans past due 90 days accruing interest         | <u>\$ 890</u>    | <u>\$ 1,264</u> |
| Asset Quality Ratios                             |                  |                 |
| Allowance for loan losses to nonperforming loans | 12.57x           | 16.69x          |
| Allowance to nonperforming assets                | 10.26x           | 15.75x          |
| Allowance for loan losses to period end loans    | 1.10 %           | 1.08 %          |
| Nonperforming loans to period end loans          | 0.09 %           | 0.06 %          |
| Nonperforming assets to period end assets        | 0.07 %           | 0.05 %          |
| Net charge-offs to average loans                 | 0.02 %           | 0.01 %          |

The following table provides the charge-offs and recoveries by portfolio for the periods indicated (in thousands):

|                                    | December 31, 2025 |                 | December 31, 2024 |                 |
|------------------------------------|-------------------|-----------------|-------------------|-----------------|
|                                    | Charge-offs       | Recoveries      | Charge-offs       | Recoveries      |
| CRE - Construction and development | \$ 177            | \$ 149          | \$ 647            | \$ 11           |
| CRE - Owner occupied               | —                 | 91              | 6                 | 21              |
| CRE - Non-owner occupied           | —                 | 34              | —                 | 176             |
| CRE - Multi-family                 | —                 | —               | —                 | —               |
| Residential 1-4 family             | 87                | 44              | —                 | 105             |
| HELOC                              | 12                | 213             | —                 | 99              |
| C&I                                | 1,523             | 788             | 366               | 1,026           |
| Government                         | —                 | —               | —                 | —               |
| Indirect                           | 2,343             | 262             | 2,068             | 305             |
| Consumer and other loans           | 762               | 475             | 478               | 262             |
| Total charge-offs and recoveries   | <u>\$ 4,904</u>   | <u>\$ 2,056</u> | <u>\$ 3,565</u>   | <u>\$ 2,005</u> |

All charge-offs and recoveries were in the Banking segment for both periods presented. For additional financial details regarding analysis of the allowance for credit losses on loans, see Note 5, "Allowance for Credit Losses on Loans," of the Notes to Consolidated Financial Statements in this report.

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

|                                    | December 31,<br>2025 | December 31,<br>2024 |
|------------------------------------|----------------------|----------------------|
| CRE - Construction and development | \$ 1,621             | \$ 273               |
| CRE - Owner occupied               | 135                  | 415                  |
| CRE - Non-owner occupied           | 3,058                | 1,452                |
| CRE - Multi-family                 | —                    | —                    |
| Residential 1-4 family             | 2,272                | 2,421                |
| HELOC                              | 989                  | 485                  |
| C&I                                | 2,179                | 1,030                |
| Government                         | —                    | —                    |
| Indirect                           | 1,451                | 1,346                |
| Consumer and other loans           | 21                   | 2                    |
| Total nonperforming loans          | <u>\$ 11,726</u>     | <u>\$ 7,424</u>      |

Nonperforming assets consist of nonaccrual loans, foreclosed real estate, and other repossessed collateral. 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, unless the debt is both well-secured and in the process of collection. 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 credit losses on loans. 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.

At December 31, 2025, foreclosed property totaled \$1.75 million, increasing from \$0.44 million at December 31, 2024, and consisted of a residential 1-4 family loan totaling \$401 thousand and \$1.35 million in repossessed autos. Foreclosed property consisted of repossessed autos at year-end 2024. The Company also held \$879 thousand in former bank premises in nonperforming assets at December 31, 2025.

At December 31, 2025, loans 60-89 days past due, excluding nonperforming loans, totaled \$3.10 million. All loans in these categories are subject to constant management attention, and their status is reviewed on a regular basis.

In order to maximize the collection of loan balances, we evaluate loans to borrowers experiencing financial difficulty on a case-by-case basis to determine if a loan modification would be appropriate. We may pursue loan modifications when there is a reasonable chance that an appropriate modification would allow our clients to continue servicing the debt. Because these modifications may not ultimately result in the complete collection of principal and interest (as modified by the terms of the restructuring), additional incremental losses could result. These potential incremental losses have been factored into our overall allowance for credit losses estimate.

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Nonaccruing loans that are modified can be placed back on accrual status when both principal and interest are current, there is a sustained repayment performance of six months or longer, and it is probable that we will be able to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

**Deposits:** Customer deposits are attractive sources of liquidity because of their stability, low average cost, and the ability to generate fee income through the cross-sale of other services to depositors. Deposits are attracted principally from customers within our market area through the offering of a broad selection of deposit instruments, including demand deposits, savings accounts, money rate savings, certificates of deposit, and individual retirement accounts. Deposit account terms vary with respect to the minimum balance required, the time period the funds must remain on deposit, and service charge schedules.

Interest rates paid on specific deposit types are set by considering the (i) interest rates offered by competitors, (ii) anticipated amount and timing of funding needs, (iii) availability of and cost of alternative sources of funding, and (iv) anticipated future economic conditions and interest rates.

Deposit accounts held as of December 31, 2025, totaled \$16.51 billion. This represented an increase of \$2.07 billion, or 14.35%, from 2024. This increase was driven by acquisitions. Deposit accounts represent our primary source of funds and are provided by individuals, professionals, and small to medium-sized businesses in our market area. Approximately 66.24% of our deposits are business-related.

Our deposits consist of demand deposits, interest-bearing checking accounts, money market deposit accounts, and time deposits. Our interest-bearing deposits increased by \$1.25 billion, or 12.29%, and our noninterest-bearing deposits increased \$0.82 billion, or 19.28%. We had brokered time deposits of \$440.64 million and CDARS deposits of \$80.92 million at December 31, 2025, and \$316.38 million and \$82.49 million, respectively, at December 31, 2024.

The following table sets forth a summary of the ending balance by deposit category for the periods indicated (dollars in thousands). See Note 11, "Deposits," in the Notes to Consolidated Financial Statements for additional information on deposits.

|                                                   | Total Deposits Period Ended |                      | 2025 over 2024      |         |
|---------------------------------------------------|-----------------------------|----------------------|---------------------|---------|
|                                                   | December 31,                |                      | Change              |         |
|                                                   | 2025                        | 2024                 | \$                  | %       |
| Interest-bearing demand and money market accounts | \$ 8,390,884                | \$ 7,329,669         | \$ 1,061,215        | 14.48 % |
| Regular savings                                   | 332,752                     | 311,841              | 20,911              | 6.71 %  |
| Certificates of deposit                           | 2,712,324                   | 2,542,735            | 169,589             | 6.67 %  |
| Total interest-bearing                            | 11,435,960                  | 10,184,245           | \$ 1,251,715        | 12.29 % |
| Noninterest-bearing demand                        | 5,073,157                   | 4,253,053            | 820,104             | 19.28 % |
| Total                                             | <u>\$ 16,509,117</u>        | <u>\$ 14,437,298</u> | <u>\$ 2,071,819</u> | 14.35 % |

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

|                                                         | 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                                 | 2,712,324            | 16.43 %             | 2,398,219            | 314,105             |
|                                                         | <u>\$ 16,509,117</u> | 100.00 %            | <u>\$ 13,434,039</u> | <u>\$ 3,075,078</u> |
| (1) NENC is included in the Virginia geographic region. |                      |                     |                      |                     |

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

At December 31, 2025, we had \$7.88 billion in estimated uninsured deposits, \$0.83 billion of which were collateralized by securities, for an estimated uncollateralized and adjusted uninsured deposit total of \$7.05 billion, or roughly 42.72% of total deposits. Total liquidity sources at December 31, 2025, totaled \$7.02 billion, or 99.53% of adjusted uninsured deposits. At December 31, 2024, we had \$7.05 billion in estimated uninsured deposits.

The following table provides the average balance and cost rate of interest-bearing deposits for the periods indicated (dollars in thousands). The aggregate amount of time deposits of \$250,000 or more was \$1.00 billion and \$966.59 million at December 31, 2025 and 2024, respectively.

| For the Year Ended December 31,     | Average Balance     |                     | Average Cost Rate |               |
|-------------------------------------|---------------------|---------------------|-------------------|---------------|
|                                     | 2025                | 2024                | 2025              | 2024          |
| Noninterest-bearing demand deposits | \$ 4,764,057        | \$ 4,296,372        | —                 | —             |
| Demand and money markets            | 7,734,850           | 6,950,210           | 2.17 %            | 2.72 %        |
| Savings                             | 328,637             | 319,369             | 0.83 %            | 1.05 %        |
| Certificates of deposit:            |                     |                     |                   |               |
| Less than \$250,000                 | 1,687,566           | 1,642,466           | 3.87 %            | 4.67 %        |
| \$250,000 or more                   | 942,232             | 1,037,002           | 3.98 %            | 4.77 %        |
| Total interest-bearing deposits     | <u>10,693,285</u>   | <u>9,949,047</u>    | <u>2.56 %</u>     | <u>3.20 %</u> |
| Total deposits                      | <u>\$15,457,342</u> | <u>\$14,245,419</u> | <u>1.77 %</u>     | <u>2.24 %</u> |

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table provides the scheduled maturities of time deposits greater than \$250,000 for the periods indicated (in thousands):

| For the Year Ended December 31, | 2025                | 2024              |
|---------------------------------|---------------------|-------------------|
| Months to maturity:             |                     |                   |
| Three or less                   | \$ 459,534          | \$ 461,252        |
| Over three through six          | 330,873             | 218,856           |
| Over six through twelve         | 186,672             | 225,190           |
| Over twelve                     | 30,963              | 61,291            |
| Total                           | <u>\$ 1,008,042</u> | <u>\$ 966,589</u> |

Average noninterest-bearing demand deposits were 30.82% of average total deposits during the year ended December 31, 2025, and 30.16% for 2024. The average cost of interest-bearing deposits was 2.56% for the year ended December 31, 2025, compared with 3.20% for 2024.

**Advances from the Federal Home Loan Bank:** Our ability to borrow funds through nondeposit sources provides additional flexibility in meeting the liquidity needs of customers while enhancing our cost of funds structure. Average funds borrowed from the FHLB were \$23.76 million and \$63.44 million for the years ended December 31, 2025 and 2024, respectively. The balance at December 31, 2025, of \$52.45 million, increased \$49.23 million from the balance at December 31, 2024, of \$3.22 million, driven by \$50.00 million in acquired debt.

In addition to borrowings from the FHLB, we maintain various borrowing arrangements with financial institutions to support liquidity needs. As of December 31, 2025, we had no outstanding balances on these borrowing agreements with other financial institutions. Average total borrowings during 2025 were \$48.81 million, compared with \$95.45 million in 2024, while the average cost of these funds was (1.80)% and 4.67%, respectively. Refer to Note 12, "Borrowings," in the Notes to Consolidated Financial Statements for additional disclosures related to borrowing arrangements.

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

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

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

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The Company assumed 3.50% fixed-to-floating subordinated debt, originally issued July 14, 2021, with a carrying value of \$25.27 million, in the September 2025 acquisition of Old Point. These notes bear a fixed rate until July 15, 2026, when they convert to a floating rate based on the three-month SOFR plus 286 bp. Interest is paid semi-annually in arrears on the fixed debt. Upon conversion to a floating rate, interest will be paid quarterly in arrears. The notes mature July 15, 2031.

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

|                                                          | December 31, 2025 | December 31, 2024 |
|----------------------------------------------------------|-------------------|-------------------|
| Carrying value of subordinated notes                     | \$ 283,870        | \$ 260,001        |
| Average subordinate debt for the year ended              | \$ 271,024        | \$ 256,489        |
| Average cost of subordinated notes for the quarter ended | 3.74 %            | 3.50 %            |

**Liquidity:** Liquidity represents our ability to respond to current and future funding requirements, in a timely manner, at a reasonable cost, without impairing profitability. In addition to meeting member demand for loans and deposit withdrawals, we must fund balance sheet growth and meet current obligations in relation to operating costs, investment repurchases, and short-term funding sources. We manage liquidity through adherence to established policies, which are monitored by management and ALCO. Our liquid assets consist of cash, interest-bearing deposits in financial institutions, federal funds sold, securities available for sale, investments, and loans maturing within one year. 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 December 31, 2025 (in thousands):

| Liquidity Sources                                                        | December 31, 2025   |
|--------------------------------------------------------------------------|---------------------|
| <b>Available Liquid Funds:</b>                                           |                     |
| Cash and cash equivalents                                                | \$ 1,350,649        |
| Unencumbered investment securities                                       | 1,861,086           |
| <b>Availability of Borrowings:</b>                                       |                     |
| Amount available from FHLB                                               | 1,625,230           |
| Amount available from unsecured lines of credit with correspondent banks | 150,000             |
| Amount available for Federal Reserve discount window                     | 2,033,230           |
|                                                                          | <u>\$ 7,020,195</u> |

We maintained an average of \$1.16 billion outstanding in overnight interest-bearing deposits during 2025, compared with \$1.26 billion for 2024. On average, noninterest-bearing demand deposits increased \$467.69 million, or 10.89%, in 2025. Ending noninterest-bearing demand deposits increased \$0.82 billion compared to December 31, 2024.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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We intend to maintain sufficient liquidity at all times to meet our funding commitments and growth plans. During 2025, we primarily funded our growth in total assets with excess liquidity and existing deposits.

**Capital Resources:** Federal banking laws set forth certain regulatory capital requirements that apply to us. Within the framework established by the law, we qualify for the classification "well-capitalized," which is the highest regulatory classification.

Additional information concerning our capital resources is contained in Note 19, "Regulatory Capital Requirements," in the Notes to Consolidated Financial Statements.

**Impact of Inflation and Changing Prices:** The financial statements and related data presented herein have been prepared in accordance with GAAP. These principles dictate that financial position and operating results be measured in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. A financial institution's assets and liabilities are primarily monetary in nature. As a result, general inflation levels typically have a less significant effect on financial performance than do changes in interest rates; however, noninterest expenses tend to rise in periods of general inflation.

**Interest Sensitivity:** 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.

We 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 protect ourselves from unanticipated rate movements, by understanding the dynamic nature of our balance sheet components.

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. At December 31, 2025, we had \$4.90 billion more liabilities than assets subject to repricing within one year. This is a one-day position that is continually changing and is not necessarily indicative of our position at any other time.

**Market Risk Management:** 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 the management of interest rate risk is to minimize the effect that changes in interest rates have on net interest income. This is accomplished through active management of asset and liability portfolios, with a focus on the strategic pricing of asset and liability accounts and management of appropriate maturity mixes of assets and liabilities. The goal of these activities is the development of appropriate maturity and repricing opportunities in our portfolios of assets and liabilities that will produce consistent net interest income during periods of changing interest rates. 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.

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The asset and liability management process is designed to achieve relatively stable net interest margins and ensure liquidity by coordinating the volumes, maturities, and/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. In addition, funding and balance sheet management strategies are adopted with the intent to ensure that potential impacts on earnings and liquidity due to fluctuations in interest rates are within acceptable standards. We currently do not use off-balance-sheet financial instruments to manage interest rate sensitivity and net interest income at the portfolio level.

**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 is reflected in the different rate scenarios.

The following table represents interest rate sensitivity on our net interest income using different rate scenarios as of December 31, 2025:

| Change in Prime Rate | % Change in Net Interest Income |
|----------------------|---------------------------------|
| + 200 basis points   | 2.53 %                          |
| + 100 basis points   | 1.34 %                          |
| - 100 basis points   | (2.25)%                         |
| - 200 basis points   | (3.70)%                         |

**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 as of December 31, 2025:

| Change in Prime Rate | Change in Net Market Value (in thousands) |
|----------------------|-------------------------------------------|
| + 200 basis points   | \$ (45,224)                               |
| + 100 basis points   | \$ (17,607)                               |
| - 100 basis points   | \$ (11,690)                               |
| - 200 basis points   | \$ (38,838)                               |

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Credit Risk Elements:** We place commercial loans in nonaccrual status when management believes, after considering economic and business conditions and collections efforts, that the borrower's financial condition is such that full collection of principal and interest is doubtful or when the loan is past due for 90 days or more, unless the debt is both well-secured and in the process of collection. Residential mortgage loans and other consumer loans are placed on nonaccrual status when full collection of principal and interest becomes doubtful or when the loan is past due for 120 days or more, unless the debt is both well-secured and in the process of collection.

### NON-GAAP FINANCIAL MEASURES

This report contains financial information determined by methods other than in accordance with GAAP. The Company's management uses these non-GAAP financial measures in its analysis of the Company's performance. Management believes presentations of these non-GAAP financial measures provide useful supplemental information that is essential to a proper understanding of the operating results of the Company's core businesses. These non-GAAP disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

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

The Company presents return on average assets, return on average tangible assets, return on average equity, return on average tangible equity, return on average common equity, and return on average tangible common equity. The Company excludes the balance of average goodwill and other intangible assets from our 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. The following presents a reconciliation of non-GAAP financial measures as of the dates indicated (dollars in thousands):

**TOWNEBANK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

| <b>Year Ended December 31,</b>                              | <b>2025</b>          | <b>2024</b>          | <b>2023</b>          |
|-------------------------------------------------------------|----------------------|----------------------|----------------------|
| Average assets (GAAP basis)                                 | \$ 18,407,528        | \$ 17,056,721        | \$ 16,656,686        |
| Less: average goodwill and other intangibles                | 597,703              | 522,419              | 525,546              |
| Average tangible assets (non-GAAP)                          | <u>\$ 17,809,825</u> | <u>\$ 16,534,302</u> | <u>\$ 16,131,140</u> |
| Average equity (GAAP basis)                                 | \$ 2,262,251         | \$ 2,084,993         | \$ 1,974,994         |
| Less: average goodwill and other intangibles                | 597,703              | 522,419              | 525,546              |
| Average tangible equity (non-GAAP)                          | <u>\$ 1,664,548</u>  | <u>\$ 1,562,574</u>  | <u>\$ 1,449,448</u>  |
| Average common equity (GAAP)                                | \$ 2,252,777         | \$ 2,068,671         | \$ 1,959,208         |
| Less: average goodwill and other intangibles                | 597,703              | 522,419              | 525,546              |
| Average tangible common equity (non-GAAP)                   | <u>\$ 1,655,074</u>  | <u>\$ 1,546,252</u>  | <u>\$ 1,433,662</u>  |
| Net interest income (GAAP)                                  | \$ 563,607           | \$ 442,605           | \$ 457,780           |
| Add: Tax equivalent basis adjustment                        | 4,356                | 4,400                | 4,659                |
| Tax equivalent net interest income (non-GAAP)               | <u>\$ 567,963</u>    | <u>\$ 447,005</u>    | <u>\$ 462,439</u>    |
| Net income (GAAP)                                           | \$ 169,526           | \$ 161,356           | \$ 153,205           |
| Add: Amortization of intangibles, net of tax                | 13,255               | 10,088               | 11,182               |
| Tangible net income (non-GAAP)                              | <u>\$ 182,781</u>    | <u>\$ 171,444</u>    | <u>\$ 164,387</u>    |
| Total revenue (GAAP)                                        | \$ 835,717           | \$ 693,286           | \$ 693,414           |
| Net gain (loss) on investment securities/equity investments | 2,131                | 312                  | 9,377                |
| Operating revenue (non-GAAP)                                | <u>\$ 833,586</u>    | <u>\$ 692,974</u>    | <u>\$ 684,037</u>    |
| Total noninterest expenses (GAAP)                           | \$ 601,564           | \$ 503,916           | \$ 489,222           |
| Less: Amortization of intangibles                           | 16,778               | 12,769               | 14,155               |
| Operating expense (non-GAAP)                                | <u>\$ 584,786</u>    | <u>\$ 491,147</u>    | <u>\$ 475,067</u>    |

# TOWNEBANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

| Year Ended December 31,                                                     | 2025    | 2024    | 2023    |
|-----------------------------------------------------------------------------|---------|---------|---------|
| Return on average assets (GAAP basis)                                       | 0.92 %  | 0.95 %  | 0.92 %  |
| Impact of excluding average goodwill and other intangibles and amortization | 0.11 %  | 0.09 %  | 0.10 %  |
| Return on average tangible assets (non-GAAP)                                | 1.03 %  | 1.04 %  | 1.02 %  |
| Return on average equity (GAAP basis)                                       | 7.50 %  | 7.75 %  | 7.77 %  |
| Impact of excluding average goodwill and other intangibles and amortization | 3.50 %  | 3.24 %  | 3.59 %  |
| Return on average tangible equity (non-GAAP)                                | 11.00 % | 10.99 % | 11.36 % |
| Return on average common equity (GAAP basis)                                | 7.53 %  | 7.81 %  | 7.83 %  |
| Impact of excluding average goodwill and other intangibles and amortization | 3.53 %  | 3.30 %  | 3.66 %  |
| Return on average tangible common equity (non-GAAP)                         | 11.06 % | 11.11 % | 11.49 % |
| Efficiency ratio (GAAP)                                                     | 71.98 % | 72.69 % | 70.55 % |
| Impact of exclusions                                                        | (1.83)% | (1.81)% | (1.10)% |
| Efficiency ratio (non-GAAP) (1)                                             | 70.15 % | 70.88 % | 69.45 % |

(1) Operating expense/operating revenue.

The Company presents book value per share (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, the Company excludes goodwill and other intangible assets, allowing management to review its core capital position.

(dollars in thousands, except per share data)

| Year Ended December 31,                                                     | Per share |          |          |
|-----------------------------------------------------------------------------|-----------|----------|----------|
|                                                                             | 2025      | 2024     | 2023     |
| Book value (GAAP basis)                                                     | \$ 30.67  | \$ 28.33 | \$ 27.14 |
| Impact of excluding average goodwill and other intangibles and amortization | (8.74)    | (6.89)   | (6.96)   |
| Tangible book value (non-GAAP)                                              | \$ 21.93  | \$ 21.44 | \$ 20.18 |

Period End:

|                                      |              |              |              |
|--------------------------------------|--------------|--------------|--------------|
| Common equity (GAAP basis)           | \$ 2,422,067 | \$ 2,131,629 | \$ 2,032,670 |
| Less: goodwill and other intangibles | 690,608      | 517,790      | 520,969      |
| Tangible common equity (non-GAAP)    | \$ 1,731,459 | \$ 1,613,839 | \$ 1,511,701 |

## CRITICAL ACCOUNTING ESTIMATES

Preparation of financial statements and related disclosures in conformity with GAAP requires management to make judgments, assumptions, and estimates in certain circumstances that affect amounts reported in the Consolidated Financial Statements and the 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.

## TOWNEBANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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We consider accounting estimates to be critical to reported financial results if the outcome of such estimates could have a material impact on our financial statements based on the following:

- The estimate requires management to make assumptions about matters that are highly uncertain.
- Management could have potentially utilized a different set of assumptions and estimates in the current period.
- Changes in the estimate are reasonably likely to occur from period to period.

We consider our policy for the allowance for credit losses on loans to be a critical accounting policy. The allowance for credit losses on loans includes both the allowance for loan losses and the allowance for loan-related off-balance-sheet credit exposures, and is calculated with the objective of maintaining a life-of-credit reserve for current expected credit losses and the remaining contractual life of the portfolio. Management uses loss factors, based on estimated probability of default for internal risk ratings and loss given default, to determine the allowance for credit losses for the majority of the loan portfolio and off-balance-sheet credit exposures. A well-documented methodology, which includes the use of macroeconomic variables sourced from third parties and weightings based on the Company's economic outlook, has been developed and is applied to ensure consistency across our markets. We also have a formalized independent loan review program to evaluate loan administration, credit quality, and compliance with corporate loan standards. This program includes regularly scheduled reviews of problem loan reports, delinquencies, and charge-offs.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review our allowance for credit losses on loans. Such agencies may require us to recognize additions to the allowance based on their judgments of information available to them at the time of their examination. The allowance represents our best estimate of expected losses in the loan portfolio, but significant downturns in circumstances relating to loan quality and economic conditions could result in a requirement for additional allowance. Likewise, an upturn in loan quality and improved economic conditions may allow a reduction in the required allowance. In either instance, unanticipated changes could have a significant impact on our financial condition and results of operations. Significant accounting policies and effects of new accounting pronouncements are discussed in detail in Note 1, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements.

## Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors  
TowneBank

### ***Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting***

We have audited the accompanying consolidated balance sheets of TowneBank (the “Company”) as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

### ***Basis for Opinion***

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control. Our responsibility is to express an opinion on the Company’s financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control, the scope of management's assessment of internal control over financial reporting as of December 31, 2025, has excluded Old Point Financial Corporation ("Old Point") acquired on September 1, 2025. We have also excluded Old Point from the scope of our audit of internal control over financial reporting. Old Point represented 2.66 percent of the Company's consolidated revenues for the year ended December 31, 2025 and 6.27 percent of consolidated total assets as of December 31, 2025.

### ***Definitions and Limitations of Internal Control Over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matter***

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

### **Allowance for Credit Losses on Loans**

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated allowance for credit losses on loans ("ACL") was \$147.3 million at December 31, 2025 and represents an estimate of expected losses inherent within the Company's loan portfolio. As described by management, estimating the ACL includes collectively assessing loans aggregated into pools with similar risk characteristics and individually evaluating loans that do not share similar risk characteristics.

The Company builds an estimate of expected credit losses (“ECL”) using a methodology that incorporates probability of default (“PD”), loss given default (“LGD”), and exposure at default (“EAD”) which are derived from various vendor models, internally developed statistical models, or nonstatistical estimation approaches. PD is projected in these models or estimation approaches using loan level and macroeconomic variables. Multiple outcomes are weighted based on the Company’s economic outlook and incorporate relevant information including the Company’s historical loss experience, current conditions, and reasonable and supportable forecasts. After quantitative expected loss estimates are calculated, management adjusts these estimates to incorporate considerations of current trends and conditions that are not captured in the quantitative loss estimates using qualitative and/or environmental factors.

We identified the ACL as a critical audit matter. The principal considerations for our determination of the ACL as a critical audit matter includes the subjectivity and complexity involved in management’s determination of loan credit loss estimates and assumptions, specifically the determination of the weightings applied to the reasonable and supportable forecast and other calculations made by management within the quantitative model. This required an increased auditor effort, including specialized skill and knowledge, and a high degree of auditor subjectivity in evaluating the estimated credit losses for the loan portfolio.

The primary procedures we performed to address this critical audit matter included:

- We tested the design and operating effectiveness of controls relating to management’s determination of the ACL, including controls over:
  - The completeness and accuracy of inputs into the model used to determine the allowance for loan credit losses.
  - Management’s review of reasonable and supportable forecasts.
  - Management’s review of the quantitative adjustments within the modeled ECL calculation.
- We evaluated management’s determination of reasonable and supportable forecasts, including testing the reasonableness of the forecasts, including forecast scenario weightings, in the quantitative ECL calculation. We also utilized our internal specialists to assist us in testing the application of the forecast to the ECL calculation.
- We evaluated management’s determination of quantitative adjustments within the modeled ECL calculation.

**Forvis Mazars, LLP**

We have served as the Company’s auditor since 1999.

Tysons, Virginia  
February 27, 2026

## TOWNEBANK

### MANAGEMENT'S REPORT ON INTERNAL CONTROL

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#### INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of TowneBank is responsible for the preparation and fair presentation of the financial statements and other financial information contained in this report. The accompanying Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America and include, as necessary, best estimates and judgments by management. Management also prepared other information in the Annual Report and is responsible for its accuracy and consistency with the Consolidated Financial Statements. Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for our compliance with laws and regulations relating to safety and soundness designated by the Federal Deposit Insurance Corporation ("FDIC"). Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

We maintain systems of controls that we believe are reasonably designed to provide our management with timely and accurate information about our operations. The system of internal controls includes, but is not limited to, maintaining internal audit and compliance functions; establishing formal written policies, procedures, and codes of conduct; training personnel; and segregating key duties and functions, where appropriate.

The Audit Committee of the Board of Directors participates in the adequacy of the system of internal controls and financial reporting. The Audit Committee consists of independent directors who meet regularly with management, the internal auditor, and the independent auditors to review the scope of their work and findings.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2025, including controls over regulatory financial statements in accordance with the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. Based on our assessment we believe that, as of December 31, 2025, our internal control over financial reporting is effective based on those criteria.

The scope of management's assessment of internal control over financial reporting as of December 31, 2025, has excluded Old Point Financial Corporation ("Old Point") acquired on September 1, 2025. We have also excluded Old Point from the scope of our audit of internal control over financial reporting. Old Point represented 2.66 percent of the Company's consolidated revenues for the year ended December 31, 2025 and 6.27 percent of consolidated total assets as of December 31, 2025.

#### *Financial Statements*

Our management is responsible for the preparation, integrity, and fair presentation of our published Consolidated Financial Statements as of December 31, 2025, and for the year then ended. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts, some of which are based on management's judgments and estimates.

## **TOWNEBANK**

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL**

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#### *Compliance with Designated Laws and Regulations*

Our management is also responsible for compliance with federal and state laws and regulations concerning dividend restrictions and federal laws and regulations concerning loans to insiders designated by the FDIC as safety and soundness laws and regulations. Management assessed our compliance with the designated laws and regulations. Based on this assessment, our management believes that we complied, in all significant respects, with the designated laws and regulations relating to safety and soundness for the year ended December 31, 2025.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council instructions for Consolidated Reports of Condition and Income, as of December 31, 2025, has been audited by Forvis Mazars, LLP the independent registered public accounting firm, as stated in their report dated February 27, 2026. A copy of this report, which is combined with the report expressing an opinion on the Consolidated Financial Statements, precedes.

February 27, 2026



William I. Foster III  
President and Chief Executive Officer



William B. Littreal  
Senior Executive Vice President and Chief Financial Officer

# TOWNEBANK

## CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

December 31, 2025 and 2024

| ASSETS                                                                                                                                                                                           |           | 2025              | 2024                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------|----------------------|
| Cash and due from banks                                                                                                                                                                          | \$        | 129,941           | \$ 108,750           |
| Interest-bearing deposits at FRB                                                                                                                                                                 |           | 1,097,155         | 1,127,878            |
| Interest-bearing deposits in financial institutions                                                                                                                                              |           | 123,553           | 102,847              |
| <b>Total Cash and Cash Equivalents</b>                                                                                                                                                           |           | <b>1,350,649</b>  | <b>1,339,475</b>     |
| Securities available for sale, at fair value (amortized cost of \$2,784,462 and \$2,509,970, and allowance for credit losses of \$1,207 and \$1,326 at December 31, 2025 and 2024, respectively) |           | 2,710,189         | 2,353,365            |
| Securities held to maturity, at amortized cost (fair value of \$154,269 and \$203,883 at December 31, 2025 and 2024, respectively)                                                               |           | 156,697           | 212,352              |
| Less: allowance for credit losses                                                                                                                                                                |           | (65)              | (77)                 |
| Securities held to maturity, net of allowance for credit losses                                                                                                                                  |           | 156,632           | 212,275              |
| Other equity securities                                                                                                                                                                          |           | 12,219            | 12,100               |
| FHLB stock                                                                                                                                                                                       |           | 16,341            | 12,136               |
| <b>Total Securities</b>                                                                                                                                                                          |           | <b>2,895,381</b>  | <b>2,589,876</b>     |
| Mortgage loans held for sale                                                                                                                                                                     |           | 154,444           | 200,460              |
| Loans, net of unearned income and deferred costs                                                                                                                                                 |           | 13,335,804        | 11,459,055           |
| Less: allowance for credit losses on loans                                                                                                                                                       |           | (147,343)         | (123,923)            |
| <b>Net Loans</b>                                                                                                                                                                                 |           | <b>13,188,461</b> | <b>11,335,132</b>    |
| Premises and equipment, net                                                                                                                                                                      |           | 430,987           | 368,876              |
| Goodwill                                                                                                                                                                                         |           | 594,080           | 457,619              |
| Other intangible assets, net                                                                                                                                                                     |           | 96,528            | 60,171               |
| BOLI                                                                                                                                                                                             |           | 337,425           | 279,802              |
| Other assets                                                                                                                                                                                     |           | 639,386           | 606,910              |
| <b>TOTAL ASSETS</b>                                                                                                                                                                              | <b>\$</b> | <b>19,687,341</b> | <b>\$ 17,238,321</b> |
| LIABILITIES AND EQUITY                                                                                                                                                                           |           |                   |                      |
| Deposits:                                                                                                                                                                                        |           |                   |                      |
| Noninterest-bearing demand                                                                                                                                                                       | \$        | 5,073,157         | \$ 4,253,053         |
| Interest-bearing:                                                                                                                                                                                |           |                   |                      |
| Demand and money market accounts                                                                                                                                                                 |           | 8,390,884         | 7,329,669            |
| Savings                                                                                                                                                                                          |           | 332,752           | 311,841              |
| Certificates of deposit                                                                                                                                                                          |           | 2,712,324         | 2,542,735            |
| <b>Total Deposits</b>                                                                                                                                                                            |           | <b>16,509,117</b> | <b>14,437,298</b>    |
| Advances from the FHLB                                                                                                                                                                           |           | 52,452            | 3,218                |
| Subordinated debt, net                                                                                                                                                                           |           | 283,870           | 260,001              |
| Repurchase agreements and other borrowings                                                                                                                                                       |           | 34,817            | 33,683               |
| <b>Total Borrowings</b>                                                                                                                                                                          |           | <b>371,139</b>    | <b>296,902</b>       |
| Other liabilities                                                                                                                                                                                |           | 378,076           | 357,063              |
| <b>TOTAL LIABILITIES</b>                                                                                                                                                                         |           | <b>17,258,332</b> | <b>15,091,263</b>    |
| Commitments and contingencies (Note 13)                                                                                                                                                          |           |                   |                      |
| Preferred stock, 2,000,000 shares authorized and unissued                                                                                                                                        |           | —                 | —                    |
| Common stock, \$1.667 par value: 150,000,000 shares authorized                                                                                                                                   |           |                   |                      |
| Issued and outstanding shares - 78,964,038 in 2025 and 75,255,205 in 2024                                                                                                                        |           | 131,633           | 125,455              |
| Capital surplus                                                                                                                                                                                  |           | 1,254,776         | 1,122,147            |
| Retained earnings                                                                                                                                                                                |           | 1,087,343         | 1,000,072            |
| Common stock issued to deferred compensation trust, at cost                                                                                                                                      |           |                   |                      |
| 1,086,290 shares in 2025 and 1,046,121 shares in 2024                                                                                                                                            |           | 23,293            | 21,868               |
| Deferred compensation trust                                                                                                                                                                      |           | (23,293)          | (21,868)             |
| Accumulated other comprehensive income (loss)                                                                                                                                                    |           | (51,685)          | (116,045)            |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                                                                                                                                                |           | <b>2,422,067</b>  | <b>2,131,629</b>     |
| Noncontrolling interest                                                                                                                                                                          |           | 6,942             | 15,429               |
| <b>TOTAL EQUITY</b>                                                                                                                                                                              |           | <b>2,429,009</b>  | <b>2,147,058</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                                                                                                                              | <b>\$</b> | <b>19,687,341</b> | <b>\$ 17,238,321</b> |

Other assets, total assets, noncontrolling interest and retained earnings were revised in the prior year to reflect a change in the timing of revenue recognition related to property management income. This revision did not have a material impact on the financial statements. See Note 1, "Summary of Significant Accounting Policies" for additional details.

See accompanying Notes to Consolidated Financial Statements.

# TOWNEBANK

## CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

For the Years Ended December 31, 2025, 2024, and 2023

|                                                                            | 2025              | 2024              | 2023              |
|----------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| <b>INTEREST INCOME:</b>                                                    |                   |                   |                   |
| Loans, including fees                                                      | \$ 691,529        | \$ 616,248        | \$ 562,160        |
| Investment securities                                                      | 98,699            | 87,494            | 77,982            |
| Interest-bearing deposits in financial institutions and federal funds sold | 44,464            | 59,791            | 54,135            |
| Mortgage loans held for sale                                               | 11,568            | 10,995            | 10,965            |
| <b>Total interest income</b>                                               | <b>846,260</b>    | <b>774,528</b>    | <b>705,242</b>    |
| <b>INTEREST EXPENSE:</b>                                                   |                   |                   |                   |
| Deposits                                                                   | 273,405           | 318,424           | 219,976           |
| Advances from the FHLB                                                     | 939               | 3,435             | 17,754            |
| Subordinated debt, net                                                     | 10,138            | 8,970             | 8,886             |
| Repurchase agreements and other borrowings                                 | (1,829)           | 1,094             | 846               |
| <b>Total interest expense</b>                                              | <b>282,653</b>    | <b>331,923</b>    | <b>247,462</b>    |
| <b>Net interest income</b>                                                 | <b>563,607</b>    | <b>442,605</b>    | <b>457,780</b>    |
| <b>PROVISION FOR CREDIT LOSSES</b>                                         | <b>23,937</b>     | <b>(548)</b>      | <b>18,679</b>     |
| <b>Net interest income after provision for credit losses</b>               | <b>539,670</b>    | <b>443,153</b>    | <b>439,101</b>    |
| <b>NONINTEREST INCOME:</b>                                                 |                   |                   |                   |
| Residential mortgage banking income, net                                   | 48,584            | 46,957            | 39,415            |
| Insurance commissions and related income, net                              | 101,013           | 98,562            | 90,305            |
| Property management income, net                                            | 57,620            | 50,028            | 47,083            |
| Real estate brokerage income, net                                          | —                 | —                 | 3,530             |
| Service charges on deposit accounts                                        | 15,663            | 12,838            | 11,631            |
| Credit card merchant fees, net                                             | 7,208             | 6,529             | 6,709             |
| Investment commissions, net                                                | 13,318            | 10,953            | 8,962             |
| BOLI                                                                       | 8,919             | 11,444            | 7,402             |
| Other income                                                               | 17,654            | 13,058            | 11,220            |
| Gain on sale of equity investments                                         | 2,125             | 238               | 9,377             |
| Net gain on investment securities                                          | 6                 | 74                | —                 |
| <b>Total noninterest income</b>                                            | <b>272,110</b>    | <b>250,681</b>    | <b>235,634</b>    |
| <b>NONINTEREST EXPENSE:</b>                                                |                   |                   |                   |
| Salaries and employee benefits                                             | 317,492           | 289,248           | 270,158           |
| Occupancy                                                                  | 40,479            | 38,309            | 36,886            |
| Furniture and equipment                                                    | 19,751            | 18,619            | 17,178            |
| Amortization - intangibles                                                 | 16,778            | 12,769            | 14,155            |
| Software                                                                   | 27,633            | 26,816            | 24,666            |
| Data processing                                                            | 17,210            | 17,011            | 15,033            |
| Professional fees                                                          | 11,122            | 15,134            | 12,286            |
| Advertising and marketing                                                  | 15,127            | 15,627            | 15,390            |
| FDIC and other insurance                                                   | 12,324            | 11,821            | 16,229            |
| Acquisition-related expenses                                               | 55,227            | 1,342             | 9,594             |
| Other expenses                                                             | 68,421            | 57,220            | 57,647            |
| <b>Total noninterest expense</b>                                           | <b>601,564</b>    | <b>503,916</b>    | <b>489,222</b>    |
| <b>Income before income tax expense and noncontrolling interest</b>        | <b>210,216</b>    | <b>189,918</b>    | <b>185,513</b>    |
| Provision for income tax expense                                           | 39,425            | 27,545            | 30,915            |
| <b>Net income</b>                                                          | <b>\$ 170,791</b> | <b>\$ 162,373</b> | <b>\$ 154,598</b> |
| Net income attributable to noncontrolling interest                         | (1,265)           | (1,017)           | (1,393)           |
| <b>Net income attributable to TowneBank</b>                                | <b>\$ 169,526</b> | <b>\$ 161,356</b> | <b>\$ 153,205</b> |
| <b>Per common share information</b>                                        |                   |                   |                   |
| Basic earnings                                                             | \$ 2.22           | \$ 2.15           | \$ 2.05           |
| Diluted earnings                                                           | \$ 2.21           | \$ 2.15           | \$ 2.05           |

Property management income and net income have been revised in prior periods to reflect a change in the timing of revenue recognition. This revision did not have a material impact on the financial statements. See Note 1, "Summary of Significant Accounting Policies" for additional details.

See accompanying Notes to Consolidated Financial Statements.

# TOWNEBANK

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

For the Years Ended December 31, 2025, 2024, and 2023

|                                                              | 2025       | 2024       | 2023       |
|--------------------------------------------------------------|------------|------------|------------|
| <b>Net income</b>                                            | \$ 170,791 | \$ 162,373 | \$ 154,598 |
| <b>Other comprehensive income (loss)</b>                     |            |            |            |
| <b>Unrealized gains (losses) on securities</b>               |            |            |            |
| Unrealized holding gains (losses) arising during the period  | 82,221     | 6,916      | 28,930     |
| Tax effect                                                   | (18,009)   | (1,505)    | (6,985)    |
| Realized (gains) losses reclassified into earnings           | (6)        | (74)       | —          |
| Tax effect                                                   | 1          | 16         | —          |
| Net unrealized gains (losses)                                | 64,207     | 5,353      | 21,945     |
| <b>Pension and postretirement benefit plans</b>              |            |            |            |
| Prior service costs                                          | (483)      | —          | (216)      |
| Tax effect                                                   | 104        | —          | 47         |
| Actuarial gain (loss)                                        | 1,693      | (1,858)    | 1,550      |
| Tax effect                                                   | (366)      | 404        | (337)      |
| Amortization of prior service costs                          | 626        | 662        | 662        |
| Tax effect                                                   | (135)      | (144)      | (155)      |
| Amortization of net actuarial (gain) loss                    | (1,651)    | (2,176)    | (2,303)    |
| Tax effect                                                   | 365        | 476        | 550        |
| Change in retirement plans, net of tax                       | 153        | (2,636)    | (202)      |
| <b>Other comprehensive income (loss), net of tax</b>         | 64,360     | 2,717      | 21,743     |
| <b>Comprehensive income</b>                                  | \$ 235,151 | \$ 165,090 | \$ 176,341 |
| Comprehensive income attributable to noncontrolling interest | (1,265)    | (1,017)    | (1,393)    |
| <b>Comprehensive income attributable to TowneBank</b>        | \$ 233,886 | \$ 164,073 | \$ 174,948 |

Property management income and net income have been revised in prior periods to reflect a change in the timing of revenue recognition. This revision did not have a material impact on the financial statements. See Note 1, "Summary of Significant Accounting Policies" for additional details.

# TOWNEBANK

## CONSOLIDATED STATEMENTS OF EQUITY

(dollars in thousands, except share data)

For the Years Ended December 31, 2025, 2024, and 2023

|                                                                                | Common<br>Shares  | Common<br>Stock   | Capital<br>Surplus  | Retained<br>Earnings | Deferred<br>Compensation<br>Trust | Common<br>Stock Issued to<br>Deferred<br>Compensation<br>Trust | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Noncontrolling<br>Interest | Total              |
|--------------------------------------------------------------------------------|-------------------|-------------------|---------------------|----------------------|-----------------------------------|----------------------------------------------------------------|--------------------------------------------------------|----------------------------|--------------------|
| <b>Balance, December 31, 2022</b>                                              | <b>72,841,379</b> | <b>\$ 121,426</b> | <b>\$ 1,052,262</b> | <b>\$ 833,985</b>    | <b>\$ 18,974</b>                  | <b>\$ (18,974)</b>                                             | <b>\$ (140,505)</b>                                    | <b>\$ 13,919</b>           | <b>\$1,881,087</b> |
| Net income                                                                     | —                 | —                 | —                   | 153,205              | —                                 | —                                                              | —                                                      | 1,393                      | 154,598            |
| Other comprehensive income (loss), net of taxes                                | —                 | —                 | —                   | —                    | —                                 | —                                                              | 21,743                                                 | —                          | 21,743             |
| Cash dividends declared on common stock (\$0.98 per share)                     | —                 | —                 | —                   | (73,366)             | —                                 | —                                                              | —                                                      | —                          | (73,366)           |
| Directors' deferred compensation                                               | —                 | —                 | —                   | —                    | 1,839                             | (1,839)                                                        | —                                                      | —                          | —                  |
| Investment of noncontrolling interest in consolidated joint ventures           | —                 | —                 | —                   | —                    | —                                 | —                                                              | —                                                      | 786                        | 786                |
| Distribution of interests in joint ventures, net                               | —                 | —                 | —                   | —                    | —                                 | —                                                              | —                                                      | (1,098)                    | (1,098)            |
| Issuance of common stock - acquisitions                                        | 1,897,019         | 3,162             | 56,442              | —                    | —                                 | —                                                              | —                                                      | —                          | 59,604             |
| Issuance of common stock - stock compensation plans                            | 155,064           | 259               | 6,004               | —                    | —                                 | —                                                              | —                                                      | —                          | 6,263              |
| Purchase of noncontrolling interest                                            | —                 | —                 | (1,947)             | —                    | —                                 | —                                                              | —                                                      | —                          | (1,947)            |
| <b>Balance, December 31, 2023</b>                                              | <b>74,893,462</b> | <b>\$ 124,847</b> | <b>\$ 1,112,761</b> | <b>\$ 913,824</b>    | <b>\$ 20,813</b>                  | <b>\$ (20,813)</b>                                             | <b>\$ (118,762)</b>                                    | <b>\$ 15,000</b>           | <b>\$2,047,670</b> |
| Net income                                                                     | —                 | —                 | —                   | 161,356              | —                                 | —                                                              | —                                                      | 1,017                      | 162,373            |
| Other comprehensive income (loss), net of taxes                                | —                 | —                 | —                   | —                    | —                                 | —                                                              | 2,717                                                  | —                          | 2,717              |
| Cash dividends declared on common stock (\$1.00 per share)                     | —                 | —                 | —                   | (75,108)             | —                                 | —                                                              | —                                                      | —                          | (75,108)           |
| Directors' deferred compensation                                               | —                 | —                 | —                   | —                    | 1,055                             | (1,055)                                                        | —                                                      | —                          | —                  |
| Distribution of interests in joint ventures, net                               | —                 | —                 | —                   | —                    | —                                 | —                                                              | —                                                      | (588)                      | (588)              |
| Conversion of convertible debt into common stock                               | 208               | 1                 | 3                   | —                    | —                                 | —                                                              | —                                                      | —                          | 4                  |
| Issuance of common stock - stock compensation plans                            | 262,727           | 442               | 5,968               | —                    | —                                 | —                                                              | —                                                      | —                          | 6,410              |
| Issuance of common stock - net contingent consideration earned on acquisitions | 98,808            | 165               | 3,415               | —                    | —                                 | —                                                              | —                                                      | —                          | 3,580              |
| <b>Balance, December 31, 2024</b>                                              | <b>75,255,205</b> | <b>\$ 125,455</b> | <b>\$ 1,122,147</b> | <b>\$ 1,039,716</b>  | <b>\$ 21,868</b>                  | <b>\$ (21,868)</b>                                             | <b>\$ (116,045)</b>                                    | <b>\$ 15,429</b>           | <b>\$2,147,058</b> |
| Net income                                                                     | —                 | —                 | —                   | 169,526              | —                                 | —                                                              | —                                                      | 1,265                      | 170,791            |
| Other comprehensive income (loss), net of taxes                                | —                 | —                 | —                   | —                    | —                                 | —                                                              | 64,360                                                 | —                          | 64,360             |
| Cash dividends declared on common stock (\$1.06 per share)                     | —                 | —                 | —                   | (81,843)             | —                                 | —                                                              | —                                                      | —                          | (81,843)           |
| Directors' deferred compensation                                               | —                 | —                 | —                   | —                    | 1,425                             | (1,425)                                                        | —                                                      | —                          | —                  |
| Distribution of interests in joint ventures, net                               | —                 | —                 | —                   | —                    | —                                 | —                                                              | —                                                      | (1,089)                    | (1,089)            |
| Conversion of Series IV Notes into common stock                                | 1,372             | 2                 | 48                  | —                    | —                                 | —                                                              | —                                                      | —                          | 50                 |
| Issuance of common stock - acquisitions                                        | 3,473,562         | 5,791             | 121,639             | —                    | —                                 | —                                                              | —                                                      | —                          | 127,430            |
| Issuance of common stock - stock compensation plans                            | 233,899           | 385               | 6,640               | —                    | —                                 | —                                                              | —                                                      | —                          | 7,025              |
| Purchase of noncontrolling interest                                            | —                 | —                 | 4,302               | (412)                | —                                 | —                                                              | —                                                      | (8,663)                    | (4,773)            |
| <b>Balance, December 31, 2025</b>                                              | <b>78,964,038</b> | <b>\$ 131,633</b> | <b>\$ 1,254,776</b> | <b>\$ 1,158,469</b>  | <b>\$ 23,293</b>                  | <b>\$ (23,293)</b>                                             | <b>\$ (51,685)</b>                                     | <b>\$ 6,942</b>            | <b>\$2,429,009</b> |

Noncontrolling interest and retained earnings were revised in prior years to reflect a change in the timing of revenue recognition related to property management income. This revision did not have a material impact on the financial statements. See Note 1, "Summary of Significant Accounting Policies" for additional details.

See accompanying Notes to Consolidated Financial Statements.

# TOWNEBANK

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

For the Years Ended December 31, 2025, 2024, and 2023

| OPERATING ACTIVITIES:                                                             | 2025         | 2024         | 2023         |
|-----------------------------------------------------------------------------------|--------------|--------------|--------------|
| Net income                                                                        | \$ 170,791   | \$ 162,373   | \$ 154,598   |
| Adjustments to reconcile net income to net cash from operating activities:        |              |              |              |
| Net amortization of securities                                                    | (1,610)      | 3,684        | 7,046        |
| Investment securities losses (gains)                                              | (6)          | (74)         | —            |
| Depreciation, amortization, and other intangible amortization                     | 40,227       | 35,067       | 34,224       |
| Amortization of debt issuance costs                                               | 674          | 623          | 619          |
| Provision for credit losses                                                       | 23,937       | (548)        | 18,679       |
| BOLI                                                                              | (8,919)      | (11,444)     | (7,402)      |
| Deferred income tax (benefit) expense                                             | (16,478)     | (11,629)     | (3,319)      |
| Share-based compensation expense                                                  | 9,714        | 7,873        | 7,022        |
| (Gain) loss on sale and write-down of foreclosed assets                           | (28)         | (9)          | (198)        |
| Loss (gain) on sale of fixed assets                                               | 65           | (639)        | (2,103)      |
| Gain on sale of equity investments                                                | (2,000)      | —            | (9,377)      |
| Gain on sale of noncontrolling interest                                           | —            | —            | —            |
| Originations of mortgage loans held for sale                                      | (2,409,067)  | (2,257,640)  | (2,026,505)  |
| Proceeds from sales of mortgage loans held for sale                               | 2,530,938    | 2,276,390    | 2,035,953    |
| Gain on sales of mortgage loans held for sale                                     | (72,239)     | (69,223)     | (57,096)     |
| Changes in:                                                                       |              |              |              |
| Interest receivable                                                               | (8,118)      | 1,788        | (8,493)      |
| Other assets                                                                      | 16,205       | 24,776       | (8,078)      |
| Interest payable                                                                  | 711          | (2,329)      | 17,007       |
| Other liabilities                                                                 | (13,330)     | (21,322)     | 6,624        |
| Net cash provided by operating activities                                         | 261,467      | 137,717      | 159,201      |
| INVESTING ACTIVITIES:                                                             |              |              |              |
| Purchase of available-for-sale securities                                         | (329,763)    | (491,339)    | (159,207)    |
| Purchase of other securities                                                      | —            | —            | (773)        |
| Sale of available-for-sale securities                                             | 100,403      | 48,098       | —            |
| Net change in FHLB stock                                                          | (289)        | 9,235        | (11,755)     |
| Proceeds from maturities, calls, and prepayments of available-for-sale securities | 239,838      | 222,651      | 130,489      |
| Proceeds from maturities, calls, and prepayments of held-to-maturity securities   | 55,446       | 265,213      | 70,447       |
| Proceeds from maturities, calls, and prepayments of other securities              | 253          | 1,692        | —            |
| Net increase in loans                                                             | (345,984)    | (136,657)    | (263,287)    |
| Net change in investment in LIHTC                                                 | (13,676)     | (72,612)     | (84,663)     |
| Purchases of premises and equipment                                               | (49,800)     | (56,626)     | (42,032)     |
| Proceeds from sales of premises and equipment                                     | 1,663        | 4,319        | 1,199        |
| Proceeds from sales of foreclosed assets                                          | 5,212        | 5,537        | 7,448        |
| Proceeds from sale of equity investments                                          | 2,000        | —            | —            |
| Proceeds from BOLI                                                                | 2,011        | 8,437        | —            |
| Investment from noncontrolling interest in consolidated joint ventures            | —            | —            | 786          |
| Acquisition of business, net of cash acquired                                     | (54,209)     | (10,075)     | 17,776       |
| Net cash used for investing activities                                            | (386,895)    | (202,127)    | (333,572)    |
| FINANCING ACTIVITIES:                                                             |              |              |              |
| Net change in deposit accounts                                                    | 223,402      | 544,092      | 84,411       |
| Net change in short-term borrowings                                               | (351)        | (199,144)    | 141,152      |
| Repayment of long-term borrowings                                                 | (765)        | (739)        | (1,239)      |
| Proceeds from issuance of subordinated debt, net of issuance costs                | —            | 3,339        | —            |
| Redemption of convertible debt                                                    | 50           | —            | —            |
| Proceeds from issuance of common stock                                            | (575)        | 3,584        | —            |
| Purchase of noncontrolling interest                                               | (4,773)      | —            | (1,947)      |
| Distribution of interests in joint ventures                                       | (1,089)      | (587)        | (1,098)      |
| Cash dividends paid                                                               | (79,297)     | (75,017)     | (71,381)     |
| Net cash provided by financing activities                                         | 136,602      | 275,528      | 149,898      |
| Change in cash and cash equivalents                                               | 11,174       | 211,118      | (24,473)     |
| Cash and cash equivalents at beginning of year                                    | 1,339,475    | 1,128,357    | 1,152,830    |
| Cash and cash equivalents at end of year                                          | \$ 1,350,649 | \$ 1,339,475 | \$ 1,128,357 |
| Supplemental cash flow information:                                               |              |              |              |
| Cash paid for interest                                                            | \$ 281,943   | \$ 334,252   | \$ 230,455   |
| Cash paid for federal income taxes                                                | \$ 4,526     | \$ (724)     | \$ 9,206     |
| Cash paid for state income taxes - total                                          | \$ 3,009     | \$ 1,947     | \$ 4,240     |
| Detail of state taxes:                                                            |              |              |              |
| Maryland                                                                          | \$ 409       | \$ 157       | \$ 762       |
| North Carolina                                                                    | \$ 2,381     | \$ 1,784     | \$ 1,746     |

See accompanying Notes to Consolidated Financial Statements.

# TOWNEBANK

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

For the Years Ended December 31, 2025, 2024, and 2023

|                |    |      |    |       |    |       |
|----------------|----|------|----|-------|----|-------|
| South Carolina | \$ | 16   | \$ | (163) | \$ | 103   |
| Tennessee      | \$ | 103  | \$ | 63    | \$ | 83    |
| Virginia       | \$ | (75) | \$ | —     | \$ | 1,628 |
| All Other      | \$ | 175  | \$ | 106   | \$ | (82)  |

### Noncash financing and investing activities:

|                                                                         |    |        |    |        |    |        |
|-------------------------------------------------------------------------|----|--------|----|--------|----|--------|
| Transfer from loans to foreclosed property                              | \$ | 5,084  | \$ | 5,063  | \$ | 5,262  |
| Net unrealized gain (loss) on available-for-sale securities, net of tax | \$ | 64,207 | \$ | 5,353  | \$ | 21,945 |
| Dividends declared but not paid                                         | \$ | 21,525 | \$ | 18,979 | \$ | 18,888 |

Property management income and net income have been revised in prior periods to reflect a change in the timing of revenue recognition. This revision did not have a material impact on annual earnings. See *Note 1, "Summary of Significant Accounting Policies"* for additional details.

See accompanying Notes to Consolidated Financial Statements.

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business:** TowneBank was organized and incorporated under the laws of the Commonwealth of Virginia on September 1, 1998, and commenced operations on April 8, 1999. The Company, including its banking and non-banking divisions and subsidiaries, provides a diverse range of financial services and products throughout Richmond, Virginia, the Greater Hampton Roads region in southeastern Virginia, northeastern North Carolina, and the Raleigh, Charlotte, Greensboro, and Greenville, North Carolina, metropolitan areas.

**Basis of presentation:** The Consolidated Financial Statements include the accounts of the Company and all other entities in which the Company has a controlling financial interest. The Company reports any noncontrolling interests in its subsidiaries in the equity section of the Consolidated Balance Sheets and separately presents the income and loss attributable to the noncontrolling interest of a consolidated subsidiary in its Consolidated Statements of Income. The accompanying Consolidated Financial Statements are prepared in conformity with GAAP and prevailing practices of the banking industry. All significant intercompany balances and transactions have been eliminated in consolidation. The following is a summary of the significant accounting and reporting policies used in preparing the Consolidated Financial Statements.

**Reclassifications and corrections:** To maintain consistency and comparability, certain amounts from prior periods may have been reclassified to conform to current period presentation. No reclassifications have a material effect on net income or shareholders' equity as previously reported.

*Immaterial Correction of an Error:* During the fourth quarter of fiscal year 2025, we identified an immaterial error related to our accrual of property management income, resulting in timing differences in the recording of noninterest income, provision for income taxes, and net income attributable to noncontrolling interests in 2023 and 2024. In accordance with Staff Accounting Bulletin ("SAB") No. 99, Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, we evaluated the errors and determined that the related impact was not material to results of operations, financial position, or cash flows for any historical annual or interim period. Prior year amounts have been adjusted to reflect the immaterial correction, which (i) overstated accounts receivable and property management income, net \$464 thousand and \$708 thousand, respectively, (ii) overstated and understated income tax expense and overstated income tax receivable each by \$104 thousand and \$170 thousand, respectively, and, (iii) understated income attributable to noncontrolling interest by \$40 thousand and overstated income attributable to noncontrolling interest by \$29 thousand, in each case as of the years ended December 31, 2024, and 2023, respectively. Additionally, retained earnings and non-controlling interest as of December 31, 2022 were overstated by \$6.79 million and \$878 thousand, respectively, and were adjusted to reflect the immaterial correction.

**Use of estimates:** The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the fair value of financial instruments, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions. The material estimate that is particularly susceptible to significant changes in the near term relates to the determination of the allowance for credit losses.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Company considers cash and due from banks, interest-bearing deposits in financial institutions, and federal funds sold as cash and cash equivalents. Generally, federal funds and securities purchased under agreements to resell are purchased and sold for one-day periods.

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Current expected credit losses:** The Company's allowance for credit losses is determined using a CECL model. Financial instruments, measured at amortized cost, potentially held by TowneBank and subject to the measurement of credit losses under the CECL methodology include loans receivable, HTM debt securities, trade receivables, net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance, unless specifically excluded from scope. Financial assets measured at an amortized cost basis are presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset to present the net carrying value and the amount expected to be collected on the financial asset. AFS debt securities are accounted for as an allowance rather than as a direct write-down of the AFS debt securities which management does not intend to sell or does not believe that it is more likely than not they will be required to sell.

**Investment securities:** Investment securities are classified in three categories and accounted for as follows:

- a) Debt securities that the Company has the positive intent and ability to hold to maturity are classified as HTM securities and reported at amortized cost.
- b) Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.
- c) Debt securities not classified as either HTM or trading securities are classified as AFS securities and reported at fair value, with unrealized holding gains and losses, not related to impairment, excluded from earnings and reported net of tax as other comprehensive income, a separate component of shareholders' equity, until realized.

Interest income on debt securities includes the amortization of purchase premiums and discounts. Premiums and discounts on securities are generally amortized on the effective yield method without anticipating prepayments, except for MBS where prepayments are anticipated. Premiums on callable securities are amortized to their earliest call date.

Gains and losses on sales of securities are determined on a trade date basis using specific identification of the adjusted cost of each security and included in noninterest income. Amortization of premiums and accretion of discounts are computed by the effective yield method and included in interest income.

Debt securities are evaluated individually at each trade level. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income on a timely basis. At a minimum, debt securities are evaluated for potential losses on a quarterly basis, and more frequently, if deemed necessary. We charge off any portion of an investment security we determine to be uncollectible. The amortized cost basis, excluding accrued interest, is charged off through the allowance for credit losses. Accrued interest is charged off as a reduction to interest income. Recoveries of previously charged off principal amounts are recognized in our provision for credit losses when received.

When the fair value of an individual AFS debt security has declined below its amortized cost basis, the Company will assess whether (i) we intend to sell, or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either is affirmative, any previously recognized allowances are charged off and the security's amortized cost is written down to fair value through income. If neither is affirmative, the Company will assess whether the decline is from a credit loss or other factor.

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In our assessment of whether the decline in fair value of AFS debt securities below the amortized cost is due to credit factors, all relevant information is considered at the individual security level. Specifically, the Company considers both qualitative and quantitative factors:

- Qualitative Factors
  - Market spread
  - The extent to which the fair value is less than the amortized cost basis
  - Adverse changes in the financial condition of the issuer
  - Adverse conditions specifically related to the security, such as past due principal or interest
  - Adverse changes in security ratings
  - Economic conditions and demographics
- Quantitative Factors
  - The present value of cash flows expected to be collected from the security compared with the amortized cost basis of the security
  - The likelihood the Company will be able to collect all amounts due in accordance with the contractual terms of the debt security

If our assessment indicates that a credit loss exists, the Company records an allowance for credit losses for the excess of the amortized cost basis over the present value of cash flows expected to be collected, subject to the fair value floor. Subsequent changes in the allowance for credit losses are recorded as an addition to (or reversal of) the provision for credit loss expense, in the period in which they occur. This change results in recognition and presentation of credit losses on the income statement.

For HTM debt securities, an allowance is recognized when lifetime credit losses are expected, for an amount that reflects the expected contractual credit losses, even when the risk of credit losses is remote. As such, credit losses for HTM debt securities will generally be recognized earlier than credit losses for AFS debt securities, which are not recognized until there is evidential support of a potential loss.

**Loans:** Our loan portfolio is divided into portfolio segments, which are further broken down into loan classifications:

| Portfolio Segment      | Loan Classification                             |
|------------------------|-------------------------------------------------|
| Commercial Real Estate | Construction and land development               |
|                        | Owner occupied                                  |
|                        | Non-owner occupied                              |
|                        | Multi-family                                    |
| Residential 1-4 family | 1 - 4 family mortgage and subordinated mortgage |
| HELOC                  | Residential home equity lines of credit         |
| C&I                    | C&I                                             |
|                        | Dealer floorplans                               |
| Government             | Municipal loans / bonds                         |
| Indirect               | Indirect auto                                   |
| Consumer               | Consumer and other loans                        |

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, generally are stated at the amount of outstanding principal less unamortized fees and costs on originated loans, unearned income, and participation interests sold to other lending institutions. Interest on loans is accrued and

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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credited to income based upon the principal amount outstanding. Fees collected and costs incurred in connection with loans originated are deferred and recognized as interest income over the term of the loan as an adjustment of yield on a level yield basis.

We charge off loans, or portions of loans, we determine to be uncollectible. The amortized cost basis, excluding interest, is charged off as a reduction to the allowance for credit losses. Accrued interest on loans determined to be uncollectible is reversed as a reduction of interest income. When received, recoveries of previously charged off amounts are recorded as an increase to the allowance for credit losses until prior charge-offs have been fully recovered.

**Allowance for credit losses on loans:** Credit risk is inherent in the business of extending loans to borrowers and is continuously monitored by management and reflected within the allowance for credit losses on loans. The allowance for credit losses on loans is established through a provision for loan losses charged against earnings. It consists of reserves for expected losses that have been identified related to specific borrowing relationships, as well as expected losses inherent in the loan portfolio that are not specifically identified.

In estimating the allowance for credit losses, loans with similar risk characteristics are aggregated into pools and collectively assessed. Risk characteristics for pooling include, but are not limited to: loan purpose, underlying collateral, and similarities in performance and structure. Some loans are not sufficiently similar in risk characteristics to other loans. These loans are excluded from collective evaluation and evaluated on an individual basis. Loans identified for individual assessment include: substandard loans greater than or equal to \$1.0 million, PCD loans with specific reserves, and/or loans identified as no longer sharing similar risk characteristics with other pooled loans.

The level of the allowance for credit losses on loans is based on management's estimates of expected loss inherent in the portfolio using relevant available information from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. To facilitate development of these estimates, management utilizes a model that deploys multiple economic scenarios with probability weightings, reasonable and supportable forecasting with reversion to long-term historical loss after two years, and in-depth portfolio analysis.

In determining the allowance for credit losses, management utilizes two approaches:

- Risk parameter - PD, LGD, EAD
- Qualitative adjustment

For government and dealer floorplans, which have limited data history and limited history of defaults, baseline estimated credit losses are adjusted quantitatively to determine the allowance for credit losses. Baseline ECL is defined as the most likely scenario for financial outcome based on the current conditions of U.S. monetary policy, fiscal policy, U.S. dollar strength, and energy prices as provided through widely published macroeconomic modeling tools. For all other segments/portfolios, we build an estimate of ECLs using an expected loss methodology that incorporates risk parameters which are derived from various vendor models, internally developed statistical models, or nonstatistical estimation approaches.

- PD - estimates the frequency of loss events by assigning probabilities of default within each period to each account
- LGD - calculates the loss severity for defaulted accounts relative to their exposure at the point of default
- EAD - calculates the exposure the account faces at default

## **TOWNEBANK**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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PD is projected in these models or estimation approaches using loan-level and macroeconomic variables. Loan-level variables can include structural, performance, and credit variables such as amortization terms, balance, and credit scores, including age groupings. Macroeconomic variables, as detailed below, are sourced from third parties. Multiple outcomes are weighted based on the Company's economic outlook and incorporate relevant information about past events, current conditions, and reasonable and supportable forecasts. Weighting of the outcomes of economic scenarios involves significant judgment by management about the effects of matters that are inherently uncertain. Additionally, these weightings are subject to change between periods, and adjustments may be added to capture risk, based on management's assessment of the economic realities, and identified sensitivities unique to the Company and its markets. For economic forecasts, management uses scenarios from an independent third party.

The Company's PD models share a common definition of default, which include loans that are 90 days past due, on nonaccrual status, and/or have a write-off or obligor bankruptcy. All of the Company's models utilize an eight-quarter reasonable and supportable forecast period followed by a four-quarter input reversion period. The Company's loan segments' LGD was developed from actual cumulative loss history. Based on model development results, the Company applies an average net charge-off rate for each modeling segment utilizing internal loss historical observations. For off-balance-sheet commitments, EAD includes estimates of amounts available to draw for loans considered not unconditionally cancellable. Calculations for EAD utilize a flat-rate assumption methodology based on median over time for C&I, consumer, and HELOC loans, and average utilization at default for CRE loans.

For most of the Company's loan segments, prepayment rate assumptions are based on prepayment patterns of pools with shared risk characteristics. Prepayment trends are sensitive to interest rates and the macroeconomic environment. While both fixed-rate and variable-rate loans are influenced by interest rates, variable rate loans are more heavily influenced by the macroeconomic environment. After quantitative expected loss estimates are calculated, management then adjusts these estimates to incorporate considerations of current trends and conditions that are not captured in the quantitative loss estimates through the use of qualitative and/or environmental factors.

The allowance for credit losses on loans is applied to amortized cost, which is defined as the amount at which a financing receivable is originated or acquired, adjusted for applicable accrued interest, accretion of discount, or amortization of premium, discount, and net of deferred fees and costs, collection of cash, and write-offs. ASC 326 allows a company to make a separate accounting policy election to exclude accrued interest receivable balances from the calculation of an allowance, contingent on the company having an accounting policy in place that results in the timely reversal, or write-off, of any unpaid accrued interest. The Company has such a policy in place, and has elected to exclude accrued interest from the calculation of its allowance for credit losses.

It is our policy to assign internal risk grades to all loans as a component of the approval process. Based on the size of the loan, senior credit officers, regional credit administrators, and the Chief Credit Officer review the classification to ensure accuracy and consistency of classifications, which are then validated by the internal loan review process. Loan classifications are internally reviewed to determine if any changes in the circumstances of the loan require a different risk grade. To determine the most appropriate risk grade classification for each loan, the credit officers examine the borrower's liquidity level, asset quality, the amount of the borrower's other indebtedness, cash flow, earnings, sources of financing, and existing lending relationships. The allowances established for expected losses on specific loans are based on a regular analysis and evaluation of classified loans.

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

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

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

**Allowance for credit losses - off-balance-sheet credit exposures:** The allowance for credit losses on off-balance-sheet credit exposures is a liability account representing expected credit losses over the contractual period for which we are exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if we have the unconditional right to cancel the obligation. The allowance is reported as a component of other liabilities on our Consolidated Balance Sheets. Adjustments to the allowance are reported in our Consolidated Statements of Income as a component of the provision for credit loss expense.

**Loans acquired:** Loans acquired through the completion of a transfer, including loans acquired in a business combination, which have evidence of more-than-insignificant deterioration of credit quality since origination, are initially recorded at the purchase price plus the allowance for credit losses expected at the time of acquisition. The Day 1 allowance for credit losses established for loans identified with more-than-insignificant deterioration in credit quality since origination has no income statement impact and is allocated to each individual loan regardless of whether the initial allowance was determined on an individual or collective basis at the time of acquisition. PCD loans are pooled based on similar risk characteristics unless individual assessment is required in the same manner as the Company's originated loans. Subsequent to the initial recording, PCD loans are evaluated each reporting period for credit losses in accordance with the Allowance for Credit Losses Policy, and the initial allowance is adjusted for any change in the estimate of expected credit losses and recognized immediately into net income through the provision for credit losses. The noncredit discount or premium determined at the acquisition date is allocated to each individual loan and accreted or amortized into income using the effective interest rate method or the cost recovery method when a reasonable expectation of the amount expected to be collected is unknown.

Purchased loans not deemed PCD at acquisition are recorded at fair value. Non-PCD loans are aggregated and accounted for based on common risk characteristics in the same manner as the Company's originated loans for purposes of determining an allowance for credit loss. Any established allowance for credit loss is recognized in net income through the provision for credit losses at the initial and subsequent reporting dates. The noncredit discount or premium determined at the acquisition date is allocated to each individual loan and accreted or amortized into income using the effective interest rate method or the cost recovery method when a reasonable expectation of the amount expected to be collected is unknown.

**Loan modifications:** For borrowers experiencing financial difficulties that result in loan modifications, we provide additional disclosures. These disclosures apply to the type of modification, the financial effect, and outcome for borrowers that have benefited from the following adjustments: principal forgiveness, interest reduction, an other-than-insignificant payment delay, or a term extension.

**Mortgage loans held for sale:** Loans originated and intended for sale in the secondary market are carried at estimated fair value. When the market is favorable, we sell mortgage loans under both "mandatory" and "best

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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efforts" delivery programs. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

**Premises and equipment:** Premises and equipment are stated at cost, less accumulated depreciation. Leasehold improvements are amortized over the lives of the respective leases or the estimated useful life of the leasehold improvement, whichever is less.

For financial reporting purposes, depreciation is computed by the straight-line method over the estimated useful lives of the assets. For income tax purposes, the modified accelerated cost recovery system is used. Costs of maintenance and repairs are charged to expense as incurred. Costs of replacing structural parts of major units are considered individually and are expensed or capitalized as the facts dictate.

Fixed assets may be retired and disposed of by sale, trade, abandonment, or through a casualty loss such as a fire or storm. At retirement, the cost of the asset and its related accumulated depreciation are removed from the accounts. The type of disposal will determine the specific treatment of the asset.

**Leases:** The Company has operating and financing leases for certain office space, land, and equipment. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets; instead, the lease expenses for these leases are recognized over the lease term. The Company has elected the practical expedient of not separating lease components from non-lease components, and instead accounts for each separate lease component and the non-lease components associated with that lease as a single lease component.

Lease terms typically comprise contractual terms, but may include extension options reasonably certain of being exercised at lease inception. Lease agreements do not contain any material residual value guarantees or material restrictive covenants. Because most of the Company's lease agreements do not provide for an implicit interest rate, payments are discounted using the rate the Company would pay to borrow amounts equal to the lease payments over the lease term (the Company's incremental borrowing rate). Most of the Company's lease agreements include periodic rate adjustments for inflation. Certain leases include one or more options to renew, with renewal terms that can extend the lease term up to 15 years. The exercise of lease renewal options is at the Company's sole discretion. When it is reasonably certain that the Company will exercise the option to renew or extend the lease term, that option is included in estimating the value of the right-of-use asset and lease liability. The depreciable life of assets and leasehold improvements are limited to the expected lease term.

Right-of-use assets represent the Company's right to use an underlying asset during the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. Operating leases in which the Company is the lessee are recorded as operating lease ROU assets and operating lease liabilities, and are included in other assets and other liabilities, respectively, on the Consolidated Balance Sheets. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are recognized as incurred. Common area maintenance and other executory costs are the main components of variable lease payments. Operating and variable lease expenses are recorded in net occupancy expense in the Consolidated Statements of Income.

Finance leases in which the Company is the lessee are recorded as finance lease ROU assets and finance lease liabilities and are included in other assets and other liabilities, respectively, on our Consolidated Balance Sheets. Finance lease expense comprises amortization of the ROU asset, which is recognized on a straight-line basis over the lease term and recorded in net occupancy expense in the Consolidated Statements of Income, and the implicit interest accreted on the lease liability, which is recognized using the effective interest method over the lease term and recorded in interest expense in our Consolidated Statements of Income.

**Goodwill and other intangibles:** Goodwill is not subject to amortization, but is subject to an annual assessment for impairment by applying a fair-value-based test as required by FASB ASC 350, *Goodwill and Other Intangible*

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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*Assets.* Additionally, under ASC 350, acquired intangible assets are separately recognized if the benefit of the assets can be sold, transferred, licensed, rented, or exchanged, and amortized over their useful life.

Goodwill is tested for impairment at the reporting unit level on an annual basis as of August 31, or more often if events or circumstances indicate there may be impairment. In accordance with ASC 350, the Company may elect to assess qualitative factors to determine whether it is more likely than not the fair value of the reporting unit was less than its carrying amount. If the Company elects to bypass the qualitative analysis or concludes using a qualitative analysis that the carrying amount exceeds the implied fair value, based on the qualitative assessment, a quantitative one-step impairment test will then be applied. An impairment loss will be recognized for any excess of the carrying value over fair value of goodwill. Subsequent increases in goodwill are not recognized in the Consolidated Financial Statements.

Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, and incorporating general economic and market conditions. Selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings most representative of fair value.

Intangible assets are amortized or tested for impairment based on whether they have finite or indefinite lives. Intangibles that have finite lives are amortized on a straight-line basis over their useful life and tested for impairment whenever events or circumstances indicate the carrying amount of the assets may not be recoverable. Intangibles with indefinite lives are tested annually for impairment. Note 9 provides additional information related to goodwill and other intangible assets.

**Other real estate owned:** When held, OREO is included in other assets on the Consolidated Balance Sheets, and consists primarily of commercial and residential real estate that has been obtained in partial or full satisfaction of loan obligations. When transferred from the loan portfolio, OREO is adjusted to fair value less estimated selling costs, with any difference between the fair value of the property, less estimated selling costs, and the carrying value of the loan recorded through a charge to the allowance for credit losses. Subsequent write-downs required for declines in value are recorded through a valuation allowance, or taken directly to the asset, charged to other noninterest expense.

**Transfers of financial assets:** Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (i) the asset has been isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset, and (iii) the Company does not maintain effective control over the transferred asset.

**Credit-related financial instruments:** In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded. They are considered in calculating the provision for credit losses, and any reserve is recognized in other liabilities.

**Interest rate lock commitments and TBA MBS:** The Company enters into rate lock commitments with its mortgage customers whereby the interest rate on the mortgage loan is determined prior to funding. The commitments are generally for periods of 60 days and are at market rates. The Company is also a party to sales of TBA MBS. The rate lock commitment and MBS position are undesignated derivatives and marked to fair value through earnings. Both the rate lock commitment and the corresponding MBS are considered derivatives, but are not accounted for using hedge accounting. As such, changes in the estimated fair value of the derivatives are recorded in current earnings and included in net residential mortgage banking income in the Consolidated

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Statements of Income, and gains and losses are recorded as a component of gains on sales of mortgage loans held for sale in the Consolidated Statements of Cash Flows.

We sell mortgage loans under both "mandatory" and "best efforts" delivery programs. Under "best efforts," in order to mitigate risk from interest rate fluctuations, the Company enters into forward loan sale commitments on a loan-by-loan basis while the loan is in the pipeline. Under the "mandatory" delivery system, loans with interest rate locks are paired with the sale of TBA MBS bearing similar attributes. We commit to deliver loans to an investor at an agreed-upon price after the close of such loans.

**Revenue recognition:** ASC 606, *Revenue from Contracts with Customers*, requires the disaggregation of revenue from contracts with customers into categories that show how economic factors affect the nature, timing, and uncertainty of revenue and cash flows. Revenue recognized from contracts with customers is included in the Company's noninterest income.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from interest-earning assets such as loans, mortgage loans held for sale, and investment securities. Revenue earned on interest-earning assets is recognized based on the effective yield of the financial instrument. Interest income and certain other types of noninterest income are accounted for under other applicable accounting standards.

For revenue-generating transactions that are within the scope of ASC 606, suggested categories of disaggregation include but are not limited to: (1) type of good or service, (2) geographical region, (3) market or type of customer, (4) type of contract, (5) contract duration, (6) timing of the transfer of goods or services, and (7) sales channels. The Company disaggregates revenue from contracts by major product line or type of good or service.

Descriptions of revenue-generating activities that are within the scope of ASC 606, which are presented in the Company's noninterest income, are as follows:

- Investment management services - Revenues are earned in the form of commissions and fees on performance obligations related to the referral of business to a third-party asset manager. Performance obligations are satisfied when a new customer enters into a contract with the third-party asset manager and when the manager collects a fee from the customer. Commissions are typically collected shortly after fees are collected by the third-party asset manager, which completes the revenue recognition process. In carrying out this performance obligation, TowneBank acts in the capacity of an agent.
- Insurance income - Revenues are earned in the form of commissions and fees received for selling insurance policies as an independent agent of external insurance companies who underwrite the insurance policies. Revenues earned are reduced by an estimate of policy cancellations. The external insurance companies retain the risks associated with the insurance policies. Performance obligations are related to the placement of business with third-party insurance companies and are satisfied when a new customer enters into a contract with the third-party insurance company. Contingent income is estimated and recorded at the time of the sale of the insurance policy and updated throughout the year to the extent it is probable that there will not be a material amount of the income reversed. In carrying out this performance obligation, TowneBank acts in the capacity of an agent.
- Property management income - Revenue is mainly in the form of commission and fee income. The revenue is earned on resort management properties and is recognized either when reservations are booked or upon guest checkout, depending on the nature of the performance obligation. TowneBank's performance obligations related to the resort property management business is to deliver reservations (including collection of rent), deliver the guest to the property, and provide facility management services.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The performance obligation to deliver reservations is satisfied when a customer makes a booking. The performance obligation to deliver the guest to the property is satisfied ratably over the guest's stay. While this performance obligation is satisfied ratably over the stay, it is being recognized upon checkout because it is not materially different. Facility management services obligations are ongoing until a customer vacates a property. TowneBank acts in the capacity of an agent.

The Company applies the practical expedient in ASC paragraph 606-10-50-14(a) and does not disclose information about remaining performance obligations that are part of a contract with an original expected duration of one year or less. The timing of revenue billings and cash collections may result in contract assets (the Company performing on its obligations prior to receiving payment unrelated to the passage of time) and contract liabilities (the Company receiving payment from a customer prior to performing on its obligation to that customer) on the Consolidated Balance Sheets. See Note 17 for additional information about revenue from contracts with customers.

Service charges on deposit accounts are recognized as charged. Credit-related fees, including letter of credit fees, are recognized in noninterest income when earned.

**Income recognition on nonaccrual loans:** Commercial loans are generally classified as nonaccrual when full collection of principal and interest becomes doubtful, or if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, whichever occurs first, unless such loans are well-secured and in the process of collection. Residential mortgage loans and other consumer loans are classified as nonaccrual when full collection of principal and interest becomes doubtful, or if they are past due as to maturity or payment of principal or interest for a period of more than 120 days, whichever occurs first, unless the debt is both well-secured and in the process of collection. If a loan or a portion of a loan is classified as doubtful or is partially charged off, the loan is generally classified as nonaccrual. Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual, if repayment in full of principal and/or interest is unlikely.

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 credit losses. Interest payments received thereafter are applied as a reduction of the remaining principal balance as 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.

When the probability of collecting the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a nonaccrual loan had been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered.

Nonaccruing loans that are modified can be placed back on accrual status when both principal and interest are current, there is a sustained repayment performance of six months or longer, and it is probable that we will be able to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

**Advertising costs:** Advertising costs are expensed as incurred.

**Segment information:** Operating segments as defined by ASC 280, *Segment Reporting*, are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The accounting policies of operating segments are the same as those described elsewhere in this footnote. Revenue for all segments is derived from external sources. See Note 26 for further discussion of the Company's operating segments.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Mergers and acquisitions:** Mergers and acquisitions are accounted for using the acquisition method, as required by ASC 805, *Business Combinations*. Under this method, the cost of the acquired entity will be allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition. The excess of the cost over the fair value of the acquired net assets is recognized as goodwill, and any merger-related costs are expensed as incurred. See Note 2 for further discussion on the Company's mergers and acquisitions.

**Variable Interest Entities:** In the normal course of business, the Company is involved with various entities that are considered to be Variable Interest Entities. A VIE is an entity that has either a total equity investment which is insufficient to permit the entity to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. In accordance with existing accounting guidance, we are required to consolidate any VIE of which we are determined to be the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities of a VIE which most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses of the entity which could potentially be significant to the VIE, or the right to receive benefits from the entity which could potentially be significant to the VIE. We review all significant interests in the VIEs we are involved with, including the amounts and types of financial and other support, including equity investments, debt financing, and guarantees. We also consider the activities of the VIEs that most significantly impact the VIEs' economic performance and whether we have control over those activities. We assess whether or not we are the primary beneficiary of a VIE on an ongoing basis. To provide the necessary disclosures, we aggregate similar VIEs based on the nature and purpose of the entities.

As part of its community reinvestment initiatives, the Company invests in low income housing partnerships within its footprint. These investments, in multi-family affordable housing developments, take the form of limited partnerships. The Company receives tax credits for its partnership investments. The Company has determined that these partnerships are VIEs when it does not own 100% of the entity, because the holders of the equity investment at risk do not have the power through voting rights or similar rights to direct the activities of the entity that most significantly impact the entity's economic performance. Accordingly, the Company's limited partner interests are variable interests that the Company evaluates for purposes of determining whether the Company is the primary beneficiary.

For each of the partnerships, the Company acts strictly in a limited partnership capacity. 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 impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the entities. The Company accounts for its limited partner interests in accordance with the accounting guidance for investments in affordable housing projects. Note 22 provides additional information on the Company's VIEs.

**Income taxes:** Current income tax expense represents the amounts expected to be reported on the Company's income tax returns, and deferred tax expense or benefit represents the change in net deferred tax assets and liabilities. The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized. Note 23 provides additional information on the Company's income taxes.

**Comprehensive income:** Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income or loss. Although certain changes in assets and liabilities, such as unrealized

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with the operating net income or loss, are components of comprehensive income or loss. Other comprehensive income or loss includes unrealized gains and losses on available-for-sale securities and actuarial gains and losses on our SERP and other postretirement benefit plans.

**Share-based compensation:** The Company has a share-based employee compensation plan, which is described in more detail in Note 15. The Company accounts for the plan using the fair value method, which requires that compensation cost relating to stock-based payment transactions be recognized in the financial statements over the vesting period. The compensation cost is measured based on the fair value of the instruments issued.

**Earnings per share:** Basic earnings per share are computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding for the year, less the average number of nonvested restricted stock awards. Diluted earnings per share reflect potential dilution from the issuance of additional shares of common stock caused by the exercise of stock options and restricted stock awards. See Note 27 for further discussion on the Company's earnings per share.

### Recent accounting pronouncements:

| Accounting standards adopted in current year                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard                                                                                                                          | Summary of guidance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Effects on financial statements                                                                                                                                                                                                                                                                                                                                                              |
| <b>Topic 740 - Income Taxes - Improvements to Income Tax Disclosures</b><br><br><b>ASU 2023-09</b><br><b>Issued December 2023</b> | Requires public business entities to increase both qualitative and quantitative disclosures as they relate to state and federal income tax. Requirements include a tabular reconciliation, using both percentages and reporting currency amounts, according to eight specifically named categories. Additionally, separate disclosure is required for specifically named reconciling items, greater than 5% of the amount computed by multiplying the income from continuing operations before income tax by the statutory income tax rate. | <p>The Company adopted this standard effective January 1, 2025.</p> <p>This standard is to be applied on a prospective basis; retrospective application is permitted. Early adoption is permitted for annual financial statements that have not yet been issued.</p> <p>The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.</p> |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Accounting standards not yet adopted                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard                                                                                                                                                                                  | Summary of guidance                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Effects on financial statements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Topic 220 - Income Statement - Reporting Comprehensive Income - Subtopic 220-40 Expense Disaggregation Disclosures</b><br><br><b>ASU 2024-03</b><br><b>Issued November 2024</b>        | Requires disclosure in the notes to the financial statements of specified information about certain costs and expenses.                                                                                                                                                                                                                                                                                                                                                         | <p>Effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted.</p> <p>This standard can be applied either prospectively or retrospectively.</p> <p>The Company will comply with the new disclosure requirements and does not expect this pronouncement to have a material impact on its Consolidated Financial Statements.</p>                                                                                                                                                   |
| <b>Topic 326 - Financial Instruments - Credit Losses Measurement of Credit Losses on Financial Instruments - Purchased Loans</b><br><br><b>ASU 2025-08</b><br><b>Issued November 2025</b> | 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. | <p>Effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted in an interim or annual reporting period.</p> <p>This standard is to be applied prospectively to loans that are acquired on or after the initial application date.</p> <p>The Company elected to early adopt this standard, effective January 1, 2026, and will comply with the new requirements. The Company does not expect this pronouncement to have a material impact on its Consolidated Financial Statements.</p> |
| <b>Topic 350 - Intangibles - Goodwill and Other Subtopic 350-40 Internal-Use Software</b><br><br><b>ASU 2025-06</b><br><b>Issued September 2025</b>                                       | 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.                                                                                                                                                                                                                                         | <p>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.</p> <p>This standard is to be applied either on a prospective transition approach, a modified transition approach, or a retrospective transition approach.</p> <p>The Company will comply with the new requirements and does not expect this pronouncement to have a material impact on its Consolidated Financial Statements.</p>                                                                      |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2. MERGERS AND ACQUISITIONS

*Dogwood State Bank:* On January 12, 2026, TowneBank completed its acquisition of Dogwood State Bank ("Dogwood"), a North Carolina banking corporation. At January 12, 2026, Dogwood had total assets of \$2.37 billion, total loans of \$2.00 billion, and total deposits of \$1.93 billion.

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, other than dissenting shares and certain shares held by Dogwood or TowneBank, 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.

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

In the merger with Old Point, Old Point shareholders elected to receive either \$41.00 per share in cash or 1.140 shares of TowneBank common stock for each outstanding share of Old Point common stock. This corresponded 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. The assets and liabilities, both tangible and intangible, were recorded at the estimated fair values as of the September 1, 2025, merger date. Such fair values are preliminary estimates and are subject to adjustment for up to one year after the merger date, or when additional information relative to the closing date fair values becomes available and such information is considered final, whichever is earlier. The primary areas of the preliminary allocation of the fair value of consideration transferred that are not yet finalized relate to the fair values of loans, deferred tax assets, certain intangible assets acquired, and the residual goodwill. The fair value of consideration exchanged exceeded the recognized amount of the identifiable net assets and resulted in goodwill of \$93.53 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

|                                |            |
|--------------------------------|------------|
| Fair value of assets acquired: |            |
| Cash and cash equivalents      | \$ 117,241 |
| Securities available for sale  | 208,834    |
| Other securities               | 3,043      |
| Loans held for investment      | 958,719    |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Bank premises and equipment                        | 24,475              |
| Core deposit intangible                            | 31,390              |
| BOLI                                               | 36,935              |
| Other assets                                       | 21,412              |
| Total assets                                       | <u>\$ 1,402,049</u> |
| Fair value of liabilities assumed:                 |                     |
| Deposits                                           | \$ 1,210,923        |
| Repurchase agreements                              | 1,484               |
| FHLB advances                                      | 40,000              |
| Subordinated debt, net                             | 25,274              |
| Other liabilities                                  | 6,541               |
| Total liabilities                                  | <u>\$ 1,284,222</u> |
| Net identifiable assets acquired                   | \$ 117,827          |
| Goodwill                                           | 93,530              |
| Purchase price                                     | <u>\$ 211,357</u>   |
| Purchase price:                                    |                     |
| Number of Company common shares issued             | 3,488,818           |
| Purchase price per share of Company's common stock | \$ 36.69            |
| Value of common stock issued                       | \$ 128,005          |
| Cash paid                                          | \$ 83,352           |
| Total purchase price                               | <u>\$ 211,357</u>   |

During the quarter ended December 31, 2025, immaterial adjustments were made to the initial fair value estimate of cash and cash equivalents, loans held for investment, other assets, subordinated debt, net, and other liabilities which resulted in an overall \$2.09 million decrease in net identifiable assets acquired. The loans acquired in the Old Point merger were divided into PCD loans, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of September 1, 2025, the estimated fair value of the Old Point purchased performing loans acquired was \$879.31 million, the related gross contractual amount was \$1.04 billion, and the estimated contractual cash flows not expected to be collected were \$7.08 million.

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

|                                                              |                  |
|--------------------------------------------------------------|------------------|
| Purchase price of financial assets with credit deterioration | \$ 79,409        |
| Allowance for credit losses at acquisition date              | 2,048            |
| Discount attributable to other factors                       | 4,997            |
| Par value of financial assets with credit deterioration      | <u>\$ 86,454</u> |

*Village Bank and Trust Financial Corp.:* On April 1, 2025, TowneBank completed its acquisition of Village and its wholly owned bank subsidiary, Village Bank, in an all-cash transaction.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. The assets and liabilities, both tangible and intangible, were recorded at the estimated fair values as of the April 1, 2025, merger date. Such fair values are preliminary estimates and are subject to adjustment for up to one year after the merger date, or when additional information relative to the closing date fair values becomes available and such information is considered final, whichever is earlier. The primary areas of the preliminary allocation of the fair value of consideration transferred that are not yet finalized relate to the fair values of loans, deferred tax assets, certain intangible assets acquired, and the residual goodwill. The fair value of consideration exchanged exceeded the recognized amount of the identifiable net assets and resulted in goodwill of \$42.93 million. Goodwill resulted from a combination of synergies. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

|                                    |                   |
|------------------------------------|-------------------|
| Fair value of assets acquired:     |                   |
| Cash and cash equivalents          | \$ 32,342         |
| Securities available for sale      | 74,310            |
| Other securities                   | 1,245             |
| Mortgage loans held for sale       | 3,615             |
| Loans held for investment          | 576,239           |
| Bank premises and equipment        | 12,896            |
| Core deposit intangible            | 21,020            |
| BOLI                               | 13,098            |
| Other assets                       | 11,191            |
| Total assets                       | <u>\$ 745,956</u> |
| Fair value of liabilities assumed: |                   |
| Deposits                           | \$ 637,494        |
| FHLB advances                      | 10,000            |
| Subordinated debt, net             | 14,419            |
| Other liabilities                  | 6,535             |
| Total liabilities                  | <u>\$ 668,448</u> |
| Net identifiable assets acquired   | \$ 77,508         |
| Goodwill                           | 42,931            |
| Purchase price                     | <u>\$ 120,439</u> |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Purchase price:

|           |    |         |
|-----------|----|---------|
| Cash Paid | \$ | 120,439 |
|-----------|----|---------|

During the quarter ended December 31, 2025, immaterial adjustments were made to the initial fair value estimate of loans held for investment, which resulted in an overall \$0.29 million decrease in net identifiable assets acquired. The loans acquired in the Village merger were divided into loans with evidence of credit quality deterioration, or PCD, which are accounted for under ASC 326-10, and loans that do not meet this criteria (purchased performing). As of April 1, 2025, the estimated fair value of the Village purchased performing loans acquired was \$519.32 million, the related gross contractual amount was \$602.61 million, and the 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 |

Results of operations for Old Point and Village prior to the acquisition dates are not included in the Consolidated Statements of Income for the year ended December 31, 2025. For informational purposes only, the following table presents the results of activities that are included in the Consolidated Statements of Income, related to the former Old Point and Village entities, from the date of acquisition through December 31, 2025 (dollars in thousands):

|                                                        | Actual from Acquisition<br>Date Through<br>12/31/2025 |        |
|--------------------------------------------------------|-------------------------------------------------------|--------|
| <b>Village:</b>                                        |                                                       |        |
| Revenues (net interest income plus noninterest income) | \$                                                    | 23,851 |
| Net Income                                             | \$                                                    | 13,009 |
| <b>Old Point:</b>                                      |                                                       |        |
| Revenues (net interest income plus noninterest income) | \$                                                    | 20,105 |
| Net Income                                             | \$                                                    | 12,388 |

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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Pro Forma for the<br>Twelve Months Ended<br>December 31, |            |            |
|----------------------------------------------------------|------------|------------|
|                                                          | 2025 (1)   | 2024 (1)   |
| Revenues (net interest income plus noninterest income)   | \$ 883,071 | \$ 798,847 |
| Net income (2)                                           | \$ 225,440 | \$ 122,816 |

(1) Includes the net impact of accretion adjustments of \$21.84 million and \$5.71 million for the 12-month periods ended December 31, 2024 and December 31, 2025, respectively.

(2) For the periods presented, includes Old Point and Village acquisition-related costs of \$55.64 million for the period ended December 31, 2024 and excludes \$55.64 million as of December 31, 2025.

### NOTE 3. INVESTMENT SECURITIES

#### *Available-for-sale debt securities*

The Company elected not to measure an allowance for credit losses for accrued interest receivables because uncollectible accrued interest receivables are written off in a timely manner and, as such, the accrued interest receivable on AFS debt securities amounting to \$12.81 million as of December 31, 2025, and \$11.02 million as of December 31, 2024, was excluded from the estimate of expected credit loss and included in other assets.

As of December 31, 2025, we have recognized no credit losses on Company-held MBS issued by GSEs, U.S. government sponsored agency securities, and U.S. Treasury securities because these securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. As such, the Company has excluded them, under the zero risk of loss expectation, from the impairment analysis under ASC 326-30.

#### *Held-to-maturity debt securities*

As of December 31, 2025, no credit losses on Company-held MBS issued by GSEs, U.S. government sponsored agency securities, and U.S. Treasury securities have been recognized because these securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. As such, the Company has excluded them under the zero risk of loss exception in the allowance for credit losses under ASC 326-20.

For HTM debt securities not implicitly or explicitly guaranteed by the U.S. government, the Company measures expected credit losses on a collective basis, by major security type with each type sharing similar characteristics, utilizing published statistical information from annual default and recovery tables. Accrued interest receivable on HTM debt securities totaling \$0.78 million as of December 31, 2025, and \$0.90 million as of December 31, 2024, was included in other assets and excluded from the estimate of expected credit losses. At December 31, 2025, all HTM debt securities are current for both principal and interest. There were no in-scope collateral-dependent HTM debt securities at December 31, 2025.

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### *Available-for-sale debt securities*

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

| <b>December 31, 2025</b>                       | <b>Amortized Cost</b> | <b>Gross Unrealized Gains</b> | <b>Gross Unrealized Losses</b> | <b>Allowance for Credit Losses</b> | <b>Fair Value</b>   |
|------------------------------------------------|-----------------------|-------------------------------|--------------------------------|------------------------------------|---------------------|
| 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             |
| MBS issued by GSEs and GNMA                    | 1,656,923             | 7,016                         | (39,192)                       | —                                  | 1,624,747           |
| Total available-for-sale securities            | <u>\$ 2,784,462</u>   | <u>\$ 13,566</u>              | <u>\$ (86,632)</u>             | <u>\$ (1,207)</u>                  | <u>\$ 2,710,189</u> |

| <b>December 31, 2024</b>                       | <b>Amortized Cost</b> | <b>Gross Unrealized Gains</b> | <b>Gross Unrealized Losses</b> | <b>Allowance for Credit Losses</b> | <b>Fair Value</b>   |
|------------------------------------------------|-----------------------|-------------------------------|--------------------------------|------------------------------------|---------------------|
| U.S. agency securities                         | \$ 325,566            | \$ 149                        | \$ (31,798)                    | \$ —                               | \$ 293,917          |
| U.S. Treasury notes                            | 29,247                | —                             | (818)                          | —                                  | 28,429              |
| Municipal securities                           | 472,018               | 75                            | (32,978)                       | (373)                              | 438,742             |
| Trust preferred and other corporate securities | 101,950               | 1,093                         | (7,764)                        | (953)                              | 94,326              |
| MBS issued by GSEs and GNMA                    | 1,581,189             | 1,255                         | (84,493)                       | —                                  | 1,497,951           |
| Total available-for-sale securities            | <u>\$ 2,509,970</u>   | <u>\$ 2,572</u>               | <u>\$ (157,851)</u>            | <u>\$ (1,326)</u>                  | <u>\$ 2,353,365</u> |

For the year ended December 31, 2025, the Company recorded net gains of \$6 thousand on securities sales consisting of gross gains of \$13 thousand and gross losses of \$7 thousand, and sales proceeds totaled \$100.72 million. For the year ended December 31, 2024, the Company recorded net gains of \$74 thousand on securities sales consisting of gross gains of \$421 thousand and gross losses of \$347 thousand, and sales proceeds totaled \$48.58 million. There were no security sales in the year ended December 31, 2023.

### *Held-to-maturity debt securities*

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

| <b>December 31, 2025</b>                       | <b>Amortized Cost</b> | <b>Gross Unrealized Gains</b> | <b>Gross Unrealized Losses</b> | <b>Fair Value</b> | <b>Allowance for Credit Losses</b> |
|------------------------------------------------|-----------------------|-------------------------------|--------------------------------|-------------------|------------------------------------|
| 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)                               |
| MBS issued by GSEs                             | 5,130                 | —                             | (72)                           | 5,058             | —                                  |
| Total held-to-maturity securities              | <u>\$ 156,697</u>     | <u>\$ 253</u>                 | <u>\$ (2,681)</u>              | <u>\$ 154,269</u> | <u>\$ (65)</u>                     |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| December 31, 2024                              | Amortized Cost    | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value        | Allowance for Credit Losses |
|------------------------------------------------|-------------------|------------------------|-------------------------|-------------------|-----------------------------|
| U.S. agency securities                         | \$ 102,622        | \$ —                   | \$ (3,240)              | \$ 99,382         | \$ —                        |
| U.S. Treasury notes                            | 96,710            | —                      | (5,192)                 | 91,518            | —                           |
| Municipal securities                           | 5,366             | 91                     | —                       | 5,457             | (6)                         |
| Trust preferred and other corporate securities | 2,121             | 86                     | —                       | 2,207             | (71)                        |
| MBS issued by GSEs                             | 5,533             | 1                      | (215)                   | 5,319             | —                           |
| Total held-to-maturity securities              | <u>\$ 212,352</u> | <u>\$ 178</u>          | <u>\$ (8,647)</u>       | <u>\$ 203,883</u> | <u>\$ (77)</u>              |

### *Maturities of debt securities*

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The amortized cost and estimated fair value of debt securities are shown by contractual maturity (including MBS) as of the dates indicated, in the following table (in thousands):

#### December 31, 2025

|                                        | Available for Sale  |                     | Held to Maturity  |                   |
|----------------------------------------|---------------------|---------------------|-------------------|-------------------|
|                                        | 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             |
|                                        | <u>\$ 2,784,462</u> | <u>\$ 2,710,189</u> | <u>\$ 156,697</u> | <u>\$ 154,269</u> |

#### December 31, 2024

|                                        | Available for Sale  |                     | Held to Maturity  |                   |
|----------------------------------------|---------------------|---------------------|-------------------|-------------------|
|                                        | Amortized Cost      | Fair Value          | Amortized Cost    | Fair Value        |
| Due in one year or less                | \$ 7,610            | \$ 7,541            | \$ 54,790         | \$ 53,710         |
| Due after one year through five years  | 803,383             | 751,841             | 152,019           | 144,493           |
| Due after five years through ten years | 498,298             | 465,020             | 3,660             | 3,796             |
| Due after ten years                    | 1,200,679           | 1,128,963           | 1,883             | 1,884             |
|                                        | <u>\$ 2,509,970</u> | <u>\$ 2,353,365</u> | <u>\$ 212,352</u> | <u>\$ 203,883</u> |

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

#### December 31, 2025

| Description of Securities                      | Number     | Less than 12 months |                         | 12 months or more   |                         | Total               |                         |
|------------------------------------------------|------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                                                |            | 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)                     |
| MBS issued by GSEs and GNMA                    | 244        | 153,664             | (775)                   | 948,747             | (38,417)                | 1,102,411           | (39,192)                |
| Total AFS securities                           | <u>349</u> | <u>\$ 181,861</u>   | <u>\$ (962)</u>         | <u>\$ 1,346,279</u> | <u>\$ (69,745)</u>      | <u>\$ 1,528,140</u> | <u>\$ (70,707)</u>      |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| December 31, 2024           |        | Less than 12 months |                         | 12 months or more |                         | Total        |                         |
|-----------------------------|--------|---------------------|-------------------------|-------------------|-------------------------|--------------|-------------------------|
| Description of Securities   | Number | Fair Value          | Gross Unrealized Losses | Fair Value        | Gross Unrealized Losses | Fair Value   | Gross Unrealized Losses |
| U.S. agency securities      | 64     | \$ 66,465           | \$ (1,653)              | \$ 203,864        | \$ (30,145)             | \$ 270,329   | \$ (31,798)             |
| U.S. Treasury notes         | 2      | —                   | —                       | 28,429            | (818)                   | 28,429       | (818)                   |
| Municipal securities        | 55     | 15,165              | (125)                   | 89,750            | (8,957)                 | 104,915      | (9,082)                 |
| MBS issued by GSEs and GNMA | 273    | 452,521             | (10,901)                | 883,687           | (73,592)                | 1,336,208    | (84,493)                |
| Total AFS securities        | 394    | \$ 534,151          | \$ (12,679)             | \$ 1,205,730      | \$ (113,512)            | \$ 1,739,881 | \$ (126,191)            |

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

| Twelve Months Ended December 31, 2025 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total    |
|---------------------------------------|----------------------|------------------------------------------------|----------|
| Beginning balance                     | \$ 373               | \$ 953                                         | \$ 1,326 |
| Provision for credit losses           | (155)                | 36                                             | (119)    |
| Ending balance                        | \$ 218               | \$ 989                                         | \$ 1,207 |

| Twelve Months Ended December 31, 2024 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total    |
|---------------------------------------|----------------------|------------------------------------------------|----------|
| Beginning balance                     | \$ 280               | \$ 1,218                                       | \$ 1,498 |
| Provision for credit losses           | 93                   | (265)                                          | (172)    |
| Ending balance                        | \$ 373               | \$ 953                                         | \$ 1,326 |

| Twelve Months Ended December 31, 2023 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total    |
|---------------------------------------|----------------------|------------------------------------------------|----------|
| Beginning balance                     | \$ 351               | \$ 735                                         | \$ 1,086 |
| Provision for credit losses           | (71)                 | 483                                            | 412      |
| Ending balance                        | \$ 280               | \$ 1,218                                       | \$ 1,498 |

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 December 31, 2025. The following table reflects the credit ratings aggregated by investment category for HTM debt securities as of the dates indicated (in thousands):

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

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024

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

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

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             |
| Mortgage-backed securities issued by GSEs      | —           | —           | —           | —                | —                | 5,130            | 5,130             |
| Total                                          | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 93,153</u> | <u>\$ 50,882</u> | <u>\$ 12,662</u> | <u>\$ 156,697</u> |

December 31, 2024

| Description of Securities                      | 2024        | 2023        | 2022              | 2021             | 2020        | Prior            | Total             |
|------------------------------------------------|-------------|-------------|-------------------|------------------|-------------|------------------|-------------------|
| U.S. agency securities                         | \$ —        | \$ —        | \$ 28,011         | \$ 74,611        | \$ —        | \$ —             | \$ 102,622        |
| U.S. Treasury notes                            | —           | —           | 74,776            | 21,934           | —           | —                | 96,710            |
| Municipal securities                           | —           | —           | —                 | —                | —           | 5,366            | \$ 5,366          |
| Trust preferred and other corporate securities | —           | —           | —                 | —                | —           | 2,121            | 2,121             |
| Mortgage-backed securities issued by GSEs      | —           | —           | —                 | —                | —           | 5,533            | 5,533             |
| Total                                          | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 102,787</u> | <u>\$ 96,545</u> | <u>\$ —</u> | <u>\$ 13,020</u> | <u>\$ 212,352</u> |

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

| Twelve Months Ended December 31, 2025 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total        |
|---------------------------------------|----------------------|------------------------------------------------|--------------|
| Beginning balance                     | \$ 6                 | \$ 71                                          | \$ 77        |
| Provision for credit losses           | (2)                  | (10)                                           | (12)         |
| Ending balance                        | <u>\$ 4</u>          | <u>\$ 61</u>                                   | <u>\$ 65</u> |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Twelve Months Ended December 31, 2024 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total |
|---------------------------------------|----------------------|------------------------------------------------|-------|
| Beginning balance                     | \$ 6                 | \$ 78                                          | \$ 84 |
| Provision for credit losses           | —                    | (7)                                            | (7)   |
| Ending balance                        | \$ 6                 | \$ 71                                          | \$ 77 |

| Twelve Months Ended December 31, 2023 | Municipal Securities | Trust Preferred and Other Corporate Securities | Total |
|---------------------------------------|----------------------|------------------------------------------------|-------|
| Beginning balance                     | \$ 8                 | \$ 75                                          | \$ 83 |
| Provision for credit losses           | (2)                  | 3                                              | 1     |
| Ending balance                        | \$ 6                 | \$ 78                                          | \$ 84 |

### *Equity securities*

We hold certain securities that do not have a readily determinable fair value and are recognized using cost or other measurement principles. These equity securities include FHLB stock, private equity, and tax credit investments. At December 31, 2025, FHLB stock totaled \$16.34 million and other equity securities totaled \$12.22 million. At December 31, 2024, FHLB stock totaled \$12.14 million and other equity securities totaled \$12.10 million. No impairments or adjustments have been recorded on these investments.

The Company is required to maintain an investment in the capital stock of the FHLB. This stock is stated at cost, since it is a restricted security without 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):

|                                                           | December 31, 2025 | December 31, 2024 |
|-----------------------------------------------------------|-------------------|-------------------|
| To secure federal, state, and municipal deposits          | \$ 739,843        | \$ 555,231        |
| To secure borrowings from the FHLB                        | \$ 2,822          | \$ 4,236          |
| To secure repurchase agreements with commercial customers | \$ 58,987         | \$ 59,002         |

## NOTE 4. LOANS

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.

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents loan balances by major classification as of the dates indicated (in thousands):

|                                                         | December 31,<br>2025 | December 31,<br>2024 |
|---------------------------------------------------------|----------------------|----------------------|
| <b>Commercial Real Estate</b>                           |                      |                      |
| Construction and land development                       | \$ 1,266,242         | \$ 1,082,161         |
| Owner occupied                                          | 1,932,015            | 1,628,731            |
| Non-owner occupied                                      | 3,777,350            | 3,196,665            |
| Multi-family                                            | 858,212              | 801,079              |
| <b>Total Commercial Real Estate</b>                     | <b>7,833,819</b>     | <b>6,708,636</b>     |
| <b>Residential 1-4 family</b>                           | <b>2,181,949</b>     | <b>1,891,470</b>     |
| <b>HELOC</b>                                            | <b>583,725</b>       | <b>410,594</b>       |
| <b>C&amp;I</b>                                          | <b>1,455,455</b>     | <b>1,280,394</b>     |
| <b>Government</b>                                       | <b>507,586</b>       | <b>513,039</b>       |
| <b>Indirect</b>                                         | <b>672,401</b>       | <b>567,245</b>       |
| <b>Consumer and other</b>                               | <b>100,869</b>       | <b>87,677</b>        |
| <b>Loans, net of unearned income and deferred costs</b> | <b>\$ 13,335,804</b> | <b>\$ 11,459,055</b> |

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

|                                                                          | December 31, 2025 | December 31, 2024 |
|--------------------------------------------------------------------------|-------------------|-------------------|
| Deferred loan costs in excess of unearned income                         | \$ 1,727          | \$ 3,061          |
| Unaccreted discount on PCD loans                                         | (9,521)           | (2,869)           |
| Unaccreted discount on non-PCD loans                                     | (34,246)          | (3,908)           |
| Nonaccrual loans <sup>(1)</sup>                                          | 11,726            | 7,424             |
| Loans pledged as collateral to secure overnight borrowings with the FHLB | 2,977,435         | 3,037,444         |

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

|            | December 31, 2025 | December 31, 2024 |
|------------|-------------------|-------------------|
| Year ended | \$ 672            | \$ 490            |

### Modifications to Debtors Experiencing Financial Difficulty

The Company has elected to exclude accrued interest from the calculation of loan modifications. The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financial receivable and type of concession granted (dollars in thousands):

| Loan Modifications Made to Borrowers Experiencing Financial Difficulty |                                      |                                          |                                      |                                          |
|------------------------------------------------------------------------|--------------------------------------|------------------------------------------|--------------------------------------|------------------------------------------|
| Loan Classification                                                    | For the Year Ended December 31, 2025 |                                          | For the Year Ended December 31, 2024 |                                          |
|                                                                        | Term Extension                       |                                          | Term Extension                       |                                          |
|                                                                        | Amortized Cost Basis                 | % of Total Class of Financing Receivable | Amortized Cost Basis                 | % of Total Class of Financing Receivable |
| <b>Commercial Real Estate</b>                                          |                                      |                                          |                                      |                                          |
| Construction and land development                                      | \$ 771                               | 0.06 %                                   | \$ 2,354                             | 0.22 %                                   |
| Owner occupied                                                         | 4,632                                | 0.24 %                                   | 16,851                               | 1.03 %                                   |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

|                                     |                  |               |                  |               |
|-------------------------------------|------------------|---------------|------------------|---------------|
| Non-owner occupied                  | 16,506           | 0.44 %        | 6,819            | 0.21 %        |
| <b>Total Commercial Real Estate</b> | <b>21,909</b>    | <b>0.28 %</b> | <b>26,024</b>    | <b>0.39 %</b> |
| <b>Residential 1-4 family</b>       | <b>708</b>       | <b>0.03 %</b> | <b>1,839</b>     | <b>0.10 %</b> |
| <b>HELOC</b>                        | <b>2,210</b>     | <b>0.38 %</b> | <b>98</b>        | <b>0.02 %</b> |
| <b>C&amp;I</b>                      | <b>3,323</b>     | <b>0.23 %</b> | <b>9,530</b>     | <b>0.74 %</b> |
| <b>Indirect</b>                     | <b>38</b>        | <b>0.01 %</b> | <b>—</b>         | <b>— %</b>    |
| <b>Total</b>                        | <b>\$ 28,188</b> | <b>0.21 %</b> | <b>\$ 37,491</b> | <b>0.33 %</b> |

|                                     | For the Year Ended December 31, 2025 |                                          | For the Year Ended December 31, 2024 |                                          |
|-------------------------------------|--------------------------------------|------------------------------------------|--------------------------------------|------------------------------------------|
|                                     | Interest Only                        |                                          | Interest Only                        |                                          |
| Loan Classification                 | Amortized Cost Basis                 | % of Total Class of Financing Receivable | Amortized Cost Basis                 | % of Total Class of Financing Receivable |
| <b>Commercial Real Estate</b>       |                                      |                                          |                                      |                                          |
| Owner occupied                      | \$ —                                 | — %                                      | \$ 649                               | 0.04 %                                   |
| Non-owner occupied                  | —                                    | — %                                      | 1,451                                | 0.05 %                                   |
| <b>Total Commercial Real Estate</b> | <b>—</b>                             | <b>— %</b>                               | <b>2,100</b>                         | <b>0.03 %</b>                            |
| <b>Consumer and other</b>           | <b>—</b>                             | <b>— %</b>                               | <b>1,462</b>                         | <b>1.67 %</b>                            |
| <b>Total</b>                        | <b>\$ —</b>                          | <b>— %</b>                               | <b>\$ 3,562</b>                      | <b>0.03 %</b>                            |

|                                     | Combination - Term Extension and Interest Only |                                          | Combination - Term Extension and Interest Only |                                          |
|-------------------------------------|------------------------------------------------|------------------------------------------|------------------------------------------------|------------------------------------------|
| Loan Classification                 | Amortized Cost Basis                           | % of Total Class of Financing Receivable | Amortized Cost Basis                           | % of Total Class of Financing Receivable |
| <b>Commercial Real Estate</b>       |                                                |                                          |                                                |                                          |
| Owner occupied                      | \$ 1,383                                       | 0.07 %                                   | \$ —                                           | — %                                      |
| Non-owner occupied                  | —                                              | — %                                      | 14,002                                         | 0.44 %                                   |
| <b>Total Commercial Real Estate</b> | <b>1,383</b>                                   | <b>0.02 %</b>                            | <b>14,002</b>                                  | <b>0.21 %</b>                            |
| C&I                                 | 111                                            | 0.01 %                                   | —                                              | — %                                      |
| Consumer and other                  | 1,421                                          | 1.41 %                                   | —                                              | — %                                      |
| <b>Total</b>                        | <b>\$ 2,915</b>                                | <b>0.02 %</b>                            | <b>\$ 14,002</b>                               | <b>0.12 %</b>                            |

|                                     | Total of All Modifications |                                          | Total of All Modifications |                                          |
|-------------------------------------|----------------------------|------------------------------------------|----------------------------|------------------------------------------|
| Loan Classification                 | Amortized Cost Basis       | % of Total Class of Financing Receivable | Amortized Cost Basis       | % of Total Class of Financing Receivable |
| <b>Commercial Real Estate</b>       |                            |                                          |                            |                                          |
| Construction and land development   | \$ 771                     | 0.06 %                                   | \$ 2,354                   | 0.22 %                                   |
| Owner occupied                      | 6,015                      | 0.31 %                                   | 17,500                     | 1.07 %                                   |
| Non-owner occupied                  | 16,506                     | 0.44 %                                   | 22,272                     | 0.70 %                                   |
| <b>Total Commercial Real Estate</b> | <b>23,292</b>              | <b>0.30 %</b>                            | <b>42,126</b>              | <b>0.63 %</b>                            |
| <b>Residential 1-4 family</b>       | <b>708</b>                 | <b>0.03 %</b>                            | <b>1,839</b>               | <b>0.10 %</b>                            |
| <b>HELOC</b>                        | <b>2,210</b>               | <b>0.38 %</b>                            | <b>98</b>                  | <b>0.02 %</b>                            |
| <b>C&amp;I</b>                      | <b>3,434</b>               | <b>0.24 %</b>                            | <b>9,530</b>               | <b>0.74 %</b>                            |
| <b>Indirect</b>                     | <b>38</b>                  | <b>0.01 %</b>                            | <b>—</b>                   | <b>— %</b>                               |
| <b>Consumer and other</b>           | <b>1,421</b>               | <b>1.41 %</b>                            | <b>1,462</b>               | <b>1.67 %</b>                            |
| <b>Total (1)</b>                    | <b>\$ 31,103</b>           | <b>0.23 %</b>                            | <b>\$ 55,055</b>           | <b>0.48 %</b>                            |

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

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

| Term Extension/ Interest Only     |                                                                                                                                                                                                  |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Loan Classification               | Financial Effect                                                                                                                                                                                 |
| <b>Commercial Real Estate</b>     |                                                                                                                                                                                                  |
| Construction and land development | Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of C&D loans.                                          |
| Owner occupied                    | Extended maturities 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.                                      |
| <b>Residential 1-4 family</b>     | Reamortized balances and extended maturities, which reduced monthly payment amounts for borrowers. These modifications did not impact the weighted-average life of Residential 1-4 family loans. |
| <b>HELOC</b>                      | Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of HELOC loans.                                        |
| <b>C&amp;I</b>                    | Extended maturities and/or rate to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of C&I loans.                              |
| <b>Indirect</b>                   | Extended maturities to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of Indirect loans.                                     |
| <b>Consumer and other</b>         | Extended maturities and/or rate to allow time for resolution and/or alternate financing. These modifications did not impact the weighted-average life of Consumer loans.                         |

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

| Loan Classification                     | Amortized Cost Basis of Modified Financing Receivables that Subsequently Defaulted |                 |                       |                                                      |                                                        |
|-----------------------------------------|------------------------------------------------------------------------------------|-----------------|-----------------------|------------------------------------------------------|--------------------------------------------------------|
|                                         | Interest Rate Reduction                                                            | Term Extension  | Principal Forgiveness | Combination-Term Extension and Principal Forgiveness | Combination-Term Extension and Interest Rate Reduction |
| <b>Defaults as of December 31, 2025</b> |                                                                                    |                 |                       |                                                      |                                                        |
| C&I                                     | \$ —                                                                               | \$ 12           | \$ —                  | \$ —                                                 | \$ —                                                   |
| CRE non-owner occupied (1)              | —                                                                                  | 5,814           | —                     | —                                                    | —                                                      |
| HELOC                                   | —                                                                                  | 500             | —                     | —                                                    | —                                                      |
| <b>Total Defaults</b>                   | <b>\$ —</b>                                                                        | <b>\$ 6,326</b> | <b>\$ —</b>           | <b>\$ —</b>                                          | <b>\$ —</b>                                            |
| <b>Defaults as of December 31, 2024</b> |                                                                                    |                 |                       |                                                      |                                                        |
| C&I (2)                                 | \$ —                                                                               | \$ 924          | \$ —                  | \$ —                                                 | \$ —                                                   |
| Construction and land development (3)   | —                                                                                  | 771             | —                     | —                                                    | —                                                      |
| CRE non-owner occupied                  | 1,451                                                                              | —               | —                     | —                                                    | —                                                      |
| <b>Total Defaults</b>                   | <b>\$ 1,451</b>                                                                    | <b>\$ 1,695</b> | <b>\$ —</b>           | <b>\$ —</b>                                          | <b>\$ —</b>                                            |

(1) One loan that defaulted in third quarter 2025 for \$3.04 million was subsequently brought current.

(2) Three of four defaults in first quarter 2024, all subsequently brought current or paid off, \$355 thousand still in default.

(3) Default in second quarter 2024, subsequently brought current.

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| December 31, 2025                   | Payment Status (Amortized Cost Basis) |                       |                   |
|-------------------------------------|---------------------------------------|-----------------------|-------------------|
|                                     | Current                               | 30 - 89 Days Past Due | 90+ Days Past Due |
| <b>Loan Classification</b>          |                                       |                       |                   |
| <b>Commercial Real Estate</b>       |                                       |                       |                   |
| Construction and land development   | \$ 771                                | \$ —                  | \$ —              |
| Owner occupied                      | 6,015                                 | —                     | —                 |
| Non-owner occupied                  | 13,835                                | —                     | 2,671             |
| <b>Total Commercial Real Estate</b> | <b>20,621</b>                         | <b>—</b>              | <b>2,671</b>      |
| <b>Residential 1-4 family</b>       | <b>708</b>                            | <b>—</b>              | <b>—</b>          |
| <b>HELOC</b>                        | <b>1,710</b>                          | <b>—</b>              | <b>500</b>        |
| <b>C&amp;I</b>                      | <b>3,422</b>                          | <b>—</b>              | <b>12</b>         |
| <b>Indirect</b>                     | <b>38</b>                             | <b>—</b>              | <b>—</b>          |
| <b>Consumer and other</b>           | <b>1,421</b>                          | <b>—</b>              | <b>—</b>          |
|                                     | <b>\$ 27,920</b>                      | <b>\$ —</b>           | <b>\$ 3,183</b>   |

| December 31, 2024                   | Payment Status (Amortized Cost Basis) |                       |                   |
|-------------------------------------|---------------------------------------|-----------------------|-------------------|
|                                     | Current                               | 30 - 89 Days Past Due | 90+ Days Past Due |
| <b>Loan Classification</b>          |                                       |                       |                   |
| <b>Commercial Real Estate</b>       |                                       |                       |                   |
| Construction and land development   | \$ 2,354                              | \$ —                  | \$ —              |
| Owner occupied                      | 17,500                                | —                     | —                 |
| Non-owner occupied                  | 20,821                                | —                     | 1,451             |
| <b>Total Commercial Real Estate</b> | <b>40,675</b>                         | <b>—</b>              | <b>1,451</b>      |
| <b>Residential 1-4 family</b>       | <b>1,839</b>                          | <b>—</b>              | <b>—</b>          |
| <b>HELOC</b>                        | <b>98</b>                             | <b>—</b>              | <b>—</b>          |
| <b>C&amp;I</b>                      | <b>9,175</b>                          | <b>—</b>              | <b>355</b>        |
| <b>Consumer and other</b>           | <b>1,462</b>                          | <b>—</b>              | <b>—</b>          |
|                                     | <b>\$ 53,249</b>                      | <b>\$ —</b>           | <b>\$ 1,806</b>   |

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

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

| Loan Classification                 | December 31, 2025 |                      | December 31, 2024 |                      |
|-------------------------------------|-------------------|----------------------|-------------------|----------------------|
|                                     | Number            | Available Commitment | Number            | Available Commitment |
| <b>Commercial Real Estate</b>       |                   |                      |                   |                      |
| Owner occupied                      | 5                 | \$ 1,023             | 2                 | \$ 161               |
| Non-owner occupied                  | —                 | —                    | 2                 | 3,042                |
| <b>Total Commercial Real Estate</b> | <b>5</b>          | <b>1,023</b>         | <b>4</b>          | <b>3,203</b>         |
| <b>Residential 1-4 family</b>       | <b>—</b>          | <b>—</b>             | <b>1</b>          | <b>13</b>            |
| <b>C&amp;I</b>                      | <b>6</b>          | <b>816</b>           | <b>2</b>          | <b>328</b>           |
|                                     | <b>11</b>         | <b>\$ 1,839</b>      | <b>7</b>          | <b>\$ 3,544</b>      |

**TOWNEBANK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 5. ALLOWANCE FOR CREDIT LOSSES ON LOANS**

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

|                                                                             | December 31, 2025 | December 31, 2024 |
|-----------------------------------------------------------------------------|-------------------|-------------------|
| Accrued interest receivable on loans excluded from the estimate of ECL      | \$ 42,858         | \$ 36,297         |
| Individually assessed loans                                                 | 54,767            | 33,681            |
| Specific reserves on individually assessed loans                            | 1,651             | 574               |
| Provision for credit losses on loans and unfunded loan commitments          | \$ 24,069         | \$ (369)          |
| Initial provision for non-PCD Village loans and unfunded loan commitments   | \$ 6,236          | \$ —              |
| Initial provision for non-PCD Old Point loans and unfunded loan commitments | \$ 11,998         | \$ —              |

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 years ended December 31, 2025, 2024, and 2023 (in thousands):

| Twelve Months Ended December 31, 2025 |                                    |                   |          |                   |          |                        |            |            |                              |  |
|---------------------------------------|------------------------------------|-------------------|----------|-------------------|----------|------------------------|------------|------------|------------------------------|--|
|                                       | Balance,<br>Beginning<br>of Period | Initial Provision |          | Initial Allowance |          | Provision<br>(Benefit) | Writeoffs  | Recoveries | Balance,<br>End<br>of Period |  |
|                                       |                                    | Non-PCD Loans     |          | PCD Loans         |          |                        |            |            |                              |  |
|                                       |                                    | Old<br>Point      | Village  | Old<br>Point      | Village  |                        |            |            |                              |  |
| Commercial Real Estate                |                                    |                   |          |                   |          |                        |            |            |                              |  |
| Construction and land development     | \$ 18,158                          | \$ 1,008          | \$ 975   | \$ 93             | \$ —     | \$ (2)                 | \$ (177)   | \$ 149     | \$ 20,204                    |  |
| Owner occupied                        | 14,550                             | 742               | 977      | 94                | 151      | (5,227)                | —          | 91         | 11,378                       |  |
| Non-owner occupied                    | 21,175                             | 1,883             | 954      | 1,290             | 903      | 1,353                  | —          | 34         | 27,592                       |  |
| Multi-family                          | 3,819                              | 300               | 60       | 41                | 21       | 1,589                  | —          | —          | 5,830                        |  |
| Residential 1-4 family                | 30,908                             | 2,658             | 1,577    | 116               | 162      | (3,581)                | (87)       | 44         | 31,797                       |  |
| HELOC                                 | 17,371                             | 2,166             | 873      | 95                | 130      | (33)                   | (12)       | 213        | 20,803                       |  |
| C&I                                   | 9,594                              | 391               | 575      | 40                | 323      | 1,664                  | (1,523)    | 788        | 11,852                       |  |
| Government                            | 2,603                              | 2                 | —        | —                 | —        | 1,370                  | —          | —          | 3,975                        |  |
| Indirect                              | 3,781                              | 2,026             | —        | 217               | —        | 7,519                  | (2,343)    | 262        | 11,462                       |  |
| Consumer and other                    | 1,964                              | 273               | 64       | 62                | 1        | 373                    | (762)      | 475        | 2,450                        |  |
| Total                                 | \$ 123,923                         | \$ 11,449         | \$ 6,055 | \$ 2,048          | \$ 1,691 | \$ 5,025               | \$ (4,904) | \$ 2,056   | \$ 147,343                   |  |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Twelve Months Ended December 31, 2024

|                                   | Balance,<br>Beginning<br>of Period | Provision<br>(Benefit) | Writeoffs         | Recoveries      | Balance,<br>End<br>of Period |
|-----------------------------------|------------------------------------|------------------------|-------------------|-----------------|------------------------------|
| <b>Commercial Real Estate</b>     |                                    |                        |                   |                 |                              |
| Construction and land development | \$ 18,736                          | \$ 58                  | \$ (647)          | \$ 11           | \$ 18,158                    |
| Owner occupied                    | 14,078                             | 457                    | (6)               | 21              | 14,550                       |
| Non-owner occupied                | 22,098                             | (1,099)                | —                 | 176             | 21,175                       |
| Multi-family                      | 3,133                              | 686                    | —                 | —               | 3,819                        |
| <b>Residential 1-4 family</b>     | 32,363                             | (1,560)                | —                 | 105             | 30,908                       |
| <b>HELOC</b>                      | 17,324                             | (52)                   | —                 | 99              | 17,371                       |
| <b>C&amp;I</b>                    | 8,069                              | 865                    | (366)             | 1,026           | 9,594                        |
| <b>Government</b>                 | 3,092                              | (489)                  | —                 | —               | 2,603                        |
| <b>Indirect</b>                   | 4,794                              | 750                    | (2,068)           | 305             | 3,781                        |
| <b>Consumer and other</b>         | 2,774                              | (594)                  | (478)             | 262             | 1,964                        |
| <b>Total</b>                      | <u>\$ 126,461</u>                  | <u>\$ (978)</u>        | <u>\$ (3,565)</u> | <u>\$ 2,005</u> | <u>\$ 123,923</u>            |

### Twelve Months Ended December 31, 2023

|                                   | Balance,<br>Beginning<br>of Period | Initial<br>Provision<br>Non-PCD<br>Loans (1) | Provision<br>(Benefit) | Initial<br>Allowance<br>PCD<br>Loans (1) | Writeoffs         | Recoveries      | Balance,<br>End<br>of Period |
|-----------------------------------|------------------------------------|----------------------------------------------|------------------------|------------------------------------------|-------------------|-----------------|------------------------------|
| <b>Commercial Real Estate</b>     |                                    |                                              |                        |                                          |                   |                 |                              |
| Construction and land development | \$ 20,218                          | \$ 394                                       | \$ (2,082)             | \$ 145                                   | \$ —              | \$ 61           | \$ 18,736                    |
| Owner occupied                    | 10,625                             | 1,059                                        | 2,187                  | 199                                      | (2)               | 10              | 14,078                       |
| Non-owner occupied                | 16,478                             | 385                                          | 5,077                  | 63                                       | —                 | 95              | 22,098                       |
| Multi-family                      | 1,909                              | 11                                           | 1,211                  | 2                                        | —                 | —               | 3,133                        |
| <b>Residential 1-4 family</b>     | 27,688                             | 375                                          | 4,050                  | 94                                       | (1)               | 157             | 32,363                       |
| <b>HELOC</b>                      | 16,766                             | 305                                          | (297)                  | 8                                        | (2)               | 544             | 17,324                       |
| <b>C&amp;I</b>                    | 6,912                              | 810                                          | 2,136                  | 357                                      | (3,751)           | 1,605           | 8,069                        |
| <b>Government</b>                 | 3,176                              | 7                                            | (92)                   | 1                                        | —                 | —               | 3,092                        |
| <b>Indirect</b>                   | 4,172                              | 3                                            | 1,709                  | 1                                        | (1,358)           | 267             | 4,794                        |
| <b>Consumer and other</b>         | 2,872                              | 317                                          | (424)                  | 510                                      | (687)             | 186             | 2,774                        |
| <b>Total</b>                      | <u>\$ 110,816</u>                  | <u>\$ 3,666</u>                              | <u>\$ 13,475</u>       | <u>\$ 1,380</u>                          | <u>\$ (5,801)</u> | <u>\$ 2,925</u> | <u>\$ 126,461</u>            |

(1) Farmers Bankshares Inc. ("Farmers")

The following table presents a roll-forward of the allowance for off-balance-sheet exposure for the years ended December 31, 2025, 2024, and 2023, related to loans held for investment, which is carried in other liabilities on our Consolidated Balance Sheets (in thousands):

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Twelve Months Ended December 31, 2025 |                                    |                                    |                                  |                        |                              |
|---------------------------------------|------------------------------------|------------------------------------|----------------------------------|------------------------|------------------------------|
|                                       | Balance,<br>Beginning<br>of Period | Initial<br>Provision-<br>Old Point | Initial<br>Provision-<br>Village | Provision<br>(Benefit) | Balance,<br>End<br>of Period |
| <b>Commercial Real Estate</b>         |                                    |                                    |                                  |                        |                              |
| Construction and land development     | \$ 1,496                           | \$ 56                              | \$ 25                            | \$ (362)               | \$ 1,215                     |
| Owner occupied                        | 239                                | 7                                  | 43                               | (116)                  | 173                          |
| Non-owner occupied                    | 215                                | 9                                  | 3                                | 4                      | 231                          |
| Multi-family                          | 36                                 | 5                                  | 1                                | 1                      | 43                           |
| <b>Residential 1-4 family</b>         | —                                  | —                                  | —                                | —                      | —                            |
| <b>HELOC</b>                          | 3,053                              | 304                                | 58                               | 196                    | 3,611                        |
| <b>C&amp;I</b>                        | 2,335                              | 74                                 | 50                               | 1,064                  | 3,523                        |
| <b>Government</b>                     | —                                  | —                                  | —                                | —                      | —                            |
| <b>Indirect</b>                       | —                                  | —                                  | —                                | —                      | —                            |
| <b>Consumer and other</b>             | 1,463                              | 94                                 | 1                                | 23                     | 1,581                        |
| <b>Total</b>                          | <u>\$ 8,837</u>                    | <u>\$ 549</u>                      | <u>\$ 181</u>                    | <u>\$ 810</u>          | <u>\$ 10,377</u>             |

| Twelve Months Ended December 31, 2024 |                                    |                        |                              |
|---------------------------------------|------------------------------------|------------------------|------------------------------|
|                                       | Balance,<br>Beginning<br>of Period | Provision<br>(Benefit) | Balance,<br>End<br>of Period |
| <b>Commercial Real Estate</b>         |                                    |                        |                              |
| Construction and land development     | \$ 1,298                           | \$ 198                 | \$ 1,496                     |
| Owner occupied                        | 352                                | (113)                  | 239                          |
| Non-owner occupied                    | 379                                | (164)                  | 215                          |
| Multi-family                          | 111                                | (75)                   | 36                           |
| <b>Residential 1-4 family</b>         | —                                  | —                      | —                            |
| <b>HELOC</b>                          | 3,047                              | 6                      | 3,053                        |
| <b>C&amp;I</b>                        | 1,484                              | 851                    | 2,335                        |
| <b>Government</b>                     | —                                  | —                      | —                            |
| <b>Indirect</b>                       | —                                  | —                      | —                            |
| <b>Consumer and other</b>             | 1,557                              | (94)                   | 1,463                        |
| <b>Total</b>                          | <u>\$ 8,228</u>                    | <u>\$ 609</u>          | <u>\$ 8,837</u>              |

| Twelve Months Ended December 31, 2023 |                                    |                                  |                              |
|---------------------------------------|------------------------------------|----------------------------------|------------------------------|
|                                       | Balance,<br>Beginning<br>of Period | Initial<br>Provision-<br>Farmers | Balance,<br>End<br>of Period |
| <b>Commercial Real Estate</b>         |                                    |                                  |                              |
| Construction and land development     | \$ 648                             | \$ 14                            | \$ 636                       |
| Owner occupied                        | 277                                | 23                               | 352                          |
| Non-owner occupied                    | 284                                | 9                                | 379                          |
| Multi-family                          | 31                                 | —                                | 80                           |
| <b>Residential 1-4 family</b>         | —                                  | 11                               | (11)                         |
| <b>HELOC</b>                          | 2,960                              | 47                               | 3,047                        |
| <b>C&amp;I</b>                        | 1,285                              | 136                              | 1,484                        |
| <b>Government</b>                     | —                                  | 10                               | (10)                         |
| <b>Indirect</b>                       | —                                  | —                                | —                            |
| <b>Consumer and other</b>             | 1,619                              | 92                               | 1,557                        |
| <b>Total</b>                          | <u>\$ 7,104</u>                    | <u>\$ 342</u>                    | <u>\$ 8,228</u>              |

Excluding the Day 1 allowance recorded for acquisitions, our ACL increased \$2.18 million when comparing year end December 31, 2025 to year end December 31, 2024. This increase was driven by limited organic loan growth,

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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changes in portfolio risk profile, and was partially offset by slight improvements in the macroeconomic scenarios we use in our model. 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 government administration, to include increasing tariffs and deportations;
- economic outlook both nationally and for the metropolitan areas within our footprint;
- uncertainty related to inflation and its impact on the movement of the federal funds rate;
- potential impact of current geopolitical situations and retaliation to administrative actions globally;
- changes in unemployment; and
- changes in Gross Domestic Product.

In general, the macroeconomic forecast scenarios utilized in the current quarter models showed some slight improvement, but were relatively unchanged from the previous year. 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. For larger commercial loans, the final risk grade is supported by a custom scorecard. 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.

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

For consumer-related credits, the Company utilizes credit scores calculated and maintained by one of three credit bureaus. Credit scores range between 300 and 850, with a lower score indicating a potentially higher risk. Credit scores are updated semi-annually, with the last update in September 2025.

In the table below, for the years ended December 31, 2025 and 2024, the Company incorporated the gross loan write-offs that were taken in the period, by loan type and year of origination. The following tables provide a breakdown of the Company's loans held for investment by credit score or risk grade and year of origination at December 31, 2025, and December 31, 2024 (in thousands):

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

|                                    | Term Loans By Origination |            |            |            |            |            |                    |                                            |              |  |
|------------------------------------|---------------------------|------------|------------|------------|------------|------------|--------------------|--------------------------------------------|--------------|--|
|                                    | 2025                      | 2024       | 2023       | 2022       | 2021       | Prior      | Revolving<br>Loans | Revolving<br>Loans<br>Converted to<br>Term | Total        |  |
| CRE - Construction and Development |                           |            |            |            |            |            |                    |                                            |              |  |
| Pass                               | \$ 721,764                | \$ 313,250 | \$ 67,548  | \$ 38,551  | \$ 21,868  | \$ 17,992  | \$ 71,508          | \$ 1,950                                   | \$ 1,254,431 |  |
| Special<br>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<br>Writeoffs                 | \$ —                      | \$ —       | \$ —       | \$ 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<br>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<br>Writeoffs                 | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       | \$ —               | \$ —                                       | \$ —         |  |
| CRE - Non-Owner Occupied           |                           |            |            |            |            |            |                    |                                            |              |  |
| Pass                               | \$ 760,891                | \$ 509,709 | \$ 452,910 | \$ 696,656 | \$ 670,026 | \$ 595,730 | \$ 31,892          | \$ 77                                      | \$ 3,717,891 |  |
| Special<br>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<br>Writeoffs                 | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       | \$ —               | \$ —                                       | \$ —         |  |
| CRE - Multi-Family                 |                           |            |            |            |            |            |                    |                                            |              |  |
| Pass                               | \$ 231,867                | \$ 94,092  | \$ 159,855 | \$ 186,161 | \$ 83,545  | \$ 86,222  | \$ 14,369          | \$ —                                       | \$ 856,111   |  |
| Special<br>Mention                 | —                         | —          | —          | 2,101      | —          | —          | —                  | —                                          | 2,101        |  |
| Substandard                        | —                         | —          | —          | —          | —          | —          | —                  | —                                          | —            |  |
|                                    | \$ 231,867                | \$ 94,092  | \$ 159,855 | \$ 188,262 | \$ 83,545  | \$ 86,222  | \$ 14,369          | \$ —                                       | \$ 858,212   |  |
| Gross<br>Writeoffs                 | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       | \$ —               | \$ —                                       | \$ —         |  |
| C&I                                |                           |            |            |            |            |            |                    |                                            |              |  |
| Pass                               | \$ 258,117                | \$ 159,979 | \$ 99,586  | \$ 121,940 | \$ 74,008  | \$ 49,778  | \$ 674,988         | \$ 2,302                                   | \$ 1,440,698 |  |
| Special<br>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<br>Writeoffs                 | \$ —                      | \$ 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<br>Mention                 | —                         | —          | —          | —          | —          | —          | —                  | —                                          | —            |  |
| Substandard                        | —                         | —          | —          | —          | —          | —          | —                  | —                                          | —            |  |
|                                    | \$ 55,948                 | \$ 9,980   | \$ 38,384  | \$ 71,280  | \$ 18,588  | \$ 291,068 | \$ 22,338          | \$ —                                       | \$ 507,586   |  |
| Gross<br>Writeoffs                 | \$ —                      | \$ —       | \$ —       | \$ —       | \$ —       | \$ —       | \$ —               | \$ —                                       | \$ —         |  |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| Term Loans By Origination |              |              |              |              |              |              |                    |                                            |               |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|--------------------------------------------|---------------|
|                           | 2025         | 2024         | 2023         | 2022         | 2021         | Prior        | Revolving<br>Loans | Revolving<br>Loans<br>Converted to<br>Term | Total         |
| Residential 1 - 4 Family  |              |              |              |              |              |              |                    |                                            |               |
| Credit Score:             |              |              |              |              |              |              |                    |                                            |               |
| > = 750                   | \$ 260,378   | \$ 161,205   | \$ 228,658   | \$ 479,989   | \$ 332,009   | \$ 354,368   | \$ 935             | \$ 409                                     | \$ 1,817,951  |
| 650 - 749                 | 31,672       | 26,381       | 46,415       | 93,458       | 67,508       | 78,195       | 273                | —                                          | 343,902       |
| 450 - 649                 | 2,312        | 2,502        | 1,863        | 5,980        | 852          | 6,587        | —                  | —                                          | 20,096        |
| 300 - 449                 | —            | —            | —            | —            | —            | —            | —                  | —                                          | —             |
|                           | \$ 294,362   | \$ 190,088   | \$ 276,936   | \$ 579,427   | \$ 400,369   | \$ 439,150   | \$ 1,208           | \$ 409                                     | \$ 2,181,949  |
| Gross Writeoffs           | \$ —         | \$ 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 Writeoffs           | \$ —         | \$ —         | \$ —         | \$ —         | \$ —         | \$ 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 Writeoffs           | \$ 66        | \$ 298       | \$ 740       | \$ 812       | \$ 304       | \$ 123       | \$ —               | \$ —                                       | \$ 2,343      |
| Consumer 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 Writeoffs           | \$ 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 Writeoffs     | \$ 171       | \$ 1,072     | \$ 776       | \$ 1,012     | \$ 383       | \$ 321       | \$ —               | \$ 1,169                                   | \$ 4,904      |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024

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

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

In estimating ECL, ASC 326 prescribes that if foreclosure is probable, a CDA is required to be measured at the fair value of collateral. If foreclosure is not probable, the borrower is experiencing difficulty and repayment is expected to be repaid by operation of collateral, the Company uses the fair value of collateral less selling costs to determine the ACL. At December 31, 2025 and 2024, CDA loans measured at the fair value of collateral totaled \$47.82 million and \$23.42 million, respectively. There were specific reserves of \$1.11 million at December 31, 2025, compared to no specific reserves associated with these balances at December 31, 2024.

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

|                              | Type of Collateral and Extent to Which Collateral Secures Financial Assets |                     |                     |                 | Financial Assets Not Considered Collateral Dependent | Total         |
|------------------------------|----------------------------------------------------------------------------|---------------------|---------------------|-----------------|------------------------------------------------------|---------------|
|                              | Residential Property                                                       | Investment Property | Commercial Property | Business Assets |                                                      |               |
| December 31, 2025            |                                                                            |                     |                     |                 |                                                      |               |
| Commercial Real Estate       |                                                                            |                     |                     |                 |                                                      |               |
| Construction and 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 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        |                                                      |               |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### Nonaccrual and Past Due Loans

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

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

| December 31, 2025            | Days Past Due |           |          |           |           | Total Past Due | Total Loans | Accruing<br>Loans Over 90<br>Days Past Due |
|------------------------------|---------------|-----------|----------|-----------|-----------|----------------|-------------|--------------------------------------------|
|                              | Current       | 30-59     | 60-89    | Over 90   |           |                |             |                                            |
| Commercial Real Estate       |               |           |          |           |           |                |             |                                            |
| Construction and 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 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      |                                            |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| December 31, 2024            |    | Days Past Due |       |       |         | Total Past Due | Total Loans | Accruing<br>Loans Over 90<br>Days Past Due |    |           |    |            |     |       |
|------------------------------|----|---------------|-------|-------|---------|----------------|-------------|--------------------------------------------|----|-----------|----|------------|-----|-------|
|                              |    | Current       | 30-59 | 60-89 | Over 90 |                |             |                                            |    |           |    |            |     |       |
| Commercial Real Estate       |    |               |       |       |         |                |             |                                            |    |           |    |            |     |       |
| Construction and development | \$ | 1,081,888     | \$    | —     | \$      | 273            | \$          | 273                                        | \$ | 1,082,161 | \$ | —          |     |       |
| Owner occupied               |    | 1,628,407     |       | —     |         | 324            |             | 324                                        |    | 1,628,731 |    | —          |     |       |
| Non-owner occupied           |    | 3,194,369     |       | 846   |         | 1,450          |             | 2,296                                      |    | 3,196,665 |    | —          |     |       |
| Multi-family                 |    | 801,079       |       | —     |         | —              |             | —                                          |    | 801,079   |    | —          |     |       |
| Residential 1-4 family       |    | 1,887,019     |       | 1,686 |         | 535            |             | 2,230                                      |    | 4,451     |    | 1,891,470  | 177 |       |
| HELOC                        |    | 409,259       |       | 216   |         | 244            |             | 875                                        |    | 1,335     |    | 410,594    | 531 |       |
| C&I                          |    | 1,279,698     |       | 184   |         | 109            |             | 403                                        |    | 696       |    | 1,280,394  | —   |       |
| Government                   |    | 513,039       |       | —     |         | —              |             | —                                          |    | 513,039   |    | —          | —   |       |
| Indirect                     |    | 559,898       |       | 4,381 |         | 1,587          |             | 1,379                                      |    | 7,347     |    | 567,245    | 129 |       |
| Consumer and other           |    | 87,154        |       | 75    |         | 16             |             | 432                                        |    | 523       |    | 87,677     | 427 |       |
| Total                        | \$ | 11,441,810    | \$    | 7,388 | \$      | 2,491          | \$          | 7,366                                      | \$ | 17,245    | \$ | 11,459,055 | \$  | 1,264 |

The following table presents the amortized cost basis of loans on nonaccrual status as of the beginning of the reporting period and the end of the reporting period, and the amortized cost basis of nonaccrual loans without specific reserves for the years ended December 31, 2025, and December 31, 2024. Nonaccrual loans, less than \$1 million and not in 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):

|                              | Nonaccrual Loans |                  | Loans 90 Days or<br>More Past Due,<br>Not on<br>Nonaccrual<br>Status as of<br>12/31/2025 | Nonaccrual Loans<br>With No Specific<br>Reserve as of<br>12/31/2025 | Interest Income<br>Recognized as of<br>12/31/2025 |
|------------------------------|------------------|------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------|
|                              | As of 12/31/2024 | As of 12/31/2025 |                                                                                          |                                                                     |                                                   |
| Commercial Real Estate       |                  |                  |                                                                                          |                                                                     |                                                   |
| Construction and 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 and other           | 2                | 21               | 12                                                                                       | 21                                                                  | —                                                 |
| Total                        | \$ 7,424         | \$ 11,726        | \$ 890                                                                                   | \$ 11,187                                                           | \$ 495                                            |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### NOTE 6. FORECLOSED PROPERTY

The table below presents a summary of the activity related to foreclosed property for the years indicated (in thousands):

|                                    | Year Ended December 31, |               |
|------------------------------------|-------------------------|---------------|
|                                    | 2025                    | 2024          |
| Beginning balance                  | \$ 443                  | \$ 908        |
| Acquisitions                       | 2,260                   | 5,063         |
| Additions and capital improvements | 5,115                   | —             |
| Sales                              | (5,212)                 | (5,537)       |
| Gain on sale and write-downs, net  | 28                      | 9             |
| Ending balance                     | <u>\$ 2,634</u>         | <u>\$ 443</u> |

As of December 31, 2025, the Company's recorded investment in OREO collateralized by residential real estate was \$401 thousand and the recorded investment in former bank premises was \$879 thousand. As of December 31, 2025, the Company's recorded investment in mortgage loans collateralized by residential real estate that are in the process of foreclosure was zero compared to \$1.06 million at the prior year end.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7. PREMISES AND EQUIPMENT**

A summary of the cost and accumulated depreciation of premises and equipment is as follows as of the dates indicated (dollars in thousands):

|                               | Useful Life                      | December 31, |            |
|-------------------------------|----------------------------------|--------------|------------|
|                               |                                  | 2025         | 2024       |
| Land and improvements         | —                                | \$ 77,555    | \$ 62,394  |
| Buildings and improvements    | 10 to 45 years                   | 344,457      | 293,014    |
| Autos                         | 3 to 5 years                     | 8,910        | 8,896      |
| Computer equipment            | 2 to 5 years                     | 25,892       | 22,922     |
| Equipment                     | 5 to 10 years                    | 58,469       | 49,039     |
| Furniture and fixtures        | 5 to 20 years                    | 90,255       | 82,564     |
| Leasehold improvements        | Lesser of lease term or 10 years | 37,957       | 35,251     |
| Construction in progress      | —                                | 9,243        | 12,351     |
|                               |                                  | 652,738      | 566,431    |
| Less accumulated depreciation |                                  | (221,751)    | (197,555)  |
| Net premises and equipment    |                                  | \$ 430,987   | \$ 368,876 |

Depreciation and leasehold amortization expense for the years ended December 31, 2025, 2024, and 2023, was \$23.33 million, \$21.89 million, and \$19.74 million, respectively. For the years ended December 31, 2025, 2024, and 2023, capitalized interest associated with fixed assets under construction was \$0.49 million, \$0.54 million, and \$1.15 million, respectively.

**NOTE 8. LEASES**

At December 31, 2025, there were no significant leases that had not yet commenced for which TowneBank 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:

|                             | Leases       |              |
|-----------------------------|--------------|--------------|
|                             | December 31, | December 31, |
| (In thousands)              | 2025         | 2024         |
| <b>Assets</b>               |              |              |
| Operating lease assets      | \$ 45,778    | \$ 48,311    |
| <b>Liabilities</b>          |              |              |
| Operating lease liabilities | \$ 49,974    | \$ 52,554    |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents a summary of activity related to leases for the years ended December 31, 2025 and 2024:

| <i>(In thousands)</i>                                  | <b>Lease Cost</b>              |             |
|--------------------------------------------------------|--------------------------------|-------------|
|                                                        | <b>Year Ended December 31,</b> |             |
|                                                        | <b>2025</b>                    | <b>2024</b> |
| Finance lease cost:                                    |                                |             |
| Amortization of right-of-use assets                    | \$ —                           | \$ 301      |
| Interest on lease liabilities                          | —                              | 1,403       |
| Operating lease cost (1) included in occupancy expense | 12,109                         | 11,910      |
| Variable lease cost included in occupancy expense      | 1,074                          | 987         |
| Sublease income included in occupancy expense          | (283)                          | (250)       |
| Net lease cost                                         | \$ 12,900                      | \$ 14,351   |

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

The following table presents operating lease liability maturities, by year, as of December 31, 2025:

| <i>(In thousands)</i>              | <b>Maturity of Lease Liabilities</b> |
|------------------------------------|--------------------------------------|
|                                    | <b>Operating Leases (1)</b>          |
| 2026                               | \$ 10,283                            |
| 2027                               | 9,611                                |
| 2028                               | 8,806                                |
| 2029                               | 6,540                                |
| 2030                               | 4,771                                |
| Thereafter                         | 31,986                               |
| Total lease payments               | \$ 71,997                            |
| Less: interest                     | 22,023                               |
| Present value of lease liabilities | \$ 49,974                            |

(1) Operating lease payments include \$26.95 million related to options to extend lease terms that are reasonably certain of being exercised.

Note: Minimum lease payments exclude payments to landlords for real estate taxes and common area maintenance.

The following table presents the lease term and discount rate for the years indicated:

|                                                                       | <b>Lease Term and Discount Rate</b> |             |
|-----------------------------------------------------------------------|-------------------------------------|-------------|
|                                                                       | <b>Year Ended December 31,</b>      |             |
|                                                                       | <b>2025</b>                         | <b>2024</b> |
| Weighted - average remaining lease term - operating leases (in years) | 12.47                               | 12.93       |
| Weighted - average discount rate - operating leases                   | 6.30%                               | 5.90%       |

# TOWNEBANK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents other information with regard to leases for the years indicated:

| (In thousands)                                                         | Other Information       |           |
|------------------------------------------------------------------------|-------------------------|-----------|
|                                                                        | Year Ended December 31, |           |
|                                                                        | 2025                    | 2024      |
| Cash paid for amounts included in the measurement of lease liabilities |                         |           |
| Operating cash flows for operating leases                              | \$ 10,632               | \$ 10,478 |
| Related Party Transactions (1)                                         |                         |           |
| Rent expense included in occupancy expense                             | \$ 2,430                | \$ 2,179  |

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

We lease office space to unrelated parties in several of our owned properties. Rental income for the year ended December 31, 2025, was \$3.94 million, compared to \$2.29 million for 2024, and \$1.56 million for 2023. Future minimum rental income by year and in the aggregate, under noncancellable operating leases, was as follows at December 31, 2025 (in thousands):

|            |                  |
|------------|------------------|
| 2026       | \$ 3,351         |
| 2027       | 2,306            |
| 2028       | 2,186            |
| 2029       | 1,756            |
| 2030       | 1,441            |
| Thereafter | 5,362            |
|            | <u>\$ 16,402</u> |

### NOTE 9. GOODWILL AND INTANGIBLE ASSETS

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

|                                                      | December 31,          |                          |                       |                          |
|------------------------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                                                      | 2025                  |                          | 2024                  |                          |
|                                                      | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| <b>Intangible assets subject to amortization</b>     |                       |                          |                       |                          |
| Core deposit intangible                              | \$ 89,030             | \$ 33,229                | \$ 36,620             | \$ 24,767                |
| Non-compete agreements                               | 205                   | 176                      | 205                   | 142                      |
| Customer lists                                       | 73,663                | 44,925                   | 78,235                | 41,940                   |
| Total intangible assets subject to amortization      | 162,898               | 78,330                   | 115,060               | 66,849                   |
| <b>Intangible assets not subject to amortization</b> |                       |                          |                       |                          |
| Trade names                                          | 8,729                 | —                        | 8,729                 | —                        |
| Contractual agreements                               | 3,231                 | —                        | 3,231                 | —                        |
| Total intangible assets not subject to amortization  | 11,960                | —                        | 11,960                | —                        |
| <b>Total intangible assets</b>                       | <u>\$ 174,858</u>     | <u>\$ 78,330</u>         | <u>\$ 127,020</u>     | <u>\$ 66,849</u>         |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aggregate amortization expense for intangible assets with finite lives for the year ended December 31, 2025, was \$16.78 million, compared to \$12.77 million for 2024, and \$14.16 million for 2023. The estimated aggregate annual amortization expense for each of the five years subsequent to December 31, 2025, is as follows: 2026, \$19.84 million; 2027, \$16.39 million; 2028, \$14.37 million; 2029, \$11.92 million; and 2030, \$9.56 million.

During 2025, the Company recorded an increase of \$136.46 million to goodwill and a \$47.84 million increase in intangible assets primarily related to the acquisitions of Old Point and Village. During 2024, the Company recorded an increase of \$1.28 million to goodwill and a \$2.39 million increase in intangible assets primarily related to the acquisition of a vacation property management company.

Changes in the carrying amount of goodwill related to each of the Company's segments as of the dates indicated are as follows (in thousands):

|                                     | Bank              | Mortgage        | Resort<br>Vacation<br>Management | Insurance        | Consolidated<br>Totals |
|-------------------------------------|-------------------|-----------------|----------------------------------|------------------|------------------------|
| Balance at December 31, 2023        | \$ 347,822        | \$ 8,162        | \$ 16,680                        | \$ 83,671        | \$ 456,335             |
| Acquisitions                        | —                 | —               | 1,284                            | —                | 1,284                  |
| Balance at December 31, 2024        | \$ 347,822        | \$ 8,162        | \$ 17,964                        | \$ 83,671        | \$ 457,619             |
| Acquisitions                        | 136,461           | —               | —                                | —                | 136,461                |
| <b>Balance at December 31, 2025</b> | <b>\$ 484,283</b> | <b>\$ 8,162</b> | <b>\$ 17,964</b>                 | <b>\$ 83,671</b> | <b>\$ 594,080</b>      |

### NOTE 10. BANK-OWNED LIFE INSURANCE POLICIES

The total carrying amount of bank-owned life insurance as of December 31, 2025 and 2024, was \$337.43 million and \$279.80 million, respectively. The Company recognized BOLI income, included in noninterest income, of \$8.92 million, \$11.44 million, and \$7.40 million for the years ended December 31, 2025, 2024, and 2023, respectively.

### NOTE 11. DEPOSITS

A summary of time deposits by maturity at December 31, 2025, is shown in the following table (dollars in thousands):

| Maturity            | Total               |
|---------------------|---------------------|
| 2026                | \$ 2,614,740        |
| 2027                | 77,129              |
| 2028                | 8,330               |
| 2029                | 5,427               |
| 2030 and thereafter | 6,698               |
|                     | <u>\$ 2,712,324</u> |

At year-end 2025, TowneBank had a total of \$86.30 million in no-penalty time deposits as compared to \$141.47 million at December 31, 2024. The aggregate amount of time deposits of \$250 thousand or more was \$1.00 billion and \$966.59 million at December 31, 2025 and 2024, respectively.

Some of the Company's officers and directors, and the respective companies in which the officers and directors have a financial interest, have deposit relationships with the Company. Related party deposits amounted to approximately \$107.68 million and \$94.89 million at December 31, 2025 and 2024, respectively.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 12. 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.

The following table summarizes our advances and line available from the FHLB for the years ended December 31 (dollars in thousands):

|                                       | 2025         | 2024         |
|---------------------------------------|--------------|--------------|
| Balance outstanding at end of year    | \$ 52,452    | \$ 3,218     |
| Average balance outstanding           | \$ 23,759    | \$ 63,440    |
| Maximum outstanding at any month-end  | \$ 52,646    | \$ 203,958   |
| Average interest rate during the year | 3.95 %       | 5.42 %       |
| Average interest rate at end of year  | 3.96 %       | 3.18 %       |
| Unused line of credit at end of year  | \$ 5,677,304 | \$ 4,978,189 |

The scheduled maturity dates, call dates, and related fixed interest rates on advances from the FHLB at December 31, 2025, are summarized as follows (dollars in thousands):

| Maturity Date | Interest Rate | Call/Reset Date | Outstanding Amount |
|---------------|---------------|-----------------|--------------------|
| 03/13/2026    | 4.04%         | —               | \$ 5,000           |
| 03/15/2027    | 3.90%         | —               | 5,000              |
| 11/15/2028    | 3.43%         | —               | 1,441              |
| 12/01/2028    | 2.83%         | —               | 1,011              |
| 07/09/2027    | 4.33%         | 07/09/2026      | 20,000             |
| 07/09/2029    | 3.69%         | 04/09/2026      | 20,000             |
|               |               |                 | <u>\$ 52,452</u>   |

FHLB advances are secured by a blanket floating lien on certain 1-4 family residential, multi-family, HELOCs, second mortgages, commercial mortgages, and securities with carrying values of \$2.99 billion at December 31, 2025.

Information concerning securities sold under agreements to repurchase and federal funds purchased for the years indicated is summarized as follows (dollars in thousands):

|                                                                           | 2025      | 2024      |
|---------------------------------------------------------------------------|-----------|-----------|
| Balance outstanding at end of year                                        | \$ 34,817 | \$ 33,683 |
| Average balance outstanding                                               | \$ 25,047 | \$ 32,008 |
| Maximum outstanding at any month-end                                      | \$ 34,817 | \$ 40,247 |
| Market value of securities pledged as collateral for REPOs at end of year | \$ 58,987 | \$ 59,002 |
| Average interest rate during the year                                     | 0.84 %    | 0.80 %    |
| Average interest rate at end of year                                      | 0.61 %    | 0.74 %    |

All REPOs are overnight short-term investments and are not insured by the FDIC. Securities pledged as collateral under these REPO financing arrangements consisted primarily of MBS issued by GSEs and cannot be sold or

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

repledged by the secured party, and are therefore accounted for as a secured borrowing. Collateral pledging requirements with REPOs are monitored daily. The market value of securities pledged could decline; however, due to the overnight short-term nature of REPOs, potential risk due to a decline in the value of the pledged collateral is low. The carrying amount of repurchase agreements and other borrowings approximates fair value due to the short-term nature of these instruments.

In addition, federal funds lines with other financial institutions of \$150.00 million were available at December 31, 2025, for short-term funding needs. Federal funds purchased are overnight, unsecured borrowings. Further, the Company had loan participation lines and reverse repurchase agreements with various financial institutions available at December 31, 2025 and 2024, which provide potential additional funding, but had zero outstanding in both periods.

The following table presents information related to our subordinated notes, as of the dates indicated (in thousands):

|                                                           | December 31, 2025 | December 31, 2024 |
|-----------------------------------------------------------|-------------------|-------------------|
| Carrying value of capital notes assumed with acquisitions | \$ 31,280         | \$ 8,003          |
| Carrying value of Company issued capital notes            | 249,278           | 248,659           |
| Carrying value of Series IV Towne Investment Units        | 3,312             | 3,339             |
| Total                                                     | <u>\$ 283,870</u> | <u>\$ 260,001</u> |

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

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

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

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

#### NOTE 13. COMMITMENTS

TowneBank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

standby letters of credit. Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments and involves, to varying degrees, elements of credit risk, which have not been recognized on the balance sheet. The contract amount of these instruments reflects the extent of the Company's involvement or "credit risk." An allowance for credit losses from off-balance-sheet commitments is included in other liabilities.

The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Unless noted otherwise, collateral or other security is required to support financial instruments with credit risk.

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

| December 31,                                                        | 2025         | 2024         |
|---------------------------------------------------------------------|--------------|--------------|
| Financial instruments whose contract amounts represent credit risk: |              |              |
| Commitments to extend credit                                        | \$ 4,744,512 | \$ 4,098,088 |
| Standby letters of credit                                           | 162,746      | 185,538      |
| Allowance for credit losses from off-balance-sheet credit exposures | 10,377       | 8,837        |
| Mortgage loans sold to investors with estimated recourse            | 1,547,824    | 1,331,206    |
| Mortgage warranty provision on mortgage loans sold                  | 41,599       | 31,954       |

Commitments to extend credit are agreements to lend to a customer as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, income-producing commercial properties, and real estate.

Standby letters of credit are conditional commitments issued to guarantee performance of a customer to a third party. The letters of credit are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is similar to the risk involved in extending loan facilities to customers. Collateral supporting those commitments is generally held, if deemed necessary. Management considered the allowance for estimated losses from such provisions adequate at December 31, 2025. Management does not anticipate any material losses will arise from additional disbursements of the aforementioned lines or standby letters of credit.

Various legal actions arise from time to time in the normal course of our business. There were no significant asserted claims or assessments at December 31, 2025. Management was not aware of any unasserted claims or assessments that may be probable of assertion at December 31, 2025.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### NOTE 14. RETIREMENT PLANS

##### *Defined Contribution Plans*

The Company has a defined contribution 401(k) plan. All employees who are at least 18 years of age and have completed one month of service are eligible to participate. Under the plan, employees may contribute a percentage of their annual salary, subject to statutory limitations, and the Company will make a discretionary match of the employees' contributions up to 6% of their salary. The Company matched employee contributions up to 3% in 2025, 2024, and 2023. The Company may also make an additional discretionary contribution; there were no discretionary contributions for the years ended December 31, 2025, 2024, or 2023. The Company made matching contributions of \$6.34 million, \$5.86 million, and \$5.65 million for the years ended December 31, 2025, 2024, and 2023, respectively.

The Company has a non-qualified deferred compensation plan that allows certain executives, senior officers, and other employees to defer payment of up to 100% of their base salary and annual bonus. The Company has the option to match an employee's combined non-qualified deferred compensation and 401(k) deferrals up to a maximum of 6% of his or her salary. The Company does not match contributions made by employees who are participants in the SERP, described below.

Funds for the non-qualified deferred compensation plan are held in a rabbi trust and invested in certificates of deposit, which are included in interest-bearing deposits on the balance sheet. Changes in the obligation are recorded in compensation expense, which resulted in an increase in expenses of \$1.48 million, \$1.46 million, and \$1.36 million for the years ended December 31, 2025, 2024, and 2023, respectively. The Company did not make matching contributions to the plan for the years ended December 31, 2025, 2024, or 2023.

##### *Retirement Plans*

The Company has a non-contributory, unfunded SERP for certain officers and key employees. The SERP is intended to provide retirement benefits and postretirement health benefits to individuals covered under the plan. SERP agreements with the officers provide that upon attainment of retirement age, generally at 65, the participating officer will be entitled to receive a retirement benefit equal to either (i) a designated percentage, ranging from 30% to 50% of their base salary depending on their level of seniority, with an annual 4% increase until retirement, or (ii) a fixed targeted benefit amount. The retirement benefit is payable over a 10-year, 15-year, or 20-year period, beginning upon the later of separation of service or the attainment of contractual retirement age. SERP agreements provide for an annual vesting schedule until the participating officer reaches retirement age. In the case of a participating officer's voluntary termination of employment, disability, or termination for cause, the annual amount payable under the SERP is equal to the amount of the vested benefit earned as of the date of termination of employment. In the case of involuntary termination without cause or termination of employment for good reason by the participating officer, the participating officer becomes fully vested in the full retirement benefit. Upon termination of employment, payment of the retirement benefit generally does not begin until the participating officer reaches the designated retirement age set forth in the SERP agreement. In the event of death, the full amount of the retirement benefit is payable. We also provide postretirement benefits other than pensions for certain employees, which include health care, dental care, Medicare Part B reimbursement, and life insurance benefits. Benefits under this plan are accounted for under the guidance of ASC 715, *Compensation - Retirement Benefits*.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth changes in benefit obligations and financial data relative to the retirement plans. The accrued liability is recorded on the Consolidated Balance Sheets as a component of other liabilities for the periods indicated (in thousands):

| December 31,                                                     | SERP               |                    | Other Postretirement Benefits |                 |
|------------------------------------------------------------------|--------------------|--------------------|-------------------------------|-----------------|
|                                                                  | 2025               | 2024               | 2025                          | 2024            |
| <i>Change in benefit obligation</i>                              |                    |                    |                               |                 |
| Benefit obligation, beginning of year                            | \$ 53,175          | \$ 46,970          | \$ 567                        | \$ 551          |
| Service cost                                                     | 4,116              | 3,970              | —                             | —               |
| Interest cost                                                    | 2,762              | 2,495              | 33                            | 28              |
| Net amortization                                                 | (885)              | (1,322)            | (106)                         | (192)           |
| Benefits paid                                                    | (2,096)            | (2,106)            | (27)                          | (24)            |
| Prior service cost                                               | (179)              | (717)              | —                             | 55              |
| Net actuarial (gain) loss                                        | (223)              | 3,885              | 182                           | 149             |
| Benefit obligation, end of year                                  | <u>\$ 56,670</u>   | <u>\$ 53,175</u>   | <u>\$ 649</u>                 | <u>\$ 567</u>   |
| <i>Change in plan assets</i>                                     |                    |                    |                               |                 |
| Fair value of plan assets, beginning of year                     | \$ —               | \$ —               | \$ —                          | \$ —            |
| Employer contributions                                           | 2,096              | 2,106              | 27                            | 24              |
| Benefits paid                                                    | (2,096)            | (2,106)            | (27)                          | (24)            |
| Fair value of plan assets, end of year                           | <u>\$ —</u>        | <u>\$ —</u>        | <u>\$ —</u>                   | <u>\$ —</u>     |
| Funded status, end of year                                       | <u>\$ (56,670)</u> | <u>\$ (53,175)</u> | <u>\$ (649)</u>               | <u>\$ (567)</u> |
| Accumulated benefit obligation, end of year                      | <u>\$ 52,904</u>   | <u>\$ 49,356</u>   | <u>\$ 649</u>                 | <u>\$ 567</u>   |
| <i>Amounts recognized in other comprehensive income, pre-tax</i> |                    |                    |                               |                 |
| Prior service cost                                               | <u>\$ (179)</u>    | <u>\$ (717)</u>    | <u>\$ —</u>                   | <u>\$ 55</u>    |
| Net actuarial (gain) loss                                        | <u>\$ (223)</u>    | <u>\$ 3,885</u>    | <u>\$ 182</u>                 | <u>\$ 149</u>   |

The components of the net periodic benefit cost are as follows (in thousands):

|                           | SERP            |                 |                 | Other Postretirement Benefits |                 |                 |
|---------------------------|-----------------|-----------------|-----------------|-------------------------------|-----------------|-----------------|
|                           | 2025            | 2024            | 2023            | 2025                          | 2024            | 2023            |
| Service cost              | \$ 4,116        | \$ 3,970        | \$ 3,434        | \$ —                          | \$ —            | \$ —            |
| Interest cost             | 2,762           | 2,495           | 2,526           | 33                            | 28              | 32              |
| Prior service cost        | 661             | 717             | 717             | (34)                          | (55)            | (55)            |
| Net amortization          | (1,546)         | (2,039)         | (2,105)         | (106)                         | (137)           | (198)           |
| Net periodic benefit cost | <u>\$ 5,993</u> | <u>\$ 5,143</u> | <u>\$ 4,572</u> | <u>\$ (107)</u>               | <u>\$ (164)</u> | <u>\$ (221)</u> |

The service cost component of net periodic benefit costs is included in salaries and employee benefits. All other components of net periodic benefit costs are included in other expenses.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized as a component of accumulated other comprehensive income that have not yet been recognized as a component of net periodic benefit cost for the periods indicated consist of the following (in thousands):

| December 31,                                                                  | SERP              |                   | Other Postretirement Benefits |                 |
|-------------------------------------------------------------------------------|-------------------|-------------------|-------------------------------|-----------------|
|                                                                               | 2025              | 2024              | 2025                          | 2024            |
| Prior service cost                                                            | \$ 1,240          | \$ 1,418          | \$ —                          | \$ (34)         |
| Net actuarial gain                                                            | (8,192)           | (7,968)           | (172)                         | (354)           |
| Deferred tax benefit                                                          | 1,503             | 1,424             | 37                            | 84              |
| Amounts included in accumulated other comprehensive income (loss), net of tax | <u>\$ (5,449)</u> | <u>\$ (5,126)</u> | <u>\$ (135)</u>               | <u>\$ (304)</u> |

Pre-tax amounts recorded in accumulated other comprehensive income as of December 31, 2025, that are expected to be recognized as a component of our net periodic benefit cost in 2026 consist of the following (in thousands):

|                           | SERP          | Other Postretirement Benefits |
|---------------------------|---------------|-------------------------------|
| Net actuarial (gain) loss | \$ (1,484)    | \$ (57)                       |
| Prior service cost        | <u>\$ 531</u> | <u>\$ —</u>                   |

The Company used certain weighted average assumptions to determine benefit obligations and net benefit costs, including discount rate and rate of increase in future compensation levels. The discount rate used to determine net periodic benefit cost and benefit obligation of the SERP was 5.44% in 2025, 5.25% in 2024, and 6.01% in 2023. The rate of increase in future compensation levels used was 4.0% in 2025, 2024, and 2023. The discount rate used to determine net periodic benefit cost and benefit obligation of other postretirement benefits was 5.44% in 2025, 5.25% in 2024, and 6.01% in 2023. When estimating the discount rate, we review yields available on high-quality, fixed-income debt instruments and use a yield curve model from which the discount rate is derived by applying the projected benefit payments under the plan to points on a published yield curve.

The following table sets forth expected future benefit payments, which include expected future service, for the periods indicated (in thousands):

| Year        | SERP     | Other Postretirement Benefits |
|-------------|----------|-------------------------------|
| 2026        | \$ 3,790 | \$ 49                         |
| 2027        | 4,669    | 52                            |
| 2028        | 4,867    | 55                            |
| 2029        | 4,896    | 59                            |
| 2030        | 5,203    | 62                            |
| 2031 - 2035 | 30,490   | 294                           |

In conjunction with its acquisition of Paragon, the Company assumed the liabilities related to Paragon's existing non-qualifying supplemental retirement contractual agreements with several key executives. The executives were fully vested in their benefits prior to the acquisition. The agreements typically require a fixed retirement benefit paid over a 20-year period following retirement. In conjunction with its acquisition of Farmers, the Company assumed liabilities related to Farmer's existing non-qualifying supplemental retirement contractual agreements with two fully vested retired executives. These agreements are for lifetime payments. In conjunction with its acquisition of Village, the Company assumed liabilities related to Village's existing non-qualifying supplemental retirement contractual agreements with several key executives. The agreements typically require a fixed retirement benefit paid over a 15-year period following retirement.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The agreements are accounted for under ASC 710, *Compensation - General*. The following table sets forth changes in benefit obligations and financial data relative to the retirement plans. The accrued liability is recorded on the Consolidated Balance Sheets as a component of other liabilities for the periods indicated (in thousands):

| December 31,                             | 2025     | 2024     |
|------------------------------------------|----------|----------|
| Benefit obligation, beginning of year    | \$ 6,344 | \$ 5,980 |
| Accrued liability assumed at acquisition | 2,398    | —        |
| Service cost                             | (40)     | 297      |
| Interest cost                            | 431      | 311      |
| Benefits paid                            | (396)    | (244)    |
| Benefit obligation, end of year          | \$ 8,737 | \$ 6,344 |

The discount rate used to determine net periodic benefit costs was 5.44% in 2025, 5.25% in 2024, and 6.01% in 2023.

#### NOTE 15. SHARE-BASED COMPENSATION

The Company maintains a share-based compensation plan that provides for the granting of incentive and non-statutory stock options and awards of restricted common stock. In May 2025, shareholders approved the TowneBank 2025 Stock Incentive Plan ("2025 Plan"), which became effective May 14, 2025, and has a termination date of April 30, 2035. The 2025 Plan replaced the TowneBank 2017 Stock Incentive Plan ("2017 Plan"), and no additional awards were made under the 2017 Plan after the effective date of the 2025 Plan.

The 2025 Plan is administered by the Compensation Committee of the Board of Directors ("Compensation Committee"). The maximum aggregate number of shares that may be issued under the 2025 Plan may not exceed 1.80 million. The Company has a policy of using authorized and unissued common shares to satisfy share option exercises and vesting of restricted stock awards. At December 31, 2025, approximately 1.68 million common shares were available for issuance under the 2025 Plan.

*Stock options:* For stock options granted under the 2025 Plan, the stock option price cannot be less than the fair market value of the stock on the date granted. The Compensation Committee determines the exercise price for certain awards, and it can be based on future service. An option's maximum contractual term is 10 years from the date of grant. Options granted under the 2025 Plan are subject to vesting requirements ranging from two to 10 years. For the years ended December 31, 2025, 2024, and 2023, there were no stock options granted, no activity to report, and no unvested stock options.

For the years ended December 31, 2025, 2024, and 2023, the tax benefit on cash paid for stock options exercised and compensation expense related to stock options was immaterial. As of December 31, 2025, there was no unrecognized compensation cost related to unvested stock option awards.

*Restricted stock awards ("RSAs") and restricted stock units ("RSUs"):* Under the 2025 Plan, recipients of RSAs have full voting rights and are generally entitled to dividends on the common stock. RSAs issued under the 2017 Plan are also entitled to dividends as they are paid. Under the 2025 Plan, dividends on RSAs are accumulated and retained for the grantee by the Company until the stock vests. Accumulated cash and stock dividends on restricted stock awards are distributed with the award at vesting. Recipients of RSUs are entitled to receive shares of common stock after the applicable restrictions lapse. Recipients of RSUs are not entitled to receive cash dividends related to the underlying common stock during the period the RSUs are outstanding, and are not entitled to voting

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

rights. RSAs granted under the Plan are generally subject to vesting requirements ranging from two to 10 years. The shares are subject to forfeiture if vesting and other contractual provision requirements are not met. Generally, the value of RSAs and RSUs will equal the fair value of our common stock on the date of grant, and the expense is recognized over the vesting period.

The following tables show a summary of activity for RSAs and RSUs, assuming the weighted-average price being the weighted-average fair value at the date of grant for the years ended:

| Restricted Stock Awards     |                   |           |                   |           |                   |           |
|-----------------------------|-------------------|-----------|-------------------|-----------|-------------------|-----------|
|                             | December 31, 2025 |           | December 31, 2024 |           | December 31, 2023 |           |
|                             | Number            | Weighted- | Number            | Weighted- | Number            | Weighted- |
|                             | of Shares         | Average   | of Units          | Average   | of Units          | Average   |
|                             |                   | Price     |                   | Price     |                   | Price     |
| Unvested, beginning balance | 144,950           | \$ 31.44  | 113,363           | \$ 28.44  | 144,772           | \$ 28.12  |
| Granted                     | 55,397            | 34.70     | 78,429            | 33.79     | 18,270            | 30.33     |
| Vested                      | (53,303)          | 30.49     | (46,842)          | 28.11     | (49,679)          | 28.22     |
| Forfeited                   | —                 | —         | —                 | —         | —                 | —         |
| Unvested, ending balance    | 147,044           | \$ 33.01  | 144,950           | \$ 31.44  | 113,363           | \$ 28.44  |

| Restricted Stock Units      |                   |           |                   |           |                   |           |
|-----------------------------|-------------------|-----------|-------------------|-----------|-------------------|-----------|
|                             | December 31, 2025 |           | December 31, 2024 |           | December 31, 2023 |           |
|                             | Number            | Weighted- | Number            | Weighted- | Number            | Weighted- |
|                             | of Units          | Average   | of Units          | Average   | of Units          | Average   |
|                             |                   | Price     |                   | Price     |                   | Price     |
| Unvested, beginning balance | 644,428           | \$ 28.55  | 650,936           | \$ 28.26  | 579,379           | \$ 28.09  |
| Granted                     | 324,828           | 35.99     | 240,057           | 28.55     | 256,472           | 28.08     |
| Vested                      | (255,187)         | 28.63     | (233,149)         | 27.67     | (161,826)         | 27.14     |
| Forfeited                   | (18,535)          | 36.29     | (13,416)          | 29.63     | (23,334)          | 29.81     |
| Unvested, ending balance    | 695,534           | \$ 31.79  | 644,428           | \$ 28.55  | 650,691           | \$ 28.26  |

The following table provides information related to our RSAs and RSUs, for the years ended:

| (in thousands)                                           | December 31,<br>2025 | December 31,<br>2024 | December 31,<br>2023 |
|----------------------------------------------------------|----------------------|----------------------|----------------------|
| Compensation expense related to stock awards             | \$ 9,714             | \$ 7,873             | \$ 7,022             |
| Fair value of RSAs vested during the year                | 1,625                | 1,316                | 1,402                |
| Fair value of RSUs vested during the year                | 7,307                | 6,452                | 4,392                |
| Total unrecognized compensation related to unvested RSAs | 3,771                | 3,858                | 2,460                |
| Total unrecognized compensation related to unvested RSUs | 16,808               | 13,495               | 13,800               |
| Expected recognition period in years:                    |                      |                      |                      |
| Unvested RSAs                                            | 2.40                 | 3.10                 | 2.83                 |
| Unvested RSUs                                            | 2.93                 | 2.87                 | 2.98                 |

The Company has a directors' deferred compensation plan whereby the directors may elect to defer up to 100% of their directors' fees. All deferred compensation is invested in the Company's common stock and is held in a rabbi trust. The stock is held in the nominee name of the trustee, and the principal and earnings of the trust are held

## TOWNEBANK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

separate and apart from other funds of the Company, and are used exclusively for the uses and purposes of the deferred compensation agreement. The accounts of the trust have been consolidated in the financial statements of the Company, with common stock reported separately in a manner similar to treasury stock (that is, changes in fair value are not recognized) and a corresponding deferred compensation obligation reflected in additional paid-in capital of \$23.29 million and \$21.87 million at December 31, 2025 and 2024, respectively.

#### NOTE 16. STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN, AND DIVIDEND RESTRICTIONS

The Company has a Member Stock Purchase and Dividend Reinvestment Plan to raise additional capital by providing a convenient and cost-effective way for shareholders, customers, and employees to purchase shares of TowneBank common stock. In connection with the member stock purchase component of the plan for the year ended December 31, 2025, the Company entered the open market and acquired 50,728 shares at an average price of \$34.52 per share. In connection with the dividend reinvestment component of the plan for the year ended December 31, 2025, the Company entered the open market and acquired 180,477 shares at an average price of \$33.21 per share.

In connection with the member stock purchase component of the plan for the year ended December 31, 2024, the Company entered the open market and acquired 60,994 shares at an average price of \$30.00 per share. In connection with the dividend reinvestment component of the plan for the year ended December 31, 2024, the Company entered the open market and acquired 208,478 shares at an average price of \$29.40 per share.

TowneBank, as a Virginia banking corporation, may pay cash dividends only out of retained earnings. The following table shows the quarterly dividend history for the periods indicated (in ones):

| Applicable Quarter  | Per Share Amount | Declaration Date  | Paid Date        |
|---------------------|------------------|-------------------|------------------|
| First Quarter 2023  | \$ 0.23          | February 22, 2023 | April 12, 2023   |
| Second Quarter 2023 | \$ 0.25          | May 24, 2023      | July 14, 2023    |
| Third Quarter 2023  | \$ 0.25          | August 23, 2023   | October 13, 2023 |
| Fourth Quarter 2023 | \$ 0.25          | November 29, 2023 | January 12, 2024 |
| First Quarter 2024  | \$ 0.25          | February 28, 2024 | April 12, 2024   |
| Second Quarter 2024 | \$ 0.25          | May 29, 2024      | July 12, 2024    |
| Third Quarter 2024  | \$ 0.25          | August 28, 2024   | October 11, 2024 |
| Fourth Quarter 2024 | \$ 0.25          | November 27, 2024 | January 14, 2025 |
| First Quarter 2025  | \$ 0.25          | February 26, 2025 | April 11, 2025   |
| Second Quarter 2025 | \$ 0.27          | May 14, 2025      | July 11, 2025    |
| Third Quarter 2025  | \$ 0.27          | August 27, 2025   | October 10, 2025 |
| Fourth Quarter 2025 | \$ 0.27          | November 26, 2025 | January 7, 2026  |

Declaration of future cash dividends will depend on our earnings, our capital position, and other factors. 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.

#### NOTE 17. REVENUE

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):

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| For the year ended December 31,                                                              | 2025       | 2024      | 2023      |
|----------------------------------------------------------------------------------------------|------------|-----------|-----------|
| <b>Revenue from Contracts with Customers:</b>                                                |            |           |           |
| <b>(1) Investment management income</b>                                                      |            |           |           |
| Investment commissions, net                                                                  | \$ 13,318  | \$ 10,953 | \$ 8,962  |
| Total                                                                                        | \$ 13,318  | \$ 10,953 | \$ 8,962  |
| <b>(2) Insurance income</b>                                                                  |            |           |           |
| Property and casualty insurance income, net                                                  | \$ 86,228  | \$ 84,342 | \$ 75,636 |
| Benefit insurance income, net                                                                | 14,785     | 14,220    | 14,225    |
| Total                                                                                        | \$ 101,013 | \$ 98,562 | \$ 89,861 |
| <b>(3) Real estate and property management income</b>                                        |            |           |           |
| Real estate brokerage income, net                                                            | \$ —       | \$ —      | \$ 3,530  |
| Property management income, net                                                              | 57,620     | 50,028    | 47,083    |
| Total                                                                                        | \$ 57,620  | \$ 50,028 | \$ 50,613 |
| Provision expense (release) for credit losses on property and casualty insurance receivables | \$ (438)   | \$ (142)  | \$ 338    |

Property management income, net has been revised in prior periods to reflect a change in the timing of revenue recognition. This revision did not have a material impact on the financial statements. See Note 1, "Summary of Significant Accounting Policies" for additional details.

- (1) Investment management services are provided by TWM, which are included in the line item other income in the Banking segment of TowneBank. TWM markets services to our customers on behalf of RJFS, a broker-dealer and investment advisory firm registered with the SEC and a member of the Financial Industry Regulatory Authority. RJFS provides our customers brokerage and investment advisory services for the purchase and sale of nondeposit investment and/or insurance products.
- (2) Insurance revenue is included in the Insurance segment. The Insurance segment's performance obligation is related to the referral of business to third-party insurance companies. Contingent income is estimated and recorded at the time of the sale of the insurance policy to the extent it is probable that there will not be a material amount of the income reversed. The provision expense (release) for credit losses related to property and casualty receivables is recorded in property and casualty insurance income.
- (3) Property management revenues fall within the Resort Vacation Management segment. Performance obligations for resort property management revenues are generally satisfied either at the time of a reservation or ratably over the guest's stay. See Note 1 for additional discussion.

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

Prior to the sale of BHHS Towne Realty, the Company provided real estate services and residential and title insurance. Revenue was mainly in the form of commission and title income. The revenue was earned on both residential and commercial properties. Real estate revenues fell within the Mortgage segment. Revenue was recognized as commissions and title income were received. Performance obligations were satisfied with the receipt of commissions and fee income, which completed the revenue recognition process.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Remaining performance obligations related to ASC 606 application to the above revenue streams represent performance obligations with an original contract term greater than one year, which are fully or partially unsatisfied at the end of the period. The Company had no material contract assets or contract liabilities recorded on the Consolidated Balance Sheets as of December 31, 2025.

This disclosure includes only revenue from contracts with third-party customers. See Note 26 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 18. OTHER EXPENSES

The following chart shows a summary of other expenses for the periods indicated (in thousands):

| Year Ended December 31,        | 2025             | 2024             | 2023             |
|--------------------------------|------------------|------------------|------------------|
| Bank franchise tax/SCC fees    | \$ 11,424        | \$ 11,292        | \$ 10,141        |
| Charitable contributions       | 17,298           | 13,140           | 11,804           |
| Directors' expense             | 3,888            | 4,831            | 3,442            |
| Foreclosed property expense    | 364              | 177              | 142              |
| Other                          | 21,174           | 13,924           | 17,791           |
| Stationery and office supplies | 3,104            | 2,859            | 3,239            |
| Telephone and postage          | 5,964            | 5,814            | 6,293            |
| Travel/meals/entertainment     | 5,205            | 5,183            | 4,795            |
| Total                          | <u>\$ 68,421</u> | <u>\$ 57,220</u> | <u>\$ 57,647</u> |

#### NOTE 19. REGULATORY CAPITAL REQUIREMENTS

The Company is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

In July 2013, the FDIC and other federal bank regulatory agencies approved final rules known as the "Basel III Capital Rules," which substantially revised the risk-based capital and leverage capital requirements applicable to bank holding companies and depository institutions, including the Company.

In addition, the Federal Deposit Insurance Act as amended requires, among other things, the federal bank regulatory agencies to take "prompt corrective action" against depository institutions that do not meet minimum capital requirements. The Federal Deposit Insurance Act includes the following five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized."

In order to be adequately capitalized for purposes of the prompt corrective action rules, a banking organization is required to have at least an 8% total risk-based capital ratio, a 6% Tier 1 risk-based capital ratio, a 4.5% CET1 risk-based capital ratio, and a 4% Tier 1 leverage ratio. To be well-capitalized, a banking organization is required to have at least a 10% total risk-based capital ratio, an 8% Tier 1 risk-based capital ratio, a 6.5% CET1 risk-based

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

capital ratio, and a 5% Tier 1 leverage ratio. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects for other purposes.

A summary of our required and actual capital components as of the dates indicated follow (dollars in thousands):

|                                | Actual       |         | Minimum Capital Requirements Including Conservation Buffer (1) |         | To Be Well Capitalized Under Prompt Action Provisions |         |
|--------------------------------|--------------|---------|----------------------------------------------------------------|---------|-------------------------------------------------------|---------|
|                                | Amount       | Ratio % | Amount                                                         | Ratio % | Amount                                                | Ratio % |
| <b>As of December 31, 2025</b> |              |         |                                                                |         |                                                       |         |
| Common equity Tier 1           |              |         |                                                                |         |                                                       |         |
| (to risk-weighted assets)      | \$ 1,781,048 | 11.34 % | \$ 1,099,412                                                   | 7.00 %  | \$ 1,020,883                                          | 6.50 %  |
| Tier 1 capital                 |              |         |                                                                |         |                                                       |         |
| (to risk-weighted assets)      | \$ 1,787,990 | 11.39 % | \$ 1,334,321                                                   | 8.50 %  | \$ 1,255,831                                          | 8.00 %  |
| Total risk-based capital       |              |         |                                                                |         |                                                       |         |
| (to risk-weighted assets)      | \$ 2,220,207 | 14.14 % | \$ 1,648,669                                                   | 10.50 % | \$ 1,570,161                                          | 10.00 % |
| Tier 1 leverage ratio          |              |         |                                                                |         |                                                       |         |
| (to average assets)            | \$ 1,787,990 | 9.36 %  | \$ 764,098                                                     | 4.00 %  | \$ 955,123                                            | 5.00 %  |
| <b>As of December 31, 2024</b> |              |         |                                                                |         |                                                       |         |
| Common equity Tier 1           |              |         |                                                                |         |                                                       |         |
| (to risk-weighted assets)      | \$ 1,741,804 | 12.77 % | \$ 954,787                                                     | 7.00 %  | \$ 886,588                                            | 6.50 %  |
| Tier 1 capital                 |              |         |                                                                |         |                                                       |         |
| (to risk-weighted assets)      | \$ 1,758,099 | 12.89 % | \$ 1,159,336                                                   | 8.50 %  | \$ 1,091,140                                          | 8.00 %  |
| Total risk-based capital       |              |         |                                                                |         |                                                       |         |
| (to risk-weighted assets)      | \$ 2,138,922 | 15.68 % | \$ 1,432,314                                                   | 10.50 % | \$ 1,364,108                                          | 10.00 % |
| Tier 1 leverage ratio          |              |         |                                                                |         |                                                       |         |
| (to average assets)            | \$ 1,758,099 | 10.36 % | \$ 678,803                                                     | 4.00 %  | \$ 848,503                                            | 5.00 %  |

(1) Basel III Capital Rules require banking organizations to maintain a minimum CET1 ratio of 4.5%, plus a 2.5% capital conservation buffer; a minimum Tier 1 capital ratio of 6.0%, plus a 2.5% capital conservation buffer; a minimum total risk-based capital ratio of 8%, plus a 2.5% conservation buffer; and a minimum Tier 1 leverage ratio of 4.0%.

## NOTE 20. 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.

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**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 the 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 that utilizes 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 lock with the customer. For additional information about loans held for sale, refer to Note 21.

**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 significant 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 years ended December 31, 2025 and 2024, the Company used weighted average fall-out rates of 12.27% and 9.78%, respectively.

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:** Loan sale 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 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 Sheet 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 estimated the fair value of its forward sale commitments using a methodology similar to that used for derivative loan commitments.

To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, the Company enters into either a forward sale contract to sell loans to investors when using best efforts or a TBA mortgage-backed security under mandatory delivery. The forward sale contracts lock in a price for the sale loans with similar characteristics to the specific rate lock commitments. The Company has not formally designated these derivatives as a qualifying hedge relationship; accordingly, changes to fair value are recorded to earnings each period. These valuations fall into a Level 2 category.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the recorded amount of assets and liabilities measured at fair value on a recurring basis as of the dates indicated (in thousands):

|                                                | 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      |

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

The following table presents qualitative information about significant observable inputs utilized to measure the fair value of Level 3 securities measured on a recurring and nonrecurring basis as of the dates indicated. A range is presented where multiple securities are valued.

| Financial Instrument | Valuation Technique  | Unobservable Input    | As of December 31, 2025 | As of December 31, 2024 |
|----------------------|----------------------|-----------------------|-------------------------|-------------------------|
| Securities AFS       | Discounted cash flow | Discount rate         | 8.55% - 9.16%           | 8.50% - 10.50%          |
|                      |                      | Weighted average life | 3.96 - 9.50 years       | 4.96 - 7.23 years       |
| HTM security         | Discounted cash flow | Discount rate         | 4.25%                   | 5.34%                   |
|                      |                      | Weighted average life | 23.35 years             | 24.35 years             |

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

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| <i>(dollars in thousands)</i> | December 31, 2025 | December 31, 2024 |
|-------------------------------|-------------------|-------------------|
| Aggregate fair value          | \$ 154,444        | \$ 200,460        |
| Unpaid principal balance      | 150,481           | 197,929           |

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

| Net Gains (Losses) Resulting from Changes in Fair Value |                   |                   |                   |
|---------------------------------------------------------|-------------------|-------------------|-------------------|
| <i>(in thousands)</i>                                   | Year Ended        |                   |                   |
|                                                         | December 31, 2025 | December 31, 2024 | December 31, 2023 |
| Mortgage loans held for sale, at fair value             | \$ 1,309          | \$ (2,210)        | \$ 1,508          |

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 December 31, 2025, and December 31, 2023 (in thousands):

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

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

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

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

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

**HTM trust preferred and other corporate securities:** The fair value of certain corporate securities is based on a discounted cash flow model that utilizes Level 3, or unobservable inputs, the most significant of which are a discount rate and weighted-average life.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following methods and assumptions were used in estimating fair value for the remaining classes of our financial instruments.

**Cash and due from banks, interest-bearing deposits in financial institutions, and federal funds sold:** The carrying amount approximates fair value.

**Securities held to maturity:** 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.

**Loans:** For loan receivables with short-term and/or variable characteristics, the total receivable outstanding approximates fair value. The fair value of other loans is estimated by discounting the future cash flows using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

**Deposits:** The carrying amount of noninterest-bearing deposits and deposits with no defined maturity is estimated by discounting the future cash flows using the alternative borrowing curve, estimated maturities, and servicing cost. The fair value of certificates of deposit is estimated by discounting the future cash flows using the alternative borrowing curve.

**Advances from the FHLB:** The fair value of advances from the FHLB is determined using the discounted cash flow method with the discount rate being equal to the rate currently offered on similar products.

**Subordinated debt, net:** Fair values are based on published market prices or dealer quotes.

**Commitments to extend and standby letters of credit:** These financial instruments are generally not sold or traded. The estimated fair values of off-balance-sheet credit commitments, including standby letters of credit and guarantees written, are immaterial and are not included in the following table.

The estimated fair values of our financial instruments required to be disclosed under ASC 825, *Financial Instruments*, and the level within the fair value hierarchy at which such assets and liabilities are measured, as of the dates indicated, are as follows (in thousands):

| 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    | \$ —          |
| Time deposits                                       | \$ 2,712,324   | \$ 2,709,531         | \$ —         | \$ 2,709,531 | \$ —          |
| Advances from the FHLB                              | \$ 52,452      | \$ 52,818            | \$ —         | \$ 52,818    | \$ —          |
| Subordinated debt, net                              | \$ 283,870     | \$ 259,733           | \$ —         | \$ 228,045   | \$ 31,688     |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| December 31, 2024                                   | Carrying Value | Estimated Fair Value | Level 1      | Level 2      | Level 3       |
|-----------------------------------------------------|----------------|----------------------|--------------|--------------|---------------|
| Cash and due from banks                             | \$ 108,750     | \$ 108,750           | \$ 108,750   | \$ —         | \$ —          |
| Interest-bearing deposits at FRB                    | \$ 1,127,878   | \$ 1,127,878         | \$ 1,127,878 | \$ —         | \$ —          |
| Interest-bearing deposits in financial institutions | \$ 102,847     | \$ 102,847           | \$ 102,847   | \$ —         | \$ —          |
| Securities available for sale, net                  | \$ 2,353,365   | \$ 2,353,365         | \$ 28,429    | \$ 2,294,609 | \$ 30,327     |
| Securities held to maturity, net                    | \$ 212,352     | \$ 203,883           | \$ 91,518    | \$ 111,220   | \$ 1,145      |
| Other equity securities                             | \$ 12,100      | \$ 12,100            | \$ —         | \$ 12,100    | \$ —          |
| Net loans                                           | \$ 11,459,055  | \$ 10,868,627        | \$ —         | \$ —         | \$ 10,868,627 |
| Interest receivable                                 | \$ 49,526      | \$ 49,526            | \$ —         | \$ 49,526    | \$ —          |
| Time deposits                                       | \$ 2,542,735   | \$ 2,539,767         | \$ —         | \$ 2,539,767 | \$ —          |
| Advances from the FHLB                              | \$ 3,218       | \$ 3,005             | \$ —         | \$ 3,005     | \$ —          |
| Subordinated debt, net                              | \$ 260,001     | \$ 231,055           | \$ —         | \$ 214,975   | \$ 16,080     |

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

### NOTE 21. DERIVATIVE FINANCIAL INSTRUMENTS

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 period end (in thousands):

|                                                                | December 31, 2025 |          | December 31, 2024 |          |
|----------------------------------------------------------------|-------------------|----------|-------------------|----------|
|                                                                | Notional          | Fair     | Notional          | Fair     |
|                                                                | Amount            | Value    | Amount            | Value    |
| Mortgage interest rate contracts included in other assets      | \$ 197,897        | \$ 1,383 | \$ 347,778        | \$ 2,346 |
| Mortgage interest rate contracts included in other liabilities | \$ 202,951        | \$ 455   | \$ 175,059        | \$ 785   |
| Interest rate swaps included in other assets                   | \$ 364,788        | \$ 7,281 | \$ 354,544        | \$ 3,496 |
| Interest rate swaps included in other liabilities              | \$ 364,788        | \$ 7,281 | \$ 354,544        | \$ 3,496 |

Gains and losses from mortgage banking derivatives are included in residential mortgage banking income, net in the Consolidated Statements of Income. For the years ended December 31, 2025, December 31, 2024, and December 31, 2023, the Company recognized gains related to interest rate contracts of \$1.44 million, \$4.63 million, and \$1.51 million, respectively. For the years ended December 31, 2025, December 31, 2024, and December 31, 2023, there were no gains or losses recognized on interest rate swaps.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 22. VARIABLE INTEREST ENTITIES

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

| <i>(in thousands)</i>                                              | December 31, 2025 | December 31, 2024 |
|--------------------------------------------------------------------|-------------------|-------------------|
| Partnership assets not included on the Consolidated Balance Sheets | \$ 1,052,374      | \$ 949,748        |
| Carrying value of limited partner interest (1)                     | 334,329           | 320,653           |
| Maximum exposure to loss from limited partner investments          | 334,329           | 322,753           |
| Funding commitments dependent on contractual milestones            | 104,383           | 101,865           |
| Unfunded short-term construction loan commitments                  | —                 | 2,900             |

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

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

| <i>(in thousands)</i> | December 31, 2025 | December 31, 2024 | December 31, 2023 |
|-----------------------|-------------------|-------------------|-------------------|
| Tax benefit, net      | \$ 8,977          | \$ 8,122          | \$ 4,301          |
| Amortization expenses | 40,792            | 36,633            | 22,033            |

### NOTE 23. INCOME TAXES

The provision for income taxes charged to operations is listed in the following table (in thousands):

| For the Year Ended December 31,              | 2025               | 2024               | 2023               |
|----------------------------------------------|--------------------|--------------------|--------------------|
| <b>Current income tax expense</b>            |                    |                    |                    |
| Federal                                      | \$ (53,153)        | \$ (38,809)        | \$ (31,309)        |
| State                                        | (2,524)            | (355)              | (2,915)            |
| Total current tax expense                    | (55,677)           | (39,164)           | (34,224)           |
| <b>Deferred income tax (expense) benefit</b> |                    |                    |                    |
| Federal                                      | 16,442             | 11,768             | 3,855              |
| State                                        | (190)              | (149)              | (546)              |
| Total deferred income tax (expense) benefit  | 16,252             | 11,619             | 3,309              |
| Income tax expense                           | <u>\$ (39,425)</u> | <u>\$ (27,545)</u> | <u>\$ (30,915)</u> |

The Company did not have any income tax expense (benefit) in foreign jurisdictions.

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Differences between income tax expense calculated at the statutory rate and shown in the Consolidated Statements of Income for the periods indicated are summarized as follows (dollars in thousands):

| For the Year Ended December 31,                               | 2025               |                 | 2024               |                 | 2023               |                 |
|---------------------------------------------------------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
|                                                               | \$                 | Rate            | \$                 | Rate            | \$                 | Rate            |
| Domestic federal income tax expense at statutory rate         | \$ (43,880)        | (21.00)%        | \$ (39,674)        | (21.00)%        | \$ (38,651)        | (20.99)%        |
| Domestic state income tax expense, net of federal benefit (1) | (2,021)            | (0.97)%         | (228)              | (0.12)%         | (2,625)            | (1.43)%         |
| Nontaxable or nondeductible items                             |                    |                 |                    |                 |                    |                 |
| Tax-Exempt interest income                                    | 4,366              | 2.09 %          | 4,414              | 2.34 %          | 4,670              | 2.54 %          |
| BOLI                                                          | 1,817              | 0.87 %          | 2,347              | 1.24 %          | 1,490              | 0.81 %          |
| Other                                                         | (4,823)            | (2.31)%         | (2,505)            | (1.33)%         | 401                | 0.22 %          |
| Tax Credits                                                   |                    |                 |                    |                 |                    |                 |
| LIHTC (2)                                                     | 5,116              | 2.45 %          | 8,101              | 4.29 %          | 3,800              | 2.06 %          |
| Income tax expense/Effective tax rate                         | <u>\$ (39,425)</u> | <u>(18.87)%</u> | <u>\$ (27,545)</u> | <u>(14.58)%</u> | <u>\$ (30,915)</u> | <u>(16.79)%</u> |

(1) For period ended December 31, 2025, state taxes in Virginia made up the majority (greater than 50%) of the tax effect in this category. For year ended December 31, 2024, state taxes in North Carolina made up the majority of the tax effect in this category. For year ended December 31, 2023, state taxes in Virginia made up the majority of the tax effect in this category.

(2) Domestic Federal Income Tax benefits presented net of investment amortization.

Significant components of deferred tax assets and deferred tax liabilities for the periods indicated follow (in thousands):

| Year Ended December 31,                               | 2025             | 2024             |
|-------------------------------------------------------|------------------|------------------|
| <b>Deferred tax assets:</b>                           |                  |                  |
| Allowance for credit losses                           | \$ 34,374        | \$ 29,167        |
| Stock-based compensation                              | 1,380            | 1,126            |
| Accrued expenses                                      | 2,122            | 1,878            |
| Retirement plan                                       | 14,922           | 13,736           |
| Deferred compensation                                 | 15,769           | 15,736           |
| Operating lease liabilities                           | 10,804           | 11,190           |
| Assets acquired in acquisitions                       | 8,971            | 1,153            |
| Tax credit carryovers                                 | 31,900           | 13,230           |
| Unrealized loss on securities available for sale      | 15,797           | 33,804           |
| Other                                                 | 11,676           | 8,103            |
| Total deferred tax assets                             | <u>147,715</u>   | <u>129,123</u>   |
| <b>Deferred tax liabilities:</b>                      |                  |                  |
| Depreciation                                          | 28,182           | 25,645           |
| Noncompete and intangibles                            | 20,379           | 8,164            |
| Basis differences due to tax credits and partnerships | (83)             | 1,410            |
| Operating lease right-of-use assets                   | 9,897            | 10,254           |
| Other                                                 | 833              | 820              |
| Total deferred tax liabilities                        | <u>59,208</u>    | <u>46,293</u>    |
| Net deferred tax assets                               | <u>\$ 88,507</u> | <u>\$ 82,830</u> |

As of December 31, 2025 and 2024, the Company did not have any unrecognized tax benefits. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next 12 months. The Company recognizes interest and penalties related to unrecognized tax benefits as "Interest Expense" and

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

"Other Expense," respectively, and not as part of the tax provision. The Company is no longer subject to examination for federal and state purposes for tax years prior to 2022.

### NOTE 24. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the components of accumulated other comprehensive income (loss) at December 31, 2025, 2024, and 2023, and changes during the years then ended. The amounts reclassified from accumulated other comprehensive income 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 accumulated other comprehensive income for the defined benefit retirement plan are a component of salaries and employee benefits expense and other expense in the Consolidated Statements of Income.

| <i>(in thousands)</i>                                                  | Unrealized<br>Gains (Losses)<br>on Securities<br>(1) | Pension and<br>Postretirement<br>Plans<br>(2) | Accumulated<br>Other<br>Comprehensive<br>Income (Loss),<br>Net of Tax |
|------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------|
| Balance, December 31, 2022                                             | \$ (148,772)                                         | \$ 8,267                                      | \$ (140,505)                                                          |
| Other comprehensive income (loss) before reclassifications, net of tax | 21,945                                               | 1,044                                         | 22,989                                                                |
| Amounts reclassified from AOCI, net of tax                             | —                                                    | (1,246)                                       | (1,246)                                                               |
| Net change                                                             | 21,945                                               | (202)                                         | 21,743                                                                |
| Balance, December 31, 2023                                             | (126,827)                                            | 8,065                                         | (118,762)                                                             |
| Other comprehensive income (loss) before reclassifications, net of tax | 5,411                                                | (1,454)                                       | 3,957                                                                 |
| Amounts reclassified from AOCI, net of tax                             | (58)                                                 | (1,182)                                       | (1,240)                                                               |
| Net change                                                             | 5,353                                                | (2,636)                                       | 2,717                                                                 |
| Balance, December 31, 2024                                             | (121,474)                                            | 5,429                                         | (116,045)                                                             |
| Other comprehensive income (loss) before reclassifications, net of tax | 64,212                                               | 948                                           | 65,160                                                                |
| Amounts reclassified from AOCI, net of tax                             | (5)                                                  | (795)                                         | (800)                                                                 |
| Net change                                                             | 64,207                                               | 153                                           | 64,360                                                                |
| Balance, December 31, 2025                                             | \$ (57,267)                                          | \$ 5,582                                      | \$ (51,685)                                                           |

(1) For additional information about investment securities, refer to Note 3.

(2) For additional information about retirement plans, refer to Note 14.

### NOTE 25. OTHER RELATED PARTY TRANSACTIONS

Loans are made to the Company's executive officers and directors and their associates during the ordinary course of business. The aggregate amount of loans to such related parties totaled \$566.12 million, \$532.94 million, and \$535.64 million as of December 31, 2025, 2024, and 2023, respectively. During 2025, new advances on all commitments to such parties totaled \$647.06 million, and repayments amounted to \$619.62 million. Included in the loans to related parties, at December 31, 2025, are \$120.51 million in unfunded commitments to extend credit to such related parties.

The Company rents space for various financial centers from companies associated with its directors. Rent expense related to these leases was \$2.43 million, \$2.18 million, and \$2.30 million for the years ended December 31, 2025, 2024, and 2023, respectively.

In the ordinary course of business, the Company acquired certain goods and services from companies associated with its directors and employees, including purchases of automobiles, construction of Company-owned facilities, and maintenance and furnishing of Company facilities. Amounts paid to these companies during the years ended December 31, 2025, 2024, and 2023, approximated \$1.10 million, \$1.72 million, and \$3.40 million, respectively.

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### NOTE 26. SEGMENT REPORTING

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

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 segments provides residential resort 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. Inter-segment transactions are recorded at cost and eliminated as part of the consolidation process. Because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities.

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

| December 31, 2025                                       | Banking       | Mortgage   | Resort<br>Vacation<br>Management | Insurance  | Consolidated<br>Totals |
|---------------------------------------------------------|---------------|------------|----------------------------------|------------|------------------------|
| Total assets                                            | \$ 18,430,307 | \$ 304,664 | \$ 103,321                       | \$ 849,049 | \$ 19,687,341          |
| Total expenditures for long lived assets - fixed assets | 44,856        | 357        | 4,145                            | 442        | 49,800                 |
| Total investment in equity method investees             | 20,871        | 314        | —                                | —          | 21,185                 |
| <b>December 31, 2024</b>                                |               |            |                                  |            |                        |
| Total assets                                            | \$ 16,045,510 | \$ 342,100 | \$ 124,026                       | \$ 726,685 | \$ 17,238,321          |
| Total expenditures for long lived assets - fixed assets | 54,498        | 100        | 2,917                            | (250)      | 57,265                 |
| Total investment in equity method investees             | 21,218        | 349        | —                                | —          | 21,567                 |
| Dollar change in total assets between years             | 2,384,797     | (37,436)   | (20,705)                         | 122,364    | 2,449,020              |
| Percentage change in total assets between years         | 14.86 %       | (10.94)%   | (16.69)%                         | 16.84 %    | 14.21 %                |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of reportable segments to the Consolidated Financial Statements for the periods indicated follows (dollars in thousands):

| For the Year Ended December 31, 2025                                               | Banking    | Mortgage  | Resort<br>Vacation<br>Management | Insurance | Consolidated<br>Totals |
|------------------------------------------------------------------------------------|------------|-----------|----------------------------------|-----------|------------------------|
| Interest income                                                                    | \$ 828,769 | \$ 17,491 | \$ —                             | \$ —      | \$ 846,260             |
| Interest expense                                                                   | 269,184    | 13,616    | (147)                            | —         | 282,653                |
| Net interest income                                                                | 559,585    | 3,875     | 147                              | —         | 563,607                |
| Provision for credit losses                                                        | 23,776     | 161       | —                                | —         | 23,937                 |
| Net interest income after provision for credit losses                              | 535,809    | 3,714     | 147                              | —         | 539,670                |
| Noninterest income:                                                                |            |           |                                  |           |                        |
| Residential mortgage banking income, net                                           | (1,974)    | 50,558    | —                                | —         | 48,584                 |
| Insurance commissions and related income, net                                      | (2,066)    | —         | —                                | 103,079   | 101,013                |
| Property management income, net                                                    | —          | —         | 57,620                           | —         | 57,620                 |
| Service charges on deposit accounts                                                | 15,663     | —         | —                                | —         | 15,663                 |
| Credit card merchant fees, net                                                     | 7,208      | —         | —                                | —         | 7,208                  |
| Investment income, net                                                             | 13,318     | —         | —                                | —         | 13,318                 |
| BOLI                                                                               | 8,648      | 271       | —                                | —         | 8,919                  |
| Income from unconsolidated subsidiaries                                            | 1,782      | 250       | —                                | —         | 2,032                  |
| Gain on sale of equity investments                                                 | 2,000      | —         | —                                | 125       | 2,125                  |
| Net gain (loss) on investment securities                                           | 6          | —         | —                                | —         | 6                      |
| Other noninterest income                                                           | 14,850     | 745       | 3                                | 24        | 15,622                 |
| Total noninterest income                                                           | 59,435     | 51,824    | 57,623                           | 103,228   | 272,110                |
| Total revenue                                                                      | 619,020    | 55,699    | 57,770                           | 103,228   | 835,717                |
| Noninterest expense:                                                               |            |           |                                  |           |                        |
| Salaries and employee benefits                                                     | 214,256    | 29,696    | 21,313                           | 52,227    | 317,492                |
| Occupancy                                                                          | 30,896     | 3,900     | 2,530                            | 3,153     | 40,479                 |
| Furniture and equipment                                                            | 16,795     | 667       | 1,628                            | 661       | 19,751                 |
| Amortization - intangibles                                                         | 8,724      | —         | 2,547                            | 5,507     | 16,778                 |
| Software                                                                           | 18,160     | 3,114     | 3,377                            | 2,982     | 27,633                 |
| Data processing                                                                    | 11,574     | 755       | 4,385                            | 496       | 17,210                 |
| Professional fees                                                                  | 8,880      | 663       | 517                              | 1,062     | 11,122                 |
| Advertising and marketing                                                          | 9,373      | 1,757     | 3,203                            | 794       | 15,127                 |
| FDIC and other insurance                                                           | 11,028     | 470       | 314                              | 512       | 12,324                 |
| Acquisition-related expenses                                                       | 53,447     | 1,780     | —                                | —         | 55,227                 |
| Other expenses                                                                     | 52,916     | 9,952     | 2,383                            | 3,170     | 68,421                 |
| Total noninterest expense                                                          | 436,049    | 52,754    | 42,197                           | 70,564    | 601,564                |
| Income (loss) before income tax, corporate allocation, and noncontrolling interest | 159,195    | 2,784     | 15,573                           | 32,664    | 210,216                |
| Corporate allocation                                                               | 5,924      | (1,821)   | (1,262)                          | (2,841)   | —                      |
| Income (loss) before income tax provision and noncontrolling interest              | 165,119    | 963       | 14,311                           | 29,823    | 210,216                |
| Provision for income tax expense                                                   | 27,900     | 39        | 3,811                            | 7,675     | 39,425                 |
| Net income (loss)                                                                  | 137,219    | 924       | 10,500                           | 22,148    | 170,791                |
| Net income attributable to noncontrolling interest                                 | (267)      | (778)     | (220)                            | —         | (1,265)                |
| Net income (loss) attributable to TowneBank                                        | \$ 136,952 | \$ 146    | \$ 10,280                        | \$ 22,148 | \$ 169,526             |
| Net income (loss) as percentage of consolidated income                             | 80.79 %    | 0.09 %    | 6.06 %                           | 13.06 %   | 100.00 %               |
| Depreciation included in occupancy, furniture and equipment, and software          | \$ 21,660  | \$ 551    | \$ 798                           | \$ 440    | \$ 23,449              |
| Efficiency ratio (GAAP)                                                            | 70.44 %    | 94.71 %   | 73.04 %                          | 68.36 %   | 71.98 %                |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| For the Year Ended December 31, 2025                                                                                              | Banking | Mortgage | Resort<br>Vacation<br>Management | Insurance | Consolidated<br>Totals |
|-----------------------------------------------------------------------------------------------------------------------------------|---------|----------|----------------------------------|-----------|------------------------|
| Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization | (1.18)% | — %      | (4.41)%                          | (5.26)%   | (1.83)%                |
| Efficiency ratio (non-GAAP)                                                                                                       | 69.26 % | 94.71 %  | 68.63 %                          | 63.10 %   | 70.15 %                |

| For the Year Ended December 31, 2024                                               | Banking    | Mortgage  | Resort<br>Vacation<br>Management | Insurance | Consolidated<br>Totals |
|------------------------------------------------------------------------------------|------------|-----------|----------------------------------|-----------|------------------------|
| Interest income                                                                    | \$ 758,309 | \$ 16,219 | \$ —                             | \$ —      | \$ 774,528             |
| Interest expense                                                                   | 318,892    | 13,065    | (34)                             | —         | 331,923                |
| Net interest income                                                                | 439,417    | 3,154     | 34                               | —         | 442,605                |
| Provision for credit losses                                                        | (665)      | 117       | —                                | —         | (548)                  |
| Net interest income after provision for credit losses                              | 440,082    | 3,037     | 34                               | —         | 443,153                |
| Noninterest income:                                                                |            |           |                                  |           |                        |
| Residential mortgage banking income, net                                           | (1,629)    | 48,586    | —                                | —         | 46,957                 |
| Insurance commissions and related income, net                                      | (1,588)    | —         | —                                | 100,150   | 98,562                 |
| Property management income, net                                                    | —          | —         | 50,028                           | —         | 50,028                 |
| Service charges on deposit accounts                                                | 12,838     | —         | —                                | —         | 12,838                 |
| Credit card merchant fees, net                                                     | 6,529      | —         | —                                | —         | 6,529                  |
| Investment income, net                                                             | 10,953     | —         | —                                | —         | 10,953                 |
| BOLI                                                                               | 11,181     | 263       | —                                | —         | 11,444                 |
| Income from unconsolidated subsidiaries                                            | 1,028      | 216       | —                                | —         | 1,244                  |
| Gain on sale of equity investments                                                 | —          | —         | —                                | 238       | 238                    |
| Net gain (loss) on investment securities                                           | 74         | —         | —                                | —         | 74                     |
| Other noninterest income                                                           | 10,559     | 1,147     | 73                               | 35        | 11,814                 |
| Total noninterest income                                                           | 49,945     | 50,212    | 50,101                           | 100,423   | 250,681                |
| Total revenue                                                                      | 489,362    | 53,366    | 50,135                           | 100,423   | 693,286                |
| Noninterest expense:                                                               |            |           |                                  |           |                        |
| Salaries and employee benefits                                                     | 190,391    | 26,684    | 21,737                           | 50,436    | 289,248                |
| Occupancy                                                                          | 28,579     | 4,079     | 2,561                            | 3,090     | 38,309                 |
| Furniture and equipment                                                            | 15,423     | 636       | 1,751                            | 809       | 18,619                 |
| Amortization - intangibles                                                         | 4,378      | 288       | 2,443                            | 5,660     | 12,769                 |
| Software                                                                           | 17,358     | 3,127     | 3,434                            | 2,897     | 26,816                 |
| Data processing                                                                    | 10,503     | 717       | 5,334                            | 457       | 17,011                 |
| Professional fees                                                                  | 12,576     | 847       | 930                              | 781       | 15,134                 |
| Advertising and marketing                                                          | 8,743      | 1,643     | 4,558                            | 683       | 15,627                 |
| FDIC and other insurance                                                           | 10,719     | 399       | 239                              | 464       | 11,821                 |
| Acquisition-related expenses                                                       | 875        | —         | 466                              | 1         | 1,342                  |
| Other expenses                                                                     | 42,032     | 9,738     | 2,560                            | 2,890     | 57,220                 |
| Total noninterest expense                                                          | 341,577    | 48,158    | 46,013                           | 68,168    | 503,916                |
| Income (loss) before income tax, corporate allocation, and noncontrolling interest | 148,450    | 5,091     | 4,122                            | 32,255    | 189,918                |
| Corporate allocation                                                               | 4,696      | (1,759)   | —                                | (2,937)   | —                      |
| Income (loss) before income tax provision and noncontrolling interest              | 153,146    | 3,332     | 4,122                            | 29,318    | 189,918                |
| Provision for income tax expense                                                   | 18,006     | 619       | 1,397                            | 7,523     | 27,545                 |
| Net income (loss)                                                                  | 135,140    | 2,713     | 2,725                            | 21,795    | 162,373                |
| Net income attributable to noncontrolling interest                                 | (29)       | (967)     | (21)                             | —         | (1,017)                |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

|                                                                                                                                   |            |          | Resort     |           |              |
|-----------------------------------------------------------------------------------------------------------------------------------|------------|----------|------------|-----------|--------------|
|                                                                                                                                   |            |          | Vacation   |           | Consolidated |
| For the Year Ended December 31, 2024                                                                                              | Banking    | Mortgage | Management | Insurance | Totals       |
| Net income (loss) attributable to TowneBank                                                                                       | \$ 135,111 | \$ 1,746 | \$ 2,704   | \$ 21,795 | \$ 161,356   |
| Net income (loss) as percentage of consolidated income                                                                            | 83.73 %    | 1.08 %   | 1.68 %     | 13.51 %   | 100.00 %     |
| Depreciation included in occupancy, furniture and equipment, and software                                                         | \$ 20,131  | \$ 546   | \$ 797     | \$ 522    | \$ 21,996    |
| Efficiency ratio (GAAP)                                                                                                           | 69.80 %    | 90.24 %  | 91.78 %    | 67.88 %   | 72.69 %      |
| Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization | (0.88)%    | (0.54)%  | (4.87)%    | (5.49)%   | (1.81)%      |
| Efficiency ratio (non-GAAP)                                                                                                       | 68.92 %    | 89.70 %  | 86.91 %    | 62.39 %   | 70.88 %      |

|                                                                                    |            |           | Resort     |           |              |
|------------------------------------------------------------------------------------|------------|-----------|------------|-----------|--------------|
|                                                                                    |            |           | Vacation   |           | Consolidated |
| For the Year Ended December 31, 2023                                               | Banking    | Mortgage  | Management | Insurance | Totals       |
| Interest income                                                                    | \$ 689,030 | \$ 16,164 | \$ 48      | \$ —      | \$ 705,242   |
| Interest expense                                                                   | 232,959    | 14,504    | —          | (1)       | 247,462      |
| Net interest income                                                                | 456,071    | 1,660     | 48         | 1         | 457,780      |
| Provision for credit losses                                                        | 19,273     | (594)     | —          | —         | 18,679       |
| Net interest income after provision for credit losses                              | 436,798    | 2,254     | 48         | 1         | 439,101      |
| Noninterest income:                                                                |            |           |            |           |              |
| Residential mortgage banking income, net                                           | (1,872)    | 41,287    | —          | —         | 39,415       |
| Insurance commissions and related income, net                                      | —          | 443       | —          | 89,862    | 90,305       |
| Property management income, net                                                    | —          | 425       | 46,658     | —         | 47,083       |
| Service charges on deposit accounts                                                | 11,631     | —         | —          | —         | 11,631       |
| Credit card merchant fees, net                                                     | 6,709      | —         | —          | —         | 6,709        |
| Investment income, net                                                             | 8,962      | —         | —          | —         | 8,962        |
| BOLI                                                                               | 7,154      | 248       | —          | —         | 7,402        |
| Income from unconsolidated subsidiaries                                            | 343        | (1,309)   | —          | —         | (966)        |
| Gain on sale of equity investments                                                 | —          | 8,833     | —          | 544       | 9,377        |
| Net gain (loss) on investment securities                                           | —          | —         | —          | —         | —            |
| Other noninterest income                                                           | 10,531     | 4,666     | 3          | 516       | 15,716       |
| Total noninterest income                                                           | 43,458     | 54,593    | 46,661     | 90,922    | 235,634      |
| Total revenue                                                                      | 499,529    | 56,253    | 46,709     | 90,923    | 693,414      |
| Noninterest expense:                                                               |            |           |            |           |              |
| Salaries and employee benefits                                                     | 170,733    | 32,332    | 20,626     | 46,467    | 270,158      |
| Occupancy                                                                          | 26,698     | 5,312     | 1,846      | 3,030     | 36,886       |
| Furniture and equipment                                                            | 13,771     | 1,061     | 1,483      | 863       | 17,178       |
| Amortization - intangibles                                                         | 5,154      | 575       | 2,328      | 6,098     | 14,155       |
| Software                                                                           | 16,065     | 3,332     | 2,933      | 2,336     | 24,666       |
| Data processing                                                                    | 8,972      | 621       | 4,834      | 606       | 15,033       |
| Professional fees                                                                  | 10,162     | 864       | 760        | 500       | 12,286       |
| Advertising and marketing                                                          | 8,039      | 2,779     | 3,870      | 702       | 15,390       |
| FDIC and other insurance                                                           | 15,101     | 538       | 129        | 461       | 16,229       |
| Acquisition-related expenses                                                       | 9,083      | 288       | 137        | 86        | 9,594        |
| Other expenses                                                                     | 42,397     | 11,363    | 2,111      | 1,776     | 57,647       |
| Total noninterest expense                                                          | 326,175    | 59,065    | 41,057     | 62,925    | 489,222      |
| Income (loss) before income tax, corporate allocation, and noncontrolling interest | 154,081    | (2,218)   | 5,652      | 27,998    | 185,513      |

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| For the Year Ended December 31, 2023                                                                                              | Banking    | Mortgage   | Resort<br>Vacation<br>Management | Insurance | Consolidated<br>Totals |
|-----------------------------------------------------------------------------------------------------------------------------------|------------|------------|----------------------------------|-----------|------------------------|
| Corporate allocation                                                                                                              | 4,817      | (2,152)    | —                                | (2,665)   | —                      |
| Income (loss) before income tax provision and noncontrolling interest                                                             | 158,898    | (4,370)    | 5,652                            | 25,333    | 185,513                |
| Provision for income tax expense                                                                                                  | 23,866     | (1,048)    | 1,576                            | 6,521     | 30,915                 |
| Net income (loss)                                                                                                                 | 135,032    | (3,322)    | 4,076                            | 18,812    | 154,598                |
| Net income attributable to noncontrolling interest                                                                                | —          | (835)      | (558)                            | —         | (1,393)                |
| Net income (loss) attributable to TowneBank                                                                                       | \$ 135,032 | \$ (4,157) | \$ 3,518                         | \$ 18,812 | \$ 153,205             |
| Net income (loss) as percentage of consolidated income                                                                            | 88.13 %    | (2.71)%    | 2.30 %                           | 12.28 %   | 100.00 %               |
| Depreciation included in occupancy, furniture and equipment, and software                                                         | \$ 17,945  | \$ 804     | \$ 717                           | \$ 605    | \$ 20,071              |
| Efficiency ratio (GAAP)                                                                                                           | 65.30 %    | 105.00 %   | 87.90 %                          | 69.21 %   | 70.55 %                |
| Impact of excluding net gain on security investments, gain on equity investments, goodwill and other intangibles and amortization | (1.04)%    | 18.34 %    | (4.98)%                          | (6.33)%   | (1.10)%                |
| Efficiency ratio (non-GAAP)                                                                                                       | 64.26 %    | 123.34 %   | 82.92 %                          | 62.88 %   | 69.45 %                |

The following table provides the change in net income, comparing the years ended December 31, 2025 and 2024 (dollars in thousands):

|                                      | Banking  | Mortgage   | Resort<br>Vacation<br>Management | Insurance | Consolidated |
|--------------------------------------|----------|------------|----------------------------------|-----------|--------------|
| Net income attributable to TowneBank | \$ 1,841 | \$ (1,600) | \$ 7,576                         | \$ 353    | \$ 8,170     |

### NOTE 27. EARNINGS PER SHARE

The following table summarizes information related to the computation of basic and diluted earnings per share (dollars in thousands, except per share data):

| Year Ended December 31,                                      | 2025       | 2024       | 2023       |
|--------------------------------------------------------------|------------|------------|------------|
| <b>Basic</b>                                                 |            |            |            |
| Net income available to common shareholders                  | \$ 169,526 | \$ 161,356 | \$ 153,205 |
| Weighted average common shares outstanding                   | 76,413,465 | 74,929,641 | 74,645,906 |
| Basic earnings per common share                              | \$ 2.22    | \$ 2.15    | \$ 2.05    |
| <b>Diluted</b>                                               |            |            |            |
| Net income available to common shareholders                  | \$ 169,526 | \$ 161,356 | \$ 153,205 |
| Annualized interest impact of Series IV Notes, net of tax    | 166        | —          | —          |
| Net income available to common shareholders, for diluted EPS | \$ 169,692 | \$ 161,356 | \$ 153,205 |
| Weighted average common shares outstanding                   | 76,413,465 | 74,929,641 | 74,645,906 |
| Effect of dilutive securities:                               |            |            |            |
| Impact of Series IV Notes                                    | 96,872     | 8,590      | —          |
| Stock compensation plans (1)                                 | 241,521    | 231,468    | 15,670     |
| Weighted average diluted shares outstanding                  | 76,751,858 | 75,169,699 | 74,661,576 |
| Diluted earnings per common share                            | \$ 2.21    | \$ 2.15    | \$ 2.05    |

(1) There were no anti-dilutive stock options or restricted stock shares to be excluded from the computation of diluted earnings per share during 2025, 2024, and 2023, respectively.

# TOWNEBANK

## SHAREHOLDER INFORMATION

### Market Information

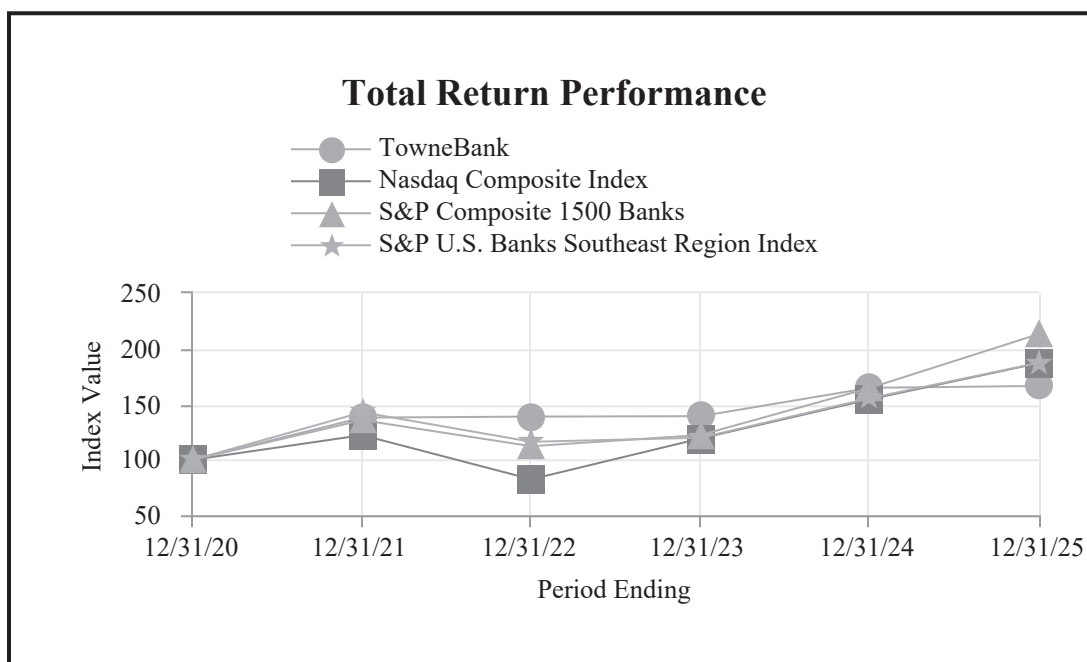
Our common stock is listed on the Nasdaq Global Select Market under the symbol TOWN.

### Holders

As of December 31, 2025, we had issued and outstanding 78,964,038 shares of common stock. These shares were held by approximately 9,015 shareholders of record.

### Stock Performance Graph

The following stock performance graph presents the cumulative total return comparison through December 31, 2025, of stock appreciation for our common stock, the Nasdaq Composite Index measuring all Nasdaq domestic and international-based common type stocks listed on the Nasdaq Stock Market ("Nasdaq Composite Index"), the S&P Securities Index including the Composite 1500 Banks Index ("S&P Bank Composite 1500 Index"), and the S&P Securities Index including only banks in the Southeast ("S&P Southeast Bank Index"). Returns assume an initial investment of \$100 at the market close of December 31, 2020, and reinvestment of dividends.



| Index                                 | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 | 12/31/2024 | 12/31/2025 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|
| TowneBank                             | \$ 100.00  | \$ 137.97  | \$ 138.89  | \$ 139.26  | \$ 164.81  | \$ 166.51  |
| Nasdaq Composite Index                | 100.00     | 122.18     | 82.43      | 119.22     | 154.48     | 187.14     |
| S&P Composite 1500 Banks              | 100.00     | 135.70     | 112.20     | 122.33     | 164.67     | 213.31     |
| S&P U.S. Banks Southeast Region Index | 100.00     | 142.83     | 116.18     | 119.85     | 155.47     | 187.40     |

# TOWNEBANK

## SHAREHOLDER INFORMATION

### Executive Officers

|                      |                                                                   |                       |                                                                                   |
|----------------------|-------------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------|
| G. Robert Aston, Jr. | Executive Chairman                                                | William I. Foster III | President and Chief Executive Officer                                             |
| Varun Chandhok       | SEVP and Chief Information Officer                                | William B. Littreal   | SEVP and Chief Financial Officer                                                  |
| R. Lee Clark         | SEVP and Chief Operating Officer                                  | William T. Morrison   | President and Chief Executive Officer, Towne Financial Services Group             |
| Matthew C. Davis     | SEVP and Chief Strategy Officer                                   | Ernest S. Piccioli    | SEVP and Chief Risk Officer                                                       |
| Kevin L. Fly         | SEVP and Chief Accounting Officer                                 | Philip M. Rudisill    | SEVP and Chief Credit Officer                                                     |
| Dawn S. Glynn        | President, Corporate Services Group, and Chief Experience Officer | Brian K. Skinner      | President and Regional Banking Director, Virginia and Northeastern North Carolina |
| Steven W. Jones      | President, Carolinas                                              | George P. Whitley     | SEVP and Chief Legal Officer                                                      |

### Board of Directors

|                       |                                                             |                             |                                                                                 |
|-----------------------|-------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------|
| G. Robert Aston, Jr.  | Executive Chairman, TowneBank                               | John R. Lawson, II          | Executive Chairman, W.M. Jordan Company                                         |
| Jeffrey F. Benson     | Partner, Overton Family Partnership, L.P.                   | Aubrey L. Layne, Jr.        | EVP and Chief Administrative Officer, Sentara Healthcare                        |
| Richard Cullen        | Partner, Torridon Law PLLC                                  | Harry T. Lester             | President Emeritus, Eastern Virginia Medical School                             |
| J. Morgan Davis       | Chief Executive Officer, TowneBank (retired)                | W. Ashton Lewis             | President, Lewis Gibbs Corporation, and Treasurer, First Team Automotive Group  |
| Douglas D. Ellis      | President, Ellis-Gibson Development Group                   | Dr. Stephanie J. Marioneaux | Ophthalmologist, Stephanie Marioneaux, M.D., PC.                                |
| Andrew S. Fine        | President, The Runnymede Corporation                        | Dr. Juan M. Montero, II     | General and Thoracic Surgeon M.D. (retired)                                     |
| William I. Foster III | President and Chief Executive Officer, TowneBank            | R. Scott Morgan             | President and Chief Credit Officer, TowneBank (retired)                         |
| Robert C. Hatley      | President & CEO, Paragon, a Division of TowneBank (retired) | William T. Morrison         | President and Chief Executive Officer, Towne Financial Services Group (retired) |
| Frank E. Jenkins, Jr. | Managing Partner, Adams, Jenkins & Cheatham                 | Thomas K. Norment, Jr       | Virginia State Senator and Attorney, Kaufman and Canoles                        |
| Steven W. Jones       | President, Carolinas, TowneBank                             | Robert M. Oman              | President, Oman Funeral Homes, Inc. (retired)                                   |
| Howard J. Jung        | Chairman, ACE Hardware Stores, Inc. (retired)               | R.V. Owens, III             | President and CEO, R.V. Owens Enterprises, LLC                                  |

## **TOWNEBANK**

### **SHAREHOLDER INFORMATION**

|                        |                                          |                  |                                                                                                                |
|------------------------|------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------|
| G. Robin Perkins, III  | President, Spinners Capital LLC          | Sachin S. Shetty | Executive Director, Center for Secure and Intelligent Critical Systems, and Professor, Old Dominion University |
| J. Christopher Perry   | CEO, Suburban Capital                    | Alan S. Witt     | Dean of the Luter School of Business at Christopher Newport University                                         |
| Elizabeth W. Robertson | CFO, Monument Restaurants, LLC (retired) |                  |                                                                                                                |

## **TOWNEBANK**

### **SHAREHOLDER INFORMATION**

#### **ANNUAL MEETING**

TowneBank intends to hold its 2026 Annual Meeting of Shareholders at 11:30 a.m. on Wednesday, May 20, 2026, at the Virginia Beach Convention Center, 1000 19th Street in Virginia Beach, Virginia.

#### **COMMON STOCK**

The Company's common stock is listed on the Nasdaq Global Select Market under the symbol TOWN.

#### **INVESTOR RELATIONS**

Our Annual Report, Form 10-K, and other corporate publications are available to shareholders on request, without charge, by writing:

TowneBank  
6001 Harbour View Boulevard  
Suffolk, Virginia 23435  
email: [investor.relations@townebank.net](mailto:investor.relations@townebank.net)

These reports are also available on our website at [http://www.townebank.com/investor\\_relations](http://www.townebank.com/investor_relations).

#### **INDEPENDENT AUDITORS**

Forvis Mazars, LLP  
1410 Spring Hill Road, Suite 500  
Tysons, Virginia 22102

#### **TRANSFER AGENT**

Computershare Shareholder Services  
PO Box 43006  
Providence, Rhode Island 02940  
833-869-6399  
[www.computershare.com/us/investor-inquiries](http://www.computershare.com/us/investor-inquiries)

#### **CORPORATE COUNSEL**

Williams Mullen

Troutman Pepper Locke

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