

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2025
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-40305

VIRGINIA NATIONAL BANKSHARES CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Virginia
(State or other jurisdiction of
incorporation or organization)
404 People Place
Charlottesville, Virginia
(Address of principal executive offices)

46-2331578
(I.R.S. Employer
Identification No.)

22911
(Zip Code)

Registrant's telephone number, including area code: (434) 817-8621

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	VABK	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of November 10, 2025, the registrant had 5,393,139 shares of common stock, \$2.50 par value per share, outstanding.

VIRGINIA NATIONAL BANKSHARES CORPORATION
FORM 10-Q
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Glossary of Acronyms and Defined Terms

2014 Plan	- 2014 Stock Incentive Plan
2022 Plan	- 2022 Stock Incentive Plan
ACL	- Allowance for credit losses
Acquired Loans	- Loans acquired from Fauquier
AFS	- Available for sale
ALM	- Asset liability management
ASC	- Accounting Standards Codification
ASC 326	- ASU 2016-13, <i>Financial Instruments and Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>
ASC 820	- ASC 820, <i>Fair Value Measurements and Disclosures</i>
ASU	- Accounting Standards Update
ATM	- Automated teller machine
the Bank	- Virginia National Bank
bps	- Basis points
CD	- Certificate of deposit
CDARS™	- Certificates of Deposit Account Registry Service
CECL	- Current expected credit losses
CME	- Chicago Mercantile Exchange
CMO	- Collateralized mortgage obligation
the Company	- Virginia National Bankshares Corporation and its subsidiaries
CRE	- Commercial real estate
DCF	- Discounted cash flow
EBA	- Excess Balance Account
Effective Date	- April 1, 2021
Exchange Act	- Securities Exchange Act of 1934, as amended
Fauquier	- Fauquier Bankshares, Inc. and its subsidiaries
FASB	- Financial Accounting Standards Board
Federal Reserve	- Board of Governors of the Federal Reserve System
Federal Reserve Bank or FRB	- Federal Reserve Bank of Richmond
FHLB	- Federal Home Loan Bank of Atlanta
FOMC	- Federal Open Market Committee
Form 10-K	- Annual Report on Form 10-K for the year ended December 31, 2024
FTE	- Fully taxable equivalent
GAAP or U.S. GAAP	- Accounting principles generally accepted in the United States
ICS®	- Insured Cash Sweep®
IRR	- Interest rate risk
LIBOR	- London Interbank Offering Rate
Masonry Capital	- Masonry Capital Management, LLC
Merger	- Mergers of Fauquier Bankshares, Inc. and The Fauquier Bank with and into the Company and the Bank, respectively
NPA	- Nonperforming assets
PCA	- Prompt Corrective Action
PCD	- Purchased loan with credit deterioration
the Plans	- 2014 Stock Incentive Plan and 2022 Stock Incentive Plan
ROAA	- Return on Average Assets
ROAE	- Return on Average Equity
SBA	- Small Business Administration
SEC	- U.S. Securities and Exchange Commission
SOFR	- Secured Overnight Financing Rate
TLM	- Troubled loan modification

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VIRGINIA NATIONAL BANKSHARES CORPORATION CONSOLIDATED BALANCE SHEETS (Dollars in thousands, except per share data)

	September 30, 2025	December 31, 2024 *
	Unaudited	
ASSETS		
Cash and due from banks	\$ 6,166	\$ 5,311
Interest-bearing deposits in other banks	8,965	11,792
Federal funds sold	7,964	-
Securities:		
Available for sale, at fair value	252,952	263,537
Restricted securities, at cost	6,647	6,193
Total securities	259,599	269,730
Loans, net of deferred fees and costs	1,235,000	1,235,969
Allowance for credit losses	(8,510)	(8,455)
Loans, net	1,226,490	1,227,514
Premises and equipment, net	11,775	15,383
Bank owned life insurance	40,977	40,059
Goodwill	7,768	7,768
Core deposit intangible, net	2,942	3,792
Right of use asset, net	6,666	5,551
Deferred tax asset, net	13,097	15,407
Accrued interest receivable and other assets	14,023	14,519
Total assets	<u>\$ 1,606,432</u>	<u>\$ 1,616,826</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Noninterest bearing	\$ 361,568	\$ 374,079
Interest bearing	260,424	303,405
Money market and savings deposit accounts	460,160	437,619
Certificates of deposit and other time deposits	302,736	308,443
Total deposits	1,384,888	1,423,546
Federal funds purchased	-	236
Borrowings	30,000	20,000
Junior subordinated debt, net	3,542	3,506
Lease liability	6,542	5,389
Accrued interest payable and other liabilities	4,101	3,847
Total liabilities	1,429,073	1,456,524
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, \$2.50 par value	-	-
Common stock, \$2.50 par value	13,318	13,263
Capital surplus	107,076	106,394
Retained earnings	90,149	82,507
Accumulated other comprehensive loss	(33,184)	(41,862)
Total shareholders' equity	177,359	160,302
Total liabilities and shareholders' equity	<u>\$ 1,606,432</u>	<u>\$ 1,616,826</u>
Common shares outstanding	5,391,979	5,370,912
Common shares authorized	10,000,000	10,000,000
Preferred shares outstanding	-	-
Preferred shares authorized	2,000,000	2,000,000

* Derived from audited Consolidated Financial Statements

See Notes to Consolidated Financial Statements

VIRGINIA NATIONAL BANKSHARES CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Interest and dividend income:				
Loans, including fees	\$ 17,500	\$ 17,378	\$ 51,864	\$ 49,281
Federal funds sold	283	136	530	535
Other interest-bearing deposits	55	50	142	165
Investment securities:				
Taxable	1,199	1,414	3,773	5,349
Tax exempt	322	326	968	979
Dividends	112	102	336	320
Total interest and dividend income	19,471	19,406	57,613	56,629
Interest expense:				
Demand deposits	66	66	202	205
Money market and savings deposits	3,026	2,990	8,957	8,864
Certificates and other time deposits	2,713	3,915	8,437	11,947
Borrowings	513	313	1,604	1,187
Federal funds purchased	3	9	28	25
Junior subordinated debt	78	89	224	260
Total interest expense	6,399	7,382	19,452	22,488
Net interest income	13,072	12,024	38,161	34,141
Provision for (recovery of) credit losses	332	(114)	174	(474)
Net interest income after provision for (recovery of) credit losses	12,740	12,138	37,987	34,615
Noninterest income:				
Wealth management fees	223	239	658	905
Deposit account fees	323	317	922	1,042
Debit/credit card and ATM fees	340	474	1,065	1,485
Bank owned life insurance income	318	294	918	858
Gains on sale of assets, net	-	-	278	36
Gain on early redemption of debt	-	-	-	379
Loss on sales of AFS, net	-	-	-	(4)
Other	147	128	580	620
Total noninterest income	1,351	1,452	4,421	5,321
Noninterest expense:				
Salaries and employee benefits	3,909	3,769	11,708	11,771
Net occupancy	872	919	2,777	2,756
Equipment	182	176	569	514
Bank franchise tax	439	366	1,266	1,051
Computer software	303	219	825	703
Data processing	577	707	2,044	2,025
FDIC deposit insurance assessment	255	125	545	500
Marketing, advertising and promotion	171	166	604	571
Professional fees	256	189	843	631
Core deposit intangible amortization	271	319	850	994
Other	1,169	988	3,877	3,368
Total noninterest expense	8,404	7,943	25,908	24,884
Income before income taxes	5,687	5,647	16,500	15,052
Provision for income taxes	1,111	1,047	3,197	2,647
Net income	\$ 4,576	\$ 4,600	\$ 13,303	\$ 12,405
Net income per common share, basic	\$ 0.85	\$ 0.86	\$ 2.47	\$ 2.31
Net income per common share, diluted	\$ 0.84	\$ 0.85	\$ 2.45	\$ 2.30
Weighted average common shares outstanding, basic	5,391,979	5,370,912	5,387,658	5,371,616
Weighted average common shares outstanding, diluted	5,424,642	5,396,936	5,414,969	5,387,537

See Notes to Consolidated Financial Statements

VIRGINIA NATIONAL BANKSHARES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Net income	\$ 4,576	\$ 4,600	\$ 13,303	\$ 12,405
Other comprehensive income:				
Unrealized gains on securities, net of tax of \$986 and \$2,307 for the three and nine months ended September 30, 2025, respectively, and net of tax of \$2,309 and \$1,525 for the three and nine months ended September 30, 2024, respectively	3,710	8,685	8,678	5,738
Reclassification adjustment for realized losses on securities, net of tax of \$1 for the nine months ended September 30, 2024	—	—	—	3
Total other comprehensive income	3,710	8,685	8,678	5,741
Total comprehensive income	\$ 8,286	\$ 13,285	\$ 21,981	\$ 18,146

See Notes to Consolidated Financial Statements

VIRGINIA NATIONAL BANKSHARES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Dollars in thousands, except per share data)
(Unaudited)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2023	\$ 13,258	\$ 106,045	\$ 73,781	\$ (40,044)	\$ 153,040
Stock option expense	-	24	-	-	24
Restricted stock grant expense	-	171	-	-	171
Vested stock grants	21	(21)	-	-	-
Shares repurchased	(2)	(24)	-	-	(26)
Cash dividends declared (\$0.33 per share)	-	-	(1,770)	-	(1,770)
Net income	-	-	3,646	-	3,646
Other comprehensive loss	-	-	-	(2,508)	(2,508)
Balance, March 31, 2024	<u>\$ 13,277</u>	<u>\$ 106,195</u>	<u>\$ 75,657</u>	<u>\$ (42,552)</u>	<u>\$ 152,577</u>
Stock option expense	-	35	-	-	35
Restricted stock grant expense	-	217	-	-	217
Vested stock grants	28	(28)	-	-	-
Shares repurchased	(49)	(484)	-	-	(533)
Cash dividends declared (\$0.33 per share)	-	-	(1,772)	-	(1,772)
Net income	-	-	4,159	-	4,159
Adjustment for Masonry Capital distribution	-	-	(83)	-	(83)
Other comprehensive loss	-	-	-	(436)	(436)
Balance, June 30, 2024	<u>\$ 13,256</u>	<u>\$ 105,935</u>	<u>\$ 77,961</u>	<u>\$ (42,988)</u>	<u>\$ 154,164</u>
Stock option expense	-	35	-	-	35
Restricted stock grant expense	-	197	-	-	197
Vested stock grants	1	(1)	-	-	-
Cash dividends declared (\$0.33 per share)	-	-	(1,772)	-	(1,772)
Net income	-	-	4,600	-	4,600
Other comprehensive income	-	-	-	8,685	8,685
Balance, September 30, 2024	<u>\$ 13,257</u>	<u>\$ 106,166</u>	<u>\$ 80,789</u>	<u>\$ (34,303)</u>	<u>\$ 165,909</u>
Balance, December 31, 2024	\$ 13,263	\$ 106,394	\$ 82,507	\$ (41,862)	\$ 160,302
Stock option expense	-	34	-	-	34
Restricted stock grant expense	-	214	-	-	214
Vested stock grants	33	(33)	-	-	-
Cash dividends declared (\$0.33 per share)	-	-	(1,779)	-	(1,779)
Net income	-	-	4,489	-	4,489
Other comprehensive income	-	-	-	3,521	3,521
Balance, March 31, 2025	<u>\$ 13,296</u>	<u>\$ 106,609</u>	<u>\$ 85,217</u>	<u>\$ (38,341)</u>	<u>\$ 166,781</u>
Stock option expense	-	35	-	-	35
Restricted stock grant expense	-	212	-	-	212
Vested stock grants	22	(22)	-	-	-
Cash dividends declared (\$0.36 per share)	-	-	(1,941)	-	(1,941)
Net income	-	-	4,238	-	4,238
Other comprehensive income	-	-	-	1,447	1,447
Balance, June 30, 2025	<u>\$ 13,318</u>	<u>\$ 106,834</u>	<u>\$ 87,514</u>	<u>\$ (36,894)</u>	<u>\$ 170,772</u>
Stock option expense	-	31	-	-	31
Restricted stock grant expense	-	211	-	-	211
Cash dividends declared (\$0.36 per share)	-	-	(1,941)	-	(1,941)
Net income	-	-	4,576	-	4,576
Other comprehensive income	-	-	-	3,710	3,710
Balance, September 30, 2025	<u>\$ 13,318</u>	<u>\$ 107,076</u>	<u>\$ 90,149</u>	<u>\$ (33,184)</u>	<u>\$ 177,359</u>

See Notes to Consolidated Financial Statements

VIRGINIA NATIONAL BANKSHARES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	For the nine months ended	
	September 30, 2025	September 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 13,303	\$ 12,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) credit losses	174	(474)
Net accretion of certain acquisition-related adjustments	(1,508)	(2,063)
Amortization of intangible assets	850	994
Net amortization of securities	603	323
Net losses on sale of AFS	-	4
Net gain on early redemption of debt	-	(379)
Net gains on sale of assets	(278)	(36)
Earnings on bank owned life insurance	(918)	(858)
Depreciation and other amortization	1,095	2,223
Stock option expense	100	94
Restricted stock expense	637	585
Net change in:		
Accrued interest receivable and other assets	496	(240)
Accrued interest payable and other liabilities	254	(647)
Net cash provided by operating activities	14,808	11,931
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in restricted investments	(454)	649
Proceeds from maturities, calls, sales and principal payments of available for sale securities	20,970	148,206
Net change in loans	2,394	(120,146)
Proceeds from sale of premises and equipment	3,047	104
Purchase of bank premises and equipment	(218)	(550)
Net cash provided by investing activities	25,739	28,263
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in demand deposits, money market and savings accounts	(32,951)	(40,471)
Net change in certificates of deposit and other time deposits	(5,707)	11,276
Net change in Federal funds purchased	(236)	(350)
Net change in other borrowings	10,000	(14,000)
Repurchase of shares of stock	-	(559)
Cash dividends paid	(5,661)	(5,315)
Net cash (used in) financing activities	(34,555)	(49,419)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 5,992	\$ (9,225)
CASH AND CASH EQUIVALENTS:		
Beginning of period	\$ 17,103	\$ 28,390
End of period	\$ 23,095	\$ 19,165
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	\$ 19,765	\$ 22,542
Taxes	3,180	2,380
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gains on available for sale securities	\$ 10,986	\$ 7,267
Initial right-of-use assets obtained in exchange for new operating lease liabilities	2,338	281

See Notes to Consolidated Financial Statements

VIRGINIA NATIONAL BANKSHARES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2025

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation: The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring items) considered necessary for a fair presentation have been included. The statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the Company's Form 10-K for the year ended December 31, 2024.

Nature of Operations: The accompanying unaudited consolidated financial statements include the accounts of the Company, and its subsidiary Virginia National Bank, and for the first quarter of 2024 presentation, its former subsidiary Masonry Capital Management, LLC, a registered investment advisor. Effective April 1, 2024, the Company sold the membership interests in Masonry Capital to an officer of the Company. Subsequent to the date of sale, the Company will receive an annual revenue-share amount for a period of six years. The Bank offers a full range of banking and related financial services to meet the needs of individuals, businesses and charitable organizations, including the fiduciary services of VNB Trust and Estate Services. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation: The preparation of financial statements in conformity with GAAP and the reporting guidelines prescribed by regulatory authorities 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the ACL, goodwill and core deposit intangible assets and fair value measurements. Operating results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025.

Reclassifications: If needed, certain previously reported amounts have been reclassified to conform to current period presentation. No such reclassifications were considered material.

Note 2. Recent Significant Accounting Pronouncements

Improvements to Income Tax Disclosures – In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this ASU require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than 5% of the amount computed by multiplying pretax income by the entity's applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than 5% of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied on a prospective basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its Consolidated Financial Statements.

Expense Disaggregation Disclosures - In November 2024, the FASB issued ASU 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." ASU 2024-03 requires public companies to disclose, in the notes to the financial statements, specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. The FASB subsequently issued ASU 2025-01, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date", which amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in ASU 2024-03 in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. Implementation of ASU 2024-03

may be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2024-03 to have a material impact on its consolidated financial statements.

Refer to Note 1, "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included in the 2024 Annual Report on Form 10-K for a discussion of the Company's significant accounting policies. Other accounting standards that have been issued by the FASB or other standards-setting bodies are not currently expected to have a material effect on the Company's financial position, results of operations or cash flows.

Note 3. Securities

The amortized cost and fair values of securities available for sale as of September 30, 2025 and December 31, 2024 were as follows (dollars in thousands):

September 30, 2025

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Government agencies	\$ 34,709	\$ -	\$ (3,720)	\$ 30,989
Mortgage-backed/CMOs	145,747	16	(19,493)	126,270
Corporate bonds	11,848	8	(7)	11,849
Municipal bonds	102,652	5	(18,813)	83,844
Total Securities Available for Sale	<u>\$ 294,956</u>	<u>\$ 29</u>	<u>\$ (42,033)</u>	<u>\$ 252,952</u>

December 31, 2024

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
U.S. Government treasuries	\$ 1,500	\$ -	\$ (7)	\$ 1,493
U.S. Government agencies	34,998	-	(5,363)	29,635
Mortgage-backed/CMOs	158,554	14	(25,757)	132,811
Corporate bonds	17,782	-	(191)	17,591
Municipal bonds	103,693	-	(21,686)	82,007
Total Securities Available for Sale	<u>\$ 316,527</u>	<u>\$ 14</u>	<u>\$ (53,004)</u>	<u>\$ 263,537</u>

As of September 30, 2025, there were \$244.3 million or 261 issues of individual securities, held in an unrealized loss position. These securities have an unrealized loss of \$42.0 million and consist of 115 mortgage-backed/collateralized mortgage obligations, 123 municipal bonds, 19 agency bonds, and 4 corporate bonds.

Accrued interest receivable on AFS securities as of September 30, 2025 and December 31, 2024 amounted to \$1.2 and \$1.5 million, respectively. The Company has elected to exclude accrued interest receivable from the amortized cost basis.

The following tables summarize all securities with unrealized losses, segregated by length of time in a continuous unrealized loss position, for which no allowance for credit losses was recorded, at September 30, 2025, and December 31, 2024 (dollars in thousands):

September 30, 2025	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	\$ -	\$ -	\$ 30,940	\$ (3,720)	\$ 30,940	\$ (3,720)
Mortgage-backed/CMOs	-	-	124,489	(19,493)	124,489	(19,493)
Corporate bonds	-	-	7,939	(7)	7,939	(7)
Municipal bonds	506	-	80,457	(18,813)	80,963	(18,813)
	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ 243,825</u>	<u>\$ (42,033)</u>	<u>\$ 244,331</u>	<u>\$ (42,033)</u>

December 31, 2024	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government treasuries	\$ -	\$ -	\$ 1,493	\$ (7)	\$ 1,493	\$ (7)
U.S. Government agencies	-	-	29,551	(5,363)	29,551	(5,363)
Mortgage-backed/CMOs	-	-	130,128	(25,757)	130,128	(25,757)
Corporate bonds	-	-	17,591	(191)	17,591	(191)
Municipal bonds	2,284	(19)	78,648	(21,667)	80,932	(21,686)
	<u>\$ 2,284</u>	<u>\$ (19)</u>	<u>\$ 257,411</u>	<u>\$ (52,985)</u>	<u>\$ 259,695</u>	<u>\$ (53,004)</u>

The Company's securities portfolio is primarily made up of fixed rate instruments, the prices of which move inversely with interest rates. Any unrealized losses are considered by management to be driven by increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the instruments approach their maturity date or repricing date or if market yields for such investments decline. At the end of any accounting period, the portfolio may have both unrealized gains and losses.

Impairment of debt securities occurs when the fair value of a security is less than its amortized cost. For debt securities AFS, impairment is recognized in its entirety in net income if either, (i) we intend to sell the security; 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, however, the Company does not intend to sell the security and it is not more-likely-than-not that the Company will be required to sell the security before recovery, the Company evaluates unrealized losses to determine whether a decline in fair value below amortized cost basis is a result of a credit loss, which occurs when the amortized cost basis of the security exceeds the present value of the cash flows expected to be collected from the security, or other factors such as changes in market interest rates. If a credit loss exists, an ACL is recorded that reflects the amount of the impairment related to credit losses, limited by the amount by which the security's amortized cost basis exceeds its fair value. Changes in the ACL are recorded in net income in the period of change and are included in the provision for credit losses. Changes in the fair value of debt securities AFS not resulting from credit losses are recorded in other comprehensive income (loss). The Company regularly reviews unrealized losses in its investments in securities and cash flows expected to be collected from impaired securities based on criteria including the extent to which market value is below amortized cost, the financial health of and specific prospects for the issuer, the Company's intention with regard to holding the security to maturity and the likelihood that the Company would be required to sell the security before recovery.

Management does not believe any of the securities in an unrealized loss position are impaired due to credit quality. In addition, issuers have continued to make timely payments of principal and interest. Accordingly, as of September 30, 2025, management believes the impairments detailed in the table above are temporary, and no credit loss has been realized in the Company's consolidated statements of income. Additionally, management has the ability to hold any security with an unrealized loss until maturity or until such time as the value of the security has recovered from its unrealized loss position.

Securities pledged as collateral to secure public deposits and to facilitate borrowing from the FRB had carrying values of \$23.0 million and \$21.9 million at September 30, 2025 and December 31, 2024, respectively.

There were no sales of AFS securities during the nine months ended September 30, 2025. During the nine months ended September 30, 2024, the Company sold AFS securities with a total book value of \$39.6 million, incurring a pre-tax loss of \$4 thousand. These sales were executed as the result of a strategic decision to reinvest proceeds into higher yielding assets.

Restricted securities are securities with limited marketability and consist of stock in the FRB, the Federal Home Loan Bank of Atlanta, CBB Financial Corporation (the holding company for Community Bankers' Bank) and an investment in an SBA loan fund. These restricted securities, totaling \$6.6 million and \$6.2 million as of September 30, 2025 and December 31, 2024, respectively, are carried at cost.

The amortized cost and fair value of AFS debt securities at September 30, 2025 are presented below based upon contractual maturities, by major investment categories (dollars in thousands). Expected maturities may differ from contractual maturities because issuers have the right to call or prepay obligations.

	Amortized Cost	Fair Value
U.S. Government agencies		
One year or less	\$ 48	\$ 48
After one year to five years	18,638	17,079
After five years to ten years	16,023	13,862
Ten years or more	-	-
	<u>\$ 34,709</u>	<u>\$ 30,989</u>
Mortgage-backed/CMOs		
One year or less	\$ 1,410	\$ 1,402
After one year to five years	3,381	3,258
After five years to ten years	8,389	7,862
Ten years or more	132,567	113,748
	<u>\$ 145,747</u>	<u>\$ 126,270</u>
Corporate bonds		
One year or less	\$ 9,897	\$ 9,900
After one year to five years	1,951	1,949
	<u>\$ 11,848</u>	<u>\$ 11,849</u>
Municipal bonds		
After one year to five years	\$ 7,641	\$ 7,511
After five years to ten years	24,433	22,543
Ten years or more	70,578	53,790
	<u>\$ 102,652</u>	<u>\$ 83,844</u>
Total Debt Securities Available for Sale	<u>\$ 294,956</u>	<u>\$ 252,952</u>

Note 4. Loans

The composition of the loan portfolio by major loan classifications at September 30, 2025 and December 31, 2024, stated at their face amount, net of deferred fees and costs and discounts, including fair value marks, appears below (dollars in thousands). The Company has elected to exclude accrued interest receivable, totaling \$4.8 million and \$4.9 million as of September 30, 2025 and December 31, 2024, respectively, from the amortized cost basis of loans.

	September 30, 2025	December 31, 2024
Commercial	\$ 265,427	\$ 257,671
Real estate construction and land	27,139	36,977
1-4 family residential mortgages	303,895	313,610
Commercial mortgages	611,242	593,496
Consumer	27,297	34,215
Total loans	1,235,000	1,235,969
Less: Allowance for credit losses	(8,510)	(8,455)
Net loans	<u>\$ 1,226,490</u>	<u>\$ 1,227,514</u>

The balances in the table above include unamortized premiums and net deferred loan costs and fees. As of September 30, 2025 and December 31, 2024, unamortized premiums from purchases of loans (excluding loans acquired during the Merger) were \$11.3 million, and \$10.3 million, respectively, due primarily to purchases of government-guaranteed loans. Net deferred loan costs and fees totaled \$2.9 million as of September 30, 2025 and \$3.1 million as of December 31, 2024.

Consumer loans include \$58 thousand and \$36 thousand of demand deposit overdrafts as of September 30, 2025 and December 31, 2024, respectively.

Loans acquired in business combinations are recorded in the consolidated balance sheets at fair value at the acquisition date under the acquisition method of accounting. The fair value mark as of the Effective Date was \$23.1 million. The table above includes a remaining net fair value mark of \$5.2 million as of September 30, 2025 on the Acquired Loans.

The following table shows the aging of the Company's loan portfolio, by class, at September 30, 2025 (dollars in thousands):

	30-59 Days	60-89 Days	90 Days or More Past Due and Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
Commercial	\$ 1,116	\$ 2,643	\$ 3,981	\$ -	\$ 257,687	\$ 265,427
Real estate construction and land	-	-	-	-	27,139	27,139
1-4 family residential mortgages	45	404	158	2,568	300,720	303,895
Commercial mortgages	648	-	-	-	610,594	611,242
Consumer loans	130	85	62	-	27,020	27,297
Total Loans	<u>\$ 1,939</u>	<u>\$ 3,132</u>	<u>\$ 4,201</u>	<u>\$ 2,568</u>	<u>\$ 1,223,160</u>	<u>\$ 1,235,000</u>

The following table shows the aging of the Company's loan portfolio, by class, at December 31, 2024 (dollars in thousands):

	30-59 Days	60-89 Days	90 Days or More	Nonaccrual Loans	Current Loans	Total Loans
Commercial	\$ 9,173	\$ 354	\$ 705	\$ -	\$ 247,439	\$ 257,671
Real estate construction and land	-	-	-	-	36,977	36,977
1-4 family residential mortgages	1,131	317	-	2,267	309,895	313,610
Commercial mortgages	-	-	-	-	593,496	593,496
Consumer loans	66	90	49	-	34,010	34,215
Total Loans	<u>\$ 10,370</u>	<u>\$ 761</u>	<u>\$ 754</u>	<u>\$ 2,267</u>	<u>\$ 1,221,817</u>	<u>\$ 1,235,969</u>

The following table shows the Company's amortized cost basis of loans on nonaccrual status as of September 30, 2025 (dollars in thousands). All nonaccrual loans are evaluated for an ACL on an individual basis. As of September 30, 2025, no nonaccrual loans required an ACL, and as of December 31, 2024, only one nonaccrual loan required an ACL, in the amount of \$28 thousand, due to collateral value shortfall.

	September 30, 2025		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial	\$ -	\$ -	\$ -
Real estate construction and land	-	-	-
1-4 family residential mortgages	2,568	-	2,568
Commercial mortgages	-	-	-
Consumer	-	-	-
Total Nonaccrual Loans	<u>\$ 2,568</u>	<u>\$ -</u>	<u>\$ 2,568</u>

The following table shows the Company's amortized cost basis of loans on nonaccrual status as of December 31, 2024 (dollars in thousands).

	December 31, 2024		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial	\$ -	\$ -	\$ -
Real estate construction and land	-	-	-
1-4 family residential mortgages	1,887	380	2,267
Commercial mortgages	-	-	-
Consumer	-	-	-
Total Nonaccrual Loans	<u>\$ 1,887</u>	<u>\$ 380</u>	<u>\$ 2,267</u>

Troubled loan modifications

From time to time, the Company modifies loans to borrowers who are experiencing financial difficulties by providing term extensions, interest rate reductions or other-than-insignificant payment delays. As the effect of most modifications is already included in the ACL due to the measurement methodologies used in its estimate, the ACL is typically not adjusted upon modification. During the three months ended September 30, 2025 and 2024 and the nine months ended September 30, 2025, no loans were modified to borrowers who were experiencing financial difficulty. During the first quarter of 2024, one 1-4 family residential mortgage loan was modified for a borrower experiencing financial difficulties, in the amount of \$703 thousand and representing 0.002% of this loan segment, by extending the interest-only term and maintaining the original interest rate.

The Company closely monitors the performance of all modified loans to understand the effectiveness of its modification efforts. Upon determination, if applicable, that all or a portion of a modified loan is uncollectible, that amount is charged against the ACL. One loan that has been modified by the Bank is in payment default as of September 30, 2025 as the loan is greater than 90 days past due.

Note 5. Allowance for Credit Losses

The ACL on the loan portfolio is a material estimate for the Company. The Company estimates is ACL on its loan portfolio on a quarterly basis. The Company utilizes two methodologies in its development of the ACL, discounted cash flow and remaining life.

- Discounted Cash Flow
 - DCF models, being periodic in nature, allow for effective incorporation of a reasonable and supportable forecast in a directionally consistent and objective manner.
 - The analysis aligns well with other calculations/actions outside the ACL estimation, which will mitigate model risk in other areas and allow for symmetrical application. For example, fair value (exit price notion), profitability analysis, IRR calculations, ALM, stress testing, and other forms of cash flow analysis.
 - Peer data is available for certain inputs (Probability of Default, Loss Given Default) if first-party data is not available or meaningful. This is made possible by the periodic nature of the model.
 - The DCF methodology is utilized on the following pools: 1) Commercial & Industrial; 2) Construction; 3) Consumer; 4) CRE NonOwner Occupied; 5) CRE Owner Occupied; 6) HELOC & Junior Lien; 7) Residential 1st Lien; and 8) Multifamily.
- Remaining Life
 - This methodology leverages a quarterly loss rate as well as future expectations of portfolio balances to calculate a reserve.
 - There are two main strengths of this methodology. First, it is fairly easy to execute and does not rely on large quantities of historical loan-level data. Second, it can satisfy the need to incorporate a reasonable and supportable forecast in a straightforward manner by either applying a forecast policy of “applicable history” or leveraging an actual econometric model for the analysis.
 - The remaining life methodology is utilized on the following pools: 1) Minute Lender; and 2) Student Loans.

Maximum Loss Rate - Management utilizes the same model to calculate maximum loss rates and expected loss rates for each segment. No additional models or methodologies were used to quantify the maximum loss rate, rather, a worst-case economic environment is utilized in the models. This process ensures symmetry between the maximum loss rate and the quantified loss rate. This process also leverages the well-documented regression models used in model development.

The process for deriving the maximum loss rate is outlined below:

- The economic forecast reflects the worst economic environment observed for each economic factor. This is done by quantifying a rolling 1-year average for each economic factor. Then, the most pessimistic 1-year average observations are captured and utilized as economic forecast inputs within the application.
- The economic forecast assumed is a ‘worst-case’ economic environment with inputs reflective of the great recession.
- The economic forecast is used to quantify credit risk in the form of Loss Rate. The resulting periodic default and loss rates are applied to the prepayment adjusted amortization schedules for each segment.
- The resulting ACL, which represents a lifetime reserve (symmetrical to the base model), is input into the qualitative framework’s maximum loss rate field. The difference between the expected model and the maximum model results are then allocated based on weight and risk assignment.

Qualitative Factors - ASC 326 requires an entity to adjust historical loss information to reflect the extent to which management expects reasonable and supportable forecasts to differ from the conditions that existed for the period over which historical information was evaluated. The adjustments for reasonable and supportable forecasts may be qualitative in nature and should reflect changes related to relevant data.

The Company utilizes a scorecard approach to assign qualitative factors. The scorecard approach is in alignment with the AICPA audit considerations for CECL which states:

These adjustments should be grounded in a methodology that is subject to appropriate governance, challenge, and periodic controlled reevaluation. Such methodology will generally require significant management judgment. The information used to support management's adjustments may be publicly available information, information specifically developed for the entity via management's specialist (internal or external), or other relevant and reliable information.

The purpose of the qualitative scorecard is to provide a qualitative estimate of the expected credit losses of the current loan portfolio in response to potential limitations of the quantitative model. It is used to aid in the assessment of the factors affecting expected credit losses in the loan portfolio. Benefits of the scorecard include directional consistency, objectivity, controls and quantification framework (auditable).

For each segment, the scorecard calculates the difference between the quantitative expected credit loss and the maximum loss rate. This difference represents all available qualitative adjustment that can be applied to that segment.

Individual Evaluation - In accordance with ASC 326, the Company will evaluate individual loans for expected credit losses when those loans do not share similar risk characteristics with loans evaluated using a collective (pooled) basis. Loans will not be included in both collective and individual analysis. Individual analysis will establish a specific reserve for each loan, using one of four methods: 1) Fair Value of Collateral Method (Collateral Relationship); 2) Cash Flow Method; 3) Advanced Cash Flow Method; or 4) Loan Pricing Method.

The following table shows the ACL activity by loan portfolio for the nine months ended September 30, 2025 (dollars in thousands):

	Commercial Loans	Real Estate Construction and Land	1-4 Family Residential Mortgages	Commercial Mortgages	Consumer Loans	Total
Allowance for Credit Losses:						
Balance as of beginning of year	\$ 760	\$ 737	\$ 2,551	\$ 3,533	\$ 874	\$ 8,455
Charge-offs	(6)	-	-	-	(64)	(70)
Recoveries	4	-	1	1	42	48
Provision for (recovery of) loan losses	(66)	(12)	(36)	39	(30)	(105)
Balance as of March 31, 2025	\$ 692	\$ 725	\$ 2,516	\$ 3,573	\$ 822	\$ 8,328
Charge-offs	(9)	-	-	-	(102)	(111)
Recoveries	5	-	-	1	34	40
Provision for (recovery of) loan losses	155	(269)	(101)	297	8	90
Balance as of June 30, 2025	\$ 843	\$ 456	\$ 2,415	\$ 3,871	\$ 762	\$ 8,347
Charge-offs	(85)	-	-	-	(61)	(146)
Recoveries	19	-	-	1	36	56
Provision for (recovery of) loan losses	14	266	112	(94)	(45)	253
Balance as of September 30, 2025	\$ 791	\$ 722	\$ 2,527	\$ 3,778	\$ 692	\$ 8,510

The following table shows the ACL activity by loan portfolio at December 31, 2024 (dollars in thousands):

	Commercial Loans	Real Estate Construction and Land	1-4 Family Residential Mortgages	Commercial Mortgages	Consumer Loans	Total
Allowance for Credit Losses:						
Balance as of beginning of year	\$ 193	\$ 462	\$ 1,492	\$ 5,261	\$ 987	\$ 8,395
Charge-offs	(288)	-	-	-	(471)	(759)
Recoveries	723	-	11	573	230	1,537
Provision for (recovery of) loan losses	132	275	1,048	(2,301)	128	(718)
Ending Balance, December 31, 2024	\$ 760	\$ 737	\$ 2,551	\$ 3,533	\$ 874	\$ 8,455

The following table presents a breakdown of the provision for (recovery of) credit losses for the periods indicated (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Provision for (recovery of) credit losses:				
Provision for (recovery of) loan losses	\$ 253	\$ (3)	\$ 238	\$ (511)
Provision for (recovery of) unfunded commitments	79	(111)	(64)	37
Total	\$ 332	\$ (114)	\$ 174	\$ (474)

The following table presents the Company's amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses, and the related ACL allocated to those loans as of the periods indicated (dollars in thousands):

	September 30, 2025		December 31, 2024	
	Real Estate Secured Loans	Allowance for Credit Losses - Loans	Real Estate Secured Loans	Allowance for Credit Losses - Loans
1-4 family residential mortgages	2,816	-	2,267	28
Total	\$ 2,816	\$ -	\$ 2,267	\$ 28

Credit Quality Indicators

The Company utilizes the following credit quality indicators:

Pass

Loans with the following risk ratings are pooled by class and considered together as “Pass”:

Excellent – minimal risk loans secured by cash or fully guaranteed by a U.S. government agency

Good – low risk loans secured by marketable collateral within margin

Satisfactory – modest risk loans where the borrower has strong and liquid financial statements and more than adequate cash flow

Average – average risk loans where the borrower has reasonable debt service capacity

Marginal – acceptable risk loans where the borrower has acceptable financial statements but is leveraged

Watch

These loans have an acceptable risk but require more attention than normal servicing.

Special Mention

These potential problem loans are currently protected but are potentially weak.

Substandard

These problem loans are inadequately protected by the sound worth and paying capacity of the borrower and/or the value of any collateral pledged. If such loans are not accruing interest, they would be evaluated on an individual basis.

Doubtful

Loans with this rating have significant deterioration in the sound worth and paying capacity of the borrower and/or the value of any collateral pledged, making collection or liquidation of the loan in full highly questionable. These loans would be considered impaired and evaluated on an individual basis.

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of September 30, 2025 (dollars in thousands). Current period gross write-off amounts represent write-offs for the nine months ended September 30, 2025 (dollars in thousands):

September 30, 2025									
Term Loans Amortized Cost Basis by Origination Year									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Loans Converted to Term	Total
Commercial									
Pass	\$ 35,923	\$ 92,562	\$ 85,188	\$ 10,236	\$ 1,502	\$ 23,931	\$ 15,186	\$ -	\$ 264,528
Watch	-	-	-	18	-	-	-	-	18
Special Mention	58	-	-	-	-	-	-	-	58
Substandard	-	84	-	550	-	115	1	73	823
Total commercial	<u>\$ 35,981</u>	<u>\$ 92,646</u>	<u>\$ 85,188</u>	<u>\$ 10,804</u>	<u>\$ 1,502</u>	<u>\$ 24,046</u>	<u>\$ 15,187</u>	<u>\$ 73</u>	<u>\$ 265,427</u>
Current period gross write-off	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 94	\$ 5	\$ -	\$ 100
Real estate construction and land									
Pass	\$ 3,357	\$ 4,163	\$ 7,866	\$ 371	\$ 1,857	\$ 1,428	\$ -	\$ -	\$ 19,042
Watch	-	-	1,030	-	154	-	-	-	1,184
Special Mention	-	-	-	-	-	200	-	-	200
Substandard	-	-	-	6,215	-	498	-	-	6,713
Total real estate construction and land	<u>\$ 3,357</u>	<u>\$ 4,163</u>	<u>\$ 8,896</u>	<u>\$ 6,586</u>	<u>\$ 2,011</u>	<u>\$ 2,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,139</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1-4 family residential mortgages									
Pass	\$ 7,361	\$ 23,346	\$ 16,927	\$ 10,097	\$ 46,759	\$ 156,236	\$ 16,988	\$ 160	\$ 277,874
Watch	-	322	4,721	1,749	2,333	1,710	900	-	11,735
Special Mention	-	197	-	1,133	1,909	5,086	62	-	8,387
Substandard	-	206	985	268	163	3,769	398	110	5,899
Total 1-4 family residential mortgage	<u>\$ 7,361</u>	<u>\$ 24,071</u>	<u>\$ 22,633</u>	<u>\$ 13,247</u>	<u>\$ 51,164</u>	<u>\$ 166,801</u>	<u>\$ 18,348</u>	<u>\$ 270</u>	<u>\$ 303,895</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial mortgages									
Pass	\$ 43,163	\$ 105,448	\$ 110,862	\$ 38,047	\$ 38,188	\$ 247,159	\$ 1,215	\$ -	\$ 584,082
Watch	-	-	989	-	-	8,629	-	-	9,618
Special Mention	102	78	1,750	-	1,369	11,091	-	-	14,390
Substandard	-	797	-	-	1,336	1,019	-	-	3,152
Total commercial mortgages	<u>\$ 43,265</u>	<u>\$ 106,323</u>	<u>\$ 113,601</u>	<u>\$ 38,047</u>	<u>\$ 40,893</u>	<u>\$ 267,898</u>	<u>\$ 1,215</u>	<u>\$ -</u>	<u>\$ 611,242</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer									
Pass	\$ 322	\$ 609	\$ 1,079	\$ 40	\$ 165	\$ 14,144	\$ 10,692	\$ -	\$ 27,051
Watch	-	-	-	-	21	71	1	-	93
Special Mention	-	-	-	-	8	79	-	-	87
Substandard	-	-	1	-	-	62	3	-	66
Total consumer	<u>\$ 322</u>	<u>\$ 609</u>	<u>\$ 1,080</u>	<u>\$ 40</u>	<u>\$ 194</u>	<u>\$ 14,356</u>	<u>\$ 10,696</u>	<u>\$ -</u>	<u>\$ 27,297</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 224	\$ 1	\$ -	\$ 227

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2024 (dollars in thousands). Current period gross write-off amounts represent write-offs for the year ended December 31, 2024 (dollars in thousands):

December 31, 2024									
Term Loans Amortized Cost Basis by Origination Year									
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Loans Converted to Term	Total
Commercial									
Pass	\$ 102,378	\$ 99,341	\$ 11,116	\$ 1,770	\$ 2,818	\$ 23,171	\$ 15,821	\$ 3	\$ 256,418
Watch	41	74	154	57	104	28	-	-	458
Special Mention	-	-	-	-	-	-	-	6	6
Substandard	-	5	294	-	20	132	7	331	789
Total commercial	<u>\$ 102,419</u>	<u>\$ 99,420</u>	<u>\$ 11,564</u>	<u>\$ 1,827</u>	<u>\$ 2,942</u>	<u>\$ 23,331</u>	<u>\$ 15,828</u>	<u>\$ 340</u>	<u>\$ 257,671</u>
Current period gross write-off	\$ -	\$ 14	\$ 38	\$ -	\$ 103	\$ 133	\$ -	\$ -	\$ 288
Real estate construction and land									
Pass	\$ 6,613	\$ 14,844	\$ 2,445	\$ 2,364	\$ 1,615	\$ 1,476	\$ -	\$ -	\$ 29,357
Watch	-	1,057	-	159	-	-	-	-	1,216
Special Mention	-	-	-	-	-	243	-	-	243
Substandard	-	-	6,121	-	-	40	-	-	6,161
Total real estate construction and land	<u>\$ 6,613</u>	<u>\$ 15,901</u>	<u>\$ 8,566</u>	<u>\$ 2,523</u>	<u>\$ 1,615</u>	<u>\$ 1,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,977</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1-4 family residential mortgages									
Pass	\$ 21,285	\$ 16,942	\$ 11,889	\$ 51,277	\$ 71,422	\$ 97,356	\$ 17,555	\$ 563	\$ 288,289
Watch	-	4,787	501	2,417	247	1,706	767	654	11,079
Special Mention	199	1,000	1,057	918	-	5,291	92	-	8,557
Substandard	-	-	1,434	54	1,292	2,293	397	215	5,685
Total 1-4 family residential mortgage	<u>\$ 21,484</u>	<u>\$ 22,729</u>	<u>\$ 14,881</u>	<u>\$ 54,666</u>	<u>\$ 72,961</u>	<u>\$ 106,646</u>	<u>\$ 18,811</u>	<u>\$ 1,432</u>	<u>\$ 313,610</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial mortgages									
Pass	\$ 98,264	\$ 106,442	\$ 37,153	\$ 39,435	\$ 80,542	\$ 197,875	\$ 1,215	\$ 572	\$ 561,498
Watch	-	1,776	-	-	11,385	4,594	-	-	17,755
Special Mention	82	-	1,511	1,406	1,506	7,701	-	-	12,206
Substandard	-	-	-	1,750	287	-	-	-	2,037
Total commercial mortgages	<u>\$ 98,346</u>	<u>\$ 108,218</u>	<u>\$ 38,664</u>	<u>\$ 42,591</u>	<u>\$ 93,720</u>	<u>\$ 210,170</u>	<u>\$ 1,215</u>	<u>\$ 572</u>	<u>\$ 593,496</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer									
Pass	\$ 698	\$ 1,104	\$ 67	\$ 243	\$ 134	\$ 16,603	\$ 15,135	\$ 3	\$ 33,987
Watch	-	-	-	23	-	59	-	-	82
Special Mention	-	-	-	-	-	89	-	-	89
Substandard	7	1	-	-	-	49	-	-	57
Total consumer	<u>\$ 705</u>	<u>\$ 1,105</u>	<u>\$ 67</u>	<u>\$ 266</u>	<u>\$ 134</u>	<u>\$ 16,800</u>	<u>\$ 15,135</u>	<u>\$ 3</u>	<u>\$ 34,215</u>
Current period gross write-off	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 466	\$ 1	\$ -	\$ 471

Note 6. Goodwill and Other Intangible Assets

The carrying amount of goodwill was \$7.8 million at September 30, 2025, December 31, 2024 and September 30, 2024, resulting from the Merger.

The Company had \$2.9 million, \$3.8 million and \$4.1 million of other intangible assets as of September 30, 2025, December 31, 2024 and September 30, 2024, respectively. Other intangible assets were recognized in connection with the core deposits acquired from Fauquier in 2021. The following table summarizes the gross carrying amounts and accumulated amortization of other intangible assets (dollars in thousands):

	September 30, 2025		December 31, 2024		September 30, 2024	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Core deposit intangible	\$ 9,660	\$ (6,718)	\$ 9,660	\$ (5,868)	\$ 9,660	\$ (5,561)

Amortization expense was \$271 thousand and \$319 thousand for the three months ended September 30, 2025 and 2024, respectively, and \$850 thousand and \$994 thousand for the nine months ended September 30, 2025 and 2024, respectively.

Estimated future amortization expense as of September 30, 2025 is as follows (dollars in thousands):

	Core Deposit Intangible
For the three months ending December 31, 2025	\$ 260
For the year ending December 31, 2026	918
For the year ending December 31, 2027	726
For the year ending December 31, 2028	535
For the year ending December 31, 2029	343
Thereafter	160
Total	<u>\$ 2,942</u>

Note 7. Leases

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease for a term similar to the length of the lease, including any probable renewal options available. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

Lease payments for short-term leases are recognized as lease expense on a straight-line basis over the lease term. Payments for leases with terms longer than twelve months are included in the determination of the lease liability.

Each of the Company's long-term lease agreements is classified as an operating lease. Certain of these leases offer the option to extend the lease term and the Company has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably assured of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations.

The following tables present information about the Company's leases (dollars in thousands):

	September 30, 2025	December 31, 2024
Lease liability	\$ 6,542	\$ 5,389
Right-of-use asset	\$ 6,666	\$ 5,551
Weighted average remaining lease term	4.99 years	5.14 years
Weighted average discount rate	3.49%	3.02%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Lease Expense:				
Operating lease cost	\$ 435	\$ 409	\$ 1,285	\$ 1,250
Short-term lease expense	4	11	26	41
Total lease expense	\$ 439	\$ 420	\$ 1,311	\$ 1,291
Cash paid for amounts included in lease liabilities	\$ 404	\$ 398	\$ 1,211	\$ 1,181

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total of operating lease liabilities is as follows (dollars in thousands):

	September 30, 2025
Undiscounted Cash Flow	
Three months ending December 31, 2025	\$ 405
Twelve months ending December 31, 2026	1,642
Twelve months ending December 31, 2027	1,556
Twelve months ending December 31, 2028	1,444
Twelve months ending December 31, 2029	1,054
Thereafter	1,089
Total undiscounted cash flows	\$ 7,190
Less: Discount	(648)
Lease liability	\$ 6,542

Note 8. Net Income Per Share

The table below shows the weighted average number of shares used in computing net income per common share and the effect of the weighted average number of shares of potential dilutive common stock for the three and nine months ended September 30, 2025 and 2024. Diluted net income per share is computed based on the weighted average number of shares of common stock equivalents outstanding, to the extent dilutive. The Company's common stock equivalents relate to outstanding common stock options. The recipients of unvested restricted shares have full voting and dividend rights, and as such, unvested restricted stock as of September 30, 2025 and September 30, 2024 is included in the calculation of basic and diluted net income per share (dollars below reported in thousands except per share data).

Three Months Ended

	September 30, 2025			September 30, 2024		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic net income per share	\$ 4,576	5,391,979	\$ 0.85	\$ 4,600	5,370,912	\$ 0.86
Effect of dilutive stock options	-	32,663	(0.01)	-	26,024	(0.01)
Diluted net income per share	\$ 4,576	5,424,642	\$ 0.84	\$ 4,600	5,396,936	\$ 0.85

Nine Months Ended

	September 30, 2025			September 30, 2024		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic net income per share	\$ 13,303	5,387,658	\$ 2.47	\$ 12,405	5,371,616	\$ 2.31
Effect of dilutive stock options	-	27,311	(0.02)	-	15,921	(0.01)
Diluted net income per share	\$ 13,303	5,414,969	\$ 2.45	\$ 12,405	5,387,537	\$ 2.30

For the three and nine months ended September 30, 2025, there were 81,144 and 101,544 option shares, respectively, considered anti-dilutive and excluded from this calculation. For the three and nine months ended September 30, 2024, there were 95,481 and 116,101 option shares considered anti-dilutive and excluded from this calculation.

Note 9. Stock Incentive Plans

At the Annual Shareholders Meeting on June 23, 2022, shareholders approved the Virginia National Bankshares Corporation 2022 Stock Incentive Plan. The 2022 Plan made available up to 150,000 shares of the Company's common stock to be issued to plan participants. The 2022 Plan provides for granting of both incentive and nonqualified stock options, as well as restricted stock, unrestricted stock and other stock based awards. No new grants can be issued under the 2014 Stock Incentive Plan as that plan has expired. At the Annual Meeting of Shareholders on July 24, 2025, an amendment to the 2022 Plan to increase the shares available for issuance under the plan by 150,000 shares was approved.

For the 2022 Plan, the option price for any stock options cannot be less than the fair value of the Company's stock on the grant date. In addition, 95% of the common stock authorized for issuance must have a vesting or exercise schedule of at least one year. For the 2014 Plan, the option price of incentive stock options cannot be less than the fair value of the stock at the time an option is granted and nonqualified stock options may be granted at prices established by the Board of Directors, including prices less than the fair value on the date of grant. Outstanding stock options generally expire ten years from the grant date. Stock options generally vest by the fourth or fifth anniversary of the date of the grant.

A summary of the shares issued and available under each of the Plans is shown below as of September 30, 2025. Share data and exercise price range per share have been adjusted to reflect prior issued stock dividends. Although the 2014 Plan has expired and no new grants will be issued under such plan, there were options issued before the plan expired that are still outstanding as shown below.

	2022 Plan	2014 Plan
Aggregate shares issuable	300,000	275,625
Options issued, net of forfeited and expired options	(47,683)	(174,006)
Unrestricted stock issued	-	(11,635)
Restricted stock grants issued, net of forfeited	(65,280)	(83,653)
Cancelled due to Plan expiration	-	(6,331)
Remaining available for grant	<u>187,037</u>	<u>-</u>
Restricted stock grants issued and outstanding:		
Total vested and unvested shares	65,280	95,888
Fully vested shares	16,110	80,490
Stock option grants issued and outstanding:		
Total vested and unvested shares	61,900	163,554
Fully vested shares	10,749	159,150
Exercise price range	\$25.10 to \$39.01	\$23.75 to \$42.62

The Company accounts for all of its stock incentive plans under recognition and measurement accounting principles which require that the compensation cost relating to stock-based payment transactions be recognized in the financial statements. Stock-based compensation arrangements include stock options and restricted stock. All stock-based payments to employees are required to be valued at a fair value on the date of grant and expensed based on that fair value over the applicable vesting period.

Stock Options

Changes in the stock options outstanding related to the Plans are summarized below (dollars in thousands except per share data):

	September 30, 2025		
	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1, 2025	223,001	\$ 33.22	\$ -
Issued	8,200	35.03	-
Exercised	-	-	-
Forfeited	(5,747)	(40.30)	-
Expired	-	-	-
Outstanding at September 30, 2025	<u>225,454</u>	<u>\$ 33.10</u>	<u>\$ 1,421</u>
Options exercisable at September 30, 2025	<u>169,899</u>	<u>\$ 33.53</u>	<u>\$ 1,053</u>

For both the three months ended September 30, 2025 and 2024, the Company recognized \$31 thousand and \$35 thousand, respectively, in compensation expense for stock options. For the nine months ended September 30, 2025 and 2024, the Company recognized \$100 thousand and \$94 thousand, respectively, in compensation expense for stock options. As of September 30, 2025, there was \$342 thousand in unrecognized compensation expense remaining to be recognized in future reporting periods through 2030. The fair value of any stock option grant is estimated at the grant date using the Black-Scholes pricing model. There were no stock options granted during the three months ended September 30, 2025 or September 30, 2024. During the nine months ended September 30, 2025 and 2024, there were stock option grants of 8,200 shares and 41,300 shares granted, respectively.

Summary information pertaining to options outstanding at September 30, 2025 is shown below. Share and per share data have been adjusted to reflect the prior stock dividends issued.

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price	Number of Options Exercisable	Weighted- Average Exercise Price
\$23.75 to \$30.00	101,300	6.1 Years	\$ 25.85	73,745	\$ 25.05
\$30.01 to \$40.00	70,610	6.5 Years	36.29	42,610	36.79
\$40.01 to \$42.62	53,544	2.6 Years	42.62	53,544	42.62
Total	<u>225,454</u>	<u>5.4 Years</u>	<u>\$ 33.10</u>	<u>169,899</u>	<u>\$ 33.53</u>

Stock Grants

Restricted stock grants – No restricted stock was granted during the three months ended September 30, 2025 and 2024. 21,068 and 41,300 restricted shares were granted to employees and non-employee directors, vesting over a four-year period, during the nine months ended September 30, 2025 and 2024, respectively. For the three and nine months ended September 30, 2025, \$211 thousand and \$637 thousand, respectively, were expensed as a result of restricted stock grants. As of September 30, 2025, there was \$1.8 million in unrecognized compensation expense for all restricted stock grants remaining to be recognized in future reporting periods through 2029.

Changes in the restricted stock grants outstanding during the nine months ended September 30, 2025 are summarized below (dollars in thousands except per share data):

	September 30, 2025		
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Nonvested as of January 1, 2025	65,889	\$ 31.96	\$ 2,557
Issued	21,068	36.09	818
Vested	(22,389)	(32.02)	(869)
Forfeited	-	-	-
Nonvested at September 30, 2025	<u>64,568</u>	<u>\$ 33.29</u>	<u>\$ 2,506</u>

Note 10. Fair Value Measurements

Determination of Fair Value

The Company follows ASC 820, "Fair Value Measurements and Disclosures," to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This codification clarifies that the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in the principal or most advantageous market for the asset or liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.
- Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the consolidated financial statements:

Securities available for sale

Securities AFS are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2).

The following tables present the balances measured at fair value on a recurring basis as of September 30, 2025 and December 31, 2024 (dollars in thousands):

Description	Balance	Fair Value Measurements at September 30, 2025 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Government agencies	\$ 30,989	\$ -	\$ 30,989	\$ -
Mortgage-backed/CMOs	126,270	-	126,270	-
Corporate bonds	11,849	-	11,849	-
Municipal bonds	83,844	-	83,844	-
Total securities available for sale	<u>\$ 252,952</u>	<u>\$ -</u>	<u>\$ 252,952</u>	<u>\$ -</u>

Description	Balance	Fair Value Measurements at December 31, 2024 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Government treasuries	\$ 1,493	\$ -	\$ 1,493	\$ -
U.S. Government agencies	29,635	-	29,635	-
Mortgage-backed/CMOs	132,811	-	132,811	-
Corporate bonds	17,591	-	17,591	-
Municipal bonds	82,007	-	82,007	-
Total securities available for sale	<u>\$ 263,537</u>	<u>\$ -</u>	<u>\$ 263,537</u>	<u>\$ -</u>

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write downs of individual assets. The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the consolidated financial statements:

Collateral Dependent Loans with an ACL

In accordance with ASC 326, we may determine that an individual loan exhibits unique risk characteristics which differentiate it from other loans within our loan pools. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific allocations of the ACL are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. We reevaluate the fair value of collateral supporting collateral dependent loans on a quarterly basis. The fair value of real estate collateral supporting collateral dependent loans is evaluated by appraisal services using a methodology that is consistent with the Uniform Standards of Professional Appraisal Practice.

There were no assets measured at fair value on a nonrecurring basis as of September 30, 2025. The following table presents the Company's assets that were measured at fair value on a nonrecurring basis as of December 31, 2024:

		Fair Value Measurements at December 31, 2024 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	Balance			
Assets:				
Individually evaluated loans	\$ 352	\$ -	\$ -	\$ 352

Description	Fair Value	Valuation Technique	Unobservable Inputs	Discount Rate
Assets:				
Individually evaluated loans	\$ 352	Market comparables	Discount applied to recent appraisal	20.0%

ASC 825, "Financial Instruments," requires disclosures about fair value of financial instruments for interim periods and excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The Company uses the exit price notion in calculating the fair values of financial instruments not measured at fair value on a recurring basis. The carrying values and estimated fair values of the Company's financial instruments as of September 30, 2025 and December 31, 2024 are as follows (dollars in thousands):

Fair Value Measurements at September 30, 2025 Using:					
	Carrying value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value
Assets					
Cash and cash equivalent	\$ 23,095	\$ 23,095	\$ -	\$ -	\$ 23,095
Available for sale securities	252,952	-	252,952	-	252,952
Restricted securities	6,647	-	6,647	-	6,647
Loans, net	1,226,490	-	-	1,185,400	1,185,400
Bank owned life insurance	40,977	-	40,977	-	40,977
Accrued interest receivable	6,270	-	1,174	5,096	6,270
Liabilities					
Demand deposits and interest-bearing transaction and money market accounts	\$ 1,082,152	\$ -	\$ 1,082,152	\$ -	\$ 1,082,152
Certificates of deposit	302,736	-	302,748	-	302,748
Borrowings	30,000	-	29,978	-	29,978
Junior subordinated debt, net	3,542	-	3,542	-	3,542
Accrued interest payable	1,524	-	1,524	-	1,524

Fair Value Measurements at December 31, 2024 Using:					
	Carrying value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Fair Value
Assets					
Cash and cash equivalent	\$ 17,103	\$ 17,103	\$ -	\$ -	\$ 17,103
Available for sale securities	263,537	-	263,537	-	263,537
Restricted securities	6,193	-	6,193	-	6,193
Loans, net	1,227,514	-	-	1,183,182	1,183,182
Bank owned life insurance	40,059	-	40,059	-	40,059
Accrued interest receivable	6,426	-	1,509	4,917	6,426
Liabilities					
Demand deposits and interest-bearing transaction and money market accounts	\$ 1,115,103	\$ -	\$ 1,115,103	\$ -	\$ 1,115,103
Certificates of deposit	308,443	-	308,856	-	308,856
Federal funds purchased	236	236	-	-	236
Borrowings	20,000	-	20,000	-	20,000
Junior subordinated debt, net	3,506	-	3,506	-	3,506
Accrued interest payable	1,837	-	1,837	-	1,837

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. Consequently, the fair values of the Company's financial instruments will fluctuate when interest rate levels change, and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk; however, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

Note 11. Other Comprehensive Income (Loss)

The following table presents the changes in each component of accumulated other comprehensive income (loss) during the nine months ended September 30, 2025 and September 30, 2024 (dollars in thousands).

	AFS Securities
Accumulated other comprehensive loss at December 31, 2024	\$ (41,862)
Other comprehensive gain arising during the period	10,985
Related income tax effects	(2,307)
	8,678
Accumulated other comprehensive loss at September 30, 2025	<u>\$ (33,184)</u>
	AFS Securities
Accumulated other comprehensive loss at December 31, 2023	\$ (40,044)
Other comprehensive loss arising during the period	7,263
Related income tax effects	(1,526)
	5,737
Reclassification into net income	4
Related income tax effects	(1)
	3
Accumulated other comprehensive loss at September 30, 2024	<u>\$ (34,304)</u>

Note 12. Segment Reporting

For the financial periods noted in this report, the Company has three reportable segments. Each reportable segment is a strategic business unit that offers different products and services. They are managed separately, because each segment appeals to different markets and, accordingly, require different technology and marketing strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies provided earlier in this report.

The three reportable segments are:

- *Bank* - The commercial banking segment involves making loans and generating deposits from individuals, businesses and charitable organizations. Loan fee income, service charges from deposit accounts, and other non-interest-related fees, such as fees for debit cards and ATM usage and fees for treasury management services, generate additional income for the Bank segment.
- *VNB Trust & Estate Services* – VNB Trust & Estate Services offers corporate trustee services, trust and estate administration, IRA administration and custody services. Revenue for this segment is generated from administration, service and custody fees, as well as management fees that are derived from Assets Under Management. Investment management services currently are offered through in-house and third-party managers.
- *Masonry Capital* - Masonry Capital offers investment management services for separately managed accounts and a private investment fund employing a value-based, catalyst-driven investment strategy. Revenue for this segment is generated from management fees that are derived from Assets Under Management and incentive income that is based on the investment returns generated on performance-based Assets Under Management. Effective April 1, 2024, the Company sold the membership interests in Masonry Capital Management, LLC to an officer of the Company. Subsequent to the date of sale, the Company will receive an annual revenue-share amount for a period of six years. No expenses will be incurred by the Company related to Masonry Capital subsequent to the effective date of sale.

Segment information for the three and nine months ended September 30, 2025 and 2024 is shown in the following tables (dollars in thousands). Note that asset information is not reported below, as the assets of VNB Trust & Estate Services are reported at the Bank level; also, assets specifically allocated to the lines of business other than the Bank are insignificant and are no longer provided to the chief operating decision maker.

Three months ended September 30, 2025	Bank	VNB Trust & Estate Services	Consolidated
Net interest income	\$ 13,072	\$ -	\$ 13,072
Provision for credit losses	332	-	332
Net interest income after provision for credit losses	\$ 12,740	\$ -	\$ 12,740
Noninterest income:			
Wealth management fees	\$ -	\$ 223	\$ 223
Deposit account fees	323	-	323
Debit/credit card and ATM fees	340	-	340
Bank owned life insurance income	318	-	318
Other	147	-	147
Total noninterest income	\$ 1,128	\$ 223	\$ 1,351
Noninterest expense:			
Salaries and employee benefits	\$ 3,657	\$ 252	\$ 3,909
Net occupancy	839	33	872
Equipment	178	4	182
Bank franchise tax	439	-	439
Computer software	303	-	303
Data processing	538	39	577
FDIC deposit insurance assessment	255	-	255
Marketing, advertising and promotion	171	-	171
Professional fees	222	34	256
Core deposit intangible amortization	271	-	271
Other	1,160	9	1,169
Total noninterest expense	\$ 8,033	\$ 371	\$ 8,404
Income before income taxes	\$ 5,835	\$ (148)	\$ 5,687
Provision for (benefit of) income taxes	1,142	(31)	1,111
Net income (loss)	\$ 4,693	\$ (117)	\$ 4,576

For the nine months ended September 30, 2025	Bank	VNB Trust & Estate Services	Consolidated
Net interest income	\$ 38,161	\$ -	\$ 38,161
Provision for credit losses	174	-	174
Net interest income after provision for credit losses	\$ 37,987	\$ -	\$ 37,987
Noninterest income:			
Wealth management fees	\$ -	\$ 658	\$ 658
Deposit account fees	922	-	922
Debit/credit card and ATM fees	1,065	-	1,065
Bank owned life insurance income	918	-	918
Gains on sale of assets, net	278	-	278
Other	580	-	580
Total noninterest income	\$ 3,763	\$ 658	\$ 4,421
Noninterest expense:			
Salaries and employee benefits	\$ 10,966	\$ 742	\$ 11,708
Net occupancy	2,679	98	2,777
Equipment	558	11	569
Bank franchise tax	1,266	-	1,266
Computer software	825	-	825
Data processing	1,937	107	2,044
FDIC deposit insurance assessment	545	-	545
Marketing, advertising and promotion	604	-	604
Professional fees	719	124	843
Core deposit intangible amortization	850	-	850
Other	3,863	14	3,877
Total noninterest expense	\$ 24,812	\$ 1,096	\$ 25,908
Income before income taxes	\$ 16,938	\$ (438)	\$ 16,500
Provision for (benefit of) income taxes	3,288	(91)	3,197
Net income (loss)	\$ 13,650	\$ (347)	\$ 13,303

Three months ended September 30, 2024	Bank	VNB Trust & Estate Services	Consolidated
Net interest income	\$ 12,024	\$ -	\$ 12,024
Recovery of credit losses	(114)	-	(114)
Net interest income after recovery of credit losses	\$ 12,138	\$ -	\$ 12,138
Noninterest income:			
Wealth management fees	\$ -	\$ 239	\$ 239
Deposit account fees	317	-	317
Debit/credit card and ATM fees	474	-	474
Bank owned life insurance income	294	-	294
Other	128	-	128
Total noninterest income	\$ 1,213	\$ 239	\$ 1,452
Noninterest expense:			
Salaries and employee benefits	\$ 3,534	\$ 235	\$ 3,769
Net occupancy	886	33	919
Equipment	172	4	176
Bank franchise tax	366	-	366
Computer software	219	-	219
Data processing	694	13	707
FDIC deposit insurance assessment	125	-	125
Marketing, advertising and promotion	166	-	166
Professional fees	147	42	189
Core deposit intangible amortization	319	-	319
Other	953	35	988
Total noninterest expense	\$ 7,581	\$ 362	\$ 7,943
Income before income taxes	\$ 5,770	\$ (123)	\$ 5,647
Provision for (benefit of) income taxes	1,073	(26)	1,047
Net income (loss)	<u>\$ 4,697</u>	<u>\$ (97)</u>	<u>\$ 4,600</u>

For the nine months ended September 30, 2024	Bank	VNB Trust & Estate Services	Masonry Capital	Consolidated
Net interest income	\$ 34,141	\$ -	\$ -	\$ 34,141
Recovery of credit losses	(474)	-	-	(474)
Net interest income after recovery of credit losses	\$ 34,615	\$ -	\$ -	\$ 34,615
Noninterest income:				
Wealth management fees	\$ 1	\$ 714	\$ 190	\$ 905
Deposit account fees	1,042	-	-	1,042
Debit/credit card and ATM fees	1,485	-	-	1,485
Bank owned life insurance income	858	-	-	858
Gains on sale of assets, net	36	-	-	36
Gain termination of interest rate swap	379	-	-	379
Losses on sales of AFS, net	(4)	-	-	(4)
Other	552	68	-	620
Total noninterest income	\$ 4,349	\$ 782	\$ 190	\$ 5,321
Noninterest expense:				
Salaries and employee benefits	\$ 10,918	\$ 715	\$ 138	\$ 11,771
Net occupancy	2,652	97	7	2,756
Equipment	500	13	1	514
Bank franchise tax	1,051	-	-	1,051
Computer software	703	-	-	703
Data processing	1,975	50	-	2,025
FDIC deposit insurance assessment	500	-	-	500
Marketing, advertising and promotion	570	1	-	571
Professional fees	481	124	26	631
Core deposit intangible amortization	994	-	-	994
Other	3,326	19	23	3,368
Total noninterest expense	\$ 23,670	\$ 1,019	\$ 195	\$ 24,884
Income before income taxes	\$ 15,294	\$ (237)	\$ (5)	\$ 15,052
Provision for (benefit of) income taxes	2,699	(50)	(2)	2,647
Net income (loss)	<u>\$ 12,595</u>	<u>\$ (187)</u>	<u>\$ (3)</u>	<u>\$ 12,405</u>

Note 13. Sale of Masonry Capital Management, LLC

Effective April 1, 2024, the Company sold the membership interests in Masonry Capital Management, LLC to an officer of the Company. Subsequent to the date of sale, the Company will receive an annual revenue-share amount for a period of six years. No expenses will be incurred by the Company related to Masonry Capital subsequent to the effective date of sale. The sale of this business line did not meet the requirements for classification of discontinued operations, as the sale did not represent a strategic shift in the Company's operations or plans and will not have a major effect on the Company's future operations or financial results.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited consolidated financial statements, and notes thereto, of Virginia National Bankshares Corporation included in this report and the audited consolidated financial statements, and notes thereto, of the Company included in the Company's Form 10-K for the year ended December 31, 2024. Operating results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results for the year ending December 31, 2025 or any future period.

FORWARD-LOOKING STATEMENTS AND FACTORS THAT COULD AFFECT FUTURE RESULTS

Certain statements in this release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, without limitation, statements with respect to the Company's operations, performance, future strategy and goals, and are often characterized by use of qualified words such as "expect," "believe," "estimate," "project," "anticipate," "intend," "will," "should," or words of similar meaning or other statements concerning the opinions or judgment of the Company and its management about future events. While Company management believes such statements to be reasonable, future events and predictions are subject to circumstances that are not within the control of the Company and its management. Actual results may differ materially from those included in the forward-looking statements due to a number of factors, including, without limitation, the effects of and changes in: inflation, interest rates, market and monetary fluctuations; liquidity and capital requirements; market disruptions including pandemics or significant health hazards, severe weather conditions, natural disasters, terrorist activities, financial crises, political crises, war and other military conflicts or other major events, the governmental and societal responses thereto, or the prospect of these events; changes, particularly declines, in general economic and market conditions in the local economies in which the Company operates, including the effects of declines in real estate values; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; the impact of changes in laws, regulations and guidance related to financial services including, but not limited to, taxes, banking, securities and insurance; changes in accounting principles, policies and guidelines; the financial condition of the Company's borrowers; the Company's ability to attract, hire, train and retain qualified employees; an increase in unemployment levels; competitive pressures on loan and deposit pricing and demand; fluctuation in asset quality; assumptions underlying the Company's ACL; the value of securities held in the Company's investment portfolio; performance of assets under management; cybersecurity threats or attacks and the development and maintenance of reliable electronic systems; changes in technology and their impact on the marketing of new products and services and the acceptance of these products and services by new and existing customers; the willingness of customers to substitute competitors' products and services for the Company's products and services; the risks and uncertainties described from time to time in the Company's press releases and filings with the SEC; and the Company's performance in managing the risks involved in any of the foregoing. Many of these factors and additional risks and uncertainties are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2024 and other reports filed from time to time by the Company with the Securities and Exchange Commission. These statements speak only as of the date made, and the Company does not undertake to update any forward-looking statements to reflect changes or events that may occur after this release.

OVERVIEW

Our primary financial goal is to maximize the Company's earnings to increase long-term shareholder value. We monitor three key financial performance measures to determine our success in realizing this goal: 1) return on average assets, 2) return on average equity, and 3) net income per share.

- ROAA for the three months ended September 30, 2025 of 1.12% declined 3 bps when compared to the ROAA of 1.15% for the three months ended September 30, 2024. ROAA for the nine months ended September 30, 2025 was 1.10% compared to 1.04% realized in the same period in the prior year, as net income was higher in the current period as compared to the same period in the prior year.
- ROAE for the three months ended September 30, 2025 was 10.48% compared to 11.82% realized in same period in the prior year. ROAE for the nine months ended September 30, 2025 was 10.52% compared to 10.70% realized in the same period in the prior year.
- Net income per diluted share was \$0.84 for the three months ended September 30, 2025, compared to \$0.85 for the same period in the prior year. Net income per diluted share was \$2.45 for the nine months ended September 30, 2025, compared to \$2.30 for the same period in the prior year. The period over period increases were due to the rise in net income, as described below.

- Tangible book value per share increased to \$30.90 as of September 30, 2025, compared to \$28.68 as of September 30, 2024. The increase is the result of total equity increasing period over period, coupled with the offsetting impact of intangible assets declining over the same period.

We manage our capital levels through growth, quarterly cash dividends, share repurchases, when prudent, while maintaining a strong capital position. During the second quarter of 2023, the Board of Directors approved a share repurchase plan of up to 5% of outstanding common stock. Repurchases may be made through open market purchases or in privately negotiated transactions. The actual timing, number, and value of shares repurchased under the program will be determined by a committee of the Board. During the first half of 2024, 20,350 shares were repurchased. No shares have been repurchased in 2025.

Refer to the Results of Operations, Non-GAAP Presentation section, later in this Management's Discussion and Analysis for more discussion on these financial performance measures.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting and reporting policies followed by the Company conform, in all material respects, to GAAP and to general practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While the Company bases estimates on historical experience, current information and other factors deemed to be relevant, actual results could differ from those estimates.

The Company considers accounting estimates to be critical to reported financial results if (i) the accounting estimate requires management to make assumptions about matters that are highly uncertain, and (ii) different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the Company's consolidated financial statements. The Company's accounting policies are fundamental to understanding management's discussion and analysis of financial condition and results of operations.

For additional information regarding critical accounting policies, refer to the Application of Critical Accounting Policies and Critical Accounting Estimates section under Item 8 in the Company's 2024 Form 10-K.

FINANCIAL CONDITION

Total assets

The total assets of the Company as of September 30, 2025 were \$1.6 billion. This is a \$10.4 million, or 0.6%, decrease from total assets reported at December 31, 2024 and a \$8.3 million, or 0.5%, decrease from total assets reported at September 30, 2024. Paydowns within the securities portfolio are being held in overnight investments to fund loan growth as demands arise. In addition, net increases of \$10.0 million in borrowings since December 31, 2024 have partially offset deposit contraction as management has continued intentional positioning to control interest expense.

Securities

The Company's investment securities portfolio as of September 30, 2025 totaled \$259.6 million, a decrease of \$10.1 million compared with the \$269.7 million reported at December 31, 2024 and a \$27.5 million decrease from the \$287.1 million reported at September 30, 2024. The decrease from year-end and the prior year was part of a strategic decision to reinvest proceeds into higher yielding assets. At September 30, 2025 and December 31, 2024, the investment securities holdings represented 16.2% and 16.7% of the Company's total assets, respectively.

The Company's investment securities portfolio included restricted securities totaling \$6.6 million as of September 30, 2025, compared to \$6.2 million as of December 31, 2024 and \$7.7 million as of September 30, 2024. These securities represent stock in the FRB, the FHLB, CBB Financial Corporation (the holding company for Community Bankers' Bank), and an investment in an SBA loan fund. The level of FRB and FHLB stock that the Company is required to hold is determined in accordance with membership guidelines provided by the Federal Reserve and the FHLB, respectively. Stock ownership in the bank holding company for Community Bankers' Bank provides the Company with several benefits that are not available

to non-shareholder correspondent banks. None of these restricted securities are traded on the open market and can only be redeemed by the respective issuer.

At September 30, 2025, the unrestricted securities portfolio totaled \$253.0 million. The following table summarizes the Company's AFS securities by type as of September 30, 2025, December 31, 2024, and September 30, 2024 (dollars in thousands):

	September 30, 2025		December 31, 2024		September 30, 2024	
	Balance	% of Total	Balance	% of Total	Balance	% of Total
U.S. Government treasuries	\$ —	—	\$ 1,493	0.6%	\$ 1,487	0.5%
U.S. Government agencies	30,989	12.3%	29,635	11.2%	30,575	10.9%
Mortgage-backed/CMOs	126,270	49.8%	132,811	50.4%	142,873	51.2%
Corporate bonds	11,849	4.7%	17,591	6.7%	18,598	6.7%
Municipal bonds	83,844	33.2%	82,007	31.1%	85,790	30.7%
Total available for sale securities	<u>\$ 252,952</u>	<u>100.0%</u>	<u>\$ 263,537</u>	<u>100.0%</u>	<u>\$ 279,323</u>	<u>100.0%</u>

The unrestricted securities are held primarily for earnings, liquidity, and asset/liability management purposes and are reviewed quarterly for possible impairments indicating credit losses. During this review, management analyzes the length of time the fair value has been below cost, the expectation for that security's performance, the creditworthiness of the issuer, and the Company's intent and ability to hold the security to recovery or maturity. These factors are analyzed for each individual security.

Loan portfolio

A management objective is to grow loan balances while maintaining the asset quality of the loan portfolio. The Company seeks to achieve this objective by maintaining rigorous underwriting standards coupled with regular evaluation of the creditworthiness of, and the designation of lending limits for, each borrowing relationship. The portfolio strategies include seeking industry, loan size, and loan type diversification to minimize credit exposure and originating loans in markets with which the Company is familiar. The Company's geographical trade area includes localities in Virginia, Maryland and the District of Columbia that are within a 100-mile radius of any office of the Company as well as the counties of Jefferson and Berkeley in West Virginia.

Total loans were \$1.2 billion as of September 30, 2025, December 31, 2024, and September 30, 2024. Loans as a percentage of total assets at September 30, 2025 were 76.9%, compared to 75.3% as of September 30, 2024. Loans as a percentage of deposits at September 30, 2025 were 89.2%, compared to 88.1% as of September 30, 2024.

The following table summarizes the Company's loan portfolio by type of loan as of September 30, 2025, December 31, 2024, and September 30, 2024 (dollars in thousands):

	September 30, 2025		December 31, 2024		September 30, 2024	
	Balance	% of Total	Balance	% of Total	Balance	% of Total
Commercial loans	\$ 265,427	21.5%	\$ 257,671	20.8%	\$ 260,104	21.4%
Real estate mortgage:						
Construction and land	27,139	2.2%	36,977	3.0%	40,078	3.3%
1-4 family residential mortgages	303,895	24.6%	313,610	25.4%	310,472	25.5%
Commercial mortgages	611,242	49.5%	593,496	48.1%	568,159	46.8%
Total real estate mortgage	942,276	76.3%	944,083	76.5%	918,709	75.6%
Consumer	27,297	2.2%	34,215	2.7%	36,699	3.0%
Total loans	<u>\$ 1,235,000</u>	<u>100.0%</u>	<u>\$ 1,235,969</u>	<u>100.0%</u>	<u>\$ 1,215,512</u>	<u>100.0%</u>

Loan balances decreased by \$1.0 million from December 31, 2024 to September 30, 2025. During the first nine months of 2025, the Company funded \$59.3 million in organic loan production and purchased \$31.5 million in government guaranteed loans, which are included in commercial loans. Paydowns and normal amortization of \$91.2 million offset the loans funded during the first nine months of the current year.

The following table details the Company's levels of non-owner occupied commercial real estate as of September 30, 2025, along with the average loan size and % of risk ratings for each category (dollars in thousands):

Loan Type	Balance	% of Total CRE	Average Loan Size	Special Mention	Sub-standard	Nonaccrual
Hotels	\$ 43,204	12.95%	\$ 6,172	0.00%	0.00%	0.00%
Office Building	79,150	23.72%	\$ 920	0.00%	0.00%	0.00%
Warehouses/Industrial	64,129	19.22%	\$ 2,211	0.89%	0.00%	0.00%
Retail	124,308	37.24%	\$ 1,855	0.00%	0.82%	0.00%
Day Cares / Schools	11,784	3.53%	\$ 1,473	0.00%	0.00%	0.00%
All Other Commercial Buildings	11,150	3.34%	\$ 929	0.00%	0.00%	0.00%
Total Non-Owner Occupied CRE	<u>\$ 333,725</u>					

The following table details the Company's levels of non-owner occupied commercial real estate as of December 31, 2024, along with the average loan size and % of risk ratings for each category (dollars in thousands):

Loan Type	Balance	% of Total CRE	Average Loan Size	Special Mention	Sub-standard	Nonaccrual
Hotels	\$ 45,840	14.80%	\$ 5,730	0.00%	0.00%	0.00%
Office Building	61,893	19.98%	\$ 764	0.00%	0.00%	0.00%
Warehouses/Industrial	61,243	19.77%	\$ 2,112	1.04%	0.00%	0.00%
Retail	120,655	38.96%	\$ 1,856	0.89%	0.00%	0.00%
Day Cares / Schools	10,606	3.42%	\$ 1,178	14.25%	0.00%	0.00%
All Other Commercial Buildings	9,520	3.07%	\$ 865	0.00%	0.00%	0.00%
Total Non-Owner Occupied CRE	<u>\$ 309,757</u>					

Loan quality

The Company continues to experience extremely low levels of NPAs, as a result of strict underwriting standards and practices. However, the economic environment in the Company's lending footprint could be impacted, which could increase NPAs in future periods.

Nonaccruals - Nonaccrual loans, comprised of fourteen loans to thirteen borrowers, totaled \$2.6 million at September 30, 2025, compared to balances of \$2.3 million and \$2.1 million reported at December 31, 2024 and September 30, 2024, respectively.

Past Due Loans - The Company had loans in its portfolio totaling \$4.1 million, \$754 thousand and \$3.2 million, as of September 30, 2025, December 31, 2024 and September 30, 2024, respectively, that were 90 or more days past due and still accruing interest as the Company deemed them to be collectible. The past due balance as of September 30, 2025 is comprised of four loans totaling \$4.0 million which are 100% government-guaranteed, and five student loans totaling \$62 thousand.

Troubled Loan Modifications - No loans were modified during the three months ended September 30, 2025. During the first quarter of 2024, one loan totaling \$703 thousand was modified for a borrower experiencing financial difficulties.

Management identifies potential problem loans through its periodic loan review process and considers potential problem loans as those loans classified as special mention, substandard, or doubtful.

Allowance for Credit Losses

The relationship of the ACL to total loans and nonaccrual loans appears below (dollars in thousands):

	September 30, 2025	December 31, 2024	September 30, 2024
Total loans	\$ 1,235,000	\$ 1,235,969	\$ 1,215,512
Nonaccrual loans	\$ 2,568	\$ 2,267	\$ 2,113
Allowance for credit losses	\$ 8,510	\$ 8,455	\$ 8,523
Nonaccrual loans to total loans	0.21%	0.18%	0.17%
ACL to total loans	0.69%	0.68%	0.70%
ACL to nonaccrual loans	331.39%	372.96%	403.36%

The ACL on loans as a percentage of loans was 0.69% as of September 30, 2025, 0.68% as of December 31, 2024, and 0.70% as of September 30, 2024. The fair value mark that was allocated to the acquired loans was \$21.3 million as of the Effective Date, with a remaining balance of \$5.2 million as of September 30, 2025.

Provisions for credit losses totaling \$238 thousand were recorded in the nine months ended September 30, 2025 and recoveries of credit losses totaling \$511 thousand were recorded in the nine months ended September 30, 2024. The following is a summary of the changes in the ACL for the nine months ended September 30, 2025 and 2024 (dollars in thousands):

	2025	2024
Allowance for credit losses, December 31 of prior year	\$ 8,455	\$ 8,395
Charge-offs	(327)	(631)
Recoveries	144	1,270
Provision for (recovery of) credit losses	238	(511)
Allowance for credit losses, September 30	<u>\$ 8,510</u>	<u>\$ 8,523</u>

For additional insight into management's approach and methodology in estimating the ACL, please refer to the earlier discussion of "Allowance for Credit Losses" in Note 5 of the Notes to Consolidated Financial Statements. In addition, Note 5 includes details regarding the rollforward of the allowance by loan portfolio segments. The rollforward tables indicate the activity for loans that are charged-off, amounts received from borrowers as recoveries of previously charged-off loan balances, and the allocation by loan portfolio segment of the provision made during the period. The events that can positively impact the amount of allowance in a given loan segment include any one or all of the following: the recovery of a previously charged-off loan balance; the decline in the amount of classified or delinquent loans in a loan segment from the previous period, which most commonly occurs when these loans are repaid or are foreclosed; or when there are improvements in the ratios used to estimate the probability of loan losses. Improvements to the ratios could include lower historical loss rates, improvements to any of the qualitative factors mentioned above, or reduced loss expectations for individually-classified loans.

Management has elected to perform an individual evaluation on all loans in nonaccrual status. As of September 30, 2025, after reviewing each loan in nonaccrual status, no specific reserve was deemed necessary. As of December 31, 2024, a specific reserve of \$28 thousand was established based on a collateral shortfall.

The primary driver in the \$55 thousand net increase in reserves from December 31, 2024 to September 30, 2025 was the increase in the loss factors associated with the organic loan portfolio, as a result of a routine annual loss driver analysis which utilizes peer loss data; this change resulted in an increase in the loss factor associated with such loans from 77 bps to 81 bps period over period, resulting in a \$246 thousand increase in the ACL. The ACL associated with student loans declined \$158 thousand from \$650 thousand to \$492 thousand period over period, offsetting the increase noted above, due to declining balances within the portfolio and improvement in loss rate from 4.03% as of December 31, 2024 to 3.60% as of September 30, 2025.

The balance in government-guaranteed loans, which do not require an ACL, increased from December 31, 2024 to September 30, 2025 by \$7.7 million, from \$218.3 million to \$226.0 million.

Management reviews the ACL on a quarterly basis to ensure it is adequate based upon the calculated probable losses inherent in the portfolio. Management believes the ACL was adequately provided for as of September 30, 2025 and acknowledges that the ACL may increase throughout the year as economic conditions may continue to deteriorate for the foreseeable future.

Premises and equipment

The Company's premises and equipment, net of depreciation, as of September 30, 2025 totaled \$11.8 million compared to \$15.4 million as of December 31, 2024 and \$15.6 million as of September 30, 2024, decreasing from prior year due to the sale of a branch facility in the first quarter of 2025. Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed by the straight-line method based on the estimated useful lives of assets. Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, assets and related accumulated depreciation are removed from the books, and any resulting gain or loss is charged to income.

As of September 30, 2025, the Company occupied thirteen full-service banking facilities throughout Albemarle, Fauquier and Prince William counties and the cities of Charlottesville, Richmond, Manassas and Winchester, Virginia. The Company also operates a drive-through location at 301 East Water Street, Charlottesville, Virginia.

The five-story office building at 404 People Place, Charlottesville, Virginia, located in Albemarle County, also serves as the Company's corporate headquarters and operations center. VNB Trust & Estate Services is located at 103 Third Street, SE, Charlottesville, Virginia.

Both the Arlington Boulevard facility in Charlottesville and the People Place facility in Albemarle County also contain office space that is currently under lease to tenants.

Leases

As of September 30, 2025, the Company has recorded \$6.7 million of right-of-use assets and \$6.5 million of lease liabilities, in accordance with ASU 2016-02 "Leases" (Topic 842). As of December 31, 2024, \$5.6 million of right-of-use assets and \$5.4 million of lease liabilities were included on the balance sheet. Right-of-use assets are assets that represent the Company's right to use, or control the use of, a specified asset for the lease term, offset by the lease liability, which is the Company's obligation to make lease payments arising from a lease, measured on a discounted basis. During the second quarter of 2025, the Company extended the ground lease associated with the Pantops headquarters for an additional five-year period. During the first quarter of 2024, the Company extended one branch lease for an additional five-year period.

Deposits

Deposit accounts represent the Company's primary source of funds and are comprised of demand deposits, interest-bearing checking, money market, and savings accounts as well as time deposits. These deposits have been provided predominantly by individuals, businesses and charitable organizations in the Commonwealth of Virginia.

Total deposits as of September 30, 2025 were \$1.4 billion, a decrease of \$38.7 million, or 2.7%, compared to December 31, 2024, yet an increase of \$5.0 million, or 0.4%, compared to September 30, 2024 (dollars in thousands).

	September 30, 2025		December 31, 2024		September 30, 2024	
	Balance	% of Total	Balance	% of Total	Balance	% of Total
No cost and low cost deposits:						
Noninterest demand deposits	\$ 361,568	26.1%	\$ 374,079	26.3%	\$ 359,900	26.1%
Interest checking accounts	260,424	18.8%	303,405	21.3%	258,439	18.7%
Money market and savings deposit accounts	460,160	33.2%	437,619	30.7%	431,707	31.3%
Total noninterest and low cost deposit accounts	1,082,152	78.1%	1,115,103	78.3%	1,050,046	76.1%
Time deposit accounts:						
Certificates of deposit	292,940	21.2%	303,564	21.3%	323,557	23.4%
CDARS deposits	9,796	0.7%	4,879	0.3%	6,300	0.5%
Total certificates of deposit and other time deposits	302,736	21.9%	308,443	21.7%	329,857	23.9%
Total deposit account balances	\$ 1,384,888	100.0%	\$ 1,423,546	100.0%	\$ 1,379,903	100.0%

Noninterest-bearing demand deposits on September 30, 2025 were \$361.6 million, representing 26.1% of total deposits. Interest-bearing transaction, money market, and savings accounts totaled \$720.6 million, and represented 52.0% of total deposits at September 30, 2025. Collectively, noninterest-bearing and interest-bearing transaction, money market and savings accounts represented 78.1% of total deposit accounts at September 30, 2025. These account types are an excellent source of low-cost funding for the Company.

The Company also offers insured cash sweep deposit products. ICS[®] deposit balances of \$22.7 million and \$122.5 million are included in the interest checking accounts and in the money market and savings deposit accounts balances, respectively, in the table above, as of September 30, 2025. As of September 30, 2024, ICS[®] deposit balances of \$19.4 million and \$126.2 million are included in the interest checking accounts and in the money market and savings deposit account balances, respectively. All ICS[®] accounts consist of reciprocal balances for the Company's customers. The Company currently holds no brokered or specialty CDs.

The remaining 21.9% of total deposits consisted of certificates of deposit and other time deposit accounts totaling \$302.7 million at September 30, 2025, decreasing from the balances as of December 31, 2024 as a result of the discontinuance of several interest rate promotions that the Bank ran in 2024. Included in these deposit totals are CDARS[™], whereby depositors can obtain FDIC deposit insurance on account balances of up to \$50 million. CDARS[™] deposits totaled \$9.8 million as of September 30, 2025 and \$4.9 million as of December 31, 2024, all of which were reciprocal balances for the Company's customers.

As of September 30, 2025 and December 31, 2024, the estimated amounts of uninsured deposits were \$368.3 million, or 26.6% and \$389.6 million, or 27.3% of total deposits, respectively.

Federal funds purchased

The Company did not purchase federal funds at September 30, 2025, compared to \$236 thousand at December 31, 2024 and \$3.1 million at September 30, 2024. Any excess funds are sold on a daily basis in the federal funds market and Federal funds are purchased as needed to meet liquidity needs.

Borrowings

Borrowings, consisting primarily of FHLB advances, are additional sources of funds for the Company. The level of these borrowings is determined by various factors, including customer demand and the Company's ability to earn a favorable spread on the funds obtained. The Company repaid \$31.0 million in FHLB advances during the three months ended September 30, 2025, largely from proceeds of loan paydowns.

As of September 30, 2025, based on the FHLB's evaluation, the Company has an available credit position of \$408 million, for which access can be negotiated based on multiple factors. The Company currently has a collateral dependent line of credit with the FHLB for \$110.3 million, secured by commercial mortgages, with borrowings of \$30.0 million as of September 30, 2025. As of December 31, 2024, there were \$20.0 million in outstanding borrowings with the FHLB.

Additional borrowing arrangements maintained by the Company include formal unsecured federal funds lines with five major regional correspondent banks for a total of \$119.0 million and a secured line with the Federal Reserve discount window in the amount of \$3.3 million, based on the market value of the collateral. See above for outstanding balances in Federal funds purchased as of the dates presented.

Junior Subordinated Debt

In 2006, a subsidiary of Fauquier, Fauquier Statutory Trust II, privately issued \$4.0 million face amount of the trust's Floating Rate Capital Securities in a pooled capital securities offering. Simultaneously, the trust used the proceeds of that sale to purchase \$4.0 million principal amount of the Fauquier's Floating Rate Junior Subordinated Deferrable Interest Debentures due 2036. As of September 30, 2025 and December 31, 2024, total capital securities were \$3.5 million, as adjusted to fair value as of the date of the Merger. Historically, the interest rate on the capital security reset every three months at 1.70% above the then current three-month LIBOR and was paid quarterly. With the cessation of LIBOR, on September 13, 2023, the rate converted to a spread adjustment of 0.03% plus a margin of 1.70% above the three-month CME Term SOFR.

The Trust II issuance of capital securities and the respective subordinated debentures are callable at any time. The subordinated debentures are an unsecured obligation of the Company and are junior in right of payment to all present and future senior indebtedness of the Company. The capital securities are guaranteed by the Company on a subordinated basis.

Shareholders' equity and regulatory capital ratios

The following table displays the changes in shareholders' equity for the Company from December 31, 2024 to September 30, 2025 (dollars in thousands):

Equity, December 31, 2024	\$	160,302
Net income		13,303
Other comprehensive income		8,678
Cash dividends declared		(5,661)
Equity increase due to expensing of stock options		100
Equity increase due to expensing of restricted stock		637
Equity, September 30, 2025	\$	<u>177,359</u>

The Basel III capital rules require banks and bank holding companies to comply with the following minimum capital ratios: (i) a ratio of common equity Tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (effectively resulting in a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 7%); (ii) a ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (effectively resulting in a minimum Tier 1 capital ratio of 8.5%); (iii) a ratio of total capital to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer (effectively resulting in a minimum total capital ratio of 10.5%); and (iv) a leverage ratio of 4%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (computed as the average for each quarter of the month-end ratios for the quarter).

The Company's Tier 1, common equity Tier 1, total capital to risk-weighted assets, and leverage ratios were 19.30%, 19.30%, 20.14%, and 12.26% respectively, as of September 30, 2025, thus exceeding the minimum requirements. The Bank's Tier 1, common equity Tier 1, total capital to risk-weighted assets, and leverage ratios were 19.08%, 19.08%, 19.93%, and 12.12%, respectively, as of September 30, 2025, also exceeding the minimum requirements.

As of September 30, 2025, the Bank exceeded all of the following minimum capital ratios in order to be considered "well capitalized" under the PCA regulations, as revised: (i) a common equity Tier 1 capital ratio of at least 6.5%; (ii) a Tier 1 capital to risk-weighted assets ratio of at least 8.0%; (iii) a total capital to risk-weighted assets ratio of at least 10.0%; and (iv) a leverage ratio of at least 5.0%.

RESULTS OF OPERATIONS

Industry events and economic environment

Management of the Company continually monitors the impact of various global and national events on the Company's results of operations and financial condition, including inflation and economic recessionary conditions, changes in interest rates, the political environment, geopolitical conflicts, competition, liquidity matters, changes in legislative or regulatory requirements and changes in government policy, such as the imposition of tariffs and potential trade barriers. The timing and impact of inflation, fluctuations in and volatility of interest rates, and the competitive landscape of loans and deposits on our business and results of operations will depend on future developments, which are uncertain and unpredictable. In July 2025, the One Big Beautiful Bill Act was signed into law, which includes a wide variety of tax reform provisions affecting individuals as well as businesses, including extending and modifying certain key provisions from the Tax Cuts and Jobs Act of 2017 and expanding certain incentives from the Inflation Reduction Act of 2022 while accelerating the phase-out of others.

During the third quarter of 2025, the Federal Reserve reduced rates by 25 bps, marking its first cut since December 2024. In late October 2025, the Federal Reserve announced an additional rate cut of 25 bps. Employment data showed negative growth in the third quarter of 2025. The government shutdown will most likely weaken economic growth but such growth should be regained once the shutdown ends, to what extent and the timing are both unclear. Federal Reserve officials, including Chairman Powell, have indicated a willingness to exercise patience at current levels of inflation and unemployment to better understand how policy changes affect economic indicators.

Management will continue to deploy solid asset liability management strategies to manage our risk related to interest rate fluctuations and monitor balance sheet trends, deposit flows, and liquidity needs to enable us to meet the needs of our customers and maintain financial flexibility.

Non-GAAP presentations

The accounting and reporting policies of the Company conform to GAAP and prevailing practices in the banking industry. However, certain non-GAAP measures are used by management to supplement the evaluation of the Company's performance. These include tangible book value per share, tangible equity and the following fully-taxable equivalent measures: net interest income-FTE, efficiency ratio-FTE and net interest margin-FTE. Interest on tax-exempt loans and securities is presented on a taxable-equivalent basis (which converts the income on loans and investments for which no income taxes are paid to the equivalent yield as if income taxes were paid) using the federal corporate income tax rate of 21 percent that was applicable for all periods presented.

Management believes that the use of these non-GAAP measures provides meaningful information about operating performance by enhancing comparability with other financial periods, other financial institutions, and between different sources of interest income. The non-GAAP measures used by management enhance comparability by excluding the effects of (1) items that do not reflect ongoing operating performance, (2) balances of intangible assets, including goodwill, that vary significantly between institutions, and (3) tax benefits that are not consistent across different opportunities for investment. These non-GAAP financial measures should not be considered an alternative to, or more important than, GAAP-basis financial statements, and other banks and bank holding companies may define or calculate these or similar measures differently. Net income is discussed in Management's Discussion and Analysis on a GAAP basis unless noted as "non-GAAP."

A reconciliation of the non-GAAP financial measures used by the Company to evaluate and measure the Company's performance to the most directly comparable GAAP financial measures is presented below (dollars in thousands, except for the per share data):

	As of or for the Three Months Ended		For the Nine Months Ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Fully tax-equivalent measures				
Net interest income (GAAP)	\$ 13,072	\$ 12,024	\$ 38,161	\$ 34,141
Fully tax-equivalent adjustment	86	87	258	261
Net interest income (FTE) (non-GAAP)	<u>\$ 13,158</u>	<u>\$ 12,111</u>	<u>\$ 38,419</u>	<u>\$ 34,402</u>
Efficiency ratio (GAAP)	58.3%	58.9%	60.8%	63.1%
Fully tax-equivalent adjustment	-0.4%	-0.3%	-0.3%	-0.5%
Efficiency ratio (FTE) (non-GAAP)	<u>57.9%</u>	<u>58.6%</u>	<u>60.5%</u>	<u>62.6%</u>
Net interest margin (GAAP)	3.40%	3.22%	3.35%	3.05%
Fully tax-equivalent adjustment	0.03%	0.02%	0.02%	0.02%
Net interest margin (FTE) (non-GAAP)	<u>3.43%</u>	<u>3.24%</u>	<u>3.37%</u>	<u>3.07%</u>
Other financial measures				
Book value per share (GAAP)	\$ 32.89	\$ 30.89		
Impact of intangible assets	(1.99)	(2.21)		
Tangible book value per share (non-GAAP)	<u>\$ 30.90</u>	<u>\$ 28.68</u>		
Total equity (GAAP)	\$ 177,359	\$ 165,909		
Impact of intangible assets	(10,710)	(11,867)		
Tangible equity (non-GAAP)	<u>\$ 166,649</u>	<u>\$ 154,042</u>		

Net income

Net income for the three months ended September 30, 2025 was \$4.6 million, a \$24.0 thousand decrease compared to \$4.6 million reported for the three months ended September 30, 2024. Net income per diluted share was \$0.84 for the three months ended September 30, 2025 compared to \$0.85 per diluted share for the same period in the prior year.

Net income for the nine months ended September 30, 2025 was \$13.3 million, compared to \$12.4 million for the nine months ended September 30, 2024. Net income per diluted share was \$2.45 for the nine months ended September 30, 2025, compared to \$2.30 for the nine months ended September 30, 2024.

The decrease in net income for each of the periods noted above is primarily the result of decreased cost of funds, as discussed in more detail below.

Net interest income

Net interest margin (FTE) is the ratio of net interest income (FTE) to average earning assets for the period. The level of interest rates, together with the volume and mix of earning assets and interest-bearing liabilities, impact net interest income (FTE) and net interest margin (FTE).

Quarterly overview - Net interest income (FTE) for the three months ended September 30, 2025 was \$13.2 million, a \$1.0 million increase compared to net interest income (FTE) of \$12.1 million for the three months ended September 30, 2024. The net interest margin (FTE) of 3.43% for the three months ended September 30, 2025 was 19 bps higher than the 3.24% realized during the three months ended September 30, 2024. Interest expense decreased by \$1.0 million, positively impacting net interest income (FTE) and net interest margin (FTE), compared to the same period in the prior year. Overall, the cost of interest-bearing deposits decreased 45 bps period over period, from 271 bps to 226 bps. A \$44.5 million decrease in average balances of time deposit products contributed to the reduced interest expense during the third quarter of 2025.

Average loan balances of \$1.2 billion for the three months ended September 30, 2024 were flat compared to average loan balances for the three months ended September 30, 2025; however, changes in the mix provided nominal enhancements to interest income. This metric was however negatively impacted by the decrease in the average balances of securities, decreasing from \$287.9 million in the three months ended September 30, 2024 to \$259.0 million in the three months ended September 30, 2025, negatively impacting interest income (FTE) by \$210 thousand period over period.

Year-to-date overview - Net interest income (FTE) for the nine months ended September 30, 2025 was \$38.4 million, a \$4.0 million increase compared to net interest income (FTE) for the nine months ended September 30, 2024. The net interest margin (FTE) of 3.37% for the nine months ended September 30, 2025 was 30 bps higher than the 3.07% realized during the nine months ended September 30, 2024. Interest expense decreased \$3.0 million, positively impacting net interest income (FTE) and net interest margin (FTE), compared to the same period in the prior year. Overall, the cost of interest-bearing deposits decreased 44 bps period over period, from 273 bps to 229 bps. A \$43.8 million decrease in average balances of time deposit products contributed to the lower interest expense during the nine months of 2025. The increase in average loan balances, from \$1.1 billion for the nine months ended September 30, 2024 to \$1.2 billion for the nine months ended September 30, 2025, positively impacted interest income by \$2.6 million. This metric was however negatively impacted by the decrease in the average balances of securities, decreasing from \$328.5 million in the nine months ended September 30, 2024 to \$265.7 million in the nine months ended September 30, 2025, negatively impacting interest income (FTE) by \$1.6 million period over period.

Refer to the Reconciliation of Non-GAAP Measures table within the Non-GAAP presentations section for a reconciliation of GAAP to non-GAAP net interest margin.

The following tables detail the average balance sheet, including an analysis of net interest income (FTE) for earning assets and interest-bearing liabilities, for the three and nine months ended September 30, 2025 and 2024. These tables also include rate/volume analyses for these same periods (dollars in thousands).

Consolidated Average Balance Sheet and Analysis of Net Interest Income

	For the Three Months Ended						Change in Interest Income/ Expense Change Due to : ⁴		
	September 30, 2025			September 30, 2024					
	Average Balance	Interest Income/ Expense	Average Yield/ Cost ⁵	Average Balance	Interest Income/ Expense	Average Yield/ Cost ⁵	Volume	Rate	Total Increase/ (Decrease)
ASSETS									
Interest Earning Assets:									
Securities:									
Taxable Securities	\$193,809	\$1,311	2.71%	\$221,548	\$1,516	2.74%	\$(188)	\$(17)	\$(205)
Tax Exempt Securities ¹	65,222	408	2.50%	66,334	413	2.49%	(7)	2	(5)
Total Securities ¹	259,031	1,719	2.65%	287,882	1,929	2.68%	(195)	(15)	(210)
Loans:									
Real Estate	939,765	13,792	5.82%	905,275	13,348	5.87%	506	(62)	444
Commercial	262,137	3,216	4.87%	238,407	3,418	5.70%	320	(522)	(202)
Consumer	28,903	492	6.75%	37,765	612	6.45%	(150)	30	(120)
Total Loans	1,230,805	17,500	5.64%	1,181,447	17,378	5.85%	676	(554)	122
Federal funds sold	25,482	283	4.41%	9,875	136	5.48%	178	(31)	147
Other interest-bearing deposits	7,912	55	2.76%	7,978	50	2.49%	-	5	5
Total Earning Assets	1,523,230	19,557	5.09%	1,487,182	19,493	5.21%	659	(595)	64
Less: Allowance for Credit Losses	(8,362)			(8,134)					
Total Non-Earning Assets	106,699			106,616					
Total Assets	\$1,621,567			\$1,585,664					
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest Bearing Liabilities:									
Interest Bearing Deposits:									
Interest Checking	\$260,217	\$66	0.10%	\$261,961	\$66	0.10%	\$-	\$-	\$-
Money Market and Savings Deposits	468,488	3,026	2.56%	425,026	2,990	2.80%	292	(256)	36
Time Deposits	290,246	2,713	3.71%	334,768	3,915	4.65%	(479)	(723)	(1,202)
Total Interest-Bearing Deposits	1,018,951	5,805	2.26%	1,021,755	6,971	2.71%	(187)	(979)	(1,166)
Federal funds purchased	250	3	4.76%	616	9	5.81%	(5)	(1)	(6)
Borrowings	42,707	513	4.77%	25,634	313	4.86%	205	(5)	200
Junior subordinated debt	3,535	78	8.75%	3,487	89	10.15%	1	(12)	(11)
Total Interest-Bearing Liabilities	1,065,443	6,399	2.38%	1,051,492	7,382	2.79%	14	(997)	(983)
Non-Interest-Bearing Liabilities:									
Demand deposits	371,859			363,929					
Other liabilities	10,971			10,347					
Total Liabilities	1,448,273			1,425,768					
Shareholders' Equity	173,294			159,896					
Total Liabilities & Shareholders' Equity	\$1,621,567			\$1,585,664					
Net Interest Income (FTE)		\$13,158			\$12,111		\$645	\$402	\$1,047
Interest Rate Spread ²			2.71%			2.42%			
Cost of Funds			1.77%			2.07%			
Interest Expense as a Percentage of									
Average Earning Assets			1.67%			1.97%			
Net Interest Margin (FTE) ³			3.43%			3.24%			

- (1) Tax-exempt income for investment securities has been adjusted to a fully tax-equivalent basis (FTE), using a Federal income tax rate of 21%. Refer to the Reconciliation of Non-GAAP Measures table within the Non-GAAP Presentations earlier in this section.
- (2) Interest spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities.
- (3) Net interest margin (FTE) is net interest income expressed as a percentage of average earning assets.
- (4) The impact on the net interest income (FTE) resulting from changes in average balances and average rates is shown for the period indicated. The change in interest due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.
- (5) Ratio is computed on an annualized basis.

Consolidated Average Balance Sheet and Analysis of Net Interest Income

	For the Nine Months Ended						Change in Interest Income/ Expense			
	September 30, 2025			September 30, 2024						
	Average Balance	Interest Income/ Expense	Average Yield/ Cost ⁵	Average Balance	Interest Income/ Expense	Average Yield/ Cost ⁵	Change Due to : ⁴	Volume	Rate	Total Increase/ (Decrease)
ASSETS										
Interest Earning Assets:										
Securities:										
Taxable Securities	\$199,991	\$4,109	2.74%	\$262,029	\$5,669	2.88%	\$(1,286)		\$(274)	\$(1,560)
Tax Exempt Securities ¹	65,753	1,226	2.49%	66,462	1,240	2.49%	(13)		(1)	(14)
Total Securities ¹	265,744	5,335	2.68%	328,491	6,909	2.80%	(1,299)		(275)	(1,574)
Loans:										
Real Estate	946,652	40,952	5.78%	903,786	38,373	5.67%	1,845		734	2,579
Commercial	257,140	9,319	4.85%	206,420	8,923	5.77%	1,979		(1,583)	396
Consumer	31,161	1,593	6.83%	37,706	1,985	7.03%	(336)		(56)	(392)
Total Loans	1,234,953	51,864	5.61%	1,147,912	49,281	5.73%	3,488		(905)	2,583
Federal funds sold	16,050	530	4.42%	13,101	535	5.45%	108		(113)	(5)
Other interest-bearing deposits	8,051	142	2.36%	8,002	165	2.75%	1		(24)	(23)
Total Earning Assets	1,524,798	57,871	5.07%	1,497,506	56,890	5.07%	2,298		(1,317)	981
Less: Allowance for Credit Losses	(8,398)			(8,381)						
Total Non-Earning Assets	105,741			109,762						
Total Assets	<u>\$1,622,141</u>			<u>\$1,598,887</u>						
LIABILITIES AND SHAREHOLDERS' EQUITY										
Interest Bearing Liabilities:										
Interest Bearing Deposits:										
Interest Checking	\$267,854	\$202	0.10%	\$271,102	\$205	0.10%	\$(2)		\$(1)	\$(3)
Money Market and Savings Deposits	465,665	8,957	2.57%	419,586	8,864	2.82%	925		(832)	93
Time Deposits	294,318	8,437	3.83%	338,154	11,947	4.72%	(1,430)		(2,080)	(3,510)
Total Interest-Bearing Deposits	1,027,837	17,596	2.29%	1,028,842	21,016	2.73%	(507)		(2,913)	(3,420)
Federal funds purchased	759	28	4.93%	558	25	5.98%	8		(5)	3
Borrowings	44,915	1,604	4.77%	32,706	1,187	4.85%	436		(19)	417
Junior subordinated debt	3,523	224	8.50%	3,476	260	9.99%	3		(39)	(36)
Total Interest-Bearing Liabilities	1,077,034	19,452	2.41%	1,065,582	22,488	2.82%	(60)		(2,976)	(3,036)
Non-Interest-Bearing Liabilities:										
Demand deposits	366,117			367,688						
Other liabilities	9,891			10,808						
Total Liabilities	1,453,042			1,444,078						
Shareholders' Equity	169,099			154,809						
Total Liabilities & Shareholders' Equity	<u>\$1,622,141</u>			<u>\$1,598,887</u>						
Net Interest Income (FTE)		<u>\$38,419</u>			<u>\$34,402</u>		<u>\$2,358</u>		<u>\$1,659</u>	<u>\$4,017</u>
Interest Rate Spread ²			2.66%			2.25%				
Cost of Funds			1.80%			2.10%				
Interest Expense as a Percentage of										
Average Earning Assets			1.71%			2.01%				
Net Interest Margin (FTE) ³			3.37%			3.07%				

- (1) Tax-exempt income for investment securities has been adjusted to a fully tax-equivalent basis (FTE), using a Federal income tax rate of 21%. Refer to the Reconciliation of Non-GAAP Measures table within the Non-GAAP Presentations earlier in this section.
- (2) Interest spread is the average yield earned on earning assets less the average rate paid on interest-bearing liabilities.
- (3) Net interest margin (FTE) is net interest income expressed as a percentage of average earning assets.
- (4) The impact on the net interest income (FTE) resulting from changes in average balances and average rates is shown for the period indicated. The change in interest due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.
- (5) Ratio is computed on an annualized basis.

Provision for credit losses

An expense to the provision for credit losses of \$332 thousand was recognized during the three months ended September 30, 2025 compared to a provision release of \$114 thousand recognized during the three months ended September 30, 2024. The third quarter 2025 provision was comprised of \$253 thousand in provision for loan losses, due primarily to the increase in the loss rate associated with the routine annual loss driver analysis, and a provision of \$79 thousand for unfunded commitments, as a result of an increase in unfunded construction commitments. The third quarter 2024 recovery of provision for credit losses was comprised of \$3 thousand of recovery of provision for loan losses and \$111 thousand of recovery of provision for losses on unfunded commitments.

A provision for credit losses of \$174 thousand was recognized during the nine months ended September 30, 2025 compared to a recovery of provision for credit losses of \$474 thousand recognized during the nine months ended September 30, 2024. The year-to-date 2025 provision for credit losses was comprised of a provision for loan losses of \$238 thousand and a recovery of provision for losses on unfunded commitments of \$64 thousand. The year-to-date 2024 recovery of provision for credit losses was comprised of \$511 thousand of recovery of provision for loan losses and \$37 thousand of provision for losses on unfunded commitments.

An update to the driver loss analysis, based on peer data, used in the Company's CECL model was performed during the three months ended September 30, 2025. An update to the prepayment and curtailment rates used in the Company's CECL model was also performed during the three months ended September 30, 2025.

The increase in unfunded commitment reserve was almost entirely due to the reserve associated with the construction portfolio. In the third quarter of 2025, the construction pool was assigned a loss rate of 2.64%, compared to 1.91% in the third quarter of 2024. The recovery recognized during the nine month period ended September 30, 2025 was the due primarily to the decline in the balances of unfunded construction commitments.

Further discussion of management's assessment of the ACL is provided earlier in the report and in Note 5 – Allowance for Credit Losses, found in the Notes to the Consolidated Financial Statements. In management's opinion, the ACL was adequately provided for at September 30, 2025. The ACL calculation, provision for credit losses, asset quality and collateral values may be significantly impacted by deterioration in economic conditions. Should economic conditions worsen, we could experience further increases in our required ACL and record additional provision for credit loss exposure.

Noninterest income

The components of noninterest income for the three months ended September 30, 2025 and 2024 are shown below (dollars in thousands):

	For the Three Months Ended		Variance	
	September 30, 2025	September 30, 2024	\$	%
Noninterest income:				
Wealth management fees	\$ 223	\$ 239	\$ (16)	-6.7%
Deposit account fees	323	317	6	1.9%
Debit/credit card and ATM fees	340	474	(134)	-28.3%
Bank owned life insurance income	318	294	24	8.2%
Other	147	128	19	14.8%
Total noninterest income	<u>\$ 1,351</u>	<u>\$ 1,452</u>	<u>\$ (101)</u>	<u>-7.0%</u>

Noninterest income for the three months ended September 30, 2025 of \$1.4 million was \$101 thousand or 7.0% less than the amount recorded for the three months ended September 30, 2024, due primarily to a reduction in debit/credit card and ATM fees, as a result of a reduction in number of accounts.

The components of noninterest income for the nine months ended September 30, 2025 and 2024 are shown below (dollars in thousands):

	For the Nine Months Ended		Variance	
	September 30, 2025	September 30, 2024	\$	%
Noninterest income:				
Wealth management fees	\$ 658	\$ 905	\$ (247)	-27.3%
Deposit account fees	922	1,042	(120)	-11.5%
Debit/credit card and ATM fees	1,065	1,485	(420)	-28.3%
Bank owned life insurance income	918	858	60	7.0%
Gains on sale of assets	278	36	242	672.2%
Gain on early redemption of debt	-	379	(379)	-100.0%
Loss on sales of AFS, net	-	(4)	4	-100.0%
Other	580	620	(40)	-6.5%
Total noninterest income	<u>\$ 4,421</u>	<u>\$ 5,321</u>	<u>\$ (900)</u>	<u>-16.9%</u>

Noninterest income for the nine months ended September 30, 2025 of \$4.4 million was \$900 thousand or 16.9% less than the amount recorded for the nine months ended September 30, 2024, due primarily to the fact that a gain of \$379 thousand on the early termination of debt was recorded in the first quarter of 2024, coupled with the reduction in wealth management and debit/credit card and ATM fees. The reduction in wealth management fees is primarily attributable to the sale of Masonry Capital effective April 1, 2024, as fees earned in the first quarter of 2024 by such segment contributed \$190 thousand to the Company; the decline in wealth management fees associated with Masonry Capital was offset by a reduction in Masonry Capital-related expenses of \$200 thousand. The increase year-over-year in gains on sale of assets resulted from the sale of a branch which closed in the first quarter of 2025.

Noninterest expense

The components of noninterest expense for the three months ended September 30, 2025 and 2024 are shown below (dollars in thousands):

	For the Three Months Ended		Variance	
	September 30, 2025	September 30, 2024	\$	%
Noninterest expense:				
Salaries and employee benefits	\$ 3,909	\$ 3,769	\$ 140	3.7%
Net occupancy	872	919	(47)	-5.1%
Equipment	182	176	6	3.4%
Bank franchise tax	439	366	73	19.9%
Computer software	303	219	84	38.4%
Data processing	577	707	(130)	-18.4%
FDIC deposit insurance assessment	255	125	130	104.0%
Marketing, advertising and promotion	171	166	5	3.0%
Professional fees	256	189	67	35.4%
Core deposit intangible amortization	271	319	(48)	-15.0%
Other	1,167	988	179	18.1%
Total noninterest expense	<u>\$ 8,402</u>	<u>\$ 7,943</u>	<u>\$ 459</u>	<u>5.8%</u>

Noninterest expense for the quarter ended September 30, 2025 of \$8.4 million was \$459 thousand or 5.8% more than the quarter ended September 30, 2024. This increase is primarily due to increases in FDIC insurance and bank franchise tax as well as professional fees and legal expenses related to special projects, partially offset by continued reductions in compensation expense and right-sizing the branch network, leading to reductions in data processing expense, from the Merger.

The components of noninterest expense for the nine months ended September 30, 2025 and 2024 are shown below (dollars in thousands):

	For the Nine Months Ended		Variance	
	September 30, 2025	September 30, 2024	\$	%
Noninterest expense:				
Salaries and employee benefits	\$ 11,708	\$ 11,771	\$ (63)	-0.5%
Net occupancy	2,777	2,756	21	0.8%
Equipment	569	514	55	10.7%
Bank franchise tax	1,266	1,051	215	20.5%
Computer software	825	703	122	17.4%
Data processing	2,044	2,025	19	0.9%
FDIC deposit insurance assessment	545	500	45	9.0%
Marketing, advertising and promotion	604	571	33	5.8%
Professional fees	843	631	212	33.6%
Core deposit intangible amortization	850	994	(144)	-14.5%
Other	3,877	3,368	509	15.1%
Total noninterest expense	\$ 25,908	\$ 24,884	\$ 1,024	4.1%

Noninterest expense for the nine months ended September 30, 2025 of \$25.9 million was \$1.0 million or 4.1% higher than the nine months ended September 30, 2024. Increases were due primarily to expenses associated with special projects but were partially offset by reductions in compensation expense as the Bank continues to recognize operational efficiencies.

The efficiency ratio (FTE) was 57.9% for the three months ended September 30, 2025 compared to 58.6% for the same quarter of 2024, due predominantly to the increase in net interest income (FTE), as described above. The efficiency ratio of 60.5% for the nine months ended September 30, 2025 improved from the 62.6% realized in the nine months ended September 30, 2024 for the same reason. Refer to the Reconciliation of Non-GAAP Measures table within the Non-GAAP presentations section for a reconciliation of GAAP to non-GAAP efficiency ratio.

Provision for Income Taxes

For the three months ended September 30, 2025 and 2024, the Company provided \$1.1 million and \$1.0 million for Federal income taxes, respectively, resulting in effective income tax rates of 19.5% and 18.5%, respectively, increasing primarily due to adoption of the proportional amortization method for low income housing tax credits. For the nine months ended September 30, 2025 and 2024, the Company provided \$3.2 million and \$2.6 million for Federal income taxes, respectively, resulting in effective income tax rates of 19.4% and 17.6%, respectively. For each period, the effective income tax rate differed from the U.S. statutory rate of 21% due to the accounting change associated with the recognition of low-income housing tax credits and the effect of tax-exempt income from municipal bonds and bank owned life insurance policies.

OTHER SIGNIFICANT EVENTS

None

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective at the reasonable assurance level. There were no changes in the Company’s internal control over financial reporting that occurred during the three months ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In the ordinary course of its operations, the Company and/or its subsidiaries are parties to various legal proceedings from time to time. Based on the information presently available, and after consultation with legal counsel, management believes that the ultimate outcome of such proceedings, in the aggregate, will not have a material adverse effect on the business or financial condition of the Company and its subsidiaries.

ITEM 1A. RISK FACTORS.

During the quarter ended September 30, 2025, there have been no material changes from the risk factors described in the Company’s Form 10-K for the year ended December 31, 2024. The risks described may not be the only risks facing us. Additional risks and uncertainties not currently known to us or that are currently considered not to be material also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(a) Sales of Unregistered Securities - None

(b) Use of Proceeds - Not Applicable

(c) Issuer Purchases of Securities - None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable

ITEM 5. OTHER INFORMATION.

Trading Arrangements - During the three months ended September 30, 2025, **none** of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

(a) Required 8-K disclosures.

None

(b) Changes in procedures for director nominations by security holders.

None

ITEM 6. EXHIBITS.

Exhibit Number	Description of Exhibit
<u>31.1</u>	<u>302 Certification of Principal Executive Officer</u>
<u>31.2</u>	<u>302 Certification of Principal Financial Officer</u>
<u>32.1</u>	<u>906 Certification</u>
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, formatted in Inline eXtensible Business Reporting Language, pursuant to Rule 405 of Regulation S-T (1): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Income (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statements of Shareholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited), tagged as blocks of text and including detailed tags
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, formatted in Inline eXtensible Business Reporting Language (included with Exhibit 101.0)

SIGNATURES

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

VIRGINIA NATIONAL BANKSHARES CORPORATION
(Registrant)

/s/ Glenn W. Rust
Glenn W. Rust
President and Chief Executive Officer
(principal executive officer)

Date: November 12, 2025

/s/ Tara Y. Harrison
Tara Y. Harrison
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

Date: November 12, 2025

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Glenn W. Rust, certify that:

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

Date: November 12, 2025

/s/ Glenn W. Rust

Glenn W. Rust
President and Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Tara Y. Harrison, certify that:

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

Date: November 12, 2025

/s/ Tara Y. Harrison

Tara Y. Harrison

Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Virginia National Bankshares Corporation (the "Company") for the quarter ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that, based on their knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ Glenn W. Rust

Glenn W. Rust, President and Chief Executive Officer

/s/ Tara Y. Harrison

Tara Y. Harrison, Executive Vice President and Chief Financial Officer

November 12, 2025
