

FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 24, 2024

TOWNE BANK

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

35095
(FDIC Insurance Cert. No.)

54-1910608
(IRS Employer
Identification No.)

5716 High Street
Portsmouth, Virginia
(Address of principal executive offices)

23703
(Zip Code)

(Registrant's telephone number, including area code): **(757) 638-7500**

No change

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 7.01. Regulation FD Disclosure.

On September 24, 2024, TowneBank and Village Bank and Trust Financial Corp. (“VBFC”) issued a joint press release announcing that TowneBank, Cardinal Sub, Inc. (“Towne Merger Sub”), a newly formed Virginia corporation and wholly-owned subsidiary of TowneBank, VBFC and Village Bank, the wholly-owned bank subsidiary of VBFC, have entered into an Agreement and Plan of Reorganization, pursuant to which TowneBank will acquire VBFC and Village Bank (the “Transaction”). The joint press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Also on September 24, 2024, TowneBank released a presentation to investors about the Transaction. The presentation is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

This information (including Exhibit 99.1 and Exhibit 99.2) is furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934.

Important Information and Where to Find It:

This Current Report on Form 8-K does not constitute a solicitation of any vote or approval. VBFC will deliver a definitive proxy statement to its shareholders seeking approval of the Transaction and related matters. In addition, each of TowneBank and VBFC may file other relevant documents concerning the proposed Transaction with the Federal Deposit Insurance Corporation (“FDIC”) and the U.S. Securities and Exchange Commission (“SEC”).

Investors, TowneBank shareholders and VBFC shareholders are strongly urged to read the definitive proxy statement regarding the proposed Transaction when it becomes available and other relevant documents filed with the FDIC and SEC, as well as any amendments or supplements to those documents, because they will contain important information about TowneBank, VBFC and the proposed Transaction. Free copies of the definitive proxy statement, as well as other filings containing information about VBFC, may be obtained after their filing at the SEC’s website (<http://www.sec.gov>). In addition, free copies of the definitive proxy statement, when available, may be obtained by directing a request by telephone or mail to Village Bank and Trust Financial Corp., 13319 Midlothian Turnpike, Midlothian, Virginia 23113, Attention: Investor Relations (telephone: (804) 897-3900) or by accessing Village’s website at <https://www.villagebank.com> under “About Us—Investor Relations.” The documents described above also may be obtained by directing a request by telephone or mail to TowneBank, 6001 Harbour View Boulevard, Suffolk, Virginia 23425, Attention: Investor Relations (telephone: (757) 638-6794), or by accessing TowneBank’s website at <https://townebank.com> under “Investor Relations.” The information on TowneBank’s and Village’s website is not, and shall not be deemed to be, a part of this report or incorporated into other filings that TowneBank makes with the FDIC or that Village makes with the SEC.

TowneBank, VBFC and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of VBFC in connection with the proposed Transaction. Information about the directors and executive officers of VBFC and other persons who may be deemed participants in the solicitation, including their interests in the Transaction, will be included in the definitive proxy statement when it becomes available. Information about TowneBank’s directors and executive officers can be found in TowneBank’s definitive proxy statement in connection with its 2024 annual meeting of shareholders filed with the FDIC on April 11, 2024. Additional information about VBFC’s directors and executive officers can be found in VBFC’s definitive proxy statement in connection with its 2024 annual meeting of shareholders filed with the SEC on April 9, 2024. Free copies of each document may be obtained as described in the preceding paragraph.

Cautionary Note Regarding Forward-Looking Statements

This Current Report on Form 8-K contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the beliefs, expectations, or opinions of TowneBank and VBFC and their respective management teams regarding future events, many of which, by their nature, are inherently uncertain and beyond the control of TowneBank and VBFC. Forward-looking statements may be identified by the use of such words as: “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” or words of similar meaning, or future or conditional terms, such as “will,” “would,” “should,”

“could,” “may,” “likely,” “probably,” or “possibly.” These statements may address issues that involve significant risks, uncertainties, estimates, and assumptions made by management, including statements about (i) the benefits of the transaction, including future financial and operating results, cost savings, enhancement to revenue and accretion to reported earnings that may be realized from the transaction and (ii) TowneBank’s and VBFC’s plans, objectives, expectations and intentions and other statements contained in this report that are not historical facts. In addition, these forward-looking statements are subject to various risks, uncertainties, estimates and assumptions with respect to future business strategies and decisions that are subject to change and difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Although TowneBank’s and VBFC’s respective management teams believe that estimates and assumptions on which forward-looking statements are based are reasonable, such estimates and assumptions are inherently uncertain. As a result, actual results may differ materially from the anticipated results discussed in these forward-looking statements because of possible uncertainties.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the business of VBFC and Village Bank may not be successfully integrated into TowneBank, or such integration may take longer, be more difficult, time-consuming or costly to accomplish than expected; (2) the expected growth opportunities or cost savings from the Transaction may not be fully realized or may take longer to realize than expected; (3) deposit attrition, operating costs, customer losses and business disruption following the Transaction, including adverse effects on relationships with employees and customers, may be greater than expected; (4) the regulatory approvals required for the Transaction may not be obtained on the proposed terms or on the anticipated schedule; (5) the shareholders of VBFC may fail to approve the Transaction; (6) economic, legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which TowneBank and VBFC are engaged; (7) competitive pressures in the banking industry that may increase significantly; (8) changes in the interest rate environment that may reduce margins and/or the volumes and values of loans made or held as well as the value of other financial assets held; (9) an unforeseen outflow of cash or deposits or an inability to access the capital markets, which could jeopardize TowneBank’s or VBFC’s overall liquidity or capitalization; (10) changes in the creditworthiness of customers and the possible impairment of the collectability of loans; (11) insufficiency of TowneBank’s or VBFC’s allowance for credit losses due to market conditions, inflation, changing interest rates or other factors; (12) adverse developments in the financial industry generally, such as the recent bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior; (13) general economic conditions, either nationally or regionally, that may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services; (14) weather-related or natural disasters, acts of war or terrorism, or public health events (such as the COVID-19 pandemic); (15) changes in the legislative or regulatory environment, including changes in accounting standards and tax laws, that may adversely affect TowneBank’s or VBFC’s businesses; (16) cybersecurity threats or attacks, whether directed at us or at vendors or other third parties with which we interact, the implementation of new technologies, and the ability to develop and maintain reliable electronic systems; (17) competitors may have greater financial resources and develop products that enable them to compete more successfully; (18) changes in business conditions; (19) changes in the securities market; and (20) changes in the local economies with regard to TowneBank’s and VBFC’s respective market areas.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in TowneBank’s reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the FDIC and VBFC’s reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the SEC. TowneBank and VBFC undertake no obligation to update or clarify these forward-looking statements, whether as a result of new information, future events or otherwise.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Joint Press Release, dated September 24, 2024.
99.2	Investor Presentation, dated September 24, 2024.

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 hereunto duly authorized.

TowneBank
(Registrant)

Date: September 24, 2024

By: /s/ William B. Littreal
William B. Littreal
Senior Executive Vice President
and Chief Financial Officer



Joint Press Release

FOR IMMEDIATE RELEASE

TOWNEBANK AND VILLAGE BANK AND TRUST FINANCIAL CORP. ANNOUNCE AGREEMENT TO MERGE

Suffolk, Va. and Midlothian, Va. (September 24, 2024) – Hampton Roads based TowneBank (NASDAQ: TOWN) and Village Bank and Trust Financial Corp. (NASDAQCM: VBFC) (“Village”), the parent company of Village Bank, today announced the signing of a definitive agreement and plan of reorganization pursuant to which TowneBank will acquire Village and Village Bank. The proposed transaction will enhance TowneBank’s continued and growing presence in the Richmond MSA while providing opportunity for diverse revenue synergies with Towne Financial Services Group and strategic capital deployment.

“Our TowneBank family is humbled and excited to partner with Village Bank and its team members,” said G. Robert Aston, Jr., Executive Chairman of TowneBank. “We believe our partnership can bring additional products and expanded services to the clients of Village Bank while meaningfully enhancing our Richmond presence, which is core to our franchise and future growth.”

“We’re excited to partner with TowneBank,” said Jay Hendricks, President and Chief Executive Officer of Village. “This merger is not just a business decision but a strategic move to enhance the value we deliver to our customers. This partnership will give us the ability to continue to meet our customers’ banking needs with greater resources and products while providing increased opportunities for our employees.”

Based on financials reported as of June 30, 2024, the combined companies would have total assets of \$17.8 billion, loans of \$12.1 billion and deposits of \$14.9 billion. Under the terms of the agreement, shareholders of Village will receive \$80.25 per share in cash for each share of Village outstanding common stock. This corresponds to an aggregate transaction value of approximately \$120.0 million, based on Village common stock currently outstanding.

TowneBank expects the transaction to be approximately 6% accretive to earnings per share with fully phased-in cost savings on a GAAP basis.

In consideration of the transaction, extensive due diligence was performed by the management teams of TowneBank and Village. The definitive agreement was approved by the boards of directors of TowneBank and Village. The transaction is expected to close in the first half of 2025 and is subject to customary conditions, including regulatory approval, as well as the approval of Village’s shareholders.

Piper Sandler & Co. served as the financial advisor and Troutman Pepper Hamilton Sanders LLP served as legal counsel to TowneBank in the transaction. Janney Montgomery Scott served as the financial advisor and Williams Mullen served as legal counsel to Village in the transaction.

About TowneBank:

Founded in 1999, TowneBank is a company built on relationships, offering a full range of banking and other financial services, with a focus of serving others and enriching lives. Dedicated to a culture of caring, Towne values all employees and members by embracing their diverse talents, perspectives, and experiences.

Today, the bank operates over 50 banking offices throughout Hampton Roads and Central Virginia, as well as Northeastern and Central North Carolina – serving as a local leader in promoting the social, cultural, and economic growth in each community. TowneBank offers a competitive array of business and personal banking solutions, delivered with only the highest ethical standards. Experienced local bankers providing a higher level of expertise and personal attention with local decision-making are key to the TowneBank strategy. TowneBank has grown its capabilities beyond banking to provide expertise through its controlled divisions and subsidiaries that include Towne Wealth Management, Towne Insurance Agency, Towne Benefits, TowneBank Mortgage, TowneBank Commercial Mortgage, Berkshire Hathaway HomeServices Towne Realty, Towne 1031 Exchange, LLC, and Towne Vacations. With total assets of \$17.1 billion as of June 30, 2024, TowneBank is one of the largest banks headquartered in Virginia.

About Village Bank and Trust Financial Corp.

Headquartered in Midlothian, Virginia, Village Bank and Trust Financial Corp. is the holding company for Village Bank. Village Bank was founded in 1999 and operates nine branch offices serving the greater Richmond Metropolitan area and Williamsburg, Virginia. Village Bank and Trust Financial Corp. had total assets of \$747.7 million as of June 30, 2024. Additional information is available at the company’s website, <http://www.villagebank.com>.

Media contact:

G. Robert Aston, Jr., Executive Chairman, TowneBank, 757-638-6780

William I. Foster III, Chief Executive Officer, TowneBank, 757-417-6482

James E. Hendricks Jr., Chief Executive Officer, Village Bank and Trust Financial Corp., 804-419-1253

Investor contact:

William B. Littreal, Chief Financial Officer, TowneBank, 757-638-6813

Deborah M. Golding, Vice President, Village Bank and Trust Financial Corp., 804-897-3900

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respective management teams believe that estimates and assumptions on which forward-looking statements are based are reasonable, such estimates and assumptions are inherently uncertain. As a result, actual results may differ materially from the anticipated results discussed in these forward-looking statements because of possible uncertainties.

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Additional Information

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proposed transaction with the FDIC and SEC.

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TowneBank Acquisition of Village Bank and Trust Financial Corp.

September 2024



Cautionary Statements

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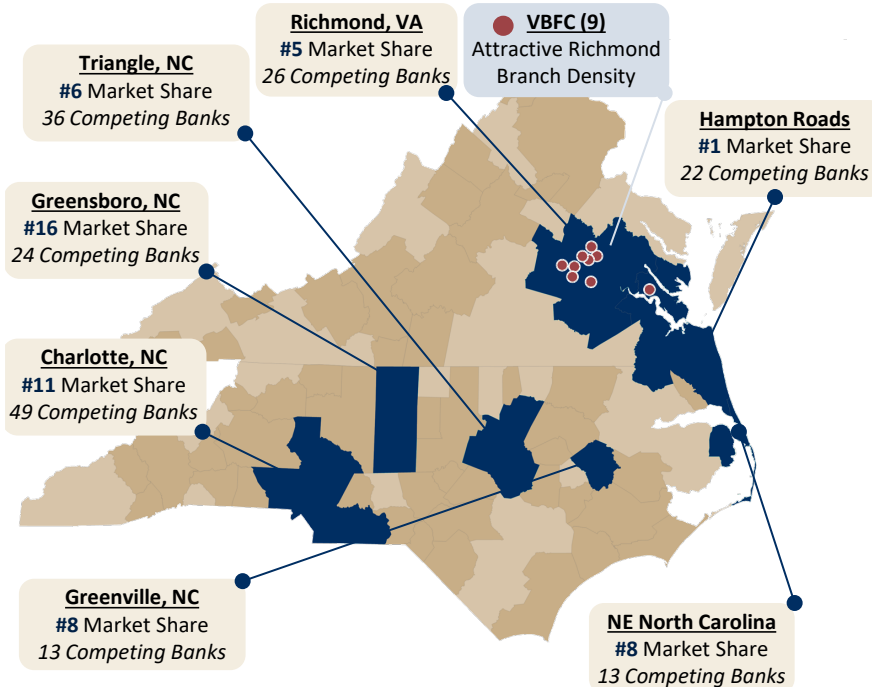
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Non-GAAP Financial Measures

This presentation contains certain historical and forward-looking financial measures determined by methods other than in accordance with accounting principles generally accepted in the United States of America (“GAAP”), including tangible book value per common share. These measures are commonly used by investors in evaluating business combinations and financial condition. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies.

Enhancing Our Richmond Franchise

Pro Forma Geographic Footprint



(1) Non-GAAP financial measure – see non-GAAP reconciliations

Note: Deposit market share data as of June 30, 2023; Competing Banks' count excludes institutions with no deposits in stated market regardless of physical or other presence

Source: S&P Global Market Intelligence; FDIC; Fortune; Greater Richmond Partnership

Village Bank and Trust Overview

- Established in December 1999 and headquartered in Midlothian, Virginia
- Operates through 9 retail branches primarily located in Richmond MSA
 - Twelve Fortune 1000 companies and Eight Fortune 500 companies headquartered in Richmond
 - 5 major colleges and universities located in Richmond and surrounding communities
- Excellent credit quality; limited historical charge offs
- Strong Net Interest Margin benefitting from core customer relationships

Financial Highlights

Dollars in millions	Q1-FY24	Q2-FY24
Assets	\$747	\$748
Net Loans	\$596	\$611
NPAs / Assets	0.04%	0.05%
Return on Average Assets	0.96%	0.88%
Return on Average Tangible Common Equity ¹	10.44%	9.57%
Net Interest Margin	3.70%	3.73%
Efficiency Ratio	70.4%	74.2%

Transaction Highlights

Strategic Rationale

- **Complementary community bank** with success in operating markets well-known to TOWN
- Completes Richmond franchise distribution network eliminating future de novo investment
- Cash transaction preserves value of Towne Insurance
- Enhances TOWN's presence in the Richmond MSA with the addition of a very strong low-cost deposit base and excellent commercial lending teams
- Significant **cultural alignment**, allowing TOWN to further its franchise value focused on a commitment to community banking
- Opportunity for **revenue synergies** and increased non-interest income through Towne Financial Services Group

Consideration and Deal Value

- Consideration Mix: 100% cash
- Deal Price per Share: \$80.25
- Transaction Value: \$120.0 million
- Price / TBVPS: 171%
- Price to Forward Earnings: 14.9x
- Price to Forward Earnings + Cost Saves¹: 7.9x

Pricing For Similar Virginia Transactions²

182%
21.0x
8.6x

Execution

- Employment agreements in place for key personnel
- Voting agreements in place with the board, executive officers and majority shareholder
- In-market transaction with conservative cost savings and purchase accounting adjustments
- Proven and experienced acquirer
- Well-capitalized post acquisition to support further growth

(1) Reflects fully phased-in cost savings after-tax

(2) Represents the average of Virginia M&A transactions since January 1, 2014 with deal value greater than \$50M, excluding merger of equals

Strategically Compelling Opportunity to Deploy Capital

	VBFC Acquisition \$80.25 per Share	Equivalent Share Repurchase ¹	VBFC Acquisition vs. Share Repurchase
Capital Deployed	~1% of CET1 ~120mm Capital Deployed	~1% of CET1 ~\$120mm Capital Deployed	Neutral
2025E EPS	~6% Accretive	~3% Accretive	✓ Significantly More Earnings Accretion
Efficiency Ratio	~80 bps Improvement	No Improvement	✓ Improves Efficiency
Strategic Rationale	Improves Longer-Term Competitive Position	Normalize Capital Ratios	✓ Enhances Franchise Value
Timing of Capital Deployment	1H 2025	1H 2025 ²	Similar Timing of Capital Deployment

(1) Illustratively assumes shares are repurchased at current price of \$34.19 as of September 20, 2024

(2) Assumes TOWN is 15% of daily trading volume each day

Deeper Penetration in the Attractive Richmond MSA

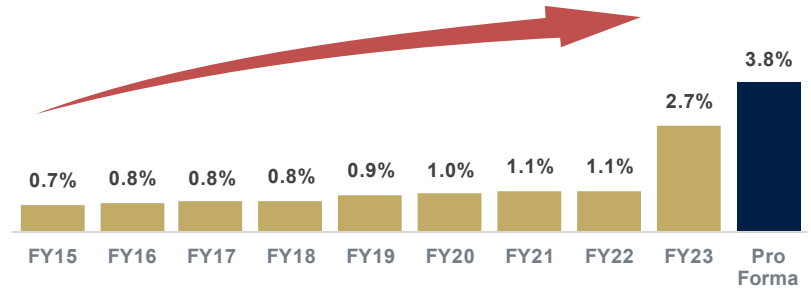
Richmond MSA Market Position

As of June 30, 2023

Rank	Institution	VA HQ	Branches (#)	Deposits in Market (\$000)	Mkt. Share (%)	Average Branch Size (\$000)
1	Bank of America Corp.		17	23,787,293	43.4	1,399,253
2	Truist Financial Corp.		43	9,191,157	16.8	213,748
3	Wells Fargo & Co.		40	8,121,782	14.8	203,045
4	Atlantic Union Bkshs Corp.	✓	21	5,331,003	9.7	253,857
	Pro Forma		17	2,085,819	3.8	122,695
5	TowneBank	✓	9	1,465,643	2.7	162,849
6	C&F Financial Corp.	✓	15	1,329,950	2.4	88,663
7	Primis Financial Corp.	✓	10	851,770	1.6	85,177
8	United Bankshares Inc.		12	733,180	1.3	61,098
9	Village Bank & Tr Finl Corp.	✓	8	620,176	1.1	77,522
10	SouthState Corp.		6	535,520	1.0	89,253
	All Other Institutions		82	2,843,906	5.2	34,682
	Market Totals		263	54,811,380		

Note: Deposit market share data as of June 30 for each respective year shown
Source: S&P Global Market Intelligence; FDIC; U.S. Census Bureau

Enhancing Our Growing Presence in Richmond



Richmond Demographic Highlights

- Total Population: **1,359,801**
- Proj. Pop. Growth ('24-'29): **4.8%**
 - Nationwide: 2.4%
- Median HH Income: **\$81,777**
 - Nationwide: \$75,874

Key Employers



Comprehensive Due Diligence

- Coordinated comprehensive due diligence review with executives from TOWN & VBFC, along with advisors & lawyers
- Modest loan portfolio size with detailed credit review completed by internal team
- Long standing relationship among key principals with significant market knowledge and an emphasis on cultural fit between the two companies

Scope of Loan Review Process

Comprehensive Loan Review Analysis

~50% of total loan portfolio reviewed

- Cross-section analysis of the loan portfolio's performance; review of loan terms and structure; and borrower's continued ability to service their debt
- Additional focus on underwriting standards and credit culture
- All Special Mention, Substandard and Non-Accrual loans
- All significant relationships
- Random sampling of select loan classes

Diligence Focus Areas

Asset Quality

Commercial Lending

Consumer Lending

Mortgage Banking

Financial and Accounting

Compliance

Operations

Information Technology

Systems

Legal

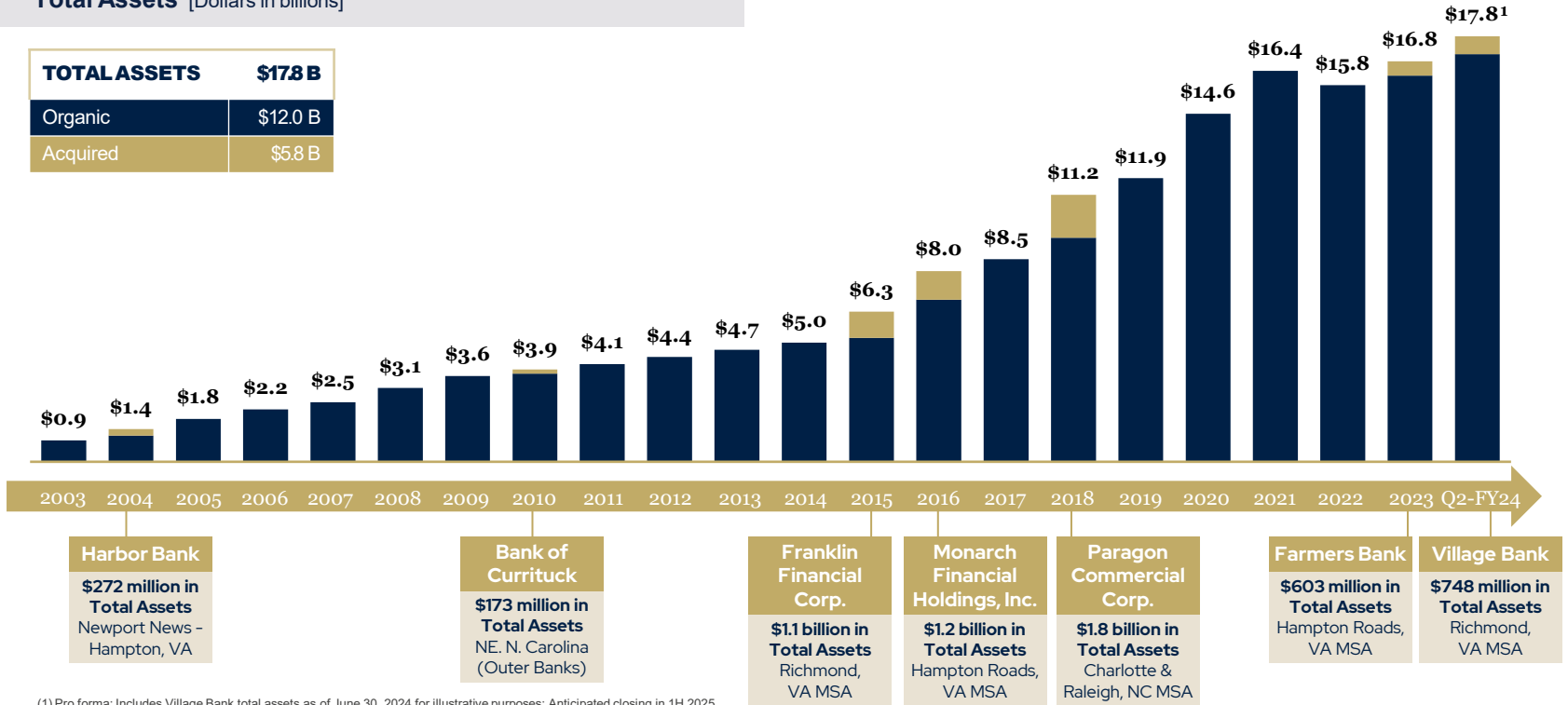
Treasury

Human Resources

Disciplined Acquirer and Experienced Integrator

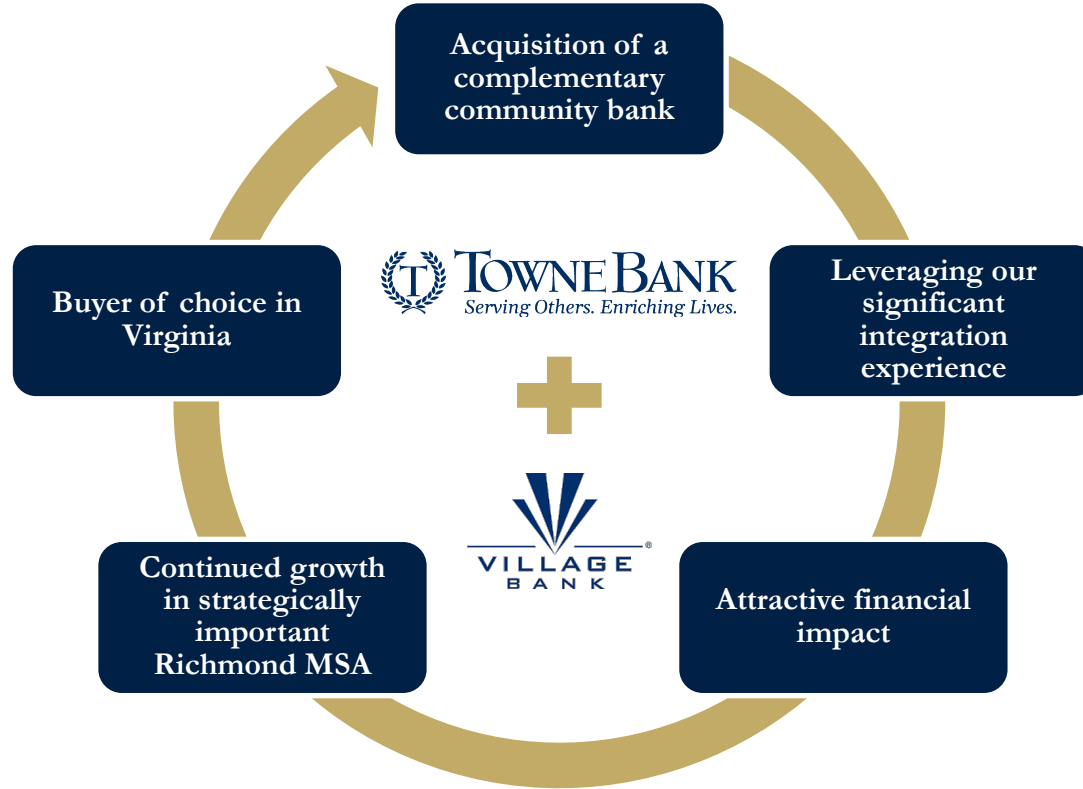
Total Assets [Dollars in billions]

TOTAL ASSETS	\$17.8 B
Organic	\$12.0 B
Acquired	\$5.8 B



(1) Pro forma; Includes Village Bank total assets as of June 30, 2024 for illustrative purposes; Anticipated closing in 1H 2025

Transaction Summary

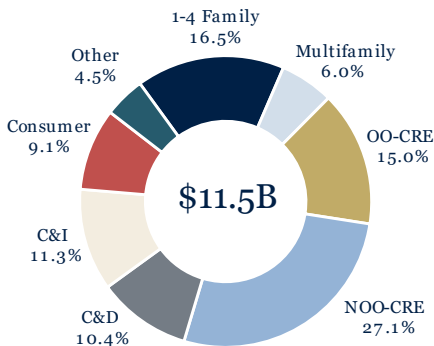




Appendix

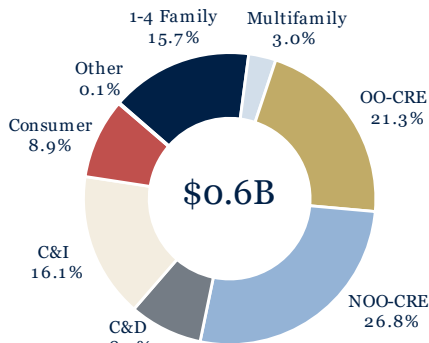
Loan Composition

TOWN



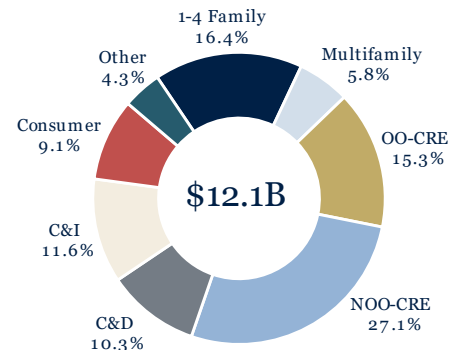
MRQ Yield on Loans: 5.44%

VBFC



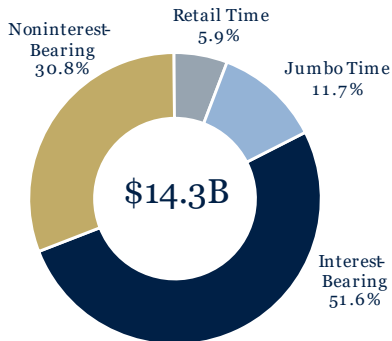
MRQ Yield on Loans: 5.72%

PRO FORMA¹

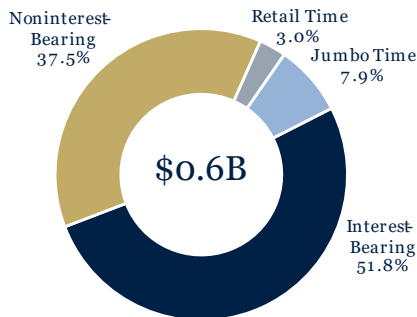


MRQ Yield on Loans: 5.46%

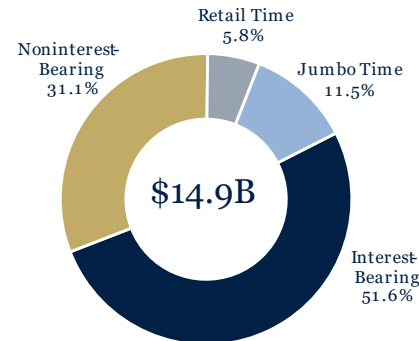
Deposit Composition



MRQ Cost of Deposits: 2.31%



MRQ Cost of Deposits: 1.57%



MRQ Cost of Deposits: 2.28%

(1) Pro Forma composition is exclusive of purchase accounting adjustments; Pro Forma totals may not sum due to rounding
 Note: Financial data as of June 30, 2024; Loan and deposit composition reflects Call Report data
 Source: S&P Global Market Intelligence

Non-GAAP Reconciliations

Return on Average Tangible Common Equity of VBFC

Dollars in millions	QTD	
	Q1-FY24	Q2-FY24
Average Shareholder's Equity	\$67.9	\$69.1
Less: Average Preferred Stock	--	--
Less: Goodwill and Other Intangible Assets	--	--
Average Tangible Common Equity	\$67.9	\$69.1
Net Income Available to Common Shareholders	\$1.8	\$1.7
Return on Average Tangible Common Equity	10.44%	9.57%



Member FDIC