

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **June 30, 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 **001-38595**

**FIRST WESTERN FINANCIAL, INC.**

(Exact name of registrant as specified in its charter)

**Colorado**  
(State or other jurisdiction of  
incorporation or organization)

**37-1442266**  
(I.R.S. Employer  
Identification No.)

**1900 16th Street, Suite 1200**  
**Denver, CO**  
(Address of principal executive offices)

**80202**  
(Zip Code)

Registrant's telephone number, including area code: **303.531.8100**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, no par value	MYFW	The Nasdaq Stock Market LLC

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, 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

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 Act).  Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

	Shares outstanding as of
	July 30, 2025
Common Stock, no par value	9,717,922

**FIRST WESTERN FINANCIAL, INC.**

**TABLE OF CONTENTS**

	Page
<a href="#">PART I. FINANCIAL INFORMATION</a>	
<a href="#">Item 1.</a>	<a href="#">Financial Statements (Unaudited):</a> 7
	<a href="#">Condensed Consolidated Balance Sheets</a> 7
	<a href="#">Condensed Consolidated Statements of Income</a> 8
	<a href="#">Condensed Consolidated Statements of Comprehensive Income</a> 9
	<a href="#">Condensed Consolidated Statements of Changes in Shareholders' Equity</a> 10
	<a href="#">Condensed Consolidated Statements of Cash Flows</a> 11
	<a href="#">Notes to Condensed Consolidated Financial Statements</a> 13
<a href="#">Item 2.</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a> 50
<a href="#">Item 3.</a>	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a> 78
<a href="#">Item 4.</a>	<a href="#">Controls and Procedures</a> 79
<a href="#">PART II. OTHER INFORMATION</a> 80	
<a href="#">Item 1.</a>	<a href="#">Legal Proceedings</a> 80
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a> 80
<a href="#">Item 2.</a>	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a> 80
<a href="#">Item 3.</a>	<a href="#">Defaults upon Senior Securities</a> 80
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a> 80
<a href="#">Item 5.</a>	<a href="#">Other Information</a> 80
<a href="#">Item 6.</a>	<a href="#">Exhibits</a> 81
<a href="#">SIGNATURES</a> 82	

**ABBREVIATIONS/ACRONYMS**

ACL	Allowance for Credit Losses	FDIA	Federal Deposit Insurance Act
AI	Artificial Intelligence	FDIC	Federal Deposit Insurance Corporation
ALCO	Asset and Liability Committee	FHLB	Federal Home Loan Bank
AML Act	Anti-Money Laundering Act of 2020	FNMA	Federal National Mortgage Association
ASC	Accounting Standards Codification	FRB	Federal Reserve Bank
ASU	Accounting Standards Update	FSC	Forward Sale Commitments
AUM	Assets Under Management	FWFI	First Western Financial, Inc.
Bank	First Western Trust Bank	GAAP	Accounting Principles Generally Accepted in the United States of America
bp or bps	Basis Point(s)	GDP	Gross Domestic Product
BSA	Bank Secrecy Act	GNMA	Government National Mortgage Association
BTFP	Bank Term Funding Program	HPI	Housing Price Index
CDB	Colorado Division of Banking	HTM	Held-to-Maturity
CECL	Current Expected Credit Losses	IRLC	Interest Rate Lock Commitments
CET1	Equity Tier 1 Capital	ITC	Investment Tax Credit
CFPB	Consumer Financial Protection Bureau	LIHTC	Low-Income Housing Tax Credit
CMO	Collateralized-Mortgage Obligations	MBS	Mortgage-Backed Securities
CODM	Chief Operating Decision Maker	MSLP	Main Street Lending Program
Company	First Western Financial, Inc.	OCC	Office of the Comptroller of the Currency
COSO	Committee of Sponsoring Organizations of the Treadway Commission	OCI	Other Comprehensive Income
CRA	Community Reinvestment Act of 1977	OREO	Other Real Estate Owned
CRE	Commercial Real Estate	PCAOB	Public Company Accounting Oversight Board (United States)
CRO	Chief Risk Officer	PPP	Paycheck Protection Program
DCF	Discounted Cash Flow	SBA	Small Business Administration
ERM	Enterprise Risk Management	SEC	Securities and Exchange Commission
FASB	Financial Accounting Standards Board	SOFR	Secured Overnight Financial Rate

Important Notice about Information in this Quarterly Report

Unless we state otherwise or the context otherwise requires, references in this Quarterly Report to "we," "our," "us," "the Company" and "First Western" refer to First Western Financial, Inc. and its consolidated subsidiaries, including First Western Trust Bank, which we sometimes refer to as "the Bank" or "our Bank."

The information contained in this Quarterly Report is accurate only as of the date of this Quarterly Report on Form 10-Q and as of the dates specified herein.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would," and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control, particularly with regard to developments related to soundness of other financial institutions. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- geographic concentration in Colorado, Arizona, Wyoming, Montana, and California;
- the soundness of other financial institutions;
- changes in the economy affecting real estate values and liquidity;
- risks associated with higher inflation;
- changes in interest rates;
- weak economic conditions and global trade, including the imposition of tariffs;
- our ability to continue to originate residential real estate loans and sell such loans;
- risks specific to commercial loans and borrowers;
- risks related to non-performing assets, borrowers' solvency and ability to repay and the value of loan collateral;
- claims and litigation pertaining to our fiduciary responsibilities;
- competition for investment managers and professionals and our ability to retain our associates;
- fluctuation in the value of our investment securities;
- the terminable nature of our investment management contracts;
- changes to the level or type of investment activity by our clients;
- investment performance, in either relative or absolute terms;
- legislative changes or the adoption of tax reform policies;
- external business disruptors in the financial services industry;
- the adequacy of our allowance for credit losses;
- liquidity risks;
- our ability to maintain a strong core deposit base or other low-cost funding sources;
- continued positive interaction with and financial health of our referral sources;
- retaining our largest trust clients;
- our ability to achieve our strategic objectives;
- competition from other banks, financial institutions, and wealth and investment management firms;
- our ability to implement our internal growth strategy and manage the risks associated with our anticipated growth;

## [Table of Contents](#)

- the acquisition of other banks and financial services companies and integration risks and other unknown risks associated with acquisitions;
- the accuracy of estimates and assumptions;
- our ability to protect against and manage fraudulent activity, breaches of our information security, and cybersecurity attacks;
- our reliance on communications, information, operating and financial control systems technology and related services from third-party service providers;
- technological change, including the use of artificial intelligence as a commonly used resource and its effects;
- our ability to attract and retain clients;
- unforeseen or catastrophic events, including pandemics, wars, terrorist attacks, extreme weather events or other natural disasters;
- new lines of business or new products and services;
- regulation of the financial services industry;
- legal and regulatory proceedings, investigations and inquiries, fines and sanctions;
- limited trading volume and liquidity in the market for our common stock;
- fluctuations in the market price of our common stock;
- actual or anticipated issuances or sales of our common stock or preferred stock in the future;
- the initiation and continuation of securities analysts coverage of the Company;
- potential impairment of goodwill recorded on our balance sheet and possible requirements to recognize significant charges to earnings due to impairment of intangible assets;
- future issuances of debt securities;
- our ability to manage our existing and future indebtedness;
- available cash flows from the Bank; and
- other factors that are discussed in "Item 1A - Risk Factors" in our Annual Report on Form 10-K.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in the section titled Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K, filed with the SEC on March 7, 2025. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**PART I. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

**FIRST WESTERN FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
**(in thousands, except share amounts)**

	June 30, 2025	December 31, 2024
<b>Assets</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 12,353	\$ 9,770
Interest-bearing deposits in other financial institutions	219,961	226,271
Total cash and cash equivalents	232,314	236,041
Held-to-maturity debt securities, net of allowance for credit losses of \$71 and \$71 (fair value of \$93,979 and \$68,161), respectively	99,825	75,724
Correspondent bank stock, at cost	11,254	5,864
Mortgage loans held for sale, at fair value	24,151	25,455
Loans held for sale, at fair value	—	251
Loans (includes \$5,099 and \$7,283 measured at fair value, respectively)	2,540,096	2,425,565
Allowance for credit losses	(18,994)	(18,330)
Loans, net	2,521,102	2,407,235
Premises and equipment, net	24,488	24,129
Accrued interest receivable	10,783	10,364
Accounts receivable	4,435	4,763
Other receivables	4,915	5,710
Other real estate owned, net	4,385	35,929
Goodwill and other intangible assets, net	31,524	31,627
Deferred tax assets, net	2,809	3,079
Company-owned life insurance	17,184	16,961
Other assets	37,628	35,905
Total assets	<u>\$ 3,026,797</u>	<u>\$ 2,919,037</u>
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 361,656	\$ 375,603
Interest-bearing	2,167,473	2,138,606
Total deposits	2,529,129	2,514,209
Borrowings:		
Federal Home Loan Bank and Federal Reserve borrowings	163,416	57,038
Subordinated notes	44,673	52,565
Accrued interest payable	1,406	1,995
Other liabilities	29,326	40,908
Total liabilities	2,767,950	2,666,715
<b>Shareholders' Equity</b>		
Preferred stock - no par value; 10,000,000 shares authorized; 0 issued and outstanding	—	—
Common stock - no par value; 90,000,000 shares authorized; 9,717,922 and 9,667,142 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	—	—
Additional paid-in capital	193,398	193,585
Retained earnings	66,203	59,515
Accumulated other comprehensive loss	(754)	(778)
Total shareholders' equity	258,847	252,322
Total liabilities and shareholders' equity	<u>\$ 3,026,797</u>	<u>\$ 2,919,037</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

**FIRST WESTERN FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<b>Interest and dividend income:</b>				
Loans, including fees	\$ 35,085	\$ 35,275	\$ 69,153	\$ 70,414
Loans accounted for under the fair value option	85	168	196	377
Investment securities	819	651	1,500	1,254
Interest-bearing deposits in other financial institutions	1,356	1,855	3,577	4,207
Dividends, restricted stock	155	105	283	200
Total interest and dividend income	<u>37,500</u>	<u>38,054</u>	<u>74,709</u>	<u>76,452</u>
<b>Interest expense:</b>				
Deposits	18,208	20,848	36,724	41,470
Other borrowed funds	1,408	1,428	2,648	3,134
Total interest expense	<u>19,616</u>	<u>22,276</u>	<u>39,372</u>	<u>44,604</u>
Net interest income	17,884	15,778	35,337	31,848
Less: Provision for credit losses	1,773	2,334	1,853	2,406
Net interest income, after provision for credit losses	<u>16,111</u>	<u>13,444</u>	<u>33,484</u>	<u>29,442</u>
<b>Non-interest income:</b>				
Trust and investment management fees	4,512	4,875	9,189	9,805
Net gain on mortgage loans	1,187	1,820	2,254	3,084
Net gain on loans held for sale	—	—	222	117
Bank fees	293	327	715	1,218
Risk management and insurance fees	47	109	306	158
Income on company-owned life insurance	112	106	222	211
Net gain (loss) on loans accounted for under the fair value option	26	(315)	32	(617)
Net gain on other real estate owned	—	—	459	—
Unrealized gain (loss) recognized on equity securities	3	(2)	14	(8)
Other	125	52	237	281
Total non-interest income	<u>6,305</u>	<u>6,972</u>	<u>13,650</u>	<u>14,249</u>
Total income before non-interest expense	<u>22,416</u>	<u>20,416</u>	<u>47,134</u>	<u>43,691</u>
<b>Non-interest expense:</b>				
Salaries and employee benefits	11,019	11,097	22,499	22,364
Occupancy and equipment	2,224	2,080	4,434	4,056
Professional services	1,855	1,826	3,559	4,237
Technology and information systems	1,030	1,042	2,108	2,052
Data processing	1,166	1,101	2,288	2,049
Marketing	267	243	483	437
Amortization of other intangible assets	52	56	103	113
Other	1,486	1,556	2,986	3,389
Total non-interest expense	<u>19,099</u>	<u>19,001</u>	<u>38,460</u>	<u>38,697</u>
Income before income taxes	3,317	1,415	8,674	4,994
Income tax expense	814	339	1,986	1,403
Net income available to common shareholders	<u>\$ 2,503</u>	<u>\$ 1,076</u>	<u>\$ 6,688</u>	<u>\$ 3,591</u>
<b>Earnings per common share:</b>				
Basic	\$ 0.26	\$ 0.11	\$ 0.69	\$ 0.37
Diluted	0.26	0.11	0.68	0.37

See accompanying notes to condensed consolidated financial statements (unaudited).

**FIRST WESTERN FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
**(in thousands)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income	\$ 2,503	\$ 1,076	\$ 6,688	\$ 3,591
Other comprehensive income items:				
Amortization of net unrealized loss for the reclassification of available-for-sale securities transferred to held-to-maturity included in interest income	67	97	133	190
Income tax effect	(16)	(24)	(31)	(46)
Unrealized gain (loss) on cash flow hedge	7	40	(92)	534
Income tax effect	(1)	(9)	14	(129)
Total other comprehensive income items	57	104	24	549
Comprehensive income	\$ 2,560	\$ 1,180	\$ 6,712	\$ 4,140

See accompanying notes to condensed consolidated financial statements (unaudited).

**FIRST WESTERN FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
(in thousands, except share amounts)

	Shares Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance as of April 1, 2024	9,621,309	\$ 192,724	\$ 53,557	\$ (753)	\$ 245,528
Net income	—	—	1,076	—	1,076
Other comprehensive income, net of tax and reclassification	—	—	—	104	104
Settlement of share awards	39,239	(255)	—	—	(255)
Stock-based compensation	—	422	—	—	422
Balance as of June 30, 2024	<u>9,660,548</u>	<u>\$ 192,891</u>	<u>\$ 54,633</u>	<u>\$ (649)</u>	<u>\$ 246,875</u>
Balance as of April 1, 2025	9,704,320	\$ 193,666	\$ 63,700	\$ (811)	\$ 256,555
Net income	—	—	2,503	—	2,503
Other comprehensive income, net of tax and reclassifications	—	—	—	57	57
Repurchase of common stock	(26,287)	(481)	—	—	(481)
Settlement of share awards	39,889	(295)	—	—	(295)
Stock-based compensation	—	508	—	—	508
Balance as of June 30, 2025	<u>9,717,922</u>	<u>\$ 193,398</u>	<u>\$ 66,203</u>	<u>\$ (754)</u>	<u>\$ 258,847</u>
Balance as of January 1, 2024	9,581,183	\$ 192,894	\$ 51,042	\$ (1,198)	\$ 242,738
Net income	—	—	3,591	—	3,591
Other comprehensive income, net of tax and reclassifications	—	—	—	549	549
Settlement of share awards	79,365	(634)	—	—	(634)
Stock-based compensation	—	631	—	—	631
Balance as of June 30, 2024	<u>9,660,548</u>	<u>\$ 192,891</u>	<u>\$ 54,633</u>	<u>\$ (649)</u>	<u>\$ 246,875</u>
Balance as of January 1, 2025	9,667,142	\$ 193,585	\$ 59,515	\$ (778)	\$ 252,322
Net income	—	—	6,688	—	6,688
Other comprehensive income, net of tax and reclassifications	—	—	—	24	24
Repurchase of common stock	(26,387)	(483)	—	—	(483)
Settlement of share awards	77,167	(634)	—	—	(634)
Stock-based compensation	—	930	—	—	930
Balance as of June 30, 2025	<u>9,717,922</u>	<u>\$ 193,398</u>	<u>\$ 66,203</u>	<u>\$ (754)</u>	<u>\$ 258,847</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

**FIRST WESTERN FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	Six Months Ended June 30,	
	2025	2024
<b>Cash flows from operating activities</b>		
Net income	\$ 6,688	\$ 3,591
<b>Adjustments to reconcile net income to net cash used in operating activities:</b>		
Net amortization of investment securities	(28)	(64)
Stock dividends received on correspondent bank stock	(283)	(200)
Provision for credit losses	1,853	2,406
Net gain on loans held for sale	(222)	(117)
Net gain on mortgage loans	(2,254)	(3,084)
Origination of mortgage loans held for sale	(162,424)	(172,258)
Proceeds from mortgage loans	166,042	155,046
Depreciation and amortization	1,365	1,256
Net amortization of purchase accounting adjustments	222	68
Deferred income tax expense	253	(1,207)
Purchase of solar tax credits	(945)	—
Income on company-owned life insurance	(222)	(211)
Stock-based compensation	930	631
Net gain on other real estate owned	(459)	—
Unrealized (gain) loss recognized on equity securities	(14)	8
Net (gain) loss on loans accounted for under the fair value option	(32)	617
Net changes in operating assets and liabilities:		
Change in accounts receivable	103	143
Change in accrued interest receivable and other assets	1,281	1,615
Change in accrued interest payable and other liabilities	(12,926)	(2,069)
Net cash used in operating activities	(1,072)	(13,829)
<b>Cash flows from investing activities</b>		
Activity in held-to-maturity debt securities:		
Maturities, prepayments, and calls	4,006	3,937
Purchases	(27,946)	(8,532)
Purchases of correspondent bank stock	(5,247)	(6,534)
Redemption of correspondent bank stock	140	3,085
Contributions to low-income housing tax credit investments	(959)	—
Loan and note receivable originations and principal collections, net	(112,888)	63,813
Purchases of premises and equipment	(1,616)	(546)
Proceeds from sale of loans	—	2,950
Purchases of loans	(2,329)	—
Proceeds from sale of other real estate owned	32,003	—
Net cash (used in) provided by investing activities	(114,836)	58,173
<b>Cash flows from financing activities</b>		
Net change in deposits	14,920	(118,147)
Payments to Federal Home Loan Bank borrowings	(67,603)	(226,200)
Proceeds from Federal Home Loan Bank borrowings	174,734	313,737
Payments to Federal Reserve borrowings	(753)	(81,743)
Proceeds from Federal Reserve borrowings	—	60,000
Payments to subordinated note holders	(8,000)	—
Repurchase of common stock	(483)	—
Cash paid for withholding taxes on share-based awards	(634)	(634)
Net cash provided by (used in) financing activities	112,181	(52,987)
Net change in cash and cash equivalents	(3,727)	(8,643)
Cash and cash equivalents, beginning of year	236,041	254,442
<b>Cash and cash equivalents, end of period</b>	<b>\$ 232,314</b>	<b>\$ 245,799</b>

**FIRST WESTERN FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**(continued)**  
**(in thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Supplemental cash flow information:</b>		
Interest paid on deposits and borrowed funds	\$ 39,961	\$ 46,154
Income tax refund	—	93
Cash paid for lease liabilities	1,845	1,417
<b>Supplemental noncash disclosures:</b>		
Transfer to loans held for investment from loans held for sale	(594)	—
Lease right-of-use-asset obtained in exchange for lease liabilities	1,758	10,910
Transfers from loans, net of participations, to other real estate owned	—	7,765

See accompanying notes to condensed consolidated financial statements (unaudited).

**FIRST WESTERN FINANCIAL, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Business and Basis of Presentation: The condensed consolidated financial statements include the accounts of First Western Financial, Inc. (FWFI), incorporated in Colorado on July 18, 2002, and its direct and indirect wholly-owned subsidiaries listed below (collectively referred to as the "Company," "we," "us," or "our").

FWFI is a bank holding company with financial holding company status registered with the Board of Governors of the Federal Reserve System. FWFI wholly owns the following subsidiary: First Western Trust Bank (the Bank). The Bank wholly owns First Western Merger Corporation (Merger Corp), which is therefore indirectly wholly owned by FWFI.

The Company provides a fully-integrated suite of wealth management services including: private banking, personal trust, investment management, mortgage loans, and institutional asset management services to individual and corporate clients principally in Colorado (metro Denver, Aspen, Boulder, Fort Collins, Loveland, and Vail Valley), Arizona (Phoenix and Scottsdale), California (Century City), Montana (Bozeman), and Wyoming (Jackson, Pinedale, Rock Springs and Cheyenne). The Company's revenues are generated from its full range of product offerings as noted above, but principally from net interest income (the interest income earned on the Bank's assets net of funding costs), fee-based wealth advisory, investment management, asset management and personal trust services, and net gains earned on mortgage loans.

The condensed consolidated financial statements have been prepared in conformity with GAAP for interim financial information and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. The December 31, 2024 condensed consolidated balance sheet has been derived from the audited financial statements for the year ended December 31, 2024.

In the opinion of management, all adjustments that were recurring in nature and considered necessary have been included for fair presentation of the Company's financial position and results of operations. Operating results for the three and six months ended June 30, 2025 are not necessarily indicative of results that may be expected for the full year ending December 31, 2025. In preparing the condensed consolidated financial statements, the Company is required to make estimates and assumptions that affect the reported amount 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 be significantly different from those estimates.

The condensed consolidated financial statements and notes should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the SEC.

Consolidation: The Company's policy is to consolidate all majority-owned subsidiaries in which it has a controlling financial interest and variable-interest entities where the Company is deemed to be the primary beneficiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Business Combinations and Divestitures: Business combinations are accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total consideration transferred in connection with the acquisition is allocated to the tangible and intangible assets acquired, liabilities assumed, and any non-controlling interest in the acquired entity based on fair values. Goodwill acquired in connection with business combinations represents the excess of consideration transferred over the net tangible and identifiable intangible assets acquired. Certain assumptions and estimates are used in evaluating the fair value of assets acquired and liabilities assumed. These estimates may be affected by factors such as changing market conditions or changes in government regulations.

Use of Estimates: To prepare financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the condensed consolidated financial statements and the disclosures provided, and actual results could differ. Information available which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy, and changes in the financial condition of borrowers. Material estimates that are particularly susceptible to significant change include: the determination of the allowance for credit losses (ACL), the evaluation of goodwill impairment, and the fair value of certain financial instruments.

Concentration of Credit Risk: Most of the Company's lending activity is to clients located in and around metro Denver, Aspen, Fort Collins, Loveland, Boulder, and Vail, Colorado; Phoenix and Scottsdale, Arizona; Bozeman, Montana; and Jackson, Cheyenne, Pinedale, and Rock Springs, Wyoming. The Company does not believe it has significant concentrations in any one industry or customer. As of June 30, 2025 and December 31, 2024, 77.7% and 78.9%, respectively, of the Company's loan portfolio was secured by real estate collateral. Declines in real estate values in the primary markets the Company operates in could negatively impact the Company.

Allowance for Credit Losses loans: The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The ACL excludes loans held for sale and loans accounted for under the fair value option. The Company elected to not measure an ACL for accrued interest receivables, as we write off applicable accrued interest receivable balances in a timely manner when a loan is placed on non-accrual status, in which any accrued but uncollected interest is reversed from current income. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Actual Company and regional peer historical credit loss experience provides the basis for the estimation of expected credit losses. The Company identified and grouped portfolio segments based on risk characteristics and underlying collateral. The call code for each financial asset type was assessed and expanded for certain call codes into separate segments based on risk characteristics.

The ACL for pooled loans are estimated using a discounted cash flow (DCF) methodology using the amortized cost basis (excluding interest) for all loans modeled within a performing pool of loans. The DCF analysis pairs loan-level term information, for example, maturity date, payment amount, interest rate, with top-down pool assumptions such as default rates, prepayment speeds, to produce individual expected cash flows for every loan in the segment. The results are then aggregated to produce segment level results and reserve requirements for each segment based on similar risk characteristics.

The quantitative DCF model also incorporates forward-looking macroeconomic information over a reasonable and supportable period of four quarters. Subsequent to the four quarter period, the Company reverts to its historical loss rate and historical prepayment and curtailment speeds on a straight-line basis over a four quarter reversion period. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications. Annually the Company performs a rate study which updates the prepayment and curtailment rates used in the DCF model.

Loans that do not share risk characteristics are analyzed on an individual basis. Loans analyzed individually are not included in the pooled loan evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Qualitative adjustments to historical loss data are made based on management's assessment of the risks that may lead to a future credit loss or differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, changes in environmental and economic conditions, or other relevant factors.

ACL - Off-balance sheet credit exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The ACL on off-balance sheet credit exposures is adjusted through the Provision for credit losses and is recorded in Other liabilities. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The probability of funding is based on historical utilization statistics for unfunded loan commitments. The loss rates used are calculated using the same assumptions as the associated funded balance.

ACL - Held-to-maturity (HTM) debt securities: The majority of our HTM investment portfolio consists of securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. With respect to these securities, we consider the risk of credit loss to be zero and, therefore, we have elected the practical expedient to not record an ACL for these securities. The Company's non-government backed securities include private label collateralized-mortgage obligations (CMO), mortgage-backed securities (MBS), and corporate bonds. Private label refers to private institutions such as brokerage firms, banks, and home builders, that also securitize mortgages.

Management measures expected credit losses on HTM debt securities on a collective basis by major security type. Accrued interest receivable on HTM debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management reviewed the collectability of private label CMO, MBS, and corporate bonds taking into consideration factors such as the asset quality and delinquencies of the issuers.

Modifications: The Company identifies modifications to borrowers experiencing financial difficulty as a loan that has been modified for the borrower that is experiencing financial difficulties. The Company considers some of the indicators that a borrower is experiencing financial difficulty to be: currently in payment default on any of their debt, declaring bankruptcy, going concern, and other indicators of inability to meet obligations. This list does not include all potential indicators of a borrower's financial difficulties. The ACL on loans that are considered modifications to borrowers experiencing financial difficulty are measured using the same method as all other loans held for investment.

Derivatives: At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to likely effectiveness of a hedge. These three types are as follows:

- **Fair Value Hedge**: a hedge of the fair value of a recognized asset or liability or an unrecognized firm commitment. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change.
- **Cash Flow Hedge**: a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability. For a cash flow hedge, the gain or loss on the derivative is reported in Other comprehensive income (OCI) and is reclassified into earnings in the same periods during which the hedged transactions affect earnings.
- **Stand-alone derivative**: an instrument with no hedging designation. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as non-interest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement in the same line as the cash flows of the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitments is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the net receiving position. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. All of the contracts to which the Company is a party settle monthly or quarterly. In addition, the Company obtains collateral above certain thresholds of the fair value of its derivatives for each dealer counterparty based upon their credit standing and the Company has netting agreements with the dealers with which it does business.

Mortgage Loans Held for Sale: Mortgage loans held for sale generally consist of long-term, fixed rate, conforming, single-family residential real estate loans intended to be sold on the secondary market. Mortgage loans held for sale are recorded at fair value and are typically sold with servicing rights released. Changes in the fair values of mortgage loans held for sale are included in the Net gain on mortgage loans line of the Condensed Consolidated Statements of Income. Fair value elections are made at the time of origination based on the Company's fair value election policy.

Mortgage Banking Derivatives: Commitments to fund mortgage loans, IRLC (interest rate lock commitments), and FSC (forward sale commitments), to be sold in the secondary market for the future delivery of these loans are accounted for as free standing derivatives. The fair value of the IRLC is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. The Company sells mortgage loans to third party investors at the best execution available which includes best efforts, mandatory, and bulk bids. Loans committed under mandatory or bulk bid are considered FSC and qualify as financial derivatives. Fair values of these mortgage derivatives are estimated based on the change in the loan pricing from the date of the commitment to the period end date for any unsettled commitments. Changes in the fair values of these derivatives are included in the Net gain on mortgage loans line of the Condensed Consolidated Statements of Income.

In order to manage the interest rate risk on our uncommitted IRLC and mortgage loans held for sale pipeline, the Company enters into mortgage derivative financial instruments called To Be Announced (TBA), which we refer to as forward commitments. TBA agreements are forward contracts to purchase MBS that will be issued by a US Government Sponsored Enterprise and are typically net settled. The Bank purchases or sells these derivatives to offset the changes in value of our mortgage loans held for sale and IRLC adjusted pipeline where we have exposure to interest rate volatility. Changes in the fair values of these derivatives are included in the Net gain on mortgage loans line of the Condensed Consolidated Statements of Income.

Other Real Estate Owned (OREO): Property acquired by foreclosure or deed-in-lieu of foreclosure is initially recorded at fair value less estimated selling cost at acquisition date, establishing a new cost basis. The Company is considered to have received physical possession of real estate property collateralizing a loan upon the occurrence of either the Company obtaining legal title to the property or the borrower conveying all interest in the property through a deed-in-lieu or similar agreement. Fair value is determined as the amount that could be reasonably expected in a current sale between a willing buyer and a willing seller in an orderly transaction between market participants at the measurement date. Subsequent to the initial acquisition, if the fair value of the asset, less estimated selling cost, is less than the cost of the property, a loss is recognized within non-interest expense and the asset carrying value is reduced. Gain or loss on disposition of OREO is recorded in non-interest income. In determining the fair value of the properties on the date of transfer and any subsequent estimated losses of net realizable value, the fair value of other real estate acquired by foreclosure or deed-in-lieu of foreclosure is determined primarily based upon appraisal or evaluation of the underlying property value.

Solar Investment Tax Credit (ITC): The Company purchases solar investment tax credits (ITCs) that are transferable, nonrefundable federal tax incentives intended to encourage investment in renewable energy infrastructure in accordance with ASC 740, "Income Taxes" and Section 48 "Energy Credit" of the Internal Revenue Code. Upon entering into a binding agreement to acquire a transferable solar ITC, the Company recognizes a deferred tax asset equal to the amount paid for the credit, assuming it is more likely than not that the credit will be realized against future taxable income only to the extent that tax credits offset no more than 75% of the total tax liability. Upon utilization of the credit against current-year tax liabilities, the Company reduces the deferred tax asset with a corresponding reduction to current tax expense. The tax benefit is recorded in the period the credit is used. Management assesses realizability of the deferred tax asset in accordance with ASC 740, including the application of valuation allowances if needed.

Revenue Recognition: In accordance with the Financial Accounting Standards Board (FASB), Accounting Standard Codification (ASC) 606 Revenue from Contracts with Customers (ASC 606), trust and investment management fees are earned by providing trust and investment services to customers. The Company's performance obligation under these contracts is satisfied over time as the services are provided. Fees are recognized monthly based on the average monthly value of assets under management (AUM) and the corresponding fee rate based on the terms of the contract. Receivables are recorded on the Condensed Consolidated Balance Sheets in the Accounts receivable line item. Income related to trust and investment management fees, bank fees, and risk management and insurance fees on the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2025 and 2024 are considered in scope of ASC 606.

Reclassifications: Certain items in prior year financial statements were reclassified to conform to the current presentation. Such reclassifications had no impact on net income available to common shareholders or total shareholders' equity.

Recently Adopted Accounting Pronouncements: The following reflect recent accounting pronouncements that have been adopted by the Company since the Company's fiscal year ended December 31, 2024.

On December 14, 2023, the FASB issued ASU 2023-09 Income Taxes - Improvements to Income Tax Disclosures, which enhances a company's income tax disclosures to include additional information related to rate reconciliations and income taxes paid. This guidance is effective for companies with fiscal years beginning after December 15, 2024. The Company adopted this standard beginning January 1, 2025, although new disclosure requirements are not required within interim reporting periods. The Company is evaluating annual reporting disclosure requirements and does not expect the adoption to have a material impact.

Recently Issued Accounting Pronouncements, Not Yet Adopted: The following reflects pending pronouncements with an update to the expected impact since the end of the Company's fiscal year ended December 31, 2024.

On November 4, 2024, the FASB issued ASU 2024-03 Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures, which requires companies to disclose additional information about certain expenses. This guidance is effective for companies with fiscal years beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company expects to adopt this standard beginning January 1, 2027. The Company is currently evaluating these new disclosure requirements and does not expect the adoption to have a material impact.

**NOTE 2 – DEBT SECURITIES**

The following presents the amortized cost, fair value, and ACL of debt securities held-to-maturity and the corresponding amounts of gross unrecognized gains and losses as of the date noted (dollars in thousands):

<b>June 30, 2025</b>	<b>Amortized Cost</b>	<b>Gross Unrecognized Gains</b>	<b>Gross Unrecognized Losses</b>	<b>Fair Value</b>	<b>Allowance for Credit Losses</b>
<b>Debt securities held-to-maturity:</b>					
U.S. Treasury debt	\$ 247	\$ —	\$ —	\$ 247	\$ —
Corporate bonds	23,580	52	(2,173)	21,459	(71)
Government National Mortgage Association (GNMA) MBS – residential	28,619	—	(2,765)	25,854	—
Federal National Mortgage Association (FNMA) MBS – residential	25,238	44	(546)	24,736	—
Government CMO and MBS – commercial	7,938	5	(366)	7,577	—
Corporate CMO and MBS	14,274	44	(212)	14,106	—
Total debt securities held-to-maturity	<u>\$ 99,896</u>	<u>\$ 145</u>	<u>\$ (6,062)</u>	<u>\$ 93,979</u>	<u>\$ (71)</u>
<b>December 31, 2024</b>					
<b>Debt securities held-to-maturity:</b>					
U.S. Treasury debt	\$ 246	\$ —	\$ (4)	\$ 242	\$ —
Corporate bonds	23,578	—	(2,801)	20,777	(71)
GNMA MBS – residential	31,361	—	(3,383)	27,978	—
FNMA MBS – residential	12,011	—	(689)	11,322	—
Government CMO and MBS – commercial	5,075	5	(483)	4,597	—
Corporate CMO and MBS	3,524	—	(279)	3,245	—
Total debt securities held-to-maturity	<u>\$ 75,795</u>	<u>\$ 5</u>	<u>\$ (7,639)</u>	<u>\$ 68,161</u>	<u>\$ (71)</u>

Net accretion of premiums and amortization of discounts related to HTM debt securities during the three and six month periods ended June 30, 2025 and 2024 was immaterial, and is included in Net interest income in the Consolidated Statements of Income.

As of June 30, 2025, the amortized cost and estimated fair value of HTM debt securities have contractual maturity dates shown in the table below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Debt securities not due at a single maturity date are shown separately.

<i>(dollars in thousands)</i>	<b>June 30, 2025</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
Due within one year	\$ —	\$ —
Due between one year and five years	4,244	4,220
Due between five years and ten years	19,417	17,332
Due after ten years	166	154
CMO and MBS securities	76,069	72,273
Total	<u>\$ 99,896</u>	<u>\$ 93,979</u>

In 2022, the Company committed \$6.0 million in total to two bank technology funds. During the six months ended June 30, 2025, the Company made \$0.8 million of contributions to the partnerships and received \$0.0 million of returns on investment. During the year ended December 31, 2024, the Company made \$0.5 million of contributions to the partnerships and received \$0.3 million of returns on investment. As of June 30, 2025 and December 31, 2024, the Company held a balance of \$3.2 million and \$2.5 million, respectively, which is included in Other assets in the accompanying Condensed Consolidated Balance Sheets. The Company may be obligated to invest up to an additional \$2.8 million in future contributions.

In 2014, the Company began investing in a small business investment company (SBIC) fund administered by the Small Business Administration (SBA). The Company made no contributions to the SBIC fund during the six months ended June 30, 2025. During the year ended December 31, 2024, the Company made \$0.2 million of contributions to the SBIC fund. As of June 30, 2025 and December 31, 2024, the Company held a balance of \$2.4 million in the SBIC fund, which is included in Other assets in the accompanying Condensed Consolidated Balance Sheets. The Company may be obligated to invest up to an additional \$0.6 million in future SBIC investments.

As of June 30, 2025 and December 31, 2024, securities with market values of \$28.0 million and \$31.1 million, respectively, were pledged to secure various public deposits and credit facilities of the Company.

As of June 30, 2025 and December 31, 2024, there were no holdings of debt securities of any one issuer, other than the U.S. Government sponsored entities and agencies, in an amount greater than 10% of shareholders' equity.

The Company did not sell any debt securities during the six months ended June 30, 2025 or 2024.

*Allowance for Credit Losses for HTM Debt Securities*

Management measures expected credit losses on HTM debt securities on a collective basis by major security type. The majority of our HTM investment portfolio consists of securities issued by U.S. government entities and agencies and we consider the risk of credit loss to be zero and, therefore, we do not record an ACL. The Company's non-government backed debt securities include private label CMO and MBS and corporate bonds. Accrued interest receivable on HTM debt securities totaled \$0.4 million and \$0.3 million as of June 30, 2025 and December 31, 2024, respectively, and is excluded from the estimate of credit losses. Refer to Note 1 – Organization and Summary of Significant Accounting Policies for additional information on the Company's methodology on estimating credit losses. The following presents the activity in the ACL for debt securities HTM by major security type for the periods noted:

<i>(dollars in thousands)</i>	<b>Three Months Ended June 30,</b>			
	<b>2025</b>		<b>2024</b>	
	<b>Corporate Bonds</b>	<b>Corporate CMO</b>	<b>Corporate Bonds</b>	<b>Corporate CMO</b>
Allowance for credit losses:				
Beginning balance	\$ 71	\$ —	\$ 71	\$ —
Provision for credit losses	—	—	—	—
Securities charged-off (recoveries)	—	—	—	—
Total ending allowance balance	<u>\$ 71</u>	<u>\$ —</u>	<u>\$ 71</u>	<u>\$ —</u>

<i>(dollars in thousands)</i>	<b>Six Months Ended June 30,</b>			
	<b>2025</b>		<b>2024</b>	
	<b>Corporate Bonds</b>	<b>Corporate CMO</b>	<b>Corporate Bonds</b>	<b>Corporate CMO</b>
Allowance for credit losses:				
Beginning balance	\$ 71	\$ —	\$ 71	\$ —
Provision for credit losses	—	—	—	—
Securities charged-off (recoveries)	—	—	—	—
Total ending allowance balance	<u>\$ 71</u>	<u>\$ —</u>	<u>\$ 71</u>	<u>\$ —</u>

The Company monitors the credit quality of HTM debt securities on a quarterly basis. As of June 30, 2025 and December 31, 2024, there were no HTM debt securities past due or on non-accrual.

**NOTE 3 – LOANS AND THE ALLOWANCE FOR CREDIT LOSSES**

The following presents a summary of the Company’s loans at amortized cost as of the dates noted:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
Cash, Securities, and Other	\$ 161,691	\$ 119,834
Consumer and Other	15,914	17,482
Construction and Development	254,916	314,481
1-4 Family Residential	1,015,260	962,901
Non-Owner Occupied CRE	652,864	611,239
Owner Occupied CRE	195,603	172,019
Commercial and Industrial	238,749	220,326
Total	2,534,997	2,418,282
Allowance for credit losses	(18,994)	(18,330)
Total, net	\$ 2,516,003	\$ 2,399,952
Loans accounted for under the fair value option <sup>(1)</sup>	5,099	7,283
Loans, net	<u>\$ 2,521,102</u>	<u>\$ 2,407,235</u>

<sup>(1)</sup> Includes \$5.2 million and \$7.5 million of unpaid principal balance of loans held for investment measured at fair value as of June 30, 2025 and December 31, 2024, respectively. Includes fair value adjustments on loans held for investment accounted for under the fair value option. See Note 12 – Fair Value.

As of June 30, 2025 and December 31, 2024, total loans held for investment included \$141.5 million and \$164.3 million, respectively, of performing loans purchased through mergers or acquisitions.

As of June 30, 2025, the Company did not hold any Main Street Lending Program (MSLP) loans. As of December 31, 2024, the Company’s Commercial and Industrial loans included one MSLP loan with the net carrying amount of \$1.7 million, or 0.8% of the total category.

The following presents, by class, an aging analysis of the amortized cost basis in loans past due as of the date noted (dollars in thousands):

June 30, 2025	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due	Total Loans Past Due	Current	Total Amortized Cost	Loans Accounted for Under the Fair Value Option <sup>(1)</sup>	Total Loans
Cash, Securities, and Other	\$ —	\$ —	\$ 1,704	\$ 1,704	\$ 159,987	\$ 161,691	\$ —	\$ 161,691
Consumer and Other	—	—	—	—	15,914	15,914	5,099	21,013
Construction and Development	—	—	—	—	254,916	254,916	—	254,916
1-4 Family Residential	351	850	—	1,201	1,014,059	1,015,260	—	1,015,260
Non-Owner Occupied CRE	—	—	—	—	652,864	652,864	—	652,864
Owner Occupied CRE	1,045	—	—	1,045	194,558	195,603	—	195,603
Commercial and Industrial	2,476	4,902	11,661	19,039	219,710	238,749	—	238,749
Total	<u>\$ 3,872</u>	<u>\$ 5,752</u>	<u>\$ 13,365</u>	<u>\$ 22,989</u>	<u>\$ 2,512,008</u>	<u>\$ 2,534,997</u>	<u>\$ 5,099</u>	<u>\$ 2,540,096</u>

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due	Total Loans Past Due	Current	Total Amortized Cost	Loans Accounted for Under the Fair Value Option <sup>(1)</sup>	Total Loans
Cash, Securities, and Other	\$ —	\$ —	\$ 1,704	\$ 1,704	\$ 118,130	\$ 119,834	\$ —	\$ 119,834
Consumer and Other	—	—	—	—	17,482	17,482	7,283	24,765
Construction and Development	—	—	—	—	314,481	314,481	—	314,481
1-4 Family Residential	3,971	—	—	3,971	958,930	962,901	—	962,901
Non-Owner Occupied CRE	—	—	—	—	611,239	611,239	—	611,239
Owner Occupied CRE	350	—	—	350	171,669	172,019	—	172,019
Commercial and Industrial	4,999	—	10,870	15,869	204,457	220,326	—	220,326
Total	\$ 9,320	\$ —	\$ 12,574	\$ 21,894	\$ 2,396,388	\$ 2,418,282	\$ 7,283	\$ 2,425,565

<sup>(1)</sup> Refer to Note 12 – Fair Value for additional information on the measurement of loans accounted for under the fair value option.

As of June 30, 2025 and December 31, 2024, the Company did not have any loans more than 90 days delinquent and accruing interest.

#### Loan Modifications

GAAP requires that certain types of loan modifications to borrowers experiencing financial difficulty be reported and include the following; (i) principal forgiveness, (ii) interest rate reduction, (iii) other than insignificant payment delay, (iv) term extension, or (v) any combination of the foregoing.

There were no loan modifications made to borrowers experiencing financial difficulty during the three and six months ended June 30, 2025. During the three and six months ended June 30, 2024, there were zero and one loan modification, respectively, made to borrowers experiencing financial difficulty.

The following presents the amortized cost basis as of June 30, 2024 of the loans modified to borrowers experiencing financial difficulty disaggregated by class of financing receivable and type of concession granted during the six months ended June 30, 2024.

(dollars in thousands)	Principal forgiveness	Interest rate reduction	Term extension	Combination: term extension and principal forgiveness	Combination: term extension and interest rate reduction	Total class of financing receivable
Commercial and Industrial	\$ —	\$ —	\$ 1,000	\$ —	\$ —	0.4 %
Total	\$ —	\$ —	\$ 1,000	\$ —	\$ —	

The following presents the financial effect by type of modification made to borrowers experiencing financial difficulty during the periods noted:

(dollars in thousands)	Six Months Ended June 30, 2024		
	Principal forgiveness	Weighted average interest rate reduction	Weighted average term extension
Commercial and Industrial	\$—	—%	5 months

There were no loans that experienced a default during the three and six months ended June 30, 2025 or 2024, subsequent to being granted a modification in the preceding twelve months.

*Non-Accrual Loans*

The accrual of interest on loans is discontinued at the time the loan becomes 90 days or more delinquent unless the loan is well secured and in the process of collection or renewal due to maturity. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged off if collection of interest or principal is considered doubtful. The following presents the amortized cost basis of loans on non-accrual status and loans past due over 89 days still accruing by class as of the dates noted:

<i>(dollars in thousands)</i>	As of June 30, 2025		
	Non-accrual loans with no ACL	Total non- accrual loans <sup>(1)</sup>	Loans past due over 89 days still accruing
Cash, Securities, and Other	\$ 1,704	\$ 1,704	\$ —
1-4 Family Residential	—	850	—
Commercial and Industrial	790	11,836	—
Total	<u>\$ 2,494</u>	<u>\$ 14,390</u>	<u>\$ —</u>

<sup>(1)</sup>As of June 30, 2025, the Company had an allowance of \$0.9 million on non-accrual loans.

<i>(dollars in thousands)</i>	As of December 31, 2024		
	Non-accrual loans with no ACL	Total non- accrual loans <sup>(1)</sup>	Loans past due over 89 days still accruing
Cash, Securities, and Other	\$ 1,704	\$ 1,704	\$ —
Commercial and Industrial	10,870	11,048	—
Total	<u>\$ 12,574</u>	<u>\$ 12,752</u>	<u>\$ —</u>

<sup>(1)</sup>As of December 31, 2024, the Company had an allowance of \$0.1 million on non-accrual loans.

The Company recognized no interest income on non-accrual loans during the three and six month periods ended June 30, 2025 and 2024.

*Collateral Dependent Loans*

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following presents the amortized cost basis of collateral-dependent loans, which are individually analyzed to determine expected credit losses, by class of loans as of the date noted:

<i>(dollars in thousands)</i>	As of June 30, 2025			
	Collateral Dependent Loans			
	Secured by Real Estate	Secured by Cash and Securities	Secured by Other	Total
Cash, Securities, and Other	\$ —	\$ 1,704	\$ —	\$ 1,704
1-4 Family Residential	850	—	—	850
Owner Occupied CRE	1,045	—	—	1,045
Commercial and Industrial	—	—	11,836	11,836
Total	<u>\$ 1,895</u>	<u>\$ 1,704</u>	<u>\$ 11,836</u>	<u>\$ 15,435</u>

<i>(dollars in thousands)</i>	As of December 31, 2024			
	Collateral Dependent Loans			
	Secured by Real Estate	Secured by Cash and Securities	Secured by Other	Total
Cash, Securities, and Other	\$ —	\$ 1,704	\$ —	\$ 1,704
Commercial and Industrial	—	—	12,015	12,015
Total	<u>\$ —</u>	<u>\$ 1,704</u>	<u>\$ 12,015</u>	<u>\$ 13,719</u>

*Other Real Estate Owned*

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. They are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than on an annual basis. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between comparable sales and income data available. During the three months ended March 31, 2025, the Company sold two OREO properties resulting in a net gain on sale of \$0.5 million. As of June 30, 2025 and December 31, 2024, OREO properties had carrying amounts of \$4.4 million and \$35.9 million, respectively.

*Allowance for Credit Losses on Loans*

The ACL on loans is measured on the loan's amortized cost basis, excluding interest receivable. Interest receivable excluded at June 30, 2025 and December 31, 2024 was \$10.3 million and \$9.8 million, respectively, presented in Accrued interest receivable on the Condensed Consolidated Balance Sheets. Refer to Note 1 – Organization and Summary of Significant Accounting Policies for additional information related to the Company's methodology on estimated credit losses.

The ACL represents Management's best estimate of current expected credit losses (CECL) on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans' contractual terms, adjusted for expected prepayments when appropriate. Our quantitative discounted cash flow models use economic forecasts including; housing price index (HPI), gross domestic product (GDP), and national unemployment.

Allocation of a portion of the ACL to one category of loans does not preclude its availability to absorb losses in other categories. The following presents the activity in the ACL by portfolio segment during the periods presented:

<i>(dollars in thousands)</i>	Cash, Securities and Other	Consumer and Other	Construction and Development	1-4 Family Residential	Non- Owner Occupied CRE	Owner Occupied CRE	Commercial and Industrial	Total
<b>Changes in ACL for the three months ended June 30, 2025:</b>								
Beginning balance	\$ 391	\$ 151	\$ 4,299	\$ 5,321	\$ 4,310	\$ 915	\$ 2,569	\$ 17,956
Provision (release) for credit losses	759	5	(648)	220	13	(178)	1,524	1,695
Charge-offs	—	—	—	—	—	—	(667)	(667)
Recoveries	—	2	—	3	—	—	5	10
Ending balance	<u>\$ 1,150</u>	<u>\$ 158</u>	<u>\$ 3,651</u>	<u>\$ 5,544</u>	<u>\$ 4,323</u>	<u>\$ 737</u>	<u>\$ 3,431</u>	<u>\$ 18,994</u>
<b>Changes in ACL for the six months ended June 30, 2025:</b>								
Beginning balance	\$ 410	\$ 185	\$ 5,184	\$ 5,200	\$ 4,340	\$ 654	\$ 2,357	\$ 18,330
Provision (release) for credit losses	740	(49)	(1,533)	336	(17)	83	2,327	1,887
Charge-offs	—	—	—	—	—	—	(1,261)	(1,261)
Recoveries	—	22	—	8	—	—	8	38
Ending balance	<u>\$ 1,150</u>	<u>\$ 158</u>	<u>\$ 3,651</u>	<u>\$ 5,544</u>	<u>\$ 4,323</u>	<u>\$ 737</u>	<u>\$ 3,431</u>	<u>\$ 18,994</u>

<i>(dollars in thousands)</i>	Cash, Securities and Other	Consumer and Other	Construction and Development	1-4 Family Residential	Non- Owner Occupied CRE	Owner Occupied CRE	Commercial and Industrial	Total
<b>Changes in ACL for the three months ended June 30, 2024:</b>								
Beginning balance	\$ 777	\$ 87	\$ 7,388	\$ 4,288	\$ 2,196	\$ 975	\$ 8,919	\$ 24,630
(Release) provision for credit losses	(402)	(15)	208	21	7	(2)	2,863	2,680
Charge-offs	—	(15)	—	—	—	—	—	(15)
Recoveries	—	18	—	1	—	—	5	24
Ending balance	<u>\$ 375</u>	<u>\$ 75</u>	<u>\$ 7,596</u>	<u>\$ 4,310</u>	<u>\$ 2,203</u>	<u>\$ 973</u>	<u>\$ 11,787</u>	<u>\$ 27,319</u>
<b>Changes in ACL for the six months ended June 30, 2024:</b>								
Beginning balance	\$ 961	\$ 124	\$ 7,945	\$ 4,370	\$ 2,325	\$ 1,034	\$ 7,172	\$ 23,931
(Release) provision for credit losses	(586)	(46)	(349)	(66)	(122)	(61)	4,609	3,379
Charge-offs	—	(26)	—	—	—	—	—	(26)
Recoveries	—	23	—	6	—	—	6	35
Ending balance	<u>\$ 375</u>	<u>\$ 75</u>	<u>\$ 7,596</u>	<u>\$ 4,310</u>	<u>\$ 2,203</u>	<u>\$ 973</u>	<u>\$ 11,787</u>	<u>\$ 27,319</u>

*Credit Quality Indicators*

The Company categorizes loans into risk categories based on relevant information about the ability of the borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans by credit risk on a quarterly basis. The Company uses the following definitions for risk ratings:

**Special Mention:** Loans classified as special mention have a potential weakness or borrowing relationships that require more than the usual amount of management attention. Adverse industry conditions, deteriorating financial conditions, declining trends, management problems, documentation deficiencies, or other similar weaknesses may be evident. Ability to meet current payment schedules may be questionable, even though interest and principal are still being paid as agreed. The asset has potential weaknesses that may result in deteriorating repayment prospects if left uncorrected. Loans in this risk grade are not considered adversely classified.

**Substandard:** Substandard loans are considered "classified" and are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loans in this category may be placed on non-accrual status and may individually be analyzed.

**Doubtful:** Loans graded Doubtful are considered "classified" and have all the weaknesses inherent in those classified as Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable. However, the amount of certainty of eventual loss is not known because of specific pending factors.

Loans accounted for under the fair value option are not rated.

[Table of Contents](#)

The following tables present the amortized cost basis of loans by credit quality indicator, by class of financing receivable, and year of origination for term loans as of June 30, 2025 and December 31, 2024. For revolving lines of credit that converted to term loans, if the conversion involved a credit decision, such loans are included in the origination year in which the credit decision was made (dollars in thousands):

June 30, 2025	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
<b>Cash, Securities, and Other</b>								
Pass	\$ 47,201	\$ 1,354	\$ 4,572	\$ 3,462	\$ 11,945	\$ 15,250	\$ 76,203	\$ 159,987
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	1,704	1,704
Doubtful	—	—	—	—	—	—	—	—
Total Cash, Securities, and Other	\$ 47,201	\$ 1,354	\$ 4,572	\$ 3,462	\$ 11,945	\$ 15,250	\$ 77,907	\$ 161,691
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Consumer and Other</b>								
Pass	\$ 33	\$ 3,586	\$ —	\$ 1,338	\$ 330	\$ 773	\$ 9,854	\$ 15,914
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Not rated <sup>(1)</sup>	—	1	—	4,417	601	80	—	5,099
Total Consumer and Other	\$ 33	\$ 3,587	\$ —	\$ 5,755	\$ 931	\$ 853	\$ 9,854	\$ 21,013
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Construction and Development</b>								
Pass	\$ 10,091	\$ 52,791	\$ 59,241	\$ 109,883	\$ 942	\$ 9,515	\$ 951	\$ 243,414
Special mention	—	1,362	—	7,044	—	—	—	8,406
Substandard	—	460	533	2,103	—	—	—	3,096
Doubtful	—	—	—	—	—	—	—	—
Total Construction and Development	\$ 10,091	\$ 54,613	\$ 59,774	\$ 119,030	\$ 942	\$ 9,515	\$ 951	\$ 254,916
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>1-4 Family Residential</b>								
Pass	\$ 117,148	\$ 58,460	\$ 78,593	\$ 342,472	\$ 118,700	\$ 161,770	\$ 133,246	\$ 1,010,389
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	1,367	850	—	2,654	4,871
Doubtful	—	—	—	—	—	—	—	—
Total 1-4 Family Residential	\$ 117,148	\$ 58,460	\$ 78,593	\$ 343,839	\$ 119,550	\$ 161,770	\$ 135,900	\$ 1,015,260
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Non-Owner Occupied CRE</b>								
Pass	\$ 19,021	\$ 48,388	\$ 52,686	\$ 288,768	\$ 94,262	\$ 119,368	\$ 30,371	\$ 652,864
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total Non-Owner Occupied CRE	\$ 19,021	\$ 48,388	\$ 52,686	\$ 288,768	\$ 94,262	\$ 119,368	\$ 30,371	\$ 652,864
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Owner Occupied CRE</b>								
Pass	\$ 22,397	\$ 4,140	\$ 3,081	\$ 41,649	\$ 40,901	\$ 79,131	\$ 1,888	\$ 193,187
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	2,416	—	—	—	2,416
Doubtful	—	—	—	—	—	—	—	—
Total Owner Occupied CRE	\$ 22,397	\$ 4,140	\$ 3,081	\$ 44,065	\$ 40,901	\$ 79,131	\$ 1,888	\$ 195,603
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

June 30, 2025	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
Commercial and Industrial								
Pass	\$ 28,518	\$ 21,411	\$ 3,587	\$ 47,269	\$ 9,071	\$ 31,628	\$ 63,318	\$ 204,802
Special mention	—	—	4,927	4,873	1,933	—	—	11,733
Substandard	—	—	569	3,821	—	12,024	5,800	22,214
Doubtful	—	—	—	—	—	—	—	—
Total Commercial and Industrial	\$ 28,518	\$ 21,411	\$ 9,083	\$ 55,963	\$ 11,004	\$ 43,652	\$ 69,118	\$ 238,749
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ 667	\$ —	\$ 594	\$ —	\$ 1,261
Total pass	\$ 244,409	\$ 190,130	\$ 201,760	\$ 834,841	\$ 276,151	\$ 417,435	\$ 315,831	\$ 2,480,557
Total special mention	—	1,362	4,927	11,917	1,933	—	—	20,139
Total substandard	—	460	1,102	9,707	850	12,024	10,158	34,301
Total doubtful	—	—	—	—	—	—	—	—
Total not rated	—	1	—	4,417	601	80	—	5,099
Total	\$ 244,409	\$ 191,953	\$ 207,789	\$ 860,882	\$ 279,535	\$ 429,539	\$ 325,989	\$ 2,540,096

<sup>(1)</sup> Includes loans held for investment measured at fair value as of June 30, 2025. Includes fair value adjustments on loans held for investment accounted for under the fair value option.

December 31, 2024	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
Cash, Securities, and Other								
Pass	\$ 11,564	\$ 6,123	\$ 3,649	\$ 13,157	\$ 5,143	\$ 13,912	\$ 64,582	\$ 118,130
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	1,704	1,704
Doubtful	—	—	—	—	—	—	—	—
Total Cash, Securities, and Other	\$ 11,564	\$ 6,123	\$ 3,649	\$ 13,157	\$ 5,143	\$ 13,912	\$ 66,286	\$ 119,834
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer and Other								
Pass	\$ 3,587	\$ 4	\$ 1,518	\$ 355	\$ 380	\$ 548	\$ 11,090	\$ 17,482
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Not rated <sup>(1)</sup>	1	—	6,215	940	71	56	—	7,283
Total Consumer and Other	\$ 3,588	\$ 4	\$ 7,733	\$ 1,295	\$ 451	\$ 604	\$ 11,090	\$ 24,765
Current year-to-date gross charge-offs	\$ —	\$ 1	\$ —	\$ —	\$ 10	\$ 39	\$ —	\$ 50
Construction and Development								
Pass	\$ 48,872	\$ 58,224	\$ 191,874	\$ 992	\$ 9,395	\$ —	\$ 839	\$ 310,196
Special mention	—	—	—	—	—	—	—	—
Substandard	469	3,816	—	—	—	—	—	4,285
Doubtful	—	—	—	—	—	—	—	—
Total Construction and Development	\$ 49,341	\$ 62,040	\$ 191,874	\$ 992	\$ 9,395	\$ —	\$ 839	\$ 314,481
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
1-4 Family Residential								
Pass	\$ 98,612	\$ 89,537	\$ 351,026	\$ 126,116	\$ 104,427	\$ 63,930	\$ 129,253	\$ 962,901
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total 1-4 Family Residential	\$ 98,612	\$ 89,537	\$ 351,026	\$ 126,116	\$ 104,427	\$ 63,930	\$ 129,253	\$ 962,901
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

December 31, 2024	Term Loans Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
<b>Non-Owner Occupied CRE</b>								
Pass	\$ 48,445	\$ 42,527	\$ 260,055	\$ 101,067	\$ 70,896	\$ 57,676	\$ 30,573	\$ 611,239
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total Non-Owner Occupied CRE	\$ 48,445	\$ 42,527	\$ 260,055	\$ 101,067	\$ 70,896	\$ 57,676	\$ 30,573	\$ 611,239
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Owner Occupied CRE</b>								
Pass	\$ 4,177	\$ 3,126	\$ 44,034	\$ 41,663	\$ 29,402	\$ 45,640	\$ 1,531	\$ 169,573
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	2,096	—	—	—	350	2,446
Doubtful	—	—	—	—	—	—	—	—
Total Owner Occupied CRE	\$ 4,177	\$ 3,126	\$ 46,130	\$ 41,663	\$ 29,402	\$ 45,640	\$ 1,881	\$ 172,019
Current year-to-date gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Commercial and Industrial</b>								
Pass	\$ 21,922	\$ 9,741	\$ 58,160	\$ 11,324	\$ 5,435	\$ 27,237	\$ 58,665	\$ 192,484
Special mention	—	456	685	—	—	—	7,979	9,120
Substandard	967	178	1,988	—	4,422	10,871	296	18,722
Doubtful	—	—	—	—	—	—	—	—
Total Commercial and Industrial	\$ 22,889	\$ 10,375	\$ 60,833	\$ 11,324	\$ 9,857	\$ 38,108	\$ 66,940	\$ 220,326
Current year-to-date gross charge-offs	\$ —	\$ 1,202	\$ 16	\$ 6,935	\$ 1,199	\$ —	\$ —	\$ 9,352
Total pass	\$ 237,179	\$ 209,282	\$ 910,316	\$ 294,674	\$ 225,078	\$ 208,943	\$ 296,533	\$2,382,005
Total special mention	—	456	685	—	—	—	7,979	9,120
Total substandard	1,436	3,994	4,084	—	4,422	10,871	2,350	27,157
Total doubtful	—	—	—	—	—	—	—	—
Total not rated	1	—	6,215	940	71	56	—	7,283
Total	\$ 238,616	\$ 213,732	\$ 921,300	\$ 295,614	\$ 229,571	\$ 219,870	\$ 306,862	\$2,425,565

<sup>(1)</sup> Includes loans held for investment measured at fair value as of December 31, 2024. Includes fair value adjustments on loans held for investment accounted for under the fair value option.

#### NOTE 4 – GOODWILL

Goodwill is tested annually for impairment in the fourth quarter or earlier upon the occurrence of certain events. A significant amount of judgement is involved in determining if an indicator of goodwill impairment occurred. Such indicators may include, among others; a significant decline in expected future cash flows; a sustained significant decline in the Company's stock price and market capitalization; a significant adverse change in legal factors or in the business climate; adverse assessment or action by a regulator; and unanticipated competition.

The goodwill impairment analysis includes the determination of the carrying value of the reporting unit, including the existing goodwill, and estimating the fair value of the reporting unit. If the fair value is less than its carrying amount, goodwill impairment is recognized equal to the difference between the fair value and its carrying amount, not to exceed its carrying amount. As of June 30, 2025, there has not been an identified or recorded impairment of goodwill. Goodwill totaled \$30.4 million as of June 30, 2025 and December 31, 2024.

**NOTE 5 – LEASES**

Leases in which the Company is determined to be the lessee are primarily operating leases comprised of real estate property and office space for our corporate headquarters and profit centers with terms that extend to 2036. In accordance with ASC 842, operating leases are required to be recognized as a right-of-use asset with a corresponding lease liability.

The Company elected to not include short-term leases with initial terms of twelve months or less on the Condensed Consolidated Balance Sheets. The following presents the classification of the right-of-use assets and corresponding liabilities within the Condensed Consolidated Balance Sheets, as of the dates noted:

<i>(dollars in thousands)</i>		June 30, 2025	December 31, 2024
<b>Lease Right-of-Use Assets</b>	<b>Classification</b>		
Operating lease right-of-use assets	Other assets	\$ 19,568	\$ 19,161
<b>Lease Liabilities</b>	<b>Classification</b>		
Operating lease liabilities	Other liabilities	\$ 21,268	\$ 20,959

The Company's operating lease agreements typically include an option to renew the lease at the Company's discretion. To the extent the Company is reasonably certain it will exercise the renewal option at the inception of the lease, the Company will include the extended term in the calculation of the right-of-use asset and lease liability. ASC 842 requires the use of the rate implicit in the lease when it is readily determinable. As this rate is typically not readily determinable, at the inception of the lease, the Company uses its collateralized incremental borrowing rate over a similar term. The amount of the right-of-use asset and lease liability are impacted by the discount rate used to calculate the present value of the minimum lease payments over the term of the lease. The following presents information related to operating leases:

	June 30, 2025	December 31, 2024
<b>Weighted-Average Remaining Lease Term</b>		
Operating leases	8.60 years	9.09 years
<b>Weighted-Average Discount Rate</b>		
Operating leases	4.19 %	4.14 %

The Company's operating leases contain fixed and variable lease components and it has elected to account for all classes of underlying assets as a single lease component. Variable lease costs primarily represent common area maintenance and parking. The Company recognized lease costs in Occupancy and equipment expense in the accompanying Condensed Consolidated Statements of Income. The following presents the Company's net lease costs during the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<b>Lease Costs</b>				
Operating lease cost	\$ 902	\$ 846	\$ 1,778	\$ 1,600
Variable lease cost	618	590	1,194	1,132
Lease costs, net	\$ 1,520	\$ 1,436	\$ 2,972	\$ 2,732

[Table of Contents](#)

The following presents a maturity analysis of the Company's operating lease liabilities on an annual basis for each of the next five years and total amounts thereafter (dollars in thousands):

Year Ending December 31,	Operating Leases
2025 <sup>(1)</sup>	\$ 1,151
2026	1,791
2027	1,776
2028	1,657
2029	3,469
Thereafter	17,236
Total future minimum lease payments	27,080
Less: imputed interest	(5,812)
Present value of net future minimum lease payments	<u>\$ 21,268</u>

<sup>(1)</sup> Amount represents the remaining six months of year.

Leases in which the Company is determined to be the lessor are considered operating leases and consist of the partial lease of Company owned buildings. In accordance with ASC 842, these leases have been accounted for as operating leases. The Company recognized \$0.1 million of lease income during the three months ended June 30, 2025 and 2024. The Company recognized \$0.1 million and \$0.2 million of lease income during the six months ended June 30, 2025 and June 30, 2024, respectively.

The following presents a maturity analysis of the Company's lease payments to be received on an annual basis for each of the next three years and total amounts thereafter (dollars in thousands):

Year Ending December 31,	Undiscounted Operating Lease Income
2025 <sup>(1)</sup>	\$ 105
2026	160
2027	123
Thereafter	—
Total undiscounted operating lease income	<u>\$ 388</u>

<sup>(1)</sup> Amount represents the remaining six months of the year.

**NOTE 6 – DEPOSITS**

The following presents the Company's Interest-bearing deposits as of the dates noted:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
Money market deposit accounts	\$ 1,632,997	\$ 1,513,605
Time deposits	397,006	471,415
Interest checking accounts	123,967	139,374
Savings accounts	13,503	14,212
Total interest-bearing deposits	<u>\$ 2,167,473</u>	<u>\$ 2,138,606</u>
Aggregate time deposits of \$250 or greater	\$ 136,334	\$ 96,310

Overdraft balances classified as loans totaled \$0.1 million and \$0.2 million as of June 30, 2025 and December 31, 2024, respectively.

[Table of Contents](#)

The following presents the scheduled maturities of all time deposits for each of the next five years and total amounts thereafter (dollars in thousands):

Year ending December 31,	Time Deposits
2025 <sup>(1)</sup>	\$ 201,222
2026	153,537
2027	5,828
2028	35,800
2029	295
Thereafter	324
<b>Total</b>	<b>\$ 397,006</b>

<sup>(1)</sup> Amount represents the remaining six months of year.

**NOTE 7 – BORROWINGS**

The Bank has executed a blanket pledge and security agreement with the FHLB which requires certain loans and securities be pledged as collateral for any outstanding borrowings under the agreement. The collateral pledged as of June 30, 2025 and December 31, 2024 amounted to \$1.34 billion and \$1.30 billion, respectively. Based on this collateral and the Company’s holdings of FHLB stock, the Company was eligible to borrow an additional \$371 million as of June 30, 2025.

Upon maturity, the Company renewed a three-month \$50 million FHLB advance on April 2, 2025. The rate for the borrowing is adjusted daily based on the SOFR rate plus 13.5 basis points. The advance matured on July 2, 2025 and was renewed for an additional three months.

The following presents the Company’s maturities of FHLB borrowings (dollars in thousands):

Maturity Date	Rate %	June 30, 2025	December 31, 2024
July 1, 2025 <sup>(1)</sup>	4.59 %	\$ 112,131	\$ 5,000
July 2, 2025	4.53	50,000	50,000
<b>Total</b>		<b>\$ 162,131</b>	<b>\$ 55,000</b>

<sup>(1)</sup> The borrowing has a one day, automatic daily renewal maturity date, subject to FHLB discretion not to renew.

To bolster the effectiveness of the SBA’s Paycheck Protection Program (PPP), the Federal Reserve is supplying liquidity to participating financial institutions through term financing collateralized by PPP loans to small businesses. The Paycheck Protection Program Liquidity Facility (PPPLF) extends credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value and bearing interest at 35 bps. The terms of the loans are directly tied to the underlying PPP loans, which were originated at 2 or 5 years. As of June 30, 2025 and December 31, 2024, \$1.3 million and \$2.0 million, respectively, was outstanding under the PPPLF program which is included in the FHLB and Federal Reserve borrowings line of the Condensed Consolidated Balance Sheets.

The Bank has borrowing capacity associated with two unsecured federal funds lines of credit up to \$10.0 million and \$19.0 million. As of June 30, 2025 and December 31, 2024, there were no amounts outstanding on any of the federal funds lines.

[Table of Contents](#)

The following presents the Company's subordinated notes included in the Subordinated notes line of the Condensed Consolidated Balance Sheets as of the periods noted (dollars in thousands):

Issuance Date	Stated Rate	Interest Paid	Maturity	Carrying Value	Initial Debt Issuance Costs	Remaining Net Balance <sup>(1)</sup>
November 2020	4.25% per annum until 12/1/2025, then SOFR plus 402 basis points until maturity	Semi-annual (Quarterly beginning 12/01/25)	12/1/2030	\$ 10,000	\$ 162	\$ 9,979
August 2021	3.25% per annum until 9/1/2026, then SOFR plus 258 basis points until maturity	Semi-annual (Quarterly beginning 09/01/26)	9/1/2031	15,000	242	14,936
December 2022	7.00% per annum until 12/15/2027, then SOFR plus 328 basis points until maturity	Semi-annual (Quarterly beginning 12/15/27)	12/15/2032	20,000	506	19,758

<sup>(1)</sup> Remaining net balance includes amortization of debt issuance costs.

During the first quarter of 2025, a subordinated note with a carrying value of \$8 million became eligible and was redeemed. For the three months ended June 30, 2025 and 2024, the Company recorded \$0.6 million and \$0.7 million, respectively, of interest expense related to the collective subordinated notes. For the six months ended June 30, 2025 and 2024, the Company recorded \$1.3 million and \$1.4 million, respectively, of interest expense related to the collective subordinated notes. The subordinated notes are included in Tier 2 capital under current regulatory guidelines and interpretations, subject to limitations.

The Company's borrowing facilities include various financial and other covenants, including, but not limited to, a requirement that the Bank maintains regulatory capital that is deemed "well capitalized" by federal banking agencies. See Note 16 – Regulatory Capital Matters for additional information. As of June 30, 2025 and December 31, 2024, the Company was in compliance with the covenant requirements.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Company is party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its clients. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Condensed Consolidated Balance Sheets. Commitments may expire without being utilized. The Company's exposure to credit loss is represented by the contractual amount of these commitments, although material losses are not anticipated. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

The following presents the Company's financial instruments whose contract amounts represent credit risk, as of the dates noted:

<i>(dollars in thousands)</i>	June 30, 2025		December 31, 2024	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Unused lines of credit	\$ 48,967	\$ 482,364	\$ 68,427	\$ 453,520
Standby letters of credit	12,274	11,446	13,864	8,000
Commitments to make loans to sell	33,635	—	19,769	—
Commitments to make loans	6,908	48,962	4,029	15,563

Unused lines of credit are agreements to lend to a client as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Several of the commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the client.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client’s obligation to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Substantially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to clients. The Company holds collateral supporting those commitments if deemed necessary.

Commitments to make loans to sell are agreements to lend to a client which would then be sold to an investor in the secondary market for which the interest rate has been locked with the client, provided there is no violation of any condition within the contract with either party. Commitments to make loans to sell have fixed interest rates. Since commitments may expire without being extended, total commitment amounts may not necessarily represent cash requirements.

Commitments to make loans are agreements to lend to a client, provided there is no violation of any condition within the contract. Commitments to make loans generally have fixed expiration dates or other termination clauses. Since commitments may expire without being extended, total commitment amounts may not necessarily represent cash requirements.

*Allowance for Credit Losses on Off-Balance Sheet Credit Exposures*

To estimate the ACL on unfunded loan commitments that are not unconditionally cancellable, the Company determines the probability of funding based on historical utilization statistics for unfunded loan commitments. Loss rates are calculated using the same assumptions as the associated funded balance. Refer to Note 3 – Loans and the Allowance for Credit Losses for changes in the factors that influenced the current estimate of ACL and reasons for the changes. The following presents the changes in the ACL on unfunded loan commitments:

<i>(dollars in thousands)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 560	\$ 1,551	\$ 672	\$ 2,178
Provision for (release of) credit losses	78	(346)	(34)	(973)
Ending balance	\$ 638	\$ 1,205	\$ 638	\$ 1,205

**Litigation, Claims and Settlements**

The Company is, from time to time, involved in various legal actions arising in the normal course of business. While the ultimate outcome of any such proceedings cannot be predicted with certainty, it is the opinion of management, based on advice from legal counsel, that no proceedings exist, either individually or in the aggregate, which, if determined adversely to the Company, would have a material effect on the Company’s condensed consolidated financial statements.

**NOTE 9 – SHAREHOLDERS’ EQUITY**

**Common Stock**

The Company’s common stock has no par value and each holder of common stock is entitled to one vote for each share held (though certain voting restrictions may exist on non-vested restricted stock).

On June 13, 2024, the Company announced that its Board of Directors authorized the repurchase of up to 200,000 shares of the Company’s common stock, no par value, from time to time, within one year (the 2024 Repurchase Plan) and that the Board of Governors of the Federal Reserve System advised the Company that it had no objection to the Company’s 2024 Repurchase Plan.

On April 23, 2025, the Company authorized the repurchase of up to \$5,000,000 of the Company’s common stock, no par value, from time to time (the 2025 Repurchase Plan). On May 14, 2025, the Board of Governors of the Federal Reserve System advised the Company that it has no objection to the Company’s 2025 Repurchase Plan. The 2025 Repurchase Plan is effective for one year beginning June 13, 2025, the date the 2024 Repurchase Plan expired.

The Company may repurchase shares in privately negotiated transactions, in the open market, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 promulgated by the SEC, or otherwise in a manner that complies with applicable federal securities laws. The 2025 Repurchase Plan does not obligate the Company to acquire a specific dollar amount or number of shares and it may be extended, modified or discontinued at any time without notice. During the six months ended June 30, 2025, the Company repurchased 26,387 shares under the authorization of the 2024 Repurchase Plan. During the year ended December 31, 2024, the Company repurchased 5,501 shares under the authorization of the 2024 Repurchase Plan. As of June 30, 2025, there was \$5,000,000 value of shares available for repurchase under the 2025 Repurchase Plan.

## Stock-Based Compensation Plans

The 2008 Stock Incentive Plan (the 2008 Plan) was frozen in connection with the adoption of First Western Financial, Inc. 2016 Omnibus Incentive Plan (the 2016 Plan) and no new awards may be granted under the 2008 Plan. Remaining shares not issued under the 2008 Plan were authorized to be issued under the 2016 Plan. Effective June 4, 2025, the Company's stockholders approved the First Western Financial, Inc. Omnibus Incentive Plan, as amended and restated April 23, 2025 (the 2025 Plan), which included an increase of 150,000 shares to the 2025 Plan's share reserve. The 2025 Plan is a continuation, and amendment and restatement, of the 2016 Plan. As of June 30, 2025, there were a total of 396,376 shares available for issuance under the 2025 Plan. Any shares covered by an award granted under the 2008 Plan that are forfeited, cancelled, or terminated for no consideration will (i) not be available for future awards under the 2008 Plan, (ii) be available for future awards under the 2025 Plan, and (iii) increase the share reserve of the 2025 Plan by one share for each share that is retained by or returned to the Company, subject to a maximum of 1,500,000 shares.

### Stock Options

The Company did not grant any stock options during the six months ended June 30, 2025 and 2024.

During the three and six months ended June 30, 2025 and 2024, the Company recognized no stock based compensation expense associated with stock options. As of June 30, 2025, the Company has no unrecognized stock-based compensation expense related to stock options.

The following presents activity for nonqualified stock options during the six months ended June 30, 2025:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2024	79,761	\$ 25.30		
Granted	—	—		
Exercised	—	—		
Forfeited or expired	(11,033)	24.32		
Outstanding as of June 30, 2025	<u>68,728</u>	25.46	0.66	<sup>(1)</sup>
Options fully vested / exercisable as of June 30, 2025	68,728	25.46	0.66	<sup>(1)</sup>

<sup>(1)</sup> Nonqualified stock options outstanding at the end of the period and those fully vested/exercisable had immaterial aggregate intrinsic values.

As of June 30, 2025, there were 68,728 options that were exercisable. Exercise prices are between \$25.00 and \$27.00 per share, and the options are exercisable for a period of ten years from the original grant date and expire on various dates between 2025 to 2026.

### Restricted Stock Units

Pursuant to the 2025 Plan, the Company may grant associates and non-associate directors long-term cash and stock-based compensation. Historically, the Company has granted certain associates restricted stock units which are earned over time or based on various performance measures and convert to common stock upon vesting, which are summarized here and expanded further below.

The following presents the activity for the Time Vesting Units and the Financial Performance Units during the six months ended June 30, 2025:

	Time Vesting Units	Financial Performance Units
Outstanding as of December 31, 2024	215,343	159,704
Granted	69,874	64,762
Vested	(53,594)	(54,617)
Forfeited	(12,765)	(7,417)
Outstanding as of June 30, 2025	<u>218,858</u>	<u>162,432</u>

During the three months ended June 30, 2025, the Company issued 39,889 net shares of common stock upon the settlement of Restricted Stock Units. The remaining 13,705 shares, with a combined market value at the dates of settlement of \$0.3 million, were withheld to cover employee withholding taxes and were subsequently added back to the Company's pool of shares available for issuance. During the three months ended June 30, 2024, the Company issued 39,239 net shares of common stock upon the settlement of Restricted Stock Units. The remaining 14,696 shares, with a combined market value at the dates of settlement of \$0.3 million, were withheld to cover employee withholding taxes and were subsequently added back to the Company's pool of shares available for issuance.

During the six months ended June 30, 2025, the Company issued 77,167 net shares of common stock upon the settlement of Restricted Stock Units. The remaining 31,044 shares, with a combined market value at the dates of settlement of \$0.6 million, were withheld to cover employee withholding taxes and were subsequently added back to the Company's pool of shares available for issuance. During the six months ended June 30, 2024, the Company issued 79,365 net shares of common stock upon the settlement of Restricted Stock Units. The remaining 34,019 shares, with a combined market value at the dates of settlement of \$0.6 million, were withheld to cover employee withholding taxes and were subsequently added back to the Company's pool of shares available for issuance.

### Time Vesting Units

Time Vesting Units are granted to full-time associates and members of the Board of Directors at the date approved by the Company's Board of Directors. The Company granted 69,874 and 69,107 Time Vesting Units during the six months ended June 30, 2025 and 2024, respectively. During the three months ended June 30, 2025 and 2024, the Company recognized compensation expense of \$0.4 million for the Time Vesting Units. During the six months ended June 30, 2025 and 2024, the Company recognized compensation expense of \$0.7 million, for the Time Vesting Units. As of June 30, 2025, there was \$4.2 million of unrecognized compensation expense related to the Time Vesting Units, which is expected to be recognized over a weighted-average period of 3.4 years.

### Financial Performance Units

Financial Performance Units are granted to certain key associates and are earned based on the Company achieving various financial performance metrics. If the Company achieves the financial metrics, which include various thresholds from 0% up to 600%, then the Financial Performance Units will have a subsequent vesting period.

The following presents the Company's existing Financial Performance Units as of June 30, 2025 (dollars in thousands, except share amounts):

Grant Period	Threshold Accrual	Maximum Issuable Shares at Current Threshold	Unrecognized Compensation Expense	Weighted-Average <sup>(1)</sup>	Financial Metric End Date	Vesting Requirement End Date
On November 18, 2020	114 %	22,336	\$ 13	0.4 years	December 31, 2022	50% November 18, 2023 & 2025
May 3, 2021 through August 11, 2021	55	14,708	40	0.5 years	December 31, 2023	December 31, 2025
On May 1, 2023 <sup>(2)</sup>	—	—	—	0.0 years	December 31, 2025	December 31, 2027
On May 1, 2024	121	44,624	567	3.5 years	December 31, 2026	December 31, 2028
On March 17, 2025	200	20,886	229	2.5 years	December 31, 2027	December 31, 2027
On May 1, 2025	100	45,251	912	4.5 years	December 31, 2027	December 31, 2029
On June 4, 2025 <sup>(2)</sup>	—	—	—	0.0 years	December 31, 2025, 2026 & 2027	December 31, 2025, 2026, 2027 & June 4, 2030

<sup>(1)</sup> Represents the expected unrecognized stock-based compensation expense recognition period.

<sup>(2)</sup> As the performance threshold is not expected to be met in future performance periods, there is no related unrecognized compensation as of June 30, 2025.

[Table of Contents](#)

The following presents the Company's Financial Performance Units activity for the periods noted (dollars in thousands, except share amounts):

Grant Period	Units Granted		Compensation Expense Recognized			
	Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024	2025	2024
May 1, 2020 through December 31, 2021, excluding November 18, 2020	—	—	\$ —	\$ 3	\$ —	\$ (48)
On November 18, 2020	—	—	9	(15)	19	(4)
May 3, 2021 through August 11, 2021	—	—	7	8	26	(86)
On August 4, 2022 <sup>(1)</sup>	—	—	—	14	—	28
On May 1, 2023 <sup>(2)</sup>	—	—	—	—	—	—
On May 1, 2024	7,745	42,805	62	25	94	25
On March 17, 2025	10,443	—	23	—	27	—
On May 1, 2025	46,574	—	34	—	34	—
On June 4, 2025 <sup>(3)</sup>	—	—	—	—	—	—

<sup>(1)</sup> Performance period ended December 31, 2024 and performance threshold was not met and, therefore, no compensation expense was recognized for the six months ended June 30, 2025 and 2024.

<sup>(2)</sup> Performance threshold was not met for the years ended December 31, 2024 and December 31, 2023, therefore, no compensation expense was recognized for the six months ended June 30, 2025 and 2024.

<sup>(3)</sup> Performance threshold is not expected to be met in future performance periods, therefore, no compensation expense was recognized for the six months ended June 30, 2025.

**NOTE 10 – EARNINGS PER COMMON SHARE**

The following presents the calculation of basic and diluted earnings per common share during the periods presented:

<i>dollars in thousands, except share and per share amounts</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<b>Earnings per common share - Basic</b>				
Numerator:				
Net income available for common shareholders	\$ 2,503	\$ 1,076	\$ 6,688	\$ 3,591
Denominator:				
Basic weighted average shares	9,707,924	9,647,345	9,706,181	9,647,509
Earnings per common share - basic	\$ 0.26	\$ 0.11	\$ 0.69	\$ 0.37
<b>Earnings per common share - Diluted</b>				
Numerator:				
Net income available for common shareholders	\$ 2,503	\$ 1,076	\$ 6,688	\$ 3,591
Denominator:				
Basic weighted average shares	9,707,924	9,647,345	9,706,181	9,647,509
Diluted effect of common stock equivalents:				
Stock options	—	—	—	—
Time Vesting Units	39,775	18,495	44,362	22,965
Financial Performance Units	61,622	84,827	53,423	73,424
Total diluted effect of common stock equivalents	101,397	103,322	97,785	96,389
Diluted weighted average shares	9,809,321	9,750,667	9,803,966	9,743,898
Earnings per common share - diluted	\$ 0.26	\$ 0.11	\$ 0.68	\$ 0.37

Diluted earnings per share was computed without consideration to potentially dilutive instruments as their inclusion would have been anti-dilutive. The following presents potentially dilutive securities excluded from the diluted earnings per share calculation during the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Stock options	68,728	88,936	68,728	108,186
Time Vesting Units	28,170	103,752	44,224	117,806
Financial Performance Units	—	—	—	4,545
Total potentially dilutive securities	96,898	192,688	112,952	230,537

**NOTE 11 – INCOME TAXES**

During the three months ended June 30, 2025 and 2024, the Company recorded an income tax provision of \$0.8 million and \$0.3 million, respectively, reflecting an effective tax rate of 24.5% and 24.0%, respectively. During the six months ended June 30, 2025 and 2024, the Company recorded an income tax provision of \$2.0 million and \$1.4 million, respectively, reflecting an effective tax rate of 22.9% and 28.1%, respectively.

**NOTE 12 – FAIR VALUE**

Fair value is the exchange price that would be received for 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 on the measurement date. There are three levels of inputs that may be used to measure fair values:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**Recurring Fair Value**

*Equity Securities:* Fair value of equity securities represents the market value of mutual funds based on quoted market prices (Level 1) and the value of stock held in other companies, which is based on recent market transactions or quoted rates that are not actively traded (Level 2).

*Equity Warrants:* Fair value of equity warrants of private companies are priced using a Black-Scholes option pricing model to estimate the asset fair value by using strike prices, option expiration dates, risk-free interest rates, and option volatility assumptions (Level 3).

*Guarantee Asset and Liability:* The guarantee asset represents the fair value of the consideration received in exchange for the credit enhancement fee. The guarantee liability represents a financial guarantee to cover the second layer of any losses on loans sold to FHLB under the MPF 125 loan sales agreement. The guarantee liability value on day one is equivalent to the guarantee asset fair value, which is the consideration for the credit enhancement fee paid over the life of the loans. The liability is then carried at amortized cost. Significant inputs in the valuation analysis for the asset are Level 3, due to the nature of this asset and the lack of market quotes. The fair value of the guarantee asset is determined using a discounted cash flow model, for which significant unobservable inputs include assumed future prepayment rates, also known as the Conditional Prepayment Rate, and market discount rate (Level 3). An increase in prepayment rates or discount rate would generally reduce the estimated fair value of the guarantee asset.

*Derivatives:* Derivatives include our swap derivatives, which are comprised of cash flow hedges and derivatives not designated as hedges. The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

*Mortgage Related Derivatives:* Mortgage related derivatives include our IRLC, FSC, and the forward commitments on our loans held for sale pipeline. The fair value estimate of our IRLC is based on valuation models using market data from secondary market loan sales and direct contacts with third party investors as of the measurement date and pull through assumptions (Level 2). The FSC fair value estimate reflects the potential pair off fee associated with mandatory trades and is estimated by using a market differential and pair off penalty assessed by the investor (Level 3). The fair value estimate of the forward commitments is based on market prices of similar securities to the underlying MBS (Level 2).

*Loans Held at Fair Value:* The fair value of loans held for investment are typically determined based on discounted cash flow analysis using market-based interest rate spreads. Discounted cash flow analyses are adjusted, as appropriate, to reflect current market conditions and borrower specific credit risk. Due to the nature of the valuation inputs, loans held for investment are classified within Level 3 of the valuation hierarchy.

*Mortgage Loans Held for Sale:* The fair value of mortgage loans held for sale is estimated based upon quotes from third party investors for similar assets resulting in a Level 2 classification.

*Loans Held for Sale:* The fair value of loans held for sale is determined using actual quoted commitments from third party investors resulting in Level 1 classification. Where commitments are not yet available, fair value is estimated based on quotes for similar assets resulting in Level 2 classification.

The following presents assets and liabilities measured on a recurring basis as of the dates noted (dollars in thousands):

<b>June 30, 2025</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Reported Balance</b>
<b>Financial Assets</b>				
Mortgage loans held for sale	\$ —	\$ 24,151	\$ —	\$ 24,151
Loans held at fair value	\$ —	\$ —	\$ 5,099	\$ 5,099
Equity securities	\$ 641	\$ 122	\$ —	\$ 763
Guarantee asset	\$ —	\$ —	\$ 244	\$ 244
IRLC, net	\$ —	\$ 734	\$ —	\$ 734
Equity warrants	\$ —	\$ —	\$ 765	\$ 765
Swap derivative assets	\$ —	\$ 1,048	\$ —	\$ 1,048
<b>Financial Liabilities</b>				
Forward commitments and FSC	\$ —	\$ 262	\$ —	\$ 262
Swap derivative liabilities	\$ —	\$ 1,037	\$ —	\$ 1,037

<b>December 31, 2024</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Reported Balance</b>
<b>Financial Assets</b>				
Mortgage loans held for sale	\$ —	\$ 25,455	\$ —	\$ 25,455
Loans held for sale	\$ —	\$ 251	\$ —	\$ 251
Loans held at fair value	\$ —	\$ —	\$ 7,283	\$ 7,283
Forward commitments and FSC	\$ —	\$ 225	\$ —	\$ 225
Equity securities	\$ 630	\$ 122	\$ —	\$ 752
Guarantee asset	\$ —	\$ —	\$ 235	\$ 235
IRLC, net	\$ —	\$ 358	\$ —	\$ 358
Equity warrants	\$ —	\$ —	\$ 765	\$ 765
Swap derivative asset	\$ —	\$ 1,060	\$ —	\$ 1,060
<b>Financial Liabilities</b>				
Forward commitments and FSC	\$ —	\$ 13	\$ —	\$ 13
Swap derivative liabilities	\$ —	\$ 956	\$ —	\$ 956

There were no transfers between levels during the six months ended June 30, 2025 or year ended December 31, 2024.

As of June 30, 2025, equity securities, equity warrants, IRLC, and guarantee assets have been recorded at fair value within the Other assets line item in the Condensed Consolidated Balance Sheets. All changes are recorded in Non-interest income in the Condensed Consolidated Statements of Income.

### **Fair Value Option**

The Company has elected to account for certain purchased whole loans held for investment under the fair value option in order to align the accounting presentation with the Company's viewpoint of the economics of the loans. Interest income on loans held for investment accounted for under the fair value option is recognized within Interest and dividend income in the accompanying Condensed Consolidated Statements of Income. Not electing fair value generally results in a larger discount being recorded on the date of the loan purchase. The discount is subsequently accreted into interest income over the underlying loan's remaining term using the effective interest method. Additionally, management has elected the fair value option for mortgage loans originated and held for sale.

In the first quarter of 2025, the Company deemed a loan held for sale with a carrying value of \$0.3 million and a principal balance of \$0.6 million as uncollectible. As such, the Company reversed the write-down recorded in the fourth quarter of 2024 and reclassified its principal balance of \$0.6 million from Loans held for sale into Loans held for investment. Subsequent to the transfer into Loans held for investment, the loan was charged off through the ACL in the first quarter of 2025. During the year ended December 31, 2024, the Company reclassified \$5.8 million of loans held for investment to loans held for sale. The transfers occurred at the point in time the Company decided to sell the loans. During the year ended December 31, 2024, a total of \$5.4 million reclassified loans held for sale were sold. As of June 30, 2025 and December 31, 2024, there were \$0.0 and \$0.3 million of loans held for sale, respectively.

As of June 30, 2025, there were 11 loans totaling \$10 thousand, accounted for under the fair value option that were on non-accrual. As of December 31, 2024, there were 37 loans totaling \$0.1 million, accounted for under the fair value option that were on non-accrual. During the three months ended June 30, 2025 and 2024, the Company recorded net charge-offs of \$0.0 million and \$0.4 million, respectively, on loans accounted for under the fair value option to Net gain/(loss) on loans accounted for under the fair value option on the Condensed Consolidated Statements of Income. During the six months ended June 30, 2025 and 2024, the Company recorded net charge-offs of \$0.1 million and \$0.7 million, respectively, on loans accounted for under the fair value option.

The following provide more information about the fair value carrying amount and unpaid principal outstanding of loans accounted for under the fair value option as of the dates noted:

<i>(dollars in thousands)</i>	June 30, 2025								
	Total Loans			Non Accruals			90 Days or More Past Due		
	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference
Mortgage loans held for sale	\$ 24,151	\$ 23,629	\$ 522	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loans held for investment	5,099	5,234	(135)	10	10	—	10	10	—
	<u>\$ 29,250</u>	<u>\$ 28,863</u>	<u>\$ 387</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ —</u>

  

<i>(dollars in thousands)</i>	December 31, 2024								
	Total Loans			Non Accruals			90 Days or More Past Due		
	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference	Fair Value Carrying Amount	Unpaid Principal Balance	Difference
Mortgage loans held for sale	\$ 25,455	\$ 25,217	\$ 238	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loans held for sale	251	594	(343)	251	594	(343)	251	594	(343)
Loans held for investment	7,283	7,507	(224)	47	52	(5)	47	52	(5)
	<u>\$ 32,989</u>	<u>\$ 33,318</u>	<u>\$ (329)</u>	<u>\$ 298</u>	<u>\$ 646</u>	<u>\$ (348)</u>	<u>\$ 298</u>	<u>\$ 646</u>	<u>\$ (348)</u>

The following presents the changes in fair value of loans accounted for under the fair value option as of the dates noted:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	Mortgage loans held for sale	\$ 348	\$ 283	\$ 255
Loans held for sale	—	—	222	—
Loans held for investment	32	50	89	100
	<u>\$ 380</u>	<u>\$ 333</u>	<u>\$ 566</u>	<u>\$ 462</u>

### Level 3 Analysis

The following presents a reconciliation for Level 3 instruments measured at fair value on a recurring basis as of the dates noted (dollars in thousands):

<b>Three Months Ended June 30, 2025</b>	<b>Loans Held at Fair Value</b>	<b>Guarantee Asset</b>	<b>Equity Warrants</b>
Beginning balance	\$ 6,112	\$ 261	\$ 765
Originations	—	9	—
Gains/(losses) in net income, net	32	(4)	—
Net charge-offs	(6)	—	—
Settlements	(1,039)	(22)	—
Ending balance	<u>\$ 5,099</u>	<u>\$ 244</u>	<u>\$ 765</u>
<b>Three Months Ended June 30, 2024</b>	<b>Loans Held at Fair Value</b>	<b>Guarantee Asset</b>	<b>Equity Warrants</b>
Beginning balance	\$ 11,922	\$ 199	\$ 795
Originations	—	34	—
Gains/(losses) in net income, net	50	6	—
Net charge-offs	(365)	—	—
Settlements	(1,417)	(11)	—
Ending balance	<u>\$ 10,190</u>	<u>\$ 228</u>	<u>\$ 795</u>
<b>Six Months Ended June 30, 2025</b>	<b>Loans Held at Fair Value</b>	<b>Guarantee Asset</b>	<b>Equity Warrants</b>
Beginning balance	\$ 7,283	\$ 235	\$ 765
Originations	—	20	—
Gains/(losses) in net income, net	89	32	—
Net charge-offs	(57)	—	—
Settlements	(2,216)	(43)	—
Ending balance	<u>\$ 5,099</u>	<u>\$ 244</u>	<u>\$ 765</u>
<b>Six Months Ended June 30, 2024</b>	<b>Loans Held at Fair Value</b>	<b>Guarantee Asset</b>	<b>Equity Warrants</b>
Beginning balance	\$ 13,726	\$ 189	\$ 795
Originations	—	47	—
Gains/(losses) in net income, net	100	11	—
Net charge-offs	(717)	—	—
Settlements	(2,919)	(19)	—
Ending balance	<u>\$ 10,190</u>	<u>\$ 228</u>	<u>\$ 795</u>

### Nonrecurring Fair Value

*Other Real Estate Owned:* Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. They are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals which are updated no less frequently than on an annual basis. Appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between comparable sales and income data available. Such adjustments can be significant and typically result in Level 3 classifications of the inputs for determining fair value. OREO is evaluated quarterly for additional impairment and adjusted accordingly.

*Collateral Dependent Loans, net of ACL:* The fair value of collateral dependent loans individually analyzed and not included in the pooled loan analysis under the ACL is generally based on recent appraisals and the value of any credit enhancements associated with the loan. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments can be significant and typically result in Level 3 classifications of the inputs for determining fair value. Collateral dependent loans are analyzed monthly and adjusted accordingly if needed.

Appraisals for both collateral-dependent loans and OREO are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, the Company reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics.

The following presents quantitative information about Level 3 assets measured on a recurring and nonrecurring basis as of the dates noted:

<b>Quantitative Information about Level 3 Fair Value Measurements as of June 30, 2025</b>				
<i>(dollars in thousands)</i>	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Significant Unobservable Input</b>	<b>Range (Weighted Average)</b>
<b><i>Recurring fair value</i></b>				
Loans held for investment at fair value	\$ 5,099	Discounted cash flow	Discount rate	7% to 8% (7%)
Guarantee asset	244	Discounted cash flow	Discount rate Prepayment rate	6% (6%) 12% (12%)
Equity warrants	765	Black-Scholes option pricing model	Volatility Risk-free interest rate Remaining life	21.3% to 63.8% (30.2%) 4.05% to 4.16% (4.14%) 2 years
<b><i>Nonrecurring fair value</i></b>				
<b>OREO:</b>				
1-4 Family Residential	4,385	Appraisal value	Commission, cost to sell, closing costs	5% (5%)
<b>Collateral dependent loans, net of ACL:</b>				
Commercial and Industrial	93	Sales comparison, Market approach - guideline transaction method	Loss given default	47% (47%)
Commercial and Industrial, 1-4 Family Residential	1,212	Appraisal value	Commission, cost to sell	7% (7%)
Commercial and Industrial	9,734	Appraisal value	Commission Receiver costs	10% to 20% (18%) 2% (2%)

**Quantitative Information about Level 3 Fair Value Measurements as of December 31, 2024**

<i>(dollars in thousands)</i>	Fair Value	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)
<b><i>Recurring fair value</i></b>				
Loans held for investment at fair value	\$ 7,283	Discounted cash flow	Discount rate	7% to 8% (7%)
Guarantee asset	235	Discounted cash flow	Discount rate Prepayment rate	5% (5%) 15% (15%)
Equity warrants	765	Black-Scholes option pricing model	Volatility Risk-free interest rate Remaining life	21.3% to 63.8% (30.2%) 4.05% to 4.16% (4.14%) 2 years
<b><i>Nonrecurring fair value</i></b>				
OREO:				
1-4 Family Residential	10,314	Appraisal value	Commission, cost to sell, closing costs	5% (5%)
Commercial and Industrial	25,615	Appraisal value	Commission, cost to sell, closing costs	6% (6%)
Collateral dependent loans, net of ACL:				
Commercial and Industrial	784	Sales Comparison-Market Value Approach	Market rate adjustments	11% (11%)
Commercial and Industrial	36	Sales comparison, Market approach - guideline transaction method	Loss given default	80% (80%)

## Estimated Fair Value of Other Financial Instruments

The following presents carrying amounts and estimated fair values for financial instruments not carried at fair value as of the dates noted (dollars in thousands):

June 30, 2025	Carrying Amount	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash and cash equivalents	\$ 232,314	\$ 232,314	\$ —	\$ —
Held-to-maturity securities, net of ACL	99,825	247	85,436	8,296
Loans, net <sup>(1)</sup>	2,516,003	—	—	2,454,131
Accrued interest receivable	10,783	10,783	—	—
<b>Liabilities:</b>				
Term deposits <sup>(2)</sup>	397,006	352,536	—	44,862
Non-term deposits	2,132,123	2,132,123	—	—
<b>Borrowings:</b>				
FHLB borrowings – fixed rate	112,131	112,131	—	—
FHLB borrowings – floating rate	50,000	—	50,000	—
Federal Reserve borrowings – fixed rate	1,285	1,285	—	—
Subordinated notes – fixed-to-floating rate	44,673	—	—	42,401
Accrued interest payable	1,406	1,406	—	—
<b>December 31, 2024</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 236,041	\$ 236,041	\$ —	\$ —
Held-to-maturity securities, net of ACL	75,724	242	60,044	7,875
Loans, net <sup>(1)</sup>	2,399,952	—	—	2,325,081
Accrued interest receivable	10,364	10,364	—	—
<b>Liabilities:</b>				
Term deposits <sup>(2)</sup>	471,415	429,008	—	42,764
Non-term deposits	2,042,794	2,042,794	—	—
<b>Borrowings:</b>				
FHLB borrowings – fixed rate	5,000	5,000	—	—
FHLB borrowings – floating rate	50,000	—	50,000	—
Federal Reserve borrowings – fixed rate	2,038	2,038	—	—
Subordinated notes – fixed-to-floating rate	52,565	—	—	48,451
Accrued interest payable	1,995	1,995	—	—

<sup>(1)</sup> Excludes loans accounted for under the fair value option of \$5.1 million and \$7.3 million as of June 30, 2025 and December 31, 2024, respectively, as these are carried at fair value.

<sup>(2)</sup> Term deposits due within one year totaling \$352.5 million and \$429.0 million as of June 30, 2025 and December 31, 2024, respectively, are classified under Level 1 fair value measurement.

The fair value estimates presented and discussed above are based on pertinent information available to management as of the dates specified. The estimated fair value amounts are based on the exit price notion set forth by ASU 2016-01. Although management is not aware of any factors that would significantly affect the estimated fair values, such amounts have not been comprehensively revalued for purposes of these condensed consolidated financial statements since the balance sheet dates. Therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

**Cash and Cash Equivalents and Restricted Cash:** The carrying amounts of cash and cash equivalents and restricted cash approximate fair values as maturities are less than 90 days and balances are generally in accounts bearing current market interest rates.

*Held-to-maturity securities:* The fair values for HTM investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities is not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

*Loans, net:* The fair values for all fixed-rate and variable-rate performing loans were estimated using the income approach and by discounting the projected cash flows of such loans. Principal and interest cash flows were projected based on the contractual terms of the loans, including maturity, contractual amortization and adjustments for prepayments and expected losses, where appropriate. A discount rate was developed based on the relative risk of the cash flows, considering the loan type, maturity and a required return on capital.

*Accrued Interest Receivable and Payable:* The carrying amounts of accrued interest approximate fair value due to their short-term nature.

*Deposits:* The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amounts payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting dates. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

*Fixed and Floating Rate Borrowings:* Borrowings with fixed rates are valued using inputs such as discounted cash flows and current interest rates for similar instruments and borrowers with similar credit ratings.

*Fixed-to-Floating Rate Borrowings:* Borrowings with fixed-to-floating rates are valued using inputs such as discounted cash flows and current interest rates for similar instruments and assume the Company will redeem the instrument prior to the first interest rate reset date.

#### **NOTE 13 – DERIVATIVES**

The Company periodically enters into interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

*Cash Flow Hedges:* On March 21, 2023, the Company executed an interest rate swap with a notional amount that was designated as a cash flow hedge of certain Federal Home Loan Bank borrowings. The swap hedges the benchmark index (SOFR) with a receive float/pay fixed swap for the period March 21, 2023 through April 1, 2026. The notional amount of the interest rate swap as of June 30, 2025 and December 31, 2024 was \$50.0 million. As of June 30, 2025 and December 31, 2024, this hedge was determined to be effective, and the Company expects the hedge to remain effective during the remaining terms of the swap.

*Derivatives Not Designated as Hedges:* The Company periodically enters into interest rate swaps to offset interest rate exposure with its commercial and residential variable rate loan clients. Clients with variable rate loans may choose to enter into an interest rate swap to hedge the interest rate risk on the loan and effectively pay a fixed rate payment. The Company will simultaneously enter into an interest rate swap on the same underlying loan and notional amount to hedge risk on the fixed rate loan. The notional amount of interest rate swaps with its loan customers as of June 30, 2025 and December 31, 2024 was \$65.3 million and \$70.4 million, respectively. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

[Table of Contents](#)

The Company presents derivative position gross on the balance sheet. The following reflects the fair value of derivatives recorded on the condensed consolidated balance sheets as of the periods noted:

	As of June 30, 2025		As of December 31, 2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<i>(dollars in thousands)</i>				
Included in other assets:				
Derivatives designated as hedges:				
Interest rate swaps – cash flow hedge	\$ 50,000	\$ 37	\$ 50,000	\$ 129
Derivatives not designated as hedging instruments:				
Interest rate swaps related to customer loans	65,325	1,011	70,353	931
Total included in other assets		<u>\$ 1,048</u>		<u>\$ 1,060</u>
Included in other liabilities:				
Derivatives not designated as hedging instruments:				
Interest rate swaps related to customer loans	\$ 65,325	\$ 1,037	\$ 70,353	\$ 956
Total included in other liabilities		<u>\$ 1,037</u>		<u>\$ 956</u>

The effect of cash flow hedge accounting on accumulated OCI for the periods noted are as follows:

<i>(dollars in thousands)</i>	Three Months Ended June 30,					
	2025			2024		
	Unrealized Gain (Loss) Recorded in OCI on Derivative	Location of Gain (Loss) Reclassified from OCI into Income	Amount of Gain (Loss) Reclassified from OCI into Income	Unrealized Gain (Loss) Recorded in OCI on Derivative	Location of Gain (Loss) Reclassified from OCI into Income	Amount of Gain (Loss) Reclassified from OCI into Income
Interest rate contracts	\$ 6	\$ —	\$ —	\$ 31	\$ —	\$ —

  

<i>(dollars in thousands)</i>	Six Months Ended June 30,					
	2025			2024		
	Unrealized Gain (Loss) Recorded in OCI on Derivative	Location of Gain (Loss) Reclassified from OCI into Income	Amount of Gain (Loss) Reclassified from OCI into Income	Unrealized Gain (Loss) Recorded in OCI on Derivative	Location of Gain (Loss) Reclassified from OCI into Income	Amount of Gain (Loss) Reclassified from OCI into Income
Interest rate contracts	\$ (78)	\$ —	\$ —	\$ 405	\$ —	\$ —

For the three months ended June 30, 2025 and 2024, the Company recorded \$0.1 million and \$0.2 million of interest income related to the swap to Other borrowed funds interest expense on the Condensed Consolidated Statements of Income. For the six months ended June 30, 2025 and 2024, the Company recorded \$0.1 million and \$0.4 million, respectively, of interest income related to the swap to Other borrowed funds interest expense on the condensed consolidated statements of income.

The effect of derivatives not designated as hedging instruments recorded in Other non-interest income on the condensed consolidated statements of income for the three and six months ended June 30, 2025 and 2024 was immaterial.

**NOTE 14 – SEGMENT REPORTING**

The Company's reportable segments consist of Wealth Management and Mortgage. The chief operating decision maker (CODM) is the Chief Executive Officer. The measure of profit or loss used by the CODM to identify and measure the Company's reportable segments is income before income tax. The CODM uses income before income tax to determine resource allocation during the annual budget and forecast process and to monitor monthly budgeted versus actual results in assessing performance of the segments.

The Wealth Management segment consists of operations relative to the Company’s fully integrated wealth management products and services. Services provided include deposit, loan, insurance, and trust and investment management advisory products and services. Parent company activity primarily consists of subordinated debt interest expense and is included within Wealth Management as management evaluates and makes business decisions for Wealth Management, including the parent company, collectively as one segment.

The Mortgage segment consists of operations relative to the Company’s residential mortgage service offerings. Mortgage products and services are financial in nature for which premiums are recognized net of expenses, upon the sale of mortgage loans to third parties.

The following presents the financial information for each segment that is specifically identifiable or based on allocations using internal methods as of or during the periods presented (dollars in thousands):

As of or for the three months ended June 30, 2025	Wealth Management	Mortgage	Consolidated
<b>Income Statement</b>			
Total interest income	\$ 37,190	\$ 310	\$ 37,500
Total interest expense	19,616	—	19,616
Provision for credit losses	1,773	—	1,773
Net interest income, after provision for credit losses	15,801	310	16,111
Net gain on mortgage loans	—	1,187	1,187
All other non-interest income <sup>(1)</sup>	5,118	—	5,118
Total income before non-interest expense	20,919	1,497	22,416
Salaries and employee benefits expense	10,126	893	11,019
Depreciation and amortization expense	688	5	693
All other non-interest expense <sup>(2)</sup>	7,004	383	7,387
Income before income taxes	\$ 3,101	\$ 216	\$ 3,317
Goodwill	\$ 30,400	\$ —	\$ 30,400
Total assets	\$ 3,000,682	\$ 26,115	\$ 3,026,797

<sup>(1)</sup> All other non-interest income for Wealth Management primarily includes Trust and investment management fees, Bank fees, and Other.

<sup>(2)</sup> All other non-interest expense for Wealth Management primarily includes Occupancy and equipment, Professional services, Data processing, Technology and information systems, and Other. All other non-interest expense for Mortgage primarily includes Data processing, Occupancy and equipment, and Other.

As of or for the three months ended June 30, 2024	Wealth Management	Mortgage	Consolidated
<b>Income Statement</b>			
Total interest income	\$ 37,711	\$ 343	\$ 38,054
Total interest expense	22,276	—	22,276
Provision for credit losses	2,334	—	2,334
Net interest income, after provision for credit losses	13,101	343	13,444
Net gain on mortgage loans	—	1,820	1,820
All other non-interest income <sup>(1)</sup>	5,152	—	5,152
Total income before non-interest expense	18,253	2,163	20,416
Salaries and employee benefits expense	10,067	1,030	11,097
Depreciation and amortization expense	623	9	632
All other non-interest expense <sup>(2)</sup>	6,907	365	7,272
Income (loss) before income taxes	\$ 656	\$ 759	\$ 1,415
Goodwill	\$ 30,400	\$ —	\$ 30,400
Total assets	\$ 2,908,654	\$ 28,901	\$ 2,937,555

<sup>(1)</sup> All other non-interest income for Wealth Management primarily includes Trust and investment management fees, Bank fees, and Net loss on loans accounted for under the fair value option.

<sup>(2)</sup> All other non-interest expense for Wealth Management primarily includes Occupancy and equipment, Professional services, Technology and information systems, Data processing and Other. All other non-interest expense for Mortgage primarily includes Data processing, Occupancy and equipment, and Other.

As of or for the six months ended June 30, 2025	Wealth Management	Mortgage	Consolidated
<b>Income Statement</b>			
Total interest and dividend income	\$ 74,216	\$ 493	\$ 74,709
Total interest expense	39,372	—	39,372
Provision for credit losses	1,853	—	1,853
Net interest income, after provision for credit losses	32,991	493	33,484
Net gain on mortgage loans	—	2,254	2,254
All other non-interest income <sup>(1)</sup>	11,396	—	11,396
Total income before non-interest expense	44,387	2,747	47,134
Salaries and employee benefits expense	20,761	1,738	22,499
Depreciation and amortization expense	1,355	10	1,365
All other non-interest expense <sup>(2)</sup>	13,819	777	14,596
Income before income taxes	\$ 8,452	\$ 222	\$ 8,674
Goodwill	\$ 30,400	\$ —	\$ 30,400
Total assets	\$ 3,000,682	\$ 26,115	\$ 3,026,797

<sup>(1)</sup> All other non-interest income for Wealth Management primarily includes Trust and investment management fees, Bank fees, and Net gain on other real estate owned.

<sup>(2)</sup> All other non-interest expense for Wealth Management primarily includes Occupancy and equipment, Professional services, Data processing, Technology and information systems, and Other. All other non-interest expense for Mortgage primarily includes Data processing, Occupancy and equipment, and Other.

As of or for the six months ended June 30, 2024	Wealth Management	Mortgage	Consolidated
<b>Income Statement</b>			
Total interest and dividend income	\$ 75,995	\$ 457	\$ 76,452
Total interest expense	44,604	—	44,604
Provision for credit losses	2,406	—	2,406
Net interest income, after provision for credit losses	28,985	457	29,442
Net gain on mortgage loans	—	3,084	3,084
All other non-interest income <sup>(1)</sup>	11,165	—	11,165
Total income before non-interest expense	40,150	3,541	43,691
Salaries and employee benefits expense	20,469	1,895	22,364
Depreciation and amortization expense	1,239	17	1,256
All other non-interest expense <sup>(2)</sup>	14,382	695	15,077
Income before income taxes	\$ 4,060	\$ 934	\$ 4,994
Goodwill	\$ 30,400	\$ —	\$ 30,400
Total assets	\$ 2,908,654	\$ 28,901	\$ 2,937,555

<sup>(1)</sup> All other non-interest income for Wealth Management primarily includes Trust and investment management fees, Bank fees, and Net loss on loans accounted for under the fair value option.

<sup>(2)</sup> All other non-interest expense for Wealth Management primarily includes Professional services, Occupancy and equipment, Technology and information systems, Data processing, and Other. All other non-interest expense for Mortgage primarily includes Data processing, Occupancy and equipment, and Other.

#### NOTE 15 – TAX CREDIT INVESTMENTS

The Company periodically invests in low-income housing tax credit (LIHTC) investments. As of June 30, 2025 and December 31, 2024, total unfunded commitments related to LIHTC investments totaled \$3.0 million and \$4.1 million, respectively. As of June 30, 2025 and December 31, 2024, the total balance of all LIHTC investments was \$3.7 million and \$3.1 million. These balances are reflected in the Other assets line item of the Condensed Consolidated Balance Sheets.

The Company uses the proportional amortization method to account for this investment. Amortization expense is included within the Income tax expense line item of the Condensed Consolidated Statements of Income. During the three months ended June 30, 2025 and 2024, the Company recognized amortization expense of \$0.2 million. During the six months ended June 30, 2025 and 2024, the Company recognized amortization expense of \$0.4 million.

Additionally, during the three months ended June 30, 2025 and 2024, the Company recognized \$0.2 million of tax credits and other benefits from the LIHTC investment. During the six months ended June 30, 2025 and 2024, the Company recognized \$0.4 million of tax credits and other benefits from the LIHTC investment. During the three and six months ended June 30, 2025 and 2024, the Company did not incur any impairment losses.

During the three and six months ended June 30, 2025, the Company purchased \$1.0 million of solar investment tax credits (ITCs) and recognized \$0.1 million of related tax credits. The Company had not invested in solar investment tax credits prior to the second quarter of 2025. As of June 30, 2025, the Company had no unrecognized solar investment tax credits.

#### NOTE 16 – REGULATORY CAPITAL MATTERS

First Western and the Bank are subject to various regulatory capital adequacy requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's condensed consolidated financial statements. Under capital adequacy guidelines and, additionally for banks, the regulatory framework for prompt corrective action, First Western and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices.

First Western and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators regarding components, risk weightings, and other factors. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III) have been fully phased in. The net unrealized gain or loss on HTM securities included in AOCI and accumulated net gains or losses on cash flow hedges are not included in computing regulatory capital. During the six months ended June 30, 2025 and the year ended December 31, 2024, First Western made no capital injections into the Bank. Management believes as of June 30, 2025, First Western and the Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations for First Western and the Bank provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

The standard ratios established by First Western and the Bank's primary regulators to measure capital require First Western and the Bank to maintain minimum amounts and ratios, set forth in the following table. These ratios are common equity Tier 1 capital (CET1), Tier 1 capital and total capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined).

The actual capital ratios of First Western and the Bank, along with the applicable regulatory capital requirements as of June 30, 2025, were calculated in accordance with the requirements of Basel III. The final rules of Basel III also established a "capital conservation buffer" of 2.5% above new regulatory minimum capital ratios. The minimum capital ratios inclusive of the capital conservation buffer are as follows: (i) a CET1 ratio of 7.0%; (ii) a Tier 1 capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. Banks are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations establish a maximum percentage of eligible retained income that can be utilized for such activities.

As of June 30, 2025 and December 31, 2024, the most recent filings with the FDIC categorized First Western and the Bank as well capitalized under the regulatory guidelines. To be categorized as well capitalized, an institution must maintain minimum CET1 risk-based, Tier 1 risk-based, total risk-based, and Tier 1 leverage ratios as set forth in the following table. Management believes there are no conditions or events since June 30, 2025, that have changed the categorization of First Western and the Bank as well capitalized. Management believes First Western and the Bank met all capital adequacy requirements to which it was subject as of June 30, 2025 and December 31, 2024.

The following presents the actual and required capital amounts and ratios as of dates noted (dollars in thousands):

	Actual		Required for Capital Adequacy Purposes <sup>(1)</sup>		To be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>June 30, 2025</b>						
Tier 1 capital to risk-weighted assets						
Bank	\$ 264,054	11.36 %	\$ 139,496	6.0 %	\$ 185,995	8.0 %
Consolidated	231,538	9.96	N/A	N/A	N/A	N/A
CET1 to risk-weighted assets						
Bank	264,054	11.36	104,622	4.5	151,121	6.5
Consolidated	231,538	9.96	N/A	N/A	N/A	N/A
Total capital to risk-weighted assets						
Bank	282,002	12.13	185,995	8.0	232,494	10.0
Consolidated	294,486	12.67	N/A	N/A	N/A	N/A
Tier 1 capital to average assets						
Bank	264,054	9.49	111,289	4.0	139,111	5.0
Consolidated	231,538	8.31	N/A	N/A	N/A	N/A
<b>December 31, 2024</b>						
Tier 1 capital to risk-weighted assets						
Bank	\$ 256,419	11.41 %	\$ 134,831	6.0 %	\$ 179,774	8.0 %
Consolidated	226,244	10.07	N/A	N/A	N/A	N/A
CET1 to risk-weighted assets						
Bank	256,419	11.41	101,123	4.5	146,067	6.5
Consolidated	226,244	10.07	N/A	N/A	N/A	N/A
Total capital to risk-weighted assets						
Bank	271,981	12.10	179,774	8.0	224,718	10.0
Consolidated	294,807	13.12	N/A	N/A	N/A	N/A
Tier 1 capital to average assets						
Bank	256,419	8.94	114,681	4.0	143,351	5.0
Consolidated	226,244	7.88	N/A	N/A	N/A	N/A

<sup>(1)</sup> Does not include capital conservation buffer.

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. As of June 30, 2025, \$121.7 million of retained earnings is available to pay dividends from the Bank. As of June 30, 2025 and December 31, 2024, no dividends were declared and paid by the Bank.

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

The following discussion and analysis is intended to assist readers in understanding our financial condition and results of operations for the three and six months ended June 30, 2025 and should be read in conjunction with our consolidated financial statements and the accompanying notes thereto included in this Quarterly Report on Form 10-Q (this "Form 10-Q") and in our Annual Report on Form 10-K filed with the SEC on March 7, 2025. Unless we state otherwise or the context otherwise requires, references in this Form 10-Q to "we," "our," "us," "the Company," and "First Western" refer to First Western Financial, Inc. and its consolidated subsidiaries, including First Western Trust Bank, which we sometimes refer to as "the Bank" or "our Bank."

The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs, and expected performance. We caution that assumptions, expectations, projections, intentions, or beliefs about future events may, and often do, vary from actual results and the differences can be material. See "Cautionary Note Regarding Forward-Looking Statements." Also, see the risk factors and other cautionary statements described under the heading "Item 1A - Risk Factors" included in our Annual Report Form 10-K filed with the SEC on March 7, 2025 and in Part II—Item 1A of this Form 10-Q. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

### **Company Overview**

We are a financial holding company founded in 2002 and headquartered in Denver, Colorado. We provide a fully integrated suite of wealth management services to our clients including banking, trust, and investment management products and services. Our mission is to be the best private bank for the Western wealth management client. We target entrepreneurs, professionals, and high-net worth individuals, typically with \$1.0 million-plus in liquid net worth, and their related philanthropic and business organizations, which we refer to as the "Western wealth management client". We believe that the Western wealth management client shares our entrepreneurial spirit and values our sophisticated, high-touch wealth management services that are tailored to meet their specific needs. We partner with our clients to solve their unique financial needs through our expert integrated services provided in a team approach.

We offer our services through a branded network of boutique private trust bank offices, which we believe are strategically located in affluent and high-growth markets in locations across Colorado, Arizona, Wyoming, Montana, and California. Our profit centers, which are comprised of private bankers, lenders, wealth planners, and portfolio managers, under the leadership of a local chairman and/or president, are also supported centrally by teams providing management services such as operations, risk management, credit administration, marketing, technology support, human capital, and accounting/finance services, which we refer to as support centers.

From 2004, when we opened our first profit center, until June 30, 2025, we have expanded our footprint into fourteen full service profit centers, four loan production offices, and one trust office located across five states. As of and for the six months ended June 30, 2025, we had \$3.03 billion in total assets, \$47.1 million in total income before non-interest expense, and provided fiduciary and advisory services on \$7.50 billion of AUM.

### **Recent Industry Developments**

Coming off the headwinds of 2024, the banking sector is poised to have a stronger, albeit tempered, 2025. The banking industry faces a dynamic regulatory landscape shaped by a new administration and evolving supervisory priorities. Despite the uncertain economic and political landscape, the Company continues to position itself to capitalize on the areas in which it excels. The Bank remains stable with strong fundamentals. The Company has a low amount of HTM securities, which represent 3.3% of Total assets, and carries unrecognized losses amounting to 2.3% of Total shareholders' equity as of June 30, 2025. We have a conservative credit appetite and our client base is well diversified with no single industry concentration.

### **Primary Factors Used to Evaluate the Results of Operations**

As a financial institution, we manage and evaluate various aspects of both our results of operations and our financial condition. We evaluate the comparative levels and trends of the line items in our Condensed Consolidated Balance Sheets and Statements of Income as well as various financial ratios that are commonly used in our industry. The primary factors we use to evaluate our results of operations include net interest income, non-interest income, and non-interest expense.

### *Net Interest Income*

Net interest income represents interest income less interest expense. We generate interest income on interest-earning assets, primarily loans and investment securities. We incur interest expense on interest-bearing liabilities, primarily interest-bearing deposits and borrowings. To evaluate Net interest income, we measure and monitor: (i) yields on loans, investment securities, and other interest-earning assets; (ii) the costs of deposits and other funding sources; (iii) the rates incurred on borrowings and other interest-bearing liabilities; and (iv) the regulatory risk weighting associated with the assets. Interest income is primarily impacted by loan growth and loan repayments, along with changes in interest rates on the loans. Interest expense is primarily impacted by changes in deposit balances, changes in interest rates on deposits, and the volume and type of interest-bearing liabilities. Net interest income is primarily impacted by changes in market interest rates, the slope of the yield curve, and interest we earn on interest-earning assets or pay on interest-bearing liabilities.

### *Non-Interest Income*

Non-interest income primarily consists of the following:

- *Trust and investment management fees*—fees and other sources of income charged to clients for managing their trust and investment assets, providing financial planning consulting services, 401(k) and retirement advisory consulting services, and other wealth management services. Trust and investment management fees are primarily impacted by rates charged and increases and decreases in AUM. AUM is primarily impacted by opening and closing of client advisory and trust accounts, contributions and withdrawals, and the fluctuations in market value.
- *Net gain on mortgage loans*—gain on originating and selling mortgages and origination fees, less commissions to loan originators, document review, and other costs specific to originating and selling the loan. The market adjustments for interest rate lock commitments (IRLC), mortgage derivatives, and gains and losses incurred on the mandatory trading of loans are also included in this line item. Net gain on mortgage loans is primarily impacted by the amount of loans sold, the type of loans sold, and market conditions.
- *Net gain on loans accounted for under the fair value option*—unrealized gains or losses on the fair value adjustments to held for investment loans on which the Bank has elected the fair value option of accounting. This also includes realized gains or losses on charge-offs and recoveries.
- *Bank fees*—income generated through bank-related service charges such as: electronic transfer fees, treasury management fees, bill pay fees, loan prepayment penalty fees, loan interest rate swap fees, and other banking fees. Bank fees are primarily impacted by the level of business activities and cash movement activities of our clients.
- *Risk management and insurance fees*—commissions earned on insurance policies we have placed for clients through our client risk management team who incorporate insurance services, primarily life insurance, to support our clients' wealth planning needs. Our insurance revenues are primarily impacted by the type and volume of policies placed for our clients.
- *Income on company-owned life insurance*—income earned on the growth of the cash surrender value of life insurance policies we hold on certain key associates. The income on the increase in the cash surrender value is non-taxable income.

### *Non-Interest Expense*

Non-interest expense is comprised primarily of the following:

- *Salaries and employee benefits*—all forms of compensation-related expenses including salary, incentive compensation, payroll-related taxes, stock-based compensation, benefit plans, health insurance, 401(k) plan match costs, and other benefit-related expenses. Salaries and employee benefit costs are primarily impacted by changes in headcount and fluctuations in benefits costs.
- *Occupancy and equipment*—costs related to building and land maintenance, leasing our office space, depreciation charges for the buildings, building improvements, furniture, fixtures and equipment, amortization of leasehold improvements, utilities, and other occupancy-related expenses. Occupancy and equipment costs are primarily impacted by the number of locations we occupy.

- *Professional services*—costs related to legal, accounting, tax, consulting, personnel recruiting, insurance, and other outsourcing arrangements. Professional services costs are primarily impacted by corporate activities requiring specialized services. FDIC insurance expense is also included in this line and represents the assessments we pay to the FDIC for deposit insurance.
- *Technology and information systems*—costs related to software and information technology services to support office activities and internal networks. Technology and information system costs are primarily impacted by the number of locations we occupy, the number of associates we have, and the level of service we require from our third-party technology vendors.
- *Data processing*—costs related to processing fees paid to our third-party data processing system providers relating to our core private trust banking platform. Data processing costs are primarily impacted by the number of loan, deposit, and trust accounts we have and the level of transactions processed for our clients.
- *Marketing*—costs related to promoting our business through advertising, promotions, charitable events, sponsorships, donations, and other marketing-related expenses. Marketing costs are primarily impacted by the levels of advertising programs and other marketing activities and events held throughout the year.
- *Amortization of other intangible assets*—primarily represents the amortization of intangible assets including client lists, core deposit intangibles, and other similar items recognized in connection with acquisitions.
- *Other*—includes costs related to operational expenses associated with office supplies, postage, travel expenses, meals and entertainment, dues and memberships, costs to maintain or prepare other real estate owned (OREO) for sale, changes in OREO valuations subsequent to the initial acquisition when updated fair values are lower than the cost basis, director compensation and travel, and other general corporate expenses that do not fit within one of the specific non-interest expense lines described above. Other operational expenses are generally impacted by our business activities and needs.

### *Operating Segments*

The Company's reportable segments consist of Wealth Management and Mortgage. We measure the overall profitability of operating segments based on Income before income tax. We believe this is a more useful measurement as our wealth management products and services are fully integrated with our private trust bank. We allocate costs to our segments, which consist primarily of compensation and overhead expense directly attributable to the products and services within the Wealth Management and Mortgage segments. We measure the profitability of each segment based on a post-allocation basis, as we believe it better approximates the operating cash flows generated by our reportable operating segments. A description of each segment is provided in Note 14 – Segment Reporting of the accompanying Notes to the Condensed Consolidated Financial Statements.

### **Primary Factors Used to Evaluate our Balance Sheet**

The primary factors we use to evaluate our balance sheet include asset and liability levels, asset quality, capital, liquidity, and potential profit production from assets.

We manage our asset levels to ensure our lending initiatives are efficiently and profitably supported and to ensure we have the necessary liquidity and capital to meet the required regulatory capital ratios. Funding needs are evaluated and forecasted by communicating with clients, reviewing loan maturity and draw expectations, and projecting new loan opportunities.

We manage the diversification and quality of our assets based upon factors that include the level, distribution, severity, and trend of problem assets such as those determined to be classified, delinquent, non-accrual, non-performing or restructured; the adequacy of our ACL; the diversification and quality of loan and investment portfolios; and the extent of counterparty risks, credit risk concentrations, and other factors.

We manage our liquidity based upon factors that include the level and quality of capital and our overall financial condition, the trend and volume of problem assets, our balance sheet risk exposure, the level of deposits as a percentage of total loans, the amount of non-deposit funding used to fund assets, the availability of unused funding sources and off-balance sheet obligations, the availability of assets to be readily converted into cash without undue loss, the amount of cash and liquid securities we hold, and other factors.

Financial institution regulators have established guidelines for minimum capital ratios for banks and bank holding companies. The Company has adopted the Basel III regulatory capital framework. As of June 30, 2025, the Bank's capital ratios exceeded the current well capitalized regulatory requirements established under Basel III.

## Results of Operations

### Overview

*The three months ended June 30, 2025 compared with the three months ended June 30, 2024.* We reported Net income available to common shareholders of \$2.5 million for the three months ended June 30, 2025, compared to \$1.1 million of Net income available to common shareholders for the three months ended June 30, 2024, a \$1.4 million, or 127.3% increase. For the three months ended June 30, 2025, our Income before income tax was \$3.3 million, a \$1.9 million, or 134.4% increase from the three months ended June 30, 2024. The increase was primarily driven by a \$2.1 million increase in Net interest income and a \$0.6 million decrease in Provision for credit losses, partially offset by a \$0.7 million decrease in Non-interest income.

- The increase in Net interest income was driven by a 32 basis point increase in net interest margin, partially offset by a decline in average interest-earnings assets. The increase in net interest margin was primarily due to a 42 basis point decrease in total cost of funds as a result of the lower interest rate environment.
- The decrease in Provision for credit losses was primarily driven by a decrease in specific reserve provisions due to a large specific reserve recorded in the second quarter of 2024, partially offset by increases in general reserve provisions primarily due to loan growth
- The decrease in Non-interest income was primarily driven by decreases in Net gain on mortgage loans due to a decrease in origination volume and Trust and investment management fees due to a mix-shift in AUM to lower fee product categories, partially offset by an increase in Net gain on loans accounted for under the fair value option.

*The six months ended June 30, 2025 compared with the six months ended June 30, 2024.* We reported Net income available to common shareholders of \$6.7 million for the six months ended June 30, 2025, compared to \$3.6 million of Net income available to common shareholders for the six months ended June 30, 2024, a \$3.1 million, or 86.1% increase. For the six months ended June 30, 2025, our Income before income tax was \$8.7 million, a \$3.7 million, or 73.7% increase from the six months ended June 30, 2024. The increase was primarily driven by a \$3.5 million increase in Net interest income and a \$0.6 million decrease in Provision for credit losses, partially offset by a \$0.6 million decrease in Non-interest income.

- The increase in Net interest income was driven by a 30 basis point increase in net interest margin, partially offset by a decline in average interest-earning assets. The increase in net interest margin was primarily due to a 36 basis point decrease in total cost of funds as a result of the lower interest rate environment.
- The decrease in Provision for credit losses was primarily driven by a decrease in specific reserve provisions due to a large specific reserve recorded in the second quarter of 2024, partially offset by increases in general reserve provisions primarily due to loan growth.
- The decrease in Non-interest income was primarily driven by decreases in Net gain on mortgage loans due to a decrease in origination volume, Trust and investment management fees due to a mix-shift in AUM to lower fee product categories, and Bank fees due to a large loan prepayment penalty fee collected in the first quarter of 2024, partially offset by increases in Net gain on loans accounted for under the fair value option and Net gain on other real estate owned.

### Net Interest Income

*The three months ended June 30, 2025 compared with the three months ended June 30, 2024.* For the three months ended June 30, 2025, Net interest income, before the Provision for credit losses, was \$17.9 million, an increase of \$2.1 million, or 13.3%, compared to the three months ended June 30, 2024. The increase in Net interest income was primarily driven by a 62 basis point decrease in average rates paid on Interest-bearing deposits, partially offset by a 6 basis point decrease in average interest-earning asset yields. Net interest margin increased 32 basis points to 2.67% in the second quarter of 2025 from 2.35% reported in the second quarter of 2024.

Interest expense on Interest-bearing deposits decreased \$2.6 million, or 12.7%, during the three months ended June 30, 2025 compared to the same period in 2024. Average Interest-bearing deposit rates were 3.57% for the three months ended June 30, 2025, compared to 4.19% for the three months ended June 30, 2024. The decrease in Interest-bearing deposit rates was primarily attributable to the lower interest rate environment.

The decrease in average interest-earning asset yields during the three months ended June 30, 2025 compared to the same period in 2024 was primarily driven by a \$19.7 million decrease in average balance and an 81 basis point decrease in average yield on Interest-bearing deposits in other financial institutions. The average Interest-bearing deposits in other financial institutions yield was 4.46% for the three months ended June 30, 2025, compared to 5.27% for the three months ended June 30, 2024. The decrease in the Interest-bearing deposits in other financial institutions yield was primarily attributable to the lower interest rate environment.

*The six months ended June 30, 2025 compared with the six months ended June 30, 2024.* For the six months ended June 30, 2025, Net interest income, before the Provision for credit losses, was \$35.3 million, an increase of \$3.5 million, or 11.0%, compared to the six months ended June 30, 2024. The increase was primarily driven by a 58 basis point decrease in average rates paid on Interest-bearing deposits, partially offset by a 4 basis point decrease in average interest-earning asset yields. Net interest margin increased 30 basis points to 2.64% for the six months ended June 30, 2025 from 2.34% reported for the six months ended June 30, 2024.

Interest expense on Interest-bearing deposits decreased \$4.7 million, or 11.4%, during the six months ended June 30, 2025 compared to the same period in 2024. Average interest-bearing deposit rates were 3.58% for the six months ended June 30, 2025, compared to 4.16% for the six months ended June 30, 2024. The decrease in Interest-bearing deposit rates was primarily attributable to the lower interest rate environment.

The decrease in average interest-earning asset yields for the six months ended June 30, 2025 compared to the same period in 2024 was primarily due to a \$41.4 million decrease in average loan balances. The average loan yield was 5.71% for the six months ended June 30, 2025, compared to 5.70% for the six months ended June 30, 2024.

The following presents an analysis of Net interest income and net interest margin during the periods presented, using daily average balances for each major category of interest-earning assets and interest-bearing liabilities, the interest earned or paid, and the average rate earned or paid on those assets or liabilities:

	As of or for the Three Months Ended June 30,					
	2025			2024		
	Average Balance <sup>(1)</sup>	Interest Earned / Paid	Average Yield / Rate	Average Balance <sup>(1)</sup>	Interest Earned / Paid	Average Yield / Rate
<i>(dollars in thousands)</i>						
<b>Assets</b>						
Interest-earning assets:						
Interest-bearing deposits in other financial institutions	\$ 121,950	\$ 1,356	4.46 %	\$ 141,600	\$ 1,855	5.27 %
Debt securities <sup>(2)</sup>	85,739	819	3.83	75,461	651	3.47
Correspondent bank stock	7,199	155	8.64	4,801	105	8.80
Loans <sup>(3)</sup>	2,443,758	34,775	5.71	2,443,937	34,931	5.75
Mortgage loans held for sale <sup>(4)</sup>	18,803	310	6.61	20,254	344	6.83
Loans held at fair value	5,690	85	5.99	11,314	168	5.97
Total interest-earning assets <sup>(5)</sup>	2,683,139	37,500	5.61	2,697,367	38,054	5.67
Noninterest-earning assets	126,397			119,247		
Total assets	<u>\$ 2,809,536</u>			<u>\$ 2,816,614</u>		
<b>Liabilities and Shareholders' Equity</b>						
Interest-bearing liabilities:						
Interest-bearing deposits	\$ 2,047,570	18,208	3.57	\$ 2,001,691	20,848	4.19
FHLB and Federal Reserve borrowings	75,362	778	4.14	67,196	691	4.14
Subordinated notes	44,639	630	5.66	52,414	737	5.66
Total interest-bearing liabilities	<u>2,167,571</u>	<u>19,616</u>	3.63	<u>2,121,301</u>	<u>22,276</u>	4.22
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	352,391			412,741		
Other liabilities	32,794			34,051		
Total noninterest-bearing liabilities	<u>385,185</u>			<u>446,792</u>		
Total shareholders' equity	<u>256,780</u>			<u>248,521</u>		
Total liabilities and shareholders' equity	<u>\$ 2,809,536</u>			<u>\$ 2,816,614</u>		
Net interest rate spread <sup>(6)</sup>			1.98			1.45
Net interest income <sup>(7)</sup>		<u>\$ 17,884</u>			<u>\$ 15,778</u>	
Net interest margin <sup>(8)</sup>			2.67			2.35

	As of or for the Six Months Ended June 30,					
	2025			2024		
	Average Balance <sup>(1)</sup>	Interest Income / Expense	Average Yield / Rate	Average Balance <sup>(1)</sup>	Interest Income / Expense	Average Yield / Rate
<i>(dollars in thousands)</i>						
<b>Assets</b>						
Interest-earning assets:						
Interest-bearing deposits in other financial institutions	\$ 159,911	\$ 3,577	4.51 %	\$ 159,562	\$ 4,207	5.30 %
Debt securities <sup>(2)</sup>	80,666	1,500	3.75	75,064	1,254	3.36
Correspondent bank stock	6,506	283	8.77	4,626	200	8.69
Loans <sup>(3)</sup>	2,425,720	68,660	5.71	2,467,118	69,957	5.70
Mortgage loans held for sale <sup>(4)</sup>	16,212	493	6.13	13,503	457	6.81
Loans held at fair value	6,265	196	6.31	12,224	377	6.20
Total interest-earning assets <sup>(5)</sup>	2,695,280	74,709	5.59	2,732,097	76,452	5.63
Noninterest-earning assets	135,914			109,708		
Total assets	<u>\$ 2,831,194</u>			<u>\$ 2,841,805</u>		
<b>Liabilities and Shareholders' Equity</b>						
Interest-bearing liabilities:						
Interest-bearing deposits	\$ 2,068,919	36,724	3.58	\$ 2,004,969	41,470	4.16
FHLB and Federal Reserve borrowings	63,688	1,280	4.05	79,695	1,660	4.19
Subordinated notes	48,545	1,368	5.68	52,387	1,474	5.66
Total interest-bearing liabilities	<u>2,181,152</u>	<u>39,372</u>	3.64	<u>2,137,051</u>	<u>44,604</u>	4.20
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	358,125			429,599		
Other liabilities	37,201			28,151		
Total noninterest-bearing liabilities	<u>395,326</u>			<u>457,750</u>		
Total shareholders' equity	<u>254,716</u>			<u>247,004</u>		
Total liabilities and shareholders' equity	<u>\$ 2,831,194</u>			<u>\$ 2,841,805</u>		
Net interest rate spread <sup>(6)</sup>			1.95			1.43
Net interest income <sup>(7)</sup>		<u>\$ 35,337</u>			<u>\$ 31,848</u>	
Net interest margin <sup>(8)</sup>			2.64			2.34

<sup>(1)</sup> Average balance represents daily averages, unless otherwise noted.

<sup>(2)</sup> Represents monthly averages.

<sup>(3)</sup> Non-performing loans are included in the respective average loan balances. Income, if any, is not recognized until all principal has been repaid.

<sup>(4)</sup> Mortgage loans held for sale are included in the interest-earning assets above, with interest income recognized in the Interest and dividend income on loans, including fees line in the Condensed Consolidated Statements of Income. These balances are included in the margin calculations in these tables.

<sup>(5)</sup> Tax-equivalent yield adjustments are immaterial.

<sup>(6)</sup> Net interest spread is the average yield on interest-earning assets minus the average rate on interest-bearing liabilities.

<sup>(7)</sup> Net interest income is the difference between income earned on interest-earning assets and expense paid on interest-bearing liabilities.

<sup>(8)</sup> Net interest margin is equal to annualized net interest income divided by average interest-earning assets.

[Table of Contents](#)

The following presents the dollar amount of changes in interest income and interest expense during the periods presented for each component of interest-earning assets and interest-bearing liabilities, and distinguishes between changes attributable to volume and interest rates. Changes attributable to both rate and volume that cannot be separated have been allocated to volume:

<i>(dollars in thousands)</i>	Three Months Ended June 30, 2025			Six Months Ended June 30, 2025		
	Compared to Three Months Ended June 30, 2024			Compared to Six Months Ended June 30, 2024		
	Increase (Decrease) Due Change in:		Total Increase (Decrease)	Increase (Decrease) Due to Change in:		Total Increase (Decrease)
Volume	Rate	Volume		Rate		
<b>Interest-earning assets:</b>						
Interest-bearing deposits in other financial institutions	\$ (218)	\$ (281)	\$ (499)	\$ 8	\$ (638)	\$ (630)
Debt securities	98	70	168	104	142	246
Correspondent bank stock	52	(2)	50	82	1	83
Loans	(3)	(153)	(156)	(1,172)	(125)	(1,297)
Mortgage loans held for sale	(24)	(10)	(34)	82	(46)	36
Loans held at fair value	(84)	1	(83)	(186)	5	(181)
Total decrease in interest income	\$ (179)	\$ (375)	\$ (554)	\$ (1,082)	\$ (661)	\$ (1,743)
<b>Interest-bearing liabilities:</b>						
Interest-bearing deposits	408	(3,048)	(2,640)	1,135	(5,881)	(4,746)
FHLB and Federal Reserve borrowings	84	3	87	(322)	(58)	(380)
Subordinated notes	(110)	3	(107)	(108)	2	(106)
Total increase (decrease) in interest expense	\$ 382	\$ (3,042)	\$ (2,660)	\$ 705	\$ (5,937)	\$ (5,232)
(Decrease) increase in net interest income	\$ (561)	\$ 2,667	\$ 2,106	\$ (1,787)	\$ 5,276	\$ 3,489

*Provision for Credit Losses*

We have a dedicated problem loan resolution team comprised of associates from our credit, senior leadership, risk, and accounting teams that meets frequently to ensure that watch list and problem credits are identified early and actively managed. We work to identify potential losses in a timely manner and proactively manage the problem credits to minimize losses. For the three and six ended June 30, 2025, we recorded a \$1.8 million and \$1.9 million Provision for credit losses, respectively. For the three and six months ended June 30, 2024, we recorded a \$2.3 million and \$2.4 million Provision for credit losses, respectively. The provision recorded for the three and six months ended June 30, 2025 was primarily due to loan growth, charge-offs, an increase in specific reserves related to individually analyzed loans, and modest macroeconomic forecast deterioration, partially offset by mix shifts within our portfolio towards loans with lower loss rates.

The Company maintains a credit management program which includes internal and external loan review along with recurring portfolio monitoring activities to address the changing environment. Management believes the financial strength of the Bank's clientele and the diversity of the portfolio continues to mitigate the credit risk within the portfolio.

*Non-Interest Income*

*The three months ended June 30, 2025 compared with the three months ended June 30, 2024.* For the three months ended June 30, 2025 compared with the three months ended June 30, 2024, Non-interest income decreased \$0.7 million, or 9.6%, to \$6.3 million. The decrease in Non-interest income during the three months ended June 30, 2025 was driven primarily by decreases in Net gain on mortgage loans and Trust and investment management fees, partially offset by an increase in Net gain on loans accounted for under the fair value option.

The six months ended June 30, 2025 compared with the six months ended June 30, 2024. For the six months ended June 30, 2025 compared with the six months ended June 30, 2024, Non-interest income decreased \$0.6 million, or 4.2%, to \$13.7 million. The decrease in Non-interest income during the six months ended June 30, 2025 was primarily driven by decreases in Net gain on mortgage loans, Trust and investment management fees, and Bank fees, partially offset by increases in Net gain on loans accounted for under the fair value option and Net gain on other real estate owned.

The following presents the significant categories of our non-interest income during the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	
	2025	2024	\$	%
Non-interest income:				
Trust and investment management fees	\$ 4,512	\$ 4,875	\$ (363)	(7.4)%
Net gain on mortgage loans	1,187	1,820	(633)	(34.8)
Bank fees	293	327	(34)	(10.4)
Risk management and insurance fees	47	109	(62)	(56.9)
Income on company-owned life insurance	112	106	6	5.7
Net gain (loss) on loans accounted for under the fair value option	26	(315)	341	108.3
Unrealized gain (loss) recognized on equity securities	3	(2)	5	250.0
Other	125	52	73	140.4
Total non-interest income	<u>\$ 6,305</u>	<u>\$ 6,972</u>	<u>\$ (667)</u>	(9.6)

<i>(dollars in thousands)</i>	Six Months Ended June 30,		Change	
	2025	2024	\$	%
Non-interest income:				
Trust and investment management fees	\$ 9,189	\$ 9,805	\$ (616)	(6.3)%
Net gain on mortgage loans	2,254	3,084	(830)	(26.9)
Net gain on loans held for sale	222	117	105	89.7
Bank fees	715	1,218	(503)	(41.3)
Risk management and insurance fees	306	158	148	93.7
Income on company-owned life insurance	222	211	11	5.2
Net gain (loss) on loans accounted for under the fair value option	32	(617)	649	105.2
Net gain on other real estate owned	459	—	459	*
Unrealized gain (loss) recognized on equity securities	14	(8)	22	275.0
Other	237	281	(44)	(15.7)
Total non-interest income	<u>\$ 13,650</u>	<u>\$ 14,249</u>	<u>\$ (599)</u>	(4.2)

\* Represents percentages that are not meaningful.

*Trust and investment management fees*—The decrease in Trust and investment management fees of \$0.4 million, or 7.4%, and \$0.6 million, or 6.3%, for the three and six months ended June 30, 2025, respectively, was primarily attributable to mix-shift in AUM to lower fee product categories.

*Net gain on mortgage loans*—The decrease in Net gain on mortgage loans of \$0.6 million, or 34.8%, and \$0.8 million, or 26.9%, for the three and six months ended June 30, 2025, respectively, was primarily attributable to lower origination volume.

*Net gain on loans held for sale*—During the six months ended June 30, 2025, the Net gain on loans held for sale of \$0.2 million was due to the reversal of a write-down on a non-performing loan recorded during the three months ended December 31, 2024. This loan was previously classified as held for sale; however, during the three months ended March 31, 2025 it was transferred to held for investment and charged off through the ACL.

*Bank fees*—The decrease in Bank fees of \$0.5 million, or 41.3%, for the six months ended June 30, 2025, was primarily driven by a large loan prepayment penalty fee collected in the first quarter of 2024.

*Risk management and insurance fees*—The increase in Risk management and insurance fees of \$0.1 million, or 93.7%, for the six months ended June 30, 2025, was primarily driven by an increase in insurance client agreements.

*Net gain (loss) on loans accounted for under the fair value option*—The increase in Net gain on loans accounted for under the fair value option of \$0.3 million, or 108.3%, and \$0.6 million, or 105.2%, for the three and six months ended June 30, 2025, respectively, was primarily attributable to lower charges offs and improved overall performance of the portfolio.

*Net gain on other real estate owned*—During the three months ended March 31, 2025, we sold our two largest OREO properties for a net gain of \$0.5 million.

*Non-Interest Expense*

*The three months ended June 30, 2025 compared with the three months ended June 30, 2024.* For the three months ended June 30, 2025 compared with the three months ended June 30, 2024, Non-interest expense increased \$0.1 million, or 0.5%, to \$19.1 million. The increase in Non-interest expense during the three months ended June 30, 2025 was driven primarily by an increase in Occupancy and equipment, partially offset by a decrease in Salaries and employee benefits.

*The six months ended June 30, 2025 compared with the six months ended June 30, 2024.* For the six months ended June 30, 2025 compared with the six months ended June 30, 2024, Non-interest expense decreased \$0.2 million, or 0.6%, to \$38.5 million. The decrease in Non-interest expense during the six months ended June 30, 2025 was driven primarily by decreases in Professional services and Other, partially offset by increases to Occupancy and equipment and Data processing.

The following presents the significant categories of our non-interest expense during the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	
	2025	2024	\$	%
Non-interest expense:				
Salaries and employee benefits	\$ 11,019	\$ 11,097	\$ (78)	(0.7)%
Occupancy and equipment	2,224	2,080	144	6.9
Professional services	1,855	1,826	29	1.6
Technology and information systems	1,030	1,042	(12)	(1.2)
Data processing	1,166	1,101	65	5.9
Marketing	267	243	24	9.9
Amortization of other intangible assets	52	56	(4)	(7.1)
Other	1,486	1,556	(70)	(4.5)
Total non-interest expense	<u>\$ 19,099</u>	<u>\$ 19,001</u>	<u>\$ 98</u>	0.5

<i>(dollars in thousands)</i>	Six Months Ended June 30,		Change	
	2025	2024	\$	%
Non-interest expense:				
Salaries and employee benefits	\$ 22,499	\$ 22,364	\$ 135	0.6 %
Occupancy and equipment	4,434	4,056	378	9.3
Professional services	3,559	4,237	(678)	(16.0)
Technology and information systems	2,108	2,052	56	2.7
Data processing	2,288	2,049	239	11.7
Marketing	483	437	46	10.5
Amortization of other intangible assets	103	113	(10)	(8.8)
Other	2,986	3,389	(403)	(11.9)
Total non-interest expense	<u>\$ 38,460</u>	<u>\$ 38,697</u>	<u>\$ (237)</u>	(0.6)

*Occupancy and equipment*—The increase in Occupancy and equipment of \$0.1 million, or 6.9%, and \$0.4 million, or 9.3% for the three and six months ended June 30, 2025, respectively, was driven by additional rent expense relating to multiple lease extensions and an increase in variable lease costs.

*Professional services*—The decrease in Professional services of \$0.7 million, or 16.0% for the six months ended June 30, 2025, was driven by decreases in legal expenses, audit fees, and FDIC insurance fees.

*Data processing*—The increase in Data processing of \$0.2 million, or 11.7%, for the six months ended June 30, 2025, was primarily driven by increased costs related to our trust and investment management system.

*Other*—The decrease in Other of \$0.4 million, or 11.9%, for the six months ended June 30, 2025, was primarily driven by lower expenses related to problem assets and lower reciprocal deposit fees.

*Income Tax*

The Company recorded an income tax provision of \$0.8 million and \$0.3 million for the three months ended June 30, 2025 and 2024, respectively, reflecting an effective tax rate of 24.5% and 24.0%, respectively. The Company recorded an income tax provision of \$2.0 million and \$1.4 million for the six months ended June 30, 2025 and 2024, respectively, reflecting an effective tax rate of 22.9% and 28.1%, respectively.

**Segment Reporting**

We have two reportable operating segments: Wealth Management and Mortgage. Our Wealth Management segment consists of operations relating to the Company’s fully integrated wealth management products and services. Services provided include deposit, loan, insurance, and trust and investment management advisory products and services for which fee revenue is recognized. Parent company activity primarily consists of subordinated debt interest expense and is included within Wealth Management as management evaluates and makes business decisions for Wealth Management, including the parent company, collectively as one segment.

Our Mortgage segment consists of operations relating to the Company’s residential mortgage service offerings. Services provided by our Mortgage segment include soliciting, originating, and selling mortgage loans into the secondary market. Mortgage products are financial in nature, for which origination fees are recognized net of origination expenses, upon the funding of the mortgage loans. Mortgage loans held for sale are accounted for under the fair value option with changes in fair value reported through earnings at inception when loans are locked to the borrower and until the loan is sold to third parties, at which time additional gains or losses on the sale are recorded. Mortgage loans originated and held for investment purposes are recorded in the Wealth Management segment, as this segment provides ongoing services to our clients.

The following presents key metrics related to our segments during the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	Wealth Management	Mortgage	Consolidated	Wealth Management	Mortgage	Consolidated
Income <sup>(1)</sup>	\$ 20,919	\$ 1,497	\$ 22,416	\$ 18,253	\$ 2,163	\$ 20,416
Income before income taxes	3,101	216	3,317	656	759	1,415
Profit margin	14.8 %	14.4 %	14.8 %	3.6 %	35.1 %	6.9 %

<i>(dollars in thousands)</i>	Six Months Ended June 30, 2025			Six Months Ended June 30, 2024		
	Wealth Management	Mortgage	Consolidated	Wealth Management	Mortgage	Consolidated
Income <sup>(1)</sup>	\$ 44,387	\$ 2,747	\$ 47,134	\$ 40,150	\$ 3,541	\$ 43,691
Income before income taxes	8,452	222	8,674	4,060	934	4,994
Profit margin	19.0 %	8.1 %	18.4 %	10.1 %	26.4 %	11.4 %

<sup>(1)</sup> Net interest income after provision plus non-interest income.

The following presents selected financial metrics of each segment as of and during the periods presented:

*Wealth Management*

<i>(dollars in thousands)</i>	As of or for the Three Months Ended June 30,			
	2025	2024	\$ Change	% Change
Total interest income	\$ 37,190	\$ 37,711	\$ (521)	(1.4)%
Total interest expense	19,616	22,276	(2,660)	(11.9)
Provision for credit losses	1,773	2,334	(561)	(24.0)
Net interest income, after provision for credit losses	15,801	13,101	2,700	20.6
Total non-interest income	5,118	5,152	(34)	(0.7)
Total income	20,919	18,253	2,666	14.6
Salaries and employee benefits expense	10,126	10,067	59	0.6
Depreciation and amortization expense	688	623	65	10.4
All other non-interest expense	7,004	6,907	97	1.4
Income before income taxes	\$ 3,101	\$ 656	\$ 2,445	372.7
Goodwill	\$ 30,400	\$ 30,400	\$ —	— %
Total assets	\$ 3,000,682	\$ 2,908,654	\$ 92,028	3.2 %
	As of or for the Six Months Ended June 30,			
<i>(dollars in thousands)</i>	2025	2024	\$ Change	% Change
Total interest and dividend income	\$ 74,216	\$ 75,995	\$ (1,779)	(2.3)%
Total interest expense	39,372	44,604	(5,232)	(11.7)
Provision for credit losses	1,853	2,406	(553)	(23.0)
Net interest income, after provision for credit losses	32,991	28,985	4,006	13.8
Total non-interest income	11,396	11,165	231	2.1
Total income	44,387	40,150	4,237	10.6
Salaries and employee benefits expense	20,761	20,469	292	1.4
Depreciation and amortization expense	1,355	1,239	116	9.4
All other non-interest expense	13,819	14,382	(563)	(3.9)
Income before income taxes	\$ 8,452	\$ 4,060	\$ 4,392	108.2
Goodwill	\$ 30,400	\$ 30,400	\$ —	— %
Total assets	\$ 3,000,682	\$ 2,908,654	\$ 92,028	3.2 %

The Wealth Management segment reported Income before income tax of \$3.1 million for the three months ended June 30, 2025, compared to \$0.7 million for the same period in 2024, as well as Income before income tax of \$8.5 million for the six months ended June 30, 2025, compared to \$4.1 million for the same period in 2024. The majority of our assets and liabilities are on the Wealth Management segment balance sheet. The increase in Income before taxes for both the three and six month periods ended June 30, 2025 was driven primarily by an increase in Net interest income, after provision for credit losses. The increase in Net interest income, after provision for credit losses was primarily driven by a decrease in Total interest expense due to the lower interest rate environment and a decrease in provision due to a large individually analyzed specific reserve recorded in the second quarter of 2024, partially offset by a decrease in Total interest and dividend income due to a decline in average interest-earning assets.

### Mortgage

<i>(dollars in thousands)</i>	As of or for the Three Months Ended June 30,			
	2025	2024	\$ Change	% Change
Total interest income	\$ 310	\$ 343	\$ (33)	(9.6)%
Total interest expense	—	—	—	—
Provision for credit losses	—	—	—	—
Net interest income, after provision for credit losses	310	343	(33)	(9.6)
Net gain on mortgage loans	1,187	1,820	(633)	(34.8)
Total income	1,497	2,163	(666)	(30.8)
Salaries and employee benefits expense	893	1,030	(137)	(13.3)
Depreciation and amortization expense	5	9	(4)	(44.4)
All other non-interest expense	383	365	18	4.9
Income before income taxes	\$ 216	\$ 759	\$ (543)	(71.5)
Total assets	\$ 26,115	\$ 28,901	\$ (2,786)	(9.6)%

  

<i>(dollars in thousands)</i>	As of or for the Six Months Ended June 30,			
	2025	2024	\$ Change	% Change
Total interest and dividend income	\$ 493	\$ 457	\$ 36	7.9 %
Total interest expense	—	—	—	—
Provision for credit losses	—	—	—	—
Net interest income, after provision for credit losses	493	457	36	7.9
Net gain on mortgage loans	2,254	3,084	(830)	(26.9)
Total income before non-interest expense	2,747	3,541	(794)	(22.4)
Salaries and employee benefits expense	1,738	1,895	(157)	(8.3)
Depreciation and amortization expense	10	17	(7)	(41.2)
All other non-interest expense	777	695	82	11.8
Income before income taxes	\$ 222	\$ 934	\$ (712)	(76.2)
Total assets	\$ 26,115	\$ 28,901	\$ (2,786)	(9.6)%

The Mortgage segment reported Income before income tax of \$0.2 million for the three months ended June 30, 2025, compared to \$0.8 million for the same period in 2024, as well as Income before income tax of \$0.2 million for the six months ended June 30, 2025, compared to \$0.9 million for the same period in 2024. The decrease in Income before taxes for both the three and six month periods ended June 30, 2025 was primarily driven by a decrease in Net gain on mortgage loans, which was primarily driven by lower origination volume.

## Financial Condition

The following presents our Condensed Consolidated Balance Sheets as of the dates noted:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024	\$ Change	% Change
<b>Balance Sheet Data:</b>				
Cash and cash equivalents	\$ 232,314	\$ 236,041	\$ (3,727)	(1.6)%
Held-to-maturity debt securities, net of allowance for credit losses of \$71 and \$71, (fair value of \$93,979 and \$68,161), respectively	99,825	75,724	24,101	31.8
Loans (includes \$5,099 and \$7,283 measured at fair value, respectively)	2,540,096	2,425,565	114,531	4.7
Allowance for credit losses	(18,994)	(18,330)	(664)	(3.6)
Loans, net of allowance	2,521,102	2,407,235	113,867	4.7
Loans held for sale, at fair value	—	251	(251)	(100.0)
Mortgage loans held for sale, at fair value	24,151	25,455	(1,304)	(5.1)
Other real estate owned, net	4,385	35,929	(31,544)	(87.8)
Goodwill and other intangible assets, net	31,524	31,627	(103)	(0.3)
Company-owned life insurance	17,184	16,961	223	1.3
Other assets	96,312	89,814	6,498	7.2
<b>Total assets</b>	<b>\$ 3,026,797</b>	<b>\$ 2,919,037</b>	<b>\$ 107,760</b>	<b>3.7</b>
Deposits	\$ 2,529,129	\$ 2,514,209	\$ 14,920	0.6
Borrowings	208,089	109,603	98,486	89.9
Other liabilities	30,732	42,903	(12,171)	(28.4)
Total liabilities	2,767,950	2,666,715	101,235	3.8
Total shareholders' equity	258,847	252,322	6,525	2.6
Total liabilities and shareholders' equity	<b>\$ 3,026,797</b>	<b>\$ 2,919,037</b>	<b>\$ 107,760</b>	<b>3.7</b>

Cash and cash equivalents decreased by \$3.7 million, or 1.6%, to \$232.3 million as of June 30, 2025 compared to December 31, 2024.

Held-to-maturity debt securities increased by \$24.1 million, or 31.8%, to \$99.8 million as of June 30, 2025 compared to December 31, 2024. The increase was primarily due to the purchase of collateralized-mortgage obligation (CMO) debt securities.

Loans, net of allowance increased by \$113.9 million, or 4.7%, to \$2.52 billion as of June 30, 2025 compared to December 31, 2024, primarily due to new loan production well diversified across markets and loan types.

Mortgage loans held for sale decreased \$1.3 million, or 5.1%, to \$24.2 million as of June 30, 2025 compared to December 31, 2024. The decrease was primarily due to lower origination volumes.

Other real estate owned, net decreased by \$31.5 million as of June 30, 2025 compared to December 31, 2024. The decrease was due to the sale of two OREO properties during the first quarter.

Other assets increased by \$6.5 million, or 7.2%, to \$96.3 million as of June 30, 2025 compared to December 31, 2024. The increase was primarily due to the purchase of FHLB stock.

Deposits increased \$14.9 million, or 0.6%, to \$2.53 billion as of June 30, 2025 compared to December 31, 2024. Money market deposit accounts increased \$119.4 million, or 7.9%, to \$1.63 billion as of June 30, 2025 compared to December 31, 2024. Time deposit accounts decreased \$74.4 million, or 15.8%, from December 31, 2024 to \$397.0 million as of June 30, 2025. Interest checking accounts decreased \$15.4 million, or 11.1%, to \$124.0 million from December 31, 2024 to June 30, 2025.

Borrowings increased \$98.5 million, or 89.9%, to \$208.1 million as of June 30, 2025 compared to December 31, 2024. The increase was primarily driven by net draws on the Company's FHLB line of credit as a result of interest-earning asset growth during the quarter, partially offset by \$8.0 million of subordinated notes that were redeemed in the first quarter of 2025.

[Table of Contents](#)

Other liabilities decreased \$12.2 million, or 28.4%, to \$30.7 million as of June 30, 2025 compared to December 31, 2024. The decrease was primarily due to payments related to participated non-performing assets resolved through the sale of two OREO properties and payment of 2024 bonuses in the first quarter of 2025.

Total shareholders' equity increased \$6.5 million, or 2.6%, from December 31, 2024 to \$258.8 million as of June 30, 2025. The increase was primarily due to Net income for the year.

## Assets Under Management

<i>(dollars in millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<b>Managed Trust Balance as of Beginning of Period</b>	\$ 1,945	\$ 2,051	\$ 2,018	\$ 1,913
New relationships	—	4	5	7
Closed relationships	(1)	(10)	(1)	(14)
Contributions	21	3	23	12
Withdrawals	(31)	(73)	(165)	(175)
Market change, net	93	(39)	147	193
<b>Ending Balance</b>	<b>\$ 2,027</b>	<b>\$ 1,936</b>	<b>\$ 2,027</b>	<b>\$ 1,936</b>
Yield*	0.16 %	0.18 %	0.15 %	0.18 %
<b>Directed Trust Balance as of Beginning of Period</b>	\$ 1,930	\$ 1,665	\$ 1,934	\$ 1,622
New relationships	—	—	—	—
Closed relationships	—	—	(4)	—
Contributions	66	49	98	77
Withdrawals	(71)	(4)	(88)	(23)
Market change, net	33	24	18	58
<b>Ending Balance</b>	<b>\$ 1,958</b>	<b>\$ 1,734</b>	<b>\$ 1,958</b>	<b>\$ 1,734</b>
Yield*	0.09 %	0.11 %	0.09 %	0.10 %
<b>Investment Agency Balance as of Beginning of Period</b>	\$ 1,532	\$ 1,624	\$ 1,584	\$ 1,607
New relationships	1	12	10	25
Closed relationships	(7)	(3)	(19)	(19)
Contributions	12	15	27	31
Withdrawals	(41)	(74)	(93)	(137)
Market change, net	80	17	68	84
<b>Ending Balance</b>	<b>\$ 1,577</b>	<b>\$ 1,591</b>	<b>\$ 1,577</b>	<b>\$ 1,591</b>
Yield*	0.72 %	0.77 %	0.74 %	0.78 %
<b>Custody Balance as of Beginning of Period</b>	\$ 653	\$ 726	\$ 589	\$ 545
New relationships	—	2	1	2
Closed relationships	—	(2)	—	(2)
Contributions	50	5	152	133
Withdrawals	(13)	(129)	(57)	(141)
Market change, net	37	(4)	42	61
<b>Ending Balance</b>	<b>\$ 727</b>	<b>\$ 598</b>	<b>\$ 727</b>	<b>\$ 598</b>
Yield*	0.04 %	0.06 %	0.04 %	0.05 %
<b>Total Assets Under Management Excluding 401(k)/Retirement Balances at Beginning of Period</b>	\$ 6,060	\$ 6,066	\$ 6,125	\$ 5,687
New relationships	1	18	16	34
Closed relationships	(8)	(15)	(24)	(35)
Contributions	149	72	300	253
Withdrawals	(156)	(280)	(403)	(476)
Market change, net	243	(2)	275	396
<b>Total Assets Under Management Excluding 401(k)/Retirement Balances</b>	<b>\$ 6,289</b>	<b>\$ 5,859</b>	<b>\$ 6,289</b>	<b>\$ 5,859</b>
Yield*	0.26 %	0.31 %	0.25 %	0.28 %
<b>401(k)/Retirement Balance</b>	<b>\$ 1,208</b>	<b>\$ 1,153</b>	<b>\$ 1,208</b>	<b>\$ 1,153</b>
Yield*	0.12 %	0.13 %	0.13 %	0.14 %
<b>Total Assets Under Management</b>	<b>\$ 7,497</b>	<b>\$ 7,012</b>	<b>\$ 7,497</b>	<b>\$ 7,012</b>
Yield*	0.24 %	0.28 %	0.25 %	0.28 %

\* Trust & investment management fees divided by period end balance.

AUM increased \$320.0 million, or 4.5%, during the three months ended June 30, 2025 driven primarily by improving market conditions. For the six months ended June 30, 2025, AUM increased \$176.0 million, or 2.4%.

### Debt Securities

Debt securities we intend to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and are recorded at fair value using current market information from a pricing service, with unrealized gains and losses excluded from earnings and reported in OCI, net of tax. The carrying values of our debt securities classified as available-for-sale are adjusted for unrealized gain or loss, and any gain or loss is reported on an after-tax basis as a component of OCI in shareholders' equity.

Debt securities for which we have the intent and ability to hold to their maturity are classified as Held-to-maturity debt securities and are recorded at amortized cost. Debt securities HTM are carried at cost, adjusted for the amortization of premiums and the accretion of discounts using the level-yield method over the remaining period until maturity. As of June 30, 2025 and December 31, 2024, all our investments in debt securities were classified as HTM.

The following presents the book value of our contractual maturities and weighted average yield for our investment securities as of the dates presented. Contractual maturities may differ from expected maturities because issuers can have the right to call or prepay obligations without penalties. Our investments are taxable securities. The weighted average yield for each range of maturities was calculated using the yield on each security within that range weighted by the amortized cost of each security as of June 30, 2025. Weighted average yields are not presented on a taxable equivalent basis.

	Maturities as of June 30, 2025							
	One Year or Less		After One to Five Years		After Five to Ten Years		After Ten Years	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
<i>(dollars in thousands)</i>								
Debt securities held-to-maturity:								
U.S. Treasury debt	\$ —	— %	\$ 247	0.01 %	\$ —	— %	\$ —	— %
Corporate bonds	—	—	3,997	0.25	19,417	0.91	166	*
GNMA MBS – residential	—	—	21	*	24	*	28,574	0.72
FNMA MBS – residential	—	—	4,748	0.23	728	0.01	19,762	0.95
Government CMO and MBS – commercial	—	—	173	0.01	1,261	0.03	6,504	0.25
Corporate CMO and MBS	—	—	12	*	6,339	0.31	7,923	0.38
Total held-to-maturity	\$ —	— %	\$ 9,198	0.50 %	\$ 27,769	1.26 %	\$ 62,929	2.30 %

	Maturities as of December 31, 2024							
	One Year or Less		After One to Five Years		After Five to Ten Years		After Ten Years	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
<i>(dollars in thousands)</i>								
Debt securities held-to-maturity:								
U.S. Treasury debt	\$ —	— %	\$ 246	0.01 %	\$ —	— %	\$ —	— %
Corporate bonds	—	—	3,995	0.34	19,410	1.20	173	*
GNMA MBS – residential	—	—	35	*	27	*	31,299	1.07
FNMA MBS – residential	—	—	3,137	0.21	812	0.02	8,060	0.37
Government CMO and MBS – commercial	—	—	112	0.01	1,391	0.06	3,573	0.10
Corporate CMO and MBS	—	—	15	*	357	0.03	3,153	0.16
Total held-to-maturity	\$ —	— %	\$ 7,540	0.57 %	\$ 21,997	1.31 %	\$ 46,258	1.70 %

\* Represents percentages that are insignificant.

As of June 30, 2025 and December 31, 2024, there were no holdings of securities of any one issuer, other than the U.S. Government sponsored entities and agencies, in an amount greater than 10% of shareholders' equity.

*Allowance for Credit Losses for HTM Debt Securities*

Management measures expected credit losses on HTM debt securities on a collective basis by major security type. The majority of our HTM investment portfolio consists of debt securities issued by U.S. government entities and agencies and we consider the risk of credit loss to be zero and, therefore, we do not record an ACL. The Company's non-government backed debt securities include private label CMO and MBS as well as corporate bonds. The ACL on HTM debt securities was \$0.1 million as of June 30, 2025 and December 31, 2024.

*Loan Portfolio*

Our primary source of interest income is derived through interest earned on loans to high net worth individuals and their related commercial interests. Our senior lending and credit team consists of seasoned, experienced personnel and we believe that our officers are well versed in the types of lending in which we are engaged. Underwriting policies and decisions are managed centrally and the approval process is tiered based on loan size, making the process consistent, efficient, and effective. The management team and credit culture demands prudent, practical, and conservative approaches to all credit requests in compliance with the credit policy guidelines to ensure strong credit underwriting practices.

In addition to originating loans for our own portfolio, we conduct mortgage banking activities in which we originate and sell servicing-released, whole loans in the secondary market. Our mortgage banking loan sale activities are primarily directed at originating single family mortgages that are priced and underwritten to conform to previously agreed-upon criteria before loan funding and are delivered to the investor shortly after funding. The level of future loan originations, loan sales, and loan repayments depends on overall credit availability, the interest rate environment, the strength of the general economy, local real estate markets and the housing industry, and conditions in the secondary loan sale market. The amount of gain or loss on the sale of loans is primarily driven by market conditions and changes in interest rates, as well as our pricing and asset liability management strategies. As of June 30, 2025 and December 31, 2024, we had Mortgage loans held for sale of \$24.2 million and \$25.5 million, respectively, of residential mortgage loans we originated.

As of June 30, 2025 and December 31, 2024, we had loans held for sale of \$0.0 million and \$0.3 million, respectively. As of June 30, 2025, the Company has \$5.1 million in loans accounted for under the fair value option with an unpaid principal balance amount of \$5.2 million. As of December 31, 2024, the Company had \$7.3 million in loans accounted for under the fair value option with an unpaid principal balance amount of \$7.5 million. See Note 12 – Fair Value in the Notes to Condensed Consolidated Financial Statements.

The following presents the amortized cost of our loan portfolio by type of loan as of the dates noted:

<i>(dollars in thousands)</i>	June 30,		December 31,	
	2025		2024	
	Amount	% of Total	Amount	% of Total
Cash, Securities, and Other	\$ 161,691	6.4 %	\$ 119,834	5.0 %
Consumer and Other	15,914	0.6	17,482	0.7
Construction and Development	254,916	10.1	314,481	13.0
1-4 Family Residential	1,015,260	40.0	962,901	39.8
Non-Owner Occupied CRE	652,864	25.8	611,239	25.3
Owner Occupied CRE	195,603	7.7	172,019	7.1
Commercial and Industrial	238,749	9.4	220,326	9.1
Loans held for investment at amortized cost	\$ 2,534,997	100.0 %	\$ 2,418,282	100.0 %
Loans accounted for under the fair value option <sup>(1)</sup>	5,099		7,283	
Total loans held for investment	\$ 2,540,096		\$ 2,425,565	
Mortgage loans held for sale, at fair value <sup>(2)</sup>	\$ 24,151		\$ 25,455	
Loans held for sale, at fair value <sup>(3)</sup>	\$ —		\$ 251	

<sup>(1)</sup> Includes \$5.2 million and \$7.5 million of unpaid principal balance of Loans held for investment accounted for under fair value option as of June 30, 2025 and December 31, 2024, respectively.

<sup>(2)</sup> Includes \$23.6 million and \$25.2 million of unpaid principal balance of Mortgage loans held for sale as of June 30, 2025 and December 31, 2024, respectively.

<sup>(3)</sup> Includes \$0.0 million and \$0.6 million of principal balance of loans held for sale as of June 30, 2025 and December 31, 2024, respectively.

- *Cash, Securities, and Other*—consists of consumer and commercial purpose loans, which are primarily secured by securities managed and under custody with us, cash on deposit with us, or life insurance policies. In addition, loans in this portfolio are collateralized with other sources of collateral. This segment of our portfolio is affected by a variety of local and national economic factors affecting borrowers' employment prospects, income levels, and overall economic sentiment.
- *Consumer and Other*—consists of unsecured consumer loans. This segment of our portfolio is affected by a variety of local and national economic factors affecting borrowers' employment prospects, income levels, and overall economic sentiment. Loans held for investment accounted for under the fair value option are primarily consumer and other loans and are presented separately within the above table.
- *Construction and Development*—consists of loans to finance the construction of residential and non-residential properties. These loans are dependent on the strength of the industries of the related borrowers and the risks consistent with construction projects.
- *1-4 Family Residential*—consists of loans and home equity lines of credit secured by 1-4 family residential properties. These loans typically enable borrowers to purchase or refinance existing homes, most of which serve as the primary residence of the owner. In addition, some borrowers secure a commercial purpose loan with owner occupied or non-owner occupied 1-4 family residential properties. Loans in this segment are dependent on the industries tied to these loans as well as the national and local economies, and local residential and commercial real estate markets.
- *Commercial Real Estate, Owner Occupied, and Non-Owner Occupied*—consists of commercial loans collateralized by real estate. These loans may be collateralized by owner occupied or non-owner occupied real estate, as well as multi-family residential real estate. These loans are dependent on the strength of the industries of the related borrowers and the success of their businesses.
- *Commercial and Industrial*—consists of commercial and industrial loans, including working capital lines of credit, permanent working capital term loans, business asset loans, acquisition, expansion and development loans, and other loan products, primarily in our target markets. This portfolio primarily consists of term loans and lines of credit which are dependent on the strength of the industries of the related borrowers and the success of their businesses.

[Table of Contents](#)

The largest category of the Company's loan portfolio is CRE. An additional breakdown of the Company's CRE portfolio follows:

<i>(dollars in thousands)</i>	As of June 30, 2025			
	Owner Occupied	Non-Owner Occupied	Total	Percent of Total CRE
Multi-family	\$ —	\$ 216,372	\$ 216,372	25.4 %
Industrial and warehouse	60,361	142,091	202,452	23.9
Office	57,700	149,456	207,156	24.4
Retail	29,614	59,020	88,634	10.4
Hotel	3,173	59,549	62,722	7.4
Restaurant and entertainment	20,340	10,667	31,007	3.7
Land	2,199	—	2,199	0.3
Other commercial real estate	22,216	15,709	37,925	4.5
<b>Total CRE loan portfolio</b>	<b>\$ 195,603</b>	<b>\$ 652,864</b>	<b>\$ 848,467</b>	<b>100.0 %</b>

The following summarizes the Company's CRE portfolio by geographic location as of the dates indicated:

<i>(dollars in thousands)</i>	As of June 30, 2025	
	Amount	Percent of Total CRE
Colorado	\$ 629,058	74.1 %
Arizona	41,884	4.9
Wyoming	52,243	6.2
Montana	48,301	5.7
California	19,683	2.3
Other	57,298	6.8
<b>Total CRE loan portfolio</b>	<b>\$ 848,467</b>	<b>100.0 %</b>

The CRE portfolio is comprised of loans made to purchase, construct, and finance commercial real estate properties. On average, the balances are small and geographically disbursed across our footprint. Specifically, our CRE portfolio has an average loan balance of \$2.62 million and \$2.47 million with a weighted average loan-to-value ratio (LTV) of 54.3% and 52.9% as of June 30, 2025 and December 31, 2024, respectively.

Due to the recent trends in the banking industry, there has been increased risk associated with commercial real estate loans, including with respect to the higher vulnerability of these credits to pressure as interest rates remain elevated and market conditions in many large metropolitan areas continue to show signs of stress. The Company has limited exposure to the office building sector in central business districts as the office portfolio is generally diversified in suburban markets with strong occupancy levels. The Company maintains a practice of regular and ongoing loan reviews, stress tests, and sensitivity analyses to assess the level of risk in the loan portfolio. Loan reviews include monitoring past due rates, non-performing trends, concentrations, LTV's, among other qualitative factors. Credit policies are robust and are updated as needed to meet the strategic and risk mitigation goals of the company.

[Table of Contents](#)

The contractual maturity ranges of loans in our loan portfolio and the amount of such loans with fixed and floating interest rates in each maturity range, at amortized cost as of the dates noted, are summarized in the following:

<b>As of June 30, 2025</b>					
<i>(dollars in thousands)</i>	<b>One Year or Less</b>	<b>After One Through Five Years</b>	<b>After Five Through Fifteen Years</b>	<b>After Fifteen Years</b>	<b>Total</b>
Cash, Securities, and Other	\$ 57,311	\$ 101,343	\$ 2,376	\$ 661	\$ 161,691
Consumer and Other	7,840	7,037	—	1,037	15,914
Construction and Development	164,423	89,386	115	992	254,916
1-4 Family Residential	114,149	148,627	30,817	721,667	1,015,260
Non-Owner Occupied CRE	121,220	451,249	72,623	7,772	652,864
Owner Occupied CRE	26,083	105,209	56,957	7,354	195,603
Commercial and Industrial	88,164	113,367	37,218	—	238,749
Total loans	<u>\$ 579,190</u>	<u>\$ 1,016,218</u>	<u>\$ 200,106</u>	<u>\$ 739,483</u>	<u>\$ 2,534,997</u>
Loans accounted for under the fair value option <sup>(1)</sup>	248	4,851	—	—	5,099
Total loans	<u>\$ 579,438</u>	<u>\$ 1,021,069</u>	<u>\$ 200,106</u>	<u>\$ 739,483</u>	<u>\$ 2,540,096</u>
Amounts with fixed rates	241,001	638,210	98,942	25,788	1,003,941
Amounts with floating rates	338,437	382,859	101,164	713,695	1,536,155
Total loans	<u>\$ 579,438</u>	<u>\$ 1,021,069</u>	<u>\$ 200,106</u>	<u>\$ 739,483</u>	<u>\$ 2,540,096</u>
<b>As of December 31, 2024</b>					
<i>(dollars in thousands)</i>	<b>One Year or Less</b>	<b>After One Through Five Years</b>	<b>After Five Through Fifteen Years</b>	<b>After Fifteen Years</b>	<b>Total</b>
Cash, Securities, and Other	\$ 40,409	\$ 76,386	\$ 2,376	\$ 663	\$ 119,834
Consumer and Other	10,129	5,430	712	1,211	17,482
Construction and Development	120,043	187,101	124	7,213	314,481
1-4 Family Residential	99,641	141,450	26,106	695,704	962,901
Non-Owner Occupied CRE	123,471	403,385	71,889	12,494	611,239
Owner Occupied CRE	11,903	97,600	54,942	7,574	172,019
Commercial and Industrial	91,564	84,459	44,303	—	220,326
Total loans	<u>\$ 497,160</u>	<u>\$ 995,811</u>	<u>\$ 200,452</u>	<u>\$ 724,859</u>	<u>\$ 2,418,282</u>
Loans accounted for under the fair value option <sup>(1)</sup>	257	6,895	131	—	7,283
Total loans	<u>\$ 497,417</u>	<u>\$ 1,002,706</u>	<u>\$ 200,583</u>	<u>\$ 724,859</u>	<u>\$ 2,425,565</u>
Amounts with fixed rates	220,192	650,979	100,903	31,371	1,003,445
Amounts with floating rates	277,225	351,727	99,680	693,488	1,422,120
Total loans	<u>\$ 497,417</u>	<u>\$ 1,002,706</u>	<u>\$ 200,583</u>	<u>\$ 724,859</u>	<u>\$ 2,425,565</u>

<sup>(1)</sup> Loans accounted for under the fair value option are disclosed at fair value rather than amortized cost.

*Loan Modifications*

GAAP requires that certain types of loan modifications to borrowers experiencing financial difficulty be reported and include the following; (i) principal forgiveness, (ii) interest rate reduction, (iii) other than insignificant payment delay, (iv) term extension, or (v) any combination of the foregoing. Each modified loan is separately negotiated with the borrower and includes terms and conditions that reflect the borrower’s prospective ability to service their obligations as modified. Such loans at June 30, 2025 had an amortized cost of \$1.1 million. For additional information on loan modifications, see Note 4 – Loans and the Allowance For Credit Losses.

*Non-Performing Assets*

Non-performing assets include non-accrual loans and OREO. The accrual of interest on loans is discontinued at the time the loan becomes 90 or more days delinquent unless the loan is well secured and in the process of collection or renewal due to maturity. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged off if collection of interest or principal is considered doubtful.

OREO represents assets acquired through, or in lieu of, foreclosure. The amounts reported as OREO are supported by recent appraisals, with the appraised values adjusted, where applicable, for expected transaction fees likely to be incurred upon sale of the property. We incur recurring expenses relating to OREO in the form of maintenance, taxes, insurance, and legal fees, among others, until the OREO property is disposed. During the first quarter of 2025, the Company sold two OREO properties resulting in a net gain on sale of \$0.5 million. As of June 30, 2025 and December 31, 2024, OREO properties had carrying amounts of \$4.4 million and \$35.9 million, respectively.

The Company reversed immaterial amounts of interest on non-accrual loans during the three months ended June 30, 2025 and 2024, respectively. The amount of interest income that would have been recognized on loans accounted for on a non-accrual basis pursuant to contractual terms was \$0.6 million and \$2.1 million for the three months ended June 30, 2025 and 2024, respectively. The Company reversed an immaterial amount and \$0.1 million of interest on non-accrual loans during the six months ended June 30, 2025 and 2024, respectively. The amount of interest income that would have been recognized on loans accounted for on a non-accrual basis pursuant to contractual terms was \$1.2 million and \$4.6 million for the six months ended June 30, 2025 and 2024, respectively.

We had amortized cost of \$18.8 million and \$48.7 million in non-performing assets as of June 30, 2025 and December 31, 2024, respectively. The decrease in non-performing assets was primarily due to the sale of two OREO properties.

The following presents the amortized cost basis of non-performing assets as of the dates noted:

<i>(dollars in thousands)</i>	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Non-accrual loans by category		
Cash, Securities, and Other	\$ 1,704	\$ 1,704
1-4 Family Residential	850	—
Commercial and Industrial	11,836	11,048
Total non-performing loans	14,390	12,752
OREO <sup>(1)</sup>	4,385	35,929
Total non-performing assets	<u>\$ 18,775</u>	<u>\$ 48,681</u>
Non-accrual loans to total loans <sup>(2)</sup>	0.57 %	0.53 %
Non-performing assets to total assets	0.62 %	1.67 %
Allowance for credit losses to non-accrual loans	131.99 %	143.74 %
Accruing loans 90 or more days past due	\$ —	\$ —

<sup>(1)</sup> Held at the lower of cost or fair value as described in Note 12.

<sup>(2)</sup> Excludes Mortgage loans held for sale of \$24.2 million and \$25.5 million as of June 30, 2025 and December 31, 2024, respectively. Excludes \$5.1 million and \$7.3 million of loans held for investment accounted for under the fair value option as of June 30, 2025 and December 31, 2024, respectively.

*Credit Quality Indicators*

The following presents the amortized cost basis of loans by credit quality indicator, by class of financing receivable, as of the dates noted:

<b>As of June 30, 2025</b>						
<i>(dollars in thousands)</i>	<b>Pass</b>	<b>Special Mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Not Rated</b>	<b>Total</b>
Cash, Securities, and Other	\$ 159,987	\$ —	\$ 1,704	\$ —	\$ —	\$ 161,691
Consumer and Other <sup>(1)</sup>	15,914	—	—	—	5,099	21,013
Construction and Development	243,414	8,406	3,096	—	—	254,916
1-4 Family Residential	1,010,389	—	4,871	—	—	1,015,260
Non-Owner Occupied CRE	652,864	—	—	—	—	652,864
Owner Occupied CRE	193,187	—	2,416	—	—	195,603
Commercial and Industrial	204,802	11,733	22,214	—	—	238,749
Total	<u>\$ 2,480,557</u>	<u>\$ 20,139</u>	<u>\$ 34,301</u>	<u>\$ —</u>	<u>\$ 5,099</u>	<u>\$ 2,540,096</u>

  

<b>As of December 31, 2024</b>						
<i>(dollars in thousands)</i>	<b>Pass</b>	<b>Special Mention</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Not Rated</b>	<b>Total</b>
Cash, Securities, and Other	\$ 118,130	\$ —	\$ 1,704	\$ —	\$ —	\$ 119,834
Consumer and Other <sup>(1)</sup>	17,482	—	—	—	7,283	24,765
Construction and Development	310,196	—	4,285	—	—	314,481
1-4 Family Residential	962,901	—	—	—	—	962,901
Non-Owner Occupied CRE	611,239	—	—	—	—	611,239
Owner Occupied CRE	169,573	—	2,446	—	—	172,019
Commercial and Industrial	192,484	9,120	18,722	—	—	220,326
Total	<u>\$ 2,382,005</u>	<u>\$ 9,120</u>	<u>\$ 27,157</u>	<u>\$ —</u>	<u>\$ 7,283</u>	<u>\$ 2,425,565</u>

<sup>(1)</sup> Includes \$5.1 million and \$7.3 million of loans held for investment accounted for under fair value option as of June 30, 2025 and December 31, 2024, respectively.

As of June 30, 2025 and December 31, 2024, non-performing loans of \$14.4 million and \$12.8 million, respectively, were included in the substandard category in the table above.

*Allowance for Credit Losses on Loans*

The ACL for loans represents Management’s best estimate of CECL on loans considering available information, from internal and external sources, relevant to assessing collectability over the loans’ contractual terms, adjusted for expected prepayments when appropriate. Our quantitative discounted cash flow models use twelve-month economic forecasts including; HPI, GDP, and national unemployment. The ACL increased \$0.7 million during the six months ended June 30, 2025. The ACL on pooled loans was \$18.0 million as of June 30, 2025 and December 31, 2024. The \$0.0 million provision on pooled loans for the six months ended June 30, 2025 was primarily due to loan growth being offset by mix shifts within the loan portfolio and modest HPI, GDP, and unemployment forecast deterioration. The ACL on individually analyzed loans was \$1.0 million and \$0.3 million as of June 30, 2025 and December 31, 2024, respectively. The \$0.7 million provision on individually analyzed loans for the six months ended June 30, 2025 was primarily due to the addition of individually analyzed loans with collateral shortfalls.

The following presents summary information regarding our allowance for credit losses during the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Average loans outstanding <sup>(1)(2)</sup>	\$ 2,443,758	\$ 2,443,937	\$ 2,425,720	\$ 2,467,118
Total loans outstanding at end of period <sup>(3)</sup>	\$ 2,534,997	\$ 2,445,873	\$ 2,534,997	\$ 2,445,873
Allowance for credit losses at beginning of period	\$ 17,956	\$ 24,630	\$ 18,330	\$ 23,931
Provision for credit losses	1,695	2,680	1,887	3,379
Charge-offs:				
Consumer and Other	—	(15)	—	(26)
Commercial and Industrial	(667)	—	(1,261)	—
Total charge-offs	(667)	(15)	(1,261)	(26)
Recoveries:				
Consumer and Other	2	18	22	23
1-4 Family Residential	3	1	8	6
Commercial and Industrial	5	5	8	6
Total recoveries	10	24	38	35
Net charge-offs	(657)	9	(1,223)	9
Allowance for credit losses at end of period	\$ 18,994	\$ 27,319	\$ 18,994	\$ 27,319
Allowance for credit losses to total loans	0.75 %	1.12 %	0.75 %	1.12 %
Net charge-offs to average loans	0.03	*	0.05	*

<sup>(1)</sup> Average balances are average daily balances.

<sup>(2)</sup> Excludes average outstanding balances of Mortgage loans held for sale of \$18.8 million and \$20.3 million for the three months ended June 30, 2025 and 2024, respectively, and \$16.2 million and \$13.5 million for the six months ended June 30, 2025 and 2024, respectively. Excludes average outstanding balances of loans held for investment under the fair value option of \$5.7 million and \$11.3 million for the three months ended June 30, 2025 and 2024, respectively, and \$6.3 million and \$12.2 million for the six months ended June 30, 2025 and 2024, respectively.

<sup>(3)</sup> Excludes Mortgage loans held for sale of \$24.2 million and \$26.9 million as of June 30, 2025 and 2024, respectively. Excludes \$5.1 million and \$10.1 million of loans held for investment accounted for under the fair value option as of June 30, 2025 and 2024, respectively.

<sup>(\*)</sup> Immaterial.

The following presents the allocation of the ACL among loan categories and other summary information. The allocation for credit losses by category should neither be interpreted as an indication of future charge-offs, nor as an indication that charge-offs in future periods will necessarily occur in these amounts or in the indicated proportions. The allocation of a portion of the ACL to one category of loans does not preclude its availability to absorb losses in other categories.

<i>(dollars in thousands)</i>	As of June 30, 2025		As of December 31, 2024	
	Amount	% <sup>(1)</sup>	Amount	% <sup>(1)</sup>
Cash, Securities, and Other	\$ 1,150	6.4 %	\$ 410	5.0 %
Consumer and Other	158	0.6	185	0.7
Construction and Development	3,651	10.1	5,184	13.0
1-4 Family Residential	5,544	40.0	5,200	39.8
Non-Owner Occupied CRE	4,323	25.8	4,340	25.3
Owner Occupied CRE	737	7.7	654	7.1
Commercial and Industrial	3,431	9.4	2,357	9.1
Total allowance for credit losses	\$ 18,994	100.0 %	\$ 18,330	100.0 %

<sup>(1)</sup> Represents the percentage of loans to total loans in the respective category.

#### *Allowance for credit losses - off-balance sheet credit exposures*

In the normal course of business, there may be various outstanding commitments to obtain funding and to extend credit, such as letters of credit and unfunded loan commitments, which are not reflected in the accompanying Condensed Consolidated Financial Statements. The Company assessed the off balance sheet credit exposures as of June 30, 2025 and determined an ACL of \$0.6 million was adequate to absorb the estimated credit losses. For additional information regarding the Company's ACL on off-balance sheet credit exposures, see Note 8 – Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements.

### Deferred Tax Assets, Net

Deferred tax assets, net of our valuation allowance, represent the differences in timing of when items are recognized for GAAP purposes and when they are recognized for tax purposes, as well as our net operating losses. Our deferred tax assets, net, are valued based on the amounts that are expected to be recovered in the future utilizing the tax rates in effect at the time recognized. Deferred tax assets, net as of June 30, 2025 were \$2.8 million, a decrease of \$0.3 million, or 8.8%, from December 31, 2024.

### Deposits

Our deposit products include money market accounts, demand deposit accounts, time-deposit accounts (typically certificates of deposit), interest checking accounts, and savings accounts. Our accounts are federally insured by the FDIC up to the legal maximum amount.

Total deposits increased by \$14.9 million, or 0.6%, to \$2.53 billion as of June 30, 2025, from December 31, 2024. Total average deposits for the three months ended June 30, 2025 were \$2.40 billion, a decrease of \$14.5 million, or 0.6%, compared to \$2.41 billion as of June 30, 2024. Total average deposits for the six months ended June 30, 2025 and June 30, 2024 were \$2.43 billion.

The following presents the average balances and average rates paid on deposits during the periods presented:

	For the Three Month Period Ending June 30,			
	2025		2024	
	Average Balance	Average Rate	Average Balance	Average Rate
<i>(dollars in thousands)</i>				
<b>Deposits</b>				
Money market deposit accounts	\$ 1,554,875	3.70 %	\$ 1,365,711	4.34 %
Interest checking accounts	130,884	0.18	135,314	0.36
Uninsured time deposits	58,933	4.12	61,927	4.58
Other time deposits	289,567	4.41	422,307	5.04
Total time deposits	348,500	4.36	484,234	4.98
Savings accounts	13,311	0.08	16,432	0.09
Total interest-bearing deposits	2,047,570	3.57	2,001,691	4.19
Noninterest-bearing accounts	352,391		412,741	
Total deposits	<u>\$ 2,399,961</u>	3.04 %	<u>\$ 2,414,432</u>	3.47 %
	For the Six Months Ended June 30,			
	2025		2024	
	Average Balance	Average Rate	Average Balance	Average Rate
<i>(dollars in thousands)</i>				
<b>Deposits</b>				
Money market deposit accounts	\$ 1,539,469	3.68 %	\$ 1,371,166	4.32 %
Interest checking accounts	134,031	0.20	139,446	0.32
Uninsured time deposits	59,127	4.17	62,653	4.51
Other time deposits	322,812	4.52	415,302	5.02
Total time deposits	381,939	4.47	477,955	4.95
Savings accounts	13,480	0.08	16,402	0.09
Total interest-bearing deposits	2,068,919	3.58	2,004,969	4.16
Noninterest-bearing accounts	358,125		429,599	
Total deposits	<u>\$ 2,427,044</u>	3.05 %	<u>\$ 2,434,568</u>	3.43 %

Average Noninterest-bearing deposits to average Total deposits was 14.7% and 17.1% for the three months ended June 30, 2025 and 2024, respectively, and 14.8% and 17.6% for the six months ended June 30, 2025 and 2024, respectively.

Our average cost of funds was 3.12% and 3.54% for the three months ended June 30, 2025 and 2024, respectively, and 3.13% and 3.49% for the six months ended June 30, 2025 and 2024, respectively. The decrease in cost of funds was primarily driven by decreased rates on interest-bearing deposit accounts and borrowings due to the lower interest rate environment.

[Table of Contents](#)

Total money market accounts as of June 30, 2025 were \$1.63 billion, an increase of \$119.4 million, or 7.9%, compared to December 31, 2024. Interest checking accounts decreased \$15.4 million, or 11.1%, to \$124.0 million compared to December 31, 2024.

Total time deposits as of June 30, 2025 were \$397.0 million, a decrease of \$74.4 million, or 15.8%, from December 31, 2024.

The following presents the amount of certificates of deposit by time remaining until maturity as of June 30, 2025:

<i>(dollars in thousands)</i>	Three Months or Less	Three to Six Months	Six to 12 Months	After 12 Months	Total
Uninsured Time Deposits	\$ 19,206	\$ 24,095	\$ 14,411	\$ 3,191	\$ 60,903
Other	91,213	66,707	136,904	41,279	336,103
Total	<u>\$ 110,419</u>	<u>\$ 90,802</u>	<u>\$ 151,315</u>	<u>\$ 44,470</u>	<u>\$ 397,006</u>

*Borrowings*

We have short-term and long-term borrowing sources available to supplement deposits and meet our liquidity needs. As of June 30, 2025 and December 31, 2024, borrowings totaled \$208.1 million and \$109.6 million, respectively.

The increase in borrowings as of June 30, 2025 compared to December 31, 2024 was driven by net draws on the Company's FHLB line of credit as a result of interest-earning asset growth during the quarter.

The following presents balances of each of the borrowing facilities as of the dates noted:

<i>(dollars in thousands)</i>	June 30, 2025	December 31, 2024
<b>Borrowings</b>		
FHLB borrowings	\$ 162,131	\$ 55,000
Federal Reserve borrowings	1,285	2,038
Subordinated notes	44,673	52,565
Total	<u>\$ 208,089</u>	<u>\$ 109,603</u>

*FHLB*

The following presents additional information on our FHLB borrowings:

<i>(dollars in thousands)</i>	As of or for the Six Months Ended June 30, 2025
<b>Short-term borrowings</b>	
Maximum outstanding at any month-end during the period	\$ 162,131
Balance outstanding at end of period	162,131
Average outstanding during the period	62,056
Average interest rate during the period	4.47 %
Average interest rate at the end of the period	4.57

Our borrowing facilities include various financial and other covenants, including, but not limited to, a requirement that the Bank maintains regulatory capital that is deemed "well capitalized" by federal banking agencies. As of June 30, 2025 and December 31, 2024, the Company was in compliance with the covenant requirements.

### Derivatives

**Cash Flow Hedges:** On March 21, 2023, the Company executed an interest rate swap with a notional amount that was designated as a cash flow hedge of certain Federal Home Loan Bank borrowings. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements. The swap hedges the benchmark index (SOFR) with a receive float/pay fixed swap for the period March 21, 2023 through April 1, 2026. The notional amount of the interest rate swap as of June 30, 2025 and December 31, 2024 was \$50.0 million. As of June 30, 2025 and December 31, 2024, this hedge was determined to be effective, and the Company expects the hedge to remain effective during the remaining terms of the swap.

**Derivatives Not Designated as Hedges:** The Company periodically enters into interest rate swaps to offset interest rate exposure with its commercial and residential variable rate loan clients. Clients with variable rate loans may choose to enter into an interest rate swap to hedge the interest rate risk on the loan and effectively pay a fixed rate payment. The Company will simultaneously enter into an interest rate swap on the same underlying loan and notional amount to hedge risk on the fixed rate loan. The notional amount of interest rate swaps with its loan customers as of June 30, 2025 and December 31, 2024 was \$65.3 million and \$70.4 million, respectively. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes. During the three months ended June 30, 2025 and 2024, the Company recognized \$0.0 million and \$0.1 million, respectively, of fees related to new interest rate swaps, which are included in the Bank fees line of the Condensed Consolidated Statements of Income. During the six months ended June 30, 2025 and 2024, the Company recognized \$0.0 million and \$0.1 million, respectively, of fees related to new interest rate swaps.

### Liquidity and Capital Resources

Liquidity resources primarily include Interest-bearing and Noninterest-bearing deposits which contribute to our ability to raise funds to support asset growth, acquisitions, and meet deposit withdrawals and other payment obligations. Access to purchased funds include the ability to borrow from FHLB, other correspondent banks, and the use of brokered deposits.

The following presents the composition of our funding sources and the average assets in which those funds are invested as a percentage of average total assets during the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<b>Sources of Funds:</b>				
Deposits:				
Noninterest-bearing	12.54 %	14.65 %	12.65 %	15.12 %
Interest-bearing	72.88	71.07	73.08	70.56
FHLB and Federal Reserve borrowings	2.68	2.39	2.25	2.80
Subordinated notes	1.59	1.86	1.71	1.84
Other liabilities	1.17	1.21	1.31	0.99
Shareholders' equity	9.14	8.82	9.00	8.69
Total	100.00 %	100.00 %	100.00 %	100.00 %
<b>Uses of Funds:</b>				
Total loans	86.46 %	86.30 %	85.19 %	86.40 %
Investment securities	3.05	2.68	2.85	2.64
Correspondent bank stock	0.26	0.17	0.23	0.16
Mortgage loans held for sale	0.67	0.72	0.57	0.48
Interest-bearing deposits in other financial institutions	4.35	5.03	5.65	5.61
Noninterest-earning assets	5.21	5.10	5.51	4.71
Total	100.00 %	100.00 %	100.00 %	100.00 %
Average noninterest-bearing deposits to total average deposits	14.68 %	17.09 %	14.76 %	17.65 %
Average loans to total average deposits	101.82 %	101.22 %	99.95 %	101.34 %
Average interest-bearing deposits to total average deposits	85.32 %	82.91 %	85.24 %	82.35 %

Our primary source of funds is Interest-bearing and Noninterest-bearing deposits, and our primary use of funds is loans. We do not expect a change in the primary source or use of our funds in the foreseeable future.

*Capital Resources*

Total shareholders' equity increased \$6.5 million, or 2.6%, from December 31, 2024 to \$258.8 million as of June 30, 2025. The increase was primarily due to Net income year to date.

We are subject to various regulatory capital adequacy requirements at a consolidated level and the Bank level. These requirements are administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our condensed consolidated financial statements. Under capital adequacy guidelines and, additionally for banks, the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices.

Capital levels are viewed as important indicators of an institution's financial soundness by banking regulators. Generally, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. As of June 30, 2025 and December 31, 2024, our holding company and Bank were in compliance with all applicable regulatory capital requirements, and the Bank was classified as "well capitalized," for purposes of the prompt corrective action regulations. As we continue to grow our operations and maintain capital requirements, our regulatory capital levels may decrease depending on our level of earnings. We continue to monitor growth and control our capital activities in order to remain in compliance with all applicable regulatory capital standards.

*Contractual Obligations and Off-Balance Sheet Arrangements*

We enter into credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our clients. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Condensed Consolidated Balance Sheets. Commitments may expire without being utilized. Our exposure to credit loss is represented by the contractual amount of these commitments, although material losses are not anticipated. We follow the same credit policies in making commitments as we do for on-balance sheet instruments.

The following presents future contractual obligations to make future payments during the periods presented:

<i>(dollars in thousands)</i>	As of June 30, 2025				
	1 Year or Less	After 1 Year Through 3 Years	After 3 Years Through 5 Years	After 5 Years	Total
FHLB and Federal Reserve	\$ 163,416	\$ —	\$ —	\$ —	\$ 163,416
Subordinated notes	—	—	—	44,673 <sup>(1)</sup>	44,673
Time deposits	352,536	43,587	883	—	397,006
Minimum lease payments	2,076	3,537	5,838	15,629	27,080
<b>Total</b>	<b>\$ 518,028</b>	<b>\$ 47,124</b>	<b>\$ 6,721</b>	<b>\$ 60,302</b>	<b>\$ 632,175</b>

<sup>(1)</sup> Reflects contractual maturity dates of December 1, 2030, September 1, 2031, and December 15, 2032, although the Company can call the notes prior to their contractual maturity.

We may enter into contracts for services in the conduct of ordinary business operations, which may require payment for services to be provided in the future and may contain penalty clauses for early termination of the contracts. We do not believe these off-balance sheet arrangements have or are reasonably likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. However, there can be no assurance that such arrangements will not have an effect on future operations.

*Critical Accounting Policies*

Our accounting policies and procedures are described in Note 1 – Organization and Summary of Significant Accounting Policies in the accompanying Notes to the Condensed Consolidated Financial Statements as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the SEC.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

*Interest Rate Sensitivity and Market Risk*

Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices, and equity prices. Our market risk arises primarily from interest rate risk inherent in lending, investing, and deposit taking activities. To that end, management actively monitors and manages interest rate risk exposure. We do not have any market risk sensitive instruments entered into for trading purposes.

Management uses various asset/liability strategies to manage the re-pricing characteristics of our assets and liabilities designed to ensure that exposure to interest rate fluctuations is limited within established guidelines of acceptable levels of risk-taking.

The Board of Directors monitors interest rate risk by analyzing the potential impact on the net economic value of equity and net interest income from potential changes in interest rates and considers the impact of alternative strategies or changes in balance sheet structure. We manage our balance sheet, in part, to maintain the potential impact on economic value of equity and net interest income within acceptable ranges despite changes in interest rates.

Our exposure to interest rate risk is reviewed at least quarterly by the Board of Directors. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine the change in net interest income and economic value of equity in the event of hypothetical changes in interest rates. If potential changes to net economic value of equity and net interest income resulting from hypothetical interest rate changes are not within the limits established by our Board of Directors, the Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within Board of Directors-approved limits.

The following presents the sensitivity in net interest income and fair value of equity during the periods presented, using a parallel ramp scenario:

Change in Interest Rates (Basis Points)	As of June 30, 2025		As of December 31, 2024	
	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity	Percent Change in Net Interest Income	Percent Change in Fair Value of Equity
200	3.57 %	(7.30)%	0.94 %	(8.37)%
100	3.98	(1.93)	2.51	(2.30)
Base	—	—	—	—
-100	2.58	5.91	5.11	6.94
-200	13.77	0.39	16.86	2.97

The model simulations as of June 30, 2025 imply that our balance sheet maintains a similar interest rate risk profile compared to our balance sheet as of December 31, 2024.

Although the simulation model is useful in identifying potential exposure to interest rate changes, actual results for net interest income and economic value of equity may differ. There are a variety of factors that can impact the outcomes such as timing and magnitude of interest rate changes, asset and liability mix, pre-payment speeds, deposit beta assumptions, and decay rates that differ from our projections. Additionally, the results do not account for actions implemented to manage our interest rate risk exposure.

*Impact of Inflation*

Our Condensed Consolidated Financial Statements and related notes included within this Form 10-Q have been prepared in accordance with GAAP, which requires the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative value of money over time due to inflation or recession.

Our assets and liabilities are substantially monetary in nature. Therefore, changes in interest rates can significantly impact our performance beyond the general effects of inflation. Interest rates do not necessarily move in the same direction or magnitude as prices of general goods and services, while other operating expenses can be correlated with the impact of general levels of inflation.

#### **Item 4. Controls and Procedures**

##### *Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the "Exchange Act") were effective as of the end of the period covered by this report.

##### *Changes in Internal Control over Financial Reporting*

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the six months ended June 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**

The Company, from time to time, is involved in various legal actions arising in the normal course of business. While the ultimate outcome of any such proceedings cannot be predicted with certainty, it is the opinion of management, after consulting with our legal counsel, that no proceedings exist, either individually or in the aggregate, which, if determined adversely to the Company, would have a material effect on the Company’s condensed consolidated financial statements. See Note 8 – Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements.

**Item 1A. Risk Factors**

There has been no material change in the risk factors previously disclosed under “Item 1A. Risk Factors” of the Company’s 2024 Annual Report on Form 10-K filed with the SEC on March 7, 2025.

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

**(c) Issuer Purchases of Equity Securities**

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs <sup>(2)</sup>	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs <sup>(2)</sup>
April 1, 2025 through April 30, 2025	26,287	\$ 18.30	26,287	168,212
May 1, 2025 through May 31, 2025	13,705 <sup>(1)</sup>	21.53	—	168,212
June 1, 2025 through June 30, 2025	—	—	—	\$ 5,000,000 <sup>(3)</sup>

<sup>(1)</sup> These shares relate to the net settlement by employees related to vested, restricted stock awards and do not impact the shares available for repurchase. They were purchased at an average price paid per share of \$21.53. Net settlements represent instances where employees elect to satisfy their income tax liability related to the vesting of restricted stock through the surrender of a proportionate number of the vested shares to the Company.

<sup>(2)</sup> These shares relate to the 2024 and 2025 Repurchase Plans. Refer to Note 9 - Shareholders' Equity for further information.

<sup>(3)</sup> Upon the June 13, 2025 effective date of the 2025 Repurchase Plan, the authorized amount of repurchases changed from a maximum number of shares to a maximum dollar value of shares. Refer to Note 9 - Shareholders' Equity for further information.

**Item 3. Defaults upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

Exhibit No.	Description
10.1†	<a href="#">First Western Financial, Inc. Omnibus Incentive Plan, as amended and restated April 23, 2025 (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed with the SEC on June 6, 2025, File No. 001-38595)</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

\* Filed herewith.

\*\* These exhibits are furnished herewith and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

† Indicates a management contract or compensatory plan.

**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.

**First Western Financial, Inc.**

August 1, 2025

Date

By: /s/ Scott C. Wylie

Scott C. Wylie  
Chairman, Chief Executive Officer, and President of  
First Western Financial, Inc.

August 1, 2025

Date

By: /s/ David R. Weber

David R. Weber  
Chief Financial Officer and Treasurer