
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

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 001-36461

FIRST FOUNDATION INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

200 Crescent Court, Suite 1400 Dallas, Texas
(Address of principal executive offices)

20-8639702
(I.R.S. Employer
Identification Number)

75201
(Zip Code)

Registrant's telephone number, including area code: (469) 638-9636

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FFWM	New York Stock Exchange

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input 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 Exchange Act). Yes No

As of November 1, 2024, the registrant had 82,345,084 shares of common stock, \$0.001 par value per share, outstanding.

FIRST FOUNDATION INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2024

TABLE OF CONTENTS

	<u>Page No.</u>
<u>Part I. Financial Information</u>	
Item 1. Financial Statements	1
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3. Quantitative and Qualitative Disclosures About Market Risk	64
Item 4. Controls and Procedures	64
<u>Part II. Other Information</u>	
Item 1. Legal Proceedings	65
Item 1A. Risk Factors	65
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	65
Item 5. Other Information	65
Item 6. Exhibits	66
<u>SIGNATURES</u>	S-1

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

FIRST FOUNDATION INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	<u>September 30,</u> <u>2024</u> <small>(unaudited)</small>	<u>December 31,</u> <u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 1,106,422	\$ 1,326,629
Securities available-for-sale ("AFS"), at fair value (amortized cost of \$1,313,589 and \$731,489 at September 30, 2024 and December 31, 2023 respectively; net of allowance for credit losses of \$7,299 and \$8,220 at September 30, 2024 and December 31, 2023 respectively)	1,306,120	703,226
Securities held-to-maturity ("HTM") (fair value of \$675,768 and \$710,021 at September 30, 2024 and December 31, 2023, respectively)	734,863	789,578
Loans held for sale	1,788,395	—
Loans held for investment	8,088,863	10,177,802
Less: Allowance for credit losses	(29,300)	(29,205)
Total loans held for investment, net	<u>8,059,563</u>	<u>10,148,597</u>
Investment in FHLB stock	37,810	24,613
Accrued interest receivable	53,766	54,163
Deferred taxes	65,131	29,142
Premises and equipment, net	36,605	39,925
Real estate owned ("REO")	6,210	8,381
Bank owned life insurance	49,650	48,653
Core deposit intangibles	3,888	4,948
Other assets	128,138	149,393
Total Assets	<u>\$ 13,376,561</u>	<u>\$ 13,327,248</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 10,304,604	\$ 10,688,932
Borrowings	1,691,453	1,409,056
Subordinated debt	173,444	173,397
Derivative liabilities	5,124	—
Accounts payable and other liabilities	132,139	130,520
Total Liabilities	<u>12,306,764</u>	<u>12,401,905</u>
Shareholders' Equity		
Preferred stock, \$0.001 par value, 44,301 shares issued and outstanding at September 30, 2024	130,252	—
Common stock, \$0.001 par value; 200,000,000 shares authorized at September 30, 2024 and 100,000,000 shares authorized at December 31, 2023; 67,855,084 shares and 56,467,623 shares issued and outstanding, respectively	68	56
Additional paid-in-capital	805,819	720,899
Retained earnings	139,148	218,575
Accumulated other comprehensive loss	(5,490)	(14,187)
Total Shareholders' Equity	<u>1,069,797</u>	<u>925,343</u>
Total Liabilities and Shareholders' Equity	<u>\$ 13,376,561</u>	<u>\$ 13,327,248</u>

[Table of Contents](#)

(See accompanying notes to the consolidated financial statements)
FIRST FOUNDATION INC.
CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED
(In thousands, except share and per share amounts)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income:				
Loans	\$ 120,285	\$ 124,363	\$ 358,973	\$ 368,477
Securities	21,375	10,600	59,124	24,263
FHLB Stock, fed funds sold and interest-bearing deposits	15,496	9,802	40,426	34,353
Total interest income	<u>157,156</u>	<u>144,765</u>	<u>458,523</u>	<u>427,093</u>
Interest expense:				
Deposits	89,135	84,814	275,015	219,886
Borrowings	17,182	6,158	47,044	42,280
Subordinated debt	1,720	1,720	5,130	5,115
Total interest expense	<u>108,037</u>	<u>92,692</u>	<u>327,189</u>	<u>267,281</u>
Net interest income	49,119	52,073	131,334	159,812
Provision (reversal) for credit losses	282	(2,015)	53	(711)
Net interest income after provision for credit losses	<u>48,837</u>	<u>54,088</u>	<u>131,281</u>	<u>160,523</u>
Noninterest income:				
Asset management, consulting and other fees	9,162	8,812	26,959	26,624
(Loss) gain on sale of loans	(13)	—	665	—
Gain on sale of securities available-for-sale	—	—	1,204	—
Capital market activities	(117,517)	—	(115,844)	—
Gain on sale of REO	—	—	679	—
Other income	2,788	2,886	7,098	8,851
Total noninterest income	<u>(105,580)</u>	<u>11,698</u>	<u>(79,239)</u>	<u>35,475</u>
Noninterest expense:				
Compensation and benefits	20,009	19,632	58,511	65,944
Occupancy and depreciation	9,013	9,253	27,126	27,331
Professional services and marketing costs	5,095	3,748	12,152	11,685
Customer service costs	18,954	24,683	45,796	60,402
Goodwill impairment	—	—	—	215,252
Other expenses	7,154	6,890	22,878	15,696
Total noninterest expense	<u>60,225</u>	<u>64,206</u>	<u>166,463</u>	<u>396,310</u>
(Loss) income before income taxes	(116,968)	1,580	(114,421)	(200,312)
Income tax (benefit) expense	(34,794)	(600)	(36,125)	1,300
Net (loss) income	<u>\$ (82,174)</u>	<u>\$ 2,180</u>	<u>\$ (78,296)</u>	<u>\$ (201,612)</u>
Net (loss) income per share:				
Basic	\$ (1.23)	\$ 0.04	\$ (1.30)	\$ (3.57)
Diluted	\$ (1.23)	\$ 0.04	\$ (1.30)	\$ (3.57)
Shares used in computation:				
Basic	66,992,701	56,443,539	60,025,852	56,417,252
Diluted	66,992,701	56,449,720	60,025,852	56,417,252

(See accompanying notes to the consolidated financial statements)

FIRST FOUNDATION INC.
CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY - UNAUDITED
(In thousands, except share amounts)

	Common Stock		Preferred Stock		Convertible Warrants		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Warrants	Amount				
Balance: December 31, 2023	56,467,623	\$ 56	—	\$ —	—	\$ —	\$ 720,899	\$ 218,575	\$ (14,187)	\$ 925,343
Net loss	—	—	—	—	—	—	—	(78,296)	—	(78,296)
Other comprehensive gain	—	—	—	—	—	—	—	—	8,697	8,697
Stock based compensation	—	—	—	—	—	—	845	—	—	845
Cash dividend	—	—	—	—	—	—	—	(1,131)	—	(1,131)
Issuance of common stock:										
Stock grants – vesting of restricted stock units	97,780	1	—	—	—	—	—	—	—	1
Issuance of common stock	11,308,676	11	—	—	—	—	35,307	—	—	35,318
Issuance of preferred shares	—	—	44,301	138,462	—	—	—	—	—	138,462
Issuance of warrants	—	—	—	—	6	54,219	—	—	—	54,219
Issuance costs	—	—	—	(8,210)	—	(3,215)	(2,094)	—	—	(13,519)
Repurchase of shares from restricted shares vesting	(18,995)	—	—	—	—	—	(142)	—	—	(142)
Balance: September 30, 2024	<u>67,855,084</u>	<u>\$ 68</u>	<u>44,301</u>	<u>\$ 130,252</u>	<u>6</u>	<u>\$ 51,004</u>	<u>\$ 754,815</u>	<u>\$ 139,148</u>	<u>\$ (5,490)</u>	<u>\$ 1,069,797</u>
Balance: June 30, 2024	56,543,382	\$ 57	—	\$ —	—	\$ —	\$ 721,814	\$ 221,321	\$ (9,948)	\$ 933,244
Net loss	—	—	—	—	—	—	—	(82,174)	—	(82,174)
Other comprehensive gain	—	—	—	—	—	—	—	—	4,458	4,458
Stock based compensation	—	—	—	—	—	—	(212)	—	—	(212)
Cash dividend	—	—	—	—	—	—	—	—	—	—
Issuance of common stock:										
Stock grants – vesting of restricted stock units	3,026	—	—	—	—	—	—	1	—	1
Issuance of common stock	11,308,676	11	—	—	—	—	35,307	—	—	35,318
Issuance of preferred shares	—	—	44,301	138,462	—	—	—	—	—	138,462
Issuance of warrants	—	—	—	—	6	54,219	—	—	—	54,219
Issuance costs	—	—	—	(8,210)	—	(3,215)	(2,094)	—	—	(13,519)
Balance: September 30, 2024	<u>67,855,084</u>	<u>\$ 68</u>	<u>44,301</u>	<u>\$ 130,252</u>	<u>6</u>	<u>\$ 51,004</u>	<u>\$ 754,815</u>	<u>\$ 139,148</u>	<u>\$ (5,490)</u>	<u>\$ 1,069,797</u>
Balance: December 31, 2022	56,325,242	\$ 56	—	\$ —	—	\$ —	\$ 719,606	\$ 426,659	\$ (11,943)	\$ 1,134,378
Net loss	—	—	—	—	—	—	—	(201,612)	—	(201,612)
Other comprehensive loss	—	—	—	—	—	—	—	—	(5,853)	(5,853)
Stock based compensation	—	—	—	—	—	—	1,129	—	—	1,129
Cash dividend	—	—	—	—	—	—	—	(8,456)	—	(8,456)
Issuance of common stock:										
Exercise of options	19,500	—	—	—	—	—	157	—	—	157
Stock grants – vesting of restricted stock units	134,386	—	—	—	—	—	—	—	—	—
Repurchase of shares from restricted shares vesting	(35,354)	—	—	—	—	—	(536)	—	—	(536)
Balance: September 30, 2023	<u>56,443,774</u>	<u>\$ 56</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 720,356</u>	<u>\$ 216,591</u>	<u>\$ (17,796)</u>	<u>\$ 919,207</u>
Balance: June 30, 2023	56,443,070	\$ 56	—	\$ —	—	\$ —	\$ 719,779	\$ 215,540	\$ (19,841)	\$ 915,534
Net income	—	—	—	—	—	—	—	2,180	—	2,180
Other comprehensive gain	—	—	—	—	—	—	—	—	2,045	2,045
Stock based compensation	—	—	—	—	—	—	577	—	—	577
Cash dividend	—	—	—	—	—	—	—	(1,129)	—	(1,129)
Issuance of common stock:										
Stock grants – vesting of restricted stock units	1,000	—	—	—	—	—	—	—	—	—
Repurchase of shares from restricted shares vesting	(296)	—	—	—	—	—	—	—	—	—
Balance: September 30, 2023	<u>56,443,774</u>	<u>\$ 56</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 720,356</u>	<u>\$ 216,591</u>	<u>\$ (17,796)</u>	<u>\$ 919,207</u>

(See accompanying notes to the consolidated financial statements)

FIRST FOUNDATION INC.
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS) - UNAUDITED
(In thousands)

	<u>Quarter Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net (loss) income	\$ (82,174)	\$ 2,180	\$ (78,296)	\$ (201,612)
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses) on securities arising during the period	15,874	2,137	14,908	(4,848)
Reclassification adjustment for gain included in net income	—	—	(852)	—
Total change in unrealized gain (loss) on available-for-sale securities	15,874	2,137	14,056	(4,848)
Unrealized loss on cash flow hedge arising during this period	(11,391)	—	(5,124)	—
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	(25)	(92)	(235)	(1,005)
Total other comprehensive income (loss)	4,458	2,045	8,697	(5,853)
Total comprehensive (loss) income	<u>\$ (77,716)</u>	<u>\$ 4,225</u>	<u>\$ (69,599)</u>	<u>\$ (207,465)</u>

(See accompanying notes to the consolidated financial statements)

[Table of Contents](#)

FIRST FOUNDATION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(In thousands)

	For the Nine Months Ended September 30,	
	2024	2023
Cash Flows from Operating Activities:		
Net loss	\$ (78,296)	\$ (201,612)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Goodwill impairment	—	215,252
Provision for credit losses	1,358	2
Provision (reversal) for credit losses - securities AFS	(921)	1,022
Stock-based compensation expense	845	1,129
Depreciation and amortization	3,604	3,240
Deferred tax benefit	(41,801)	(5,756)
Amortization of discount on securities	(10,513)	(2,783)
Amortization of core deposit intangible	1,060	1,246
Amortization of mortgage servicing rights - net	1,497	1,667
Gain on sale of REO	(679)	—
Gain on sale of loans	(665)	—
Gain on sale of securities available-for-sale	(1,204)	—
Gain from hedging activities	(1,672)	—
LHFS LOCOM adjustment at time of transfer	136,683	—
Change in fair value of LHFS	(19,167)	—
Amortization of OCI - securities transfer to HTM	(235)	1,005
Valuation allowance on mortgage servicing rights - net	—	(1,441)
Decrease in accrued interest receivable and other assets	16,283	15,262
Increase in accounts payable and other liabilities	6,129	13,955
Net cash provided by operating activities	<u>12,306</u>	<u>42,188</u>
Cash Flows from Investing Activities:		
Net decrease in loans	173,697	438,567
Proceeds from sale of loans	8,770	—
Proceeds from sale of REO	2,850	—
Purchase of premises and equipment	(2,362)	(6,303)
Disposals of premises and equipment	37	—
Proceeds from sale of land	1,650	—
Loss on sale of land	391	—
Purchases of securities AFS	(1,771,075)	(617,506)
Proceeds from sale of securities available-for-sale	749,020	—
Maturities of securities AFS	452,464	13,668
Maturities of securities HTM	53,919	62,164
Net (increase) decrease in FHLB stock	(13,197)	748
Net cash used in investing activities	<u>(343,836)</u>	<u>(108,662)</u>
Cash Flows from Financing Activities:		
Increase (decrease) in deposits	(384,328)	449,582
Proceeds from FHLB & FRB advances	2,793,476	87,506,041
Repayments on FHLB & FRB advances	(2,471,846)	(87,411,041)
Net change in federal funds purchased	—	(200,000)
Net decrease in line of credit	—	(8,000)
Net increase in subordinated debt	47	47
Net decrease in repurchase agreements	(39,233)	(99,313)
Dividends paid	(1,131)	(8,456)
Proceeds from exercise of stock options	—	157
Proceeds from issuance of common stock	35,318	—
Proceeds from issuance of preferred stock	138,462	—
Proceeds from issuance of convertible warrants	54,219	—
Equity issuance costs	(13,519)	—
Repurchase of stock	(142)	(536)
Net cash provided by financing activities	<u>111,323</u>	<u>228,481</u>
Increase (decrease) in cash and cash equivalents	(220,207)	162,007
Cash and cash equivalents at beginning of year	1,326,629	656,494
Cash and cash equivalents at end of period	<u>\$ 1,106,422</u>	<u>\$ 818,501</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 197	\$ —
Interest	280,746	223,654
Noncash transactions:		
Transfer of loans to loans held for sale	\$ 136,684	\$ —
Right of use lease assets and liabilities recognized	7,372	1,019
Chargeoffs against allowance for credit losses - loans	1,226	4,273
Chargeoffs against allowance for credit losses - securities	—	3,971

(See accompanying notes to the consolidated financial statements)

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

First Foundation Inc. (“FFI”) is a financial services holding company whose operations are conducted through its wholly owned subsidiaries: First Foundation Advisors (“FFA”) and First Foundation Bank (“FFB” or the “Bank”) and the wholly owned subsidiaries of FFB, First Foundation Public Finance (“FFPF”), First Foundation Insurance Services (“FFIS”) and Blue Moon Management, LLC (collectively the “Company”). FFI also has two inactive wholly owned subsidiaries, First Foundation Consulting and First Foundation Advisors, LLC. FFI is incorporated in the state of Delaware. The corporate headquarters for FFI is located in Dallas, Texas. The Company provides a comprehensive platform of financial services to individuals, businesses and other organizations and has offices in California, Nevada, Florida, Texas, and Hawaii.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and prevailing practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

The accompanying unaudited consolidated financial statements include the accounts of the Company as of September 30, 2024 and December 31, 2023, and for the nine months ended September 30, 2024 and 2023, and include all information and footnotes required for interim financial reporting presentation. All intercompany accounts and transactions have been eliminated in consolidation. The results for the 2024 interim periods are not necessarily indicative of the results expected for the full year. These financial statements assume that readers have read the most recent Annual Report on Form 10-K filed with the SEC which contains the latest available audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2023.

Significant Accounting Policies

The accounting and reporting policies of the Company are based upon GAAP and conform to predominant practices within the banking industry. We have not made any changes in our significant accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC, except for those described below.

Derivative Instruments (Cash Flow Hedge). On February 1, 2024, the Bank entered into an interest rate swap agreement with an institutional counterparty used to manage our exposure to changes in interest rates as part of our overall interest rate risk management strategy. This agreement was solely undertaken as a cash flow hedge of interest rate risk, specifically of the risk of changes in cash flows on interest payments associated with a stream of variable-rate, short-term borrowings for a corresponding amount that are attributable to changes in the future financing rates of each rolling maturity. This agreement is a derivative instrument and qualifies for hedge accounting under ASU 2017-12 “*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*”. To qualify for hedge accounting, the cash flow hedge must be highly effective at reducing the risk associated with the hedged exposure. The effectiveness of the hedging relationship is documented at inception and is monitored on at least a quarterly basis through the life of the transaction. A cash flow hedge that is designated as highly effective is carried at fair value with the change in fair value recorded in other comprehensive income (loss) (“AOCI”). If the cash flow hedge becomes ineffective, the change in fair value is reclassified from AOCI to earnings.

The cash flow hedge is classified as either derivative assets (if fair value is a net asset) or derivative liabilities (if fair value is a net liability) in the accompanying consolidated balance sheets. The earnings and cash flow impact from this derivative asset are classified as an offset to interest expense which is consistent with the underlying hedged item.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

New Accounting Pronouncements

In June 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2022-03, “*Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*”. ASU 2022-03 clarifies how the fair value of equity securities subject to contractual sale restrictions is determined. Prior to its issuance, there was diversity in practice as to whether the effects of a contractual restriction that prohibits the sale of an equity security should be considered in measuring the security’s fair value. ASU 2022-03 clarifies that a contractual sale restriction should not be considered in measuring fair value. It also requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023. The Company’s equity securities portfolio consists solely of investments in Small Business Administration (“SBA”) loan funds which can be redeemed at any time and are not subject to contractual sale restrictions. The adoption of the ASU did not have a material impact on the Company’s consolidated financial statements.

In November 2023, FASB issued ASU 2023-07, “*Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*”. ASU 2023-07 requires public entities to disclose “significant segment expenses” by reportable segment if they are regularly provided to the Chief Operating Decision Maker (“CODM”) for review of profit and loss by segment and as a tool in resource-allocation decisions. A significant segment expense category may be reported for one reportable segment but not for others. Similarly, reportable segments may have different significant segment expense categories due to the nature of their operations. The ASU also requires public entities to disclose the title and position of the individual or the name of the group identified as the CODM and how the CODM uses each reportable measure of segment profit or loss to assess performance and allocate resources to the segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023. For financial reporting purposes, the Company has two segments: Banking and Wealth Management. These disclosures are presented in Note 15: *Segment Reporting* in the accompanying financial statements. The adoption of the ASU did not have a material impact on the Company’s consolidated financial statements.

NOTE 2: FAIR VALUE MEASUREMENTS

Assets Measured at Fair Value on a Recurring Basis

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. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. 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 the Company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The following tables show the recorded amounts of assets and liabilities measured at fair value on a recurring basis as of:

<i>(dollars in thousands)</i>	Total	Fair Value Measurement Level		
		Level 1	Level 2	Level 3
September 30, 2024:				
Investment securities available-for-sale:				
Collateralized mortgage obligations	\$ 10,318	\$ —	\$ 10,318	\$ —
Agency mortgage-backed securities	1,108,337	—	1,108,337	—
Municipal bonds	46,799	—	46,799	—
SBA securities	9,627	—	9,627	—
Beneficial interests in FHLMC securitization	6,968	—	—	6,968
Corporate bonds	122,797	—	122,797	—
U.S. Treasury	1,274	1,274	—	—
Total assets at fair value on a recurring basis	<u>\$ 1,306,120</u>	<u>\$ 1,274</u>	<u>\$ 1,297,878</u>	<u>\$ 6,968</u>
Derivative liabilities:				
Cash flow hedge	\$ 5,124	\$ —	\$ 5,124	\$ —
December 31, 2023:				
Investment securities available-for-sale:				
Collateralized mortgage obligations	\$ 7,605	\$ —	\$ 7,605	\$ —
Agency mortgage-backed securities	107,347	—	107,347	—
Municipal bonds	46,436	—	46,436	—
SBA securities	13,527	—	13,527	—
Beneficial interests in FHLMC securitization	7,241	—	—	7,241
Corporate bonds	122,280	—	122,280	—
U.S. Treasury	398,790	398,790	—	—
Total assets at fair value on a recurring basis	<u>\$ 703,226</u>	<u>\$ 398,790</u>	<u>\$ 297,195</u>	<u>\$ 7,241</u>

The decrease in Level 3 assets from December 31, 2023 was due to securitization paydowns in the FHLMC portfolio in the year-to-date period ended September 30, 2024.

Assets Measured at Fair Value on a Nonrecurring Basis

From time to time, we may be required to measure other assets at fair value on a nonrecurring basis. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Loans. Loans measured at fair value on a nonrecurring basis include collateral dependent loans held for investment. The specific reserves for these loans are based on collateral value, net of estimated disposition costs and other identified quantitative inputs. Collateral value is determined based on independent third-party appraisals or internally-developed discounted cash flow analyses. Internal discounted cash flow analyses are also utilized to estimate the fair value of these loans, which considers internally-developed, unobservable inputs such as discount rates, default rates, and loss severity. When the fair value of the collateral is based on an observable market price or a current appraised value, we measure the impaired loan at nonrecurring Level 2. When an appraised value is not available, or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price or a discounted cash flow has been used to determine the fair value, we measure the collateral-dependent loan at nonrecurring Level 3. Loans for which an appraised value is not available include commercial loans which are secured by non-real estate assets such as accounts receivable and inventory. To establish fair value for these loans, we apply a recovery factor

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

against eligible receivables and inventory. This recovery factor may be either increased or decreased subject to additional support and analysis of the quality of receivables and the companies owing the receivables. The total collateral-dependent loans were \$5.7 million and \$3.8 million at September 30, 2024 and December 31, 2023, respectively. Specific reserves related to these loans totaled \$964 thousand and \$0 at September 30, 2024 and December 31, 2023, respectively.

Real Estate Owned (REO). The fair value of REO is based on external appraised values that include adjustments for estimated selling costs and assumptions of market conditions that are not directly observable, resulting in a Level 3 classification. The decrease in REO from December 31, 2023 was due to the sale of one of the two REO properties held at December 31, 2023, resulting in a gain of \$679 thousand which is included in the accompanying consolidated statements of operations. At September 30, 2024, REO consisted of one property which is carried at amortized cost as the appraised value adjusted for estimated selling costs exceeded the amortized cost basis.

Mortgage Servicing Rights. When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income, resulting in a Level 3 classification. Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. At September 30, 2024, there was no valuation allowance on the mortgage servicing rights. Significant assumptions in the valuation of these Level 3 mortgage servicing rights as of September 30, 2024, included prepayment rates ranging from 20% to 30% and a discount rate of 10%.

Loans Held for Sale. Loans held for sale are accounted for at the lower of amortized cost or fair value. The fair value for loans held for sale is based upon a discounted cash flow model which involves estimating the future cash flows from the loans in the portfolio and discounting to a present value. Contractual cash flows associated with the loans are adjusted to reflect certain assumptions, such as prepayment, default, and loss severity assumptions, to form expected prepayment and credit-adjusted expected cash flows. The expected cash flows are then discounted to present value at a rate of return which considers other costs and risks, such as market risk and liquidity. Significant assumptions in the valuation of these Level 3 loans held for sale as of September 30, 2024, included prepayment rates of 4% and 12% for fixed-rate and floating-rate loans, respectively; discount rates ranging from 2.35% to 5.55%; and annual expected loss assumption rate of 0.05%.

Fair Value of Financial Instruments

FASB ASC 825-10, “*Disclosures about Fair Value of Financial Instruments*” requires disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate such value. The methodologies for estimating the fair value of financial assets and financial liabilities measured at fair value on a recurring and non-recurring basis are discussed above. The estimated fair value amounts have been determined by management using available market information and appropriate valuation methodologies and are based on the exit price notion set forth by ASU 2016-01. In cases where quoted market prices are not available, fair values are based on estimates using present value or other market value techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. The aggregate fair value amounts presented below do not represent the underlying value of the Company.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

Fair value estimates are made at a discrete point in time based on relevant market information and other information about the financial instruments. Because no active market exists for a significant portion of our financial instruments, fair value estimates are based in large part on judgments we make primarily regarding current economic conditions, risk characteristics of various financial instruments, prepayment rates, and future expected loss experience. These estimates are subjective in nature and invariably involve some inherent uncertainties. Additionally, unexpected changes in events or circumstances can occur that could require us to make changes to our assumptions and which, in turn, could significantly affect and require us to make changes to our previous estimates of fair value.

In addition, the fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of existing and anticipated future customer relationships and the value of assets and liabilities that are not considered financial instruments, such as premises and equipment and other real estate owned.

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and Cash Equivalents. The fair value of cash and cash equivalents approximates its carrying value.

Interest-Bearing Deposits with Financial Institutions. The fair value of interest-bearing deposits maturing within ninety days approximate their carrying values.

Investment Securities Available-for-Sale. Investment securities available for sale are measured at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. When a market is illiquid or there is a lack of transparency around the inputs to valuation, the securities are classified as Level 3 and reliance is placed upon external third-party models, and management judgment and evaluation for valuation. Level 1 investment securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 investment securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Investment securities classified as Level 3 include beneficial interests in FHLMC securitizations. Significant assumptions in the valuation of these Level 3 securities as of September 30, 2024 and December 31, 2023 included prepayment rates of 20% and 25%, respectively and discount rates ranging from 5.90% to 8.80% and 8.35% to 10.0%, respectively.

Investment Securities Held-to-Maturity. Investment securities held-to-maturity are carried at amortized cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity. Investment securities held-to-maturity consist of agency mortgage-backed securities issued by government sponsored entities. Fair value is determined based upon the same independent pricing model utilized for valuation of Level 2 investment securities available-for-sale.

Investment in Equity Securities. The fair value on investment in equity securities is the carrying amount and is evaluated for impairment on an annual basis.

Investment in Federal Home Loan Bank Stock. The Bank is a member of the Federal Home Loan Bank (the "FHLB"). As a member, we are required to own stock of the FHLB, the amount of which is based primarily on the level of our borrowings from this institution. Because ownership is restricted, the fair value of the stock is not readily determinable and is therefore equal to the carrying amount, is classified as restricted securities and is periodically evaluated for impairment based on our assessment of the ultimate recoverability of our investments in that stock. Any cash or stock dividends paid to us on such stock are reported as income.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

Loans Held for Investment. The fair value for loans with variable interest rates is the carrying amount. The fair value of fixed rate loans is derived by calculating the discounted value of future cash flows expected to be received by the various homogeneous categories of loans or by reference to secondary market pricing. All loans have been adjusted to reflect changes in credit risk.

Accrued Interest Receivable. The fair value of accrued interest receivable on loans and investment securities approximates its carrying value.

Derivative Instruments (Cash Flow Hedge). The Bank entered into a pay-fixed, receive-variable interest rate swap agreement with a counterparty. This agreement was solely undertaken as a cash flow hedge of interest rate risk, specifically of the risk of changes in cash flows on interest payments associated with a stream of variable-rate, short-term borrowings for a corresponding amount that are attributable to changes in the future financing rates of each rolling maturity. We estimate the fair value of this agreement based on inputs from a third-party pricing model, which incorporates such factors as the Treasury curve, the secured overnight financial rate (“SOFR”), and the pay rate on the interest rate swaps. The fair value of this derivative instrument is based on a discounted cash flow approach. The observable nature of the inputs used in deriving its fair value results in a Level 2 classification.

Deposits. The fair value of demand deposits, savings deposits, and money market deposits is defined as the amounts payable on demand resulting in a Level 1 classification. The fair value of fixed maturity certificates of deposit is estimated based on the discounted value of the future cash flows expected to be paid on the deposits resulting in a Level 2 classification.

Borrowings. The fair value of borrowings is the carrying value of overnight FHLB advances and federal funds purchased that approximate fair value because of the short-term maturity of these instruments, resulting in a Level 1 classification. The fair value of borrowings in the form of FHLB putable advances also approximates carrying value and are classified as Level 1 instruments.

Subordinated debt. The fair value of term borrowings is derived by calculating the discounted value of future cash flows expected to be paid out by the Company resulting in a Level 3 classification.

Accrued Interest Payable. The fair value of accrued interest payable on deposits, borrowings, and subordinated debt approximates its carrying value.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The following table sets forth the estimated fair values and related carrying amounts of our financial instruments as of:

<i>(dollars in thousands)</i>	Carrying Value	Fair Value Measurement Level			Total
		1	2	3	
September 30, 2024:					
Assets:					
Cash and cash equivalents	\$ 1,106,422	\$ 1,106,422	\$ —	\$ —	\$ 1,106,422
Securities AFS, net	1,306,120	1,275	1,297,877	6,968	1,306,120
Securities HTM	734,863	—	675,768	—	675,768
Loans held for sale	1,788,395	—	—	1,788,395	1,788,395
Loans, net	8,059,563	—	4,922	7,746,825	7,751,747
Investment in FHLB stock	37,810	—	37,810	—	37,810
Investment in equity securities	11,780	—	—	11,780	11,780
Accrued interest receivable	53,766	53,766	—	—	53,766
Liabilities:					
Deposits	\$ 10,304,604	\$ 8,131,079	\$ 2,601,375	\$ —	\$ 10,732,454
Borrowings	1,691,453	1,729,848	—	—	1,729,848
Subordinated debt	173,444	—	—	138,978	138,978
Accrued interest payable	46,438	46,438	—	—	46,438
Derivative liabilities	5,124	—	5,124	—	5,124
December 31, 2023:					
Assets:					
Cash and cash equivalents	\$ 1,326,629	\$ 1,326,629	\$ —	\$ —	\$ 1,326,629
Securities AFS, net	703,226	398,790	297,194	7,242	703,226
Securities HTM	789,578	—	710,021	—	710,021
Loans, net	10,148,597	—	—	9,827,508	9,827,508
Investment in FHLB stock	24,613	—	24,613	—	24,613
Investment in equity securities	11,768	—	—	11,768	11,768
Accrued interest receivable	54,163	54,163	—	—	54,163
Liabilities:					
Deposits	\$ 10,688,932	\$ 7,545,262	\$ 3,145,870	\$ —	\$ 10,691,132
Borrowings	1,409,056	609,056	800,000	—	1,409,056
Subordinated debt	173,397	—	—	136,002	136,002
Accrued interest payable	42,177	42,177	—	—	42,177

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

NOTE 3: SECURITIES

The following table provides a summary of the Company's securities AFS portfolio as of:

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized		Allowance for Credit Losses	Estimated Fair Value
		Gains	Losses		
September 30, 2024:					
Collateralized mortgage obligations	\$ 11,251	\$ 26	\$ (959)	\$ —	\$ 10,318
Agency mortgage-backed securities	1,094,633	13,966	(262)	—	1,108,337
Municipal bonds	49,174	—	(2,375)	—	46,799
SBA securities	9,688	5	(66)	—	9,627
Beneficial interests in FHLMC securitization	13,758	21	(333)	(6,478)	6,968
Corporate bonds	133,786	—	(10,168)	(821)	122,797
U.S. Treasury	1,299	—	(25)	—	1,274
Total	<u>\$ 1,313,589</u>	<u>\$ 14,018</u>	<u>\$ (14,188)</u>	<u>\$ (7,299)</u>	<u>\$ 1,306,120</u>
December 31, 2023:					
Collateralized mortgage obligations	\$ 8,946	\$ —	\$ (1,341)	\$ —	\$ 7,605
Agency mortgage-backed securities	106,733	1,028	(414)	—	107,347
Municipal bonds	49,473	—	(3,037)	—	46,436
SBA securities	13,631	2	(106)	—	13,527
Beneficial interests in FHLMC securitization	14,473	4	(418)	(6,818)	7,241
Corporate bonds	138,858	—	(15,176)	(1,402)	122,280
U.S. Treasury	399,375	—	(585)	—	398,790
Total	<u>\$ 731,489</u>	<u>\$ 1,034</u>	<u>\$ (21,077)</u>	<u>\$ (8,220)</u>	<u>\$ 703,226</u>

The following table provides a summary of the Company's securities HTM portfolio as of:

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrecognized		Allowance for Credit Losses	Estimated Fair Value
		Gains	Losses		
September 30, 2024:					
Agency mortgage-backed securities	\$ 734,863	\$ —	\$ (59,095)	\$ —	\$ 675,768
Total	<u>\$ 734,863</u>	<u>\$ —</u>	<u>\$ (59,095)</u>	<u>\$ —</u>	<u>\$ 675,768</u>
December 31, 2023:					
Agency mortgage-backed securities	\$ 789,578	\$ 1	\$ (79,558)	\$ —	\$ 710,021
Total	<u>\$ 789,578</u>	<u>\$ 1</u>	<u>\$ (79,558)</u>	<u>\$ —</u>	<u>\$ 710,021</u>

As of September 30, 2024, the tables above include \$575.1 million in agency mortgage-backed securities pledged as collateral to the state of Florida to meet regulatory requirements; \$1.3 million in U.S. Treasury securities pledged as collateral to various states to meet regulatory requirements related to the Bank's trust operations; \$259.5 million of agency mortgage-backed securities pledged as collateral as support for the Bank's obligations under loan sales and securitization agreements entered into from 2018 and 2021; and \$82.6 million in securities consisting of SBA securities, collateralized mortgage obligations, and agency mortgage-backed securities pledged as collateral for repurchase agreements obtained from a prior bank acquisition. A total of \$904.9 million in SBA and agency mortgage-backed securities, collateralized mortgage obligations, corporate and municipal bonds are pledged as collateral to the Federal Reserve Bank's discount window and bank term funding program from which the Bank may borrow.

We monitor the credit quality of these securities by evaluating various quantitative attributes. The credit quality indicators the Company monitors include, but are not limited to, credit ratings of individual securities and the credit rating

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

of United States government-sponsored enterprises that guarantee the securities. Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, as defined by NRSROs, are generally considered by the rating agencies and market participants to be low credit risk. As of September 30, 2024, all of the Company's securities were either investment grade or were issued by a U.S. government agency or GSE with an investment grade rating, with the exception of two corporate bonds having a combined market value of \$32.0 million which were below investment grade.

The tables below indicate the gross unrealized losses and fair values of our securities AFS portfolio, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

<i>(dollars in thousands)</i>	Securities with Unrealized Loss at September 30, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Collateralized mortgage obligations	\$ —	\$ —	\$ 7,360	\$ (959)	\$ 7,360	\$ (959)
Agency mortgage-backed securities	1,803	(9)	4,668	(253)	6,471	(262)
Municipal bonds	1,698	(34)	44,600	(2,341)	46,298	(2,375)
SBA securities	151	—	8,170	(66)	8,321	(66)
Beneficial interests in FHLMC securitization	—	—	4,145	(333)	4,145	(333)
Corporate bonds	28,189	(1,811)	95,429	(8,357)	123,618	(10,168)
U.S. Treasury	—	—	1,275	(25)	1,275	(25)
Total	\$ 31,841	\$ (1,854)	\$ 165,647	\$ (12,334)	\$ 197,488	\$ (14,188)

<i>(dollars in thousands)</i>	Securities with Unrealized Loss at December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Collateralized mortgage obligations	\$ —	\$ —	\$ 7,606	\$ (1,341)	\$ 7,606	\$ (1,341)
Agency mortgage-backed securities	—	—	5,710	(414)	5,710	(414)
Municipal bonds	1,779	(26)	42,847	(3,011)	44,626	(3,037)
SBA securities	353	—	12,025	(106)	12,378	(106)
Beneficial interests in FHLMC securitization	—	—	4,041	(418)	4,041	(418)
Corporate bonds	14,847	(153)	108,832	(15,023)	123,679	(15,176)
U.S. Treasury	397,942	(534)	848	(51)	398,790	(585)
Total	\$ 414,921	\$ (713)	\$ 181,909	\$ (20,364)	\$ 596,830	\$ (21,077)

Unrealized losses in the securities AFS portfolio have not been recognized into income because the securities are either of high credit quality, management does not intend to sell, it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery, or the decline in fair value is largely due to changes in discount rates and assumptions regarding future interest rates. The fair value is expected to recover as the bonds approach maturity.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The tables below indicate the gross unrecognized losses and fair value of our securities HTM portfolio, aggregated by investment category and length of time that the individual securities have been in a continuous unrecognized loss position.

<i>(dollars in thousands)</i>	Securities with Unrecognized Loss at September 30, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Agency mortgage-backed securities	\$ 18,146	\$ (87)	\$ 657,622	\$ (59,008)	\$ 675,768	\$ (59,095)
Total	\$ 18,146	\$ (87)	\$ 657,622	\$ (59,008)	\$ 675,768	\$ (59,095)

<i>(dollars in thousands)</i>	Securities with Unrecognized Loss at December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Agency mortgage-backed securities	\$ —	\$ —	\$ 689,454	\$ (79,558)	\$ 689,454	\$ (79,558)
Total	\$ —	\$ —	\$ 689,454	\$ (79,558)	\$ 689,454	\$ (79,558)

During the nine-month period ending September 30, 2024, securities available-for-sale with an amortized cost of \$741 million were sold, resulting in gross realized gains of \$1.4 million and gross realized losses of \$0.2 million. There were no security sales during the nine-month period ending September 30, 2023.

The following is a rollforward of the Company's allowance for credit losses related to investments for the following periods:

<i>(dollars in thousands)</i>	Beginning Balance	Provision (Reversal) for Credit Losses	Charge-offs	Recoveries	Ending Balance
Three Months Ended September 30, 2024:					
Beneficial interests in FHLMC securitization	\$ 6,502	\$ (24)	\$ —	\$ —	\$ 6,478
Corporate bonds	840	(19)	—	—	821
Total	\$ 7,342	\$ (43)	\$ —	\$ —	\$ 7,299
Nine Months Ended September 30, 2024:					
Beneficial interests in FHLMC securitization	\$ 6,818	\$ (340)	\$ —	\$ —	\$ 6,478
Corporate bonds	1,402	(581)	—	—	821
Total	\$ 8,220	\$ (921)	\$ —	\$ —	\$ 7,299
Three Months Ended September 30, 2023:					
Municipal bonds	\$ —	\$ 1	\$ —	\$ —	\$ 1
Beneficial interests in FHLMC securitization	7,058	40	—	—	7,098
Corporate bonds	1,477	(86)	—	—	1,391
Total	\$ 8,535	\$ (45)	\$ —	\$ —	\$ 8,490
Nine Months Ended September 30, 2023:					
Municipal bonds	\$ —	\$ 1	\$ —	\$ —	\$ 1
Beneficial interests in FHLMC securitization	11,439	(370)	(3,971)	—	7,098
Corporate bonds	—	1,391	—	—	1,391
Total	\$ 11,439	\$ 1,022	\$ (3,971)	\$ —	\$ 8,490

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

During the nine-month periods ending September 30, 2024 and September 30, 2023, the Company recorded a provision (reversal) for credit losses of (\$921) thousand and \$1.0 million, respectively.

The allowance for credit losses (“ACL”) on investment securities is determined for both held-to-maturity and available-for-sale classifications of the investment portfolio in accordance with ASC 326 and is evaluated on a quarterly basis. The ACL for held-to-maturity investment securities is determined on a collective basis, based on shared risk characteristics, and is determined at the individual security level when the Company deems a security to no longer possess shared risk characteristics. Under ASC 326-20, for investment securities where the Company has reason to believe the credit loss exposure is remote, such as those guaranteed by the U.S. government or government sponsored entities, a zero-loss expectation is applied and a company is not required to estimate and recognize an ACL. The ACL related to held-to-maturity investment securities was zero at September 30, 2024.

For securities AFS in an unrealized loss position, the Company first evaluates whether it intends to sell, or whether it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of these criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income. If neither criterion is met, the Company is required to assess whether the decline in fair value has resulted from credit losses or noncredit-related factors. In determining whether a security’s decline in fair value is credit related, the Company considers a number of factors including, but not limited to: (i) the extent to which the fair value of the investment is less than its amortized cost; (ii) the financial condition and near-term prospects of the issuer; (iii) downgrades in credit ratings; (iv) payment structure of the security; and (v) the ability of the issuer of the security to make scheduled principal and interest payments. If, after considering these factors, the present value of expected cash flows to be collected is less than the amortized cost basis, a credit loss exists, and an allowance for credit loss is recorded through income as a component of provision for credit loss expense. If the assessment indicates that a credit loss does not exist, the Company records the decline in fair value through other comprehensive income (loss), net of related income tax effects. The Company has made the election to exclude accrued interest receivable on securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of a security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

On a quarterly basis, the Company engages with an independent third party to perform an analysis of expected credit losses for its municipal and corporate bond securities in order to supplement our own internal review. As of September 30, 2024, the analysis concluded and the Company concurred that fifteen corporate bonds were impacted by credit loss, for which (\$581) thousand was recorded as reversal of provision to the ACL related to available-for-sale securities and that no municipal bond securities were impacted by credit loss. The ACL reserve related to corporate bond securities within the available-for-sale portfolio totaled \$821 thousand at September 30, 2024. Charge-offs totaled \$0 and \$4.0 million for the nine-month periods ended September 30, 2024 and September 30, 2023, respectively. For the year ended December 31, 2023, the Company recorded total charge-offs of \$4.0 million related to several interest-only strip securities. The ACL related to available-for-sale securities totaled \$7.3 million and \$8.2 million as of September 30, 2024 and December 31, 2023, respectively.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The amortized cost and fair value of investment securities AFS by contractual maturity were as follows for the periods indicated:

<i>(dollars in thousands)</i>	1 Year or Less	More than 1 Year through 5 Years	More than 5 Years through 10 Years	More than 10 Years	Total
September 30, 2024					
Amortized Cost:					
Collateralized mortgage obligations	\$ —	\$ 277	\$ 171	\$ 10,803	\$ 11,251
Agency mortgage-backed securities	102	3,238	—	1,091,293	1,094,633
Municipal bonds	500	15,318	31,118	2,238	49,174
SBA securities	—	474	414	8,800	9,688
Beneficial interests in FHLMC securitization	3,130	4,809	—	5,819	13,758
Corporate bonds	—	61,957	66,304	5,525	133,786
U.S. Treasury	799	500	—	—	1,299
Total	<u>\$ 4,531</u>	<u>\$ 86,573</u>	<u>\$ 98,007</u>	<u>\$ 1,124,478</u>	<u>\$ 1,313,589</u>
Weighted average yield	<u>0.82 %</u>	<u>5.98 %</u>	<u>3.01 %</u>	<u>5.49 %</u>	<u>5.32 %</u>
Estimated Fair Value:					
Collateralized mortgage obligations	\$ —	\$ 261	\$ 166	\$ 9,891	\$ 10,318
Agency mortgage-backed securities	101	3,137	—	1,105,098	1,108,336
Municipal bonds	500	14,900	29,520	1,879	46,799
SBA securities	—	472	414	8,741	9,627
Beneficial interests in FHLMC securitization	3,130	4,809	—	5,507	13,446
Corporate bonds	—	59,121	60,165	4,332	123,618
U.S. Treasury	796	479	—	—	1,275
Total	<u>\$ 4,527</u>	<u>\$ 83,179</u>	<u>\$ 90,265</u>	<u>\$ 1,135,448</u>	<u>\$ 1,313,419</u>
December 31, 2023					
Amortized Cost:					
Collateralized mortgage obligations	\$ —	\$ —	\$ 513	\$ 8,433	\$ 8,946
Agency mortgage-backed securities	141	4,364	—	102,228	106,733
Municipal bonds	—	9,672	36,103	3,698	49,473
SBA securities	—	944	623	12,064	13,631
Beneficial interests in FHLMC securitization	3,315	5,380	—	5,778	14,473
Corporate bonds	5,012	60,444	67,872	5,530	138,858
U.S. Treasury	398,676	699	—	—	399,375
Total	<u>\$ 407,144</u>	<u>\$ 81,503</u>	<u>\$ 105,111</u>	<u>\$ 137,731</u>	<u>\$ 731,489</u>
Weighted average yield	<u>5.47 %</u>	<u>6.46 %</u>	<u>2.90 %</u>	<u>5.94 %</u>	<u>5.30 %</u>
Estimated Fair Value:					
Collateralized mortgage obligations	\$ —	\$ —	\$ 466	\$ 7,139	\$ 7,605
Agency mortgage-backed securities	137	4,134	—	103,076	107,347
Municipal bonds	—	9,231	34,142	3,063	46,436
SBA securities	—	936	622	11,969	13,527
Beneficial interests in FHLMC securitization	3,315	5,380	—	5,364	14,059
Corporate bonds	4,973	58,337	56,395	3,977	123,682
U.S. Treasury	398,135	655	—	—	398,790
Total	<u>\$ 406,560</u>	<u>\$ 78,673</u>	<u>\$ 91,625</u>	<u>\$ 134,588</u>	<u>\$ 711,446</u>

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The amortized cost and fair value of investment securities HTM by contractual maturity were as follows for the periods indicated:

<i>(dollars in thousands)</i>	1 Year or Less	More than 1 Year through 5 Years	More than 5 Years through 10 Years	More than 10 Years	Total
September 30, 2024					
Amortized Cost:					
Agency mortgage-backed securities	\$ —	\$ 4,949	\$ 9,364	\$ 720,550	\$ 734,863
Total	<u>\$ —</u>	<u>\$ 4,949</u>	<u>\$ 9,364</u>	<u>\$ 720,550</u>	<u>\$ 734,863</u>
Weighted average yield	<u>—%</u>	<u>0.95%</u>	<u>1.54%</u>	<u>2.32%</u>	<u>2.30%</u>
Estimated Fair Value:					
Agency mortgage-backed securities	\$ —	\$ 4,705	\$ 8,744	\$ 662,319	\$ 675,768
Total	<u>\$ —</u>	<u>\$ 4,705</u>	<u>\$ 8,744</u>	<u>\$ 662,319</u>	<u>\$ 675,768</u>
December 31, 2023					
Amortized Cost:					
Agency mortgage-backed securities	\$ —	\$ 4,259	\$ 12,537	\$ 772,782	\$ 789,578
Total	<u>\$ —</u>	<u>\$ 4,259</u>	<u>\$ 12,537</u>	<u>\$ 772,782</u>	<u>\$ 789,578</u>
Weighted average yield	<u>—%</u>	<u>0.86%</u>	<u>1.44%</u>	<u>2.26%</u>	<u>2.24%</u>
Estimated Fair Value:					
Agency mortgage-backed securities	\$ —	\$ 3,972	\$ 11,457	\$ 694,592	\$ 710,021
Total	<u>\$ —</u>	<u>\$ 3,972</u>	<u>\$ 11,457</u>	<u>\$ 694,592</u>	<u>\$ 710,021</u>

NOTE 4: LOANS

The following is a summary of our loans held for investment as of:

<i>(dollars in thousands)</i>	September 30, 2024	December 31, 2023
Outstanding principal balance:		
Loans secured by real estate:		
Residential properties:		
Multifamily	\$ 3,322,471	\$ 5,227,885
Single family	889,616	950,712
Total real estate loans secured by residential properties	<u>4,212,087</u>	<u>6,178,597</u>
Commercial properties	952,700	987,596
Land and construction	80,307	137,298
Total real estate loans	<u>5,245,094</u>	<u>7,303,491</u>
Commercial and industrial loans	2,837,830	2,856,228
Consumer loans	832	1,328
Total loans	<u>8,083,756</u>	<u>10,161,047</u>
Premiums, discounts and deferred fees and expenses	5,107	16,755
Total	<u>\$ 8,088,863</u>	<u>\$ 10,177,802</u>

The Company's loans held for investment portfolio is segmented according to loans that share similar attributes and risk characteristics. In August 2024, a portion of the Company's multifamily portfolio totaling \$1.9 billion in principal

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

balance was reclassified from loans held for investment to loans held for sale. As of September 30, 2024, none of the loans transferred have been sold.

Loans secured by real estate include those secured by either residential or commercial real estate properties, such as multifamily and single-family residential loans; owner occupied and non-owner occupied commercial real estate loans; and land and construction loans.

Commercial and industrial loans are loans to businesses where the operating cash flow of the business is the primary source of payment. This segment includes commercial revolving lines of credit and term loans, municipal finance loans, equipment finance loans and SBA loans.

Consumer loans include personal installment loans and line of credit, and home equity lines of credit. These loan products are offered as an accommodation to clients of our primary business lines.

Loans with a collateral value totaling \$184.6 million and \$283.7 million were pledged as collateral to secure borrowings with the Federal Reserve Bank at September 30, 2024 and December 31, 2023, respectively. Loans with a market value of \$4.3 billion and \$4.2 billion were pledged as collateral to secure borrowings with the FHLB at September 30, 2024 and December 31, 2023, respectively.

During the nine-month period ended September 30, 2024, loans totaling \$8.1 million in unpaid principal balance were sold, resulting in a net gain on sale of loans of \$665 thousand. There were no loan sales during the nine-month period ended September 30, 2023.

The following table summarizes our delinquent and nonaccrual loans as of:

<i>(dollars in thousands)</i>	Past Due and Still Accruing			Nonaccrual	Total Past Due and Nonaccrual	Current	Total
	30-59 Days	60-89 Days	90 Days or More				
September 30, 2024:							
Real estate loans:							
Residential properties	\$ 1,887	\$ —	\$ —	\$ 20,357	\$ 22,244	\$ 4,198,803	\$ 4,221,047
Commercial properties	9,046	—	—	9,145	18,191	933,976	952,167
Land and construction	—	—	—	—	—	80,153	80,153
Commercial and industrial loans	8,088	10,138	—	8,704	26,930	2,807,701	2,834,631
Consumer loans	—	—	—	—	—	865	865
Total	<u>\$ 19,021</u>	<u>\$ 10,138</u>	<u>\$ —</u>	<u>\$ 38,206</u>	<u>\$ 67,365</u>	<u>\$ 8,021,498</u>	<u>\$ 8,088,863</u>
Percentage of total loans	0.24 %	0.13 %	— %	0.47 %	0.83 %		
December 31, 2023:							
Real estate loans:							
Residential properties	\$ 93	\$ 416	\$ —	\$ 112	\$ 621	\$ 6,196,923	\$ 6,197,544
Commercial properties	27,403	403	1,730	2,915	32,451	954,321	986,772
Land and construction	—	—	—	—	—	136,827	136,827
Commercial and industrial loans	525	88	—	8,804	9,417	2,845,845	2,855,262
Consumer loans	—	—	—	—	—	1,397	1,397
Total	<u>\$ 28,021</u>	<u>\$ 907</u>	<u>\$ 1,730</u>	<u>\$ 11,831</u>	<u>\$ 42,489</u>	<u>\$ 10,135,313</u>	<u>\$ 10,177,802</u>
Percentage of total loans	0.28 %	0.01 %	0.02 %	0.12 %	0.42 %		

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The following table summarizes our nonaccrual loans as of:

<i>(dollars in thousands)</i>	Nonaccrual with Allowance for Credit Losses	Nonaccrual with no Allowance for Credit Losses
September 30, 2024:		
Real estate loans:		
Residential properties	\$ 883	\$ 19,474
Commercial properties	9,145	—
Commercial and industrial loans	8,704	—
Total	<u>\$ 18,732</u>	<u>\$ 19,474</u>
December 31, 2023:		
Real estate loans:		
Residential properties	\$ —	\$ 112
Commercial properties	—	2,915
Commercial and industrial loans	7,406	1,398
Total	<u>\$ 7,406</u>	<u>\$ 4,425</u>

The Company adopted ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* on January 1, 2023. The amendments in this ASU eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, *Receivables-Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The amendments in this ASU were applied prospectively, and therefore, loan modification and charge off information is provided for only those items occurring after the January 1, 2023 adoption date.

Based on the guidance in ASU 2022-02, a loan modification or refinancing results in a new loan if the terms of the new loan are at least as favorable to the lender as the terms with customers with similar collection risks that are not refinancing or restructuring their loans and the modification to the terms of the loan are more than minor. If a loan modification or refinancing does not result in a new loan, it is classified as a loan modification.

There are additional disclosures for modification of loans with borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows. The disclosures are applicable to situations where there is interest rate reduction, term extensions, principal forgiveness, other-than-insignificant payment delays, or a combination of any of these items.

FIRST FOUNDATION INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the Nine Months Ended September 30, 2024 - UNAUDITED

The following table presents our loan modifications made to borrowers experiencing financial difficulty by type of modification for the nine-month periods ended September 30, 2024 and 2023, respectively with related amortized cost balances, respective percentage share of the total class of loans, and the related financial effect:

September 30, 2024:			
Term Extension			
	Amortized Cost Basis	% of Total Class of Loans	Financial Effect
Residential loans	\$ 6	— %	1 loan with term extension of 22 months.
Commercial real estate loans	12,900	1.40 %	1 loan with term extension of 10 months. 6 loans with various extensions of loan maturity ranging from 3 to 60 months and payment deferral.
Commercial and industrial loans	2,294	— %	1 loan with 3-month extension and 3-month forbearance. 1 loan with \$100 payments through 3 months.
Total	<u>\$ 15,200</u>		
Combination			
	Amortized Cost Basis	% of Total Class of Loans	Financial Effect
Commercial and industrial loans	\$ 9,568	0.40 %	5 loans with various extensions of loan maturity ranging from 6 to 7 months and payment deferral. 1 loan with 5 month forbearance and interest rate reduction. 2 loans with \$100 payments through 3 months with payment deferral. 2 loans with term extension of 12 months and payment deferral.
Total	<u>\$ 9,568</u>		
Total			
	Amortized Cost Basis	% of Total Class of Loans	
Residential loans	\$ 6	— %	
Commercial real estate loans	12,900	1.40 %	
Commercial and industrial loans	11,862	0.40 %	
Total	<u>\$ 24,768</u>		
September 30, 2023:			
Term Extension			
	Amortized Cost Basis	% of Total Class of Loans	Financial Effect
Commercial and industrial loans	\$ 5,770	0.20 %	1 loan with 3-month extension
Total	<u>\$ 5,770</u>		
Payment Deferrals			
	Amortized Cost Basis	% of Total Class of Loans	Financial Effect
Commercial and industrial loans	\$ 400	— %	4 loans each with partial payment deferrals for 3 months
Total	<u>\$ 400</u>		
Combination			
	Amortized Cost Basis	% of Total Class of Loans	Financial Effect
Commercial real estate loans	\$ 645	0.10 %	1 loan with 10 year term extension and interest reduction
Total	<u>\$ 645</u>		
Total			
	Amortized Cost Basis	% of Total Class of Loans	
Commercial real estate loans	\$ 645	0.10 %	
Commercial and industrial loans	6,170	0.20 %	
Total	<u>\$ 6,815</u>		

FIRST FOUNDATION INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the Nine Months Ended September 30, 2024 - UNAUDITED

The following table presents the amortized cost basis of loans that had a payment default since modification during the nine-months ended September 30, 2024 and 2023, respectively:

		<i>September 30, 2024:</i>	
		Combination	
	# of Loans Defaulted	Amortized Cost Basis	
Commercial and industrial loans	2	\$ 2,229	
Total	2	\$ 2,229	
		Total	
	# of Loans Defaulted	Amortized Cost Basis	
Commercial and industrial loans	2	\$ 2,229	
Total	2	\$ 2,229	
		<i>September 30, 2023:</i>	
		Payment Deferrals	
	# of Loans Defaulted	Amortized Cost Basis	
Commercial and industrial loans	1	\$ 1,339	
Total	1	\$ 1,339	
		Combination	
	# of Loans Defaulted	Amortized Cost Basis	
Commercial and industrial loans	1	\$ 950	
Total	1	\$ 950	
		Total	
	# of Loans Defaulted	Amortized Cost Basis	
Commercial and industrial loans	2	\$ 2,289	
Total	2	\$ 2,289	

The following table presents the payment status of our loan modifications made during the previous twelve-month period of October 1, 2023 to September 30, 2024:

<i>(dollars in thousands)</i>	Current	30-89 Days Past Due	90+ Days Past Due	Nonaccrual	Total
September 30, 2024:					
Residential loans	\$ 253	\$ —	\$ —	\$ —	\$ 253
Commercial real estate loans	12,900	—	—	—	12,900
Commercial and industrial loans	6,104	7,060	—	8,252	21,416
Total	\$ 19,257	\$ 7,060	\$ —	\$ 8,252	\$ 34,569

NOTE 5: ALLOWANCE FOR CREDIT LOSSES

The Company accounts for ACL related to loans in accordance with ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the Company to record an estimate of current expected credit losses (“CECL”) for loans at the time of origination. The ACL is maintained at a level deemed appropriate by management to provide for expected credit losses in the portfolio as of the date of the consolidated balance sheet.

The measurement of the ACL is performed by collectively pooling and evaluating loans with similar risk characteristics. The quantitative CECL model estimates credit losses by applying pool-specific probability of default (“PD”) and loss given default (“LGD”) rates to the expected exposure at default (“EAD”) over the contractual life of the loans. A significant portion of the ACL is calculated and measured on a collective pool basis, representing \$7.9 billion or approximately 97.4% of the total blended loan portfolio as of September 30, 2024. As of December 31, 2023, the ACL was calculated and measured based upon \$9.9 billion or 97.2% of the total blended portfolio evaluated on a collective pool

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

basis and \$268 million in small homogeneous loan portfolios or 2.6% of the total blended portfolio evaluated using historical loss factors. Pooled loan segments consisted of multifamily, commercial, single-family, non-owner occupied commercial real estate, and construction loans. The remaining portion of the loan portfolio, representing \$200.6 million or approximately 2.5% of the total blended loan portfolio, consisted of small homogeneous loan portfolios which has its quantitative reserve calculated separately based on historical loss factors for the respective portfolios or, if no historical loss is available, based on peer group historical losses. These loan portfolios include equipment finance, land, consumer and commercial small balance loans. In addition, collateral dependent loans are separately valued based on the fair value of the underlying collateral.

The measurement also incorporates qualitative components such as internal and external risk factors that may not be adequately assessed in the quantitative model. Qualitative adjustments primarily relate to segments of the loan portfolio deemed by management to be of a higher-risk profile or other factors where management believes the quantitative component of the ACL model may not be fully reflective of levels deemed adequate in the judgment of management. Qualitative adjustments may also relate to uncertainty as to future macroeconomic conditions and the related impact on certain loan segments. Management reviews the need for an appropriate level of quantitative adjustments on a quarterly basis, and as such, the amount and allocation of qualitative adjustments may change in future periods. Management applies a two-year time horizon in its ACL model at which there is a gradual reversion back to historical loss experience.

For purposes of calculating the ACL, the Company has elected to include deferred loan fees and expenses in the loan balance and exclude accrued interest from loan balances.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The following is a rollforward of the allowance for credit losses related to loans for the following periods:

<i>(dollars in thousands)</i>	Beginning Balance	Provision (Reversal) for Credit Losses	Charge-offs	Recoveries	Ending Balance
Three Months Ended September 30, 2024:					
Real estate loans:					
Residential properties	\$ 9,013	\$ (2,010)	\$ —	\$ —	\$ 7,003
Commercial properties	6,086	493	—	—	6,579
Land and construction	77	(17)	—	—	60
Commercial and industrial loans	14,104	1,809	(341)	80	15,652
Consumer loans	15	14	(23)	—	6
Total	<u>\$ 29,295</u>	<u>\$ 289</u>	<u>\$ (364)</u>	<u>\$ 80</u>	<u>\$ 29,300</u>
Nine Months Ended September 30, 2024:					
Real estate loans:					
Residential properties	\$ 9,921	\$ (2,918)	\$ —	\$ —	\$ 7,003
Commercial properties	4,148	2,431	—	—	6,579
Land and construction	332	(272)	—	—	60
Commercial and industrial loans	14,796	1,676	(1,203)	383	15,652
Consumer loans	8	20	(23)	1	6
Total	<u>\$ 29,205</u>	<u>\$ 937</u>	<u>\$ (1,226)</u>	<u>\$ 384</u>	<u>\$ 29,300</u>
Three Months Ended September 30, 2023:					
Real estate loans:					
Residential properties	\$ 8,234	140	—	—	\$ 8,374
Commercial properties	5,253	(979)	—	—	4,274
Land and construction	287	(13)	—	—	274
Commercial and industrial loans	17,690	(1,070)	(1,183)	814	16,251
Consumer loans	21	—	—	1	22
Total	<u>\$ 31,485</u>	<u>\$ (1,922)</u>	<u>\$ (1,183)</u>	<u>\$ 815</u>	<u>\$ 29,195</u>
Nine Months Ended September 30, 2023:					
Real estate loans:					
Residential properties	\$ 8,306	\$ 68	\$ —	\$ —	\$ 8,374
Commercial properties	8,714	(4,191)	(249)	—	4,274
Land and construction	164	110	—	—	274
Commercial and industrial loans	16,521	2,019	(4,022)	1,733	16,251
Consumer loans	26	(4)	(2)	2	22
Total	<u>\$ 33,731</u>	<u>\$ (1,998)</u>	<u>\$ (4,273)</u>	<u>\$ 1,735</u>	<u>\$ 29,195</u>

FIRST FOUNDATION INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the Nine Months Ended September 30, 2024 - UNAUDITED

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the operation or sale of the collateral. Collateral dependent loans are evaluated individually to determine expected credit losses and any ACL allocation is determined based upon the amount by which amortized costs exceed the estimated fair value of the collateral, adjusted for estimated selling costs (if applicable).

The following table presents the amortized cost basis of collateral dependent loans and the related ACL allocated to these loans as of the dates indicated:

<i>(dollars in thousands)</i>	Real Estate	Cash	Equipment/ Receivables	Total	ACL Allocation
September 30, 2024:					
Loans secured by real estate:					
Residential properties					
Single family	\$ 244	\$ —	\$ —	\$ 244	\$ —
Commercial real estate loans	5,462	—	—	5,462	964
Commercial loans	—	—	—	—	—
Total	<u>\$ 5,706</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,706</u>	<u>\$ 964</u>
December 31, 2023:					
Loans secured by real estate:					
Commercial real estate loans	\$ 2,523	\$ —	\$ —	\$ 2,523	\$ —
Commercial loans	—	250	978	1,228	—
Total	<u>\$ 2,523</u>	<u>\$ 250</u>	<u>\$ 978</u>	<u>\$ 3,751</u>	<u>\$ —</u>

Credit Risk Management

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as loans secured by multifamily or commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass: Loans classified as pass are strong credits with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller, homogeneous loans not assessed on an individual basis.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The following tables present risk categories of loans based on year of origination, and includes gross charge-offs in accordance with ASU 2022-02 as of the dates presented:

<i>(dollars in thousands)</i>	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
September 30, 2024:								
Loans secured by real estate:								
Residential								
Multifamily								
Pass	\$ 73,086	\$ 542	\$ 1,712,559	\$ 789,647	\$ 394,488	\$ 273,934	\$ —	\$ 3,244,256
Special mention	—	—	—	6,489	11,628	51,471	—	69,588
Substandard	—	—	—	—	—	14,070	—	14,070
Total	<u>\$ 73,086</u>	<u>\$ 542</u>	<u>\$ 1,712,559</u>	<u>\$ 796,136</u>	<u>\$ 406,116</u>	<u>\$ 339,475</u>	<u>\$ —</u>	<u>\$ 3,327,914</u>
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Single family								
Pass	\$ 2,999	\$ 10,030	\$ 248,194	\$ 260,156	\$ 91,456	\$ 212,099	\$ 45,767	\$ 870,701
Special mention	—	—	—	—	—	1,403	—	1,403
Substandard	—	—	—	—	—	20,905	124	21,029
Total	<u>\$ 2,999</u>	<u>\$ 10,030</u>	<u>\$ 248,194</u>	<u>\$ 260,156</u>	<u>\$ 91,456</u>	<u>\$ 234,407</u>	<u>\$ 45,891</u>	<u>\$ 893,133</u>
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial real estate								
Pass	\$ 2,437	\$ 2,408	\$ 224,226	\$ 116,802	\$ 143,541	\$ 419,491	\$ —	\$ 908,905
Special mention	—	—	—	1,198	2,225	843	—	4,266
Substandard	—	12,900	—	111	1,274	24,711	—	38,996
Total	<u>\$ 2,437</u>	<u>\$ 15,308</u>	<u>\$ 224,226</u>	<u>\$ 118,111</u>	<u>\$ 147,040</u>	<u>\$ 445,045</u>	<u>\$ —</u>	<u>\$ 952,167</u>
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Land and construction								
Pass	\$ 108	\$ 24,962	\$ 32,067	\$ 8,078	\$ 9,190	\$ 5,748	\$ —	\$ 80,153
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total	<u>\$ 108</u>	<u>\$ 24,962</u>	<u>\$ 32,067</u>	<u>\$ 8,078</u>	<u>\$ 9,190</u>	<u>\$ 5,748</u>	<u>\$ —</u>	<u>\$ 80,153</u>
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial								
Pass	\$ 58,523	\$ 148,702	\$ 1,012,681	\$ 251,189	\$ 92,598	\$ 35,695	\$ 1,171,997	\$ 2,771,385
Special mention	721	8,134	8,499	24,368	17	619	3,976	46,334
Substandard	116	34	68	804	3,686	2,490	9,714	16,912
Total	<u>\$ 59,360</u>	<u>\$ 156,870</u>	<u>\$ 1,021,248</u>	<u>\$ 276,361</u>	<u>\$ 96,301</u>	<u>\$ 38,804</u>	<u>\$ 1,185,687</u>	<u>\$ 2,834,631</u>
Gross charge-offs	\$ —	\$ 179	\$ 678	\$ 303	\$ 43	\$ —	\$ —	\$ 1,203
Consumer								
Pass	\$ 24	\$ 7	\$ —	\$ 516	\$ —	\$ 52	\$ 266	\$ 865
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total	<u>\$ 24</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 516</u>	<u>\$ —</u>	<u>\$ 52</u>	<u>\$ 266</u>	<u>\$ 865</u>
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 23	\$ 23
Total loans								
Pass	\$ 137,177	\$ 186,651	\$ 3,229,727	\$ 1,426,388	\$ 731,273	\$ 947,019	\$ 1,218,030	\$ 7,876,265
Special mention	721	8,134	8,499	32,055	13,870	54,336	3,976	121,591
Substandard	116	12,934	68	915	4,960	62,176	9,838	91,007
Total	<u>\$ 138,014</u>	<u>\$ 207,719</u>	<u>\$ 3,238,294</u>	<u>\$ 1,459,358</u>	<u>\$ 750,103</u>	<u>\$ 1,063,531</u>	<u>\$ 1,231,844</u>	<u>\$ 8,088,863</u>
Gross charge-offs	\$ —	\$ 179	\$ 678	\$ 303	\$ 43	\$ —	\$ 23	\$ 1,226

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

<i>(dollars in thousands)</i>	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
December 31, 2023:								
Loans secured by real estate:								
Residential								
Multifamily								
Pass	\$ 37,343	\$ 2,355,381	\$ 1,537,636	\$ 763,736	\$ 289,675	\$ 243,146	\$ —	\$ 5,226,917
Special mention	—	—	1,248	—	5,577	9,426	—	16,251
Substandard	—	—	—	—	—	—	—	—
Total	<u>\$ 37,343</u>	<u>\$ 2,355,381</u>	<u>\$ 1,538,884</u>	<u>\$ 763,736</u>	<u>\$ 295,252</u>	<u>\$ 252,572</u>	<u>\$ —</u>	<u>\$ 5,243,168</u>
Gross charge-offs	\$ —	—	—	—	—	—	—	\$ —
Single family								
Pass	\$ 13,631	\$ 259,043	\$ 267,373	\$ 92,567	\$ 38,132	\$ 208,035	\$ 54,444	\$ 933,225
Special mention	—	—	—	—	—	20,166	—	20,166
Substandard	—	—	—	—	—	846	139	985
Total	<u>\$ 13,631</u>	<u>\$ 259,043</u>	<u>\$ 267,373</u>	<u>\$ 92,567</u>	<u>\$ 38,132</u>	<u>\$ 229,047</u>	<u>\$ 54,583</u>	<u>\$ 954,376</u>
Gross charge-offs	\$ —	—	—	—	—	—	—	\$ —
Commercial real estate								
Pass	\$ 2,469	\$ 221,525	\$ 130,579	\$ 119,684	\$ 81,243	\$ 383,729	\$ —	\$ 939,229
Special mention	—	—	1,223	2,275	—	10,747	—	14,245
Substandard	12,900	—	116	1,445	11,424	7,413	—	33,298
Total	<u>\$ 15,369</u>	<u>\$ 221,525</u>	<u>\$ 131,918</u>	<u>\$ 123,404</u>	<u>\$ 92,667</u>	<u>\$ 401,889</u>	<u>\$ —</u>	<u>\$ 986,772</u>
Gross charge-offs	\$ —	—	—	—	—	249	—	\$ 249
Land and construction								
Pass	\$ 19,151	\$ 43,923	\$ 29,445	\$ 36,498	\$ 807	\$ 7,003	\$ —	\$ 136,827
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total	<u>\$ 19,151</u>	<u>\$ 43,923</u>	<u>\$ 29,445</u>	<u>\$ 36,498</u>	<u>\$ 807</u>	<u>\$ 7,003</u>	<u>\$ —</u>	<u>\$ 136,827</u>
Gross charge-offs	\$ —	—	—	—	—	—	—	\$ —
Commercial								
Pass	\$ 182,391	\$ 1,082,510	\$ 291,663	\$ 119,035	\$ 21,314	\$ 25,030	\$ 1,087,075	\$ 2,809,018
Special mention	—	1,360	24,653	703	56	656	735	28,163
Substandard	55	12	842	3,881	1,325	458	11,508	18,081
Total	<u>\$ 182,446</u>	<u>\$ 1,083,882</u>	<u>\$ 317,158</u>	<u>\$ 123,619</u>	<u>\$ 22,695</u>	<u>\$ 26,144</u>	<u>\$ 1,099,318</u>	<u>\$ 2,855,262</u>
Gross charge-offs	\$ 257	1,420	1,205	587	117	48	1,364	\$ 4,998
Consumer								
Pass	\$ 47	\$ —	\$ 577	\$ —	\$ 299	\$ 59	\$ 415	\$ 1,397
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total	<u>\$ 47</u>	<u>\$ —</u>	<u>\$ 577</u>	<u>\$ —</u>	<u>\$ 299</u>	<u>\$ 59</u>	<u>\$ 415</u>	<u>\$ 1,397</u>
Gross charge-offs	\$ —	—	—	—	—	—	2	\$ 2
Total loans								
Pass	\$ 255,032	\$ 3,962,382	\$ 2,257,273	\$ 1,131,520	\$ 431,470	\$ 867,002	\$ 1,141,934	\$ 10,046,613
Special mention	—	1,360	27,124	2,978	5,633	40,995	735	78,825
Substandard	12,955	12	958	5,326	12,749	8,717	11,647	52,364
Total	<u>\$ 267,987</u>	<u>\$ 3,963,754</u>	<u>\$ 2,285,355</u>	<u>\$ 1,139,824</u>	<u>\$ 449,852</u>	<u>\$ 916,714</u>	<u>\$ 1,154,316</u>	<u>\$ 10,177,802</u>
Gross charge-offs	\$ 257	1,420	1,205	587	117	297	1,366	\$ 5,249

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

NOTE 6: CORE DEPOSIT INTANGIBLES

Core deposit intangibles are intangible assets having definite useful lives arising from whole bank acquisitions. Core deposit intangibles are amortized on an accelerated method over their estimated useful lives, ranging from 7 to 10 years. At September 30, 2024 and December 31, 2023, core deposit intangible assets totaled \$3.9 million and \$4.9 million, respectively, and we recognized \$1.1 million and \$1.2 million in core deposit intangible amortization expense for the nine-month periods ended September 30, 2024 and September 30, 2023, respectively.

NOTE 7: DERIVATIVE ASSETS/LIABILITIES

On February 1, 2024, the Bank entered into an interest rate swap agreement with an institutional counterparty to hedge against our exposure to changes in interest rates as part of our overall interest rate risk management strategy. On the date the agreement was entered into, the derivative was designated as a cash flow hedge, as it was undertaken to manage the risk of changes in cash flows on interest payments associated with a stream of variable-rate, short-term borrowings for a corresponding amount that are attributable to changes in the future financing rates of each rolling maturity. At inception and on a quarterly basis thereafter, an assessment is performed to determine the effectiveness of the derivative at reducing the risk associated with the hedged exposure. A cash flow hedge designated as highly effective is carried at fair value on the balance sheet with the portion of change in fair value of the cash flow hedge considered highly effective recognized in AOCI. If the cash flow hedge becomes ineffective, the portion of the change in fair value of the cash flow hedge considered ineffective is reclassified from AOCI to earnings.

The hedging instrument is a pay-fixed, receive variable interest rate swap agreement having a beginning notional amount of \$450 million. The Bank pays quarterly interest at a fixed rate of 3.583% and receives quarterly interest payments calculated at the Daily Simple SOFR over the same period. The original term of the agreement is five years, expiring on February 1, 2029. On March 28, 2024, the original hedge position notional amount was reduced by \$100 million, and a corresponding amount of the hedged item was simultaneously de-designated, resulting in the recording of a gain of \$1.7 million, classified as capital markets activities on the accompanying statements of operations.

At September 30, 2024, the fair value of the cash flow hedge was (\$5.1) million and is classified as derivative liabilities with a corresponding amount classified as a component of AOCI on the accompanying balance sheet.

NOTE 8: LOAN SALES AND MORTGAGE SERVICING RIGHTS

The Company retained servicing rights for the majority of the loans sold and recognized mortgage servicing rights in connection with multifamily loan sale transactions that occurred in 2021 and prior. As of September 30, 2024, mortgage servicing rights totaled \$4.0 million with no valuation allowance. At December 31, 2023, mortgage servicing rights totaled \$5.5 million, inclusive of a valuation allowance of \$0.3 million. Mortgage servicing rights are classified as a component of other assets in the accompanying consolidated balance sheets. The amount of loans serviced for others totaled \$897 million and \$1.0 billion at September 30, 2024 and December 31, 2023, respectively. Servicing fees collected for the nine-month periods ended September 30, 2024 and 2023 totaled \$1.8 million and \$1.9 million, respectively.

There were no loan sale or purchase transactions that resulted in the recognition of mortgage servicing rights in 2024 and 2023.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

NOTE 9: DEPOSITS

The following table summarizes the outstanding balance of deposits and average rates paid thereon as of:

<i>(dollars in thousands)</i>	September 30, 2024		December 31, 2023	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Demand deposits:				
Noninterest-bearing	\$ 2,136,442	—	\$ 1,467,806	—
Interest-bearing	1,999,229	3.66 %	2,881,786	2.94 %
Money market and savings	3,543,668	3.93 %	3,195,670	3.81 %
Certificates of deposit	2,625,265	4.77 %	3,143,670	4.87 %
Total	<u>\$ 10,304,604</u>	<u>3.28 %</u>	<u>\$ 10,688,932</u>	<u>3.36 %</u>

The following table provides the remaining maturities of certificate of deposit accounts of greater than \$250,000 as of:

<u>Large Denomination Certificates of Deposit Maturity Distribution</u>	<u>September 30, 2024</u>		<u>December 31, 2023</u>	
	<i>(dollars in thousands)</i>			
3 months or less	\$	60,095	\$	343,078
Over 3 months through 6 months		75,036		24,126
Over 6 months through 12 months		63,479		56,415
Over 12 months		10,562		30,994
Total	<u>\$</u>	<u>209,172</u>	<u>\$</u>	<u>454,613</u>

Large depositor relationships, consisting of deposit relationships which exceed 2% of total deposits, accounted for, in the aggregate, 17.6% and 12.5% of our total deposits as of September 30, 2024 and December 31, 2023, respectively. The composition of our large depositor relationships continues to include clients which have maintained long-term depository relationships with us.

Accrued interest payable on deposits, which is included in accounts payable and other liabilities, was \$34.5 million and \$36.7 million at September 30, 2024 and December 31, 2023, respectively.

NOTE 10: BORROWINGS

The Bank has established secured and unsecured lines of credit under which it may borrow funds from time to time on a term or overnight basis from the FHLB, Federal Reserve Bank of San Francisco (the “Federal Reserve Bank”), and other institutions. At September 30, 2024, our borrowings consisted of \$1 billion in FHLB putable advances at the Bank, \$400 million of FHLB term advances at the Bank, \$267 million in term advances from the Federal Reserve Bank, and \$25 million in repurchase agreements at the Bank. At December 31, 2023, our borrowings consisted of \$800 million in FHLB putable advances at the Bank, \$100 million of FHLB term advances at the Bank, \$160 million in overnight advances and \$285 million in term advances from the Federal Reserve Bank, and \$64 million in repurchase agreements at the Bank.

FHLB Advances

The FHLB putable advances outstanding at September 30, 2024 had a weighted average remaining life of 6.50 years and a weighted average fixed interest rate of 3.74%. The putable advances can be called quarterly until maturity at the option of the FHLB at various put dates, with \$300 million eligible for exercising in December 2024 and the remaining \$700 million eligible for exercising beginning in June 2025.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

The FHLB term advances outstanding at September 30, 2024 consist of the following:

\$300 million in a three-year fixed-rate advance maturing on May 28, 2027 at an interest rate of 4.95%.

\$100 million in a five-year fixed rate advance maturing on June 28, 2028 at an interest rate of 4.21%.

FHLB advances are collateralized primarily by loans secured by single family, multifamily, and commercial real estate properties with a market value of \$4.3 billion as of September 30, 2024. The Bank's total unused borrowing capacity from the FHLB as of September 30, 2024 was \$2.0 billion. The Bank had in place \$10 million of letters of credit from the FHLB as of September 30, 2024, which are used to meet collateral requirements for deposits from local agencies.

The FHLB putable advances outstanding at December 31, 2023 had a weighted average remaining life of 5.41 years and a weighted average fixed interest rate of 3.74%. The FHLB term advances had a fixed interest rate of 4.21% and matures on June 28, 2028. FHLB advances were collateralized primarily by loans secured by single family, multifamily, and commercial real estate properties with a market value of \$4.3 billion as of December 31, 2023. The Bank's total unused borrowing capacity from the FHLB as of December 31, 2023 was \$2.0 billion. The Bank had in place \$310 million of letters of credit from the FHLB as of December 31, 2023, which are used to meet collateral requirements for deposits from the State of California and local agencies.

Federal Reserve Bank Borrowings

The Bank has a secured line of credit with the Federal Reserve Bank including the secured borrowing capacity through the Federal Reserve Bank's Discount Window, Borrower-in-Custody ("BIC"), and Bank Term Funding ("BTFP") programs. Borrowings under the BIC program are overnight advances with interest chargeable at the primary credit borrowing rate. At September 30, 2024, the Bank did not have any borrowings outstanding under the BIC program. Borrowings under the BTFP, which was established in March 2023, are for periods up to one year in length, with interest rates based on the one-year overnight index swap ("OIS") rate plus a spread of 10 basis points. BTFP borrowings totaled \$267 million at September 30, 2024, maturing on January 15, 2025, at an interest rate of 4.76%. BTFP borrowings are collateralized by eligible investment securities valued at par and provide an additional source of liquidity. At September 30, 2024, the Bank had secured unused borrowing capacity of \$823 million under this agreement.

At December 31, 2023, the Bank had outstanding BIC program borrowings totaling \$160 million, bearing a fixed interest rate of 5.50% and were repaid in full in early January, 2024. At December 31, 2023, the Bank had outstanding BTFP borrowings totaling \$285 million. At December 31, 2023, the Bank had secured unused borrowing capacity of \$823 million under this agreement.

Uncommitted Credit Facilities:

The Bank has a total of \$240 million in borrowing capacity through unsecured federal funds lines, ranging in size from \$20 million to \$100 million, with six correspondent financial institutions. There were no balances outstanding under these arrangements as of September 30, 2024 and December 31, 2023.

Holding Company Line of Credit:

FFI has entered into a loan agreement with an unaffiliated lender that provides for a revolving line of credit for up to \$20 million maturing in February 2025. The loan bears an interest rate of Prime rate, plus 50 basis points (0.50%). FFI's obligations under the loan agreement are secured by, among other things, a pledge of all of its equity in the Bank. We are required to meet certain financial covenants during the term of the loan, including minimum capital levels and limits on classified assets. As of September 30, 2024 and December 31, 2023, FFI was in compliance with the covenants

FIRST FOUNDATION INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the Nine Months Ended September 30, 2024 - UNAUDITED

contained in the loan agreement. As of September 30, 2024 and December 31, 2023, there were no balances outstanding under this agreement.

Repurchase Agreements:

The repurchase agreements are treated as overnight borrowings with the obligations to repurchase securities sold reflected as a liability. The investment securities underlying these agreements remain in the Company's securities AFS portfolio. As of September 30, 2024 and December 31, 2023, the repurchase agreements are collateralized by investment securities with a fair value of approximately \$82.6 million and \$76.3 million, respectively.

NOTE 11: SUBORDINATED DEBT

At September 30, 2024 and December 31, 2023, FFI had two issuances of subordinated notes outstanding with an aggregate carrying value of \$173 million. At September 30, 2024 and December 31, 2023, FFI was in compliance with all covenants under its subordinated debt agreements. The following table summarizes the outstanding subordinated notes as of the dates indicated:

<i>(dollars in thousands)</i>	Stated Maturity	Current Interest Rate	Current Principal Balance	Carrying Value	
				September 30, 2024	December 31, 2023
Subordinated notes					
Subordinated notes due 2032, 3.50% per annum until February 1, 2027, 3-month SOFR + 2.04% thereafter	February 1, 2032	3.50 %	\$ 150,000	\$ 148,238	\$ 148,058
Subordinated notes due 2030, 6.0% per annum until June 30, 2025, 3-month SOFR + 5.90% thereafter.	June 30, 2030	6.00 %	24,165	25,206	25,339
Total			<u>\$ 174,165</u>	<u>\$ 173,444</u>	<u>\$ 173,397</u>

NOTE 12: INCOME TAXES

For the nine-month period ended September 30, 2024, the Company recorded an income tax benefit of \$36.1 million and had an effective tax rate of 31.6%. For the nine-month period ended September 30, 2023, the Company recorded income tax expense of \$1.3 million and had an effective tax rate of -0.65%. The changes in the effective tax rate were predominately due to the changes in pretax income most notably in the current quarter there was a \$117.5 million LOCOM loss related to the reclassification of \$1.9 billion of loans from loans held for investment to loans held for sale. The effective tax rates differ from the combined federal and state statutory rates for the Company of 28.2% due primarily to various permanent tax differences, including tax-exempt income and tax credits from low-income housing tax credit investments.

The Company accounts for income taxes by recognizing deferred tax assets and liabilities based upon future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established if it is "more likely than not" that all or a portion of the deferred tax assets will not be realized. Management has evaluated the realization of deferred tax assets and has determined that it is more likely than not that all of the deferred tax assets would be realized, therefore no valuation allowance was provided against the deferred tax assets.

Deferred tax assets totaled \$65.1 million and \$29.1 million at September 30, 2024 and December 31, 2023, respectively.

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

NOTE 13: SHAREHOLDERS' EQUITY

FFI is a holding company and does not have any direct operating activities. Any future cash flow needs of FFI are expected to be met by its existing cash and cash equivalents and dividends from its subsidiaries. The Bank is subject to various laws and regulations that limit the amount of dividends that a bank can pay without obtaining prior approval from bank regulators. Additionally, under the terms of the holding company line of credit agreement, FFI may only declare and pay a dividend if the total amount of dividends and stock repurchases does not exceed 50% of FFI's earnings before interest, taxes, depreciation, and amortization ("EBITDA") for the current twelve-month period. FFI's cash and cash equivalents totaled \$9.5 million and \$15.3 million at September 30, 2024 and December 31, 2023, respectively.

On July 8, 2024, the Company raised approximately \$228 million of gross proceeds in an equity capital raise ("July 2024 Capital Raise") with certain investors. In the July 2024 Capital Raise, the Company sold and issued to the investors: (a) 11,308,676 shares of common stock at a purchase price per share of \$4.10 (on July 1, 2024, the day before the announcement of the July 2024 Capital Raise, the closing price of the common stock was \$6.47); (b) 29,811 shares of a new series of preferred stock, par value \$0.001 per share, of the Company designated as Series A Noncumulative Convertible Preferred Stock (the "Series A Preferred Stock"), at a price per share of \$4,100, and each share of which is convertible into 1,000 shares of common stock (or, in certain limited circumstances, one share of Series B Preferred Stock), and all of which shares of Series A Preferred Stock represent the right (on an as converted basis) to receive approximately 29,811,000 shares of common stock; (c) 14,490 shares of a new series of preferred stock, par value \$0.001 per share, of the Company designated as Series B Noncumulative Preferred Stock (the "Series B Preferred Stock"), at a price per share of \$4,100, each share of which is convertible into 1,000 shares of common stock, and all of which shares of Series B Preferred Stock represent the right (on an as converted basis) to receive approximately 14,490,000 shares of common stock; and (d) Issued Warrants, which are not exercisable for 180 days after closing of the July 2024 Capital Raise, affording the holder thereof the right, until the seven-year anniversary of the issuance of such Issued Warrant, to purchase for \$5,125 per share, 22,239 shares of Series C non-voting, common-equivalent preferred stock (the "Series C NVCE Stock"). Each share of Series C NVCE Stock is convertible into 1,000 shares of common stock, all of which shares of Series C NVCE Stock, upon issuance, will represent the right (on an as converted basis) to receive approximately 22,239,000 shares of common stock. The investors are subject to a 180-day lock-up period with respect to the securities purchased. Net proceeds from the July 2024 Capital Raise of \$214.5 million, consisting of the \$228 million gross proceeds less issuance costs of \$13.5 million, were allocated amongst the newly issued equity instruments under the relative fair value method. Under the relative fair value method, each equity instrument was allocated a portion of the net proceeds based on the proportion of its fair value to the sum of the fair values of all of the equity instruments covered in the allocation.

The terms of the Series A Preferred Stock, Series B Preferred Stock, and Series C NVCE Stock are more fully described in the respective Certificates of Designation, which were included as Exhibit 3.1, Exhibit 3.2, and Exhibit 3.3, respectively to the Company's Current Report on Form 8-K filed with the SEC on July 9, 2024, and incorporated by reference therein. The terms of the Issued Warrants are more fully described in the Issued Warrant, a form of which was included as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on July 9, 2024, and incorporated by reference therein.

On September 30, 2024, stockholders approved and adopted an amendment to the Company's certificate of incorporation, as amended, to increase the number of authorized shares of common stock from 100,000,000 shares to 200,000,000 shares, and also approved the issuance of shares of common stock in connection with the July 2024 Capital Raise pursuant to NYSE listing rules. As a result of these approvals, all of the issued and outstanding shares of the Series B Preferred Stock automatically converted into shares of common stock as of the close of business on October 2, 2024, in accordance with the terms of the Certificate of Designation for the Series B Preferred Stock. In addition, the quarterly non-cumulative cash dividend (annual rate of 13%) and liquidation preference rights of the Series A Preferred Stock cease to apply. Shares of Series A Preferred Stock (a) are now entitled to receive dividends at the same time and on the same terms as shares of common stock in accordance with the Certificate of Designation for the Series A Preferred Stock, and

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

(b) rank as equal to shares of common stock in any liquidation of the Company. Furthermore, the Company will not be required to issue any cash-settled warrants to the investors who participated in the July 2024 Capital Raise. At September 30, 2024, there were no declared dividends outstanding with respect to the Series A and Series B Preferred Stock.

NOTE 14: EARNINGS PER SHARE

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if contracts to issue common stock were exercised or converted into common stock that would then share in earnings. Contracts to issue common stock include warrants, convertible preferred stock, stock options, restricted stock, and other contingent shares. As the average common share price was above the \$5.125 per share exercise price (on an as-converted basis) of the warrants, the warrants would have been included in the dilutive share count and diluted earnings per share as of September 30, 2024, if the Company had positive earnings for the period. The following table sets forth the Company’s unaudited earnings per share calculations for the three and nine months ended September 30:

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023	
	Basic	Diluted	Basic	Diluted
<i>(dollars in thousands, except per share amounts)</i>				
Net (loss) income	\$ (82,174)	\$ (82,174)	\$ 2,180	\$ 2,180
Weighted average basic common shares outstanding	66,992,701	66,992,701	56,443,539	56,443,539
Dilutive effect of options, restricted stock and contingent shares issuable		—		6,181
Diluted common shares outstanding		66,992,701		56,449,720
Net (loss) income per share	\$ (1.23)	\$ (1.23)	\$ 0.04	\$ 0.04

	Nine Months Ended September 30, 2024		Nine Months Ended September 30, 2023	
	Basic	Diluted	Basic	Diluted
<i>(dollars in thousands, except share and per share amounts)</i>				
Net (loss) income	\$ (78,296)	\$ (78,296)	\$ (201,612)	\$ (201,612)
Weighted average basic common shares outstanding	60,025,852	60,025,852	56,417,252	56,417,252
Dilutive effect of options, restricted stock and contingent shares issuable		—		—
Diluted common shares outstanding		60,025,852		56,417,252
Net (loss) income per share	\$ (1.30)	\$ (1.30)	\$ (3.57)	\$ (3.57)

Stock options for 22,550 shares of common stock were not considered in computing diluted earnings per common share for the three-month period ended September 30, 2023, as the average common share price was below the exercise price of the options outstanding. Stock options for the 22,550 shares of common stock were not considered in computing diluted earnings per share for the nine-month period ended September 30, 2023 because they are antidilutive. There were no stock options outstanding for the three and nine-month periods ended September 30, 2024.

NOTE 15: SEGMENT REPORTING

For the three and nine months ended September 30, 2024 and 2023, the Company had two reportable business segments: Banking (FFB) and Wealth Management (FFA). The results of FFI and any elimination entries are included in the column labeled Other. The reportable segments are determined by products and services offered and the corporate structure. Business segment earnings before taxes are the primary measure of the segment’s performance as evaluated by management. Business segment earnings before taxes include direct revenue and expenses of the segment as well as corporate and inter-company cost allocations. Allocations of corporate expenses, such as finance and accounting, data processing and human resources are calculated based on estimated activity or usage levels. The management accounting

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

process measures the performance of the operating segments based on the Company’s management structure and is not necessarily comparable with similar information for other financial services companies. If the management structures and/or the allocation process changes, allocations, transfers, and assignments may change.

In accordance with ASU 2023-07 “*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*”, the significant expenses shown in the tables below are those that are regularly provided to the chief operating decision maker (“CODM”) who regularly uses them, along with other information in assessing the segments’ performance and in decisions regarding the allocation of resources. With respect to ASU 2023-07, the CODM for the Company is the Chief Executive Officer. The following tables show key operating results for each of our business segments used to arrive at our consolidated totals for the following periods:

<i>(dollars in thousands)</i>	Banking	Wealth Management	Other	Total
<i>Three Months Ended September 30, 2024:</i>				
Interest income	\$ 157,156	\$ —	\$ —	\$ 157,156
Interest expense	106,317	—	1,720	108,037
Net interest income	50,839	—	(1,720)	49,119
Provision for credit losses	282	—	—	282
Noninterest income	4,598	7,704	(365)	11,937
LHFS LOCOM adjustment	(117,517)	—	—	(117,517)
Noninterest expense				
Compensation and benefits	15,688	4,154	167	20,009
Customer service costs	18,954	—	—	18,954
Professional services and marketing costs	3,298	994	803	5,095
Other	15,266	621	280	16,167
(Loss) income before income taxes	(115,568)	1,935	(3,335)	(116,968)
Income tax (benefit) expense	(34,399)	551	(946)	(34,794)
Net (loss) income	<u>\$ (81,169)</u>	<u>\$ 1,384</u>	<u>\$ (2,389)</u>	<u>\$ (82,174)</u>
<i>Three Months Ended September 30, 2023:</i>				
Interest income	\$ 144,765	\$ —	\$ —	\$ 144,765
Interest expense	90,960	—	1,732	92,692
Net interest income	53,805	—	(1,732)	52,073
Provision (reversal) for credit losses	(2,015)	—	—	(2,015)
Noninterest income	4,557	7,522	(381)	11,698
Noninterest expense				
Compensation and benefits	15,571	3,835	226	19,632
Customer service costs	24,683	—	—	24,683
Professional services and marketing costs	2,430	853	465	3,748
Other	15,303	574	266	16,143
Income (loss) before income taxes	2,390	2,260	(3,070)	1,580
Income tax (benefit) expense	(409)	659	(850)	(600)
Net income (loss)	<u>\$ 2,799</u>	<u>\$ 1,601</u>	<u>\$ (2,220)</u>	<u>\$ 2,180</u>

FIRST FOUNDATION INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2024 - UNAUDITED

<i>(dollars in thousands)</i>	Banking	Wealth Management	Other	Total
<i>Nine Months Ended September 30, 2024:</i>				
Interest income	\$ 458,523	\$ —	\$ —	\$ 458,523
Interest expense	322,059	—	5,130	327,189
Net interest income	136,464	—	(5,130)	131,334
Provision for credit losses	53	—	—	53
Noninterest income	16,522	22,843	(1,087)	38,278
LHFS LOCOM adjustment	(117,517)	—	—	(117,517)
Noninterest expense				
Compensation and benefits	45,681	12,328	502	58,511
Customer service costs	45,796	—	—	45,796
Professional services and marketing costs	8,486	2,821	845	12,152
Other	47,084	1,980	940	50,004
(Loss) income before income taxes	(111,631)	5,714	(8,504)	(114,421)
Income tax expense (benefit)	(35,365)	1,632	(2,392)	(36,125)
Net (loss) income	<u>\$ (76,266)</u>	<u>\$ 4,082</u>	<u>\$ (6,112)</u>	<u>\$ (78,296)</u>
<i>Nine Months Ended September 30, 2023:</i>				
Interest income	\$ 427,093	\$ —	\$ —	\$ 427,093
Interest expense	261,948	—	5,333	267,281
Net interest income	165,145	—	(5,333)	159,812
Provision (reversal) for credit losses	(711)	—	—	(711)
Noninterest income	14,425	22,228	(1,178)	35,475
Noninterest expense				
Goodwill impairment	215,252	—	—	215,252
Compensation and benefits	52,516	12,453	975	65,944
Customer service costs	60,402	—	—	60,402
Professional services and marketing costs	7,180	2,569	1,936	11,685
Other	40,234	1,922	871	43,027
(Loss) income before income taxes	(195,303)	5,284	(10,293)	(200,312)
Income tax expense (benefit)	2,672	1,552	(2,924)	1,300
Net (loss) income	<u>\$ (197,975)</u>	<u>\$ 3,732</u>	<u>\$ (7,369)</u>	<u>\$ (201,612)</u>

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

The following discussion and analysis is intended to facilitate the understanding and assessment of significant changes and trends in our businesses that accounted for the changes in our results of operations in the three and nine months ended September 30, 2024 as compared to our results of operations in the three and nine months ended September 30, 2023; and our financial condition at September 30, 2024 as compared to our financial condition at December 31, 2023. This discussion and analysis is based on and should be read in conjunction with our consolidated financial statements and the accompanying notes thereto contained elsewhere in this report and our audited consolidated financial statements for the year ended December 31, 2023, and the notes thereto, which are set forth in Item 8 of our Annual Report on Form 10-K which we filed with the SEC on February 28, 2024.

Forward-Looking Statements

Statements contained in this report that are not historical facts or that discuss our expectations, beliefs or views regarding our future financial performance or future financial condition, or financial or other trends in our business or in the markets in which we operate, constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Often, they include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “project,” “outlook” or words of similar meaning, or future or conditional verbs such as “will,” “would,” “should,” “could,” or “may.” Such forward-looking statements are based on current information that is available to us, and on assumptions that we make, about future events or economic or financial conditions or trends over which we do not have control. In addition, our businesses and the markets in which we operate are subject to a number of risks and uncertainties. As a result of those risks and uncertainties, our actual financial results in the future could differ, possibly materially, from those expressed in or implied by the forward-looking statements contained in this report and could cause us to make changes to our future plans.

The principal risks and uncertainties to which our businesses are subject are discussed in this Item 2 and under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Therefore, you are urged to read not only the information contained in this Item 2, but also the risk factors and other cautionary information contained under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which qualify the forward-looking statements contained in this report.

Also, our actual results in the future may differ from those currently expected due to additional risks and uncertainties of which we are not currently aware or which we do not currently view as, but in the future may become, material to our business or operating results. Due to these risks and uncertainties, you are cautioned not to place undue reliance on the forward-looking statements contained in this report and not to make predictions about our future financial performance based solely on our historical financial performance. We also disclaim any obligation to update forward-looking statements contained in this report or in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, except as may otherwise be required by applicable law or government regulations.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with GAAP and accounting practices in the banking industry. Certain of those accounting policies are considered critical accounting policies because they require us to make estimates and assumptions regarding circumstances or trends that could materially affect the value of those assets, such as economic conditions or trends that could impact our ability to fully collect our loans or ultimately realize the carrying value of certain of our other assets. Those estimates and assumptions are made based on current information available to us regarding those economic conditions or trends or other circumstances. If changes were to occur in the events, trends or other circumstances on which our estimates or assumptions were based, or other unanticipated events were to occur that might affect our operations, we may be required under GAAP to adjust our earlier estimates and to reduce the carrying values of the affected assets on our balance sheet, generally by means of charges against income, which could also affect our results of operations in the fiscal periods when those charges are recognized. Management has identified

our most critical accounting policies and accounting estimates as: allowance for credit losses – investment securities, allowance for credit losses – loans, and deferred income taxes.

Allowance for Credit Losses – Investment Securities – The ACL on investment securities is determined for both held-to-maturity and available-for-sale classifications of the investment portfolio in accordance with ASC 326 and is evaluated on a quarterly basis. The ACL for held-to-maturity investment securities is determined on a collective basis, based on shared risk characteristics, and is determined at the individual security level when we deem a security to no longer possess shared risk characteristics. Under ASC 326-20, for investment securities where we have reason to believe the credit loss exposure is remote, such as those guaranteed by the U.S. government or government sponsored entities, a zero-loss expectation is applied, and a company is not required to estimate and recognize an ACL.

For securities available-for-sale (“AFS”) in an unrealized loss position, we first evaluate whether we intend to sell, or whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of these criteria regarding intent or requirement to sell is met, the security amortized cost basis is written down to fair value through income. If neither criterion is met, we are required to assess whether the decline in fair value has resulted from credit losses or noncredit-related factors. In determining whether a security’s decline in fair value is credit related, we consider a number of factors including, but not limited to: (i) the extent to which the fair value of the investment is less than its amortized cost; (ii) the financial condition and near-term prospects of the issuer; (iii) downgrades in credit ratings; (iv) payment structure of the security; and (v) the ability of the issuer of the security to make scheduled principal and interest payments. If, after considering these factors, the present value of expected cash flows to be collected is less than the amortized cost basis, a credit loss exists, and an allowance for credit loss is recorded through income as a component of provision for credit loss expense. If the assessment indicates that a credit loss does not exist, we record the decline in fair value through other comprehensive income, net of related income tax effects. We have elected to exclude accrued interest receivable on securities from the estimate of credit losses and report accrued interest separately on the consolidated balance sheets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of a security is confirmed or when either of the criterion regarding intent or requirement to sell is met. See Note 3: *Securities* in the consolidated financial statements for additional information related to our allowance for credit losses on securities AFS.

Allowance for Credit Losses - Loans. Our ACL for loans is established through a provision for credit losses charged to expense and may be reduced by a recapture of previously established loss reserves, which are also reflected in the statement of income. Loans are charged against the ACL when management believes that collectability of the principal is unlikely. The ACL for loans is an amount that management believes will be adequate to absorb estimated losses on existing loans that may become uncollectible based on an evaluation of the collectability of loans and prior loan loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions and certain other subjective factors that may affect the borrower’s ability to pay. While we use the best information available to make this evaluation, future adjustments to our ACL may be necessary if there are significant changes in economic or other conditions that can affect the collectability in full of loans in our loan portfolios. See Note 5: *Allowance for Credit Losses*, in the consolidated financial statements for additional information related to the Company’s allowance for credit losses on loans.

Deferred Income Taxes. We record as a “deferred tax asset” on our balance sheet an amount equal to the tax credit and tax loss carryforwards and tax deductions (collectively “tax benefits”) that we believe will be available to us to offset or reduce income taxes in future periods. Under applicable federal and state income tax laws and regulations, tax benefits related to tax loss carryforwards may expire if they cannot be used within specified periods of time. Accordingly, the ability to fully use our deferred tax asset related to tax loss carryforwards to reduce income taxes in the future depends on the amount of taxable income that we generate during those time periods. At least once each year, or more frequently, if warranted, we make estimates of future taxable income that we believe we are likely to generate during those future periods. If we conclude, on the basis of those estimates and the amount of the tax benefits available to us, that it is more likely than not that we will be able to fully utilize those tax benefits prior to their expiration, we recognize the deferred tax asset in full on our balance sheet. On the other hand, if we were to conclude on the basis of those estimates and the amount of the tax benefits available to us that it has become more likely than not that we will be unable to utilize those tax benefits in full prior to their expiration, then we would establish a valuation allowance to reduce the deferred tax asset on our balance

[Table of Contents](#)

sheet to the amount with respect to which we believe it is still more likely than not that we will be able to use to offset or reduce taxes in the future. The establishment of such a valuation allowance, or any change in an existing valuation allowance, would be effectuated through the provision for income taxes for the period in which such valuation allowance is established or changed.

For complete discussion and disclosure of other accounting policies, see Note 1: *Summary of Significant Accounting Policies* of the Company's consolidated financial statements in both this quarterly filing as well as our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

We have two business segments, "Banking" and "Investment Management and Wealth Planning" ("Wealth Management"). Banking includes the operations of FFB, FFIS, FFPF, and Blue Moon Management LLC and Wealth Management includes the operations of FFA. The financial position and operating results of the stand-alone holding company, FFI, are included under the caption "Other" in certain of the tables that follow, along with any consolidation elimination entries.

Overview and Recent Developments

For the quarter ended September 30, 2024, the Company reported a net loss of \$82.2 million, compared to net income of \$3.1 million for the prior quarter and net income of \$2.2 million for the quarter ended September 30, 2023. In comparison to the prior quarter, current quarter results were impacted primarily by the recording of a \$117.5 million Lower of Cost or Market ("LOCOM") adjustment, resulting from the reclassification of a portion of the multifamily loan portfolio totaling \$1.9 billion in principal balance from loans held for investment to loans held for sale. Loans held for sale are accounted for at the lower of cost or fair value and as a result, the LOCOM adjustment, equating to 93.8% fair-value pricing, was recorded to earnings in the quarter. The reclassification is intended to provide the Company with flexibility as it explores its options for securitizing or selling the loans and maximizing final execution pricing. Offsetting the LOCOM adjustment, the Company reported an increase in net interest income after provision for credit losses of \$4.2 million or 9.4% compared to the prior quarter, as increases in interest income earned on interest-earning assets offset relatively smaller increases in interest expense on interest-bearing liabilities. Net interest income after provision for credit losses totaled \$48.8 million for the quarter ended September 30, 2024, compared to \$44.6 million for the prior quarter and \$54.1 million for the quarter ended September 30, 2023. Net interest margin ("NIM") increased to 1.50% for the quarter ended September 30, 2024, compared to 1.36% for the prior quarter. For the quarter ended September 30, 2024 the Company recorded provision for credit losses of \$282 thousand, compared to a reversal of provision of \$806 thousand in the prior quarter. The provision for credit losses recorded in the current quarter was a return to levels normally recorded following the prior quarter's reversal. The ACL related to loans held for investment totaled \$29.3 million, relatively unchanged from the prior quarter. The coverage ratio of ACL to total loans held for investment increased from 29 basis points in the prior quarter to 36 basis points in the current quarter. The increase reflects certain adjustments made to the qualitative reserve which updated adjustments for the repricing and interest rate risks in the multifamily portfolio, the potential risk associated with substandard loans not impaired and potential impact of continued high interest rates on the business and retail loan portfolios. Consideration for credit risk on the loans held for sale portfolio is considered in the fair value instead of the ACL. Noninterest income, excluding the \$117.5 million LOCOM adjustment, totaled \$11.9 million for the quarter ended September 30, 2024, compared to \$13.7 million for the prior quarter. Noninterest expense totaled \$60.2 million for the quarter ended September 30, 2024, compared to \$55.6 million for the prior quarter. The Company recorded an income tax benefit of \$34.8 million for the quarter ended September 30, 2024, compared to \$421 thousand for the prior quarter.

At September 30, 2024, the Company had total assets of \$13.4 billion, including \$8.1 billion of loans held for investment, net of deferred fees and allowance for credit losses, \$1.8 billion in loans held for sale, net of deferred fees, \$1.1 billion of cash and cash equivalents, \$1.3 billion in investment securities available-for-sale, and \$0.7 billion in investment securities held-to-maturity. This compares to total assets of \$13.3 billion, including \$10.1 billion of total loans held for investment, net of deferred fees and allowance for credit losses, \$1.3 billion of cash and cash equivalents, \$0.8 billion in investment securities held-to-maturity, and \$0.7 billion in investment securities available-for-sale at December 31, 2023. Cash and cash equivalents represented approximately 8.3% of total assets at September 30, 2024, compared to 10% of total assets at December 31, 2023. For the nine-month period ended September 30, 2024, total assets increased \$49.3 million or 0.4%, largely due to an increase in securities available-for-sale which increased \$0.6 billion, resulting

[Table of Contents](#)

from \$1.8 billion in new security purchases offset by \$1.3 billion in sales and maturities, offset by decreases in total loans and other asset categories.

At September 30, 2024, the Company had total liabilities of \$12.3 billion, including \$10.3 billion in deposits, \$1.7 billion in borrowings, and \$173 million in subordinated debt. This compares to total liabilities of \$12.4 billion, including \$10.7 billion in deposits, \$1.4 billion in borrowings, and \$173 million in subordinated debt at December 31, 2023. For the nine-month period ended September 30, 2024, total liabilities decreased \$95.1 million or 0.8%. The decrease in total liabilities is due primarily to a \$0.4 billion decrease in deposits, offset by a \$0.3 billion increase in borrowings. The decrease in deposits was the result of decreases in interest-bearing demand accounts and certificates of deposit, offset by increases in noninterest-bearing demand accounts and money market and savings accounts. The increase in borrowings was primarily due to the addition of \$500 million in FHLB advances offset by a \$178 million paydown of Federal Reserve Bank advances.

Borrowings as a percentage of total assets equaled 12.6% at September 30, 2024, compared to 10.6% of total assets at December 31, 2023. Our loan to deposit ratio was 95.9% as of September 30, 2024 compared to 95.2% as of December 31, 2023.

At September 30, 2024, the Company had total shareholders' equity of \$1.1 billion, compared to \$925.3 million at December 31, 2023. For the nine-month period ended September 30, 2024, total shareholders' equity increased \$144.5 million or 15.6%. The increase in shareholders' equity was largely due to the aforementioned July 2024 Capital Raise, which consisted of \$228 million gross proceeds less \$13.5 million in issuance costs, resulting in net proceeds of \$214.5 million. In addition, the Company reported an increase in accumulated other comprehensive income of \$8.7 million for the nine-month period ended September 30, 2024, largely due to an increase in unrealized holding gains on available-for-sale investment securities, offset by an unrealized loss on the cash flow hedge during the period. The additional capital and increase in accumulated other comprehensive income were offset by the net loss of \$78.3 million for the nine-months ended September 30, 2024, and by \$1.1 million in fourth quarter 2023 and first quarter 2024 dividends paid to shareholders.

Results of Operations

The primary sources of revenue for Banking are net interest income, fees from its deposits and trust services, gains on the sale of loans and investment securities available-for-sale, certain loan fees, and consulting fees. The primary sources of revenue for Wealth Management are asset management fees assessed on the balance of assets under management ("AUM").

[Table of Contents](#)

The following table shows key operating results for each of our business segments for the quarter ended September 30:

<i>(dollars in thousands)</i>	Banking	Wealth Management	Other	Total
2024:				
Interest income	\$ 157,156	\$ —	\$ —	\$ 157,156
Interest expense	106,317	—	1,720	108,037
Net interest income	50,839	—	(1,720)	49,119
Provision for credit losses	282	—	—	282
Noninterest income	4,598	7,704	(365)	11,937
LHFS LOCOM adjustment	(117,517)	—	—	(117,517)
Noninterest expense	53,206	5,769	1,250	60,225
(Loss) income before income taxes	(115,568)	1,935	(3,335)	(116,968)
Income tax (benefit) expense	(34,399)	551	(946)	(34,794)
Net (loss) income	<u>\$ (81,169)</u>	<u>\$ 1,384</u>	<u>\$ (2,389)</u>	<u>\$ (82,174)</u>
2023:				
Interest income	\$ 144,765	\$ —	\$ —	\$ 144,765
Interest expense	90,960	—	1,732	92,692
Net interest income	53,805	—	(1,732)	52,073
Provision (reversal) for credit losses	(2,015)	—	—	(2,015)
Noninterest income	4,557	7,522	(381)	11,698
Noninterest expense	—	—	—	—
Operating	57,987	5,262	957	64,206
Income (loss) before income taxes	2,390	2,260	(3,070)	1,580
Income tax (benefit) expense	(409)	659	(850)	(600)
Net income (loss)	<u>\$ 2,799</u>	<u>\$ 1,601</u>	<u>\$ (2,220)</u>	<u>\$ 2,180</u>

Third Quarter of 2024 Compared to Third Quarter of 2023

Combined net loss for the third quarter of 2024 was \$82.2 million, compared to net income of \$2.2 million for the third quarter of 2023. Combined net loss before income taxes for the third quarter of 2024 was \$117.0 million, compared to combined net income before taxes of \$1.6 million for the third quarter of 2023. The \$118.6 million decrease in combined net income before taxes from the year-ago quarter was primarily due to a decrease in net income before taxes in the Banking segment of \$115.6 million, resulting primarily from the LHFS LOCOM adjustment of \$117.5 million associated with the transfer of \$1.9 billion in multifamily loans from loans held for investment to loans held for sale. Net interest income decreased \$3.0 million from the year-ago quarter. Interest income increased \$12.4 million or 8.6% from the year-ago quarter but was offset by an increase in interest expense of \$15.3 million or 16.6% from the year-ago quarter. Net interest income, noninterest income, and noninterest expense are discussed in more detail in the tables that follow. The decrease in Wealth Management net income before taxes of \$0.3 million was primarily due to a \$0.5 million increase in noninterest expense, offset by an \$0.2 million increase in noninterest income.

Provision for credit losses. The provision for credit losses represents our estimate of the amount necessary to be charged against the current period's earnings to maintain the ACL for loans and investments at a level that we consider adequate in relation to the estimated losses inherent in the loan and investment portfolios. The provision for credit losses for loans is impacted by changes in loan balances as well as changes in estimated loss assumptions and charge-offs and recoveries. The amount of the provision for loans also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions and certain other subjective factors that may affect the ability of borrowers to meet their repayment obligations to us. For the quarter ended September 30, 2024, we recorded a provision for credit losses of \$0.3 million, compared to a reversal of provision expense of \$2.0 million for the year-ago quarter. The third quarter's provision consisted primarily of additions to the ACL for the loans held for investment portfolio and unused commitments, offset slightly by a decrease in provision related to investment securities. For the quarter ended September 30, 2024, we recorded net charge-offs of \$0.3 million,

[Table of Contents](#)

or 0.01% of average loans on an annualized basis compared to \$0.4 million, or 0.01% of average loans on an annualized basis in the year-ago quarter.

The following table shows key operating results for each of our business segments for the nine months ended September 30:

<i>(dollars in thousands)</i>	Banking	Wealth Management	Other	Total
2024:				
Interest income	\$ 458,523	\$ —	\$ —	\$ 458,523
Interest expense	322,059	—	5,130	327,189
Net interest income	136,464	—	(5,130)	131,334
Provision for credit losses	53	—	—	53
Noninterest income	16,522	22,843	(1,087)	38,278
LHFS LOCOM adjustment	(117,517)	—	—	(117,517)
Noninterest expense	147,047	17,129	2,287	166,463
(Loss) income before income taxes	(111,631)	5,714	(8,504)	(114,421)
Income tax (benefit) expense	(35,365)	1,632	(2,392)	(36,125)
Net (loss) income	<u>\$ (76,266)</u>	<u>\$ 4,082</u>	<u>\$ (6,112)</u>	<u>\$ (78,296)</u>
2023:				
Interest income	\$ 427,093	\$ —	\$ —	\$ 427,093
Interest expense	261,948	—	5,333	267,281
Net interest income	165,145	—	(5,333)	159,812
Provision (reversal) for credit losses	(711)	—	—	(711)
Noninterest income	14,425	22,228	(1,178)	35,475
Noninterest expense				
Goodwill impairment	215,252	—	—	215,252
Operating	160,332	16,944	3,782	181,058
(Loss) income before income taxes	(195,303)	5,284	(10,293)	(200,312)
Income tax expense (benefit)	2,672	1,552	(2,924)	1,300
Net (loss) income	<u>\$ (197,975)</u>	<u>\$ 3,732</u>	<u>\$ (7,369)</u>	<u>\$ (201,612)</u>

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Combined net loss for the nine months ended September 30, 2024 was \$78.3 million, compared to a net loss of \$201.6 million for the year-ago period. Combined net loss before income taxes for the nine months ended September 30, 2024 was \$114.4 million, compared to combined net loss before taxes of \$200.3 million for the year-ago period. The combined net losses in both periods were largely due to nonrecurring items, in particular the \$117.5 million LOCOM adjustment in 2024, and the \$215.3 million goodwill impairment charge in 2023. Excluding these items, combined net income before taxes would have been \$3.1 million for the nine months ended September 30, 2024, compared to \$14.9 million for the year-ago period. The \$11.8 million decrease in adjusted combined net income before taxes from the year-ago period was primarily due to a decrease in net interest income of \$28.5 million, offset by a \$2.8 million increase in noninterest income and a \$14.6 million decrease in noninterest expense. The decrease in net interest income from the year-ago period was due to an increase in interest expense primarily due to increases in interest expense associated with deposits, offset by an increase in interest income. Interest income increased \$31.4 million or 7.4% from the year-ago period but was offset by an increase in interest expense of \$59.9 million or 22.4% from the year-ago period. Net interest income, noninterest income, and noninterest expense are discussed in more detail in the tables that follow. The increase in Wealth Management net income before taxes of \$0.4 million was primarily due to an increase in noninterest income of \$0.6 million, offset by a \$0.2 million increase in noninterest expense.

Provision for credit losses. For the nine months ended September 30, 2024, we recorded a provision for credit losses of \$53 thousand, compared to a reversal of provision expense of \$0.7 million in the year-ago period. At September 30, 2024, the allowance for credit losses on the loans held for investment portfolio totaled \$29.3 million, compared to

[Table of Contents](#)

\$29.2 million at December 31, 2024. The coverage ratio of ACL to total loans held for investment increased from 29 basis points in the prior quarter to 36 basis points in the current quarter. The increase reflects certain adjustments made to the qualitative reserve which updated adjustments for the repricing and interest rate risks in the multifamily portfolio, the potential risk associated with substandard loans not impaired and potential impact of continued high interest rates on the business and retail loan portfolios. For the nine-month period ended September 30, 2024, we recorded net charge-offs of \$0.8 million, or 0.01% of average loans on an annualized basis compared to \$2.5 million or 0.03% of average loans on an annualized basis in the year-ago period.

Net Interest Income. The principal component of the Company's earnings is net interest income, which is the difference between the interest and fees earned on loans and investments (interest-earning assets) and the interest paid on deposits and borrowed funds (interest-bearing liabilities). Net interest margin is net interest income as a percentage of average interest-earning assets for the period. The level of interest rates and the volume and mix of interest-earning assets and interest-bearing liabilities impact net interest income and net interest margin. The net interest rate spread is the yield on average interest-earning assets minus the cost of average interest-bearing liabilities. Our net interest income, net interest rate spread, and net interest margin are sensitive to general business and economic conditions. We manage net interest income through affecting changes in the mix of interest-earning assets as well as the mix of interest-bearing liabilities, changes in the level of interest-bearing liabilities in proportion to interest-earning assets, and the growth and maturity of earning assets. For further discussion on our interest rate risk management practices, see "Interest Rate Risk Management" within this Item 2.

[Table of Contents](#)

The following tables set forth information regarding (i) the total dollar amount of interest income from interest-earning assets and the resultant average yields on those assets; (ii) the total dollar amount of interest expense and the average rate of interest on our interest-bearing liabilities; (iii) net interest income; (iv) net interest rate spread; and (v) net interest margin for the three and nine months ended September 30:

<i>(dollars in thousands)</i>	<i>Three Months Ended September 30:</i>					
	2024			2023		
	Average Balances	Interest	Average Yield /Rate	Average Balances	Interest	Average Yield /Rate
Interest-earning assets:						
Loans, including LHFS	\$ 10,055,865	\$ 120,285	4.77 %	\$ 10,472,309	\$ 124,363	4.73 %
Securities AFS	1,278,765	17,199	5.38 %	501,625	6,068	4.84 %
Securities HTM	741,873	4,176	2.25 %	805,370	4,532	2.25 %
Cash, FHLB stock, and fed funds	1,127,688	15,496	5.47 %	866,707	9,802	4.49 %
Total interest-earning assets	13,204,191	157,156	4.75 %	12,646,011	144,765	4.56 %
Noninterest-earning assets:						
Nonperforming assets	19,726			9,035		
Other	251,248			249,021		
Total assets	<u>\$ 13,475,165</u>			<u>\$ 12,904,067</u>		
Interest-bearing liabilities:						
Demand deposits	\$ 2,073,259	\$ 20,388	3.91 %	\$ 2,350,353	\$ 22,240	3.75 %
Money market and savings	3,527,161	35,850	4.04 %	3,136,053	28,275	3.58 %
Certificates of deposit	2,669,097	32,897	4.90 %	2,926,119	34,299	4.65 %
Total interest-bearing deposits	8,269,517	89,135	4.29 %	8,412,525	84,814	4.00 %
Borrowings	1,691,936	17,182	4.04 %	587,205	6,158	4.16 %
Subordinated debt	173,435	1,720	3.94 %	173,372	1,720	3.94 %
Total interest-bearing liabilities	10,134,888	108,037	4.24 %	9,173,102	92,692	4.01 %
Noninterest-bearing liabilities:						
Demand deposits	2,124,562			2,676,340		
Other liabilities	124,806			138,011		
Total liabilities	12,384,256			11,987,453		
Shareholders' equity	1,090,909			916,614		
Total liabilities and equity	<u>\$ 13,475,165</u>			<u>\$ 12,904,067</u>		
Net Interest Income		<u>\$ 49,119</u>			<u>\$ 52,073</u>	
Net Interest Rate Spread			<u>0.51 %</u>			<u>0.55 %</u>
Net Interest Margin			<u>1.50 %</u>			<u>1.66 %</u>

[Table of Contents](#)

<i>(dollars in thousands)</i>	<i>Nine Months Ended September 30:</i>					
	2024			2023		
	Average Balances	Interest	Average Yield /Rate	Average Balances	Interest	Average Yield /Rate
Interest-earning assets:						
Loans, including LHFS	\$ 10,084,178	\$ 358,973	4.75 %	\$ 10,568,012	\$ 368,477	4.65 %
Securities AFS	1,160,394	46,187	5.31 %	331,449	10,845	4.36 %
Securities HTM	762,126	12,937	2.26 %	828,952	13,418	2.16 %
FHLB stock, fed funds and deposits	1,012,308	40,426	5.33 %	1,038,722	34,353	4.42 %
Total interest-earning assets	13,019,006	458,523	4.70 %	12,767,135	427,093	4.47 %
Noninterest-earning assets:						
Nonperforming assets	17,822			14,341		
Other	261,671			402,266		
Total assets	<u>\$ 13,298,499</u>			<u>\$ 13,183,742</u>		
Interest-bearing liabilities:						
Demand deposits	\$ 2,467,225	\$ 74,328	4.02 %	\$ 2,384,829	\$ 60,491	3.39 %
Money market and savings	3,354,460	100,005	3.98 %	3,131,660	75,323	3.22 %
Certificates of deposit	2,746,876	100,682	4.90 %	2,548,552	84,072	4.41 %
Total interest-bearing deposits	8,568,561	275,015	4.29 %	8,065,041	219,886	3.65 %
Borrowings	1,541,682	47,044	4.08 %	1,163,249	42,280	4.86 %
Subordinated debt	173,419	5,130	3.95 %	173,356	5,115	3.94 %
Total interest-bearing liabilities	10,283,662	327,189	4.25 %	9,401,646	267,281	3.80 %
Noninterest-bearing liabilities:						
Demand deposits	1,903,046			2,588,053		
Other liabilities	131,742			134,791		
Total liabilities	12,318,450			12,124,490		
Shareholders' equity	980,049			1,059,252		
Total liabilities and equity	<u>\$ 13,298,499</u>			<u>\$ 13,183,742</u>		
Net Interest Income		<u>\$ 131,334</u>			<u>\$ 159,812</u>	
Net Interest Rate Spread			<u>0.45 %</u>			<u>0.67 %</u>
Net Interest Margin			<u>1.34 %</u>			<u>1.67 %</u>

[Table of Contents](#)

Net interest income is impacted by the volume (changes in volume multiplied by prior rate), interest rate (changes in rate multiplied by prior volume) and mix of interest-earning assets and interest-bearing liabilities. The following table provides a breakdown of the changes in net interest income due to volume and rate changes for the three and nine months ended September 30, 2024, as compared to the three and nine months ended September 30, 2023:

<i>(dollars in thousands)</i>	Quarter Ended September 30, 2024 vs. 2023			Nine Months Ended September 30, 2024 vs. 2023		
	Increase (Decrease) due to			Increase (Decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest earned on:						
Loans, including LHFS	\$ (5,112)	\$ 1,034	\$ (4,078)	\$ (16,964)	\$ 7,460	\$ (9,504)
Securities AFS	10,382	749	11,131	32,498	2,844	35,342
Securities HTM	(358)	2	(356)	(1,054)	573	(481)
Cash, FHLB stock, and fed funds	3,304	2,390	5,694	(863)	6,936	6,073
Total interest-earning assets	8,216	4,175	12,391	13,617	17,813	31,430
Interest paid on:						
Demand deposits	(2,750)	898	(1,852)	2,211	11,626	13,837
Money market and savings	3,771	3,804	7,575	5,978	18,704	24,682
Certificates of deposit	(3,189)	1,787	(1,402)	6,925	9,685	16,610
Borrowings	11,206	(182)	11,024	12,321	(7,557)	4,764
Subordinated debt	—	—	—	7	8	15
Total interest-bearing liabilities	9,038	6,307	15,345	27,442	32,466	59,908
Net interest (expense) income	\$ (822)	\$ (2,132)	\$ (2,954)	\$ (13,825)	\$ (14,653)	\$ (28,478)

Net interest income was \$49.1 million for the third quarter of 2024, compared to \$54.1 million for the third quarter of 2023. The overall decrease in net interest income from the year-ago period was primarily driven by rates on interest-bearing liabilities increasing faster than rates on interest-earning assets, and average interest-bearing liability balances increasing more than those of average interest-earning assets.

Interest income increased to \$157.2 million for the third quarter of 2024, compared to \$144.8 million for the third quarter of 2023. The increase in interest income was due to an increase in average yield earned on interest-earning assets, as well as an increase in average interest-earning asset balances. Yields on interest-earning assets averaged 4.75% for the third quarter of 2024, compared to 4.56% for the third quarter of 2023, an increase of 19 basis points. Average interest-earning asset balances increased 4.4% to \$13.2 billion for the third quarter of 2024, compared to \$12.6 billion for the third quarter of 2023. Yields on the loan portfolio increased to 4.77% in the third quarter of 2024, compared to 4.73% for the third quarter of 2023, while average balances decreased to \$10.1 billion for the third quarter of 2024, compared to average balances of \$10.5 billion for the third quarter of 2023. New loan fundings totaled \$366 million at an average yield of 8.23% for the third quarter of 2024, compared to new loan fundings of \$244.6 million at an average yield of 8.35% for the third quarter of 2023. Yields on the combined AFS and HTM securities portfolio increased to 4.23% for the third quarter of 2024, compared to 3.24% for the third quarter of 2023, while combined average balances increased to \$2.0 billion for the third quarter of 2024, compared to combined average balances of \$1.3 billion for the third quarter of 2023. The increase in combined average balances was due to the acquisition of higher-yielding and highly liquid AFS securities, primarily agency mortgage-backed securities.

Interest expense increased to \$108.0 million for the third quarter of 2024, compared to \$92.7 million for the third quarter of 2023. The increase in interest expense was due to increases in both average interest-bearing liability balances as well as average rates paid on such balances. Average interest-bearing liability balances, consisting of interest-bearing deposits, borrowings, and subordinated debt, increased 10.5% to \$10.1 billion for the third quarter of 2024, compared to \$9.2 billion for the third quarter of 2023. Rates on interest-bearing liability balances averaged 4.27% for the second quarter of 2024, compared to 3.97% for the second quarter of 2023. Rates on interest-bearing liability balances increased primarily due to an increase in rates paid on interest-bearing deposits, which averaged 4.29% for the third quarter of 2024, compared to 4.00% for the third quarter of 2023, an increase of 29 basis points. Rates on interest-bearing deposits increased from the year-ago period due to market competition for deposits which has driven rates paid to higher levels, as well as client migration from noninterest-bearing demand accounts to higher-rate money market, and higher-yielding savings accounts.

[Table of Contents](#)

Average rates paid on borrowings decreased to 4.04% for the third quarter of 2024, compared to 4.16% for the third quarter of 2023, while average borrowings increased to \$1.7 billion for the third quarter of 2024, compared to \$0.6 billion for the third quarter of 2023. Average borrowings increased as the Company locked-in lower-rate term borrowings and utilized the borrowings primarily to purchase higher-yielding, high-quality securities to improve the balance sheet's rate profile and more efficiently enhance recurring revenue.

Net interest income was \$131.3 million for the nine-month period ended September 30 2024, compared to \$159.8 million for the year-ago period. The overall decrease in net interest income from the year-ago period was primarily driven by rates on interest-bearing liabilities increasing faster than rates on interest-earning assets, and average interest-bearing liability balances increasing at a higher rate than those of average interest-earning assets.

Interest income increased to \$458.5 million for the nine-month period ended September 30, 2024, compared to \$427.1 million for the year-ago period. The increase in interest income was due to increases in both average interest-earning asset balances as well as average yield earned on such balances. Average interest-earning asset balances increased 2.0% to \$13.0 billion for the nine-month period ended September 30, 2024, compared to \$12.8 billion for the year-ago period. Yields on interest-earning assets increased to 4.70% for the nine-month period ended September 30, 2024, compared to 4.47% for the year-ago period, an increase of 23 basis points. Yields on the loan portfolio increased to 4.75% for the nine-month period ended September 30, 2024, compared to 4.65% for the year-ago period, while average balances decreased to \$10.1 billion for the nine-month period ended September 30, 2024, compared to average balances of \$10.6 billion in the year-ago period. New loan fundings totaled \$1.2 billion at an average yield of 8.25% for the nine-month period ended September 30, 2024, compared to new loan fundings of \$1.2 billion at an average yield of 7.79% for the year-ago period. Yields on the combined AFS and HTM securities portfolio increased to 4.10% for the nine-month period ended September 30, 2024, compared to 2.79% for the year-ago period, while combined average balances increased to \$1.9 billion for the nine-month period ended September 30, 2024, compared to combined average balances of \$1.2 billion for the year-ago period. The increase in combined average balances was due to the acquisition of higher-yielding and highly liquid AFS securities, primarily agency mortgage-backed securities.

Interest expense increased to \$327.2 million for the nine-month period ended September 30, 2024, compared to \$267.3 million for the year-ago period. The increase in interest expense was due to increases in both average interest-bearing liability balances as well as average rates paid on such balances. Average interest-bearing liability balances, consisting of interest-bearing deposits, borrowings, and subordinated debt, increased 9.6% to \$10.3 billion for the nine-month period ended September 30, 2024, compared to \$9.4 billion for the year-ago period. Rates on interest-bearing liability balances averaged 4.25% for the nine-month period ended September 30, 2024, compared to 3.80% for the year-ago period. Rates on interest-bearing liability balances increased primarily due to an increase in rates paid on interest-bearing deposits, which averaged 4.29% for the nine-month period ended September 30, 2024, compared to 3.65% for the year-ago period, an increase of 64 basis points. Rates on interest-bearing deposits increased due to market competition for deposits which has driven rates paid to higher levels, as well as client migration from noninterest-bearing demand accounts to higher-rate money market and higher-yielding savings accounts. Average rates paid on borrowings decreased to 4.08% for the nine-month period ended September 30, 2024, compared to 4.86% for the year-ago period, while average borrowings increased to \$1.5 billion for the nine-month period ended September 30, 2024, compared to \$1.2 billion for the year-ago period. Average rates paid on borrowings for the nine-month period ended September 30, 2024 decreased as the composition of borrowings changed from primarily higher-rate short-term FHLB advances in the nine-month period ended September 30, 2023 to predominately lower-rate FHLB puttable advances during the nine-month period ended September 30, 2024.

[Table of Contents](#)

Noninterest income. Noninterest income for Banking includes fees charged to clients for trust services and deposit services, consulting fees, prepayment and late fees charged on loans, gain on sale of loans, securities, and REO, and gains and losses from capital market activities, including those associated with changes in the valuation of the loans held for sale portfolio. The following table provides a breakdown of noninterest income for Banking for the three and nine months ended September 30, 2024 and 2023:

<i>(dollars in thousands)</i>	2024	2023
<i>Three Months Ended September 30:</i>		
Trust and consulting fees	\$ 1,746	\$ 1,577
Loan related fees	1,588	1,765
Deposit charges	425	502
Loss on sale of loans	(13)	—
LHFS LOCOM adjustment	(117,517)	—
Other	852	713
Total noninterest income	<u>\$ (112,919)</u>	<u>\$ 4,557</u>
<i>Nine Months Ended September 30:</i>		
Trust and consulting fees	\$ 4,946	\$ 5,305
Loan related fees	4,058	5,438
Deposit charges	1,355	1,530
Gain on sale of loans	665	—
Gain on sale of securities available-for-sale	1,204	—
Capital market activities	1,673	—
Loss on sale of assets	(391)	—
Gain on sale of REO	679	—
LHFS LOCOM adjustment	(117,517)	—
Other	2,333	2,152
Total noninterest income	<u>\$ (100,995)</u>	<u>\$ 14,425</u>

Noninterest income in Banking was (\$112.9) million for the third quarter of 2024, compared to \$4.6 million for the third quarter of 2023. Noninterest income for the third quarter of 2024 includes a \$117.5 million LHFS LOCOM adjustment associated with the transfer of \$1.9 billion in multifamily loans from loans held for investment to loans held for sale during the quarter. Excluding the LHFS LOCOM adjustment, noninterest income would have been \$4.6 million for the third quarter of 2024, relatively unchanged from the year-ago period. Noninterest income in Banking was (\$101.0) million for the nine-month period ended September 30, 2024, compared to \$14.4 million for the year-ago period. Excluding the LHFS LOCOM adjustment, noninterest income would have been \$16.5 million for the nine-month period ended September 30, 2024, an increase of \$2.1 million from the year-ago period. The \$2.1 million increase in noninterest income was due primarily to gains on the sale of loans, securities available-for-sale, and REO totaling \$2.5 million, \$1.7 million in recognized gains associated with a cash-flow hedge which are classified as capital market activities, and \$0.2 million increase in other noninterest income, offset by a \$0.4 million decrease in trust and consulting fees, \$1.4 million decrease in loan related fees, \$0.4 million loss on sale of assets, and \$0.2 million decrease in deposit charges.

Noninterest income for Wealth Management includes fees charged to high net-worth clients for managing their assets and for providing financial planning consulting services. The following table provides the amounts of noninterest income for Wealth Management for the three and nine months ended September 30, 2024 and 2023:

<i>(dollars in thousands)</i>	2024	2023
<i>Three Months Ended September 30:</i>		
Noninterest income	\$ 7,704	\$ 7,522
<i>Nine Months Ended September 30:</i>		
Noninterest income	\$ 22,843	\$ 22,228

[Table of Contents](#)

Noninterest income for Wealth Management was \$7.7 million for the third quarter of 2024, compared to \$7.5 million for the third quarter of 2023. The \$0.2 million increase in noninterest income was due primarily to a \$0.4 million increase in fees earned on AUM balances as average AUM balances earning fees increased from \$5.2 billion per month for the third quarter of 2023 to \$5.5 billion per month for the third quarter of 2024. Noninterest income for Wealth Management was \$22.8 million for the nine-month period ended September 30, 2024, compared to \$22.2 million for the year-ago period. The \$0.6 million increase in noninterest income was due primarily to a \$0.6 million increase in fees earned on AUM balances as average AUM balances earning fees increased from \$5.2 billion per month for the nine-month period ended September 30, 2024 to \$5.4 billion per month for the nine-month period ended September 30, 2024.

The following table summarizes the activity in our AUM for the periods indicated:

<i>(dollars in thousands)</i>	Beginning Balance	Existing account Additions/ Withdrawals	New Accounts	Terminations	Performance	Ending balance
Three Months Ended September 30, 2024:						
Fixed income	\$ 1,758,090	\$ (16,651)	\$ 11,084	\$ (47,521)	\$ 15,218	\$ 1,720,220
Equities	2,947,633	(111,577)	116,182	(106,825)	112,468	2,957,881
Cash and other	782,996	21,925	10,505	(33,459)	39,421	821,388
Total	\$ 5,488,719	\$ (106,303)	\$ 137,771	\$ (187,805)	\$ 167,107	\$ 5,499,489
Nine Months Ended September 30, 2024:						
Fixed income	\$ 1,849,056	\$ (73,125)	\$ 40,968	\$ (67,388)	\$ (29,291)	\$ 1,720,220
Equities	2,609,033	(67,931)	163,519	(136,085)	389,345	2,957,881
Cash and other	791,859	(38,810)	36,918	(45,732)	77,153	821,388
Total	\$ 5,249,948	\$ (179,866)	\$ 241,405	\$ (249,205)	\$ 437,207	\$ 5,499,489
Three Months Ended September 30, 2023:						
Fixed income	\$ 1,892,454	\$ (53,242)	\$ 48,733	\$ (40,827)	\$ (39,274)	\$ 1,807,844
Equities	2,673,182	(56,911)	26,205	(125,670)	(97,072)	2,419,734
Cash and other	753,327	54,790	1,981	(25,937)	11,150	795,311
Total	\$ 5,318,963	\$ (55,363)	\$ 76,919	\$ (192,434)	\$ (125,196)	\$ 5,022,889
Nine Months Ended September 30, 2023:						
Fixed income	\$ 1,699,554	\$ 87,816	\$ 113,148	\$ (94,951)	\$ 2,277	\$ 1,807,844
Equities	2,383,268	(161,622)	69,937	(172,003)	300,154	2,419,734
Cash and other	902,455	(184,133)	57,283	(35,754)	55,460	795,311
Total	\$ 4,985,277	\$ (257,939)	\$ 240,368	\$ (302,708)	\$ 357,891	\$ 5,022,889

AUM balances were \$5.5 billion at September 30, 2024, compared to \$5.0 billion at September 30, 2023 and \$5.2 billion at December 31, 2023. The \$250 million increase in AUM during the nine-month period ended September 30, 2024 was the net result of \$241 million of new accounts, \$437 million of performance gains, and terminations and net withdrawals of \$429 million.

[Table of Contents](#)

Noninterest Expense. The following table provides a breakdown of noninterest expense for Banking and Wealth Management for the periods indicated:

<i>(dollars in thousands)</i>	Banking		Wealth Management	
	2024	2023	2024	2023
Three Months Ended September 30:				
Compensation and benefits	\$ 15,688	\$ 15,571	\$ 4,154	\$ 3,835
Occupancy and depreciation	8,550	8,798	463	455
Professional services and marketing	3,298	2,430	994	853
Customer service costs	18,954	24,683	—	—
Other	6,716	6,505	158	119
Total noninterest expense	<u>\$ 53,206</u>	<u>\$ 57,987</u>	<u>\$ 5,769</u>	<u>\$ 5,262</u>
Nine Months Ended September 30:				
Compensation and benefits	\$ 45,681	\$ 52,515	\$ 12,328	\$ 12,453
Occupancy and depreciation	25,662	25,901	1,446	1,430
Professional services and marketing	8,486	7,180	2,821	2,569
Customer service costs	45,796	60,402	—	—
Other	21,422	14,334	534	492
Total operating expense	<u>147,047</u>	<u>160,332</u>	<u>17,129</u>	<u>16,944</u>
Goodwill impairment	—	215,252	—	—
Total noninterest expense	<u>\$ 147,047</u>	<u>\$ 375,584</u>	<u>\$ 17,129</u>	<u>\$ 16,944</u>

Noninterest expense in Banking was \$53.2 million for the third quarter of 2024, compared to \$58.0 million for the third quarter of 2023. The \$4.8 million decrease in noninterest expense was largely due to the \$5.7 million decrease in customer service costs, offset by a \$0.9 million increase in professional services and marketing expense. The decrease in customer service costs was due to a decrease in the average balances of depository accounts receiving earnings credits as well as a decrease in the average rates paid on such accounts. The increase in professional services and marketing expense was largely due to professional services associated with prior quarters' activities as well as the shareholder meeting following the July 2024 Capital Raise.

Noninterest expense in Wealth Management was \$5.8 million for the third quarter of 2024, compared to \$5.3 million for the third quarter of 2023. The increase was due primarily to a \$0.3 million increase in compensation and benefits expense, primarily due to higher commission expense.

[Table of Contents](#)

Noninterest expense in Banking was \$147.0 million for the nine-month period ended September 30, 2024, compared to \$375.6 million for the year-ago period. The \$228.6 million decrease in noninterest expense was largely due to the \$215.3 million goodwill impairment charge recorded in June 2023. Excluding this one-time charge, operating noninterest expense totaled \$160.3 million for the nine-month period ended September 30, 2023. The \$13.3 million decrease in operating noninterest expense was largely due to a \$14.6 million decrease in customer service costs, and a \$6.8 million decrease in compensation and benefit costs, offset by a \$7.1 million increase in other expense and a \$1.3 million increase in professional services and marketing expense. The decrease in customer service costs was due to a decrease in the average balances of depository accounts receiving earnings credits as well as a decrease in the rates paid on such balances in the nine-month period ended September 30, 2024, compared to the year-ago period. The decrease in compensation and benefit costs was primarily due to decreased staffing levels during the nine-month period ended September 30, 2024, compared to levels during the year-ago period. Average Banking FTEs were 492.3 for the nine-month period ended September 30, 2024, compared to 551.2 for the year-ago period. Staffing levels were reduced in the first and second quarters of 2023 and have remained at reduced levels due to efforts to maximize efficiency and contain costs. The increase in other expense was due largely to a \$6.2 million increase in FDIC insurance costs in the nine-month period ended September 30, 2024, compared to the year-ago period. The increase in professional services and marketing was largely attributable to increases in external accounting and information technology and infrastructure expenses.

Noninterest expense in Wealth Management was \$17.1 million for the nine-month period ended September 30, 2024, compared to \$17.0 million for the year-ago period. The \$0.1 million increase in noninterest expense in Wealth Management was largely due to slight increase in professional services and marketing expense, offset by a slight decrease in compensation and benefits expense. Average Wealth Management FTEs were 63.2 for the nine-month period ended September 30, 2024, compared to 66.2 for the year-ago period.

Financial Condition

The following table shows the financial position for each of our business segments, and of FFI and elimination entries used to arrive at our consolidated totals which are included in the column labeled Other and Eliminations, as of:

<i>(dollars in thousands)</i>	Banking	Wealth Management	Other and Eliminations	Total
September 30, 2024:				
Cash and cash equivalents	\$ 1,106,166	\$ 19,262	\$ (19,006)	\$ 1,106,422
Securities AFS, net	1,306,120	—	—	1,306,120
Securities HTM	734,863	—	—	734,863
Loans held for sale	1,788,395	—	—	1,788,395
Loans held for investment, net	8,059,563	—	—	8,059,563
Investment in FHLB stock	37,810	—	—	37,810
Accrued interest receivable	53,766	—	—	53,766
Deferred taxes	63,243	128	1,760	65,131
Premises and equipment	36,294	175	136	36,605
Real estate owned ("REO")	6,210	—	—	6,210
Bank owned life insurance	49,650	—	—	49,650
Core deposit intangibles	3,888	—	—	3,888
Other assets	100,509	529	27,100	128,138
Total assets	<u>\$ 13,346,477</u>	<u>\$ 20,094</u>	<u>\$ 9,990</u>	<u>\$ 13,376,561</u>
Deposits	\$ 10,333,098	\$ —	\$ (28,494)	\$ 10,304,604
Borrowings	1,691,453	—	—	1,691,453
Subordinated debt	—	—	173,444	173,444
Derivative liabilities	5,124	—	—	5,124
Intercompany balances	2,166	1,004	(3,170)	—
Accounts payable and other liabilities	111,717	2,441	17,981	132,139
Shareholders' equity	1,202,919	16,649	(149,771)	1,069,797
Total liabilities and equity	<u>\$ 13,346,477</u>	<u>\$ 20,094</u>	<u>\$ 9,990</u>	<u>\$ 13,376,561</u>
December 31, 2023:				
Cash and cash equivalents	\$ 1,326,237	\$ 4,746	\$ (4,354)	\$ 1,326,629
Securities AFS, net	703,226	—	—	703,226
Securities HTM	789,578	—	—	789,578
Loans held for investment, net	10,148,597	—	—	10,148,597
Investment in FHLB stock	24,613	—	—	24,613
Accrued interest receivable	54,163	—	—	54,163
Deferred taxes	26,917	183	2,042	29,142
Premises and equipment	39,639	150	136	39,925
Real estate owned ("REO")	8,381	—	—	8,381
Bank owned life insurance	48,653	—	—	48,653
Core deposit intangibles	4,948	—	—	4,948
Other assets	123,652	533	25,208	149,393
Total assets	<u>\$ 13,298,604</u>	<u>\$ 5,612</u>	<u>\$ 23,032</u>	<u>\$ 13,327,248</u>
Deposits	\$ 10,708,549	\$ —	\$ (19,617)	\$ 10,688,932
Borrowings	1,409,056	—	—	1,409,056
Subordinated debt	—	—	173,397	173,397
Intercompany balances	2,604	(9,079)	6,475	—
Accounts payable and other liabilities	108,434	2,196	19,890	130,520
Shareholders' equity	1,069,961	12,495	(157,113)	925,343
Total liabilities and equity	<u>\$ 13,298,604</u>	<u>\$ 5,612</u>	<u>\$ 23,032</u>	<u>\$ 13,327,248</u>

[Table of Contents](#)

Our consolidated balance sheet is primarily affected by changes occurring in our Banking operations as our Wealth Management operations do not maintain significant levels of assets.

During the nine-month period ended September 30, 2024, total assets increased by \$49.3 million primarily due to increases in investment securities, offset by a decrease in cash and cash equivalents and total loans. During the nine-month period ended September 30, 2024, total liabilities decreased by \$95.1 million, primarily due to a decrease in deposits, offset by an increase in borrowings. During the nine-month period ended September 30, 2024, total shareholders' equity increased \$144.5 million primarily due to net proceeds of \$214.5 million received from the July 2024 Capital Raise and \$8.7 million increase in accumulated other comprehensive income largely due to an increase in unrealized holding gains on available-for-sale securities, offset by net loss of \$78.3 million and a \$1.1 million fourth quarter 2023 and first quarter 2024 dividends paid to shareholders.

For additional information on the changes in total assets, liabilities, and shareholders' equity, see "Overview and Recent Developments" within this Item 2.

Cash and cash equivalents. Cash and cash equivalents, which primarily consist of funds held at the Federal Reserve Bank or at correspondent banks, including fed funds, decreased by \$220.2 million at September 30, 2024, compared to December 31, 2023. Changes in cash and cash equivalents are primarily affected by the funding of loans, investments in securities, and changes in our sources of funding including deposits and borrowings.

Securities available for sale. The following table provides a summary of the Company's AFS securities portfolio as of:

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized		Allowance for Credit Losses	Estimated Fair Value
		Gains	Losses		
September 30, 2024:					
Collateralized mortgage obligations	\$ 11,251	\$ 26	\$ (959)	\$ —	\$ 10,318
Agency mortgage-backed securities	1,094,633	13,966	(262)	—	1,108,337
Municipal bonds	49,174	—	(2,375)	—	46,799
SBA securities	9,688	5	(66)	—	9,627
Beneficial interests in FHLMC securitization	13,758	21	(333)	(6,478)	6,968
Corporate bonds	133,786	—	(10,168)	(821)	122,797
U.S. Treasury	1,299	—	(25)	—	1,274
Total	<u>\$ 1,313,589</u>	<u>\$ 14,018</u>	<u>\$ (14,188)</u>	<u>\$ (7,299)</u>	<u>\$ 1,306,120</u>
December 31, 2023:					
Collateralized mortgage obligations	\$ 8,946	\$ —	\$ (1,341)	\$ —	\$ 7,605
Agency mortgage-backed securities	106,733	1,028	(414)	—	107,347
Municipal bonds	49,473	—	(3,037)	—	46,436
SBA securities	13,631	2	(106)	—	13,527
Beneficial interest in FHLMC securitization	14,473	4	(418)	(6,818)	7,241
Corporate bonds	138,858	—	(15,176)	(1,402)	122,280
U.S. Treasury	399,375	—	(585)	—	398,790
Total	<u>\$ 731,489</u>	<u>\$ 1,034</u>	<u>\$ (21,077)</u>	<u>\$ (8,220)</u>	<u>\$ 703,226</u>

Excluding allowance for credit losses, the increase in AFS securities in the nine-month period ended September 30, 2024, was due primarily to the purchase of \$1.8 billion in securities, offset by sales and maturities of \$1.3 billion. The \$1.8 billion in securities purchased consisted of \$1.2 billion in agency mortgage-backed securities and \$0.5 billion in U.S. treasury securities. The \$1.3 billion in sales and maturities consisted of \$0.9 billion in U.S. Treasury securities and \$0.3 billion in agency mortgage-backed securities. During the nine-month period ended September 30, 2024, the net unrealized loss position of the portfolio improved from \$20.0 million in net unrealized losses as of December 31, 2023, to \$170 thousand as of September 30, 2024. The decrease in net unrealized loss position of the portfolio was largely driven by the

[Table of Contents](#)

fall in the 10-year Treasury yield which is the benchmark that agency mortgage-backed securities follow. The 10-year Treasury yield fell 29 basis points to 3.73% as of September 30, 2024, from 4.02% as of December 31, 2023.

Securities held to maturity. The following table provides a summary of the Company's HTM securities portfolio as of:

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrecognized		Allowance for Credit Losses	Estimated Fair Value
		Gains	Losses		
September 30, 2024:					
Agency mortgage-backed securities	\$ 734,863	\$ —	\$ (59,095)	\$ —	\$ 675,768
Total	<u>\$ 734,863</u>	<u>\$ —</u>	<u>\$ (59,095)</u>	<u>\$ —</u>	<u>\$ 675,768</u>
December 31, 2023:					
Agency mortgage-backed securities	\$ 789,578	\$ 1	\$ (79,558)	\$ —	\$ 710,021
Total	<u>\$ 789,578</u>	<u>\$ 1</u>	<u>\$ (79,558)</u>	<u>\$ —</u>	<u>\$ 710,021</u>

The decrease in HTM securities in the nine-month period ended September 30, 2024, was due to principal payments received. There were no purchases of investment securities or other additions to the portfolio during the nine-month period ended September 30, 2024. During the nine-month period ended September 30, 2024, the net unrealized loss position of the portfolio improved from \$79.6 million in net unrealized losses as of December 31, 2023, to \$59.1 million as of September 30, 2024. The decrease in net unrealized loss position of the portfolio was largely driven by the fall in the 10-year Treasury yield which is the benchmark that agency mortgage-backed securities follow. The 10-year Treasury yield fell 29 basis points to 3.73% as of September 30, 2024, from 4.02% as of December 31, 2023.

The scheduled maturities of securities AFS, and the related weighted average yields, were as follows, as of September 30, 2024:

<i>(dollars in thousands)</i>	1 Year or Less	More than 1 Year through 5 Years	More than 5 Years through 10 Years	More than 10 Years	Total
Amortized Cost:					
Collateralized mortgage obligations	\$ —	\$ 277	\$ 171	\$ 10,803	\$ 11,251
Agency mortgage-backed securities	102	3,238	—	1,091,293	1,094,633
Municipal bonds	500	15,318	31,118	2,238	49,174
SBA securities	—	474	414	8,800	9,688
Beneficial interests in FHLMC securitization	3,130	4,809	—	5,819	13,758
Corporate bonds	—	61,957	66,304	5,525	133,786
U.S. Treasury	799	500	—	—	1,299
Total	<u>\$ 4,531</u>	<u>\$ 86,573</u>	<u>\$ 98,007</u>	<u>\$ 1,124,478</u>	<u>\$ 1,313,589</u>
Weighted average yield	<u>0.82 %</u>	<u>5.98 %</u>	<u>3.01 %</u>	<u>5.49 %</u>	<u>5.32 %</u>
Estimated Fair Value:					
Collateralized mortgage obligations	\$ —	\$ 261	\$ 166	\$ 9,891	\$ 10,318
Agency mortgage-backed securities	101	3,137	—	1,105,098	1,108,336
Municipal bonds	500	14,900	29,520	1,879	46,799
SBA securities	—	472	414	8,741	9,627
Beneficial interests in FHLMC securitization	3,130	4,809	—	5,507	13,446
Corporate bonds	—	59,121	60,165	4,332	123,618
U.S. Treasury	796	479	—	—	1,275
Total	<u>\$ 4,527</u>	<u>\$ 83,179</u>	<u>\$ 90,265</u>	<u>\$ 1,135,448</u>	<u>\$ 1,313,419</u>

[Table of Contents](#)

The scheduled maturities of securities HTM, and the related weighted average yields were as follows, as of September 30, 2024:

<i>(dollars in thousands)</i>	1 Year or Less	More than 1 Year through 5 Years	More than 5 Years through 10 Years	More than 10 Years	Total
September 30, 2024					
Amortized Cost:					
Agency mortgage-backed securities	\$ —	\$ 4,949	\$ 9,364	\$ 720,550	\$ 734,863
Total	\$ —	\$ 4,949	\$ 9,364	\$ 720,550	\$ 734,863
Weighted average yield	—%	0.95 %	1.54 %	2.32 %	2.30 %
Estimated Fair Value:					
Agency mortgage-backed securities	\$ —	\$ 4,705	\$ 8,744	\$ 662,319	\$ 675,768
Total	\$ —	\$ 4,705	\$ 8,744	\$ 662,319	\$ 675,768

See Note 3: *Securities* of the notes to the consolidated financial statements for additional information on our investment securities portfolio.

Loans. The following table sets forth our loans held for investment, by loan category, as of:

<i>(dollars in thousands)</i>	September 30, 2024		December 31, 2023	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans
Outstanding principal balance:				
Loans secured by real estate:				
Residential properties:				
Multifamily	\$ 3,322,471	41.1 %	\$ 5,227,885	51.5 %
Single family	889,616	11.0 %	950,712	9.4 %
Total real estate loans secured by residential properties	4,212,087	52.1 %	6,178,597	60.8 %
Commercial properties	952,700	11.8 %	987,596	9.7 %
Land and construction	80,307	1.0 %	137,298	1.4 %
Total real estate loans	5,245,094	64.9 %	7,303,491	71.9 %
Commercial and industrial loans	2,837,830	35.1 %	2,856,228	28.1 %
Consumer loans	832	0.0 %	1,328	0.0 %
Total loans	8,083,756	100.0 %	10,161,047	100.0 %
Premiums, discounts and deferred fees and expenses	5,107		16,755	
Total	\$ 8,088,863		\$ 10,177,802	

In August 2024, a portion of the Company's multifamily portfolio totaling \$1.9 billion in principal balance was reclassified from loans held for investment to loans held for sale. Loans held for sale, net of deferred fees, are accounted for at the lower of amortized cost or fair value and totaled \$1.8 billion as of September 30, 2024, and consisted entirely of multifamily loans. As of September 30, 2024, none of the loans transferred have been sold.

Total loans (including loans held for sale) decreased by \$300.5 million at September 30, 2024 compared to December 31, 2023, largely due to loan fundings totaling \$1.2 billion, offset by loan payments and payoffs of \$1.4 billion, and the \$0.1 billion LHFS Locom adjustment resulting from the transfer of the multifamily loans from held for investment to held for sale during the nine-month period ended September 30, 2024.

At September 30, 2024, average current loan-to-value ("LTV") ratios for all multifamily loans (including those included in loans held for sale) and single-family residential loans were 53.2% and 54.2%, respectively. At December 31,

[Table of Contents](#)

2023, average current LTV ratios for the multifamily and single-family residential loans were 54.9% and 54.3%, respectively.

At September 30, 2024, \$953 million of the loan portfolio consisted of loans secured by commercial real estate properties, consisting of non-owner occupied and owner-occupied loans, respectively. Non-owner-occupied CRE loans totaled approximately \$594 million and consisted of a diversified mix of retail, office, hospitality, industrial, medical, and other real estate loans. At September 30, 2024, the average current LTV ratio for the non-owner occupied CRE portfolio was 48.5%. At December 31, 2023, the average current LTV ratio for the non-owner occupied CRE portfolio was 46.9%.

At September 30, 2024, \$2.8 billion of the loan portfolio consisted of commercial and industrial (“C&I”) loans consisting of commercial business lines of credit (\$1.2 billion), municipal financing loans (\$1.0 billion), commercial business term loans (\$0.5 billion) and equipment finance loans (\$0.1 billion).

The loan portfolio is largely concentrated in the geographic markets in which we operate. As of September 30, 2024, approximately 85.9% of the loans in our portfolio were made to borrowers who live and/or conduct business in California (72.8%), Florida (8.0%), Texas (4.0%), and Nevada (1.1%).

See Note 4: *Loans* of the notes to the consolidated financial statements for additional information on our loan portfolio.

Deposits. The following table sets forth information with respect to our deposits and the average rates paid on deposits, as of:

<i>(dollars in thousands)</i>	September 30, 2024		December 31, 2023	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Demand deposits:				
Noninterest-bearing	\$ 2,136,442	—	\$ 1,467,806	—
Interest-bearing	1,999,229	3.66 %	2,881,786	2.94 %
Money market and savings	3,543,668	3.93 %	3,195,670	3.81 %
Certificates of deposit	2,625,265	4.77 %	3,143,670	4.87 %
Total	<u>\$ 10,304,604</u>	3.28 %	<u>\$ 10,688,932</u>	3.36 %

Total deposits decreased by approximately \$384 million to \$10.3 billion at September 30, 2024, compared to \$10.7 billion at December 31, 2023. During the nine-month period ended September 30, 2024, our deposit rates have moved in a manner consistent with overall deposit market rates. The weighted average rate of our interest-bearing demand deposits increased from 2.94% at December 31, 2023, to 3.66% at September 30, 2024. The weighted average rate of our money market and savings deposits increased from 3.81% at December 31, 2023, to 3.93% at September 30, 2024. These increases were offset by a decrease in the weighted average rate of certificates of deposit from 4.87% at December 31, 2023 to 4.77% at September 30, 2024.

The Bank may utilize brokered deposits as a source of funding and as a component of its overall liquidity management process. The Bank held brokered deposits totaling \$3.7 billion and \$4.2 billion at September 30, 2024 and December 31, 2023, respectively including insured cash sweep (“ICS”) accounts totaling \$1.0 billion and \$1.4 billion at September 30, 2024 and December 31, 2023, respectively which are classified as brokered deposit accounts for regulatory reporting purposes. The weighted average rates paid on non-ICS and ICS brokered deposit balances were 4.10% and 2.19%, respectively for accounts held at September 30, 2024. The weighted average rates paid on non-ICS and ICS brokered deposit balances were 4.35% and 3.53%, respectively for accounts held at December 31, 2023.

Large depositor relationships, consisting of deposit relationships which exceed 2% of total deposits, accounted for, in the aggregate, 17.6% and 12.5% of our total deposits as of September 30, 2024 and December 31, 2023, respectively. The composition of our large depositor relationships continues to include clients which have maintained long-term depository relationships with us.

[Table of Contents](#)

The deposits held by the Bank are insured by the FDIC Deposit Insurance Fund up to applicable limits. The Dodd-Frank Act permanently increased the maximum deposit insurance amount for banks, savings institutions, and credit unions to \$250,000 per depositor. Insured and collateralized deposits comprised approximately 85% of total deposits at September 30, 2024.

The following table sets forth the estimated deposits exceeding the FDIC insurance limit:

<i>(dollars in thousands)</i>	<u>September 30, 2024</u> <u>December 31, 2023</u>	
	<u>Amount</u>	<u>Amount</u>
Uninsured deposits	\$ 2,247,579	\$ 2,662,405

The following table sets forth the maturity distribution of certificates of deposit as of September 30, 2024:

<u>Large Denomination Certificates of Deposit Maturity Distribution</u>	<u>Over Three</u>		<u>Over Six</u>		<u>Total</u>
	<u>Three Months or Less</u>	<u>Months Through Six Months</u>	<u>Months Through Twelve Months</u>	<u>Over Twelve Months</u>	
Certificates of deposit of \$250,000 or less	\$ 332,166	\$ 416,137	\$ 531,035	\$ 1,136,755	\$ 2,416,093
Certificates of deposit of more than \$250,000	60,095	75,036	63,479	10,562	209,172
Total	<u>\$ 392,261</u>	<u>\$ 491,173</u>	<u>\$ 594,514</u>	<u>\$ 1,147,317</u>	<u>\$ 2,625,265</u>

Borrowings. At September 30, 2024, our borrowings consisted of \$1 billion in FHLB putable advances at the Bank, \$400 million of FHLB term advances at the Bank, \$267 million in term advances from the Federal Reserve Bank, and \$25 million in repurchase agreements at the Bank. At December 31, 2023, our borrowings consisted of \$800 million in FHLB putable advances at the Bank, \$100 million of FHLB term advances at the Bank, \$160 million in overnight advances and \$285 million in term advances from the Federal Reserve Bank, and \$64 million in repurchase agreements at the Bank.

The average balance of borrowings and the weighted average interest rate on such borrowings were \$1.5 billion and 4.08%, respectively for the nine-month period ended September 30, 2024. The average balance of borrowings and the weighted average interest rate on such borrowings were \$1.2 billion and 4.67%, respectively for the year ended December 31, 2023. At September 30, 2024, total borrowings represented 12.6% of total assets, compared to 10.6% at December 31, 2023.

As of September 30, 2024, our unused borrowing capacity was \$3.0 billion, which consisted of \$2.0 billion in available lines of credit with the FHLB, \$823 million in available borrowing capacity with the Federal Reserve Bank, \$240 million in borrowing capacity through unsecured federal funds lines with six correspondent financial institutions, and \$20 million in available borrowing capacity through a line of credit arrangement that our holding company maintains with an unaffiliated lender. For additional information about borrowings, see Note 10: *Borrowings* to the consolidated financial statements.

Subordinated debt. At September 30, 2024 and December 31, 2023, FFI had two issuances of subordinated notes with an aggregate carrying value of \$173 million. For additional information about subordinated debt, see Note 11: *Subordinated Debt* to the consolidated financial statements.

Delinquent Loans, Nonperforming Assets and Provision for Credit Losses

Loans are considered past due following the date when either interest or principal is contractually due and unpaid. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is discontinued when reasonable doubt exists as to the full, timely collection of interest or principal and, generally, when a loan becomes contractually past due for 90 days or more with respect to principal or interest. However, the accrual of interest may be continued on a well-secured loan contractually past due 90 days or more with respect to principal or interest if the loan is in the process of collection or collection of the principal and interest is deemed probable. The following tables provide a summary of past due and nonaccrual loans as of:

<i>(dollars in thousands)</i>	30–59 Days	60–89 Days	90 Days or More	Nonaccrual	Total Past Due and Nonaccrual	Current	Total
September 30, 2024:							
Real estate loans:							
Residential properties	\$ 1,887	\$ —	\$ —	\$ 20,357	\$ 22,244	\$ 4,198,803	\$ 4,221,047
Commercial properties	9,046	—	—	9,145	18,191	933,976	952,167
Land and construction	—	—	—	—	—	80,153	80,153
Commercial and industrial loans	8,088	10,138	—	8,704	26,930	2,807,701	2,834,631
Consumer loans	—	—	—	—	—	865	865
Total	<u>\$ 19,021</u>	<u>\$ 10,138</u>	<u>\$ —</u>	<u>\$ 38,206</u>	<u>\$ 67,365</u>	<u>\$ 8,021,498</u>	<u>\$ 8,088,863</u>
Percentage of total loans	0.24 %	0.13 %	— %	0.47 %	0.83 %		
December 31, 2023:							
Real estate loans:							
Residential properties	\$ 93	\$ 416	\$ —	\$ 112	\$ 621	\$ 6,196,923	\$ 6,197,544
Commercial properties	27,403	403	1,730	2,915	32,451	954,321	986,772
Land and construction	—	—	—	—	—	136,827	136,827
Commercial and industrial loans	525	88	—	8,804	9,417	2,845,845	2,855,262
Consumer loans	—	—	—	—	—	1,397	1,397
Total	<u>\$ 28,021</u>	<u>\$ 907</u>	<u>\$ 1,730</u>	<u>\$ 11,831</u>	<u>\$ 42,489</u>	<u>\$ 10,135,313</u>	<u>\$ 10,177,802</u>
Percentage of total loans	0.28 %	0.01 %	0.02 %	0.12 %	0.42 %		

The following table summarizes our nonaccrual loans as of:

<i>(dollars in thousands)</i>	Nonaccrual with Allowance for Credit Losses	Nonaccrual with no Allowance for Credit Losses
September 30, 2024		
Real estate loans:		
Residential properties	\$ 883	\$ 19,474
Commercial properties	9,145	—
Commercial and industrial loans	8,704	—
Consumer loans	—	—
Total	<u>\$ 18,732</u>	<u>\$ 19,474</u>
December 31, 2023		
Real estate loans:		
Residential properties	\$ —	\$ 112
Commercial properties	—	2,915
Commercial and industrial loans	7,406	1,398
Total	<u>\$ 7,406</u>	<u>\$ 4,425</u>

[Table of Contents](#)

The \$24.9 million increase in total past due and nonaccrual loans from \$42.5 million at December 31, 2023 to \$67.4 million at September 30, 2024 was largely due to two residential loans totaling \$19.2 million to the same high net worth individual, both of which are well secured by the borrower's net worth and value of the collateral. The loan delinquency on one of these loans was cured shortly after September 30, 2024, and the other loan's delinquency is expected to be cured during the next quarter, therefore no specific provision was deemed necessary, however adjustments to the qualitative factors within the CECL model were made to reflect the increase in past due and nonaccrual loans.

Allowance for Credit Losses. The following table summarizes the activity in our ACL related to loans held for investment for the periods indicated:

<i>(dollars in thousands)</i>	Beginning Balance	Provision (Reversal) for Credit Losses	Charge-offs	Recoveries	Ending Balance
Three months ended					
September 30, 2024:					
Real estate loans:					
Residential properties	\$ 9,013	\$ (2,010)	\$ —	\$ —	\$ 7,003
Commercial properties	6,086	493	—	—	6,579
Land and construction	77	(17)	—	—	60
Commercial and industrial loans	14,104	1,809	(341)	80	15,652
Consumer loans	15	14	(23)	—	6
Total	<u>\$ 29,295</u>	<u>\$ 289</u>	<u>\$ (364)</u>	<u>\$ 80</u>	<u>\$ 29,300</u>
Nine months ended September 30, 2024:					
Real estate loans:					
Residential properties	\$ 9,921	\$ (2,918)	\$ —	\$ —	\$ 7,003
Commercial properties	4,148	2,431	—	—	6,579
Land and construction	332	(272)	—	—	60
Commercial and industrial loans	14,796	1,676	(1,203)	383	15,652
Consumer loans	8	20	(23)	1	6
Total	<u>\$ 29,205</u>	<u>\$ 937</u>	<u>\$ (1,226)</u>	<u>\$ 384</u>	<u>\$ 29,300</u>
Three months ended					
September 30, 2023:					
Real estate loans:					
Residential properties	\$ 8,234	\$ 140	\$ —	\$ —	\$ 8,374
Commercial properties	5,253	(979)	—	—	4,274
Land and construction	287	(13)	—	—	274
Commercial and industrial loans	17,690	(1,070)	(1,183)	814	16,251
Consumer loans	21	—	—	1	22
Total	<u>\$ 31,485</u>	<u>\$ (1,922)</u>	<u>\$ (1,183)</u>	<u>\$ 815</u>	<u>\$ 29,195</u>
Nine months ended September 30, 2023:					
Real estate loans:					
Residential properties	\$ 8,306	\$ 68	\$ —	\$ —	\$ 8,374
Commercial properties	8,714	(4,191)	(249)	—	4,274
Land and construction	164	110	—	—	274
Commercial and industrial loans	16,521	2,019	(4,022)	1,733	16,251
Consumer loans	26	(4)	(2)	2	22
Total	<u>\$ 33,731</u>	<u>\$ (1,998)</u>	<u>\$ (4,273)</u>	<u>\$ 1,735</u>	<u>\$ 29,195</u>

Our ACL for loans held for investment totaled \$29.3 million as of September 30, 2024, compared to \$29.2 million as of September 30, 2023, and \$29.2 million as of December 31, 2023. Our ACL for loans held for investment represented

[Table of Contents](#)

0.36% of total loans held for investment outstanding as of September 30, 2024, 0.28% of total loans held for investment outstanding as of September 30, 2023, and 0.29% of total loans held for investment outstanding at December 31, 2023. Activity for the nine-month period ended September 30, 2024 included a provision for credit losses of \$0.9 million, charge-offs of \$1.2 million, and recoveries of \$0.4 million.

Under the CECL methodology, for which our ACL for loans is based, estimates of expected credit losses over the life of a loan are determined and utilized considering the effect of various major factors. The major factors considered in evaluating losses are historical charge-off experience, delinquency rates, local and national economic conditions, the borrower's ability to repay the loan and timing of repayments, and the value of any related collateral. Management's estimate of fair value of the collateral considers current and anticipated future real estate market conditions, thereby causing these estimates to be particularly susceptible to changes that could result in a material adjustment to results of operations in the future. Provisions for credit losses are charged to operations based on management's evaluation of estimated losses in its loan portfolio.

In addition, the FDIC and the California Department of Financial Protection and Innovation, as integral parts of their examination processes, periodically review the adequacy of our ACL. These agencies may require us to make additional provisions for credit losses, over and above the provisions that we have already made, the effect of which would be to reduce our income.

Liquidity

Liquidity management focuses on our ability to generate, on a timely and cost-effective basis, cash sufficient to meet the funding needs of current loan demand, deposit withdrawals, principal and interest payments with respect to outstanding borrowings and to pay operating expenses. Liquidity management also includes the ability to manage unplanned decreases or changes in funding sources, as well as abnormal and unexpected needs. To meet such abnormal and unexpected needs, lines of credit are maintained with the FHLB, the Federal Reserve Bank, and correspondent banks. Liquidity management is both a daily and long-term function of funds management. Liquidity management takes into consideration liquid assets, which includes: cash and cash equivalents; unencumbered eligible investment securities; and investment securities pledged under the Federal Reserve Bank's discount window and BTFP programs which can be drawn at-will. Liquidity management also takes into consideration available liquidity sources such as available unused funds from both the FHLB and Federal Reserve Bank credit lines. The Bank's Federal Reserve Bank credit line is secured by pledged collateral in the form of qualifying loans and investment securities. As of September 30, 2024, the Bank had secured unused borrowing capacity of \$823 million under this agreement. The Bank's unused borrowing capacity with the FHLB as of September 30, 2024 was \$2.0 billion. The Bank had a total of \$240 million in unused borrowing capacity available through its correspondent bank lines of credit as of September 30, 2024.

We monitor our liquidity in accordance with guidelines established by our Board of Directors and applicable regulatory requirements. Our need for liquidity is affected by our loan activity, net changes in deposit levels and the maturities of our borrowings. The principal sources of our liquidity consist of deposits, loan interest and principal payments and prepayments, investment management and consulting fees, proceeds from borrowings, and sales of FFI common stock. The remaining balances of the Bank's lines of credit available to draw down totaled \$3.0 billion at September 30, 2024.

We believe our liquid assets and available liquidity sources are sufficient to meet current funding needs and that we have the ability to manage unplanned decreases or changes in funding sources, as well as abnormal and unexpected needs. We regularly monitor liquidity to ensure levels are in compliance with minimum requirements established by our Board of Directors. As of September 30, 2024, our available liquidity ratio was 49.1%, which is above our minimum policy requirement of 25%. We regularly model liquidity stress scenarios to ensure that adequate liquidity is available, and have contingency funding plans in place, which are reviewed and tested on a regular, recurring basis.

Cash Flows Provided by Operating Activities. During the nine-month period ended September 30, 2024, operating activities provided net cash of \$12.3 million. Changes in accrued interest receivable and other assets as well as changes in accounts payable and other liabilities accounted for most of the cash flows provided by operating activities.

[Table of Contents](#)

Cash Flows Used in Investing Activities. During the nine-month period ended September 30, 2024, investing activities used net cash of \$343.8 million, primarily due to \$515.7 million in purchases of securities, net of sales and maturities, offset by a \$173.7 million net decrease in loans.

Cash Flows Provided by Financing Activities. During the nine-month period ended September 30, 2024, financing activities provided net cash of \$111.3 million, consisting primarily of a net increase of \$321.6 million in FHLB and FRB advances, and \$214.5 million in net proceeds received from the July 2024 Capital Raise, offset by a decrease of \$384.3 million in deposits, and a decrease of \$39.2 million in repurchase agreements.

Ratio of Loans to Deposits. The relationship between gross loans and total deposits can provide a useful measure of a bank's liquidity. Since repayment of loans tends to be less predictable than the maturity of investments and other liquid resources, the higher the loan-to-deposit ratio the less liquid are our assets. On the other hand, since we realize greater yields on loans than we do on other interest-earning assets, a lower loan-to-deposit ratio can adversely affect interest income and earnings. As a result, our goal is to achieve a loan-to-deposit ratio that appropriately balances the requirements of liquidity and the need to generate a fair return on our assets. At September 30, 2024 and December 31, 2023, the loan-to-deposit ratios at FFB were 95.9%, and 95.2%, respectively.

Off-Balance Sheet Arrangements

The following table provides the off-balance sheet arrangements of the Company as of September 30, 2024:

<i>(dollars in thousands)</i>	
Commitments to fund under existing loans, lines of credit	\$ 1,095,155
Commitments under standby letters of credit	38,471

Some of the commitments to fund existing loans, lines of credit and letters of credit are expected to expire without being drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. As of September 30, 2024, FFB was obligated on \$10 million of letters of credit to the FHLB which were being used as collateral for public fund deposits.

Interest Rate Risk Management

Interest rate risk ("IRR") refers to the vulnerability of an institution's financial condition to movements in interest rates. Excessive IRR poses a significant threat to an institution's earnings and capital. Changes in interest rates affect an institution's earnings by altering interest-sensitive income and expenses. Changes in interest rates also affect the underlying value of an institutions' assets, liabilities, and off-balance sheet instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change. The Board of Directors of the Bank has adopted a policy to govern the management of the Bank's exposure to IRR. This policy is an integral part of the Bank's overall asset/liability management. The goals of this policy are to (1) optimize profits through the management of IRR; (2) limit the exposure of the Bank's earnings and capital to fluctuations in interest rates; and (3) ensure that the Bank's management of IRR meets applicable regulatory guidelines.

We assess our interest rate exposure within our major balance sheet categories individually, as well as in our balance sheet holistically, focusing on the interest rate sensitivity of our assets and liabilities. Our processes identify potential areas of vulnerability, particularly those influenced by fluctuations in market interest rates. Our IRR assessment process considers the repricing and liquidity characteristics of various financial instruments, including loans, investment securities, deposits, and borrowings. We establish a desired risk profile that aligns with our strategic goals and the prevailing interest rate environment. This profile considers factors such as the mix of fixed and floating rate assets and liabilities, taking into account our outlook on interest rates. We set clear policy limits and guidelines that guide our IRR management strategies, consistent with regulatory guidance. We employ various strategies to mitigate IRR by managing our asset and liability mix, including adjusting the duration of our assets to align with our liabilities. Our IRR management process is dynamic and includes regular monitoring and review. Our management team conducts ongoing assessments of asset and liability maturities and repricing characteristics, ensuring they remain consistent with our desired risk profile.

[Table of Contents](#)

By proactively identifying, assessing, and managing IRR, we aim to maintain the stability of our financial performance, protect interests of our stakeholders, and ensure our continued ability to meet the financial needs of our customers.

The following table sets forth the interest-earning assets and interest-bearing liabilities on the basis of when they reprice or mature as of September 30, 2024:

<i>(dollars in thousands)</i>	Less than 1 year	From 1 to 3 Years	From 3 to 5 Years	Over 5 Years	Total
Interest-earnings assets:					
Cash equivalents	\$ 1,106,172	\$ —	\$ —	\$ —	\$ 1,106,172
Securities, FHLB stock	647,327	387,967	253,333	751,353	2,039,980
Loans, including LHFS	4,489,482	3,327,389	1,111,806	747,402	9,676,079
Interest-bearing liabilities:					
Deposits:					
Interest-bearing checking	(2,204,141)	(708,265)	(125,856)	(27,650)	(3,065,912)
Money market and savings	(2,235,933)	(1,090,662)	(179,920)	(37,672)	(3,544,187)
Certificates of deposit	(1,516,783)	(909,126)	(371,584)	(4)	(2,797,497)
Borrowings	(291,452)	(300,000)	(1,100,000)	—	(1,691,452)
Net: Current Period	\$ (5,328)	\$ 707,303	\$ (412,221)	\$ 1,433,429	\$ 1,723,183
Net: Cumulative	\$ (5,328)	\$ 701,975	\$ 289,754	\$ 1,723,183	

The cumulative positive total of \$1.7 billion reflects the funding provided by noninterest-bearing deposits and equity. Because we had a \$5 million net negative position at September 30, 2024 for the repricing period of less than one year, the result of this analysis indicates that we would be adversely impacted by a short-term increase in interest rates and would be similarly positively impacted from a short-term decrease in interest rates.

However, the extent to which our net interest margin will be impacted by changes in prevailing interest rates will depend on a number of factors, including how quickly interest-earning assets and interest-bearing liabilities react to interest rate changes. It is not uncommon for rates on certain assets or liabilities to lag behind changes in the market rates of interest. Additionally, prepayments of loans and early withdrawals of certificates of deposit could cause interest sensitivities to vary. As a result, the relationship or “gap” between interest-earning assets and interest-bearing liabilities, as shown in the above table, is only a general indicator of interest rate sensitivity and the effect of changing rates of interest on our net interest income is likely to be different from that predicted solely on the basis of the interest rate sensitivity analysis set forth in the above table.

Our IRR position is regularly measured using two methods: (i) Net Interest Income (“NII”) and (ii) Economic Value of Equity (“EVE”). Consistent with regulatory requirements, the Bank has established Board of Directors-approved IRR limits for NII simulations and EVE calculations. These analyses are reviewed quarterly by the Asset/Liability Committee and the Board of Directors. If the analyses project changes which are outside our pre-established IRR limits, we may: (i) revise existing limits to address the changes in the Bank’s IRR, with the recommended limits being prudent and consistent with the Board’s risk tolerance; or (ii) retain the existing limits and implement a plan for an orderly return to compliance with these limits, where corrective actions may include, but are not limited to, restructuring the maturity profile of the Bank’s investment portfolio, changing deposit pricing, initiating off-balance sheet hedging actions, or adjusting the repricing characteristics of the loan portfolios.

[Table of Contents](#)

The NII simulation is used to measure and evaluate potential changes in our net interest income resulting from changes in interest rates. The model measures the impact over a range of instantaneous shocks in 100 basis points increments to our net interest income over a 12-months forecast period. The Board-approved limits on NII sensitivity and the actual computed changes to our NII based on the +/- 100 and +/- 200 basis points hypothetical interest rate scenarios as of September 30, 2024 are shown below:

Assumed Instantaneous Change in Interest Rates	Estimated Increase (Decrease) in Net Interest Income	Board Limits
+ 100 basis points	(5.92)%	(20.00)%
+ 200 basis points	(14.12)%	(25.00)%
- 100 basis points	0.98 %	(10.00)%
- 200 basis points	1.92 %	(20.00)%

The modeled one-year NII results indicate that the Bank is more earnings sensitive in the rising rate shock scenarios of 100 through 200 basis points. The NII modeled results above are in compliance with the IRR limits.

The EVE measures the sensitivity of our market value equity to simultaneous changes in interest rates. EVE is derived by subtracting the economic value of the Bank's liabilities from the economic value of its assets, assuming current and hypothetical interest rate environments. EVE is based on all of the future cash flows expected to be generated by the Bank's current balance sheet, discounted to derive the economic value of the Bank's assets and liabilities. These cash flows may change depending on the assumed interest rate environment and the resulting changes in other assumptions, such as prepayment speeds. The Bank has established IRR limits which specify the maximum EVE sensitivity allowed under current interest rates and for a range of hypothetical interest rate scenarios each in 100 basis point increments. The hypothetical scenarios are represented by immediate, permanent, parallel movements in the term structure of interest rates. The Board-approved limits on EVE sensitivity and the actual computed changes to our EVE based on the +/- 100 and +/- 200 basis points hypothetical interest rate scenarios as of September 30, 2024 are shown below:

Assumed Instantaneous Change in Interest Rates	Estimated Increase (Decrease) in Economic Value of Equity	Board Limits
+ 100 basis points	1.53 %	(15.00)%
+ 200 basis points	0.14 %	(25.00)%
- 100 basis points	(6.56)%	(15.00)%
- 200 basis points	(13.42)%	(20.00)%

The results of the EVE are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. These could include, but are not limited to, non-parallel yield curve shifts, changes in market interest rate spreads and the actual reaction to changes in interest rate levels of interest-earning assets and interest-bearing liabilities. It is not uncommon for rates on certain assets or liabilities to lag behind changes in the market rates of interest. Additionally, prepayments of loans and early withdrawals of certificates of deposit could cause interest sensitivities to vary.

The EVE modeled results above are in compliance with the EVE limits. The EVE is an interest rate risk management tool, and the results are not necessarily an indication of our actual future results. Actual results may vary significantly from the results suggested by the table above. Loan prepayments and deposit attrition, changes in our mix of earning assets or funding sources, and future asset/liability management decisions, among others, may vary significantly from our assumptions.

The results of these analyses and simulations do not contemplate all of the actions that we may undertake in response to changes in interest rates. In response to actual or anticipated changes in interest rates, we have various alternatives for managing and reducing the Bank's exposure to interest rate risk, such as entering into hedges and obtaining long-term fixed-rate FHLB advances.

[Table of Contents](#)

We believe our IRR management policy limits are consistent with prevailing practice in the regional banking industry.

Capital Resources and Dividend Policy

The capital rules applicable to United States based bank holding companies and federally insured depository institutions (“Capital Rules”) require the Company (on a consolidated basis) and FFB (on a stand-alone basis) to meet specific capital adequacy requirements that, for the most part, involve quantitative measures, primarily in terms of the ratios of their capital to their assets, liabilities, and certain off-balance sheet items, calculated under regulatory accounting practices. For additional information regarding these Capital Rules, see Item 1 “*Business Capital Requirements Applicable to Banks and Bank Holding Companies*” included in our Annual Report on Form 10-K for the year ended December 31, 2023.

In addition, prompt corrective action regulations place a federally insured depository institution, such as FFB, into one of five capital categories on the basis of its capital ratios: (i) well-capitalized; (ii) adequately capitalized; (iii) undercapitalized; (iv) significantly undercapitalized; or (v) critically undercapitalized. A depository institution’s primary federal regulatory agency may determine that, based on certain qualitative assessments, the depository institution should be assigned to a lower capital category than the one indicated by its capital ratios. At each successive lower capital category, a depository institution is subject to greater operating restrictions and increased regulatory supervision by its federal bank regulatory agency.

The following table sets forth the capital and capital ratios of FFI (on a consolidated basis) and FFB as of the respective dates indicated below, as compared to the respective regulatory requirements applicable to them:

<i>(dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
FFI						
September 30, 2024:						
Common equity tier 1 ratio	\$ 896,254	10.31 %	\$ 391,055	4.50 %		
Leverage ratio	1,026,506	7.64 %	537,589	4.00 %		
Tier 1 risk-based capital ratio	8,690,105	11.81 %	521,406	6.00 %		
Total risk-based capital ratio	8,690,105	14.21 %	695,208	8.00 %		
December 31, 2023:						
Common equity tier 1 ratio	\$ 931,272	10.02 %	\$ 418,142	4.50 %		
Leverage ratio	931,272	7.20 %	517,033	4.00 %		
Tier 1 risk-based capital ratio	931,272	10.02 %	557,523	6.00 %		
Total risk-based capital ratio	1,140,312	12.27 %	743,363	8.00 %		
FFB						
September 30, 2024:						
Common equity tier 1 ratio	\$ 1,160,564	13.41 %	\$ 389,497	4.50 %	\$ 562,606	6.50 %
Leverage ratio	1,160,564	8.65 %	536,475	4.00 %	670,594	5.00 %
Tier 1 risk-based capital ratio	1,160,564	13.41 %	519,329	6.00 %	692,438	8.00 %
Total risk-based capital ratio	1,195,624	13.81 %	692,438	8.00 %	865,548	10.00 %
December 31, 2023:						
Common equity tier 1 ratio	\$ 1,076,337	11.62 %	\$ 416,684	4.50 %	\$ 601,877	6.50 %
Leverage ratio	1,076,337	8.35 %	515,753	4.00 %	644,691	5.00 %
Tier 1 risk-based capital ratio	1,076,337	11.62 %	555,579	6.00 %	740,772	8.00 %
Total risk-based capital ratio	1,111,979	12.01 %	740,772	8.00 %	925,965	10.00 %

[Table of Contents](#)

As of each of the dates set forth in the above table, the Company exceeded the minimum required capital ratios applicable to it and FFB's capital ratios exceeded the minimums necessary to qualify as a well-capitalized depository institution under the prompt corrective action regulations. The required ratios for capital adequacy set forth in the above table do not include the Capital Rules' additional capital conservation buffer, though each of the Company and FFB maintained capital ratios necessary to satisfy the capital conservation buffer requirements as of the dates indicated.

As of September 30, 2024, the amount of capital at FFB in excess of amounts required to be well capitalized for purposes of the prompt corrective action regulations was \$598 million for the common equity tier 1 ratio, \$490 million for the leverage ratio, \$468 million for the tier 1 risk-based capital ratio and \$330 million for the total risk-based capital ratio.

The amount and declaration of future cash dividends are subject to approval by our Board of Directors and certain regulatory restrictions which are discussed in *Item 1 "Business—Supervision and Regulation—Dividends and Stock Repurchases"* in Part I of our Annual Report on Form 10-K for the year ended December 31, 2023. Additionally, under the terms of the holding company line of credit agreement, FFI may only declare and pay a dividend if the total amount of dividends and stock repurchases during the current twelve months does not exceed 50% of EBITDA for the same twelve-month period. The Board of Directors did not declare a cash dividend during the three months ended September 30, 2024, and June 30, 2024, respectively and declared a cash dividend of \$0.01 per share during the three months ended March 31, 2024. During 2023, the Board of Directors declared quarterly cash dividends totaling \$0.06 per share.

We had no material commitments for capital expenditures as of September 30, 2024. However, we intend to take advantage of opportunities that may arise in the future to grow our businesses, which may include opening additional offices or acquiring complementary businesses that we believe will provide us with attractive risk-adjusted returns. As a result, we may seek to obtain additional borrowings and to sell additional shares of our common stock to raise funds which we might need for these or other purposes. There is no assurance, however, that, if required, we will succeed in obtaining additional borrowings or selling additional shares of our common stock or other securities on terms that are acceptable to us, if at all, as this will depend on market conditions and other factors outside of our control, as well as our future results of operations. *See Item 1A, "Risk Factors"* in Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 for information regarding the impact that future sales of our common stock may have on the share ownership of our existing stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain financial risks, which are discussed in detail in Management's Discussion and Analysis of Financial Condition and Results of Operations in the section titled Interest Rate Risk Management in this report as well as in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In accordance with SEC rules, an evaluation was performed under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness, as of September 30, 2024, of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods

specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There was no change in our internal control over financial reporting that occurred during the three months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we are subject to claims, counter claims, suits and other litigation of the type that generally arise from the conduct of financial services businesses. We are not aware of any threatened or pending litigation that we expect will have a material adverse effect on our business operations, financial condition or results of operations.

ITEM 1A. RISK FACTORS

We disclosed certain risks and uncertainties that we face under the caption “Risk Factors” in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023, which we filed with the SEC on February 28, 2024. There have been no material changes in these risk factors from those disclosed in such Annual Report on Form 10-K.

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

On April 26, 2022, the Company announced that its Board of Directors authorized a stock repurchase program, pursuant to which the Company may repurchase up to \$75 million of its common stock. This plan has no stated expiration date. This stock repurchase program replaces and supersedes the stock repurchase program approved by the Board of Directors on October 30, 2018, which had authorized the Company to repurchase up to 2,200,000 shares of its common stock. No shares were repurchased by the Company during the three months ended September 30, 2024.

ITEM 5. OTHER INFORMATION

None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the third quarter of 2024.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on October 29, 2015).
3.2	Certificate of Amendment to Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on October 3, 2024).
3.3	Certificate of Designations for Series A Noncumulative Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on July 9, 2024).
3.4	Certificate of Designations for Series B Noncumulative Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on July 9, 2024).
3.5	Certificate of Designations for Series C NVCE Stock (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, filed on July 9, 2024).
3.6	Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on February 27, 2024).
4.1	Form of Issued Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on July 9, 2024).
10.1	Fortress Investment Agreement, dated July 2, 2024, by and between the Company and Fortress (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on July 2, 2024).*
10.2	Canyon Investment Agreement, dated July 2, 2024, by and between the Company and Canyon (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on July 2, 2024).*
10.3	SVBP Investment Agreement, dated July 2, 2024, by and between the Company and SVBP (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on July 2, 2024).*
10.4	Registration Rights Agreement, dated July 8, 2024, by and among the Company and the Purchasers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on July 9, 2024).
10.5	Amendment to Investment Agreement, dated September 25, 2024, by and between the Company and CF1 Foundation Investors LP.
31.1(1)	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2(1)	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1(1)	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002
32.2(1)	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Filed herewith.

* Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and similar attachments have been omitted. The registrant hereby agrees to furnish a copy of any omitted schedule or similar attachment to the SEC upon request.

AMENDMENT TO INVESTMENT AGREEMENT

This Amendment to Investment Agreement (this “Amendment”), effective as of September 25, 2024, is made by and between First Foundation Inc., a Delaware corporation (the “Company”) and CF 1Foundation Investors LP, a Delaware limited partnership (“Purchaser”), and amends that certain Investment Agreement, dated as of July 2, 2024 (the “Agreement”), by and between the Company and Purchaser. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

WHEREAS, pursuant to the Agreement, Purchaser is entitled to designate up to two persons to the Board of Directors of the Company and the Board of Directors of First Foundation Bank, a wholly-owned bank subsidiary of the Company (the “Bank”, and such designated directors, the “Investor Directors”);

WHEREAS, the Agreement provides that the Investor Directors are entitled to the same compensation from the Company as the other independent directors serving on the Board of Directors of the Company or the Board of Director of the Bank, as applicable; and

WHEREAS, the parties desire to amend the Agreement to provide Purchaser with the option to elect to have the compensation of any such Investor Director be paid directly to Purchaser or its designee, as more specifically set forth herein.

NOW, THEREFORE, in consideration of these premises and the mutual covenants, terms and conditions set forth herein, all of the parties hereto mutually agree as follows:

1. Amendment. The following sentence shall be added after the final sentence in Section 4.1(g) of the Agreement:

“Upon the election of the Purchaser, any compensation or expense reimbursement payable pursuant to clause (i) above to any individual Investor Director that was designated by the Purchaser shall instead be payable to the Purchaser or its designee (as such director was designated by the Purchaser to provide services to the Company, on behalf of the Purchaser, pursuant to this Agreement); provided that to the extent that the Purchaser is entitled to receive any voting securities or equity incentive awards for voting securities of the Company pursuant to this clause (g), the Company shall instead deliver to Purchaser cash or non-voting securities of the Company, as determined by the Company in its sole discretion, of substantially equivalent value in lieu of such voting securities or equity incentive awards for voting securities (which if cash is delivered at time of grant of such equity awards, it shall reflect the fair value of such equity awards and may be subject to recoupment or vesting on the same terms as the equity awards would be).”

2. No Other Amendments. Except as specifically amended hereby, all of the terms and conditions of the Agreement are and shall remain in full force and effect and are hereby

ratified and confirmed. In the event of a conflict between the provisions of this Amendment and the provisions of the Agreement, the provisions of this Amendment shall control. No subsequent change or addition to this Amendment shall be binding unless in writing and duly executed by both the Company and the Purchaser.

3. Delivery by Electronic Transmission. This Amendment, to the extent signed and delivered by email delivery of a “.pdf” format data file or other electronic means, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party or to any such agreement or instrument shall raise the use of email delivery of a “.pdf” format data file or other electronic means to deliver a signature hereto or any amendment hereto or the fact that any signature or agreement or instrument was transmitted or communicated through the use of email delivery of a “.pdf” format data file or other electronic means as a defense to the formation of a contract and each party forever waives any such defense.

[Signature page follows]

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the duly authorized officers of the parties as of the date first herein above written.

FIRST FOUNDATION INC.

By: /s/ Erica Dorsett

Name: Erica Dorsett

Title: General Counsel/EVP

CF 1 FOUNDATION INVESTORS LP

By: CF 1 FOUNDATION GP LLC, its general partner

By: /s/ William A. Covino

Name: William A. Covino

Title: Chief Financial Officer

[Signature Page to Amendment to Investment Agreement]

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Scott Kavanaugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Foundation Inc. for the quarter ended September 30, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ SCOTT KAVANAUGH

Scott Kavanaugh
Chief Executive Officer

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, James Britton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Foundation Inc. for the quarter ended September 30, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2024

/s/ JAMES BRITTON

James Britton
Executive Vice President and
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
UNDER
SECTION 906 OF THE SARBANES-OXLEY ACT**

FIRST FOUNDATION INC.

Quarterly Report on Form 10-Q
for the Quarter ended September 30, 2024

The undersigned, who is the Chief Executive Officer of First Foundation Inc (the “Company”), hereby certifies that (i) the Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, as filed by the Company with the Securities and Exchange Commission (the “Quarterly Report”), to which this Certification is an Exhibit, fully complies with the applicable requirements of Section 13(a) and 15(d) of the Exchange Act; and (ii) the information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2024

/s/ SCOTT KAVANAUGH

Scott Kavanaugh
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
UNDER
SECTION 906 OF THE SARBANES-OXLEY ACT**

FIRST FOUNDATION INC.

Quarterly Report on Form 10-Q
for the Quarter ended September 30, 2024

The undersigned, who is the Chief Financial Officer of First Foundation Inc. (the “Company”), hereby certifies that (i) the Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, as filed by the Company with the Securities and Exchange Commission (the “Quarterly Report”), to which this Certification is an Exhibit, fully complies with the applicable requirements of Section 13(a) and 15(d) of the Exchange Act; and (ii) the information contained in this Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2024

/s/ JAMES BRITTON

James Britton
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
