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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2026 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 000-29480

HERITAGE FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Washington	**91-1857900**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
201 Fifth Avenue SW, Olympia WA	**98501**
(Address of principal executive offices)	**(Zip Code)**

(360) 943-1500
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date:

As of October 28, 2026, there were 40,576,875 shares of the registrant's common stock, no par value per share, outstanding.

HERITAGE FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10-Q
September 30, 2026
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GLOSSARY OF ACRONYMS, ABBREVIATIONS, AND TERMS

The acronyms, abbreviations, and terms listed below are used in various sections of this Form 10-Q. As used throughout this report, the terms "Heritage," “we,” “our,” “us” or the "Company" refer to Heritage Financial Corporation and its consolidated subsidiaries, unless the context otherwise requires.

2025 Annual Form 10-K	Company's Annual Report on Form 10-K for the year ended December 31, 2025
ACL	Allowance for Credit Losses
AOCI	Accumulated Other Comprehensive Income (loss), net
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bank	Heritage Bank
Board	Heritage Financial Corporation Board of Directors
BOLI	Bank Owned Life Insurance
CECL	Current Expected Credit Loss
CMO	Collateralized Mortgage Obligations
CODM	Chief Operating Decision Maker
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
DFI	Division of Banks of the Washington State Department of Financial Institutions
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank of Des Moines
FRB	Federal Reserve Bank
GAAP	U.S. Generally Accepted Accounting Principles
LIHTC	Low-Income Housing Tax Credit
MBS	Mortgage-Backed Securities
Olympic	Olympic Bancorp, Inc.
PCD	Purchased Credit Deteriorated
PSL	Purchased Seasoned Loans
ROU	Right-of-use
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SM	Special Mention

SS	Substandard
Unfunded Commitments	Off-balance sheet credit exposures such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments
USDA	United States Department of Agriculture

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements often include, among others, statements concerning plans, estimates, calculations, forecasts, and projections with respect to anticipated future performance of the Company. These statements are often, but not always, identified by words such as "believes," "expects," "anticipates," "estimates," “forecasts,” "intends," “plans,” “targets,” “potentially,” “probably,” “projects,” “outlook” or similar expressions or future or conditional verbs such as “may,” "will," “should,” "would," and "could," as well as the negative of such words. Forward-looking statements are not historical facts but instead represent management's current expectations and forecasts regarding future events, many of which are inherently uncertain and outside of our control. Actual results may differ, possibly materially, from those currently expected or projected in these forward-looking statements. These forward-looking statements are subject to inherent known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated or implied by forward-looking statements. Factors that could cause our actual results to differ materially from those described in the forward-looking statements include, but are not limited to, the following:

- potential adverse impacts to economic conditions nationally or in our local market areas, other markets where we have lending relationships, or other aspects of our business operations or financial markets, including, without limitation, as a result of credit quality deterioration, pronounced and sustained reductions in real estate market values, employment levels, labor shortages and a potential recession or slowed economic growth;
- changes in the interest rate environment, including as a result of the recent increase in the benchmark federal funds rate by the Federal Reserve, which could adversely affect our revenues and expenses, the value of assets and obligations, and the availability and cost of capital and liquidity;
- the level and impact of inflation and the current and future monetary policies of the Board of Governors of the Federal Reserve System and executive orders in response thereto;
- previous and potential future disruptions, security breaches, insider fraud, cybersecurity incidents or other adverse events, failures or interruptions in, or attacks on, our information technology systems or on the third-party vendors who perform critical processing functions for our business, including sophisticated attacks using artificial intelligence and similar tools;
- legislative or regulatory changes that adversely affect our business, including changes in banking, securities, and tax laws, in regulatory policies and principles, or the interpretation and prioritization of such rules and regulations;
- effects on the U.S. economy resulting from actions taken by the federal government, including the threat or implementation of tariffs, immigration enforcement and changes in foreign policy;
- the effects of acts of war or terrorism, foreign relations, military conflicts, including the wars in Iran and Ukraine, ongoing conflicts in the Middle East, and other international military conflicts that can increase levels of political and economic unpredictability, contribute to rising energy and commodity prices, affect global supply chains, increase the volatility of financial markets, and other matters beyond our control;
- effects of other external events on our business and the businesses of our clients;
- credit and interest rate risks associated with our business, including our customers’ borrowing, repayment, and deposit practices;
- fluctuations in deposits and the concentration of large deposits from certain customers, who have deposit balances above current FDIC insurance limits;
- liquidity issues, including our ability to borrow funds or raise additional capital, if necessary;
- fluctuations in the value of our investment securities;
- credit risks and risks from concentrations (including by type of geographic area, collateral and industry) within our loan portfolio;
- the effectiveness of our risk management framework;
- rapid technological changes implemented by us and other parties, including third-party vendors, which may be more difficult to implement or more expensive than anticipated or which may have unforeseen consequences to us and our customers, including the development and implementation of tools incorporating artificial intelligence;
- increased competition in the financial services industry from non-banks such as credit unions and financial technology companies, including digital asset service providers;
- our ability to adapt successfully to technological changes to compete effectively in the marketplace, including as a result of competition from other commercial banks, mortgage banking firms, credit unions, securities brokerage firms, insurance companies, financial technology companies, and digital asset service providers;
- emerging issues related to the development and use of artificial intelligence that could give rise to legal or regulatory action, damage our reputation or otherwise materially harm our business or customers;
- our ability to implement our organic and acquisition growth strategies, including the acquisition of Olympic, and our ability to successfully integrate Olympic's customers and operations following the acquisition;
- effects of critical accounting policies and judgments, including the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation;
- the commencement, costs, effects and outcome of litigation and other legal proceedings and regulatory actions against us or to which we may become subject, including in connection with prior acquisitions;
- potential impairment to the goodwill we recorded in connection with our past acquisitions, including as a result of the acquisition of Olympic;
- loss of, or inability to attract, key personnel;

- our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may acquire, including as a result of the acquisition of Olympic, into our operations and our ability to realize related revenue synergies and cost savings within expected time frames or at all, and any goodwill charges related thereto and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, which might be greater than expected;
- the effects of climate change, severe weather events, natural disasters, pandemics, epidemics and other public health crises;
- the impact of bank failures or adverse developments at other banks and related negative publicity about the banking industry in general on investor and depositor sentiment regarding the stability and liquidity of banks;
- the credit risks of lending activities, including changes in the level and trend of loan delinquencies, write-offs and changes in our ACL on loans and provision for credit losses on loans that may be affected by deterioration in the housing and CRE markets, which may lead to increased losses and nonperforming assets in our loan portfolio, or may result in our ACL on loans no longer being adequate to cover actual losses, and require us to increase our ACL on loans through provisions for credit losses;
- the relative differences between short-term and long-term interest rates, deposit interest rates, our net interest margin and funding sources;
- the availability of future equity and debt issuances and other capital raising opportunities on favorable terms;
- the impact of repricing and competitors' pricing initiatives on loan and deposit products;
- the extensive and evolving regulatory framework that applies to us;
- results of examinations by the bank regulators, including the possibility that any such regulatory authority may, among other things, initiate an enforcement action against the Company or our bank subsidiary which could require us to increase our ACL on loans, write-down assets, change our regulatory capital position, affect our ability to borrow funds or maintain or increase deposits, or impose additional requirements on us, any of which could affect our ability to continue our growth through mergers, acquisitions or similar transactions and adversely affect our liquidity and earnings;
- the overall health of local and national real estate markets;
- the level of nonperforming assets on our balance sheet;
- our ability to control operating costs and expenses;
- our ability to implement our business strategies and manage our growth;
- risks related to acquiring assets in or entering markets in which we have not previously operated and may not be familiar;
- changes in consumer spending, borrowing, and savings habits;
- our ability to pay dividends on our common stock;
- our success at managing and responding to the risks involved in the foregoing items; and
- other factors described in our 2025 Annual Form 10-K, this Quarterly Report on Form 10-Q and other documents filed with or furnished to the SEC, which are available on our website at www.hf-wa.com and on the SEC's website at www.sec.gov.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HERITAGE FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)
(Dollars in thousands, except share data)

	September 30, 2026	December 31, 2025
ASSETS		
Cash on hand and in banks	$ 103,026	$ 52,587
Interest earning deposits	84,041	180,502
Cash and cash equivalents	187,067	233,089
Investment securities available for sale, at fair value, net (amortized cost of $1,028,761 and $647,505, respectively)	947,636	607,522
Investment securities held to maturity, at amortized cost, net (fair value of $577,974 and $625,287, respectively)	653,823	674,107
Total investment securities	1,601,459	1,281,629
Loans receivable	5,881,201	4,783,266
Allowance for credit losses on loans	(61,343)	(52,584)
Loans receivable, net	5,819,858	4,730,682
Other real estate owned	—	—
Premises and equipment, net	98,295	74,690
Federal Home Loan Bank stock, at cost	10,657	5,163
Bank owned life insurance	147,600	105,974
Accrued interest receivable	24,290	19,280
Prepaid expenses and other assets	305,351	273,925
Other intangible assets, net	44,328	1,979
Goodwill	279,029	240,939
Total assets	$ 8,517,934	$ 6,967,350
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest bearing deposits	$ 1,967,073	$ 1,597,650
Interest bearing deposits	5,219,861	4,322,549
Total deposits	7,186,934	5,920,199
Borrowings	121,900	20,000
Junior subordinated debentures	22,570	22,350
Accrued expenses and other liabilities	102,709	83,297
Total liabilities	7,434,113	6,045,846
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, no par value, 2,500,000 shares authorized; no shares issued and outstanding, respectively	—	—
Common stock, no par value, 50,000,000 shares authorized; 40,576,875 and 33,963,500 shares issued and outstanding, respectively	698,915	531,100
Retained earnings	448,178	421,619
Accumulated other comprehensive loss, net	(63,272)	(31,215)
Total stockholders' equity	1,083,821	921,504
Total liabilities and stockholders' equity	$ 8,517,934	$ 6,967,350

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HERITAGE FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Dollars in thousands, except shares and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
INTEREST INCOME:				
Interest and fees on loans	$ 84,470	$ 66,422	$ 242,850	$ 196,231
Taxable interest on investment securities	14,456	11,102	41,490	34,420
Nontaxable interest on investment securities	126	138	383	414
Interest on interest earning deposits	1,139	1,846	3,817	4,309
Total interest income	100,191	79,508	288,540	235,374
INTEREST EXPENSE:				
Deposits	21,369	20,121	63,507	59,760
Junior subordinated debentures	437	474	1,298	1,417
Borrowings	1,126	1,542	2,441	8,153
Total interest expense	22,932	22,137	67,246	69,330
Net interest income	77,259	57,371	221,294	166,044
Provision for credit losses	2,271	1,775	320	2,782
Net interest income after provision for credit losses	74,988	55,596	220,974	163,262
NONINTEREST INCOME:				
Service charges and other fees	3,497	3,046	10,456	8,953
Card revenue	2,521	2,209	7,219	5,950
Loss on sale of investment securities, net	—	—	(217)	(10,741)
Interest rate swap fees	53	96	56	115
Bank owned life insurance income	1,250	1,008	3,854	3,206
Gain on sale of other assets, net	—	—	—	8
Other income	1,932	1,966	5,895	6,254
Total noninterest income	9,253	8,325	27,263	13,745
NONINTEREST EXPENSE:				
Compensation and employee benefits	34,135	26,082	103,876	77,348
Occupancy and equipment	6,326	4,665	17,670	14,431
Data processing	8,337	3,754	23,648	11,317
Marketing	675	284	1,495	955
Professional services	1,109	1,332	4,890	3,188
State/municipal business and use taxes	1,799	1,235	5,274	3,660
Federal deposit insurance premium	947	796	2,865	2,418
Other real estate owned, net	(55)	—	(7)	—
Amortization of intangible assets	2,941	284	7,956	889
Other expense	5,744	3,183	15,166	9,877
Total noninterest expense	61,958	41,615	182,833	124,083
Income before income taxes	22,283	22,306	65,404	52,924
Income tax expense	3,563	3,137	10,191	7,629
Net income	$ 18,720	$ 19,169	$ 55,213	$ 45,295
Basic earnings per share	$ 0.46	$ 0.56	$ 1.37	$ 1.33
Diluted earnings per share	$ 0.46	$ 0.55	$ 1.36	$ 1.31
Dividends declared per share	$ 0.25	$ 0.24	$ 0.73	$ 0.72
Average number of basic shares outstanding	40,740,742	33,953,810	40,175,502	34,009,010
Average number of diluted shares outstanding	41,213,105	34,413,386	40,642,491	34,481,877

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HERITAGE FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Net Income	$ 18,720	$ 19,169	$ 55,213	$ 45,295
Change in fair value of investment securities available for sale, net of tax of $(7,175), $1,074, $(9,193), and $3,955 respectively	(25,261)	3,804	(32,166)	13,626
Amortization of net unrealized gain for the reclassification of investment securities available for sale to held to maturity, net of tax of $(4), $(17), $(17), and $(58) respectively	(15)	(61)	(60)	(204)
Reclassification adjustment for net loss from sale of investment securities available for sale included in income, net of tax benefit of $0, $0, $48, and $2,365 respectively	—	—	169	8,376
Other comprehensive (loss) income	(25,276)	3,743	(32,057)	21,798
Comprehensive (loss) income	$ (6,556)	$ 22,912	$ 23,156	$ 67,093

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HERITAGE FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(Dollars in thousands, except shares and per share data)

	Three Months Ended September 30, 2026				
	Number of common shares	Common stock	Retained earnings	AOCI	Total stockholders' equity
Balance at June 30, 2026	40,906,122	$ 707,889	$ 439,799	$ (37,996)	$ 1,109,692
Restricted stock units vested	16,387				—
Stock-based compensation expense		1,328			1,328
Common stock repurchased	(345,634)	(10,302)			(10,302)
Net income			18,720		18,720
Other comprehensive loss, net of tax				(25,276)	(25,276)
Cash dividends declared on common stock ($0.25 per share)			(10,341)		(10,341)
Balance at September 30, 2026	40,576,875	$ 698,915	$ 448,178	$ (63,272)	$ 1,083,821

	Nine Months Ended September 30, 2026				
	Number of common shares	Common stock	Retained earnings	AOCI	Total stockholders' equity
Balance at December 31, 2025	33,963,500	$ 531,100	$ 421,619	$ (31,215)	$ 921,504
Restricted stock units vested	204,673				—
Stock-based compensation expense		4,193			4,193
Common stock repurchased	(758,898)	(21,374)			(21,374)
Stock issued in connection with acquisition	7,167,600	184,996			184,996
Net income			55,213		55,213
Other comprehensive loss, net of tax				(32,057)	(32,057)
Cash dividends declared on common stock ($0.73 per share)			(28,654)		(28,654)
Balance at September 30, 2026	40,576,875	$ 698,915	$ 448,178	$ (63,272)	$ 1,083,821

	Three Months Ended September 30, 2025				
	Number of common shares	Common stock	Retained earnings	AOCI	Total stockholders' equity
Balance at June 30, 2025	33,953,194	$ 528,758	$ 396,643	$ (37,189)	$ 888,212
Restricted stock units vested	3,544				—
Stock-based compensation expense		1,215			1,215
Common stock repurchased		(24)			(24)
Net income			19,169		19,169
Other comprehensive income, net of tax				3,743	3,743
Cash dividends declared on common stock ($0.24 per share)			(8,251)		(8,251)
Balance at September 30, 2025	33,956,738	$ 529,949	$ 407,561	$ (33,446)	$ 904,064

	Nine Months Ended September 30, 2025				
	Number of common shares	Common stock	Retained earnings	AOCI	Total stockholders' equity
Balance at December 31, 2024	33,990,827	$ 531,674	$ 387,097	$ (55,244)	$ 863,527
Restricted stock units vested	198,988				—
Stock-based compensation expense		3,748			3,748
Common stock repurchased	(233,077)	(5,473)			(5,473)
Net income			45,295		45,295
Other comprehensive income, net of tax				21,798	21,798
Cash dividends declared on common stock ($0.72 per share)			(24,831)		(24,831)
Balance at September 30, 2025	33,956,738	$ 529,949	$ 407,561	$ (33,446)	$ 904,064

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HERITAGE FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities:		
Net income	$ 55,213	$ 45,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	(4,058)	678
Provision for credit losses	320	2,782
Stock-based compensation expense	4,193	3,748
Amortization of intangible assets	7,956	889
Amortization of tax credit investments	17,687	17,836
Deferred income tax (benefit) expense	(11,018)	913
Bank owned life insurance income	(3,854)	(3,206)
Loss on sale of investment securities available for sale, net	217	10,741
Gain on sale of other real estate owned, net	(53)	—
Other	906	(12,842)
Net cash provided by operating activities	67,509	66,834
Cash flows from investing activities:		
Loan originations and purchases, net of payments	(137,392)	35,113
Maturities and repayments of investment securities available for sale	106,428	94,976
Maturities and repayments of investment securities held to maturity	19,842	21,098
Purchase of investment securities available for sale	(406,013)	(84,669)
Purchase of premises and equipment	(5,367)	(3,448)
Purchase of bank owned life insurance	(39)	(39)
Proceeds from bank owned life insurance death benefit	759	502
Proceeds from surrender of bank owned life insurance	—	5,091
Purchases of Federal Home Loan Bank stock	(56,757)	(21,036)
Proceeds from sales of other real estate owned	808	—
Proceeds from sales of investment securities available for sale	231,633	141,682
Proceeds from redemption of Federal Home Loan Bank stock	52,262	32,101
Proceeds from sales of premises and equipment	—	52
Capital contributions to tax credit partnerships	(4,854)	(57,745)
Net cash received from acquisition	155,167	—
Net cash (used) provided by investing activities	(43,523)	163,678
Cash flows from financing activities:		
Net (decrease) increase in deposits	(122,261)	172,851
Proceeds from borrowings	1,291,250	467,400
Repayment of borrowings	(1,189,350)	(712,400)
Common stock cash dividends paid	(28,273)	(24,499)
Repurchase of common stock	(21,374)	(5,473)
Net cash used by financing activities	(70,008)	(102,121)
Net increase (decrease) in cash and cash equivalents	(46,022)	128,391
Cash and cash equivalents at beginning of period	233,089	117,100
Cash and cash equivalents at end of period	$ 187,067	$ 245,491

	Nine Months Ended September 30,	
	2026	2025
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 66,876	$ 69,716
Cash paid for income taxes, net of refunds	2,983	1,125
Supplemental non-cash disclosures of cash flow information:		
Transfers of loans receivable to other real estate owned	$ 755	$ —
Investment in LIHTC partnership and related funding commitment	35	142
Right of use assets obtained in exchange for new operating lease liabilities	2,818	3,240
Transfers of premises and equipment classified as held for sale to prepaid expenses and other assets from premises and equipment, net	1,790	93
Transfer of bank owned life insurance to prepaid expenses and other assets due to surrender of policies	—	8,463
Business Combinations:		
Assets acquired	1,552,469	—
Liabilities assumed	(1,405,563)	—
Net assets acquired	146,906	—

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HERITAGE FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) Description of Business, Basis of Presentation, Significant Accounting Policies and Recently Issued Accounting Pronouncements

(a) Description of Business

The Company is primarily engaged in the business of planning, directing and coordinating the business activities of its wholly-owned subsidiary, the Bank. The Bank is headquartered in Olympia, Washington and conducts business from its branch offices located throughout Washington state, the greater Portland, Oregon area, Eugene, Oregon, and Boise, Idaho. The Bank's business consists primarily of commercial lending and deposit relationships with small and medium-sized businesses and their owners in its market areas and attracting deposits from the general public. The Bank also makes real estate construction and land development loans and consumer loans and originates home equity loans on residential properties primarily located in its market areas. The Bank's deposits are insured by the FDIC, subject to applicable limitations.

(b) Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial information and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. It is recommended these unaudited Condensed Consolidated Financial Statements and accompanying Notes be read with the audited Consolidated Financial Statements and the accompanying Notes included in the 2025 Annual Form 10-K. In management's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2026 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026.

On January 31, 2026, the Company completed its acquisition of Olympic (the "Merger"), a bank holding company headquartered in Port Orchard, Washington, and its subsidiary bank Kitsap Bank. The Company's financial results for periods ended prior to January 31, 2026 reflect only Heritage's standalone operations and are not directly comparable to the consolidated results for periods following the completion of the acquisition.

The accompanying Condensed Consolidated Financial Statements presented for the year ended December 31, 2025 were derived from audited financial statements and do not include all disclosures required by GAAP.

To prepare unaudited Condensed Consolidated Financial Statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided. Management believes the judgments, estimates and assumptions used in the preparation of the unaudited Condensed Consolidated Financial Statements are appropriate based on the facts and circumstances at the time. Actual results, however, could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change relate to management's estimate of the ACL on investment securities, management's estimate of the ACL on loans, management's estimate of the ACL on unfunded commitments, management's evaluation of goodwill impairment and management's estimate of the fair value of financial instruments. Estimates related to acquired loans and intangible assets require significant judgment, including discount rates, expected cash flows, and credit loss assumptions.

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All significant intercompany balances and transactions among the Company and the Bank have been eliminated in consolidation.

(c) Significant Accounting Policies

The significant accounting policies used in preparation of the unaudited Condensed Consolidated Financial Statements are disclosed in greater detail in the 2025 Annual Form 10-K. In conjunction with the Merger, the Company early adopted ASU 2025-08 *Financial Instruments-Credit Losses: Purchased Loans* as discussed below. There have not been any other material changes in the Company's significant accounting policies during the nine months ended September 30, 2026 from those contained in the 2025 Annual Form 10-K.

(d) Recently Issued or Adopted Accounting Pronouncements

FASB ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative,* was issued in October 2023 to clarify or improve disclosure and presentation requirements on a variety of topics and align the requirements in the FASB accounting standard codification with SEC regulations. The amendments will be effective for the Company only if the SEC removes the related disclosure requirement from its existing regulations no later than June 30, 2027. If the SEC timely removes such related requirement from its existing regulations, the corresponding amendments within the ASU will become effective for the Company on the same date with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its business operations or Consolidated Statements of Financial Condition.

FASB ASU 2024-03, *Disaggregation of Income Statement Expenses,* was issued in November 2024. This ASU will require public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period. The amendments in this ASU are effective for fiscal years beginning after December 15, 2026, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its business operations or Consolidated Statements of Financial Condition.

FASB ASU 2025-06, *Intangibles-Goodwill and Other-Internal-Use Software: Targeted Improvements to the Accounting for Internal-Use Software*, was issued in September 2025. The amendment removed references to prescriptive and sequential software development stages so that guidance is neutral to software development methods in determining when internal-use software is capitalizable. The new standard is effective for annual periods beginning after December 15, 2027, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its business operations or Consolidated Statements of Financial Condition.

FASB ASU 2025-08, *Financial Instruments-Credit Losses: Purchased Loans*, was issued in November 2025. The ASU makes significant changes to the accounting for certain acquired seasoned loans subject to the CECL model. It does not change the existing models for originated assets, PCD assets or other acquired assets. PCD assets are acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) that as of the date of acquisition have experienced a more-than-insignificant deterioration in credit quality since origination. The ASU creates a new model for certain purchased loans expanding the gross-up approach to a newly created category of PSL ("purchased seasoned loans") which will decrease the accretion on acquired loans classified as PSL. Purchased seasoned loans are accounted for using the gross-up method, with initial ACL recognized through a gross up to loans and the noncredit discount accreted into interest income over the life of the loan. The new standard is effective for annual periods beginning after December 15, 2026 and interim reporting periods within those annual periods. Early adoption is permitted. The Company elected early adoption of this ASU as of January 1, 2026. The Company has elected to apply the accounting policy option provided by the ASU to measure the ACL for PSL using the amortized cost basis which will be applied to all qualifying acquisitions on or after the adoption date.

(2) Business Combination

On January 31, 2026, the Company completed its acquisition of Olympic in an all-stock transaction. Olympic shareholders received 45.0 shares of Heritage common stock in exchange for each share of Olympic capital stock. Based on the number of issued and outstanding shares of Olympic capital stock on January 30, 2026 (the trading day immediately preceding the completion of the acquisition), 7,167,600 shares of Heritage common stock were issued as consideration in the Merger. Based on the closing price of Heritage common stock on Nasdaq as of January 30, 2026 of $25.81, the consideration that an Olympic shareholder was entitled to receive for each share of Olympic capital stock owned had a value of $1,161.45 with an aggregate transaction value of approximately $185.0 million.

During the three and nine months ended September 30, 2026, the Company incurred acquisition-related costs of approximately $5.2 million and $17.9 million, respectively, which are included in the Company's Condensed Consolidated Statements of Income.

The Merger resulted in $38.1 million of goodwill, representing the excess of purchase price consideration over the fair value of net assets acquired. The primary reason for the Merger was to achieve synergies, expand market opportunities, and capitalize on cost savings resulting from the combining of the operations of the companies. The goodwill recorded in connection with the Merger is not deductible for tax purposes. Additional details on goodwill and other intangible assets are provided in Note 6-Goodwill and Other Intangible Assets.

Fair value determinations required significant estimates and assumptions, including discount rates, expected cash flows, and market conditions and are inherently subjective. Management believes the preliminary estimates are reasonable; however, they may be subject to adjustment during the measurement period, which will not exceed one year from the acquisition date, with any such adjustment recorded to goodwill.

The following table summarizes the consideration paid for Olympic and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

		(Dollars in thousands)
Shares of Heritage common stock issued to Olympic shareholders		7,167,600
Heritage's market price per common share (in dollars) as of January 30, 2026	$	25.81
Fair value of purchase price consideration transferred	$	184,996
Fair value of assets acquired		
Cash and cash equivalents	$	155,167
Investment securities		311,979
Loans receivable, net		944,961
Premises and equipment, net		27,437
Federal Home Loan Bank stock, at cost		999
Bank owned life insurance		37,734
Accrued interest receivable		4,253
Prepaid expenses and other assets		19,634
Other intangible assets, net		50,305
Total assets acquired		1,552,469

Fair value of liabilities assumed	
Deposits	1,388,996
Accrued expenses and other liabilities	16,567
Total liabilities assumed	1,405,563
Net assets acquired	146,906
Goodwill	$ 38,090

The following is a description of the methods used to determine the fair values of significant assets and liabilities presented above.

Cash and cash equivalents: Carrying amounts approximate fair value due to the short-term nature.

Investment securities: Fair values were based on quoted prices when available or, when not observable, on market-based inputs and valuation models using discounted cash flows.

Loans receivable, net: A third-party valuation was performed to estimate the fair value of the loans held for investment. Each loan was valued individually using discounted cash flow approach, incorporating contractual terms, expected credit losses, prepayment assumptions, and market-based discount rates. The present value of expected cash flows, adjusted for credit loss expectations, was used to determine fair value.

Heritage adopted ASU 2025-08 as of January 1, 2026. Under this guidance, the acquired financial assets are to be classified as either PCD, loans that have experienced more than insignificant credit deterioration since origination, or PSL. Per ASC 326-20-30-16, all loans that are acquired as part of a business combination accounted for using the acquisition method in accordance with Subtopic 805-20 that do not meet the definition of a PCD loan are determined to be PSLs. Loans acquired are recorded at fair value with no carryover of the related allowance for credit losses. The allowance for credit losses is determined on a collective basis and is allocated to the individual loans. The sum of the loan's purchase price and the allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Non-PCD loans are given the same treatment as PCD loans as a result of the Company adopting ASU 2025-08 as of January 1, 2026.

The Company believes that all contractual cash flows related to PSLs will be collected. As such, these receivables were not considered PCD at the acquisition date and were not subject to the guidance relating to PCD loans, which have shown evidence of more than insignificant credit deterioration since origination. PSLs had a fair value and gross contractual amounts receivable of $936.5 million and $956.6 million, respectively, on the date of acquisition.

The following table provides a reconciliation between the unpaid principal balance of acquired PCD loans and the purchase price at the acquisition date:

(dollars in thousands)	
Unpaid principal balance of PCD Loans	$ 20,611
PCD ACL at acquisition	(174)
Non-credit discount on PCD Loans	(2,794)
Fair value of PCD Loans	$ 17,643

Premises and equipment: Fair values were determined using a market approach, supported by third-party appraisals and broker opinions of value for land, office buildings, and branch facilities.

Other intangible assets: Core deposit intangible assets represent the value of certain acquired deposit relationships. A third-party valuation was performed to estimate the fair value of the core deposit intangible. Fair value was estimated using a discounted cash flow methodology based on the present value of expected cost savings from utilizing core deposit funding compared to alternative funding sources. Key assumptions included expected customer attrition rates, net maintenance costs of the deposit base, alternative cost of funds, and interest costs associated with customer deposits. The resulting intangible assets are amortized over 10 years.

Deposits: Fair values for demand and savings deposits were estimated to equal the amounts payable on demand at the acquisition date. Fair values for the time deposits were determined using a discounted cash flow approach that applied current market interest rates to the contractual terms of the deposits.

Disclosure of Olympic's net interest income and net income (excluding integration costs), included in the Company's Condensed Consolidated Statements of Income, is impracticable due to the integration of systems and operations following the acquisition.

The following unaudited pro forma consolidated financial information reflects the results of operations of the Company for the three and nine months ended September 30, 2026 and 2025, as if the Merger had been completed on January 1, 2025. Pro forma adjustments reflect changes in interest income from the accretion of discounts and premiums on acquired loans, changes in interest expense from amortization or accretion of fair value adjustments on interest-bearing deposits, and the amortization of the core deposit intangibles as if the deposits had been acquired on January 1, 2025. These pro forma results have been prepared for illustrative purposes only and are based on estimates and assumptions that have been made solely for purposes of developing such pro forma information and are not necessarily indicative of what the Company's operating results would have been, had the Merger actually taken place at the beginning of the previous annual period. The amounts do not reflect anticipated

operating cost savings, revenue enhancements, or other synergies expected to result from the Merger. Actual results may differ from the unaudited pro forma information presented.

	Unaudited Pro Forma for the			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	(Dollars in thousands)			
Net interest income	$ 77,259	$ 74,807	$ 226,885	$ 217,905
Non-interest income	9,253	12,317	13,091	25,721
Net income before income taxes [1]	27,468	28,708	65,191	47,478

[1] Pro forma net income before income taxes for the three and nine months ended September 30, 2026 was adjusted to exclude acquisition-related costs of $5.2 million and $17.9 million, respectively. Pro forma net income before income taxes for both the three and nine months ended September 30, 2025 was adjusted to exclude acquisition-related costs of $635,000. The pro forma net income before taxes assumes acquisition-related costs were incurred starting the third quarter of 2025.

(3) Investment Securities

The Company's investment policy is designed primarily to provide and maintain liquidity, generate a favorable return on assets without incurring undue interest rate and credit risk, and complement the Bank's lending activities.

There were no investment securities classified as trading at September 30, 2026 or December 31, 2025.

(a) Investment Securities by Classification, Type and Maturity

The following tables present the amortized cost and fair value of investment securities, and the corresponding amounts of gross unrealized and unrecognized gains and losses including the corresponding amounts of gross unrealized gains and losses on investment securities available for sale recognized in AOCI, at the dates indicated:

	September 30, 2026			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Investment securities available for sale:				
U.S. government and agency securities	$ 13,461	$ —	$ (2,189)	$ 11,272
Municipal securities	66,636	40	(11,473)	55,203
Residential CMO and MBS[1]	535,944	60	(44,599)	491,405
Commercial CMO and MBS[1]	370,937	64	(22,746)	348,255
Corporate obligations	23,397	89	(434)	23,052
Other asset-backed securities	18,386	87	(24)	18,449
Total	$ 1,028,761	$ 340	$ (81,465)	$ 947,636

[1] U.S. government agency and government-sponsored enterprise CMO and MBS.

	September 30, 2026			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(Dollars in thousands)			
Investment securities held to maturity:				
U.S. government and agency securities	$ 151,385	$ —	$ (28,519)	$ 122,866
Residential CMO and MBS[1]	200,760	—	(22,045)	178,715
Commercial CMO and MBS[1]	301,678	4	(25,289)	276,393
Total	$ 653,823	$ 4	$ (75,853)	$ 577,974

[1] U.S. government agency and government-sponsored enterprise CMO and MBS.

	December 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Investment securities available for sale:				
U.S. government and agency securities	$ 13,276	$ —	$ (1,574)	$ 11,702
Municipal securities	59,355	22	(7,954)	51,423
Residential CMO and MBS[1]	297,010	1,298	(23,040)	275,268
Commercial CMO and MBS[1]	260,953	917	(9,706)	252,164
Corporate obligations	10,500	72	(40)	10,532
Other asset-backed securities	6,411	30	(8)	6,433
Total	$ 647,505	$ 2,339	$ (42,322)	$ 607,522

[1] U.S. government agency and government-sponsored enterprise CMO and MBS.

	December 31, 2025			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(Dollars in thousands)			
Investment securities held to maturity:				
U.S. government and agency securities	$ 151,319	$ —	$ (20,870)	$ 130,449
Residential CMO and MBS[1]	217,707	303	(8,923)	209,087
Commercial CMO and MBS[1]	305,081	22	(19,352)	285,751
Total	$ 674,107	$ 325	$ (49,145)	$ 625,287

[1] U.S. government agency and government-sponsored enterprise CMO and MBS.

The following table presents the amortized cost and fair value of investment securities by contractual maturity at the date indicated. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2026			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Due in one year or less	$ 1,245	$ 1,255	$ —	$ —
Due after one year through five years	12,204	11,432	23,352	20,050
Due after five years through ten years	58,454	52,645	128,033	102,816
Due after ten years	31,591	24,195	—	—
Total investment securities due at a single maturity date	103,494	89,527	151,385	122,866
MBS and Other asset-backed securities[1]	925,267	858,109	502,438	455,108
Total investment securities	$ 1,028,761	$ 947,636	$ 653,823	$ 577,974

[1] MBS and Other asset-backed securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their payment speed.

There were no holdings of investment securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of stockholders' equity at September 30, 2026 or December 31, 2025.

(b) Unrealized Losses on Investment Securities Available for Sale

The following tables present the gross unrealized losses and fair value of the Company's investment securities available for sale for which an ACL on investment securities available for sale has not been recorded, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position at the dates indicated:

	September 30, 2026					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. government and agency securities	$ —	$ —	$ 11,087	$ (2,189)	$ 11,087	$ (2,189)
Municipal securities	15,023	(1,182)	36,335	(10,291)	51,358	(11,473)
Residential CMO and MBS[1]	323,192	(14,382)	142,175	(30,217)	465,367	(44,599)
Commercial CMO and MBS[1]	221,292	(9,662)	109,523	(13,084)	330,815	(22,746)
Corporate obligations	15,151	(256)	3,822	(178)	18,973	(434)
Other asset-backed securities	3,888	(24)	—	—	3,888	(24)
Total	$ 578,546	$ (25,506)	$ 302,942	$ (55,959)	$ 881,488	$ (81,465)

[1] U.S. government agency and government-sponsored enterprise CMO and MBS.

	December 31, 2025					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. government and agency securities	$ —	$ —	$ 11,702	$ (1,574)	$ 11,702	$ (1,574)
Municipal securities[1]	1,241	—	45,785	(7,954)	47,026	(7,954)
Residential CMO and MBS[2]	2,330	(9)	169,621	(23,031)	171,951	(23,040)
Commercial CMO and MBS[2]	6,881	(7)	152,683	(9,699)	159,564	(9,706)
Corporate obligations	—	—	3,960	(40)	3,960	(40)
Other asset-backed securities	1,397	(8)	—	—	1,397	(8)
Total	$ 11,849	$ (24)	$ 383,751	$ (42,298)	$ 395,600	$ (42,322)

[1] The unrealized loss on municipal securities in a continuous unrealized loss position less than 12 months was less than one thousand dollars.
[2] U.S. government agency and government-sponsored enterprise CMO and MBS.

(c) ACL on Investment Securities

The Company evaluated investment securities available for sale as of September 30, 2026 and December 31, 2025, and determined that any declines in fair value were attributable to changes in interest rates relative to where these investments fall within the yield curve and individual characteristics. Management monitors published credit ratings for adverse changes for all rated investment securities and none of these securities had a below investment grade credit rating as of either September 30, 2026 or December 31, 2025. In addition, the Company does not intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell these securities before the recovery of the amortized cost basis, which may be upon maturity. Therefore, no ACL on investment securities available for sale was recorded as of September 30, 2026 or December 31, 2025.

The Company also evaluated investment securities held to maturity for current expected credit losses as of September 30, 2026 or December 31, 2025. There were no investment securities held to maturity classified as nonaccrual or past due as of September 30, 2026 and December 31, 2025, and all were issued by the U.S. government and its agencies and either explicitly or implicitly guaranteed by the U.S. government, highly rated by major credit rating agencies and had a long history of no credit losses. Accordingly, the Company did not measure expected credit losses on investment securities held to maturity since the historical credit loss information adjusted for current conditions and reasonable and supportable forecast results in an expectation that nonpayment of the amortized cost basis is zero. Therefore, no ACL on investment securities held to maturity was recorded as of September 30, 2026 or December 31, 2025.

(d) Realized Gains and Losses

The following table presents the gross realized gains and losses on the sale of investment securities available for sale determined using the specific identification method for the dates indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	(Dollars in thousands)			
Gross realized gains	$ —	$ —	$ —	$ —
Gross realized losses	—	—	(217)	(10,741)
Net realized losses	$ —	$ —	$ (217)	$ (10,741)

(e) Pledged Securities

The following table summarizes the amortized cost and fair value of investment securities that were pledged as collateral for the following obligations at the dates indicated:

	September 30, 2026		December 31, 2025	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
State and local governments public deposits	$ 215,370	$ 197,793	$ 224,069	$ 216,012
FRB	385,431	331,898	395,364	358,480
Other securities pledged	75,757	69,716	55,291	51,349
Total	$ 676,558	$ 599,407	$ 674,724	$ 625,841

(f) Accrued Interest Receivable

Accrued interest receivable excluded from the amortized cost of investment securities available for sale totaled $3.7 million and $2.2 million at September 30, 2026 and December 31, 2025, respectively. Accrued interest receivable excluded from the amortized cost on investment securities held to maturity totaled $2.0 million and $2.2 million at September 30, 2026 and December 31, 2025, respectively.

No amounts of accrued interest receivable on investment securities available for sale or held to maturity were reversed against interest income on investment securities during the nine months ended September 30, 2026 and 2025.

(4) Loans Receivable

The Company originates loans in the ordinary course of business and has also acquired loans through mergers and acquisitions. In addition to originating loans, the Company may also purchase loans through pool purchases, participation purchases and syndicated loan purchases. Accrued interest receivable was excluded from disclosures presenting the Company's amortized cost of loans receivable, as it was deemed insignificant.

(a) Loan Origination/Risk Management

The Company categorizes the individual loans in the total loan portfolio into four segments: commercial business; residential real estate; real estate construction and land development; and consumer. Within these segments are classes of loans for which management monitors and assesses credit risk in the loan portfolios. A detailed description of the portfolio segments and classes is contained in the 2025 Annual Form 10-K.

The Company has certain lending policies and guidelines in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and guidelines on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and criticized loans. The Company also conducts internal loan reviews and validates the credit risk assessment on a periodic basis and presents the results of these reviews to management. The loan review process complements and reinforces the risk identification and assessment decisions made by loan officers and credit personnel.

The amortized cost of loans receivable, net of ACL on loans, consisted of the following portfolio segments and classes at the dates indicated:

	September 30, 2026	December 31, 2025
	(Dollars in thousands)	
Commercial business:		
Commercial and industrial	$ 1,061,712	$ 818,000
Owner-occupied CRE	1,211,776	1,034,829
Non-owner occupied CRE	2,565,804	2,057,844
Total commercial business	4,839,292	3,910,673
Residential real estate	361,177	358,834
Real estate construction and land development:		
Residential	139,669	95,350
Commercial and multifamily	321,951	247,975
Total real estate construction and land development	461,620	343,325
Consumer	219,112	170,434
Loans receivable	5,881,201	4,783,266
ACL on loans	(61,343)	(52,584)
Loans receivable, net	$ 5,819,858	$ 4,730,682
Balances included in the amortized cost of loans receivable:		
Unamortized net discount on acquired loans	$ (18,652)	$ (694)
Unamortized net deferred fee	$ (11,236)	$ (11,152)

(b) Concentrations of Credit

Most of the Company's lending activity occurs within its primary market areas which are concentrated along the I-5 corridor from Whatcom County, Washington to Lane County, Oregon, as well as Clallam, Jefferson, Kitsap, Mason, Spokane and Yakima County, Washington and Ada County, Idaho. Additionally, the Company's loan portfolio is concentrated in commercial business loans, which include commercial and industrial, owner-occupied and nonowner-occupied CRE loans, and commercial and multifamily real estate construction and land development loans. Commercial business loans and commercial and multifamily real estate construction and land development loans are generally considered as having a more inherent risk of default than residential real estate loans or other consumer loans. Also, the loan balance per borrower is typically larger for commercial loans than that for residential real estate loans and consumer loans, implying higher potential losses on an individual loan basis.

(c) Credit Quality Indicators

As part of the ongoing monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to (i) the risk grade of the loans, (ii) the level of classified loans, (iii) net charge-offs, (iv) nonperforming loans, (v) past due status, and (vi) the general economic conditions of the United States of America, and specifically the states of Washington, Oregon and Idaho.

The Company utilizes a risk grading matrix to assign a risk grade to each of its loans. Loans are graded on a scale of 1 to 10. Risk grades are aggregated to create the risk categories of Pass for grades 1 to 6, Special Mention or "SM" for grade 7, Substandard or "SS" for grade 8, Doubtful for grade 9 and Loss for grade 10. Descriptions of the general characteristics of the risk grades, including qualitative information on how the risk grades relate to the risk of loss, are contained in the 2025 Annual Form 10-K. Numerical loan grades for loans are established at the origination of the loan. Changes to loan grades are considered at the time new information about the performance of a loan becomes available, including the receipt of updated financial information from the borrower, results of annual term loan reviews and scheduled loan reviews. For consumer loans, the Company follows the FDIC's Uniform Retail Credit Classification and Account Management Policy for subsequent classification in the event of payment delinquencies or default. Typically, an individual loan grade will not be changed from the prior period unless there is a specific indication of credit deterioration or improvement. Credit deterioration is evidenced by delinquency, direct communications with the borrower or other borrower information that becomes known to management. Credit improvements are evidenced by known facts regarding the borrower or the collateral property.

Loan grades relate to the likelihood of losses in that the higher the grade, the greater the loss potential. Loans with a Pass grade may have some estimated inherent losses, but to a lesser extent than the other loan grades. The SM loan grade is transitory in that the Company is waiting on additional information to determine the likelihood and extent of any potential loss. The likelihood of loss for SM graded loans, however, is greater than Watch graded loans because there has been measurable credit deterioration. Loans with a SS grade have further credit deterioration and include both accrual loans and nonaccrual loans. For Doubtful and Loss graded loans, the Company is almost certain of the losses and the outstanding principal balances are generally charged off to the realizable value. There were no loans graded Doubtful or Loss as of September 30, 2026 or December 31, 2025.

	September 30, 2026								
	Term Loans Amortized Cost Basis by Origination Year								
	2026	2025	2024	2023	2022	Prior	Revolving Loans	Revolving Loans Converted[1]	Loans Receivable
	(Dollars in thousands)								
Commercial business:									
Commercial and industrial									
Pass	$ 72,247	$ 130,425	$ 147,988	$ 119,815	$ 124,070	$ 191,271	$ 175,724	$ 4,492	$ 966,032
SM	228	294	7,176	182	4,960	1,043	29,771	1,520	45,174
SS	860	3,745	3,034	18,053	6,263	5,594	10,972	1,985	50,506
Total	73,335	134,464	158,198	138,050	135,293	197,908	216,467	7,997	1,061,712
Owner-occupied CRE									
Pass	99,927	139,535	155,676	84,294	146,786	544,359	1,074	5,561	1,177,212
SM	—	—	—	221	—	19,975	—	222	20,418
SS	—	—	—	3,695	—	10,451	—	—	14,146
Total	99,927	139,535	155,676	88,210	146,786	574,785	1,074	5,783	1,211,776
Non-owner occupied CRE									
Pass	208,069	246,682	229,327	221,484	463,735	1,111,272	—	2,204	2,482,773
SM	—	2,140	—	2,797	—	45,000	—	—	49,937
SS	—	83	—	—	5,879	27,132	—	—	33,094
Total	208,069	248,905	229,327	224,281	469,614	1,183,404	—	2,204	2,565,804
Total commercial business									
Pass	380,243	516,642	532,991	425,593	734,591	1,846,902	176,798	12,257	4,626,017
SM	228	2,434	7,176	3,200	4,960	66,018	29,771	1,742	115,529
SS	860	3,828	3,034	21,748	12,142	43,177	10,972	1,985	97,746
Total	381,331	522,904	543,201	450,541	751,693	1,956,097	217,541	15,984	4,839,292
Residential real estate									
Pass	20,570	—	18,220	38,819	120,189	161,195	—	—	358,993
SS	—	—	—	178	863	1,143	—	—	2,184
Total	20,570	—	18,220	38,997	121,052	162,338	—	—	361,177
Real estate construction and land development:									
Residential									
Pass	51,876	60,303	20,450	4,589	1,226	—	276	—	138,720
SS	—	—	—	949	—	—	—	—	949
Total	51,876	60,303	20,450	5,538	1,226	—	276	—	139,669
Commercial and multifamily									
Pass	65,520	135,656	39,783	24,782	26,241	1,285	—	—	293,267
SM	—	—	—	21,343	877	274	—	—	22,494
SS	—	—	—	819	—	5,371	—	—	6,190
Total	65,520	135,656	39,783	46,944	27,118	6,930	—	—	321,951

	September 30, 2026								
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Revolving Loans Converted[1]	Loans Receivable
	2026	2025	2024	2023	2022	Prior			
	(Dollars in thousands)								
Total real estate construction and land development									
Pass	117,396	195,959	60,233	29,371	27,467	1,285	276	—	431,987
SM	—	—	—	21,343	877	274	—	—	22,494
SS	—	—	—	1,768	—	5,371	—	—	7,139
Total	117,396	195,959	60,233	52,482	28,344	6,930	276	—	461,620
Consumer									
Pass	969	3,825	1,047	1,368	3,246	14,656	191,087	1,510	217,708
SS	—	—	—	220	95	270	279	540	1,404
Total	969	3,825	1,047	1,588	3,341	14,926	191,366	2,050	219,112
Loans receivable									
Pass	519,178	716,426	612,491	495,151	885,493	2,024,038	368,161	13,767	5,634,705
SM	228	2,434	7,176	24,543	5,837	66,292	29,771	1,742	138,023
SS	860	3,828	3,034	23,914	13,100	49,961	11,251	2,525	108,473
Total	$ 520,266	$ 722,688	$ 622,701	$ 543,608	$ 904,430	$ 2,140,291	$ 409,183	$ 18,034	$ 5,881,201

[1] Represents the loans receivable balance at September 30, 2026 which was converted from a revolving loan to a non-revolving amortizing loan during the nine months ended September 30, 2026.

	December 31, 2025								
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Revolving Loans Converted[1]	Loans Receivable
	2025	2024	2023	2022	2021	Prior			
	(Dollars in thousands)								
Commercial business:									
Commercial and industrial									
Pass	$ 132,722	$ 147,339	$ 91,315	$ 93,265	$ 35,392	$ 92,265	$ 148,902	$ 2,760	$ 743,960
SM	—	4,940	1,113	6,512	1,141	545	4,181	481	18,913
SS	1,207	2,104	18,270	7,299	62	6,920	18,626	639	55,127
Total	133,929	154,383	110,698	107,076	36,595	99,730	171,709	3,880	818,000
Owner-occupied CRE									
Pass	125,339	115,937	83,969	129,824	134,443	403,824	6,042	—	999,378
SM	—	—	3,785	—	4,694	6,539	—	—	15,018
SS	—	—	3,014	—	—	17,419	—	—	20,433
Total	125,339	115,937	90,768	129,824	139,137	427,782	6,042	—	1,034,829
Non-owner-occupied CRE									
Pass	220,384	186,195	221,889	352,919	226,420	789,404	—	—	1,997,211
SM	—	—	2,832	—	7,798	25,374	—	—	36,004
SS	—	—	—	—	—	24,629	—	—	24,629
Total	220,384	186,195	224,721	352,919	234,218	839,407	—	—	2,057,844
Total commercial business									
Pass	478,445	449,471	397,173	576,008	396,255	1,285,493	154,944	2,760	3,740,549
SM	—	4,940	7,730	6,512	13,633	32,458	4,181	481	69,935
SS	1,207	2,104	21,284	7,299	62	48,968	18,626	639	100,189
Total	479,652	456,515	426,187	589,819	409,950	1,366,919	177,751	3,880	3,910,673
Residential real estate									
Pass	—	21,697	43,453	125,709	124,512	41,166	—	—	356,537
SS	—	—	194	806	1,158	139	—	—	2,297
Total	—	21,697	43,647	126,515	125,670	41,305	—	—	358,834

	December 31, 2025								
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Revolving Loans Converted[1]	Loans Receivable
	2025	2024	2023	2022	2021	Prior			
	(Dollars in thousands)								
Real estate construction and land development:									
Residential									
Pass	56,428	19,381	8,990	1,289	—	1,000	1,549	—	88,637
SS	—	—	963	—	5,750	—	—	—	6,713
Total	56,428	19,381	9,953	1,289	5,750	1,000	1,549	—	95,350
Commercial and multifamily									
Pass	71,519	74,178	43,396	49,163	1,359	1,477	—	—	241,092
SM	—	—	—	886	—	301	—	—	1,187
SS	—	—	—	—	—	5,696	—	—	5,696
Total	71,519	74,178	43,396	50,049	1,359	7,474	—	—	247,975
Total real estate construction and land development									
Pass	127,947	93,559	52,386	50,452	1,359	2,477	1,549	—	329,729
SM	—	—	—	886	—	301	—	—	1,187
SS	—	—	963	—	5,750	5,696	—	—	12,409
Total	127,947	93,559	53,349	51,338	7,109	8,474	1,549	—	343,325
Consumer									
Pass	680	218	602	1,158	248	13,319	149,834	2,447	168,506
SS	—	—	423	25	—	658	500	322	1,928
Total	680	218	1,025	1,183	248	13,977	150,334	2,769	170,434
Loans receivable									
Pass	607,072	564,945	493,614	753,327	522,374	1,342,455	306,327	5,207	4,595,321
SM	—	4,940	7,730	7,398	13,633	32,759	4,181	481	71,122
SS	1,207	2,104	22,864	8,130	6,970	55,461	19,126	961	116,823
Total	$ 608,279	$ 571,989	$ 524,208	$ 768,855	$ 542,977	$ 1,430,675	$ 329,634	$ 6,649	$ 4,783,266

[1] Represents the loans receivable balance at December 31, 2025 which was converted from a revolving loan to non-revolving amortizing loan during the year ended December 31, 2025.

The following tables present gross charge-offs by loan class and origination year, for the periods indicated:

	Nine Months Ended September 30, 2026							
	Current Period Gross Charge-offs by Origination Year						Revolving Loans	Total Gross Charge-Offs
	2026	2025	2024	2023	2022	Prior		
	(Dollars in thousands)							
Commercial business	$ —	$ 16	$ 37	$ 575	$ 96	$ 42	$ —	$ 766
Residential real estate	—	—	—	—	64	—	—	64
Consumer	—	5	1	—	—	77	344	427
Total	$ —	$ 21	$ 38	$ 575	$ 160	$ 119	$ 344	$ 1,257

	Nine Months Ended September 30, 2025							
	Current Period Gross Charge-offs by Origination Year						Revolving Loans	Total Gross Charge-Offs
	2025	2024	2023	2022	2021	Prior		
	(Dollars in thousands)							
Commercial business	$ —	$ 77	$ 286	$ 429	$ —	$ 79	$ —	$ 871
Residential real estate	—	—	—	27	—	—	—	27
Consumer	—	10	19	2	—	97	282	410
Total	$ —	$ 87	$ 305	$ 458	$ —	$ 176	$ 282	$ 1,308

(d) Nonaccrual Loans

The following tables present the amortized cost of nonaccrual loans at the dates indicated:

	September 30, 2026		
	Nonaccrual without ACL	Nonaccrual with ACL	Total Nonaccrual
	(Dollars in thousands)		
Commercial business:			
Commercial and industrial	$ 11,971	$ 5,683	$ 17,654
Owner-occupied CRE	2,994	—	2,994
Non-owner occupied CRE	3,394	83	3,477
Total commercial business	18,359	5,766	24,125
Residential real estate	1,321	—	1,321
Real estate construction and land development:			
Residential	949	—	949
Commercial and multifamily	5,372	—	5,372
Total real estate construction and land development	6,321	—	6,321
Consumer	310	—	310
Total	$ 26,311	$ 5,766	$ 32,077

	December 31, 2025		
	Nonaccrual without ACL	Nonaccrual with ACL	Total Nonaccrual
	(Dollars in thousands)		
Commercial business:			
Commercial and industrial	$ 853	$ 2,086	$ 2,939
Non-owner occupied CRE	3,947	—	3,947
Total commercial business	4,800	2,086	6,886
Residential real estate	1,196	—	1,196
Real estate construction and land development:			
Residential	6,713	—	6,713
Commercial and multifamily	5,695	—	5,695
Total real estate construction and land development	12,408	—	12,408
Consumer	486	—	486
Total	$ 18,890	$ 2,086	$ 20,976

The following table presents the reversal of interest income on loans due to the write-off of accrued interest receivable upon the initial classification of loans as nonaccrual loans and the interest income recognized due to payment in full or sale of previously classified nonaccrual loans during the periods indicated:

	Three Months Ended September 30,			
	2026		2025	
	Interest Income Reversed	Interest Income Recognized	Interest Income Reversed	Interest Income Recognized
	(Dollars in thousands)			
Commercial business:				
Commercial and industrial	$ (186)	$ —	$ (37)	$ 8
Owner-occupied CRE	(29)	—	—	60
Non-owner occupied CRE	(4)	—	—	—
Total commercial business	(219)	—	(37)	68
Residential real estate	—	—	(5)	—

	Three Months Ended September 30,			
	2026		2025	
	Interest Income Reversed	Interest Income Recognized	Interest Income Reversed	Interest Income Recognized
Real estate construction and land development:				
Residential	—	—	(178)	—
Total	$ (219)	$ —	$ (220)	$ 68

	Nine Months Ended September 30,			
	2026		2025	
	Interest Income Reversed	Interest Income Recognized	Interest Income Reversed	Interest Income Recognized
	(Dollars in thousands)			
Commercial business:				
Commercial and industrial	$ (328)	$ 111	$ (59)	$ 27
Owner-occupied CRE	(38)	10	—	60
Non-owner occupied CRE	(4)	471	—	—
Total commercial business	(370)	592	(59)	87
Residential real estate	(16)	—	(33)	—
Real estate construction and land development:				
Residential	—	412	(178)	—
Commercial and multifamily	—	—	(154)	—
Total real estate construction and land development	—	412	(332)	—
Consumer	(5)	8	—	—
Total	$ (391)	$ 1,012	$ (424)	$ 87

For the three and nine months ended September 30, 2026 and 2025, no interest income was recognized subsequent to a loan's classification as nonaccrual, except as indicated in the tables above due to payment in full or sale.

(e) Past due loans

The Company performs an aging analysis of past due loans using policies consistent with regulatory reporting requirements with categories of 30-89 days past due and 90 or more days past due. The following tables present the amortized cost of past due loans at the dates indicated:

	September 30, 2026				
	30-89 Days	90 Days or Greater	Total Past Due	Current	Loans Receivable
			(Dollars in thousands)		
Commercial business:					
Commercial and industrial	$ 6,161	$ 13,182	$ 19,343	$ 1,042,369	$ 1,061,712
Owner-occupied CRE	1,249	2,726	3,975	1,207,801	1,211,776
Non-owner occupied CRE	—	3,477	3,477	2,562,327	2,565,804
Total commercial business	7,410	19,385	26,795	4,812,497	4,839,292
Residential real estate	—	768	768	360,409	361,177
Real estate construction and land development:					
Residential	—	949	949	138,720	139,669
Commercial and multifamily	17,879	—	17,879	304,072	321,951
Total real estate construction and land development	17,879	949	18,828	442,792	461,620

	September 30, 2026				
	30-89 Days	90 Days or Greater	Total Past Due	Current	Loans Receivable
	(Dollars in thousands)				
Consumer	938	143	1,081	218,031	219,112
Total	$ 26,227	$ 21,245	$ 47,472	$ 5,833,729	$ 5,881,201

	December 31, 2025				
	30-89 Days	90 Days or Greater	Total Past Due	Current	Loans Receivable
	(Dollars in thousands)				
Commercial business:					
Commercial and industrial	$ 7,115	$ 1,973	$ 9,088	$ 808,912	$ 818,000
Owner-occupied CRE	735	—	735	1,034,094	1,034,829
Non-owner occupied CRE	1,955	3,947	5,902	2,051,942	2,057,844
Total commercial business	9,805	5,920	15,725	3,894,948	3,910,673
Residential real estate	425	1,389	1,814	357,020	358,834
Real estate construction and land development:					
Residential	—	6,714	6,714	88,636	95,350
Commercial and multifamily	—	5,695	5,695	242,280	247,975
Total real estate construction and land development	—	12,409	12,409	330,916	343,325
Consumer	505	345	850	169,584	170,434
Total	$ 10,735	$ 20,063	$ 30,798	$ 4,752,468	$ 4,783,266

The following table present loans 90 days or more past due and still accruing interest:

	September 30, 2026	December 31, 2025
	(Dollars in thousands)	
Commercial business:		
Commercial and industrial	$ 948	$ —
Real estate construction and land development:		
Residential	—	194
Total	$ 948	$ 194

(f) Collateral-dependent Loans

The following tables present the type of collateral securing loans individually evaluated for credit losses and for which the repayment was expected to be provided substantially through the operation or sale of the collateral at the dates indicated, with balances representing the amortized cost of the loan classified by the primary collateral category of each loan if multiple collateral sources secure the loan:

	September 30, 2026					
	CRE	Farmland	Residential Real Estate	Equipment	Other Business Assets	Total
	(Dollars in thousands)					
Commercial business:						
Commercial and industrial	$ 698	$ 534	$ 958	$ 10,897	$ 1,318	$ 14,405
Owner-occupied CRE	2,994	—	—	—	—	2,994
Non-owner occupied CRE	3,466	—	—	—	—	3,466
Total commercial business	7,158	534	958	10,897	1,318	20,865
Residential real estate	—	—	1,321	—	—	1,321
Real estate construction and land development:						

Residential	—	—	949	—	—	949
Commercial and multifamily	5,371	—	—	—	—	5,371
Total real estate construction and land development	5,371	—	949	—	—	6,320
Consumer	—	—	310	—	—	310
Total	$ 12,529	$ 534	$ 3,538	$ 10,897	$ 1,318	$ 28,816

	December 31, 2025					
	CRE	Farmland	Residential Real Estate	Equipment	Other Business Assets	Total
	(Dollars in thousands)					
Commercial business:						
Commercial and industrial	$ —	$ 482	$ —	$ 61	$ —	$ 543
Non-owner occupied CRE	3,947	—	—	—	—	3,947
Total commercial business	3,947	482	—	61	—	4,490
Residential real estate	—	—	1,196	—	—	1,196
Real estate construction and land development:						
Residential	—	—	6,713	—	—	6,713
Commercial and multifamily	5,695	—	—	—	—	5,695
Total real estate construction and land development	5,695	—	6,713	—	—	12,408
Consumer	—	—	486	—	—	486
Total	$ 9,642	$ 482	$ 8,395	$ 61	$ —	$ 18,580

There have been no significant changes to the collateral securing loans individually evaluated for credit losses and for which repayment was expected to be provided substantially through the operation or sale of the collateral during the nine months ended September 30, 2026, except changes due to additions or removals of loans in this classification.

(g) Modification of Loans

Occasionally, the Company modifies loans to borrowers in financial distress by providing modifications of loans which may include interest rate reductions, principal or interest forgiveness, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. In some cases, the Company provides multiple types of modifications on one loan. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.

The following tables present the amortized cost of loans that were experiencing both financial difficulty and modified during the periods indicated:

	Three Months Ended September 30, 2026		
	Term Extension	Total Modified Loans	% of Modified Loans to Loans Receivable
		(Dollars in thousands)	
Commercial business:			
Commercial and industrial	$ 16,712	$ 16,712	1.57 %
Total	$ 16,712	$ 16,712	0.28 %

	Three Months Ended September 30, 2025		
	Term Extension	Total Modified Loans	% of Modified Loans to Loans Receivable
		(Dollars in thousands)	
Commercial business:			
Commercial and industrial	$ 13,199	$ 13,212	1.61 %
Real estate construction and land development:			
Residential	6,735	6,735	7.45

	Three Months Ended September 30, 2025		
	Term Extension	Total Modified Loans	% of Modified Loans to Loans Receivable
	(Dollars in thousands)		
Commercial and multifamily	15,625	15,625	4.45
Total real estate construction and land development	22,360	22,360	5.06
Consumer	9	9	0.01
Total	$ 35,568	$ 35,581	0.75 %

	Nine Months Ended September 30, 2026		
	Term Extension	Total Modified Loans	% of Modified Loans to Loans Receivable
	(Dollars in thousands)		
Commercial business:			
Commercial and industrial	$ 22,739	$ 22,739	2.14 %
Owner-occupied CRE	881	881	0.07
Total commercial business	23,620	23,620	0.49
Real estate construction and land development:			
Residential	949	949	0.68
Commercial and multifamily	5,371	5,371	1.67
Total real estate construction and land development	6,320	6,320	1.37
Total	$ 29,940	$ 29,940	0.51 %

	Nine Months Ended September 30, 2025		
	Term Extension	Total Modified Loans	% of Modified Loans to Loans Receivable
	(Dollars in thousands)		
Commercial business:			
Commercial and industrial	$ 16,716	$ 16,729	2.04 %
Owner-occupied CRE	1,517	$ 1,517	0.15 %
Non-owner occupied CRE	669	669	0.03
Total commercial business	18,902	18,915	0.50
Real estate construction and land development:			
Residential	6,735	6,735	7.45
Commercial and multifamily	22,539	22,539	6.42
Total real estate construction and land development	29,274	29,274	6.63
Consumer	9	9	0.01
Total	$ 48,185	$ 48,198	1.01 %

The following tables present the financial effects of the loan modifications presented in the preceding tables during the periods indicated:

	Three Months Ended September 30, 2026
	Weighted Average Years of Term Extensions
Commercial business:	
Commercial and industrial	0.76

	Three Months Ended September 30, 2025
	Weighted Average Years of Term Extensions
Commercial business:	
Commercial and industrial	0.78
Real estate construction and land development:	
Residential	0.75
Commercial and multifamily	1.00
Total real estate construction and land development	0.93
Consumer	5.33
Total	0.87

	Nine Months Ended September 30, 2026
	Weighted Average Years of Term Extensions
Commercial business:	
Commercial and industrial	0.84
Owner-occupied CRE	0.88
Total commercial business	0.84
Real estate construction and land development:	
Residential	1.67
Commercial and multifamily	1.17
Total real estate construction and land development	1.24
Total	0.92

	Nine Months Ended September 30, 2025
	Weighted Average Years of Term Extensions
Commercial business:	
Commercial and industrial	0.81
Owner-occupied CRE	1.50
Non-owner occupied CRE	0.42
Total commercial business	0.85
Real estate construction and land development:	
Residential	0.75
Commercial and multifamily	0.89
Total real estate construction and land development	0.86
Consumer	5.33
Total	0.86

At September 30, 2026, there were $8.3 million in commitments to lend additional funds to borrowers experiencing financial difficulty whose terms had been modified during the nine months ended September 30, 2026. At December 31, 2025, there were $7.1 million in commitments to lend additional funds to borrowers experiencing financial difficulty whose terms had been modified during the year ended December 31, 2025.

The Company closely monitors the performance of loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts.

The Company considers a modified loan in payment default if the borrower is 90 or more days past due. At September 30, 2026, there were two loans for a total of $1.9 million that were 90 days past due or in default that had been modified due to term extension in the past 12 months, consisting of one $0.9 million commercial and industrial loan and one $0.9 million residential construction loan. At December 31, 2025, there were three loans for a total of $6.8 million that were 90 days past due or in default that had been modified in the past 12 months, consisting of a $6.7 million residential construction loan and $106,000 in consumer loans.

The following tables present the performance of loans that have been modified within the previous twelve months:

	September 30, 2026				
	Current	30-89 Days	90 Days or Greater	Nonaccrual	Total
	(Dollars in thousands)				
Commercial business:					
Commercial and industrial	$ 12,837	$ —	$ 948	$ 1,164	$ 14,949
Owner-occupied CRE	438	—	—	—	438
Non-owner occupied CRE	210	—	—	—	210
Total commercial business	13,485	—	948	1,164	15,597
Real estate construction and land development:					
Residential	—	—	—	949	949
Total	$ 13,485	$ —	$ 948	$ 2,113	$ 16,546

	September 30, 2025				
	Current	30-89 Days	90 Days or Greater	Nonaccrual	Total
	(Dollars in thousands)				
Commercial business:					
Commercial and industrial	$ 3,734	$ —	$ —	$ —	$ 3,734
Owner-occupied CRE	1,517	—	—	—	1,517
Non-owner occupied CRE	—	—	668	—	668
Total commercial business	5,251	—	668	—	5,919
Real estate construction and land development:					
Residential	—	—	—	6,735	6,735
Commercial and multifamily	889	—	—	6,025	6,914
Total real estate construction and land development	889	—	—	12,760	13,649
Consumer	16	—	—	—	16
Total	$ 6,156	$ —	$ 668	$ 12,760	$ 19,584

(h) Accrued interest receivable on loans receivable

Accrued interest receivable on loans receivable totaled $18.4 million and $14.8 million at September 30, 2026 and December 31, 2025, respectively, and is excluded from the calculation of the ACL on loans as interest accrued, but not received, is reversed timely.

(i) Foreclosure proceedings in process

At September 30, 2026, there was one home equity loan valued at a total of $76,000 secured by residential real estate, for which formal foreclosure proceedings were in process. At December 31, 2025, there were two home equity loans valued at a total of $1.2 million secured by residential real estate, for which formal foreclosure proceedings were in process.

(5) Allowance for Credit Losses on Loans

The Company's methodology for determining the ACL on loans is based upon key assumptions, including the lookback periods, historic net charge-off factors, economic forecasts, reversion periods, prepayments and qualitative adjustments. The allowance is measured on a collective, or pool, basis when similar risk characteristics exist. Loans that do not share common risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation. For a description of the Company's ACL policy, see Note 1 - Description of Business, Basis of Presentation, Significant Accounting Policies and Recently Issued Accounting Pronouncements included in Item 8. Financial Statements And Supplementary Data in our 2025 Annual Form 10-K.

GAAP requires the Company to develop reasonable and supportable forecasts of future conditions, and estimate how those forecasts are expected to impact a borrower’s ability to satisfy their obligation to the Company and the ultimate collectability of future cash flows over the life of a loan. Management has adopted a historic loss, open pool CECL methodology to calculate the ACL on loans. Under this methodology, loans are either collectively evaluated if they share similar risk characteristics, including performing modified loans, or individually evaluated if they do not share similar risk characteristics, including nonaccrual loans.

The allowance for individually evaluated loans is calculated using either the collateral value method, which considers the likely source of repayment as the value of the collateral less estimated costs to sell, or the net present value method, which considers the contractual principal and interest terms and estimated cash flows available from the borrower to satisfy the debt.

The allowance for collectively evaluated loans is comprised of the baseline loss allowance, the macroeconomic allowance and the qualitative allowance. The baseline loss allowance begins with the baseline loss rates calculated using the Company's average quarterly historical loss information for an economic cycle. The Company evaluates the historical period on a quarterly basis with the assumption that economic cycles have historically lasted between 10 and 15 years. The baseline loss rates are applied to each loan's estimated cash flows over the life of the loan under the remaining life method to determine the baseline loss estimate for each loan. Estimated cash flows consider the principal and interest in accordance with the contractual term of the loan and estimated prepayments. Contractual cash flows are based on the amortized cost and are adjusted for balances guaranteed by governmental entities, such as SBA or USDA, resulting in the unguaranteed amortized cost. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company. Prepayments are established for each segment based on historical averages for the segment, which management believes is an accurate representation of future prepayment activity. Management reviews the adequacy of the prepayment assumption on an annual basis.

The macroeconomic allowance includes consideration of the forecasted direction of the economic and business environment and its likely impact on the estimated allowance as compared to the historical losses over the reasonable and supportable time frame. The Company uses macroeconomic scenarios from an independent third party. These scenarios are based on past events, current conditions, the likelihood of future events occurring and include consideration of the forecasted direction of the

economic and business environment and its likely impact on the estimated allowance as compared to the historical losses over the reasonable and supportable time frame. Economic forecast models for the current period are uploaded to the model, which targets certain forecasted macroeconomic factors, such as unemployment rate, gross domestic product, housing price index, commercial real estate price index, and certain rate and market indices. Macroeconomic factor multipliers are determined through regression analysis and applied to loss rates for each segment of loans with similar risk characteristics. Each of the forecasted segment balances is impacted by a mix of these macroeconomic factors. Further, each of the macroeconomic factors is utilized differently by segment, including the application of lagged factors and various transformations such as percent change year over year. A macroeconomic sensitive model is developed for each segment given the current and forecasted conditions and a macroeconomic multiplier is calculated for each forecast period considering the forecasted losses as compared to the long-term average actual losses of the dataset. The impact of those macroeconomic factors on each segment, both positive and negative, using the reasonable and supportable period, are added to the calculated baseline loss allowance. After the reasonable and supportable period, forecasted loss rates revert to historical baseline loss levels over the predetermined reversion period on a straight-lined basis.

The Company's ACL model also includes adjustments for qualitative factors, where appropriate. Since historical information (such as historical net losses and economic cycles) may not always, by themselves, provide a sufficient basis for determining future expected credit losses, the Company periodically considers the need for qualitative adjustments to the ACL. Qualitative adjustments may be related to and include, but not be limited to, factors such as: (i) management's assessment of economic forecasts used in the model and how those forecasts align with management's overall evaluation of current and expected economic conditions, (ii) organization specific risks such as credit concentrations, collateral specific risks, regulatory risks, and external factors that may ultimately impact credit quality, (iii) potential model limitations such as those identified through back-testing, underwriting changes, acquisition of new portfolios and changes in portfolio segmentation, and (iv) management's overall assessment of the adequacy of the ACL, including an assessment of model data inputs used to determine the ACL.

Qualitative adjustments primarily relate to certain segments of the loan portfolio deemed by management to be of a higher-risk profile where management believes the quantitative component of the Company's ACL model may not have fully captured the associated impact to the ACL. Qualitative adjustments also relate to heightened uncertainty as to future macroeconomic conditions and the related impact on different loan segments. Management reviews the need for an appropriate level of qualitative adjustments on a quarterly basis, and as such, the amount and allocation of qualitative adjustments may change in future periods.

The ACL on loans acquired in connection with the Merger was calculated using the same baseline loss rates, economic forecast models and qualitative adjustments as the Company.

In general, management's estimate of the ACL on loans uses relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The evaluation of the ACL on loans is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. While management utilizes its best judgment and information available to recognize estimated losses on loans, future additions to the ACL on loans may be necessary based on further declines in local and national economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's ACL on loans. Such agencies may require the Company to adjust the ACL based on their judgments about information available to them at the time of their examinations. The Company believes the ACL on loans was appropriate as of September 30, 2026 given all the above considerations.

The following tables detail the activity in the ACL on loans by segment and class for the periods indicated:

	Three Months Ended September 30, 2026				
	Beginning Balance	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	Ending Balance
	(Dollars in thousands)				
Commercial business:					
Commercial and industrial	$ 12,150	$ (170)	$ 3	$ 1,373	$ 13,356
Owner-occupied CRE	14,437	—	—	(194)	$ 14,243
Non-owner occupied CRE	19,976	(16)	—	126	$ 20,086
Total commercial business	46,563	(186)	3	1,305	47,685
Residential real estate	3,269	—	—	244	3,513

	Three Months Ended September 30, 2026				
	Beginning Balance	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	Ending Balance
	(Dollars in thousands)				
Real estate construction and land development:					
Residential	858	—	—	(205)	653
Commercial and multifamily	6,445	—	—	601	7,046
Total real estate construction and land development	7,303	—	—	396	7,699
Consumer	2,338	(219)	21	306	2,446
Total	$ 59,473	$ (405)	$ 24	$ 2,251	$ 61,343

	Nine Months Ended September 30, 2026						
	Beginning Balance	Merger day 1 ACL on PCD loans	Merger day 1 ACL on PSL loans	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	Ending Balance
	(Dollars in thousands)						
Commercial business:							
Commercial and industrial	$ 9,302	$ 22	$ 3,760	$ (750)	$ 11	$ 1,011	$ 13,356
Owner-occupied CRE	13,097	27	1,414	—	—	(295)	14,243
Non-owner occupied CRE	17,013	125	2,916	(16)	—	48	20,086
Total commercial business	39,412	174	8,090	(766)	11	764	47,685
Residential real estate	3,708	—	97	(64)	2	(230)	3,513
Real estate construction and land development:							
Residential	1,037	—	108	—	—	(492)	653
Commercial and multifamily	6,587	—	374	—	—	85	7,046
Total real estate construction and land development	7,624	—	482	—	—	(407)	7,699
Consumer	1,840	—	496	(427)	77	460	2,446
Total	$ 52,584	$ 174	$ 9,165	$ (1,257)	$ 90	$ 587	$ 61,343

	Three Months Ended September 30, 2025				
	Beginning Balance	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	Ending Balance
	(Dollars in thousands)				
Commercial business:					
Commercial and industrial	$ 9,385	$ (195)	$ 78	$ (17)	$ 9,251
Owner-occupied CRE	13,434	—	141	(373)	13,202
Non-owner occupied CRE	15,534	—	—	359	15,893
Total commercial business	38,353	(195)	219	(31)	38,346
Residential real estate	3,942	(27)	1	167	4,083
Real estate construction and land development:					
Residential	868	—	—	140	1,008
Commercial and multifamily	7,448	—	—	1,200	8,648
Total real estate construction and land development	8,316	—	—	1,340	9,656
Consumer	1,918	(152)	36	87	1,889
Total	$ 52,529	$ (374)	$ 256	$ 1,563	$ 53,974

	Nine Months Ended September 30, 2025				
	Beginning Balance	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	Ending Balance
	(Dollars in thousands)				
Commercial business:					
Commercial and industrial	$ 9,766	$ (871)	$ 122	$ 234	$ 9,251
Owner-occupied CRE	12,819	—	141	242	13,202
Non-owner occupied CRE	15,708	—	—	185	15,893
Total commercial business	38,293	(871)	263	661	38,346
Residential real estate	3,464	(27)	1	645	4,083
Real estate construction and land development:					
Residential	779	—	—	229	1,008
Commercial and multifamily	7,877	—	—	771	8,648
Total real estate construction and land development	8,656	—	—	1,000	9,656
Consumer	2,055	(410)	133	111	1,889
Total	$ 52,468	$ (1,308)	$ 397	$ 2,417	$ 53,974

The following table details the activity in the ACL on unfunded commitments during the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	(Dollars in thousands)			
Balance, beginning of period	$ 1,108	$ 740	$ 1,047	$ 587
Acquired provision for credit losses on unfunded commitments	—	—	348	—
Provision for (reversal of) credit losses on unfunded commitments	20	212	(267)	365
Balance, end of period	$ 1,128	$ 952	$ 1,128	$ 952

(6) Goodwill and Other Intangible Assets

(a) Goodwill

Goodwill represents the excess of the total acquisition price paid over the fair value of the assets acquired, net of fair value of liabilities assumed in connection with mergers and acquisitions. During the nine months ended September 30, 2026, the Company recorded $38.1 million of goodwill associated with the acquisition of Olympic. Additional information on the acquisition and purchase price allocations is provided in Note 2 - Business Combination. There were no additions to goodwill during the nine months ended September 30, 2025.

The following table presents the changes in the carrying amount of goodwill during the nine months ended September 30, 2026:

	(Dollars in thousands)
Balance at December 31, 2025	$ 240,939
Additions as a result of acquisitions	38,090
Balance at September 30, 2026	$ 279,029

Management analyzes the Company's goodwill on an annual basis on December 31 and between annual tests in certain circumstances such as material adverse changes in legal, business, regulatory and economic factors. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its implied fair value. The Company performed an annual impairment assessment as of December 31, 2025 and concluded that there was no impairment as of that date. The Company performed an interim triggering-event assessment as of September 30, 2026 and determined that a triggering event had not occurred. Even though there was no goodwill impairment at September 30, 2026 and December 31, 2025, changes in the economic environment, operations of the reporting unit or other adverse events could result in future impairment charges which could have a material impact on the Company's operating results.

(b) Other Intangible Assets

Other intangible assets represent core deposit intangibles acquired in business combinations with estimated useful lives of ten years. During the nine months ended September 30, 2026, the Company recorded $50.3 million of core deposit intangibles associated with the acquisition of Olympic. There were no additions to other intangible assets during the nine months ended September 30, 2025. Fully amortized core deposit intangibles of $12.1 million were removed from the gross carrying amount and accumulated amortization during the nine months ended September 30, 2026.

The following table summarizes other intangible assets at the dates indicated:

	September 30, 2026	December 31, 2025
	(Dollars in thousands)	
Gross Carrying Value	$ 68,650	30,455
Accumulated amortization	(24,322)	(28,476)
Net carrying value	$ 44,328	$ 1,979

The following table presents the estimated aggregate amortization of other intangible assets at the dates indicated:

	September 30, 2026
Estimated amortization expense	
Remainder of 2026	$ 2,941
2027	9,658
2028	7,284
2029	5,790
2030	4,728
Thereafter	13,927
Total	$ 44,328

(7) Derivative Financial Instruments

The Company utilizes interest rate swap derivative contracts to facilitate the needs of its commercial customers whereby it enters into an interest rate swap with a customer while at the same time entering into an offsetting interest rate swap with another financial institution. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, the Company agrees to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The transaction allows the Company's customer to effectively convert a variable rate loan to a fixed rate and the Company recognizes immediate income based upon the difference in the bid/ask spread of the underlying transactions with its customers and the third-party. Because the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts for the most part offset each other and do not significantly impact the Company's results of operations. These interest rate swaps are not designated as hedging instruments.

The Company is exposed to credit-related losses in the event of nonperformance by the counterparty to these agreements. Credit risk for derivatives with the customer is controlled through the credit approval process, amount limits, and monitoring procedures and is concentrated within our primary market areas. Credit risk for derivatives with third-parties is concentrated among five well-known broker dealers.

Fee income related to interest rate swap derivative contract transactions is recorded in Interest rate swap fees on the unaudited Condensed Consolidated Statements of Income when there is fee income received during the period. The fair value of derivative positions outstanding is included in Prepaid expenses and other assets and Accrued expenses and other liabilities in the unaudited Condensed Consolidated Statements of Financial Condition. The gains and losses due to changes in fair value and all cash flows are included in Other income in the unaudited Condensed Consolidated Statements of Income, but typically net to zero based on the identical back-to-back interest rate swap derivative contracts unless a credit valuation adjustment is recorded to appropriately reflect nonperformance risk in the fair value measurement. Various factors impact changes in the credit valuation adjustments over time, including changes in the risk ratings of the parties to the contracts, as well as changes in market rates and volatilities, which affect the total expected exposure of the derivative instruments.

The following table presents the notional amounts and estimated fair values of interest rate derivative contracts outstanding at the dates indicated:

	September 30, 2026		December 31, 2025	
	Notional Amounts	Estimated Fair Value	Notional Amounts	Estimated Fair Value
	(Dollars in thousands)			
Non-hedging interest rate derivatives				
Interest rate swap asset[1]	$ 288,587	23,325	$ 276,349	$ 14,434
Interest rate swap liability[1]	288,587	(23,325)	276,349	(14,434)

[1] The estimated fair value of derivatives with customers was $(23.3) million and $(11.4) million as of September 30, 2026 and December 31, 2025, respectively. The estimated fair value of derivatives with third-parties was $23.3 million and $11.4 million as of September 30, 2026 and December 31, 2025, respectively.

(8) Stockholders' Equity

(a) Earnings Per Common Share

The following table illustrates the calculation of weighted average shares used for earnings per common share computations for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	(Dollars in thousands, except shares)			
Net income allocated to common shareholders	$ 18,720	$ 19,169	$ 55,213	$ 45,295
Basic:				
Weighted average common shares outstanding	40,740,742	33,953,810	40,175,502	34,009,010
Diluted:				
Basic weighted average common shares outstanding	40,740,742	33,953,810	40,175,502	34,009,010
Effect of potentially dilutive common shares[1]	472,363	459,576	466,989	472,867
Total diluted weighted average common shares outstanding	41,213,105	34,413,386	40,642,491	34,481,877
Potentially dilutive shares that were excluded from the computation of diluted earnings per share because to do so would be anti-dilutive[2]	—	16,843	14,664	18,821

[1] Represents the effect of the vesting of restricted stock units.
[2] Anti-dilution occurs when the unrecognized compensation cost per share of a restricted stock unit exceeds the market price of the Company's stock.

(b) Dividends

The timing and amount of cash dividends paid on the Company's common stock depends on the Company's earnings, capital requirements, financial condition and other relevant factors. Dividends on common stock from the Company depend substantially upon the receipt of dividends from the Bank, which is the Company's predominant source of income.

The following table summarizes the dividend activity during the nine months ended September 30, 2026 and the calendar year 2025:

Declared	Cash Dividend per Share	Record Date	Paid Date
January 22, 2025	$0.24	February 6, 2025	February 20, 2025
April 23, 2025	$0.24	May 7, 2025	May 21, 2025
July 23, 2025	$0.24	August 6, 2025	August 20, 2025
October 22, 2025	$0.24	November 5, 2025	November 19, 2025
January 16, 2026	$0.24	January 28, 2026	February 11, 2026
April 22, 2026	$0.24	May 6, 2026	May 20, 2026
July 22, 2026	$0.25	August 5, 2026	August 19, 2026

The FDIC and the DFI have the authority under their supervisory powers to prohibit the payment of dividends by the Bank to the Company. Additionally, current guidance from the Federal Reserve provides, among other things, that dividends per share on the Company's common stock generally should not exceed earnings per share, measured over the previous four fiscal quarters. Current regulations allow the Company and the Bank to pay dividends on their common stock if the Company's or the Bank's regulatory capital would not be reduced below the statutory capital requirements set by the Federal Reserve and the FDIC.

(c) Stock Repurchase Program

On October 21, 2026, the Company's Board of Directors approved a new stock repurchase program (the "Repurchase Program"), authorizing the repurchase of up to 5% of the Company's outstanding common shares or approximately 2.05 million on shares. The number, timing and price of shares repurchased will depend on business and market conditions, and other factors, including opportunities to deploy the Company's capital. The Repurchase Program superseded a previous stock repurchase program, authorized in April 2024, under which 83,006 shares remained available for repurchase as of September 30, 2026. The Repurchase Program does not obligate the Company to repurchase any shares of its common stock, and other than repurchases that have been completed to date, there is no assurance that the Company will make any further repurchases going forward. Under the Repurchase Program, the Company may repurchase shares of common stock from time to time in open market or privately negotiated transactions. The number, timing and price of shares repurchased will depend on business and market conditions, regulatory requirements, availability of funds, and other factors, including opportunities to deploy the Company's capital. The Company may, in its discretion, begin, suspend or terminate repurchases at any time prior to the Repurchase Program's expiration, without any prior notice.

(9) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Valuations for assets and liabilities traded in active exchange markets, or interest in open-end mutual funds that allow the Company to sell its ownership interest back to the fund at net asset value on a daily basis. Valuations are obtained from readily available pricing sources for market transactions involving identical assets, liabilities, or funds.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or valuations using methodologies with observable inputs.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, such as option pricing models, discounted cash flow models and similar techniques using unobservable inputs, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

(a) Recurring and Nonrecurring Basis

The Company used the following methods and significant assumptions to measure the fair value of certain assets on a recurring and nonrecurring basis:

Investment Securities:

The fair values of all investment securities are based upon the assumptions that market participants would use in pricing the security. If available, fair values of investment securities are determined by quoted market prices (Level 1). For investment securities where quoted market prices are not available, fair values are calculated based on market prices on similar securities (Level 2). For investment securities where quoted prices or market prices of similar securities are not available, fair values are calculated by using observable and unobservable inputs such as discounted cash flows or other market indicators (Level 3). Investment security valuations are obtained from third-party pricing services.

Collateral-Dependent Loans:

Collateral-dependent loans are identified for the calculation of the ACL on loans. The fair value used to measure credit loss for this type of loan is commonly based on recent real estate appraisals which are generally obtained at least every 18 months or earlier if there are changes to risk characteristics of the underlying loan. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available. The Company also incorporates an estimate of cost to sell the collateral when the sale is probable. Such adjustments may be significant and result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value based on the borrower's financial statements or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the customer and customer's business (Level 3). Individually evaluated loans are analyzed for credit loss on a quarterly basis and the ACL on loans is adjusted as required based on the results.

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

Derivative Financial Instruments:

The Company obtains broker or dealer quotes to value its interest rate derivative contracts, which use valuation models using observable market data as of the measurement date (Level 2), and incorporates credit valuation adjustments to reflect nonperformance risk in the measurement of fair value (Level 3). Although the Company has determined that the majority of the

inputs used to value its interest rate swap derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as borrower risk ratings, to evaluate the likelihood of default by itself and its counterparties. As of September 30, 2026, and December 31, 2025, the Company assessed the significance of the impact of the credit valuation adjustment on the overall valuation of its interest rate swap derivatives and determined the credit valuation adjustment was not significant to the overall valuation of its interest rate swap derivatives. As a result, the Company has classified its interest rate swap derivative valuations in Level 2 of the fair value hierarchy.

Premises and Equipment Held for Sale

Fair value measurements of premises and equipment held for sale are performed on a nonrecurring basis. Premises and equipment held for sale are included in prepaid expenses and other assets in the Consolidated Statement of Condition. Premises and equipment held for sale are measured at the lower of amortized cost or estimated fair value, less costs to sell. The fair value estimates are generally based on unobservable inputs, including current market information, appraisal values, and valuation estimates received from third-party real estate brokers. As a result, the Company has classified premises and equipment held for sale valuations in Level 3 of the fair value hierarchy,

Operating Lease ROU Asset

Fair value measurements of the operating lease ROU asset are performed on a nonrecurring basis when a triggering event occurs. The operating lease ROU asset is included in prepaid expenses and other assets in the Consolidated Statement of Condition. When a triggering event occurs, including office closures or plans to vacate a leased space early, loss-making subleases where sublease income is less than the lease costs, adverse changes in the business climate, legal factors, or market conditions, significant operational changes in how the asset is used, a drop in expected cash flows below the carrying value of the asset group, The fair value of the ROU asset is determined using a discounted cash flow model utilizing significant unobservable inputs. As a result, the Company has classified the operating lease ROU asset valuation in Level 3 of the fair value hierarchy.

Recurring Basis

The following tables summarize the balances of assets and liabilities measured at fair value on a recurring basis at the dates indicated:

	September 30, 2026			
	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Assets				
Investment securities available for sale:				
U.S. government and agency securities	$ 11,272	$ —	$ 11,272	$ —
Municipal securities	55,203	—	55,203	—
Residential CMO and MBS[(1)]	491,405	—	491,405	—
Commercial CMO and MBS[(1)]	348,255	—	348,255	—
Corporate obligations	23,052	—	23,052	—
Other asset-backed securities	18,449	—	18,449	—
Total investment securities available for sale	947,636	—	947,636	—
Equity security	541	541	—	—
Derivative assets - interest rate swaps	23,325	—	23,325	—
Liabilities				
Derivative liabilities - interest rate swaps	$ 23,325	$ —	$ 23,325	$ —

[(1)] U.S. government agency and government-sponsored enterprise CMO and MBS.

	December 31, 2025			
	Total	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Assets				
Investment securities available for sale:				
U.S. government and agency securities	$ 11,702	$ —	$ 11,702	$ —
Municipal securities	51,423	—	51,423	—
Residential CMO and MBS[(1)]	275,268	—	275,268	—
Commercial CMO and MBS[(1)]	252,164	—	252,164	—
Corporate obligations	10,532	—	10,532	—
Other asset-backed securities	6,433	—	6,433	—

	December 31, 2025			
	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)		
Total investment securities available for sale	607,522	—	607,522	—
Equity security	265	265	—	—
Derivative assets - interest rate swaps	14,434	—	14,434	—
Liabilities				
Derivative liabilities - interest rate swaps	$ 14,434	$ —	$ 14,434	$ —

(1) U.S. government agency and government-sponsored enterprise CMO and MBS.

Nonrecurring Basis

The Company may be required to measure certain assets and liabilities at fair value on a nonrecurring basis. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The following tables present assets measured at fair value on a nonrecurring basis at the dates indicated:

	Fair Value at September 30, 2026			
	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)		
Collateral-dependent loans:				
Commercial business:				
Commercial and industrial	$ 5,004	$ —	$ —	$ 5,004
Non-owner occupied CRE	72	—	—	72
Total collateral-dependent loans	$ 5,076	$ —	$ —	$ 5,076
Other assets:				
Premises and equipment held for sale with impairment	855	—	—	855
Operating lease ROU asset with impairment	180	—	—	180
Total assets measured at fair value on a nonrecurring basis	$ 6,111	$ —	$ —	$ 6,111

	Fair Value at December 31, 2025			
	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)		
Collateral-dependent loans:				
Residential real estate	806	—	—	806
Total assets measured at fair value on a nonrecurring basis	$ 806	$ —	$ —	$ 806

The following tables present quantitative information about Level 3 fair value measurements for assets and liabilities measured at fair value on a non-recurring basis at the dates indicated:

	September 30, 2026				
	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range of Inputs	Weighted Average(1)
			(Dollars in thousands)		
Collateral-dependent loans	$ 5,076	Market approach	Adjustments to reflect current conditions and selling costs	10.0% - 10.0%	10.0%
Premises and equipment held for sale with impairment	$ 855	Market approach	Market conditions and broker estimates	Not applicable	
Operating lease ROU asset with impairment	$ 180	Market approach	Termination and sublease probability	Not applicable	

	December 31, 2025				
	Fair Value	Valuation Technique(s)	Unobservable Input(s)	Range of Inputs	Weighted Average[1]
	(Dollars in thousands)				
Collateral-dependent loans	$ 806	Market approach	Adjustments to reflect current conditions and selling costs	10.0% - 10.0%	10.0%

[1] Weighted by net discount to net appraisal fair value

During the three months ended September 30, 2026, the Company determined that there was an impairment on a building classified as held for sale. The Company concluded that the carrying amount of the building exceeded the fair value and recorded an impairment of $433,000, which was included in other expense on the Consolidated Statement of Income.

During the three months ended September 30, 2026, the Company determined that a triggering event had occurred due to plans to close and consolidate three leased locations into existing branches. The Company concluded that a portion of the carrying amount of the operating lease ROU asset was not recoverable. The Company recorded an $891,000 impairment loss which was included in other expense on the Consolidated Statement of Income.

(b) Fair Value of Financial Instruments

Broadly traded markets do not exist for most of the Company's financial instruments; therefore, the fair value calculations attempt to incorporate the effect of current market conditions at a specific time. These determinations are subjective in nature, involve uncertainties and matters of significant judgment and do not include tax ramifications; therefore, the results cannot be determined with precision, substantiated by comparison to independent markets and may not be realized in an actual sale or immediate settlement of the instruments. There may be inherent weaknesses in any calculation technique and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results. For all of these reasons, the aggregation of the fair value calculations presented herein does not represent, and should not be construed to represent, the underlying value of the Company.

The following tables present the carrying value of the Company's financial instruments and their corresponding estimated fair values at the dates indicated:

	September 30, 2026				
	Carrying Value	Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
	(Dollars in thousands)				
Financial Assets:					
Cash and cash equivalents	$ 187,067	$ 187,067	$ 187,067	$ —	$ —
Investment securities available for sale	947,636	947,636	—	947,636	—
Investment securities held to maturity	653,823	577,974	—	577,974	—
Loans receivable, net	5,819,858	5,751,258	—	—	5,751,258
Derivative assets - interest rate swaps	23,325	23,325	—	23,325	—
Equity security	541	541	541	—	—
Financial Liabilities:					
Non-maturity deposits	$ 6,173,032	$ 6,173,032	$ 6,173,032	$ —	$ —
Certificates of deposit	1,013,902	1,022,147	—	1,022,147	—
Borrowings	121,900	121,893	—	121,893	—
Junior subordinated debentures	22,570	21,020	—	—	21,020
Derivative liabilities - interest rate swaps	23,325	23,325	—	23,325	—

	December 31, 2025				
	Carrying Value	Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
	(Dollars in thousands)				
Financial Assets:					
Cash and cash equivalents	$ 233,089	$ 233,089	$ 233,089	$ —	$ —
Investment securities available for sale	607,522	607,522	—	607,522	—
Investment securities held to maturity	674,107	625,287	—	625,287	—
Loans receivable, net	4,730,682	4,740,417	—	—	4,740,417
Derivative assets - interest rate swaps	14,434	14,434	—	14,434	—
Equity security	265	265	265	—	—
Financial Liabilities:					
Non-maturity deposits	$ 4,982,336	$ 4,982,336	$ 4,982,336	$ —	$ —
Certificates of deposit	937,863	942,011	—	942,011	—
Borrowings	20,000	20,044	—	20,044	—
Junior subordinated debentures	22,350	21,102	—	—	21,102
Derivative liabilities - interest rate swaps	14,434	14,434	—	14,434	—

(10) Investments in Tax Credit Structures

The Company's tax credit investments include LIHTC investments and a Solar Tax Credit investment. LIHTC investments promote qualified affordable housing projects, some of which also support the Company's regulatory compliance with the CRA. The Company's investments in these entities generate a return primarily through the realization of federal income tax credits and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. These tax credits and deductions are recognized as a reduction to income tax expense. For the Company's accounting policies on tax credit investments, see Note 1 - Description of Business, Basis of Presentation, Significant Accounting Policies and Recently Issued Accounting Pronouncements included in Item 8. Financial Statements And Supplementary Data in our 2025 Annual Form 10-K.

LIHTC Investments

The carrying values of investments in unconsolidated LIHTC investments were $145.1 million and $162.8 million as of September 30, 2026 and December 31, 2025, respectively, as a component of prepaid expense and other assets on the Condensed Consolidated Statements of Financial Condition. LIHTCs are accounted for using the proportional amortization method. During both the three months ended September 30, 2026 and 2025, the Company recognized proportional amortization of $5.9 million, and during the nine months ended September 30, 2026 and 2025, the Company recognized proportional amortization of $17.7 million and $17.8 million, respectively, as a component of income tax in the Condensed Consolidated Statements of Income.

Total unfunded contingent commitments related to the Company's LIHTC investments totaled $13.2 million and $18.1 million at September 30, 2026 and December 31, 2025, respectively, as a component of accrued expenses and other liabilities in the Condensed Consolidated Statements of Financial Condition. The Company expects to fund LIHTC commitments totaling $1.4 million during the remaining three months of the year ending December 31, 2026 and $2.7 million during the year ending December 31, 2027, with the remaining commitments of $9.1 million to be funded by December 31, 2041.

There were no significant modifications or events that resulted in a change in the nature or change in the underlying project for the Company's LIHTC investments at September 30, 2026 or December 31, 2025.

Solar Tax Credit Investment

The Solar Tax Credit investment is accounted for using the equity method. During the three and nine months ended September 30, 2026 and 2025, the Company recorded no amortization expense in connection with the Solar Tax Credit investment.

(11) Income Taxes

The following table presents the reconciliation of income taxes computed at the federal statutory income tax rate of 21% to the actual effective rate for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	(Dollars in thousands)			
Income tax expense at Federal statutory rate	$ 4,680	$ 4,684	$ 13,735	$ 11,114
State tax, net of Federal tax benefit	249	227	729	539
Tax-exempt instruments	(404)	(240)	(1,088)	(821)
BOLI surrender	—	—	—	515
Federal tax credits and other benefits[1]	(1,183)	(1,182)	(3,533)	(3,540)
Effects of BOLI	(219)	(198)	(699)	(635)
Effects of Merger	487	—	1,461	—
Restricted stock unit excess (benefit) liability	49	(6)	99	(61)
Other, net	(96)	(148)	(513)	518
Income tax expense	$ 3,563	$ 3,137	$ 10,191	$ 7,629

[1] Federal tax credits are provided for under the Solar Tax Credit and LIHTC programs.

(12) Commitments and Contingencies

In the ordinary course of business, the Company may enter into various types of transactions that include commitments to extend credit that are not included in its unaudited Condensed Consolidated Financial Statements. The Company applies the same credit standards to these commitments as it uses in all its lending activities and has included these commitments in its lending risk evaluations. The majority of the commitments presented below are variable rate. Loan commitments can be either revolving or non-revolving. The Company's exposure to credit and market risk under commitments to extend credit is represented by the amount of these commitments.

The following table presents outstanding commitments to extend credit, including letters of credit, at the dates indicated:

	September 30, 2026	December 31, 2025
	(Dollars in thousands)	
Commercial business:		
Commercial and industrial	$ 654,897	$ 554,438
Owner-occupied CRE	6,079	12,169
Non-owner occupied CRE	50,719	38,954
Total commercial business	711,695	605,561
Real estate construction and land development:		
Residential	79,045	56,487
Commercial and multifamily	283,368	199,742
Total real estate construction and land development	362,413	256,229
Consumer	421,945	339,999
Total outstanding commitments	$ 1,496,053	$ 1,201,789

(13) Segment Information

The Company has one reportable operating segment, commercial banking. The Company's reportable segment is determined by the Chief Executive Officer, who is the designated CODM. While the CODM monitors information provided about the Company's various products and services offered, the Company's financial performance is evaluated on a company-wide basis. The CODM will evaluate the financial performance of the Company's business components by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The CODM uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The CODM uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessing performance and in establishing compensation. Loans, investments, and deposits provide the revenues of the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic.

Accounting policies for the Company's one segment are described in Note 1 - Description of Business, Basis of Presentation, Significant Accounting Policies and Recently Issued Accounting Pronouncements included in Item 8. Financial Statements And Supplementary Data in our 2025 Annual Form 10-K. Segment performance is evaluated using consolidated net income which is also reported on the Condensed Consolidated Statements of Income as net income. The measure of segment assets is reported on the Condensed Consolidated Statements of Financial Condition as total assets.

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

The following discussion is intended to assist in understanding the financial condition and results of operations of the Company as of and for the three and nine months ended September 30, 2026. The information contained in this section should be read together with the unaudited Condensed Consolidated Financial Statements and the accompanying Notes included herein, the Cautionary Note Regarding Forward-Looking Statements included herein and the December 31, 2025 audited Consolidated Financial Statements, and the accompanying Notes included in our 2025 Annual Form 10-K.

Overview

Heritage Financial Corporation is a bank holding company that was incorporated in the State of Washington in August 1997. We are primarily engaged in the business of planning, directing, and coordinating the business activities of our wholly-owned subsidiary and single reportable segment, Heritage Bank.

Heritage Bank is headquartered in Olympia, Washington and conducts business from its branch offices located throughout Washington State, the greater Portland, Oregon area, Eugene, Oregon and Boise, Idaho as of September 30, 2026. Heritage Bank also does business under the Whidbey Island Bank name on Whidbey Island, Washington and does business under the Kitsap Bank name for certain branches acquired in the Merger.

Our business consists primarily of commercial lending and deposit relationships with small- to medium-sized businesses and their owners in our market areas, as well as attracting deposits from the general public. We also make real estate construction and land development loans, consumer loans and residential real estate loans on single family properties located primarily in our markets.

Our core profitability depends primarily on our net interest income. Net interest income is the difference between interest income, which is the income that we earn on interest earning assets, consisting primarily of loans and investment securities, and interest expense, which is the amount we pay on our interest bearing liabilities, consisting primarily of deposits and borrowings. Management manages the repricing characteristics of the Company's interest earning assets and interest bearing liabilities to protect net interest income from changes in market interest rates and changes in the shape of the yield curve. Like most financial institutions, our net interest income is significantly affected by general and local economic conditions, particularly changes in market interest rates, and by governmental policies and actions of regulatory agencies. Net interest income is additionally affected by changes in the volume and mix of interest earning assets, interest earned on these assets, the volume and mix of interest bearing liabilities and interest paid on these liabilities.

Our net income is affected by many factors, including the provision for credit losses on loans. The provision for credit losses on loans is dependent on changes in the loan portfolio and management’s assessment of the collectability of the loan portfolio, as well as prevailing economic and market conditions. Management believes that the ACL on loans reflects the amount that is appropriate to provide for current expected credit losses in our loan portfolio based on the CECL methodology.

Net income is also affected by noninterest income and noninterest expense. Noninterest income primarily consists of gains or losses on the sale of investment securities, service charges and other fees, card revenue and other income. Noninterest expense primarily consists of compensation and employee benefits, occupancy and equipment, data processing and professional services expense. Compensation and employee benefits consist primarily of the salaries and wages paid to our employees and payroll taxes and expenses for retirement and other employee benefits. Occupancy and equipment expenses are the fixed and variable costs of buildings and equipment and consist primarily of lease expenses, depreciation charges, maintenance and utilities. Data processing expense consists primarily of processing and network services related to the Bank’s core operating system, including the account processing system, electronic payments processing of products and services, internet and mobile banking channels and software-as-a-service providers. Professional services expense consists primarily of third-party service providers such as auditors, consultants and lawyers.

Results of operations may also be significantly affected by general and local economic and competitive conditions, changes in accounting, tax, and regulatory rules, governmental policies and actions of regulatory authorities, including changes resulting from inflation and the governmental actions taken to address this issue, as well as changes in policies driven by the presidential administration, including policies on tariffs and immigration, which may impact our operations or those of our customers. Net income is also impacted by our ability to execute our strategic plan to grow the Company through organic growth or acquisitions. See also "Cautionary Note Regarding Forward-Looking Statements."

Recent Acquisition

On January 31, 2026, the Company completed its acquisition of Olympic, a bank holding company headquartered in Port Orchard, Washington, pursuant to the Agreement and Plan of Merger, dated as of September 25, 2025, by and between the Company and Olympic (the "merger agreement"), whereby Olympic merged with and into the Company, and Kitsap Bank, Olympic's wholly-owned banking subsidiary, merged with and into the Bank. Pursuant to the terms of the merger agreement, Olympic shareholders received 45.0 shares of Heritage common stock for each share of Olympic capital stock based on a fixed exchange ratio. Olympic's principal activity was the ownership and operation of Kitsap Bank, a state-chartered banking institution that operated sixteen branches in Washington at the time of closing. The merger consideration, consisting of 7,167,600 shares of Heritage common stock, totaled approximately $185.0 million, based on the closing price of Heritage common stock on January 30, 2026 (the trading day immediately preceding the completion of the acquisition), as reported on the Nasdaq Global Select Market.

The Company accounted for the transaction under the acquisition method of accounting, and thus, the financial position and results of operations of acquired institutions prior to the consummation date are not included in the accompanying consolidated financial statements. The acquisition method of accounting requires assets purchased and liabilities assumed to be recorded at their respective fair values at the date of acquisition. The Company determined the fair value of core deposit intangibles, securities, premises and equipment, loans, other assets and liabilities, deposits and borrowings with the assistance of third party valuations, appraisals, and third party advisors. The estimated fair values are subject to refinement for up to one year after deal consummation as additional information becomes available relative to the closing date fair values.

Results of Operations

Net Income

Comparison of the quarter ended September 30, 2026 to the comparable quarter in the prior year

Net income decreased $0.4 million, or 2.3%, to $18.7 million, or $0.46 per diluted common share, for the three months ended September 30, 2026, compared to $19.2 million, or $0.55 per diluted common share, for the same period in 2025.

The decrease in net income was due primarily to a $20.3 million increase in noninterest expense, resulting mainly from expenses associated with the Merger, including increases related to compensation and employee benefits due to increased headcount, severance expense, occupancy and equipment expense primarily due to additional rent expense, and additional data processing expense due to an increase in transactional accounts and balances.

The increase in noninterest expense was partially offset by a $19.9 million increase in net interest income. Net interest income increased primarily due to an increase in average interest earning assets as a result of the Merger.

Comparison of the nine months ended September 30, 2026 to the comparable period in the prior year.

Net income increased $9.9 million, or 21.9%, to $55.2 million, or $1.36 per diluted common share, for the nine months ended September 30, 2026, compared to $45.3 million, or $1.31 per diluted common share, for the same period in 2025.

The increase in net income was due primarily to a $53.2 million increase in total interest income and a $13.5 million increase in noninterest income. Net interest income increased mostly due to an increase in average interest earning assets as a result of the Merger. Noninterest income increased due to a $10.7 million pre-tax loss on the sale of investment securities recognized during the nine months ended September 30, 2025, compared to a $217,000 pre-tax loss on the sale of investment securities recognized during the nine months ended September 30, 2026.

These improvements were partially offset by a $58.8 million increase in noninterest expense primarily due to expenses associated with the Merger, including increases related to compensation and employee benefits due to increased headcount, severance expense, occupancy and equipment expense primarily due to additional rent expense, and additional data processing expense due to an increase in transactional accounts and balances.

Net Interest Income and Margin

One of the Company's key sources of revenue is net interest income. Several factors affect net interest income, including, but not limited to: the volume, pricing, mix and maturity of interest earning assets and interest bearing liabilities; the volume of noninterest earning assets, noninterest bearing demand deposits, other noninterest bearing liabilities and stockholders' equity; market interest rate fluctuations; and asset quality.

Comparison of the quarter ended September 30, 2026 to the comparable quarter in the prior year

The following table provides net interest income information for the periods indicated:

	Three Months Ended September 30,								
	2026			2025			Change		
	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate[1]	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate[1]	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate[1]
	(Dollars in thousands)								
Interest Earning Assets:									
Loans receivable [2][3]	$ 5,817,905	$ 84,470	5.76 %	$ 4,762,648	$ 66,422	5.53 %	$ 1,055,257	$ 18,048	0.23 %
Taxable securities	1,609,163	14,456	3.56	1,314,374	11,102	3.35	294,789	3,354	0.21
Nontaxable securities [3]	15,049	126	3.32	15,242	138	3.59	(193)	(12)	(0.27)
Interest earning deposits	121,352	1,139	3.72	166,182	1,846	4.41	(44,830)	(707)	(0.69)
Total interest earning assets	7,563,469	100,191	5.26 %	6,258,446	79,508	5.04 %	1,305,023	20,683	0.22 %
Noninterest earning assets	917,141			747,694			169,447		
Total assets	$ 8,480,610			$ 7,006,140			$ 1,474,470		
Interest Bearing Liabilities:									
Certificates of deposit	$ 1,033,482	$ 8,157	3.13 %	$ 955,737	$ 8,822	3.66 %	$ 77,745	$ (665)	(0.53)%
Savings accounts	575,102	296	0.20	428,256	296	0.27	146,846	—	(0.07)
Interest bearing demand and money market accounts	3,528,494	12,916	1.45	2,833,048	11,003	1.54	695,446	1,913	(0.09)
Total interest bearing deposits	5,137,078	21,369	1.65	4,217,041	20,121	1.89	920,037	1,248	(0.24)
Junior subordinated debentures	22,527	437	7.70	22,239	474	8.46	288	(37)	(0.76)
Borrowings	110,936	1,126	4.03	136,582	1,542	4.48	(25,646)	(416)	(0.45)
Total interest bearing liabilities	5,270,541	22,932	1.73 %	4,375,862	22,137	2.01 %	894,679	795	(0.28)%
Noninterest bearing demand deposits	2,000,526			1,625,945			374,581		
Other noninterest bearing liabilities	102,381			112,053			(9,672)		
Stockholders' equity	1,107,162			892,280			214,882		
Total liabilities and stock-holders' equity	$ 8,480,610			$ 7,006,140			$ 1,474,470		
Net interest income and spread		$ 77,259	3.53 %		$ 57,371	3.03 %		$ 19,888	0.50 %
Net interest margin			4.05 %			3.64 %			0.41 %

[1] Average balances are calculated using daily balances. Average yield/rate is annualized.

[2] Average loans receivable includes loans classified as nonaccrual, which carry a zero yield. Interest earned on loans receivable includes the amortization of net deferred loan fees of $1.4 million and $1.0 million for the three months ended September 30, 2026 and 2025, respectively, and the incremental accretion on purchased loans of $1.5 million and $123,000 for the three months ended September 30, 2026 and 2025, respectively.

[3] Yields on tax-exempt loans and securities have not been stated on a tax-equivalent basis.

The following table provides the changes in net interest income for the three months ended September 30, 2026 compared to the same period in 2025, due to changes in average asset and liability balances (volume), changes in average yields/rates (rate) and changes attributable to the combined effect of volume and rates allocated proportionately to the absolute value of changes due to volume and changes due to rates:

	Increase (Decrease) Due to Changes In:		
	Volume	Yield/Rate	Total
	(Dollars in thousands)		
Interest Earning Assets:			
Loans receivable	$ 15,227	$ 2,821	$ 18,048
Taxable securities	2,613	741	3,354
Nontaxable securities	(2)	(10)	(12)
Interest earning deposits	(449)	(258)	(707)
Total interest income	$ 17,389	$ 3,294	$ 20,683
Interest Bearing Liabilities:			
Certificates of deposit	$ 681	$ (1,346)	$ (665)
Savings accounts	87	(87)	—
Interest bearing demand and money market accounts	2,575	(662)	1,913
Total interest bearing deposits	3,343	(2,095)	1,248
Junior subordinated debentures	6	(43)	(37)
Borrowings	(270)	(146)	(416)
Total interest expense	$ 3,079	$ (2,284)	$ 795
Net interest income	$ 14,310	$ 5,578	$ 19,888

Net interest income increased $19.9 million, or 34.7%, to $77.3 million for the three months ended September 30, 2026, compared to $57.4 million for the same period in 2025, due primarily to a $20.7 million increase in total interest income, offset partially by a $0.8 million increase in total interest expense. The increase in net interest income was primarily due to an increase in average interest earning assets as a result of the Merger.

Net interest margin increased 41 basis points to 4.05% for the three months ended September 30, 2026, compared to 3.64% for the same period in 2025. The increase in net interest margin was due primarily to an increase in loan yield as a result of the Merger.

The yield on interest earning assets increased 22 basis points to 5.26% for the three months ended September 30, 2026, compared to 5.04% for the same period in 2025. The yield on loans receivable increased 23 basis points to 5.76% during the three months ended September 30, 2026, compared to 5.53% for the same period in 2025. The increase was due primarily to an increase in rates on originated loans and the incremental accretion on purchased loans which contributed 10 basis points to loan yield during the three months ended September 30, 2026. The incremental accretion and the impact to loan yield will change during any period based on the volume of prepayments, but is expected to decrease over time as the balance of the purchased loans decreases.

The following table presents the net interest margin and loan yield and the effect of the incremental accretion on purchased loans on these ratios for the periods indicated:

	Three Months Ended September 30,	
	2026	2025
Net Interest Margin, excluding incremental accretion on purchased loans, annualized:		
Net interest margin	4.05 %	3.64 %
Exclude impact from incremental accretion on purchased loans[2]	(0.07)%	(0.01)%
Net interest margin, excluding incremental accretion on purchased loans[1]	3.98 %	3.63 %
Loan yield, excluding incremental accretion on purchased loans, annualized:		
Loan yield	5.76 %	5.53 %
Exclude impact from incremental accretion on purchased loans[2]	(0.10)	(0.01)
Loan yield, excluding incremental accretion on purchased loans[1]	5.66 %	5.52 %
Incremental accretion on purchased loans[1]	$ 1,456	$ 123

[1] Represents a non-GAAP financial measure. See "Non-GAAP Financial Measures" section for a reconciliation to the comparable GAAP financial measure.
[2] Represents the amount of interest income recorded on purchased loans in excess of the contractual stated interest rate in the individual loan notes due to incremental accretion of purchased discount or premium. Purchased discount or premium is the difference between the contractual loan balance and the fair value of acquired loans at the acquisition date. The purchased discount is accreted into income over the remaining life of the loan. The impact of incremental accretion on loan yield will change during any period based on the volume of prepayments, but it is expected to decrease over time as the balance of the purchased loans decreases.

The cost of interest bearing deposits decreased 24 basis points to 1.65% for the three months ended September 30, 2026, compared to 1.89% for same period in 2025. This decrease was primarily due to the deposits acquired from Olympic, which had a lower cost of deposits.

Comparison of nine months ended September 30, 2026 to the comparable period in the prior year

The following table provides net interest income information for the periods indicated:

	Nine Months Ended September 30,								
	2026			2025			Change		
	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate[1]	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)								
Interest Earning Assets:									
Loans receivable [2][3]	$ 5,658,741	$ 242,850	5.74 %	$ 4,774,926	$ 196,231	5.49 %	$ 883,815	$ 46,619	0.25 %
Taxable securities	1,577,611	41,490	3.52	1,371,957	34,420	3.35	205,654	7,070	0.17
Nontaxable securities [3]	15,381	383	3.33	15,406	414	3.59	(25)	(31)	(0.26)
Interest earning deposits	139,494	3,817	3.66	130,253	4,309	4.42	9,241	(492)	(0.76)
Total interest earning assets	7,391,227	288,540	5.22 %	6,292,542	235,374	5.00 %	1,098,685	53,166	0.22 %
Noninterest earning assets	895,082			759,206			135,876		
Total assets	$ 8,286,309			$ 7,051,748			$ 1,234,561		

	Nine Months Ended September 30,								
	2026			2025			Change		
	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate[1]	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate	Average Balance[1]	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)								
Interest Bearing Liabilities:									
Certificates of Deposit	$ 1,062,740	$ 25,788	3.24 %	$ 971,933	$ 27,841	3.83 %	$ 90,807	$ (2,053)	(0.59)%
Savings accounts	569,115	959	0.23	426,767	877	0.27	142,348	82	(0.04)
Interest bearing demand and money market accounts	3,426,293	36,760	1.43	2,770,162	31,042	1.50	656,131	5,718	(0.07)
Total interest bearing deposits	5,058,148	63,507	1.68	4,168,862	59,760	1.92	889,286	3,747	(0.24)
Junior subordinated debentures	22,455	1,298	7.73	22,164	1,417	8.55	291	(119)	(0.82)
Securities sold under agreement to repurchase	—	—	—	—	—	—	—	—	—
Borrowings	81,367	2,441	4.01	233,504	8,153	4.67 %	(152,137)	(5,712)	(0.66)
Total interest bearing liabilities	5,161,970	67,246	1.74 %	4,424,530	69,330	2.10 %	737,440	(2,084)	(0.36)%
Noninterest bearing demand deposits	1,936,229			1,620,047			316,182		
Other noninterest bearing liabilities	98,436			127,505			(29,069)		
Stockholders' equity	1,089,674			879,666			210,008		
Total liabilities and stock-holders' equity	$ 8,286,309			$ 7,051,748			$ 1,234,561		
Net interest income and spread		$ 221,294	3.48 %		$ 166,044	2.90 %		$ 55,250	0.58 %
Net interest margin			4.00 %			3.53 %			0.47 %

[1] Average balances are calculated using daily balances. Average yield/rate is annualized.
[2] Average loans receivable includes loans classified as nonaccrual, which carry a zero yield. Interest earned on loans receivable includes the amortization of net deferred loan fees of $3.2 million and $2.7 million for the nine months ended September 30, 2026 and 2025, respectively, and the incremental accretion on purchased loans of $4.9 million and $352,000 for the nine months ended September 30, 2026 and 2025, respectively.
[3] Yields on tax-exempt loans and securities have not been stated on a tax-equivalent basis.

The following table provides the changes in net interest income for the nine months ended September 30, 2026 compared to the same period in 2025, due to changes in average asset and liability balances (volume), changes in average yields/rates (rate) and changes attributable to the combined effect of volume and rates allocated proportionately to the absolute value of changes due to volume and changes due to rates:

	Increase (Decrease) Due to Changes In:		
	Volume	Yield/Rate	Total
	(Dollars in thousands)		
Interest Earning Assets:			
Loans receivable	$ 37,619	$ 9,000	$ 46,619
Taxable securities	5,348	1,722	7,070
Nontaxable securities	(1)	(30)	(31)
Interest earning deposits	291	(783)	(492)
Total interest income	$ 43,257	$ 9,909	$ 53,166
Interest Bearing Liabilities:			
Certificates of deposit	$ 2,450	$ (4,503)	$ (2,053)
Savings accounts	259	(177)	82
Interest bearing demand and money market accounts	7,088	(1,370)	5,718
Total interest bearing deposits	9,797	(6,050)	3,747
Junior subordinated debentures	19	(138)	(119)
Borrowings	(4,697)	(1,015)	(5,712)
Total interest expense	$ 5,119	$ (7,203)	$ (2,084)
Net interest income	$ 38,138	$ 17,112	$ 55,250

Net interest income increased $55.3 million, or 33.3%, to $221.3 million for the nine months ended September 30, 2026, compared to $166.0 million for the same period in 2025, due primarily to a $53.2 million increase in total interest income and a

$2.1 million decrease in total interest expense. The increase in net interest income was primarily due to an increase in average interest earning assets as a result of the Merger and a decrease in interest expense due to a decrease in average borrowings.

Net interest margin increased 47 basis points to 4.00% for the nine months ended September 30, 2026, compared to 3.53% for the same period in 2025. The increase in net interest margin was due to an increase in both the average loan balance and loan yield as a result of the Merger.

The yield on interest earning assets increased 22 basis points to 5.22% for the nine months ended September 30, 2026, compared to 5.00% for the same period in 2025. The yield on loans receivable increased 25 basis points to 5.74% during the nine months ended September 30, 2026, compared to 5.49% for the same period in 2025. The increase was due primarily to an increase in rates on originated loans and the incremental accretion on purchased loans which contributed 12 basis points to loan yield during the nine months ended September 30, 2026. The incremental accretion and the impact to loan yield will change during any period based on the volume of prepayments, but is expected to decrease over time as the balance of the purchased loans decreases.

The following table presents the net interest margin and loan yield and the effect of the incremental accretion on purchased loans on these ratios for the periods indicated:

	Nine Months Ended September 30,	
	2026	2025
Net Interest Margin, excluding incremental accretion on purchased loans, annualized:		
Net interest margin	4.00 %	3.53 %
Exclude impact from incremental accretion on purchased loans[2]	(0.08)%	(0.01)%
Net interest margin, excluding incremental accretion on purchased loans[1]	3.92 %	3.52 %
Loan yield, excluding incremental accretion on purchased loans, annualized:		
Loan yield	5.74 %	5.49 %
Exclude impact from incremental accretion on purchased loans[2]	(0.12)	(0.01)
Loan yield, excluding incremental accretion on purchased loans[1]	5.62 %	5.48 %
Incremental accretion on purchased loans[1]	$ 4,852	$ 352

(1) Represents a non-GAAP financial measure. See "Non-GAAP Financial Measures" section for a reconciliation to the comparable GAAP financial measure.
(2) Represents the amount of interest income recorded on purchased loans in excess of the contractual stated interest rate in the individual loan notes due to incremental accretion of purchased discount or premium. Purchased discount or premium is the difference between the contractual loan balance and the fair value of acquired loans at the acquisition date. The purchased discount is accreted into income over the remaining life of the loan. The impact of incremental accretion on loan yield will change during any period based on the volume of prepayments, but it is expected to decrease over time as the balance of the purchased loans decreases.

The cost of interest bearing deposits decreased 24 basis points to 1.68% for the nine months ended September 30, 2026, compared to 1.92% for same period in 2025. This decrease was primarily due to the deposits acquired from Olympic, which had a lower cost of deposits.

Provision for Credit Losses

The aggregate of the provision for (reversal of) credit losses on loans and on unfunded commitments is presented on the unaudited Condensed Consolidated Statements of Income as the provision for credit losses. The ACL on unfunded commitments is included on the unaudited Condensed Consolidated Statements of Financial Condition within accrued expenses and other liabilities.

Comparison of the quarter ended September 30, 2026 to the comparable quarter in the prior year

The following table presents the provision for (reversal of) credit losses for the periods indicated:

	Three Months Ended September 30,		Change	
	2026	2025	$	%
	(Dollars in thousands)			
Provision for credit losses on loans	$ 2,251	$ 1,563	$ 688	44.0 %
Provision for credit losses on unfunded commitments	20	212	(192)	(90.6)
Provision for credit losses	$ 2,271	$ 1,775	$ 496	27.9 %

The provision for credit losses on loans reflects the amount required to maintain the ACL on loans at an appropriate level based upon management's evaluation of the adequacy of collective and individual loss reserves and is impacted by quarterly charge-offs and recoveries. The $2.3 million provision for credit losses on loans recognized during the three months ended September

30, 2026 was due primarily to loan growth during the quarter. Future assessments of expected credit losses will be impacted not only by changes in the composition of and amount of loans and to the reasonable and supportable forecast, but also by an updated assessment of qualitative factors, as well as consideration of any changes in the reasonable and supportable forecast reversion period.

The $1.6 million provision for credit losses on loans recognized during the three months ended September 30, 2025 was due primarily to an increase in the weighted average life of residential real estate and real estate construction and land development loans, which increased the calculated reserves, and an increase in real estate construction and land development loan balances.

Comparison of the nine months ended September 30, 2026 to the comparable period in the prior year

The following table presents the provision for (reversal of) credit losses for the periods indicated:

	Nine Months Ended September 30,		Change	
	2026	2025	$	%
	(Dollars in thousands)			
Provision for credit losses on loans	$ 587	$ 2,417	$ (1,830)	(75.7)%
(Reversal of) provision for credit losses on unfunded commitments	(267)	365	(632)	(173.2)
Provision for credit losses	$ 320	$ 2,782	$ (2,462)	(88.5)%

The $587,000 provision for credit losses on loans recognized during the nine months ended September 30, 2026 was due primarily to loan growth. The $267,000 reversal of provision for credit losses on unfunded commitments recognized during the nine months ended September 30, 2026 was due primarily to an increase in utilization rates which resulted in a smaller unfunded capacity.

The $2.4 million provision for credit losses recognized during the nine months ended September 30, 2025 was due primarily to $911,000 in net charge-offs and an increase in the weighted average life of residential real estate and real estate construction and land development loans, which increased the calculated reserves. The $365,000 provision for credit losses on unfunded commitments recognized during the nine months ended September 30, 2025 was due primarily to an increase in the unfunded exposure on construction loans.

Noninterest Income

Comparison of the three months ended September 30, 2026 to the comparable period in the prior year

The following table presents the change in the key components of noninterest income for the periods indicated:

	Three Months Ended September 30,		Change	
	2026	2025	$	%
	(Dollars in thousands)			
Service charges and other fees	$ 3,497	$ 3,046	$ 451	14.8 %
Card revenue	2,521	2,209	312	14.1
Interest rate swap fees	53	96	(43)	(44.8)
BOLI income	1,250	1,008	242	24.0
Other income	1,932	1,966	(34)	(1.7)
Total noninterest income	$ 9,253	$ 8,325	$ 928	11.1 %

Noninterest income increased $0.9 million during the three months ended September 30, 2026, compared to the same period in 2025. Increases in service charges and other fees, card revenue and BOLI income were due primarily to income from the deposit portfolio and BOLI acquired from Olympic.

Comparison of nine months ended September 30, 2026 to the comparable period in the prior year

The following table presents the change in the key components of noninterest income for the periods indicated:

	Nine Months Ended September 30,		Change	
	2026	2025	$	%
	(Dollars in thousands)			
Service charges and other fees	$ 10,456	$ 8,953	$ 1,503	16.8 %
Card revenue	7,219	5,950	1,269	21.3
Loss on sale of investment securities, net	(217)	(10,741)	10,524	(98.0)
Interest rate swap fees	56	115	(59)	(51.3)
Bank owned life insurance income	3,854	3,206	648	20.2
Gain on sale of other assets, net	—	8	(8)	(100.0)
Other income	5,895	6,254	(359)	(5.7)
Total noninterest income	$ 27,263	$ 13,745	$ 13,518	98.3 %

Noninterest income increased $13.5 million, during the nine months ended September 30, 2026, compared to the same period in 2025. Loss on sale of securities decreased $10.5 million due to a smaller pre-tax loss of $217,000 recognized during the nine months ended September 30, 2026, compared to a $10.7 million pre-tax loss recognized during the same period in 2025, as part of the Company's strategic balance sheet repositioning efforts. Increases in service charges and other fees, card revenue and BOLI income were due primarily to income from the deposit portfolio and BOLI acquired from Olympic.

Noninterest Expense

Comparison of three months ended September 30, 2026 to the comparable period in the prior year

The following table presents changes in the key components of noninterest expense for the periods indicated:

	Three Months Ended September 30,		Change	
	2026	2025	$	%
	(Dollars in thousands)			
Compensation and employee benefits	$ 34,135	$ 26,082	$ 8,053	30.9 %
Occupancy and equipment	6,326	4,665	1,661	35.6
Data processing	8,337	3,754	4,583	122.1
Marketing	675	284	391	137.7
Professional services	1,109	1,332	(223)	(16.7)
State/municipal business and use taxes	1,799	1,235	564	45.7
Federal deposit insurance premium	947	796	151	19.0
Other real estate owned, net	(55)	—	(55)	(100.0)
Amortization of intangible assets	2,941	284	2,657	935.6
Other expense	5,744	3,183	2,561	80.5
Total noninterest expense	$ 61,958	$ 41,615	$ 20,343	48.9 %

Noninterest expense increased $20.3 million, to $62.0 million during the three months ended September 30, 2026, compared to $41.6 million during the same period in 2025. The increase was primarily due to expenses related to the Merger, including increases related to compensation and employee benefits due to increased headcount, severance expense, occupancy and equipment expense primarily due to additional rent expense, additional data processing expense due to an increase in transactional accounts and balances, as well as conversion costs related to the conversion of Olympic's core and online banking systems and exit costs related to the consolidation of two branches, closure of one loan production office and one administration location. Noninterest expense also increased due to an increase in the amortization of intangible assets of $2.7 million, relating to the Merger.

Total Merger-related expenses incurred during the three months ended September 30, 2026 and 2025 were $5.2 million and $635,000, respectively, and consisted of severance expense, professional fees, core conversion costs and contract termination costs and location consolidation costs.

The following table presents the merger costs included in noninterest expense for the periods indicated:

	Three Months Ended September 30,		Change
	2026	2025	$
	(Dollars in thousands)		
Compensation and employee benefits	$ 669	$ —	$ 669
Occupancy and equipment	152	—	$ 152
Data processing	2,524	—	$ 2,524
Marketing	126	—	$ 126
Professional services	294	630	$ (336)
Other expense	1,420	5	$ 1,415
Total noninterest expense	$ 5,185	$ 635	$ 4,550

Comparison of the nine months ended September 30, 2026 to the comparable period in the prior year

The following table presents changes in the key components of noninterest expense for the periods indicated:

	Nine Months Ended September 30,		Change	
	2026	2025	$	%
	(Dollars in thousands)			
Compensation and employee benefits	$ 103,876	$ 77,348	$ 26,528	34.3 %
Occupancy and equipment	17,670	14,431	3,239	22.4
Data processing	23,648	11,317	12,331	109.0
Marketing	1,495	955	540	56.5
Professional services	4,890	3,188	1,702	53.4
State/municipal business and use taxes	5,274	3,660	1,614	44.1
Federal deposit insurance premium	2,865	2,418	447	18.5
Other real estate owned, net	(7)	—	(7)	(100.0)
Amortization of intangible assets	7,956	889	7,067	794.9
Other expense	15,166	9,877	5,289	53.5
Total noninterest expense	$ 182,833	$ 124,083	$ 58,750	47.3 %

Noninterest expense increased $58.8 million, to $182.8 million during the nine months ended September 30, 2026, compared to $124.1 million during the same period in 2025. The increase was primarily due to expenses related to the Merger, including increases related to compensation and employee benefits due to increased headcount, severance expense, occupancy and equipment expense primarily due to additional rent expense, additional data processing expense due to an increase in transactional accounts and balances, as well as conversion costs related to the conversion of Olympic's core and online banking systems and exit costs related to the consolidation of two branches, closure of one loan production office and one administration location. Noninterest expense also increased due to an increase in the amortization of intangible assets of $7.1 million, relating to the Merger.

Total Merger-related expenses incurred during the nine months ended September 30, 2026 and 2025 were $17.9 million and $635,000, respectively, and consisted of severance expense, professional fees, core conversion costs and contract termination costs and location consolidation costs.

The following table presents the merger costs included in noninterest expense for the periods indicated:

	Nine Months Ended September 30,		Change
	2026	2025	$
	(Dollars in thousands)		
Compensation and employee benefits	$ 4,883	$ —	$ 4,883
Occupancy and equipment	152	—	$ 152
Data processing	7,939	—	$ 7,939
Marketing	126	—	$ 126
Professional services	2,290	630	$ 1,660
Other expense	2,466	5	$ 2,461
Total noninterest expense	$ 17,856	$ 635	$ 17,221

Income Tax Expense

Comparison of the three months ended September 30, 2026 to the comparable period in the prior year

The following table presents the income tax expense, and related metrics and the change for the periods indicated:

	Three Months Ended September 30,		Change
	2026	2025	
		(Dollars in thousands)	
Income before income taxes	$ 22,283	$ 22,306	$ (23)
Income tax expense	$ 3,563	$ 3,137	$ 426
Effective income tax rate	16.0 %	14.1 %	1.9 %

Income tax expense increased due primarily to an increase in the effective tax rate during the three months ended September 30, 2026 compared to the same period in 2025.

Comparison of the nine months ended September 30, 2026 to the comparable period in the prior year.

The following table presents the income tax expense and related metrics and the change for the periods indicated:

	Nine Months Ended September 30,		Change
	2026	2025	$
		(Dollars in thousands)	
Income before income taxes	$ 65,404	$ 52,924	$ 12,480
Income tax expense	$ 10,191	$ 7,629	$ 2,562
Effective income tax rate	15.6 %	14.4 %	1.2 %

Income tax expense and the effective income tax rate both increased due primarily to higher estimated pre-tax income during the nine months ended September 30, 2026, compared to the same period in 2025, which decreased the impact of favorable permanent tax items such as tax-exempt investments, investments in BOLI and LIHTC investments. The Company also recognized income tax expense of $515,000 related to the surrender of $8.5 million in BOLI policies during the nine months ended September 30, 2025.

Financial Condition

The following table provides a comparison of the changes in the Company's financial condition at the periods indicated:

	September 30, 2026	December 31, 2025	Change	
			$	%
	(Dollars in thousands)			
Assets				
Cash and cash equivalents	$ 187,067	$ 233,089	$ (46,022)	(19.7)%
Investment securities available for sale, at fair value, net	947,636	607,522	340,114	56.0
Investment securities held to maturity, at amortized cost, net	653,823	674,107	(20,284)	(3.0)
Loans receivable, net	5,819,858	4,730,682	1,089,176	23.0

	September 30, 2026	December 31, 2025	Change $	Change %
Other real estate owned	—	—	—	—
Premises and equipment, net	98,295	74,690	23,605	31.6
Federal Home Loan Bank stock, at cost	10,657	5,163	5,494	106.4
Bank owned life insurance	147,600	105,974	41,626	39.3
Accrued interest receivable	24,290	19,280	5,010	26.0
Prepaid expenses and other assets	305,351	273,925	31,426	11.5
Other intangible assets, net	44,328	1,979	42,349	2,139.9
Goodwill	279,029	240,939	38,090	15.8
Total assets	$ 8,517,934	$ 6,967,350	$ 1,550,584	22.3 %
Liabilities and Stockholders' Equity				
Total deposits	$ 7,186,934	$ 5,920,199	$ 1,266,735	21.4 %
Borrowings	121,900	20,000	101,900	509.5
Junior subordinated debentures	22,570	22,350	220	1.0
Accrued expenses and other liabilities	102,709	83,297	19,412	23.3
Total liabilities	7,434,113	6,045,846	1,388,267	23.0
Common stock	698,915	531,100	167,815	31.6
Retained earnings	448,178	421,619	26,559	6.3
Accumulated other comprehensive loss, net	(63,272)	(31,215)	(32,057)	(102.7)
Total stockholders' equity	1,083,821	921,504	162,317	17.6
Total liabilities and stockholders' equity	$ 8,517,934	$ 6,967,350	$ 1,550,584	22.3 %

Total assets increased during the nine months ended September 30, 2026 primarily as a result of the Merger. Assets acquired, including goodwill, totaled $1.59 billion at the Merger closing date of January 31, 2026. Total liabilities and stockholders' equity also increased primarily as a result of the Merger. Total deposits acquired were $1.39 billion, and total common stock issued in the Merger was $185.0 million.

Investment Activities

Our investment policy is established by the Board and monitored by the Risk and Technology Committee of the Board. It is designed primarily to provide and maintain liquidity, generate a favorable return on investments without incurring undue interest rate and credit risk, and complement the Company's lending activities. The policy permits investment in various types of liquid assets permissible under applicable regulations. Purchase of investments in sub-investment grade bonds is not permitted under the policy.

The following table provides information regarding our investment securities at the dates indicated:

	September 30, 2026		December 31, 2025		Change	
	Balance	% of Total	Balance	% of Total	$	%
	(Dollars in thousands)					
Investment securities available for sale, at fair value:						
U.S. government and agency securities	$ 11,272	0.7 %	$ 11,702	0.9 %	$ (430)	(3.7)%
Municipal securities	55,203	3.4	51,423	4.0	3,780	7.4
Residential CMO and MBS[1]	491,405	30.7	275,268	21.5	216,137	78.5
Commercial CMO and MBS[1]	348,255	21.8	252,164	19.7	96,091	38.1
Corporate obligations	23,052	1.4	10,532	0.8	12,520	118.9
Other asset-backed securities	18,449	1.2	6,433	0.5	12,016	186.8
Total	$ 947,636	59.2 %	$ 607,522	47.4 %	$ 340,114	56.0 %

	September 30, 2026		December 31, 2025		Change	
	Balance	% of Total	Balance	% of Total	$	%
	(Dollars in thousands)					
Investment securities held to maturity, at amortized cost:						
U.S. government and agency securities	$ 151,385	9.5 %	$ 151,319	11.8 %	$ 66	— %
Residential CMO and MBS[1]	200,760	12.5	217,707	17.0	(16,947)	(7.8)
Commercial CMO and MBS[1]	301,678	18.8	305,081	23.8	(3,403)	(1.1)
Total	$ 653,823	40.8 %	$ 674,107	52.6 %	$ (20,284)	(3.0)%
Total investment securities	$ 1,601,459	100.0 %	$ 1,281,629	100.0 %	$ 319,830	25.0 %

[1] U.S. government agency and government-sponsored enterprise CMO and MBS obligations.

Total investment securities increased $319.8 million, or 25.0%, to $1.60 billion at September 30, 2026 from $1.28 billion at December 31, 2025. The increase was primarily due to the acquisition of investment securities balances of $312.0 million in the Merger. The Company repositioned a portion of the acquired portfolio during the nine months ended September 30, 2026, with sales of $231.6 million and purchases of $406.0 million. Purchases exceeded sales in the repositioning due to the investment of excess cash acquired in the Merger, which was a result of the sale of investment securities by Olympic during the month preceding the Merger. Investment maturities and repayments totaled $126.3 million during the nine months ended September 30, 2026.

Loan Portfolio

Changes by loan type

The Company originates a wide variety of loans with a focus on commercial business loans. In addition to originating loans, the Company may also acquire loans through pool purchases, participation purchases and syndicated loan purchases.

The following table provides information about our loan portfolio by type of loan at the dates indicated:

	September 30, 2026		December 31, 2025		Change	
	Amortized Cost	% of Loans Receivable	Amortized Cost	% of Loans Receivable	$	%
	(Dollars in thousands)					
Commercial business:						
Commercial and industrial	$ 1,061,712	18.1 %	$ 818,000	17.1 %	$ 243,712	29.8 %
Owner-occupied CRE	1,211,776	20.6	1,034,829	21.6	176,947	17.1
Non-owner occupied CRE	2,565,804	43.6	2,057,844	43.0	507,960	24.7
Total commercial business	4,839,292	82.3	3,910,673	81.7	928,619	23.7
Residential real estate	361,177	6.1	358,834	7.5	2,343	0.7
Real estate construction and land development:						
Residential	139,669	2.4	95,350	2.0	44,319	46.5
Commercial and multifamily	321,951	5.5	247,975	5.2	73,976	29.8
Total real estate construction and land development	461,620	7.9	343,325	7.2	118,295	34.5
Consumer	219,112	3.7	170,434	3.6	48,678	28.6
Total	$ 5,881,201	100.0 %	$ 4,783,266	100.0 %	$ 1,097,935	23.0 %

Loans receivable increased $1.10 billion, or 23.0%, to $5.88 billion at September 30, 2026, from $4.78 billion at December 31, 2025 due primarily to loans acquired in the Merger. New loans funded during the nine months ended September 30, 2026 were $514.5 million, which was higher than new loans funded during the same period in 2025 of $410.2 million. Loan prepayments were $308.7 million and loan payoffs were $169.8 million during the nine months ended September 30, 2026.

The following table summarizes the composition of acquired loans at the Merger closing date of January 31, 2026:

Merger - Loan Composition	January 31, 2026 Balance	% of Total
	(Dollars in thousands)	
Commercial business:		
Commercial and industrial	$ 251,819	26.4 %
Owner-occupied CRE	172,141	18.0 %
Non-owner occupied CRE	414,899	43.5 %
Total commercial business	838,859	87.9 %
Residential real estate	11,703	1.2 %
Real estate construction and land development:		
Residential	26,765	2.8 %
Commercial and multifamily	35,894	3.8 %
Total real estate construction and land development	62,659	6.6 %
Consumer	41,079	4.3 %
Loans receivable	954,300	100.0 %

The following table provides information about owner occupied CRE and non-owner occupied CRE loans by collateral type at the dates indicated:

	September 30, 2026		December 31, 2025		Change	
	Amortized Cost	% of CRE Loans	Amortized Cost	% of CRE Loans	$	%
	(Dollars in thousands)					
Office	$ 724,048	19.2 %	$ 588,772	19.0 %	$ 135,276	23.0 %
Industrial	677,028	17.9	541,664	17.5	135,364	25.0
Multi-family	633,577	16.8	520,602	16.8	112,975	21.7
Retail store / shopping center	450,408	11.9	338,939	11.0	111,469	32.9
Mini-storage	249,013	6.6	155,130	5.0	93,883	60.5
Mixed use property	160,490	4.2	156,853	5.1	3,637	2.3
Motel / hotel	129,321	3.4	124,612	4.0	4,709	3.8
Warehouse	135,830	3.6	133,544	4.3	2,286	1.7
Single purpose	167,909	4.4	134,290	4.3	33,619	25.0
Recreational / school	85,940	2.3	83,047	2.7	2,893	3.5
Other	364,016	9.7	315,220	10.3	48,796	15.5
Total	$ 3,777,580	100.0 %	$ 3,092,673	100.0 %	$ 684,907	22.1 %

Office loans represented the largest segment of owner-occupied and non-owner occupied CRE loans, totaling $724.0 million, or 19.2% of total CRE loans, at September 30, 2026. Of this total, $332.5 million, or 45.9%, were owner-occupied CRE loans. Owner-occupied CRE loans have a lower risk profile than non-owner occupied CRE loans, as there is less tenant rollover risk and they generally include guarantees from the company occupying the space as well as the owners of the company.

Loans classified as nonaccrual and nonperforming assets

The following table provides information about our nonaccrual loans and nonperforming assets at the dates indicated:

	September 30, 2026	December 31, 2025	Change	
			$	%
	(Dollars in thousands)			
Nonaccrual loans:[1]				
Commercial business	$ 24,125	$ 6,886	$ 17,239	250.3 %
Residential real estate	1,321	1,196	125	10.5
Real estate construction and land development	6,321	12,408	(6,087)	(49.1)
Consumer	310	486	(176)	(36.2)
Total nonaccrual loans	32,077	20,976	11,101	52.9
Accruing loans past due 90 days or more	$ 948	$ 194	$ 754	388.7 %

	September 30, 2026	December 31, 2025	Change $	Change %
Total nonperforming loans	33,025	21,170	11,855	56.0
Other real estate owned	—	—	—	100.0
Total nonperforming assets	$ 33,025	$ 21,170	$ 11,855	56.0 %
Credit quality ratios:				
Nonaccrual loans to loans receivable	0.55 %	0.44 %	0.11	25.0
Nonperforming loans to loans receivable	0.56	0.44	0.12	27.3
Nonperforming assets to total assets	0.39	0.30	0.09	30.0

(1) At September 30, 2026 and December 31, 2025, $10.2 million and $2.4 million, respectively, of nonaccrual loans, were guaranteed by government agencies.

The following table provides the changes in nonaccrual loans during the nine months ended September 30, 2026:

	(Dollars in thousands)
Balance, beginning of period	$ 20,976
Additions	26,586
Net principal payments, and sales	(877)
Payoffs	(13,261)
Charge-offs	(465)
Transfer to OREO	(741)
Return to accrual	(141)
Balance, end of period	$ 32,077

Nonaccrual loans increased $11.1 million to $32.1 million at September 30, 2026, compared to $21.0 million at December 31, 2025. The increase was due primarily to the migration of $26.6 million in loans to nonaccrual status including 27 commercial and industrial loans totaling $21.0 million and two CRE owner occupied loans totaling $3.5 million. The additions were partially offset by payoffs during the nine months ended September 30, 2026 consisting primarily of one $5.8 million residential construction loan, four commercial business loans totaling $5.3 million and one CRE non-owner occupied loan totaling $1.5 million.

Allowance for Credit Losses on Loans

The following table provides information regarding our ACL on loans for the periods indicated:

	At or For the Nine Months Ended September 30,		
	2026	2025	Change
	(Dollars in thousands)		
ACL on loans at the end of period	$ 61,343	$ 53,974	$ 7,369
Credit quality ratios:			
ACL on loans to loans receivable	1.04 %	1.13 %	(0.09)%
ACL on loans to nonaccrual loans	191.24	306.46	(115.22)
Net charge-offs	$ 1,167	$ 911	$ 256
Average balance of loans receivable during the period	5,658,741	4,774,926	883,815
Net charge-offs on loans to average loans receivable annualized	0.03 %	0.03 %	— %

The ACL on loans as a percentage of loans receivable was 1.04% at September 30, 2026 compared to 1.10% at December 31, 2025. The ACL on loans increased $8.8 million, or 16.7%, to $61.3 million at September 30, 2026, compared to $52.6 million at December 31, 2025 due primarily to the initial ACL recorded on the loans acquired in the Merger of $9.3 million.

The ACL on loans as a percentage of loans receivable decreased nine basis points to 1.04% at September 30, 2026 from 1.13% at September 30, 2025, due primarily to a lower weighted average life of acquired loans which decreased the calculated reserves for these loans.

The following table presents the ACL on loans by loan portfolio segment at the dates indicated:

	September 30, 2026			December 31, 2025		
	ACL on Loans	ACL as a % of Loans in Loan Category	% of Loans in Loan Category to Total Loans	ACL on Loans	ACL as a % of Loans in Loan Category	% of Loans in Loan Category to Total Loans
	(Dollars in thousands)					
Commercial business	$ 47,685	0.99 %	82.3 %	$ 39,412	1.01 %	81.7 %
Residential real estate	3,513	0.97	6.1	3,708	1.03	7.5
Real estate construction and land development	7,699	1.67	7.9	7,624	2.22	7.2
Consumer	2,446	1.12	3.7	1,840	1.08	3.6
Total ACL on loans	$ 61,343	1.04 %	100.0 %	$ 52,584	1.10 %	100.0 %

Deposits

The following table summarizes the Company's deposits at the dates indicated:

	September 30, 2026		December 31, 2025		Change	
	Balance	% of Total Deposits	Balance	% of Total Deposits	$	%
	(Dollars in thousands)					
Noninterest demand deposits	$ 1,967,073	27.4 %	$ 1,597,650	27.0 %	$ 369,423	23.1 %
Interest bearing demand deposits	1,974,016	27.5	1,627,259	27.5	346,757	21.3
Money market accounts	1,667,978	23.2	1,334,904	22.5	333,074	25.0
Savings accounts	563,965	7.8	422,523	7.1	141,442	33.5
Total non-maturity deposits	6,173,032	85.9	4,982,336	84.1	1,190,696	23.9
Certificates of deposit	1,013,902	14.1	937,863	15.9	76,039	8.1
Total deposits	$ 7,186,934	100.0 %	$ 5,920,199	100.0 %	$ 1,266,735	21.4 %

Total deposits increased $1.27 billion, or 21.4%, to $7.19 billion at September 30, 2026, from $5.92 billion at December 31, 2025 due primarily to deposits acquired in the Merger.

The following table summarizes the composition of acquired deposits at the Merger date of January 31, 2026:

	January 31, 2026	
	Balance	% of Total
Merger - Deposit Composition	(Dollars in thousands)	
Noninterest demand deposits	$ 410,394	29.6 %
Interest bearing demand deposits	336,742	24.2 %
Money market accounts	217,685	15.7 %
Savings accounts	175,032	12.6 %
Total non-maturity deposits	1,139,853	82.1 %
Certificates of deposit	249,143	17.9 %
Total deposits	$ 1,388,996	100.0 %

Borrowings

At September 30, 2026, the Bank maintained a credit facility with the FHLB with available borrowing capacity of $1.79 billion. The FHLB functions as a member-owned cooperative providing credit for member financial institutions. Advances are made pursuant to several different programs. Each credit program has its own interest rate and range of maturities. Limitations on the amount of advances are based on a percentage of the Bank's assets or on the FHLB's assessment of the institution's creditworthiness. The Bank had $121.9 million in FHLB advances outstanding at September 30, 2026, and $20.0 million in FHLB advances outstanding at December 31, 2025. Advances from the FHLB may be collateralized by FHLB stock owned by the Bank, deposits at the FHLB, certain commercial and residential real estate loans, investment securities or other assets. All FHLB advances at September 30, 2026 were short-term and mature in less than one year.

The Bank maintains a credit facility with the FRB through the Discount Window with available borrowing capacity of $322.2 million at September 30, 2026. The Bank had no FRB borrowings outstanding at September 30, 2026 or December 31, 2025.

The Company assumed trust preferred securities and the related junior subordinated debentures as part of a prior acquisition. For regulatory capital purposes, the trust preferred securities are included in Tier 1 capital. The junior subordinated debentures outstanding were $22.6 million at September 30, 2026 and $22.4 million at December 31, 2025, net of unaccreted discount.

The Bank maintains available unsecured federal funds lines with four correspondent banks totaling $145.0 million, with no outstanding borrowings at September 30, 2026 or December 31, 2025.

Stockholders' Equity

Total stockholders' equity increased $162.3 million, or 17.6%, to $1.08 billion at September 30, 2026, compared to $921.5 million at December 31, 2025 due primarily to stock issued as consideration in the Merger. The Company's stockholders' equity to assets ratio was 12.7% at September 30, 2026 and 13.2% at December 31, 2025.

The following table summarizes changes in stockholders' equity for the Company for the period indicated:

	Nine Months Ended September 30, 2026
	(Dollars in thousands)
Balance, beginning of period	$ 921,504
Common stock issued in Merger	184,996
Net income	55,213
Cash dividends declared on common stock	(28,654)
Common stock repurchased	(21,374)
Accumulated other comprehensive loss	(32,057)
Other	4,193
Balance, end of period	$ 1,083,821

The Company has historically paid cash dividends to its common shareholders. Payments of future cash dividends, if any, will be at the discretion of our Board after taking into account various factors, including our business, operating results and financial condition, capital requirements, current and anticipated cash needs, plans for expansion, any legal or contractual limitation on our ability to pay dividends and other relevant factors. Dividends on common stock from the Company depend substantially upon the receipt of dividends from the Bank, which is the Company's predominant source of income. On October 21, 2026, the Board declared a regular quarterly dividend of $0.25 per common share payable on November 18, 2026 to shareholders of record on November 4, 2026.

On October 21, 2026, the Company's Board of Directors approved a new stock repurchase program the Repurchase Program, authorizing the repurchase of up to 5% of the Company's outstanding common shares or approximately 2.05 million shares. The number, timing and price of shares repurchased will depend on business and market conditions, and other factors, including opportunities to deploy the Company's capital. The Repurchase Program superseded a previous stock repurchase program, authorized in April 2024, under which 83,006 shares remained available for repurchase as of September 30, 2026. The Company is not obligated to repurchase any shares of its common stock, and other than repurchases that have been completed to date, there is no assurance that the Company will do so. The Company may, in its discretion, begin, suspend or terminate repurchases at any time prior to the Repurchase Program's expiration, without any prior notice.

Regulatory Requirements

The Company is a bank holding company under the supervision of the Federal Reserve. Bank holding companies are subject to capital adequacy requirements of the Federal Reserve under the Bank Holding Company Act of 1956, as amended, and the regulations of the Federal Reserve. The Bank is a federally insured institution and thereby is subject to the capital requirements established by the FDIC. The Federal Reserve capital requirements generally parallel the FDIC requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect in the unaudited Condensed Consolidated Financial Statements and operations. Additionally, the Company and the Bank are required to maintain a capital conservation buffer of common equity Tier 1 capital above 2.5% to avoid restrictions on certain activities including payment of dividends, stock repurchases and discretionary bonuses to executive officers. Management believes that, as of September 30, 2026, the Company and the Bank met all capital adequacy requirements to which they are subject.

As of September 30, 2026 and December 31, 2025, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's categories.

The following table summarizes the Company's (consolidated) and the Bank's actual capital ratios compared to the regulatory "adequately capitalized" capital ratios and the regulatory minimum capital ratios needed to qualify as a "well capitalized" institution, as calculated under regulatory guidelines at the dates presented:

	Actual		Adequately Capitalized		Well-Capitalized[1]	
	(Dollars in thousands)					
September 30, 2026						
Total capital ratio						
Company	$ 909,060	13.1 %	$ 556,094	8.0 %	$ 695,117	10.0 %
Bank	901,019	13.0	555,508	8.0	694,385	10.0
Tier 1 capital ratio						
Company	846,627	12.2	417,070	6.0	556,094	8.0
Bank	838,586	12.1	416,631	6.0	555,508	8.0
Common equity Tier 1 capital ratio						
Company	824,057	11.9	312,803	4.5	451,826	6.5
Bank	838,586	12.1	312,473	4.5	451,351	6.5
Leverage ratio						
Company	846,627	10.3	328,371	4.0	410,464	5.0
Bank	838,586	10.2	328,093	4.0	410,117	5.0
December 31, 2025						
Total capital ratio						
Company	$ 786,057	14.1 %	$ 446,102	8.0 %	$ 557,628	10.0 %
Bank	775,354	13.9	445,750	8.0	557,187	10.0
Tier 1 capital ratio						
Company	732,473	13.1	334,577	6.0	446,102	8.0
Bank	721,770	13.0	334,312	6.0	445,750	8.0
Common equity Tier 1 capital ratio						
Company	710,123	12.7	250,933	4.5	362,458	6.5
Bank	721,770	13.0	250,374	4.5	362,172	6.5
Leverage ratio						
Company	732,473	10.8	270,061	4.0	337,576	5.0
Bank	721,770	10.7	269,879	4.0	337,348	5.0

[1] The ratios to meet the requirements to be deemed “well-capitalized” under prompt corrective action regulations are only applicable to the Bank. However, the Company manages its capital position as if the requirements apply to the consolidated Company and has presented the ratios as if they also applied on a consolidated basis.

Liquidity and Capital Resources

We maintain sufficient cash and cash equivalents and investment securities to meet short-term liquidity needs and actively monitor our long-term liquidity position to ensure the availability of capital resources for contractual obligations, strategic loan growth objectives and to fund operations. Our funding strategy has been to focus on acquiring non-maturity deposits from our retail accounts, and noninterest bearing demand deposits from our commercial customers and to use our borrowing availability to fund growth in assetfs. Our liquidity policy permits the purchase of brokered deposits in an amount not to exceed 15% of the Company's total deposits as a secondary source for funding.

The Company’s total uninsured deposits, which are the amounts of deposit accounts that exceed the FDIC insurance limit, currently $250,000, were approximately $2.85 billion, or 39.6% of total deposits, at September 30, 2026 and $2.43 billion, or 41.1% of total deposits, at December 31, 2025. These amounts were estimated based on the same methodologies and assumptions used for regulatory reporting purposes. At September 30, 2026, we had no brokered deposits, compared to $77.5 million, or 1.31% of total deposits, at December 31, 2025. Borrowings may be used on a short-term basis to compensate for reductions in other sources of funds (such as deposit inflows at less than projected levels). Borrowings may also be used on a longer-term basis to support expanded lending activities and match the maturity of repricing intervals of assets. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and loan prepayments are greatly influenced by the level of interest rates, economic conditions and competition so we adhere to internal management targets assigned to the loan to deposit ratio, liquidity ratio, net short-term non-core funding ratio and non-core liabilities to total assets ratio to ensure an appropriate liquidity position. The Company regularly monitors liquidity, models liquidity stress scenarios to ensure that adequate liquidity is available, and has contingency funding plans in place, which are reviewed and tested on a regular, recurring basis.

The following table summarizes the Company's available liquidity as of the dates indicated:

	September 30, 2026	December 31, 2025
	(Dollars in thousands)	
On-balance sheet liquidity		
Cash and cash equivalents	$ 187,067	$ 233,089
Unencumbered investment securities available for sale[1]	926,203	606,968
Total on-balance sheet liquidity	$ 1,113,270	$ 840,057
Off-balance sheet liquidity		
FRB borrowing availability	$ 322,158	$ 346,307
FHLB borrowing availability[2]	1,671,170	1,285,640
Fed funds line borrowing availability with correspondent banks	145,000	145,000
Total off-balance sheet liquidity	$ 2,138,328	$ 1,776,947
Total available liquidity	$ 3,251,598	$ 2,617,004

[1] Investment securities available for sale at fair value.
[2] Includes FHLB borrowing availability of $1.79 billion at September 30, 2026 based on pledged assets; however, maximum credit capacity is 45% of the Bank's total assets one quarter in arrears, or $3.79 billion.

Management believes the capital sources are adequate to meet all reasonably foreseeable short-term and long-term cash requirements and there has not been a material change in our capital resources since the information disclosed in our 2025 Annual Form 10-K. We are not aware of any reasonably likely material changes in the mix and relative cost of such resources.

Critical Accounting Estimates

Our critical accounting estimates are described in detail in the "Critical Accounting Estimates" section within Item 7 of our 2025 Annual Form 10-K. The SEC defines "critical accounting estimates" as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in future periods. The Company's critical accounting estimates include estimates of the ACL on loans and goodwill.

As a result of the recent acquisition of Olympic, the Company identified a new critical accounting estimate related to the fair value measurement of assets acquired and liabilities assumed. Management believes the estimates and assumptions used in determining these fair values, particularly for loans, intangible assets, and goodwill, are significant to understanding the Company's financial condition and results of operations. These estimates require complex and subjective judgments, and accordingly, management considers them to be critical accounting estimates.

Non-GAAP Financial Measures and Reconciliations

This document contains certain financial measures not presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") in addition to financial measures presented in accordance with GAAP. The Company has presented these non-GAAP financial measures in this document because it believes that they provide useful and comparative information to assess trends in the Company's capital, performance and asset quality reflected in the current quarter and comparable period results and to facilitate comparison of its performance with the performance of its peers. These non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. They should not be considered in isolation or as a substitute for financial measures presented in accordance with GAAP. These non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies. Reconciliations of the non-GAAP financial measures used in this document to the comparable GAAP financial measures are presented below.

The Company believes presenting loan yield and net interest margin excluding the effect of discount accretion on purchased loans is useful in assessing the impact of acquisition accounting on loan yield as the effect of loan discount accretion is expected to decrease as the acquired loans mature or roll off our balance sheet.

The following table presents the calculations of our non-GAAP financial measures as of the dates indicated:

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
		(Dollar amounts in thousands)		
Loan yield, excluding incremental accretion on purchased loans, annualized:				
Interest and fees on loans (GAAP)	$ 84,470	$ 66,422	$ 242,850	$ 196,231
Exclude incremental accretion on purchased loans	1,456	123	4,852	352
Adjusted interest and fees on loans (non-GAAP)	$ 83,014	$ 66,299	$ 237,998	$ 195,879

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
	(Dollar amounts in thousands)			
Average loans receivable, net (GAAP)	$ 5,817,905	$ 4,762,648	$ 5,658,741	$ 4,774,926
Loan yield, annualized (GAAP)	5.76 %	5.53 %	5.74 %	5.49 %
Loan yield, excluding incremental accretion on purchased loans, annualized (non-GAAP)	5.66 %	5.52 %	5.62 %	5.48 %
Net Interest Margin, excluding incremental accretion on purchased loans, annualized:				
Net interest income before provision (GAAP)	$ 77,259	$ 57,371	$ 221,294	$ 166,044
Exclude incremental accretion on purchased loans	1,456	123	4,852	352
Adjusted net interest income before provision (non-GAAP)	$ 75,803	$ 57,248	$ 216,442	$ 165,692
Average Interest earning assets (GAAP)	$ 7,563,469	$ 6,258,446	$ 7,391,227	$ 6,292,542
Net interest margin (GAAP)	4.05 %	3.64 %	4.00 %	3.53 %
Net interest margin, excluding incremental accretion on purchased loans (non-GAAP)	3.98 %	3.63 %	3.92 %	3.52 %

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Like other financial institutions, the Company is subject to direct and indirect market risk. Market risk represents the risk of loss due to changes in market values of assets and liabilities. We incur direct market risk in the normal course of business through our exposure to market interest rates, equity prices and credit spreads. Our primary market risk is interest rate risk, which is the risk of loss of net interest income or net interest margin resulting from changes in market interest rates. Interest rate risk results primarily from the traditional banking activities in which the Company engages, such as gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences, affect the difference between the interest earned on our assets and the interest paid on our liabilities.

Our Asset/Liability Management Committee is responsible for developing, monitoring and reviewing asset/liability processes, interest rate risk exposures, strategies and tactics and reporting to the Risk and Technology Committee of the Board. It is the responsibility of the Board to establish policies and interest rate limits and to approve these policies and interest rate limits annually. It is the responsibility of management to execute the approved policies, develop and implement risk management strategies and to report to the Board on a regular basis. We maintain an asset/liability management policy that provides guidelines for controlling exposure to interest rate risk. The policy guidelines direct management to assess the impact of changes in interest rates upon both earnings and capital. These guidelines establish limits for interest rate risk sensitivity.

Net interest income simulation

We use an income simulation model as the primary tool to assess the direction and magnitude of changes in net interest income resulting from changes in interest rates. Modeling the sensitivity of net interest income is highly dependent on numerous assumptions incorporated into the modeling process. Key assumptions in the model include prepayment speeds on loans and investment securities, repricing betas on non-maturity deposits, and repricing on investment securities, loans, and borrowings. In order to measure the interest rate risk sensitivity as of September 30, 2026, this simulation model uses a “static balance sheet” assumption, meaning the size and mix of the balance sheet remains the same as maturing cash flows from assets and liabilities are reinvested into the same categories at the current level of interest rates. The simulation also assumes an instantaneous and sustained uniform change in market interest rates at all maturities.

The following table summarizes the estimated effect on net interest income over a 12 month period measured against a flat rate (no interest rate change) scenario for the dates indicated:

	September 30, 2026		December 31, 2025	
	$ Change in Net Interest Income	% Change in Net Interest Income	$ Change in Net Interest Income	% Change in Net Interest Income
Change in Interest Rates (Basis Points)	(Dollars in thousands)			
+200(shock)	5,031	1.6	4,586	1.9
+100(shock)	3,876	1.2	3,399	1.4
+0(flat)	—	—	—	—
-100(shock)	(3,267)	(1.0)	(2,442)	(1.0)
-200(shock)	(9,162)	(2.9)	(7,769)	(3.3)

The Company's balance sheet sensitivity to changes in market rates shows a slight decrease in asset sensitivity at September 30, 2026, compared to December 31, 2025. For each of the interest rate scenarios modeled and measured by management as presented in the preceding table, results at September 30, 2026 were well within established risk tolerances as established by policy.

The simulation results noted above do not incorporate any management actions that might moderate the negative consequences of interest rate deviations. In addition, the simulation results noted above contain various assumptions such as a static balance sheet, and the rate that deposit interest rates change as market interest rates change. Therefore, these simulation results do not likely reflect actual results, but continue to serve as estimates of interest rate risk.

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the preceding table. For example, although certain of the Company's assets and liabilities may have similar maturities or repricing time frames, they may react in different degrees to changes in market interest rates. In addition, the interest rates on certain of the Company's asset and liability categories may precede, or lag behind, changes in market interest rates. Also, the actual rates of prepayments on loans and investments could vary significantly from the assumptions utilized in deriving the results as presented in the preceding table. Further, a change in Treasury rates accompanied by a change in the shape of the treasury yield curve could result in different estimations from those presented herein. Accordingly, the results in the preceding table should not be relied upon as indicative of actual results in the event of changing market interest rates.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation and under the supervision of our Chief Executive Officer (the Company's principal executive officer) and Chief Financial Officer (the Company's principal financial officer), the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports that it files under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the three months ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As permitted by SEC rules, the Company excluded from its assessment the internal control over financial reporting of Olympic, which was acquired on January 31, 2026.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Neither the Company nor any of its subsidiaries is a party, and no property of these entities is subject, to any material pending legal proceedings, other than ordinary routine litigation incidental to the Bank's business. The Company does not know of any proceeding contemplated by a governmental authority against the Company or any of its subsidiaries.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors set forth in Item 1A of the Company's 2025 Annual Form 10-K.

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

(a) Not applicable.

(b) Not applicable.

(c) *Repurchase Programs*

The following table provides information about repurchases of common stock by the Company during the three months ended September 30, 2026:

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share[1]	Total number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number of Shares that may be Purchased at Period End Under the Program
July 1, 2026—July 31, 2026	3,379	$ 30.52	—	424,489
August 1, 2026— August 31, 2026	341,483	29.80	341,483	83,006
September 1, 2026—September 30, 2026	772	28.51	—	83,006
Total	345,634	$ 29.81		

[1] Of the common shares repurchased by the Company between July 1, 2026 and September 30, 2026, a total of 4,151 shares represented the cancellation of stock to pay withholding taxes on vested restricted stock units and were not repurchased pursuant to the publicly announced stock repurchase program.

On October 21, 2026, the Company's Board of Directors approved the Repurchase Program, authorizing the repurchase of up to 5% of the Company's outstanding common shares or approximately 2.05 million shares. The number, timing and price of shares repurchased will depend on business and market conditions, and other factors, including opportunities to deploy the Company's capital. The Repurchase Program superseded a previous stock repurchase program, authorized in April 2024, under which 83,006 shares remaining available for repurchase as of September 30, 2026.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

(c) During the three months ended September 30, 2026, none of the Company’s directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement".

ITEM 6. EXHIBITS

		Incorporated by Reference		
Exhibit No.	Description of Exhibit	Form	Exhibit	Filing Date/Period End Date
3.1	Amended and Restated Articles of Incorporation of Heritage Financial Corporation	8-K	3.1(B)	05/18/2010
3.2	Amendment to Amended and Restated Articles of Incorporation of Heritage Financial Corporation	DEF-14A	_	03/18/2011
3.3	Amended and restated Bylaws of Heritage Financial Corporation	8-K	3.3	06/30/2020
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 [1]			
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 [1]			
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 [1]			

Exhibit No.	Description of Exhibit	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
101.INS	XBRL Instance Document [1]			
101.SCH	XBRL Taxonomy Extension Schema Document [1]			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document [1]			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document [1]			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document [1]			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document [1]			
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)			

[1] Filed herewith.

SIGNATURES

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

HERITAGE FINANCIAL CORPORATION

Date: November 6, 2026

/S/ BRYAN D. MCDONALD

Bryan D. McDonald

President and Chief Executive Officer

(Principal Executive Officer)

Date: November 6, 2026

/S/ DONALD J. HINSON

Donald J. Hinson

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 31.1

Certification of Principal Executive Officer

I, Bryan D. McDonald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the nine months ended September 30, 2026 of Heritage Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 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.

November 6, 2026

/s/ Bryan D. McDonald

Bryan D. McDonald

President and Chief Executive Officer
Principal Executive Officer

EXHIBIT 31.2

Certification of Principal Financial Officer

I, Donald J. Hinson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the nine months ended September 30, 2026 of Heritage Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 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 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.

November 6, 2026

/s/ Donald J. Hinson

Donald J. Hinson

Executive Vice President and Chief Financial Officer
Principal Financial and Accounting Officer

EXHIBIT 32.1

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

In connection with the Quarterly report of Heritage Financial Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bryan D. McDonald, President and Chief Executive Officer, and Donald J. Hinson, Executive Vice President and Chief Financial Officer of the Company, certify in our capacity as officers of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such Report.

November 6, 2026

/s/ Bryan D. McDonald

Bryan D. McDonald

President and Chief Executive Officer
Principal Executive Officer

November 6, 2026

/s/ Donald J. Hinson

Donald J. Hinson

Executive Vice President and Chief Financial Officer
Principal Financial and Accounting Officer