

**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 March 31, 2025

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number: 001-36741
FIRST NORTHWEST BANCORP

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction of incorporation or organization)

46-1259100

(I.R.S. Employer I.D. Number)

105 West 8th Street, Port Angeles, Washington

(Address of principal executive offices)

98362

(Zip Code)

Registrant's telephone number, including area code:

(360) 457-0461

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

Title of each class:

Common Stock, par value \$0.01 per share

Trading Symbol(s):

FNWB

Name of each exchange on which registered:

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Emerging growth company ☐

Non-accelerated filer ☐

Smaller reporting 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 latest practicable date: As of May 5, 2025, there were 9,440,009 shares of common stock, \$0.01 par value per share, outstanding.

FIRST NORTHWEST BANCORP
FORM 10-Q
TABLE OF CONTENTS

PART 1 - FINANCIAL INFORMATION

Item 1 - Financial Statements (Unaudited)	Page 3
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3 - Quantitative and Qualitative Disclosures About Market Risk	49
Item 4 - Controls and Procedures	49

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings	50
Item 1A - Risk Factors	50
Item 2 - Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities	50
Item 3 - Defaults Upon Senior Securities	51
Item 4 - Mine Safety Disclosures	51
Item 5 - Other Information	51
Item 6 - Exhibits	51
SIGNATURES	52

As used in this report, "First Northwest" refers to First Northwest Bancorp and "First Fed" or the "Bank" refers to First Fed Bank, the wholly owned subsidiary of First Northwest. The terms "we," "our," "us," and "Company" refer to First Northwest together with First Fed, unless the context indicates otherwise.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

FIRST NORTHWEST BANCORP AND SUBSIDIARY **CONSOLIDATED BALANCE SHEETS** (Dollars in thousands, except share information) (Unaudited)

	March 31, 2025	December 31, 2024
ASSETS		
Cash and due from banks	\$ 18,911	\$ 16,811
Interest-earning deposits in banks	51,412	55,637
Investment securities available for sale, at fair value (amortized cost of \$348,249 and \$376,265, respectively)	315,433	340,344
Loans held for sale	2,940	472
Loans receivable (net of allowance for credit losses on loans of \$20,569 and \$20,449, respectively)	1,637,573	1,675,186
Federal Home Loan Bank ("FHLB") stock, at cost	13,106	14,435
Accrued interest receivable	8,319	8,159
Premises and equipment, net	9,870	10,129
Servicing rights on sold loans, at fair value	3,301	3,281
Bank-owned life insurance ("BOLI"), net	31,786	41,150
Equity and partnership investments	15,026	13,229
Goodwill and other intangible assets, net	1,082	1,082
Deferred tax asset, net	14,304	13,738
Right-of-use ("ROU") asset, net	16,687	17,001
Prepaid expenses and other assets	31,680	21,352
Total assets	<u>\$ 2,171,430</u>	<u>\$ 2,232,006</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 1,666,068	\$ 1,688,026
Borrowings	307,091	336,014
Accrued interest payable	2,163	3,295
Lease liability, net	17,266	17,535
Accrued expenses and other liabilities	29,767	31,770
Advances from borrowers for taxes and insurance	2,583	1,484
Total liabilities	<u>2,024,938</u>	<u>2,078,124</u>
Shareholders' Equity		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value; 75,000,000 shares authorized; 9,440,618 and 9,353,348 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively	94	93
Additional paid-in capital	93,450	93,357
Retained earnings	87,506	97,198
Accumulated other comprehensive loss, net of tax	(28,129)	(30,172)
Unearned employee stock ownership plan ("ESOP") shares	(6,429)	(6,594)
Total shareholders' equity	<u>146,492</u>	<u>153,882</u>
Total liabilities and shareholders' equity	<u>\$ 2,171,430</u>	<u>\$ 2,232,006</u>

See selected notes to the consolidated financial statements.

FIRST NORTHWEST BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data) (Unaudited)

	Three Months Ended March 31,	
	2025	2024
INTEREST INCOME		
Interest and fees on loans receivable	\$ 22,231	\$ 22,767
Interest on investment securities	3,803	3,632
Interest on deposits and other	482	645
FHLB dividends	307	282
Total interest income	26,823	27,326
INTEREST EXPENSE		
Deposits	9,737	10,112
Borrowings	3,239	3,286
Total interest expense	12,976	13,398
Net interest income	13,847	13,928
PROVISION FOR CREDIT LOSSES		
Provision for credit losses on loans	7,770	1,239
Provision for (recapture of) credit losses on unfunded commitments	15	(269)
Provision for credit losses	7,785	970
Net interest income after provision for credit losses	6,062	12,958
NONINTEREST INCOME		
Loan and deposit service fees	1,106	1,102
Sold loan servicing fees and servicing rights mark-to-market	195	219
Net gain on sale of loans	11	52
Increase in BOLI cash surrender value	372	243
Income from BOLI death benefit, net	1,059	—
Other income	1,034	572
Total noninterest income	3,777	2,188
NONINTEREST EXPENSE		
Compensation and benefits	7,715	8,128
Data processing	2,011	1,944
Occupancy and equipment	1,592	1,240
Supplies, postage, and telephone	298	293
Regulatory assessments and state taxes	479	513
Advertising	265	309
Professional fees	777	910
FDIC insurance premium	434	386
Other expense	6,429	580
Total noninterest expense	20,000	14,303
(Loss) income before (benefit) provision for income taxes	(10,161)	843
(Benefit) provision for income taxes	(1,125)	447
Net (loss) income	\$ (9,036)	\$ 396
Basic and diluted (loss) earnings per common share	\$ (1.03)	\$ 0.04

See selected notes to the consolidated financial statements.

FIRST NORTHWEST BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2025	2024
Net (loss) income	\$ (9,036)	\$ 396
Other comprehensive (loss) income:		
Unrealized holding gains (losses) on investments available for sale arising during the period	3,105	(747)
Tax effect	(666)	159
Amortization of unrecognized defined benefit ("DB") plan prior service cost	37	37
Tax effect	(8)	(8)
Reclassification adjustment for change in fair value of hedged items	(541)	929
Tax effect	116	(199)
Other comprehensive income, net of tax	2,043	171
Comprehensive (loss) income	<u>\$ (6,993)</u>	<u>\$ 567</u>

See selected notes to the consolidated financial statements.

FIRST NORTHWEST BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2025 and 2024
(Dollars in thousands, except share information) (Unaudited)

	Common Stock		Additional	Retained	Unearned	Accumulated	Total
	Shares	Amount	Paid-in	Earnings	ESOP	Other	Shareholders'
			Capital		Shares	Comprehensive	Equity
						Loss,	
						Net of Tax	
Balance at December 31, 2023	9,611,876	\$ 96	\$ 95,784	\$ 107,349	\$ (7,253)	\$ (32,636)	\$ 163,340
Net income				396			396
Common stock repurchased	(214,132)	(2)	(2,169)	(872)			(3,043)
Restricted stock award grants net of forfeitures	54,512	—	—				—
Restricted stock awards canceled	(9,460)	—	(148)				(148)
Other comprehensive income, net of tax						171	171
Share-based compensation expense			264				264
ESOP shares committed to be released			32		165		197
Cash dividends declared (\$0.07 per share)				(671)			(671)
Balance at March 31, 2024	<u>9,442,796</u>	<u>\$ 94</u>	<u>\$ 93,763</u>	<u>\$ 106,202</u>	<u>\$ (7,088)</u>	<u>\$ (32,465)</u>	<u>\$ 160,506</u>
Balance at December 31, 2024	9,353,348	\$ 93	\$ 93,357	\$ 97,198	\$ (6,594)	\$ (30,172)	\$ 153,882
Net loss				(9,036)			(9,036)
Restricted stock award grants net of forfeitures	94,549	1	—				1
Restricted stock awards canceled	(7,279)	—	(76)				(76)
Other comprehensive income, net of tax						2,043	2,043
Share-based compensation expense			194				194
ESOP shares committed to be released			(25)		165		140
Cash dividends declared (\$0.07 per share)				(656)			(656)
Balance at March 31, 2025	<u>9,440,618</u>	<u>\$ 94</u>	<u>\$ 93,450</u>	<u>\$ 87,506</u>	<u>\$ (6,429)</u>	<u>\$ (28,129)</u>	<u>\$ 146,492</u>

See selected notes to the consolidated financial statements.

FIRST NORTHWEST BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net (loss) income before noncontrolling interest	\$ (9,036)	\$ 396
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	330	382
Amortization of core deposit intangible	—	1
Amortization and accretion of premiums and discounts on investments, net	59	179
Accretion of deferred loan fees and purchased premiums, net	(446)	(353)
Amortization of debt issuance costs	77	19
Change in fair value of sold loan servicing rights	(9)	(17)
Additions to servicing rights on sold loans, net	(11)	(10)
Provision for credit losses on loans	7,770	1,239
Provision for (recapture of) credit losses on unfunded commitments	15	(269)
Allocation of ESOP shares	140	197
Share-based compensation expense	194	264
Gain on sale of loans, net	(11)	(52)
Gain on extinguishment of subordinated debt	(905)	—
Increase in BOLI cash surrender value, net	(372)	(243)
Income from BOLI death benefit, net	(1,059)	—
Origination of loans held for sale	(6,109)	(5,421)
Proceeds from sale of loans held for sale	3,652	5,238
Change in assets and liabilities:		
Increase in accrued interest receivable	(160)	(1,015)
Decrease in ROU asset	314	206
Increase in prepaid expenses and other assets	(11,675)	(6,509)
Decrease in accrued interest payable	(1,132)	(566)
Decrease in lease liabilities	(269)	(201)
(Decrease) increase in accrued expenses and other liabilities	(3,100)	1,670
Net cash used by operating activities	(21,743)	(4,865)
Cash flows from investing activities:		
Purchase of securities available for sale	—	(45,292)
Proceeds from maturities, calls, and principal repayments of securities available for sale	27,957	14,031
Redemption (purchase) of FHLB stock	1,329	(2,212)
Early surrender of BOLI policies	9,381	6,140
Proceeds from BOLI death benefit	528	—
Net decrease (increase) in loans receivable	30,289	(51,142)
Purchase of premises and equipment, net of amortization	(71)	(113)
Capital contributions to equity and partnership investments	(295)	(50)
Capital disbursements received from equity and partnership investments	179	263
Capital contributions to low-income housing tax credit partnerships	—	(91)
Net cash provided (used) by investing activities	69,297	(78,466)

See selected notes to the consolidated financial statements.

FIRST NORTHWEST BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2025	2024
Cash flows from financing activities:		
Net decrease in deposits	\$ (21,958)	\$ (10,268)
Proceeds from long-term FHLB advances	30,000	30,000
Repayment of long-term FHLB advances	(20,000)	(15,000)
Net (decrease) increase in short-term FHLB advances	(40,000)	32,000
Redemption of subordinated debt, net	(4,095)	—
Net increase in line of credit	6,000	3,500
Net increase in advances from borrowers for taxes and insurance	1,099	1,138
Payment of dividends	(649)	(671)
Restricted stock awards canceled	(76)	(148)
Repurchase of common stock	—	(3,043)
Net cash (used) provided by financing activities	(49,679)	37,508
Net decrease in cash and cash equivalents	(2,125)	(45,823)
Cash and cash equivalents at beginning of period	72,448	123,169
Cash and cash equivalents at end of period	\$ 70,323	\$ 77,346
Supplemental disclosures of cash flow information:		
Cash paid for interest on deposits and borrowings	\$ 14,166	\$ 13,964
Supplemental disclosures of noncash investing activities:		
Change in unrealized gain (loss) on securities available for sale	\$ 3,105	\$ (747)
Change in unrealized (loss) gain on fair value hedge	(541)	929
Amortization of unrecognized DB plan prior service cost	37	37
Transfer of BOLI receivable to prepaid expenses and other assets due to death benefit accrued but not paid at period end	1,404	—
Series A equity investment acquired upon conversion of commercial business loan	1,260	—

See selected notes to the consolidated financial statements.

FIRST NORTHWEST BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation and Critical Accounting Policies

Organization and nature of business - First Northwest Bancorp, a Washington corporation ("First Northwest"), became the holding company of First Fed Bank ("First Fed" or the "Bank") on January 29, 2015, upon completion of the Bank's conversion from a mutual to stock form of organization (the "Conversion").

In connection with the Conversion, the Company issued an aggregate of 12,167,000 shares of common stock at an offering price of \$10.00 per share for gross proceeds of \$121.7 million. An additional 933,360 shares of Company common stock and \$400,000 in cash were contributed to the First Federal Community Foundation ("Foundation"), a charitable foundation that was established in connection with the Conversion, resulting in the issuance of a total of 13,100,360 shares. The Company received \$117.6 million in net proceeds from the stock offering of which \$58.4 million was contributed to the Bank upon Conversion.

Pursuant to the Bank's Plan of Conversion (the "Plan") adopted by its Board of Directors, and as approved by its members, the Company established an employee stock ownership plan ("ESOP"). On December 18, 2015, the ESOP completed its open market purchases, with funds borrowed from the Company, of 8% of the common stock issued in the Conversion for a total of 1,048,029 shares.

On October 31, 2021, the Bank converted from a State Savings Bank Charter to a State Commercial Bank Charter and was simultaneously renamed First Fed Bank from First Federal Savings and Loan Association of Port Angeles.

On August 5, 2022, First Northwest's election to be treated as a financial holding company became effective, allowing the Company to engage in activities that are financial in nature or incidental to financial activities.

First Northwest and the Bank are collectively referred to as the "Company."

First Northwest's business activities generally are limited to passive investment activities and oversight of its investment in First Fed. Accordingly, the information set forth in this report, including the consolidated unaudited financial statements and related data, relates primarily to the Bank for balance sheet and income statement related disclosures.

The Bank is a community-oriented financial institution providing commercial and consumer banking services to individuals and businesses in western Washington State with offices in Clallam, Jefferson, Kitsap, King, and Whatcom counties. These services include deposit and lending transactions that are supplemented with borrowing and investing activities.

Basis of presentation - The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and footnotes required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial statements in accordance with GAAP have been included. Operating results for the three months ended March 31, 2025, are not necessarily indicative of the results that may be expected for future periods.

In preparing the unaudited interim consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to a determination of the allowance for credit losses ("ACL"), fair value of financial instruments and derivatives, and deferred tax assets and liabilities.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of First Northwest and its wholly owned subsidiary, First Fed. All material intercompany accounts and transactions have been eliminated in consolidation.

Subsequent events - The Company has evaluated subsequent events for potential recognition and disclosure.

Recently adopted accounting pronouncements

In March 2024, the FASB issued ASU 2024-01, *Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*. ASU 2024-01 added an illustrative example to demonstrate how an entity should apply the scope guidance in paragraph 718-10-15-3 to determine whether a profits interest award should be accounted for in accordance with Topic 718. Awards not meeting the criteria should be accounted for in accordance with Topic 710. The illustrative example provides four fact patterns which are intended to reduce complexity in determining whether a profits interest award is subject to the guidance in Topic 718 and reduce existing diversity in practice. ASU 2024-01 is effective for the Company for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years, with early adoption permitted. The adoption of this ASU did not have a material impact on the consolidated financial statements and related disclosures.

Recently issued accounting pronouncements not yet adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. ASU 2024-03 requires additional disclosure of the nature of expenses included in the income statement in response to requests from investors for more information to better understand an entity's performance and potential future cash flows. The new standard requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. ASU 2024-03 is effective for the Company for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-04, *Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*. ASU 2024-04 clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments do not change the accounting for conversions that include the issuance of all equity securities upon conversion. ASU 2024-04 is effective for the Company for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements and related disclosures.

Note 2 - Securities

The amortized cost, gross unrealized gains and losses, and estimated fair value of securities classified as available-for-sale at March 31, 2025 are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u> (In thousands)	<u>Estimated Fair Value</u>	<u>Allowance for Credit Losses</u>
Available for Sale					
Municipal bonds	\$ 93,001	\$ —	\$ (14,706)	\$ 78,295	\$ —
U.S. government agency issued asset-backed securities (ABS agency)	12,689	13	(59)	12,643	—
Corporate issued asset-backed securities (ABS corporate)	15,709	20	(58)	15,671	—
Corporate issued debt securities (Corporate debt)	58,075	74	(3,082)	55,067	—
U.S. Small Business Administration securities (SBA)	8,061	15	(15)	8,061	—
Mortgage-backed securities:					
U.S. government agency issued mortgage-backed securities (MBS agency)	107,984	148	(11,490)	96,642	—
Non-agency issued mortgage-backed securities (MBS non-agency)	52,730	3	(3,679)	49,054	—
Total securities available for sale	<u>\$ 348,249</u>	<u>\$ 273</u>	<u>\$ (33,089)</u>	<u>\$ 315,433</u>	<u>\$ —</u>

The amortized cost, gross unrealized gains and losses, and estimated fair value of securities classified as available-for-sale at December 31, 2024, are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u> (In thousands)	<u>Estimated Fair Value</u>	<u>Allowance for Credit Losses</u>
Available for Sale					
Municipal bonds	\$ 93,212	\$ —	\$ (15,336)	\$ 77,876	\$ —
ABS agency	12,944	16	(84)	12,876	—
ABS corporate	16,065	62	(5)	16,122	—
Corporate debt	58,106	55	(3,670)	54,491	—
SBA	8,664	18	(16)	8,666	—
Mortgage-backed securities:					
MBS agency	111,372	83	(12,758)	98,697	—
MBS non-agency	75,902	4	(4,290)	71,616	—
Total securities available for sale	<u>\$ 376,265</u>	<u>\$ 238</u>	<u>\$ (36,159)</u>	<u>\$ 340,344</u>	<u>\$ —</u>

There were no securities classified as held-to-maturity at March 31, 2025 and December 31, 2024. There was no allowance for credit losses on investment securities recorded at March 31, 2025 and December 31, 2024, based on analysis performed by the Company.

Accrued interest receivable on available-for-sale debt securities totaled \$2.2 million and \$2.0 million as of March 31, 2025 and December 31, 2024, respectively. Accrued interest receivable on securities is reported in accrued interest receivable on the Consolidated Balance Sheets and is excluded from the calculation of the allowance for credit losses on investment securities.

The following shows the unrealized gross losses and fair value of the investment portfolio by length of time that individual securities in each category have been in a continuous loss position as of March 31, 2025:

	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In thousands)						
Available for Sale						
Municipal bonds	\$ —	\$ —	\$ (14,706)	\$ 78,295	\$ (14,706)	\$ 78,295
ABS agency	—	—	(59)	6,297	(59)	6,297
ABS corporate	(22)	3,978	(36)	5,673	(58)	9,651
Corporate debt	—	—	(3,082)	51,902	(3,082)	51,902
SBA	—	—	(15)	2,251	(15)	2,251
Mortgage-backed securities:						
MBS agency	(79)	8,386	(11,411)	53,788	(11,490)	62,174
MBS non-agency	(21)	4,347	(3,658)	40,917	(3,679)	45,264
Total available-for-sale in a loss position	<u>\$ (122)</u>	<u>\$ 16,711</u>	<u>\$ (32,967)</u>	<u>\$ 239,123</u>	<u>\$ (33,089)</u>	<u>\$ 255,834</u>

The following shows the unrealized gross losses and fair value of the investment portfolio by length of time that individual securities in each category have been in a continuous loss position as of December 31, 2024:

	Less Than Twelve Months		Twelve Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
(In thousands)						
Available for Sale						
Municipal bonds	\$ —	\$ —	\$ (15,336)	\$ 77,876	\$ (15,336)	\$ 77,876
ABS agency	(21)	2,957	(63)	6,311	(84)	9,268
ABS corporate	—	—	(5)	2,798	(5)	2,798
Corporate debt	—	—	(3,670)	46,355	(3,670)	46,355
SBA	(16)	3,093	—	—	(16)	3,093
Mortgage-backed securities:						
MBS agency	(545)	26,531	(12,213)	51,181	(12,758)	77,712
MBS non-agency	(71)	9,352	(4,219)	57,470	(4,290)	66,822
Total available-for-sale in a loss position	<u>\$ (653)</u>	<u>\$ 41,933</u>	<u>\$ (35,506)</u>	<u>\$ 241,991</u>	<u>\$ (36,159)</u>	<u>\$ 283,924</u>

There were 9 available-for-sale securities with unrealized losses of less than one year, and 147 available-for-sale securities with an unrealized loss of more than one year at March 31, 2025. There were 22 available-for-sale securities with unrealized losses of less than one year, and 144 available-for-sale securities with an unrealized loss of more than one year at December 31, 2024. Management believes that the unrealized losses on our investment securities relate principally to the general change in interest rates, market liquidity and demand, and market volatility that has occurred since the initial purchase, and such unrecognized losses or gains will continue to vary with general interest rate level and market fluctuations in the future. We do not believe the unrealized losses on our securities are related to a deterioration in credit quality. Certain investments in a loss position are guaranteed by government entities or government sponsored entities. The Company believes that it is unlikely that we would be required to sell these investments prior to a market price recovery or maturity. Based on the Company's evaluation of these securities, no credit impairment was recorded at March 31, 2025, or December 31, 2024.

[Table of Contents](#)

The amortized cost and estimated fair value of investment securities by contractual maturity are shown in the following tables at the dates indicated. Expected maturities of mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties; therefore, these securities are shown separately.

		March 31, 2025	
		Available-for-Sale	
		Amortized Cost	Estimated Fair Value
		(In thousands)	
Mortgage-backed securities:			
Due within one year	\$	11,278	\$ 11,182
Due after one through five years		12,267	12,227
Due after five through ten years		8,021	7,649
Due after ten years		129,148	114,638
Total mortgage-backed securities		160,714	145,696
All other investment securities:			
Due within one year		—	—
Due after one through five years		21,538	20,868
Due after five through ten years		61,073	56,615
Due after ten years		104,924	92,254
Total all other investment securities		187,535	169,737
Total investment securities	\$	348,249	\$ 315,433

	December 31, 2024	
	Available-for-Sale	
	Amortized Cost	Estimated Fair Value
	(In thousands)	
Mortgage-backed securities:		
Due within one year	\$ 26,690	\$ 26,509
Due after one through five years	11,564	11,539
Due after five through ten years	8,080	7,609
Due after ten years	140,940	124,656
Total mortgage-backed securities	187,274	170,313
All other investment securities:		
Due within one year	—	—
Due after one through five years	21,559	20,751
Due after five through ten years	58,535	53,321
Due after ten years	108,897	95,959
Total all other investment securities	188,991	170,031
Total investment securities	\$ 376,265	\$ 340,344

Note 3 - Loans Receivable

The Company has identified three segments of its loan portfolio that reflect the structure of the lending function, the Company's strategic plan and the manner in which management monitors performance and credit quality. The three loan portfolio segments are: Real Estate Loans, Consumer Loans and Commercial Business Loans. These segments are further disaggregated into classes based on similar attributes and risk characteristics.

Loan amounts are presented at amortized cost which is comprised of the loan balance net of unearned loan fees in excess of unamortized costs and unamortized purchase premiums of \$20.1 million as of March 31, 2025 and \$19.1 million as of December 31, 2024. The amortized cost reflected in total loans receivable does not include accrued interest receivable. Accrued interest receivable on loans was \$6.1 million as of March 31, 2025 and \$6.0 million as of December 31, 2024, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the calculation of the allowance for credit losses on loans.

The amortized cost of loans receivable, net of the allowance for credit losses on loans ("ACLL"), consisted of the following at the dates indicated:

	March 31, 2025	December 31, 2024
	(In thousands)	
Real Estate:		
One-to-four family	\$ 394,428	\$ 395,315
Multi-family	338,147	332,596
Commercial real estate	387,312	390,379
Construction and land	64,877	78,110
Total real estate loans	1,184,764	1,196,400
Consumer:		
Home equity	79,151	79,054
Auto and other consumer	273,878	268,876
Total consumer loans	353,029	347,930
Commercial business loans	119,783	151,493
Total loans receivable	1,657,576	1,695,823
Less:		
Derivative basis adjustment	(566)	188
Allowance for credit losses on loans	20,569	20,449
Total loans receivable, net	\$ 1,637,573	\$ 1,675,186

Nonaccrual Loans. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. For those loans placed on nonaccrual status due to payment delinquency, return to accrual status will generally not occur until the borrower demonstrates repayment ability over a period of not less than six months.

The following table presents the amortized cost of nonaccrual loans by class of loan at the dates indicated:

	March 31, 2025			December 31, 2024		
	Nonaccrual Loans with ACLL	Nonaccrual Loans with No ACLL	Total Nonaccrual Loans	Nonaccrual Loans with ACLL	Nonaccrual Loans with No ACLL	Total Nonaccrual Loans
	(In thousands)					
One-to-four family	\$ 315	\$ 1,089	\$ 1,404	\$ 364	\$ 1,113	\$ 1,477
Commercial real estate	4	—	4	4	5,594	5,598
Construction and land	9	15,271	15,280	10	19,534	19,544
Home equity	54	—	54	55	—	55
Auto and other consumer	132	578	710	—	700	700
Commercial business	2,761	142	2,903	2,537	604	3,141
Total nonaccrual loans	<u>\$ 3,275</u>	<u>\$ 17,080</u>	<u>\$ 20,355</u>	<u>\$ 2,970</u>	<u>\$ 27,545</u>	<u>\$ 30,515</u>

Interest income recognized on a cash basis on nonaccrual loans for the three months ended March 31, 2025 and 2024, was \$8,000 and \$75,000, respectively.

Past due loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. There were no loans past due 90 days or more and still accruing interest at March 31, 2025 and December 31, 2024.

The following tables present the amortized cost of past due loans (including both accruing and nonaccruing loans) by segment and class as of the periods shown:

March 31, 2025	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
(In thousands)						
Real Estate:						
One-to-four family	\$ 1,041	\$ —	\$ 877	\$ 1,918	\$ 392,510	\$ 394,428
Multi-family	—	—	—	—	338,147	338,147
Commercial real estate	—	—	—	—	387,312	387,312
Construction and land	14	—	15,270	15,284	49,593	64,877
Total real estate loans	1,055	—	16,147	17,202	1,167,562	1,184,764
Consumer:						
Home equity	326	11	—	337	78,814	79,151
Auto and other consumer	2,724	467	683	3,874	270,004	273,878
Total consumer loans	3,050	478	683	4,211	348,818	353,029
Commercial business loans	694	105	108	907	118,876	119,783
Total loans	\$ 4,799	\$ 583	\$ 16,938	\$ 22,320	\$ 1,635,256	\$ 1,657,576

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
(In thousands)						
Real Estate:						
One-to-four family	\$ 333	\$ 321	\$ 839	\$ 1,493	\$ 393,822	\$ 395,315
Multi-family	876	—	—	876	331,720	332,596
Commercial real estate	—	—	5,594	5,594	384,785	390,379
Construction and land	17	8,150	11,384	19,551	58,559	78,110
Total real estate loans	1,226	8,471	17,817	27,514	1,168,886	1,196,400
Consumer:						
Home equity	53	—	—	53	79,001	79,054
Auto and other consumer	2,905	437	700	4,042	264,834	268,876
Total consumer loans	2,958	437	700	4,095	343,835	347,930
Commercial business loans	676	—	604	1,280	150,213	151,493
Total loans	\$ 4,860	\$ 8,908	\$ 19,121	\$ 32,889	\$ 1,662,934	\$ 1,695,823

Credit quality indicator. Federal regulations provide for the classification of lower quality loans and other assets, such as debt and equity securities, as substandard, doubtful, or loss; risk ratings 6, 7, and 8 in our 8-point risk rating system, respectively. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the borrower or of any collateral pledged. Substandard assets include those characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When First Fed classifies problem assets as either substandard or doubtful, it may choose to individually evaluate the expected credit loss or may determine that the characteristics are not significantly different from those in pooled loan analysis. The Company evaluates individual loans for expected credit losses when those loans do not share similar risk characteristics with loans evaluated using a collective (pooled) basis. When an insured institution classifies problem assets as a loss, it is required to charge off such assets in the period in which they are deemed uncollectible. Assets that do not currently expose First Fed to sufficient risk to warrant classification as substandard or doubtful but possess identified weaknesses are designated as either watch or special mention assets; risk ratings 4 and 5 in our risk rating system, respectively. Loans not otherwise classified are considered pass graded loans and are rated 1-3 in our risk rating system.

[Table of Contents](#)

The following table presents the amortized cost of loans receivable by internally assigned risk grade and class of loans as of March 31, 2025, as well as gross charge-off activity for the three months ended March 31, 2025. Term loans that are renewed or extended for periods longer than 90 days are presented as a new origination in the year of most recent renewal or extension.

	Term Loans by Year of Origination or Most Recent Renewal or Extension (1)						Revolving Loans	Total Loans
	2025	2024	2023	2022	2021	Prior		
	(In thousands)							
One-to-four family								
Pass (Grades 1-3)	\$ 1,939	\$ 2,543	\$ 8,522	\$ 132,589	\$ 116,348	\$ 127,420	\$ —	\$ 389,361
Watch (Grade 4)	—	—	—	296	—	2,676	—	2,972
Special Mention (Grade 5)	—	—	—	—	—	672	—	672
Substandard (Grade 6)	—	—	—	259	—	1,164	—	1,423
Total one-to-four family	1,939	2,543	8,522	133,144	116,348	131,932	—	394,428
Gross charge-offs year-to-date	—	—	—	—	—	—	—	—
Multi-family								
Pass (Grades 1-3)	5,259	19,733	26,000	107,769	74,159	60,736	—	293,656
Watch (Grade 4)	—	8,722	5,525	1,756	22,957	2,201	—	41,161
Special Mention (Grade 5)	—	—	3,330	—	—	—	—	3,330
Total multi-family	5,259	28,455	34,855	109,525	97,116	62,937	—	338,147
Gross charge-offs year-to-date	—	—	—	—	—	—	—	—
Commercial Real Estate								
Pass (Grades 1-3)	15,689	35,273	51,227	61,203	96,154	100,684	—	360,230
Watch (Grade 4)	—	548	3,755	10,310	1,077	762	—	16,452
Special Mention (Grade 5)	—	—	—	—	—	3,931	—	3,931
Substandard (Grade 6)	6,695	—	—	4	—	—	—	6,699
Total commercial real estate	22,384	35,821	54,982	71,517	97,231	105,377	—	387,312
Gross charge-offs year-to-date	—	—	—	—	5,571	—	—	5,571
Construction and Land								
Pass (Grades 1-3)	2,216	21,704	13,666	8,349	1,559	649	—	48,143
Watch (Grade 4)	—	1,427	—	—	—	27	—	1,454
Substandard (Grade 6)	—	7,150	8,120	—	—	10	—	15,280
Total construction and land	2,216	30,281	21,786	8,349	1,559	686	—	64,877
Gross charge-offs year-to-date	—	—	374	—	—	—	—	374
Home Equity								
Pass (Grades 1-3)	1,151	4,925	5,444	5,608	4,034	7,560	49,778	78,500
Watch (Grade 4)	—	393	—	64	—	56	73	586
Substandard (Grade 6)	—	—	—	—	—	65	—	65
Total home equity	1,151	5,318	5,444	5,672	4,034	7,681	49,851	79,151
Gross charge-offs year-to-date	—	—	—	—	—	—	—	—
Auto and Other Consumer								
Pass (Grades 1-3)	15,527	61,231	38,874	48,063	52,440	52,662	555	269,352
Watch (Grade 4)	—	730	449	930	464	582	—	3,155
Special Mention (Grade 5)	—	200	169	52	—	19	—	440
Substandard (Grade 6)	—	—	430	167	31	303	—	931
Total auto and other consumer	15,527	62,161	39,922	49,212	52,935	53,566	555	273,878
Gross charge-offs year-to-date	—	—	122	87	—	15	19	243
Commercial business								
Pass (Grades 1-3)	6,003	30,424	18,400	8,150	3,425	1,752	38,512	106,666
Watch (Grade 4)	78	—	127	1,311	303	—	1,189	3,008
Special Mention (Grade 5)	15	—	182	895	1,518	1	296	2,907
Substandard (Grade 6)	132	45	108	3,444	1,449	4	2,020	7,202
Total commercial business	6,228	30,469	18,817	13,800	6,695	1,757	42,017	119,783
Gross charge-offs year-to-date	—	—	—	577	333	603	—	1,513
Total loans								
Pass (Grades 1-3)	47,784	175,833	162,133	371,731	348,119	351,463	88,845	1,545,908
Watch (Grade 4)	78	11,820	9,856	14,667	24,801	6,304	1,262	68,788
Special Mention (Grade 5)	15	200	3,681	947	1,518	4,623	296	11,280
Substandard (Grade 6)	6,827	7,195	8,658	3,874	1,480	1,546	2,020	31,600
Total loans	\$ 54,704	\$ 195,048	\$ 184,328	\$ 391,219	\$ 375,918	\$ 363,936	\$ 92,423	\$ 1,657,576
Total gross charge-offs year-to-date	\$ —	\$ —	\$ 496	\$ 664	\$ 5,904	\$ 618	\$ 19	\$ 7,701

(1) Term loans that are renewed or extended for periods longer than 90 days are presented as a new origination in the year of most recent renewal or extension.

[Table of Contents](#)

The following table presents the amortized cost of loans receivable by internally assigned risk grade and class of loans as of December 31, 2024, as well as gross charge-off activity for the year then ended. Term loans that are renewed or extended for periods longer than 90 days are presented as a new origination in the year of most recent renewal or extension.

	Term Loans by Year of Origination or Most Recent Renewal or Extension (1)						Revolving	Total
	2024	2023	2022	2021	2020	Prior	Loans	Loans
	(In thousands)							
One-to-four family								
Pass (Grades 1-3)	\$ 1,596	\$ 10,315	\$ 130,021	\$ 116,245	\$ 64,869	\$ 65,927	\$ —	\$ 388,973
Watch (Grade 4)	—	—	297	1,305	1,006	2,141	—	4,749
Special Mention (Grade 5)	—	—	—	—	—	78	—	78
Substandard (Grade 6)	—	—	273	—	840	402	—	1,515
Total one-to-four family	1,596	10,315	130,591	117,550	66,715	68,548	—	395,315
Gross charge-offs for the year	—	—	—	—	—	—	—	—
Multi-family								
Pass (Grades 1-3)	19,871	31,334	105,919	74,679	49,885	11,299	—	292,987
Watch (Grade 4)	8,755	—	1,764	23,051	1,278	976	—	35,824
Special Mention (Grade 5)	—	3,785	—	—	—	—	—	3,785
Total multi-family	28,626	35,119	107,683	97,730	51,163	12,275	—	332,596
Gross charge-offs for the year	—	—	—	—	—	—	—	—
Commercial Real Estate								
Pass (Grades 1-3)	35,011	51,514	72,064	97,421	74,182	28,762	—	358,954
Watch (Grade 4)	552	3,779	10,371	—	—	767	—	15,469
Special Mention (Grade 5)	—	—	—	—	1,255	2,702	—	3,957
Substandard (Grade 6)	—	—	4	11,995	—	—	—	11,999
Total commercial real estate	35,563	55,293	82,439	109,416	75,437	32,231	—	390,379
Gross charge-offs for the year	—	—	—	—	—	—	—	—
Construction and Land								
Pass (Grades 1-3)	20,870	15,874	13,638	1,357	504	327	—	52,570
Watch (Grade 4)	213	5,531	—	222	—	30	—	5,996
Substandard (Grade 6)	8,150	11,384	—	—	—	10	—	19,544
Total construction and land	29,233	32,789	13,638	1,579	504	367	—	78,110
Gross charge-offs for the year	—	4,389	—	—	—	—	—	4,389
Home Equity								
Pass (Grades 1-3)	5,779	5,860	5,868	4,117	2,571	4,620	49,531	78,346
Watch (Grade 4)	122	—	65	—	35	61	326	609
Substandard (Grade 6)	—	—	—	—	55	11	33	99
Total home equity	5,901	5,860	5,933	4,117	2,661	4,692	49,890	79,054
Gross charge-offs for the year	—	—	—	—	—	—	—	—
Auto and Other Consumer								
Pass (Grades 1-3)	55,699	46,719	65,193	36,235	12,268	47,728	518	264,360
Watch (Grade 4)	848	786	980	52	217	496	—	3,379
Special Mention (Grade 5)	228	14	—	157	—	38	—	437
Substandard (Grade 6)	240	243	31	—	133	53	—	700
Total auto and other consumer	57,015	47,762	66,204	36,444	12,618	48,315	518	268,876
Gross charge-offs for the year	—	505	1,536	92	17	237	107	2,494
Commercial business								
Pass (Grades 1-3)	29,228	19,478	8,744	3,633	1,495	40,670	35,209	138,457
Watch (Grade 4)	—	136	1,064	314	—	—	3	1,517
Special Mention (Grade 5)	—	—	1,279	1,552	—	2	—	2,833
Substandard (Grade 6)	47	252	3,752	1,818	611	—	2,206	8,686
Total commercial business	29,275	19,866	14,839	7,317	2,106	40,672	37,418	151,493
Gross charge-offs for the year	2,105	259	2,771	2,022	139	—	—	7,296
Total loans								
Pass (Grades 1-3)	168,054	181,094	401,447	333,687	205,774	199,333	85,258	1,574,647
Watch (Grade 4)	10,490	10,232	14,541	24,944	2,536	4,471	329	67,543
Special Mention (Grade 5)	228	3,799	1,279	1,709	1,255	2,820	—	11,090
Substandard (Grade 6)	8,437	11,879	4,060	13,813	1,639	476	2,239	42,543
Total loans	\$ 187,209	\$ 207,004	\$ 421,327	\$ 374,153	\$ 211,204	\$ 207,100	\$ 87,826	\$ 1,695,823
Total Gross charge-offs for the year	\$ 2,105	\$ 5,153	\$ 4,307	\$ 2,114	\$ 156	\$ 237	\$ 107	\$ 14,179

(1) Term loans that are renewed or extended for periods longer than 90 days are presented as a new origination in the year of most recent renewal or extension.

Individually Evaluated Loans. The Company evaluates loans collectively for purposes of determining the ACLL in accordance with ASC 326 by aggregating loans deemed to possess similar risk characteristics and individually evaluates loans that it believes no longer possess risk characteristics similar to other loans in the portfolio. These loans are typically identified from a substandard or worse internal risk grade, since the specific attributes and risks associated with such loans tend to become unique as the credit deteriorates. Such loans are typically nonperforming, modified loans made to borrowers experiencing financial difficulty, and/or are deemed collateral dependent, where the ultimate repayment of the loan is expected to come from the operation of or eventual sale of the collateral.

Loans that are deemed by management to possess unique risk characteristics are evaluated individually for purposes of determining an appropriate lifetime ACLL. The Company uses a discounted cash flow approach, using the loan's effective interest rate, for determining the ACL on individually evaluated loans, unless the loan is deemed collateral dependent. Collateral dependent loans are evaluated based on the estimated fair value of the underlying collateral, less estimated costs to sell. The Company may increase or decrease the ACLL for collateral dependent individually evaluated loans based on changes in the estimated expected fair value of the collateral. In cases where the loan is well-secured and the estimated value of the collateral exceeds the amortized cost of the loan, no ACLL is recorded. Changes in the ACLL for all other individually evaluated loans is based substantially on the Company's evaluation of cash flows expected to be received from such loans.

As of March 31, 2025, \$26.0 million of loans were individually evaluated with \$2.7 million of ACLL attributed to such loans. At March 31, 2025, four individually evaluated loans totaling \$2.9 million were evaluated using a discounted cash flow approach and the remaining loans totaling \$23.1 million were evaluated based on the underlying value of the collateral. One \$6.7 million commercial real estate loan was accruing interest at quarter end, while all other individually evaluated loans were on nonaccrual status at March 31, 2025.

As of December 31, 2024, \$35.8 million of loans were individually evaluated with \$2.5 million of ACLL attributed to such loans. At December 31, 2024, three individually evaluated loans with recorded investments totaling \$2.5 million were evaluated using a discounted cash flow approach and the remaining loans totaling \$33.2 million were evaluated based on the underlying value of the collateral. One \$6.4 million commercial real estate loan was accruing interest at year end, while all other individually evaluated loans were on nonaccrual status at December 31, 2024.

Collateral Dependent Loans. Loans that have been classified as collateral dependent are loans where substantially all repayment of the loan is expected to come from the operation of or eventual liquidation of the collateral.

The following table summarizes individually evaluated collateral dependent loans by segment and collateral type as of the periods shown:

March 31, 2025	Collateral Type				Total
	Single Family Residence	Condominium	Office Building		
	(In thousands)				
One-to-four family	\$ 1,089	\$ —	\$ —	\$ —	\$ 1,089
Commercial real estate	—	—	6,695	—	6,695
Construction and land	7,150	8,120	—	—	15,270
Total collateral dependent loans	<u>\$ 8,239</u>	<u>\$ 8,120</u>	<u>\$ 6,695</u>	<u>\$ —</u>	<u>\$ 23,054</u>

December 31, 2024	Collateral Type				Total
	Single Family Residence	Condominium	Warehouse	Business Assets	
	(In thousands)				
One-to-four family	\$ 1,113	\$ —	\$ —	\$ —	\$ 1,113
Commercial real estate	—	—	11,995	—	11,995
Construction and land	8,150	11,384	—	—	19,534
Commercial business	—	—	—	604	604
Total collateral dependent loans	<u>\$ 9,263</u>	<u>\$ 11,384</u>	<u>\$ 11,995</u>	<u>\$ 604</u>	<u>\$ 33,246</u>

Modified Loans to Troubled Borrowers. Modified loans to troubled borrowers ("MLTB") refer to modifications of loans to borrowers experiencing financial difficulty. A MLTB arises from a modification made to a loan in order to alleviate temporary difficulties in the borrower's financial condition and/or constraints on the borrower's ability to repay the loan, and to minimize potential losses to the Company. GAAP requires that certain types of modifications be reported, which consist of the following: principal forgiveness, interest rate reduction, other-than-insignificant payment delay, term extension, or any combination of the foregoing. The ACLL for a MLTB is measured on a collective basis, as with other loans in the loan portfolio, unless management determines that such loans no longer possess risk characteristics similar to others in the loan portfolio. In those instances, the ACLL for a MLTB is determined through individual evaluation.

There were no new MLTB during the three months ended March 31, 2025.

During the year ended December 31, 2024, there were two new MLTB. A commercial business loan with a recorded investment of \$17,000 at the time of modification for which the Bank agreed to deferred principal payments and the borrower agreed to resume both principal and interest payments at the end of the deferral period. The commercial business loan was not in compliance with the modified terms at December 31, 2024, and the balance was charged-off. The Bank also agreed to defer payments on a commercial real estate loan with a recorded investment of \$6.4 million. The commercial real estate loan was in compliance with the modified terms at both March 31, 2025 and December 31, 2024.

Note 4 - Allowance for Credit Losses on Loans

The Company maintains an ACLL and an ACLUC in accordance with ASC 326: *Financial Instruments - Credit Losses*. ASC 326 requires the Company to recognize estimates for lifetime credit losses on loans and unfunded loan commitments at the time of origination or acquisition. The recognition of credit losses at origination or acquisition represents the Company's best estimate of lifetime expected credit losses, given the facts and circumstances associated with a particular loan or group of loans with similar risk characteristics. Determining the ACLL involves the use of significant management judgement and estimates, which are subject to change based on management's ongoing assessment of the credit quality of the loan portfolio and changes in economic forecasts used in the Bank's Current Expected Credit Loss ("CECL") model. The reserve is an estimate based upon factors and trends at the time the financial statements are prepared.

The Company has identified segments of loans with similar risk characteristics for which it then applies one of two loss methodologies. The Company uses a DCF methodology for most of its segments to calculate the ACLL. For certain segments with smaller portfolios or where data is prohibitive to running a DCF calculation, management has elected to use a Remaining Life methodology. The Company will evaluate individual loans for expected credit losses when those loans do not share similar risk characteristics with loans evaluated using a collective (pooled) basis. The allowance for individually evaluated loans is calculated using the collateral value method, which considers the likely source of repayment as the value of the collateral, less estimated costs to sell, or another method such as the cash flow method, which considers the contractual principal and interest terms and estimated cash flows available from the borrower to satisfy the debt. When the cash flow method is used, cash flows are discounted back by the effective interest rate and compared to the total recorded investment. If the present value of cash flows is less than the total recorded investment, a reserve is calculated.

The following tables detail activity in the allowance for credit losses on loans by class for the periods shown:

	At or For the Three Months Ended March 31, 2025				
	Beginning Balance	Charge-offs	Recoveries (In thousands)	Provision for (Recapture of) Credit Losses	Ending Balance
One-to-four family	\$ 4,757	\$ —	\$ —	\$ 119	\$ 4,876
Multi-family	2,493	—	—	152	2,645
Commercial real estate	2,410	(5,571)	6	5,582	2,427
Construction and land	576	(374)	—	259	461
Home equity	1,322	—	—	65	1,387
Auto and other consumer	2,687	(243)	43	(38)	2,449
Commercial business	6,204	(1,513)	2	1,631	6,324
Total	<u>\$ 20,449</u>	<u>\$ (7,701)</u>	<u>\$ 51</u>	<u>\$ 7,770</u>	<u>\$ 20,569</u>

At or For the Three Months Ended March 31, 2024						
	Beginning Balance	Charge-offs	Recoveries (In thousands)	Provision for (Recapture of) Credit Losses	Ending Balance	
One-to-four family	\$ 2,975	\$ —	\$ 2	\$ 1,099	\$ 4,076	
Multi-family	1,154	—	—	177	1,331	
Commercial real estate	3,671	—	—	(289)	3,382	
Construction and land	1,889	—	—	(899)	990	
Home equity	1,077	—	—	664	1,741	
Auto and other consumer	4,409	(806)	46	(806)	2,843	
Commercial business	2,335	(33)	—	1,293	3,595	
Total	<u>\$ 17,510</u>	<u>\$ (839)</u>	<u>\$ 48</u>	<u>\$ 1,239</u>	<u>\$ 17,958</u>	

Allowance for Credit Losses on Unfunded Loan Commitments. The Company estimates expected credit losses on unfunded, off-balance sheet commitments over the contractual period in which the Company is exposed to credit risk from a contractual obligation to extend credit, unless the obligation is unconditionally cancellable by the Company. The Company has determined that no allowance is necessary for its home equity line of credit portfolio as it has the contractual ability to unconditionally cancel the available lines of credit. The allowance methodology is similar to the ACLL, but additionally includes an estimate of the future utilization of the commitment as determined by historical commitment utilization. The credit risks associated with the unfunded commitments are consistent with the risks outlined for each loan class. The allowance is recognized in accrued expenses and other liabilities on the Consolidated Balance Sheets and is adjusted as a provision, or recapture of provision, for credit losses on unfunded commitments on the Consolidated Statements of Operations. The allowance for unfunded commitments was \$614,000 and \$599,000 at March 31, 2025, and December 31, 2024, respectively.

Note 5 - Deposits

Deposits and weighted-average interest rates at the dates indicated are as follows:

	March 31, 2025		December 31, 2024	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
	(Dollars in thousands)			
Noninterest-bearing demand deposits	\$ 247,890	0.00%	\$ 256,416	0.00%
Interest-bearing demand deposits	169,912	0.68	164,891	0.44
Money market accounts	424,469	2.36	413,822	2.26
Savings accounts	235,188	1.61	205,055	1.35
Certificates of deposit, customer	450,663	3.97	464,928	4.18
Certificates of deposit, brokered	137,946	4.38	182,914	4.73
Total deposits	<u>\$ 1,666,068</u>	<u>2.33</u>	<u>\$ 1,688,026</u>	<u>2.42</u>

The aggregate amount of time deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limit, currently \$250,000, at March 31, 2025 and December 31, 2024, were \$171.9 million and \$174.4 million, respectively.

Maturities of certificates at the dates indicated are as follows:

	March 31, 2025	December 31, 2024
	(In thousands)	
Within one year or less	\$ 500,790	\$ 527,486
After one year through two years	69,357	66,767
After two years through three years	12,674	29,378
After three years through four years	4,233	21,967
After four years through five years	1,555	2,244
Total certificates of deposit	<u>\$ 588,609</u>	<u>\$ 647,842</u>

At March 31, 2025 and December 31, 2024, deposits included \$109.8 million and \$100.8 million, respectively, in public fund deposits. The Bank had an outstanding letter of credit from the Federal Home Loan Bank of Des Moines ("FHLB") with a notional amount of \$60.0 million at March 31, 2025 and December 31, 2024, to collateralize public deposits. This letter of credit exceeds the minimum collateral requirements established by the Washington Public Deposit Protection Commission. Also included in deposits at March 31, 2025 and December 31, 2024, were funds held by federally recognized tribes totaling \$28.6 million and \$20.1 million, respectively. Investment securities with a carrying value of \$23.6 million and \$22.8 million were pledged as collateral for these deposits at March 31, 2025 and December 31, 2024, respectively. These investment securities exceed the minimum collateral requirements established by the Bureau of Indian Affairs.

Interest on deposits by type for the periods shown was as follows:

	Three Months Ended March 31,	
	2025	2024
	(In thousands)	
Demand deposits	\$ 260	\$ 187
Money market accounts	2,345	1,949
Savings accounts	783	953
Certificates of deposit, customer	4,522	4,494
Certificates of deposit, brokered	1,827	2,529
Total interest expense on deposits	\$ 9,737	\$ 10,112

Note 6 - Borrowings

First Fed is a member of the FHLB. As a member, First Fed has a committed line of credit of up to 35% of total assets, subject to the amount of FHLB stock ownership and certain collateral requirements.

First Fed maintains borrowing arrangements with the FHLB to borrow funds primarily under long-term, fixed-rate advance agreements. First Fed also has overnight borrowings through FHLB which renew daily until paid. First Fed periodically uses fixed-rate advances maturing in less than one year as an alternative source of funds. Available borrowing capacity was \$217.6 million and \$207.3 million at March 31, 2025 and December 31, 2024, respectively. All borrowings are secured by collateral consisting of single-family, home equity, commercial real estate, and multi-family loans receivable in the amounts of \$894.1 million and \$951.8 million at March 31, 2025 and December 31, 2024, respectively. The Bank had outstanding letters of credit from the FHLB with notional amounts of \$60.0 million to collateralize public deposits and \$772,000 to secure the Bellevue, Washington branch lease at March 31, 2025.

First Fed also has an established borrowing arrangement with the Federal Reserve Bank of San Francisco ("FRB") to utilize the discount window for short-term borrowing. Available borrowing capacity was \$17.9 million and \$17.9 million at March 31, 2025 and December 31, 2024, respectively. An overnight test of the line of credit was performed at the end of June 2024. Investment securities with a carrying value of \$18.5 million and \$18.6 million were pledged to the FRB at March 31, 2025 and December 31, 2024, respectively.

On March 25, 2021, the Company completed a private placement of \$40.0 million of 3.75% fixed-to-floating rate subordinated notes due 2031 (the "Notes") to certain qualified institutional buyers and institutional accredited investors. The net proceeds to the Company from the sale of the Notes were approximately \$39.3 million after deducting placement agent fees and other offering expenses. The Notes have been structured to qualify as Tier 2 capital for the Company for regulatory capital purposes. The Company used the net proceeds of the offering for general corporate purposes. Beginning in April 2026, the interest rate on the Notes will reset quarterly to the three-month Secured Overnight Financing Rate plus 300-basis points. In March 2025, the Company repurchased \$5.0 million of the Notes at a discount, resulting in a reduction to the outstanding balance and recording a gain on extinguishment of debt in noninterest income.

On May 20, 2022, First Northwest consummated a borrowing arrangement with NexBank for a \$20.0 million revolving line of credit. Borrowings are secured by a blanket lien on First Northwest's personal property assets (with certain exclusions), including all the outstanding shares of First Fed, cash, loans receivable, and limited partnership investments. The line of credit matures on May 17, 2025.

[Table of Contents](#)

The following table sets forth information regarding our borrowings at the end of and during the three months ended March 31, 2025. The table includes both long- and short-term borrowings.

	FHLB Long-Term Advances	FHLB Overnight Variable-Rate Advances	Line of Credit	Subordinated Debt, net
	(Dollars in thousands)			
Balance outstanding	\$ 170,000	\$ 90,000	\$ 12,500	\$ 34,591
Maximum outstanding at any month-end	170,000	115,000	12,500	39,527
Average monthly outstanding during the period	161,667	105,000	7,867	38,370
Weighted-average daily interest rates				
Annual	3.74%	4.54%	8.25%	4.06%
Period End	3.88%	4.53%	8.00%	4.50%
Interest expense during the period	1,420	1,275	160	384

The amounts by year of maturity and weighted-average interest rate of FHLB long-term, fixed-rate advances at March 31, 2025 are as follows:

	Amount	Weighted- Average Interest Rate
	(Dollars in thousands)	
Within one year or less	\$ 40,000	3.31%
After one year through two years	70,000	4.04
After two years through three years	35,000	3.78
After three years through four years	25,000	4.50
Total FHLB long-term advances	\$ 170,000	3.88

The following table sets forth information regarding our borrowings at the end of and during the year ended December 31, 2024. The table includes both long- and short-term borrowings.

	FHLB Long-Term Advances	FHLB Overnight Variable-Rate Advances	Line of Credit	Subordinated Debt, net
	(Dollars in thousands)			
Balance outstanding	\$ 160,000	\$ 130,000	\$ 6,500	\$ 39,514
Maximum outstanding at any month-end	170,000	270,000	10,000	39,514
Average monthly outstanding during the period	136,250	137,750	6,635	39,475
Weighted-average daily interest rates				
Annual	3.35%	5.38%	9.41%	4.00%
Period End	3.63%	4.64%	8.00%	3.99%

Note 7 - Income Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. These calculations are based on many complex factors including estimates of the timing of reversals of temporary differences, the interpretation of federal income tax laws, and a determination of the differences between the tax and the financial reporting basis of assets and liabilities. Actual results could differ significantly from the estimates and interpretations used in determining the current and deferred income tax assets and liabilities.

The effective tax rates were 11.1% and 53.0% for the three months ended March 31, 2025 and 2024, respectively. The effective tax rates differ from the statutory maximum federal tax rate for 2025 and 2024 of 21%, largely due to the nontaxable earnings on BOLI and tax-exempt interest income earned on certain investment securities and loans. The effective tax rates also include estimates for taxes and penalties on the early surrender of BOLI contracts which were recorded in both periods. The effective tax rate does not include a valuation allowance for the net deferred tax asset based on management's evaluation of cumulative earnings inclusive of other comprehensive income and available tax planning strategies.

Note 8 - Earnings (Loss) per Common Share

The two-class method is used for computing basic and diluted earnings per share. Under the two-class method, EPS is determined for each class of common stock and participating security according to dividends declared and participating rights in undistributed earnings. The Company has issued restricted shares under share-based compensation plans which qualify as participating securities.

The following table presents a reconciliation of the components used to compute basic and diluted earnings per share for the periods shown:

	Three Months Ended March 31,	
	2025	2024
	(In thousands, except share data)	
Net income:		
Net (loss) income available to common shareholders	\$ (9,036)	\$ 396
Dividends and undistributed earnings allocated to participating securities	—	(1)
(Loss) earnings allocated to common shareholders	<u>\$ (9,036)</u>	<u>\$ 395</u>
Basic:		
Weighted average common shares outstanding	9,380,951	9,542,514
Weighted average unvested restricted stock awards	(112,987)	(92,774)
Weighted average unallocated ESOP shares	(520,542)	(573,504)
Total basic weighted average common shares outstanding	<u>8,747,422</u>	<u>8,876,236</u>
Diluted:		
Basic weighted average common shares outstanding	8,747,422	8,876,236
Dilutive restricted stock awards	—	30,948
Total diluted weighted average common shares outstanding	<u>8,747,422</u>	<u>8,907,184</u>
Basic (loss) earnings per common share	<u>\$ (1.03)</u>	<u>\$ 0.04</u>
Diluted (loss) earnings per common share	<u>\$ (1.03)</u>	<u>\$ 0.04</u>

Potentially dilutive shares are excluded from the computation of EPS if their effect is anti-dilutive. At March 31, 2025 and 2024, antidilutive shares as calculated under the treasury stock method totaled 28,364 and 582, respectively.

Note 9 - Employee Benefits

Employee Stock Ownership Plan

In connection with the Conversion, the Company established an ESOP for eligible employees of the Company and the Bank. Employees of the Company and the Bank who have been credited with at least 1,000 hours of service during a 12-month period are eligible to participate in the ESOP.

Pursuant to the Plan, the ESOP purchased shares in the open market with funds borrowed from First Northwest. The Bank will make contributions to the ESOP in amounts necessary to amortize the ESOP loan payable to First Northwest over a period of 20 years, bearing estimated interest at 2.46%. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Bank's discretionary contributions to the ESOP and earnings on the ESOP assets. No principal and interest payments were made by the ESOP during the three months ended March 31, 2025 and 2024.

As shares are committed to be released from collateral, the Company reports compensation expense equal to the average daily market prices of the shares and the shares become outstanding for EPS computations. The compensation expense is accrued monthly throughout the year. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt and accrued interest.

Compensation expense related to the ESOP for the three months ended March 31, 2025 and 2024, was \$140,000 and \$197,000, respectively.

Shares issued to the ESOP as of the dates indicated are as follows:

	March 31, 2025	December 31, 2024
	(Dollars in thousands)	
Allocated shares	492,208	492,208
Committed to be released shares	39,663	26,442
Unallocated shares	516,158	529,379
Total ESOP shares issued	1,048,029	1,048,029
Fair value of unallocated shares	\$ 5,244	\$ 5,400

Note 10 - Stock-based Compensation

In May 2020, the Company's shareholders approved the First Northwest Bancorp 2020 Equity Incentive Plan ("2020 EIP"), which provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock shares or restricted stock units, and performance share awards to eligible participants through May 2030. The cost of awards under the 2020 EIP generally is based on the fair value of the awards on their grant date. The maximum number of shares that may be utilized for awards under the 2020 EIP is 520,000. As of March 31, 2025, there were 127,038 total shares available for grant under the 2020 EIP, all of which are available to be granted as restricted shares, performance shares, options or stock appreciation rights.

As a result of the approval of the 2020 EIP, the First Northwest Bancorp 2015 Equity Incentive Plan (the "2015 EIP") was frozen and no additional awards will be made. As of March 31, 2025, there were no shares available for grant under the 2015 EIP. At this date, there are 2,500 shares granted under the 2015 EIP that are expected to vest subject to the 2015 EIP plan provisions.

There were 64,443 and 55,987 shares of restricted stock awarded, respectively, during the three months ended March 31, 2025 and 2024. Restricted share awards vest ratably over periods ranging from one to five years from the date of grant provided the eligible participant remains in service to the Company. The Company recognizes compensation expense for the restricted stock awards based on the fair value of the shares at the grant date amortized over the vesting period.

In addition, there were 33,251 and 0 performance shares awarded, respectively, during the three months ended March 31, 2025 and 2024. Performance share awards vest in accordance with the terms outlined in each award agreement. The Company recognizes compensation expense for the performance share awards based on the fair value of the shares at the grant date amortized over the performance period.

For the three months ended March 31, 2025 and 2024, total compensation expense for the equity incentive plans was \$194,000 and \$264,000, respectively. Included in the compensation expense for the three months ended March 31, 2025 and 2024, was directors' equity compensation of \$56,000 and \$54,000, respectively.

The following table provides a summary of changes in non-vested restricted stock awards for the periods shown:

Three Months Ended March 31, 2025	Shares	Weighted-Average Grant Date Fair Value
Non-vested at January 1, 2025	97,064	\$ 14.46
Granted	97,694	10.45
Vested	(29,110)	16.82
Canceled (1)	(7,279)	16.82
Forfeited	(3,145)	10.07
Non-vested at March 31, 2025	155,224	11.47

(1) A surrender of vested stock awards by a participant surrendering the number of shares valued at the current stock price at the vesting date to cover the participant's tax obligation on the vested shares. The surrendered shares are canceled and are unavailable for reissue.

As of March 31, 2025, there was \$1.6 million of total unrecognized compensation cost related to non-vested shares granted as restricted stock awards. The cost is expected to be recognized over the remaining weighted-average vesting period of approximately 2.29 years.

Note 11 - Fair Value Measurements

Fair value is the price to sell an asset or transfer a liability in an orderly transaction between market participants in the Company's principal market. The Company has established and documented its process for determining the fair values of its assets and liabilities, where applicable. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, management determines the fair value of the Company's assets and liabilities using valuation models or third-party pricing services, both of which rely on market-based parameters when available, such as interest rate yield curves, option volatilities and credit spreads, or unobservable inputs. Unobservable inputs may be based on management's judgment, assumptions, and estimates related to credit quality, liquidity, interest rates, and other relevant inputs.

Any changes to valuation methodologies are reviewed by management to ensure they are relevant and justified. Valuation methodologies are refined as more market-based data becomes available.

A three-level valuation hierarchy is used in determining fair value that is based on the transparency of the inputs used in the valuation process. The inputs used in determining fair value in each of the three levels of the hierarchy are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Either: (i) quoted prices for similar assets or liabilities; (ii) observable inputs, such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data.

Level 3 - Unobservable inputs.

The hierarchy gives the highest ranking to Level 1 inputs and the lowest ranking to Level 3 inputs. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the overall fair value measurement.

The Company used the following methods to measure fair value on a recurring and nonrecurring basis.

Securities available for sale: Where quoted prices are available in an active market, securities are classified as Level 1. Level 1 instruments include highly liquid government bonds, securities issued by the U.S. Treasury, and exchange-traded equity securities. If quoted prices are not available, management determines fair value using pricing models, quoted prices of similar securities, which are considered Level 2, or discounted cash flows. In certain cases, where there is limited activity in the market for an instrument, assumptions must be made to determine their fair value. Such instruments are classified as Level 3.

Sold loan servicing rights, at fair value: The fair value of sold loan servicing rights is determined through a discounted cash flow analysis, which uses interest rates, prepayment speeds, discount rates, and delinquency rate assumptions as inputs. Servicing rights are classified as Level 3 due to reliance on assumptions used in the valuation.

Interest rate swap derivative: The fair values of interest rate swap agreements are based on valuation models using observable market data as of the measurement date (Level 2). The Company's securities derivatives are traded in an over-the-counter market where quoted market prices are not always available. The Company also entered into pay-fixed and receive-floating interest rate swaps associated with certain fixed rate loans. The fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including market transactions and third-party pricing services. The fair values of all interest rate swaps are determined from third-party pricing services without adjustment.

Assets and liabilities measured at fair value on a recurring basis - Assets and liabilities are considered to be valued on a recurring basis if fair value is measured regularly (i.e., daily, weekly, monthly, or quarterly). The following tables show the Company's assets and liabilities measured at fair value on a recurring basis at the dates indicated:

March 31, 2025				
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In thousands)				
Financial Assets				
Securities available-for-sale				
Municipal bonds	\$ 4,904	\$ 73,391	\$ —	\$ 78,295
ABS agency	—	12,643	—	12,643
ABS corporate	—	15,671	—	15,671
Corporate debt	1,937	53,130	—	55,067
SBA	—	8,061	—	8,061
MBS agency	—	96,642	—	96,642
MBS non-agency	—	30,511	18,543	49,054
Sold loan servicing rights	—	—	3,301	3,301
Total assets measured at fair value	\$ 6,841	\$ 290,049	\$ 21,844	\$ 318,734
Financial Liabilities				
Interest rate swap derivative	\$ —	\$ 1,170	\$ —	\$ 1,170
December 31, 2024				
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(In thousands)				
Financial Assets				
Securities available-for-sale				
Municipal bonds	\$ 12,059	\$ 65,817	\$ —	\$ 77,876
ABS agency	—	12,876	—	12,876
ABS corporate	—	16,122	—	16,122
Corporate debt	1,917	52,574	—	54,491
SBA	—	8,666	—	8,666
MBS agency	—	98,697	—	98,697
MBS non-agency	—	39,735	31,881	71,616
Sold loan servicing rights	—	—	3,281	3,281
Interest rate swap derivative	—	267	—	267
Total assets measured at fair value	\$ 13,976	\$ 294,754	\$ 35,162	\$ 343,892
Financial Liabilities				
Interest rate swap derivative	\$ —	\$ 123	\$ —	\$ 123

[Table of Contents](#)

The following tables provide a description of the valuation technique, unobservable input, and qualitative information about the unobservable inputs for the Company's assets and liabilities classified as Level 3 and measured at fair value on a recurring basis at the dates indicated:

March 31, 2025	Fair Value (In thousands)	Valuation Technique	Unobservable Input (1)	Range (Weighted Average)
Sold loan servicing rights	\$ 3,301	Discounted cash flow	Constant prepayment rate	4.39% - 25.72% (5.77%)
			Discount rate	11.00% - 13.14% (11.58%)
MBS non-agency	\$ 18,543	Consensus pricing	Offered quotes	98.9 - 100.5

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

December 31, 2024	Fair Value (In thousands)	Valuation Technique	Unobservable Input (1)	Range (Weighted Average)
Sold loan servicing rights	\$ 3,281	Discounted cash flow	Constant prepayment rate	5.05% - 29.58% (6.83%)
			Discount rate	11.13% - 13.52% (11.78%)
MBS non-agency	\$ 31,881	Consensus pricing	Offered quotes	99 - 101

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

The following tables summarize the changes in Level 3 assets measured at fair value on a recurring basis, at the dates indicated:

	As of or For the Three Months Ended March 31,	
	2025	2024
Sold loan servicing rights:	(In thousands)	
Balance at beginning of period	\$ 3,281	\$ 3,793
Servicing rights that result from transfers and sale of financial assets	11	10
Changes in fair value due to changes in model inputs or assumptions (1)	9	17
Balance at end of period	\$ 3,301	\$ 3,820

(1) Represents changes due to collection/realization of expected cash flows and curtailments.

	As of or For the Three Months Ended March 31,	
	2025	2024
Securities available for sale:	(In thousands)	
MBS non-agency		
Balance at beginning of period	\$ 31,881	\$ 27,469
Principal payments and maturities	(13,424)	(10,248)
Unrealized Gains	86	130
Balance at end of period	\$ 18,543	\$ 17,351

Assets and liabilities measured at fair value on a nonrecurring basis - Assets are considered to be valued on a nonrecurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the consolidated balance sheets. Generally, nonrecurring valuation is the result of the application of other accounting pronouncements that require assets or liabilities to be assessed for impairment or recorded at the lower of cost or fair value.

The following tables present the Company's assets measured at fair value on a nonrecurring basis at the dates indicated:

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Individually evaluated collateral dependent loans	\$ —	\$ —	\$ 23,054	\$ 23,054

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Individually evaluated collateral dependent loans	\$ —	\$ —	\$ 33,246	\$ 33,246

At March 31, 2025 and December 31, 2024, there were no individually evaluated loans with discounts to appraisal disposition value or other unobservable inputs.

The following tables present the carrying value and estimated fair value of financial instruments at the dates indicated:

	March 31, 2025				
	Carrying Amount	Estimated Fair Value	Fair Value Measurements Using:		
			Level 1	Level 2	Level 3
			(In thousands)		
Financial assets					
Cash and cash equivalents	\$ 70,323	\$ 70,323	\$ 70,323	\$ —	\$ —
Investment securities available for sale	315,433	315,433	6,841	290,049	18,543
Loans held for sale	2,940	2,940	—	2,940	—
Loans receivable, net	1,637,573	1,514,829	—	—	1,514,829
FHLB stock	13,106	13,106	—	13,106	—
Accrued interest receivable	8,319	8,319	—	8,319	—
Sold loan servicing rights, at fair value	3,301	3,301	—	—	3,301
Financial liabilities					
Demand deposits	\$ 1,077,459	\$ 1,077,459	\$ 1,077,459	\$ —	\$ —
Time deposits	588,609	587,839	—	—	587,839
FHLB Borrowings	260,000	259,649	—	—	259,649
Line of Credit	12,500	12,549	—	—	12,549
Subordinated debt, net	34,591	35,861	—	—	35,861
Accrued interest payable	2,163	2,163	—	2,163	—
Interest rate swap derivative	1,170	1,170	—	1,170	—

			December 31, 2024		
			Fair Value Measurements Using:		
	Carrying Amount	Estimated Fair Value	Level 1 (In thousands)	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 72,448	\$ 72,448	\$ 72,448	\$ —	\$ —
Investment securities available for sale	340,344	340,344	13,976	294,487	31,881
Loans held for sale	472	472	—	472	—
Loans receivable, net	1,675,186	1,536,748	—	—	1,536,748
FHLB stock	14,435	14,435	—	14,435	—
Accrued interest receivable	8,159	8,159	—	8,159	—
Sold loan servicing rights, at fair value	3,281	3,281	—	—	3,281
Interest rate swap derivative	267	267	—	267	—
Financial liabilities					
Demand deposits	1,040,184	\$ 1,040,184	\$ 1,040,184	\$ —	\$ —
Time deposits	647,842	648,232	—	—	648,232
FHLB Borrowings	290,000	288,512	—	—	288,512
Line of Credit	6,500	6,526	—	—	6,526
Subordinated debt, net	39,514	39,974	—	—	39,974
Accrued interest payable	3,295	3,295	—	3,295	—
Interest rate swap derivative	123	123	—	123	—

Note 12- Change in Accumulated Other Comprehensive Income ("AOCI")

Our AOCI includes unrealized gains (losses) on available-for-sale securities, defined benefit plan assets and derivatives as well as an unrecognized defined benefit plan prior service cost. The following table presents changes to accumulated other comprehensive income after-tax for the periods shown:

	Unrealized Gains and Losses on Available-for-Sale Securities	Net Actuarial Gains (Losses) on DB Plan Assets	Unrecognized DB Plan Prior Service Cost, Net of Amortization	Unrealized Losses on Fair Value of Hedged Items	Total
	(In thousands)				
Balance at December 31, 2023	\$ (30,099)	\$ (288)	\$ (1,421)	\$ (828)	\$ (32,636)
Other comprehensive loss before reclassification	(588)	—	—	—	(588)
Amounts reclassified from accumulated other comprehensive income	—	—	29	730	759
Net other comprehensive (loss) income	(588)	—	29	730	171
Balance at March 31, 2024	<u>\$ (30,687)</u>	<u>\$ (288)</u>	<u>\$ (1,392)</u>	<u>\$ (98)</u>	<u>\$ (32,465)</u>
Balance at December 31, 2024	\$ (28,210)	\$ (486)	\$ (1,303)	\$ (173)	\$ (30,172)
Other comprehensive income before reclassification	2,439	—	—	—	2,439
Amounts reclassified from accumulated other comprehensive income	—	—	29	(425)	(396)
Net other comprehensive income (loss)	2,439	—	29	(425)	2,043
Balance at March 31, 2025	<u>\$ (25,771)</u>	<u>\$ (486)</u>	<u>\$ (1,274)</u>	<u>\$ (598)</u>	<u>\$ (28,129)</u>

Note 13 - Derivatives and Hedging Activities

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreement without the exchange of the underlying notional amount.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

The following amounts were recorded on the balance sheet related to cumulative basis adjustment for fair value hedges for the periods shown.

	Carrying Amount of the Hedged Assets	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets
		(In thousands)
Line item in the Consolidated Balance Sheets where the hedged item is included:		
March 31, 2025		
Investment securities (1)	\$ 50,760	\$ 760
Loans receivable (2)	100,566	566
Total	\$ 151,326	\$ 1,326
December 31, 2024		
Investment securities (1)	\$ 50,220	\$ 220
Loans receivable (2)	99,812	(188)
Total	\$ 150,032	\$ 32

- (1) These amounts include the amortized cost basis of a closed portfolio of AFS securities used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At March 31, 2025 and December 31, 2024, the amortized cost basis of the closed portfolio used in this hedging relationship was \$56.5 million and \$56.7 million, respectively; the cumulative basis adjustments associated with this hedging relationship was \$760,000 and \$220,000, respectively; and the amount of the designated hedged items was \$50.0 million for both periods.
- (2) These amounts include the amortized cost basis of a closed portfolio of loans receivable used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At March 31, 2025 and December 31, 2024, the amortized cost basis of the closed portfolio used in this hedging relationship was \$251.3 million and \$258.1 million, respectively; the cumulative basis adjustments associated with this hedging relationship was \$566,000 and (\$188,000), respectively; and the amount of the designated hedged items was \$100.0 million. for both periods.

[Table of Contents](#)

The following table summarizes the Company's derivative instruments at the date indicated. The Company has master netting agreements with derivative dealers with which it does business, but reflects gross assets and liabilities as "Other assets" and "Other liabilities," respectively, on the Consolidated Balance Sheets, as follows:

	Notional Amount	Fair Value	
		Other Assets	Other Liabilities
		(In thousands)	
March 31, 2025			
Fair value hedges:			
Interest rate swaps - securities	\$ 50,000	\$ —	\$ 663
Interest rate swaps - loans	100,000	—	507
December 31, 2024			
Fair value hedges:			
Interest rate swaps - securities	\$ 50,000	\$ —	\$ 123
Interest rate swaps - loans	100,000	267	—

The following table summarizes the effect of fair value accounting on the Consolidated Statements of Operations for the periods shown:

	Three Months Ended March 31,	
	2025	2024
	(In thousands)	
Total amounts recognized in interest on investment securities	\$ 3,803	\$ 3,632
Total amounts recognized in interest and fees on loans receivable	22,231	22,767
Net gains (losses) on fair value hedging relationships		
Interest rate swaps - securities		
Recognized on hedged items	\$ (541)	\$ (967)
Recognized on derivatives designated as hedging instruments	531	1,155
Interest rate swaps - loans		
Recognized on hedged items	(754)	(711)
Recognized on derivatives designated as hedging instruments	757	884
Net (expense) income recognized on fair value hedges	\$ (7)	\$ 361

Credit Risk-related Contingent Features

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted.

The Company has interest rate swap agreements with its derivative counterparties that contain provisions where if the Company either defaults or fails to maintain its status as a well or adequately capitalized institution, then the Company could be required to terminate the contract or post additional collateral. At March 31, 2025, the Company had derivatives in a net liability position related to these agreements. The Company has minimum collateral posting thresholds with its derivative counterparties and has posted cash of \$3.5 million at March 31, 2025, to secure the related interest rate swap agreements as needed. In certain cases, the Company will have posted excess collateral compared to total exposure due to initial margin requirements or day-to-day rate volatility.

As of March 31, 2025, the Company was in compliance with all credit risk-related contingent features. Given the considerations described above, the Company considers the impact of the risk of counterparty default to be immaterial.

Note 14 - Segment Reporting

First Fed is engaged in the business of attracting deposits and providing lending services. Substantially all income is derived from a diverse base of commercial, mortgage, and consumer lending activities and investments. The Company's activities are considered to be a single industry segment for financial reporting purposes. The chief operating decision maker ("CODM") is comprised of the chief financial officer and the chief executive officer.

The accounting policies of the Bank are the same as those described in the summary of significant accounting policies in Note 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2024 ("2024 Form 10-K"). The CODM assesses performance for the Bank and decides how to allocate resources based on net income that is reported on the income statement as consolidated net income. The measurement of segment assets is reported on the balance sheet as total consolidated assets.

The CODM uses net income to evaluate income generated from the segment assets (return on assets) in deciding whether to reinvest profits into the Bank or into other parts of the entity, such as to pay dividends or a share repurchase plan. Net income is used to monitor budget versus actual results and assess the performance of the Bank.

The Company generates revenue from interest income, fee income and other noninterest income from investments and services. All operations are based in Washington State. No single customer accounts for more than 10% of total revenue.

Note 15 - Contingencies

In the normal course of business, the Company may have various legal claims and other similar contingent matters outstanding for which a loss may be realized. For these claims, the Company establishes a liability for contingent losses when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. For claims determined to be reasonably possible but not probable of resulting in a loss, there may be a range of possible losses in excess of the established liability. For additional information, see Legal Proceedings contained in Part II, Item 1 of this Form 10-Q.

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

Forward-Looking Statements

Certain matters discussed in this Quarterly Report on Form 10-Q constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by the use of words such as "believes," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios;
- statements regarding litigation; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- risks associated with lending and potential adverse changes in the credit quality of our loan portfolio;
- legislative, regulatory and policy changes;
- uncertainties relating to litigation;
- continued depressed market demand for mortgage and Small Business Administration loans that we originate for sale;
- changes in monetary and fiscal policies including interest rate policies of the Federal Reserve and the relative differences between short and long-term interest rates, deposit interest rates, our net interest margin and funding sources;
- our ability to control operating costs and expenses;
- whether our management team can succeed in implementing our operational strategy, including but not limited to our efforts to achieve higher net interest income and noninterest revenue growth;
- our ability to successfully execute on growth strategies related to our entry into new markets and delivery channels, including banking as a service;
- our ability to develop user-friendly digital applications to serve existing customers and attract new customers;
- 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;
- pressures on liquidity, including as a result of withdrawals of customer deposits or declines in the value of our investment portfolio;
- increased competitive pressures among financial services companies, particularly from non-traditional banking entities such as challenger banks, fintech, and mega technology companies;
- our ability to attract and retain deposits at a reasonable cost relative to the market;
- changes in consumer spending, borrowing and savings habits, resulting in reduced demand for banking products and services, particularly in the event of a recession that affects our market areas;
- results of examinations by our primary or other regulatory authorities could have an adverse impact on our business and operations;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems or on the third-party vendors who perform several of our critical processing functions;
- risks related to overall economic conditions, including the impact on the economy of an elevated interest rate environment, geopolitical instability, including the wars in Ukraine and the Middle East, and potential recessionary and other unfavorable conditions and trends relating to housing markets, cost of living, unemployment levels, supply chain difficulties and inflationary pressures;
- any failure of key third-party vendors to perform their obligations to us;
- risks related to natural disasters, including droughts, fires, floods, earthquakes, pandemics, and other unexpected events;
- the effects of any reputational damage to the Company resulting from any of the foregoing; and
- other economic, competitive, governmental, regulatory and technical factors affecting our operations, pricing, products and services and other risks described elsewhere in our filings with the Securities and Exchange Commission, including this Form 10-Q and the Company's 2024 Form 10-K.

Any of the forward-looking statements that we make in this report and in other statements we make may turn out to be wrong because of inaccurate assumptions we might make, because of the factors illustrated above or because of other factors that we cannot anticipate or predict. Any forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included or incorporated by reference in this document or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. Due to these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur, and you should not put undue reliance on any forward-looking statements.

General

First Northwest, a Washington corporation, is a bank holding company and a financial holding company. First Northwest is engaged in banking activities through its wholly owned subsidiary, First Fed Bank, as well as certain non-banking financial activities. Non-banking investments include several limited partnership investments, including a 33.3% interest in The Meriwether Group, LLC ("MWG"), a boutique investment bank and consulting firm focused on providing entrepreneurs with resources to help them succeed, including equity and debt raising services. The Company's business activities are generally focused on passive investment activities and oversight of the activities of First Fed. The Company has also entered into partnerships to strategically invest in fintech-related businesses.

First Fed Bank is a community-oriented commercial bank founded in 1923 in Port Angeles, Washington. The Bank serves Clallam, Jefferson, King, Kitsap, Snohomish and Whatcom counties in Washington State through its twelve full-service branches and six business centers, including our headquarters. We offer a wide range of products and services focused on the lending, deposit and money movement needs of the communities we serve. To diversify our portfolio and increase interest income, we increased our origination of commercial real estate, multi-family real estate, and commercial business loans. We also increased our auto and consumer loans through purchased auto loan programs and purchased manufactured homes. We continue to originate one-to-four family residential mortgage loans, primarily for sale into the secondary market to generate noninterest gain on sale and servicing fee revenue and manage interest rate risk or retain select loans in our portfolio to enhance interest income. Home equity, residential construction and commercial construction loans are also originated primarily in Western Washington. We offer traditional consumer and business deposit products, including transaction accounts, savings and money market accounts and certificates of deposit ("CDs" or "term certificate") for individuals, businesses and nonprofit organizations. Deposits are our primary source of funding for our lending and investing activities. First Fed has a limited partnership investment in the Canapi Ventures SBIC Fund II, LP. First Fed also has a limited partnership investment in the Meriwether Group Capital Hero Fund LP ("Hero Fund") which was previously held by First Northwest. The Hero Fund is a private commercial lender focused on lower-middle market businesses, primarily in the Pacific Northwest.

First Northwest's limited partnership investments include Canapi Ventures Fund, LP; BankTech Ventures, LP; and JAM FINTOP Frontier Fund, LP. These limited partnerships invest in fintech-related businesses with a focus on developing digital solutions applicable to the banking industry. In 2022, First Northwest acquired a 33.3% interest in MWG. Also in 2022, the Company acquired a 25% equity interest as a general partner in Meriwether Group Capital, LLC ("MWGC"), which provides financial advice for borrowers and capital for the Hero Fund. MWG also holds a 20% general partner interest in MWGC. MWGC holds a 0.01% general partner interest in the Hero Fund.

The Company is impacted by prevailing economic conditions as well as government policies and regulations concerning, among other things, monetary and fiscal policy, including fiscal stimulus, interest rate policy and open market operations, housing, and consumer protection. Deposit flows are influenced by various factors, including changes in market rates; sales and marketing efforts; interest rates paid by competitors; available alternative investments such as money market mutual funds, the stock and bond markets; account maturities; government stimulus and unemployment programs; and the overall level of personal income and savings. Lending activities are influenced by prevailing interest rates and property values in our markets, the demand for funds, the number and quality of lenders employed by First Fed, and both regional and national economic cycles.

Our primary source of pre-tax income is net interest income. Net interest income is interest income earned on our loans and investments less interest expense paid on our deposits and borrowings. Changes in levels of interest rates impact our net interest income. A secondary source of income for the Company is noninterest income, which includes revenue we receive from providing products and services, including service charges on deposit accounts, debit card interchange income, mortgage banking income, treasury and other commercial banking related fees, earnings from bank-owned life insurance, loan servicing income, earnings from equity and partnership investments, and gains and losses from the sale of loans and securities.

An offset to net interest income is the provision for credit losses, which represents the periodic charge to operations required to adequately provide for probable losses inherent in our loan, unfunded commitments and investment portfolios through the ACL. A recapture of previously recognized provision for credit losses may be recorded if forecasted macroeconomic factors improve, underlying balances decrease, or recoveries of amounts previously charged off are received.

Noninterest expenses incurred in operating our business consist of salaries and employee benefit costs, occupancy and equipment expenses, professional fees, deposit insurance premiums and regulatory assessments, digital delivery and data processing expenses, marketing and other customer acquisition expenses, expenses related to real estate and personal property owned, state and local taxes, federal income tax, and other miscellaneous expenses.

Recent Regulatory Developments

On October 24, 2023, the federal banking agencies issued a final rule amending their regulations implementing the Community Reinvestment Act (the "CRA") to substantially revise how they evaluate an insured depository institution's record of satisfying the credit needs of its entire communities, including low- and moderate-income individuals and neighborhoods. On March 28, 2025, the agencies announced their intent to issue a proposal to rescind the October 2023 final rule, and to reinstate the CRA framework that existed prior to the October 2023 final rule. The Bank received a rating of "satisfactory" in its most recent performance evaluation, which was conducted using the CRA framework that existed prior to the October 2023 final rule.

Critical Accounting Policies

There are no material changes to the critical accounting policies from those disclosed in the Company's 2024 Form 10-K.

Comparison of Financial Condition at March 31, 2025 and December 31, 2024

Assets. Total assets decreased to \$2.17 billion, or 2.7%, at March 31, 2025, from \$2.23 billion at December 31, 2024.

Cash and cash equivalents decreased by \$2.1 million, or 2.9%, to \$70.3 million as of March 31, 2025, compared to \$72.5 million as of December 31, 2024.

Investment securities decreased \$24.9 million, or 7.3%, to \$315.4 million at March 31, 2025, from \$340.3 million at December 31, 2024. The decrease was primarily due to maturities and early redemptions within the MBS non-agency portfolio totaling \$20.2 million along with other payment activity was partially offset by a portfolio market value increase of \$3.1 million during the three months ended March 31, 2025.

Included in MBS non-agency portfolio as of March 31, 2025, were \$28.7 million of commercial mortgage-backed securities ("CMBS"), of which 93.4% were in "A" tranches with the remaining 6.6% in "B" tranches. Our largest exposure in the CMBS portfolio balance was to long-term care facilities, which comprised 67.8%, or \$19.4 million, of our private label CMBS securities. All of the CMBS had credit enhancements at the current period end ranging from 30.8% to 93.1%, with a weighted-average credit enhancement of 62.6%, which further reduced the risk of loss on these investments.

The investment portfolio, including mortgage-backed securities, had an estimated projected average life of 6.9 years as of both March 31, 2025 and December 31, 2024, and had an estimated average repricing term of 6.2 years as of March 31, 2025, compared to 5.3 years as of December 31, 2024, based on the interest rate environment at those times. The effective duration of the investment portfolio was 4.3 years at March 31, 2025, compared to 3.9 years at December 31, 2024. The investment portfolio was comprised of 55.9% in amortizing securities at March 31, 2025, compared to 60.2% at December 31, 2024. The projected average life of the securities portfolio may vary due to prepayment activity, particularly in the mortgage-backed securities portfolio, which is impacted by prevailing market interest rates. If prevailing market interest rates fall, we expect prepayments to accelerate due to the current coupons of fixed rate bonds. We utilize our securities portfolio to manage liquidity, improve long-term interest income and manage interest rate risk. For additional information, see Note 2 of the Notes to Consolidated Financial Statements contained in Item 1 of this Form 10-Q.

Net loans, excluding loans held for sale, decreased \$37.6 million, or 2.2%, to \$1.64 billion at March 31, 2025, from \$1.68 billion at December 31, 2024. During the three months ended March 31, 2025, commercial business loans decreased \$31.7 million, including a \$36.2 million decrease to our Northpointe Bank Mortgage Purchase Program ("Northpointe MPP") participation and other repayment activity, partially offset by increases from \$6.7 million of organic originations, \$5.9 million of draws on existing line of credit commitments and \$414,000 of new purchased loans. One-to-four family loans decreased \$887,000 during the three months ended March 31, 2025, as repayment activity exceeded \$4.5 million in residential construction loans that converted to permanent amortizing loans and new loan originations totaling \$1.5 million.

Multi-family loans increased \$5.6 million during the three months ended March 31, 2025, as \$8.0 million of construction loans converting into permanent amortizing loans exceeded repayments. Auto and other consumer loans increased \$5.0 million with auto loan purchases of \$11.1 million, manufactured home loan pool purchases of \$4.6 million, and additional manufactured home loan purchases of \$3.6 million, partially offset by prepayments and scheduled payments. Commercial real estate loans decreased \$3.1 million during the three months ended March 31, 2025, with loan charge-offs totaling \$5.6 million and repayment activity exceeding \$12.3 million of new loan originations and \$334,000 of construction loan conversions. Home equity loan outstanding balances increased \$97,000 over the prior year end due to \$2.5 million of net draws on new and existing line of credit commitments and \$1.1 million of home equity loan originations, partially offset by prepayments and scheduled payments.

Construction and land loans decreased \$13.2 million, or 16.9%, to \$64.9 million at March 31, 2025, from \$78.1 million at December 31, 2024, with payment activity totaling \$14.0 million and \$12.8 million converting into fully amortizing loans, partially offset by draws on new and existing loan commitments. Construction projects in the portfolio are geographically dispersed throughout Western Washington as well as one project in California. All construction projects are monitored by either a third-party firm or our internal construction administration team. Projects with larger loan commitments have more robust monitoring by firms with more services and expertise. At March 31, 2025, 39% of construction commitments were secured by one-to-four family residential properties, which are anticipated to convert into amortizing loans upon completion and may be sold at that time.

The following tables show our construction commitments by type and geographic concentrations at the dates indicated:

March 31, 2025	North Olympic Peninsula (1)	Puget Sound Region (2)	Other Washington (In thousands)	California	Total
Construction Commitment					
One-to-four family residential	\$ 7,255	\$ 37,631	\$ —	\$ —	\$ 44,886
Multi-family residential	3,900	16,612	3,261	—	23,773
Commercial real estate	500	34,077	4,940	8,060	47,577
Total commitment	<u>\$ 11,655</u>	<u>\$ 88,320</u>	<u>\$ 8,201</u>	<u>\$ 8,060</u>	<u>\$ 116,236</u>
Construction Funds Disbursed					
One-to-four family residential	\$ 2,125	\$ 31,029	\$ —	\$ —	\$ 33,154
Multi-family residential	1,305	5,896	2,198	—	9,399
Commercial real estate	269	14,742	1,608	—	16,619
Total disbursed for construction	<u>3,699</u>	<u>51,667</u>	<u>3,806</u>	<u>—</u>	<u>59,172</u>
Net deferred fees (costs)	5	(316)	(12)	(32)	(355)
Amortized cost for construction	<u>\$ 3,704</u>	<u>\$ 51,351</u>	<u>\$ 3,794</u>	<u>\$ (32)</u>	<u>\$ 58,817</u>
Undisbursed Commitment					
One-to-four family residential	\$ 5,130	\$ 6,602	\$ —	\$ —	\$ 11,732
Multi-family residential	2,595	10,716	1,063	—	14,374
Commercial real estate	231	19,335	3,332	8,060	30,958
Total undisbursed	<u>\$ 7,956</u>	<u>\$ 36,653</u>	<u>\$ 4,395</u>	<u>\$ 8,060</u>	<u>\$ 57,064</u>
Land Funds Disbursed					
One-to-four family residential	\$ 2,148	\$ 1,925	\$ 212	\$ —	\$ 4,285
Commercial real estate	900	845	—	—	1,745
Total disbursed for land	<u>3,048</u>	<u>2,770</u>	<u>212</u>	<u>—</u>	<u>6,030</u>
Net deferred fees	15	10	5	—	30
Amortized cost for land	<u>\$ 3,063</u>	<u>\$ 2,780</u>	<u>\$ 217</u>	<u>\$ —</u>	<u>\$ 6,060</u>

(1) Includes Clallam and Jefferson counties.

(2) Includes Kitsap, Mason, Thurston, Pierce, King, Snohomish, Skagit, Whatcom, and Island counties.

December 31, 2024	North Olympic Peninsula (1)	Puget Sound Region (2)	Other Washington	Total
	(In thousands)			
Construction Commitment				
One-to-four family residential	\$ 6,897	\$ 45,945	\$ 1,424	\$ 54,266
Multi-family residential	3,900	14,828	5,695	24,423
Commercial real estate	500	40,259	4,215	44,974
Total commitment	<u>\$ 11,297</u>	<u>\$ 101,032</u>	<u>\$ 11,334</u>	<u>\$ 123,663</u>
Construction Funds Disbursed				
One-to-four family residential	\$ 1,769	\$ 35,711	\$ 1,424	\$ 38,904
Multi-family residential	709	10,245	4,582	15,536
Commercial real estate	99	16,508	900	17,507
Total disbursed	2,577	62,464	6,906	71,947
Net deferred fees (costs)	2	(329)	(37)	(364)
Amortized cost for construction	<u>\$ 2,579</u>	<u>\$ 62,135</u>	<u>\$ 6,869</u>	<u>\$ 71,583</u>
Undisbursed Commitment				
One-to-four family residential	\$ 5,128	\$ 10,234	\$ —	\$ 15,362
Multi-family residential	3,191	4,583	1,113	8,887
Commercial real estate	401	23,751	3,315	27,467
Total undisbursed	<u>\$ 8,720</u>	<u>\$ 38,568</u>	<u>\$ 4,428</u>	<u>\$ 51,716</u>
Land Funds Disbursed				
One-to-four family residential	\$ 2,349	\$ 2,183	\$ 213	\$ 4,745
Commercial real estate	900	845	—	1,745
Total disbursed for land	3,249	3,028	213	6,490
Net deferred fees	18	14	5	37
Amortized cost for land	<u>\$ 3,267</u>	<u>\$ 3,042</u>	<u>\$ 218</u>	<u>\$ 6,527</u>

(1) Includes Clallam and Jefferson counties.

(2) Includes Kitsap, Mason, Thurston, Pierce, King, Snohomish, Skagit, Whatcom, and Island counties.

During the three months ended March 31, 2025, the Company added \$67.3 million of organic loan originations, of which \$31.3 million, or 46.5%, were located in the Puget Sound region, \$11.2 million, or 16.7%, on the North Olympic Peninsula, \$9.0 million, or 13.3%, in other areas throughout Washington State, and \$15.8 million, or 23.5%, in other states. The Company purchased an additional \$11.1 million in auto loans, \$8.2 million in manufactured home loans, \$550,000 in one-to-four family loans and \$418,000 in commercial business loans to borrowers located throughout the United States during the three months ended March 31, 2025. The total loan portfolio was composed of 79.4% organic originations and 20.6% purchased loans at March 31, 2025. We will continue to assess our lending strategies across all product lines and markets where we do business as well as evaluate opportunities to supplement organic growth through wholesale acquisitions with the goal of improving earnings while also prudently managing credit risk.

The ACLL increased to \$20.6 million at March 31, 2025, compared to \$20.5 million at December 31, 2024. Qualitative factor adjustments related to an increase in nonaccrual commercial business loans and an increase in the average risk rating of multi-family loans resulted in higher loss rates applied to those categories. Mild deterioration in gross domestic product and unemployment estimates further added to the increase in the allowance related to pooled loan balances. The ACLL as a percentage of total loans was 1.24% and 1.20% at March 31, 2025 and December 31, 2024, respectively. Management continues to monitor economic conditions for potential weaknesses that could expose the loan portfolio to losses. We believe the ACLL is adequate to cover current expected credit losses in the loan portfolio as of March 31, 2025.

Nonperforming loans decreased \$10.2 million, or 33.3%, to \$20.4 million at March 31, 2025, from \$30.5 million at December 31, 2024, primarily attributable to loan charge-offs totaling \$7.7 million and \$3.9 million in payments received on commercial construction loans, partially offset by a \$633,000 commercial business loan placed on nonaccrual status during the quarter. The increase in charge-off activity was related to underlying collateral deficiencies for two commercial real estate loans and a related commercial business loan totaling \$6.2 million. Nonperforming loans to total loans was 1.23% at March 31, 2025, compared to 1.80% at December 31, 2024. The ACLL as a percentage of nonaccrual loans increased to 101% at March 31, 2025, up from 67% at December 31, 2024.

Classified loans decreased \$10.9 million, or 25.7%, to \$31.6 million at March 31, 2025, from \$42.5 million at December 31, 2024, primarily due to charge-offs totaling \$7.2 million and \$3.9 million in payments received on commercial construction loans included in this category. An \$8.1 million construction loan relationship which became classified in the fourth quarter of 2022 and a \$7.1 million commercial construction loan relationship which became classified in the second quarter of 2024, account for 48% of the classified loan balance at March 31, 2025. The Bank has exercised legal remedies, including the appointment of a third-party receiver and foreclosure actions, to liquidate the underlying collateral to satisfy the real estate loans in these collateral-dependent relationships. The Bank is also closely monitoring a group of commercial business loans that have similar collateral, with 16 loans totaling \$1.6 million included in classified loans at March 31, 2025, and an additional seven loans totaling \$2.4 million included in the special mention risk grading category. The Bank continues to work with these borrowers to facilitate satisfactory repayment.

In the first quarter of 2025, the Bank recorded commercial real estate loan charge-offs totaling \$5.6 million and commercial business loan charge-offs totaling \$603,000 due to underlying collateral deficiencies. Additional commercial business loan charge-offs totaling \$811,000 and commercial construction loan charge-offs totaling \$374,000 were recorded as a result of uncertainty in the collectability of the underlying collateral in specific loan relationships. Charge-offs are based on individual loan evaluations and do not represent a universal decline in the collectability of all loans in these categories. Additional charged-off balances related to purchased unsecured consumer loans totaled \$207,000 during the three months ended March 31, 2025. The Bank's active participation in the program was discontinued in 2023.

Loans receivable, excluding loans held for sale, consisted of the following at the dates indicated:

	March 31, 2025	December 31, 2024	Increase (Decrease)	
			Amount	Percent
	(In thousands)			
Real Estate:				
One-to-four family	\$ 394,428	\$ 395,315	\$ (887)	(0.2)%
Multi-family	338,147	332,596	5,551	1.7
Commercial real estate	387,312	390,379	(3,067)	(0.8)
Construction and land	64,877	78,110	(13,233)	(16.9)
Total real estate loans	1,184,764	1,196,400	(11,636)	(1.0)
Consumer:				
Home equity	79,151	79,054	97	0.1
Auto and other consumer	273,878	268,876	5,002	1.9
Total consumer loans	353,029	347,930	5,099	1.5
Commercial business loans	119,783	151,493	(31,710)	(20.9)
Total loans receivable	1,657,576	1,695,823	(38,247)	(2.3)
Less:				
Derivative basis adjustment	(566)	188	(754)	(401.1)
Allowance for credit losses on loans	20,569	20,449	120	0.6
Loans receivable, net	\$ 1,637,573	\$ 1,675,186	\$ (37,613)	(2.2)

The following table summarizes nonperforming assets at the dates indicated:

	March 31, 2025	December 31, 2024	Increase (Decrease)	
			Amount	Percent
	(In thousands)			
Nonaccrual loans:				
Real estate loans:				
One-to-four family	\$ 1,404	\$ 1,477	\$ (73)	(4.9)%
Commercial real estate	4	5,598	(5,594)	(99.9)
Construction and land	15,280	19,544	(4,264)	(21.8)
Total real estate loans	16,688	26,619	(9,931)	(37.3)
Consumer loans:				
Home equity	54	55	(1)	(1.8)
Auto and other consumer	710	700	10	1.4
Total consumer loans	764	755	9	1.2
Commercial business	2,903	3,141	(238)	(7.6)
Total nonaccrual loans	\$ 20,355	\$ 30,515	\$ (10,160)	(33.3)
MLTB loans:				
Commercial real estate	\$ 6,695	\$ 6,402	\$ 293	4.6
Commercial business	108	111	(3)	(2.7)
Total restructured loans	\$ 6,803	\$ 6,513	\$ 290	4.5
Nonaccrual loans as a percentage of total loans	1.23%	1.80%	(0.57)%	(31.7)
Nonperforming MLTB loans included in total nonaccrual loans and total restructured loans above	\$ 108	\$ 111	\$ (3)	(2.7)%

In the first quarter of 2025, a commercial business loan receivable held by First Northwest converted into a Series A security valued at \$1.3 million. The transaction resulted in a \$1.0 million reduction to loans receivable, a \$260,000 reduction to interest receivable and a \$1.3 million increase to equity investments.

Also in the first quarter of 2025, a BOLI group life policy with a \$9.4 million carrying value was terminated and the balance reclassified from BOLI to other assets until reimbursement is received from the issuer. In April, the Bank reinvested the value of the terminated policy into a new BOLI separate life policy.

Liabilities. Total liabilities decreased to \$2.02 billion at March 31, 2025, from \$2.08 billion at December 31, 2024, due to decreases in brokered deposits of \$45.0 million and borrowings of \$28.9 million, partially offset by an increase in customer deposit balances of \$23.0 million.

Deposit account balances decreased \$22.0 million, or 1.3%, to \$1.67 billion at March 31, 2025 from \$1.69 billion at December 31, 2024. During the first three months of 2025, total customer deposit balances increased \$23.0 million and brokered deposit balances decreased \$45.0 million. Within customer deposit balances, increases in savings accounts of \$30.1 million and money market accounts of \$10.7 million were partially offset by decreases in customer term certificates of \$14.3 million and demand deposit accounts of \$3.5 million. Increases in savings and money market accounts were driven by customer behavior as they sought out higher rates offered as term certificate specials matured and specials ended. We utilize brokered CDs as an additional funding source when it proves beneficial to provide liquidity, manage cost of funds, reduce reliance on FHLB advances, and manage interest rate risk. Overall, the current rate environment contributed to continued competition for deposits during the first quarter of 2025. As a result, the Bank continued offering deposit rate specials to retain existing balances and attract new funds.

FHLB advances decreased \$30.0 million, or 10.3% to \$260.0 million at March 31, 2025, from \$290.0 million at December 31, 2024. The Bank reduced short-term FHLB advances while long-term advances marginally increased to provide additional balance sheet liquidity. The Company also redeemed \$5.0 million of subordinated debt during the first quarter of 2025 at a discount, resulting in a one-time gain on extinguishment of debt recorded in other noninterest income.

Equity. Total shareholders' equity decreased \$7.4 million to \$146.5 million for the three months ended March 31, 2025, due to a \$9.0 million net loss recorded during that period, \$656,000 of dividends declared and a \$425,000 decrease in the post-tax fair market value of derivatives. These decreases were partially offset by an increase in the after-tax fair market values of the available-for-sale investment securities portfolio of \$2.4 million. During the first quarter of 2025, the Company did not repurchase any common stock under the Company's April 2024 stock repurchase plan, leaving 846,123 shares remaining in the current share repurchase program.

Comparison of Results of Operations for the Three Months Ended March 31, 2025 and 2024

General. The Company recorded a net loss of \$9.0 million for the three months ended March 31, 2025, compared to net income of \$396,000 for the three months ended March 31, 2024. A \$6.8 million increase in provision for credit losses and a \$5.7 million increase in noninterest expense were partially offset by a decrease in provision for income tax of \$1.6 million and a \$1.6 million increase in noninterest income.

Net Interest Income. Net interest income decreased \$81,000 to \$13.9 million for the three months ended March 31, 2025, from \$13.9 million for the three months ended March 31, 2024, as declines in loan and interest-earning deposit income outpaced reduced deposit costs.

Average earning assets increased \$3.9 million year-over-year. The yield on average interest-earning assets decreased 7 basis points to 5.35% for the three months ended March 31, 2025, compared to 5.42% for the same period in the prior year, due to decreases in average net loans receivable and interest-earning deposit account balances, along with decreased yields on all interest-earning assets.

The average cost of interest-bearing liabilities decreased to 3.05% for the three months ended March 31, 2025, compared to 3.14% for the same period last year, due primarily to lower rates paid on savings accounts, CDs, and advances along with decreases in the average balances of brokered CDs, savings account balances and subordinated debt. Total cost of funds decreased 7 basis points to 2.67% for the three months ended March 31, 2025, from 2.74% for the same period in 2024. The net interest margin remained flat at 2.76% for both the three months ended March 31, 2025 and the same period in 2024.

Interest Income. Total interest income decreased \$503,000, or 1.8%, to \$26.8 million for the three months ended March 31, 2025, from \$27.3 million for the comparable period in 2024, primarily due to a decrease in yields on all interest-earning assets and a decrease in average net loans receivable balances. Interest and fees on loans receivable decreased \$536,000, to \$22.2 million for the three months ended March 31, 2025, from \$22.8 million for the three months ended March 31, 2024, primarily due to a decrease in the average balance of net loans receivable of \$19.5 million compared to the prior year, coupled with a decrease in average loan yields to 5.49% for the three months ended March 31, 2025, from 5.51% for the same period in 2024. Average balances in the loan portfolio decreased primarily due to a lower average volume of construction loans partially offset by higher average volumes of one-to-four family, purchased auto and purchased manufactured home loans. Loan yields decreased over the prior year due to the repricing of variable- and adjustable-rate loans tied to the Prime Rate or other variable-rate indices. The yield earned on investment securities also decreased 12 basis points to 4.63% compared to the same period in 2024, due to floating bond yields and maturities of higher yielding fixed-rate investments.

The following table compares average earning asset balances, associated yields, and resulting changes in interest income for the periods shown:

	Three Months Ended March 31,				(Decrease) Increase in Interest Income
	2025		2024		
	Average Balance Outstanding	Yield	Average Balance Outstanding	Yield	
	(Dollars in thousands)				
Loans receivable, net	\$ 1,641,937	5.49%	\$ 1,661,420	5.51%	\$ (536)
Investment securities	333,208	4.63	307,490	4.75	171
FHLB stock	13,609	9.15	12,328	9.20	25
Interest-earning deposits in banks	42,917	4.55	46,583	5.57	(163)
Total interest-earning assets	\$ 2,031,671	5.35	\$ 2,027,821	5.42	\$ (503)

Interest Expense. Total interest expense decreased \$422,000, or 3.1%, to \$13.0 million for the three months ended March 31, 2025, compared to \$13.4 million for the three months ended March 31, 2024. The decrease over the first three months of 2024 was the result of a 4-basis point decrease in the cost of total deposits from 2.43% one year prior to 2.39% along with a reduction of brokered CDs. A shift in the deposit mix from savings accounts and brokered CDs to a higher volume of customer CDs and money market accounts resulted in a lower cost of deposits. Interest expense on borrowings increased marginally due to a \$25.5 million increase in the average balance, partially offset by a 39-basis point decrease in the cost of advances, primarily FHLB advances, compared to the same period in 2024.

During the three months ended March 31, 2025, interest expense on CDs decreased due to lower average balances of \$33.2 million, primarily brokered CDs, along with a 17-basis point increase in the average rates paid, compared to the three months ended March 31, 2024. During the same period, the average balances of money market accounts increased \$36.9 million, with a 21-basis point average rate increase, resulting in an increase to interest expense. The average cost of interest-bearing deposit accounts decreased to 2.80% for the three months ended March 31, 2025, from 2.86% for the three months ended March 31, 2024. The Bank continues to use promotional products designed to retain existing deposits and generate new deposits. Promotional rates are regularly reviewed and adjusted. The mix of customer deposit balances shifted from savings accounts towards money market accounts and CDs. Customer CDs represented 27.0% and 25.1% of total deposits at March 31, 2025 and 2024, respectively. Brokered CDs represented 8.3% and 11.5% of total deposits at March 31, 2025 and 2024, respectively.

The following table details average balances, cost of funds and the change in interest expense for the periods shown:

	Three Months Ended March 31,				(Decrease) Increase in Interest Expense
	2025		2024		
	Average Balance Outstanding	Rate	Average Balance Outstanding	Rate	
	(Dollars in thousands)				
Interest-bearing demand deposits	\$ 168,414	0.63%	\$ 165,379	0.45%	\$ 73
Money market accounts	414,425	2.29	377,505	2.08	396
Savings accounts	216,499	1.47	235,784	1.63	(170)
Certificates of deposit, customer	451,936	4.06	437,525	4.13	28
Certificates of deposit, brokered	158,269	4.68	205,923	4.94	(702)
Advances	279,500	4.14	252,912	4.60	(37)
Subordinated debt	38,370	4.06	39,446	4.02	(10)
Total interest-bearing liabilities	\$ 1,727,413	3.05	\$ 1,714,474	3.14	\$ (422)

Provision for Credit Losses. The Company recorded a \$7.8 million loan loss provision and a \$15,000 unfunded commitment provision for the three months ended March 31, 2025. This compares to a \$1.2 million loan loss provision offset by a \$269,000 unfunded commitment provision recapture for the three months ended March 31, 2024. The higher provision for credit losses on loans compared to the same period in 2024 was mainly due to underlying collateral deficiencies for two commercial real estate loans, a commercial business loan, a group of commercial equipment loans and consumer unsecured loans resulting in net charge-offs totaling \$7.7 million for the three-month period. Increases in qualitative factor adjustments and a mild increase in factors related the general economic outlook applied to the remaining loan portfolio balance at March 31, 2025 also contributed to the higher provision. The increase in unfunded commitment provision compared to the same period in 2024 was due to higher balances.

The following table details activity and information related to the allowance for credit losses on loans and reserve for unfunded commitments for the periods shown:

	Three Months Ended March 31,	
	2025	2024
	(Dollars in thousands)	
Provision for credit losses on loans	\$ 7,770	\$ 1,239
Net charge-offs	(7,650)	(791)
Allowance for credit losses on loans	20,569	17,958
Allowance for credit losses on loans as a percentage of total loans receivable at period end	1.24%	1.05%
Total nonaccrual loans	20,355	19,481
Allowance for credit losses on loans as a percentage of nonaccrual loans at period end	101%	92%
Nonaccrual loans and accruing loans 90 days or more past due as a percentage of total loans receivable	1.23%	1.64%
Total loans receivable	\$ 1,657,576	\$ 1,711,442
Provision for (recapture of) credit losses on unfunded commitments	\$ 15	\$ (269)
Reserve for unfunded commitments	614	548
Unfunded loan commitments	175,100	148,736

Noninterest Income. Noninterest income increased \$1.6 million, or 72.6%, to \$3.8 million for the three months ended March 31, 2025, from \$2.2 million for the three months ended March 31, 2024. The increase was primarily due to income from a \$1.1 million BOLI death benefit and a \$846,000 gain on the extinguishment of debt related to repurchasing \$5.0 million of subordinated debt at a discount. As a result of the conversion of lower-yielding BOLI policies in 2024, there was a period-over-period increase in BOLI cash surrender value.

The following table provides a detailed analysis of the changes in the components of noninterest income for the periods shown:

	Three Months Ended March 31,		Increase (Decrease)	
	2025	2024	Amount	Percent
	(Dollars in thousands)			
Loan and deposit service fees	\$ 1,106	\$ 1,102	\$ 4	0.4%
Sold loan servicing fees and servicing rights mark-to-market	195	219	(24)	(11.0)
Net gain on sale of loans	11	52	(41)	(78.8)
Increase in BOLI cash surrender value	372	243	129	53.1
Income from BOLI death benefit, net	1,059	—	1,059	100.0
Other income	1,034	572	462	80.8
Total noninterest income	\$ 3,777	\$ 2,188	\$ 1,589	72.6

Noninterest Expense. Noninterest expense increased \$5.7 million, or 39.8%, to \$20.0 million for the three months ended March 31, 2025, compared to \$14.3 million for the three months ended March 31, 2024. The increase in expenses compared to the same period in 2024 is mainly due to a \$5.8 million accrued legal reserve included in other expense and an increase in occupancy and equipment due to additional rent related to a sale-leaseback transaction in the second quarter of 2024. These increases were partially offset by lower compensation and benefit costs due to a smaller workforce and lower professional fees. The Company continues to focus on controlling compensation expense and reducing advertising and other discretionary spending to improve earnings.

The following table provides an analysis of the changes in the components of noninterest expense for the periods shown:

	Three Months Ended March 31,		Increase (Decrease)	
	2025	2024	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	\$ 7,715	\$ 8,128	\$ (413)	(5.1)%
Data processing	2,011	1,944	67	3.4
Occupancy and equipment	1,592	1,240	352	28.4
Supplies, postage, and telephone	298	293	5	1.7
Regulatory assessments and state taxes	479	513	(34)	(6.6)
Advertising	265	309	(44)	(14.2)
Professional fees	777	910	(133)	(14.6)
FDIC insurance premium	434	386	48	12.4
Other expense	6,429	580	5,849	1,008.4
Total noninterest expense	<u>\$ 20,000</u>	<u>\$ 14,303</u>	<u>\$ 5,697</u>	39.8

Provision for Income Tax. An income tax benefit of \$1.1 million was recorded for the three months ended March 31, 2025, compared to an expense of \$447,000 for the three months ended March 31, 2024, due to a period-over-period decrease in income before taxes of \$11.0 million. Both periods include a tax penalty estimate for the early surrender of BOLI contracts. The provision also includes accruals for both federal and state income taxes. For additional information, see Note 7 of the Notes to Consolidated Financial Statements contained in Item 1 of this Form 10-Q.

Average Balances, Interest and Average Yields/Cost

The following tables set forth, for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin (otherwise known as net yield on interest-earning assets), and the ratio of average interest-earning assets to average interest-bearing liabilities. Also presented is the weighted average yield on interest-earning assets, rates paid on interest-bearing liabilities and the net spread as of March 31, 2025 and 2024. Income and all average balances are monthly average balances, which management deems to be not materially different than daily averages. Nonaccrual loans have been included in the table as loans carrying a zero yield.

	Three Months Ended March 31,					
	2025			2024		
	Average Balance Outstanding	Interest Earned/ Paid	Yield/ Rate	Average Balance Outstanding	Interest Earned/ Paid	Yield/ Rate
(Dollars in thousands)						
Interest-earning assets:						
Loans receivable, net (1) (2)	\$ 1,641,937	\$ 22,231	5.49%	\$ 1,661,420	\$ 22,767	5.51%
Total investment securities	333,208	3,803	4.63	307,490	3,632	4.75
FHLB dividends	13,609	307	9.15	12,328	282	9.20
Interest-earning deposits in banks	42,917	482	4.55	46,583	645	5.57
Total interest-earning assets (3)	2,031,671	26,823	5.35	2,027,821	27,326	5.42
Noninterest-earning assets	143,077			138,366		
Total average assets	\$ 2,174,748			\$ 2,166,187		
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 168,414	\$ 260	0.63	\$ 165,379	\$ 187	0.45
Money market accounts	414,425	2,345	2.29	377,505	1,949	2.08
Savings accounts	216,499	783	1.47	235,784	953	1.63
Certificates of deposit, customer	451,936	4,522	4.06	437,525	4,494	4.13
Certificates of deposit, brokered	158,269	1,827	4.68	205,923	2,529	4.94
Total interest-bearing deposits (4)	1,409,543	9,737	2.80	1,422,116	10,112	2.86
Advances	279,500	2,855	4.14	252,912	2,892	4.60
Subordinated debt	38,370	384	4.06	39,446	394	4.02
Total interest-bearing liabilities	1,727,413	12,976	3.05	1,714,474	13,398	3.14
Noninterest-bearing deposits (4)	243,569			249,283		
Other noninterest-bearing liabilities	47,296			40,563		
Total average liabilities	2,018,278			2,004,320		
Average equity	156,470			161,867		
Total average liabilities and equity	\$ 2,174,748			\$ 2,166,187		
Net interest income		\$ 13,847			\$ 13,928	
Net interest rate spread			2.30			2.28
Net earning assets	\$ 304,258			\$ 313,347		
Net interest margin (5)			2.76			2.76
Average interest-earning assets to average interest-bearing liabilities	117.6%			118.3%		

(1) The average loans receivable, net balances include nonaccrual loans.

(2) Interest earned on loans receivable includes net deferred costs of (\$338,000) and (\$171,000) for the three months ended March 31, 2025 and 2024, respectively.

(3) Includes interest-earning deposits (cash) at other financial institutions.

(4) Cost of all deposits, including noninterest-bearing demand deposits, was 2.39% and 2.43% for the three months ended March 31, 2025 and 2024, respectively.

(5) Net interest income divided by average interest-earning assets.

Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	Three Months Ended March 31, 2025 Compared to March 31, 2024		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume (In thousands)	Rate	
Interest-earning assets:			
Loans receivable, net	\$ (360)	\$ (176)	\$ (536)
Investments	285	(114)	171
FHLB stock	28	(3)	25
Other (1)	(52)	(111)	(163)
Total interest-earning assets	<u>\$ (99)</u>	<u>\$ (404)</u>	<u>\$ (503)</u>
Interest-bearing liabilities:			
Interest-bearing demand deposits	\$ 1	\$ 72	\$ 73
Money market accounts	185	211	396
Savings accounts	(81)	(89)	(170)
Certificates of deposit, customer	126	(98)	28
Certificates of deposit, brokered	(591)	(111)	(702)
Advances	291	(328)	(37)
Subordinated debt	(13)	3	(10)
Total interest-bearing liabilities	<u>\$ (82)</u>	<u>\$ (340)</u>	<u>\$ (422)</u>
Change in net interest income	\$ (17)	\$ (64)	\$ (81)

(1) Includes interest-earning deposits (cash) at other financial institutions.

Off-Balance Sheet Activities

In the normal course of operations, First Fed engages in a variety of financial transactions that are not recorded in the financial statements. These transactions involve varying degrees of off-balance sheet credit, interest rate and liquidity risks. These transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For the three months ended March 31, 2025 and the year ended December 31, 2024, we engaged in no off-balance sheet transactions likely to have a material effect on our financial condition, results of operations or cash flows.

Contractual Obligations

At March 31, 2025, our scheduled maturities of contractual obligations were as follows:

	Within 1 Year	After 1 Year Through 3 Years	After 3 Years Through 5 Years	Beyond 5 Years	Total Balance
	(In thousands)				
Certificates of deposit	\$ 500,790	\$ 82,031	\$ 5,788	\$ —	\$ 588,609
FHLB advances	130,000	105,000	25,000	—	260,000
Line of credit	12,500	—	—	—	12,500
Subordinated debt obligation	—	—	—	34,591	34,591
Operating leases	1,113	2,284	2,050	11,819	17,266
Borrower taxes and insurance	2,583	—	—	—	2,583
Deferred compensation	144	247	242	728	1,361
Total contractual obligations	<u>\$ 647,130</u>	<u>\$ 189,562</u>	<u>\$ 33,080</u>	<u>\$ 47,138</u>	<u>\$ 916,910</u>

Commitments and Off-Balance Sheet Arrangements

The following table summarizes our commitments and contingent liabilities with off-balance sheet risks as of March 31, 2025:

	Amount of Commitment by Expiration				Total Amounts Committed
	Within 1 Year	After 1 Year Through 3 Years	After 3 Years Through 5 Years	Beyond 5 Years	
	(In thousands)				
Unfunded commitments under lines of credit	\$ 16,755	\$ 19,020	\$ 8,008	\$ 74,392	\$ 118,175
Unfunded commitments under existing construction loans	35,519	21,406	—	—	56,925
Standby letters of credit	208	—	—	200	408
Unfunded commitments under partnership agreements	3,035	—	—	—	3,035
Total commitments	<u>\$ 55,517</u>	<u>\$ 40,426</u>	<u>\$ 8,008</u>	<u>\$ 74,592</u>	<u>\$ 178,543</u>

Liquidity Management

Liquidity is the ability to meet current and future short-term and long-term financial obligations. Our primary sources of funds consist of investment security principal and interest payments, customer and brokered deposit inflows, loan repayments and maturities, sales of securities, borrowings from the FHLB and utilization of the NexBank line of credit. While maturities and scheduled amortization of loans and securities are usually predictable sources of funds, deposit flows, calls of investment securities and borrowed funds, and prepayments on loans and investment securities are greatly influenced by general interest rates, economic conditions and competition, which can cause those sources of funds to fluctuate.

Management regularly adjusts our investments in liquid assets based upon an assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits and securities, and the objectives of our liquidity management, interest-rate risk and investment policies.

Our most liquid assets are cash and cash equivalents followed by available-for-sale securities. The levels of these assets depend on our operating, financing, lending and investing activities during any given period. At March 31, 2025, cash and cash equivalents totaled \$70.3 million and unpledged securities classified as available-for-sale had a market value of \$273.4 million. The Bank pledged collateral of \$538.3 million to support borrowings from the FHLB, with a remaining borrowing capacity of \$217.6 million at March 31, 2025. The Bank also has an established discount window borrowing arrangement with the FRB, for which available-for-sale securities with a market value of \$18.5 million were pledged as of March 31, 2025, providing a borrowing capacity of \$17.9 million. First Northwest has a \$20.0 million borrowing arrangement with NexBank which is secured by First Northwest's personal property assets (with certain exclusions), including all the outstanding shares of First Fed, cash, loans receivable, and limited partnership investments. The remaining borrowing capacity of the NexBank line of credit was \$7.5 million at March 31, 2025.

At March 31, 2025, we had commitments to fund \$408,000 in standby letters of credit and \$175.1 million in undisbursed loans, including \$57.1 million in undisbursed construction loan commitments.

CDs due within one year as of March 31, 2025, totaled \$500.8 million, or 85.1% of CDs with a weighted-average rate of 4.11%. If these maturing deposits are not renewed, we will seek other sources of funds, including other CDs, non-maturity deposits, and borrowings. We can attract and retain deposits by adjusting the interest rates offered and through sales and marketing efforts in the markets we serve. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on CDs. We believe that our branch network, and the general cash flows from our existing lending and investment activities, will provide adequate short-term and long-term liquidity. For additional information, see the Consolidated Statements of Cash Flows in Item 1 of this Form 10-Q.

First Fed has a diversified deposit base with approximately 62% of deposit account balances held by consumers, 22% held by business and 8% by public fund depositors, and 8% in brokered deposits. The average deposit account balance, excluding brokered and public fund accounts, was \$28,000 at March 31, 2025. We estimate that 20-25% of our customer deposit balances are over the \$250,000 FDIC insurance limit, representing less than 5% of deposit customers. Management believes that maintaining a diversified deposit base is an important factor in managing and maintaining adequate levels of liquidity.

The Company is a separate legal entity from the Bank and provides for its own liquidity. At March 31, 2025, the Company, on an unconsolidated basis, had liquid assets of \$865,000. In addition to its operating expenses, the Company is responsible for paying dividends declared, if any, to its shareholders, and for Company stock repurchases, interest payments on subordinated notes held at the Company level, payments on the NexBank revolving credit facility, and commitments to limited partnership investments. The Company may receive dividends or capital distributions from the Bank, although there may be regulatory limitations on the ability of the Bank to pay dividends.

Capital Resources

At March 31, 2025, shareholders' equity totaled \$146.5 million, or 6.7% of total assets. Our book value per share of common stock was \$15.52 at March 31, 2025, compared to \$16.45 at December 31, 2024.

At March 31, 2025, the Bank exceeded all regulatory capital requirements and was considered "well capitalized" under FDIC regulatory capital guidelines.

The following table provides the capital requirements and actual results for First Fed at March 31, 2025.

	Actual		Minimum Capital Requirements		Minimum Required to be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Tier 1 leverage capital (to average assets)	\$ 198,433	9.0%	\$ 87,772	4.0%	\$ 109,715	5.0%
Common equity tier 1 (to risk-weighted assets)	198,433	12.1	73,776	4.5	106,565	6.5
Tier 1 risk-based capital (to risk-weighted assets)	198,433	12.1	98,368	6.0	131,157	8.0
Total risk-based capital (to risk-weighted assets)	218,878	13.4	131,157	8.0	163,946	10.0

In order to avoid limitations, based on percentages of eligible retained income, on paying dividends, engaging in share repurchases, and paying discretionary bonuses, the Bank must maintain risk-based capital in an amount greater than the required minimum levels plus a capital conservation buffer, comprised of common equity tier 1 capital ("CET1"), of 2.5% of risk-weighted assets.

Effect of Inflation and Changing Prices

The consolidated financial statements and related financial data presented in this report have been prepared according to GAAP, which require the measurement of financial and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs and the effect that general inflation may have on both short-term and long-term interest rates. Unlike companies in many other industries, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Although inflation expectations do affect interest rates, interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has not been any material change in the market risk disclosures contained in the 2024 Form 10-K.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) was carried out under the supervision and with the participation of the Company's Chief Executive Officer (Principal Executive Officer), Chief Financial Officer (Principal Financial and Accounting Officer), and other members of the Company's management team as of the end of the period covered by this quarterly report. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures in effect as of March 31, 2025, were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in Internal Controls.

There have been no changes in the Company's internal control over financial reporting (as defined in 13a-15(f) of the Exchange Act) that occurred during the quarter ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company intends to continually review and evaluate the design and effectiveness of its disclosure controls and procedures and to improve its controls and procedures over time and to correct any deficiencies that it may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company's business. While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures. The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent every error or instance of fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns in controls or procedures can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company is engaged in legal proceedings in the ordinary course of business, none of which are currently considered to have a material impact on the Company's financial position or results of operations other than the matter discussed below.

On August 27, 2024, involuntary bankruptcy proceedings were commenced against Creative Technologies, LLC, Water Station Management, LLC and Refreshing USA, LLC (collectively the "OpCo Debtors"), certain of which were borrowers of First Fed. In addition, on September 5, 2024, Ideal Property Investments LLC ("Ideal"), also a borrower of First Fed, filed a voluntary petition for bankruptcy in the United States Bankruptcy Court for the Eastern District of Washington. On November 8, 2024, Ideal commenced an adversary proceeding in such bankruptcy proceedings against First Fed (the "Adversary Proceeding"), seeking to avoid certain transactions with First Fed under a theory of constructive fraudulent transfer or, in the alternative, to recharacterize them.

Following commencement of the Adversary Proceeding and based on the facts and allegations asserted therein, First Fed determined, in light of its collateral position, that it was not probable that a liability had been incurred and therefore did not establish a legal reserve with respect to the Adversarial Proceeding. A judicial settlement conference was scheduled to begin on April 30, 2025 in which First Fed, the OpCo Debtors, and the Committee of Unsecured Creditors for the OpCo Debtors (the "Committee") agreed to participate, with the purpose of resolving the Adversary Proceeding and all related claims. On April 27, 2025, the OpCo Debtors and the Committee raised previously unasserted claims relating to First Fed in connection with financial misconduct alleged against Ideal and the OpCo Debtors. As a result of this development, First Fed subsequently reevaluated its collateral position. Additionally, a legal reserve of \$5.8 million was established for this matter and is included in other noninterest expense for the quarter ended March 31, 2025.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I. Item 1A of the Company's 2024 Form 10-K.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

(a) Not applicable.

(b) Not applicable.

(c) The following table summarizes common stock repurchases during the three months ended March 31, 2025:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans (2)	Maximum Number of Shares that May Yet Be Repurchased Under the Plans
January 1, 2025 - January 31, 2025	1,640	\$ —	—	846,123
February 1, 2025 - March 1, 2025	—	—	—	846,123
March 2, 2025 - April 1, 2025	5,639	—	—	846,123
Total	7,279	\$ —	—	

(1) Shares repurchased by the Company during the quarter represent shares acquired from restricted stock award participants in connection with the cancellation of restricted stock to pay withholding taxes upon vesting totaling 1,640 shares, 0 shares, and 5,639 shares, respectively, for the periods indicated.

(2) On April 25, 2024, the Company announced that its Board of Directors had authorized the repurchase of up to an additional 944,279 shares of its common stock, or approximately 10% of its shares of common stock issued and outstanding as of April 24, 2024. As of March 31, 2025, a total of 98,156 shares, or 10.4% percent of the shares authorized in the April 2024 stock repurchase plan, have been purchased at an average cost of \$10.23 per share, leaving 846,123 shares available for future purchases. No shares were repurchased pursuant to the Company's April 2024 stock repurchase plan during the periods indicated.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the fiscal quarter ended March 31, 2025, no director or officer of First Northwest adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Filed Herewith</u>	<u>Form</u>	<u>Original Exhibit No.</u>	<u>Filing Date</u>
10.1*	First Fed 2025 Executive Officer Incentive Plan	X			
10.2*	First Fed Bank Amended Executive Change in Control Plan	X			
10.3*	Restricted Stock Unit Award Agreement with Matthew P. Deines effective March 7, 2025	X			
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act	X			
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act	X			
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act	X			
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, formatted in Inline Extensible Business Reporting Language (iXBRL): (1) Consolidated Balance Sheets; (2) Consolidated Statements of Operations; (3) Consolidated Statements of Comprehensive (Loss) Income; (4) Consolidated Statements of Changes in Shareholders' Equity; (5) Consolidated Statements of Cash Flows; and (6) Selected Notes to Consolidated Financial Statements				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				
* Denotes a management contract or compensatory plan or arrangement.					

SIGNATURES

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

FIRST NORTHWEST BANCORP

Date: May 12, 2025

/s/ Matthew P. Deines

Matthew P. Deines
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 12, 2025

/s/ Phyllis R. Nomura

Phyllis R. Nomura
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

FIRST FED

2025 EXECUTIVE OFFICER INCENTIVE PLAN

OBJECTIVES

The objectives of the First Fed Bank (the “Bank”) 2025 Officer Incentive Plan (the “Plan”) are to reward and incent designated executives for their contributions to the performance and success of the Bank. The Plan seeks to reward financial performance which the Bank Board of Directors and the Compensation Committee (the “Committee”) determine to be critical to the Bank’s growth and profitability. This document provides an overview of the elements and features of the Plan. The document operates in conjunction with the Plan participation agreements that are entered into by each employee who is designated for participation in the Plan.

The key objectives for the Plan are as follows:

- Communicate expectations in terms of the Bank’s business goals and results;
- Recognize and reward achievement of the Bank’s short-term performance objectives;
- Motivate and reward high performance;
- Attract and retain talent needed for the Bank’s success;
- Encourage teamwork and collaboration; and
- Ensure incentives are appropriately risk-balanced (i.e., do not unintentionally motivate inappropriate risk taking).

PLAN YEAR

The Plan Year will correspond with the Bank’s fiscal year, January 1, 2025 to December 31, 2025.

ELIGIBILITY/PARTICIPATION

Eligibility – Eligibility for participation in the Plan will include senior management and key executives who impact organization-wide results. Actual participation will be based upon determinations made by the Committee, which will consider among other matters input from the Chief Executive Officer. To participate in the Plan, the employee must meet the following requirements:

- Employees hired before October 1st will receive a pro-rata award based on the number of full months employed during the Plan Year.
 - Employees hired after September 30th must wait until the following Plan Year to participate.
 - Any designated employee must enter into a Plan participation agreement that specifies, with respect to the employee, and for the Plan Year, the annual incentive targets, applicable weightings between corporate and team performance, the performance goals, the corporate performance weightings, the applicable team performance weightings, and such other provisions that the Committee determines to be necessary or appropriate.
-

2025 CASH INCENTIVE AWARD OPPORTUNITY

Each participant is assigned a target award level, expressed as a percentage of “Eligible Earnings” (as defined in the “PAYOUTS” section below – generally base salary determined prior to pretax deferrals), and range that defines their incentive opportunity. Actual awards will be allocated based on specific performance goals defined for each participant and will range from 0% to 150% of the participant’s target incentive opportunity. Performance goals will be determined at “target”, “threshold” and “stretch” levels, where “target” represents the expected level of achievement, “threshold” represents the minimum level of performance for which a payment may be made, and “stretch” represents outstanding performance resulting in a maximum level of payment.

Awards may be determined based on a weighted combination of corporate and team performance.

2025 PLAN YEAR CORPORATE PERFORMANCE MEASURES

For the 2025 Plan Year, the Committee has approved the following corporate cash incentive performance measures based upon the consolidated performance of First Northwest Bancorp (FNWB):

- Net Income as reported on the Consolidated Statements of Operations for the year ended December 31, 2025.
- Classified Assets / Assets, which is defined as total classified assets divided by total assets as of December 31, 2025, expressed as a percentage.
- Efficiency Ratio, which is defined as non-interest expenses divided by net interest income plus non-interest income less provision for credit losses as of December 31, 2025, expressed as a percentage.
- Net Organic Loan Growth, which is defined as year-over-year growth in Gross loans before fees and provision for credit losses, less wholesale lending.
- Qualitative Assessment – Individual performance against cascading commitments.

Financial performance determination for the corporate performance measures will be made at the holding company level.

Each participant’s corporate performance goals and weightings will be set forth in his or her participation agreement. Each participant’s team performance measures, goals, and weightings, if any, also will be set forth in his or her participation agreement.

EXCEPTIONS TO THE ABOVE PLAN PERFORMANCE MEASURES:

- Chief Banking Officer/EVP: Payout target for the above measures is reduced to 10%. Additionally, this position receives incentive pay as a percentage of the following production:
 - o Business DDA
 - o All other NMD
 - o Commercial Loans
 - o HELOC
 - o Gain on Sale
- Chief Innovation Officer/EVP: Payout target for the above measures is reduced to 10%. Additionally, this position receives incentive pay as follows:
 - o Net Growth in Customer Non-Maturity Deposits
 - o Net growth in Home Equity Lines and Loans

PAYOUTS

Payouts will be made in a cash lump sum. In order to receive payment, a participant must be employed on the date the payment is processed. Payment of earned incentives under the Plan, if any, will occur within two weeks of the form 10-K filing, following the end of the Plan Year. Incentive awards will be considered taxable income, unless the participant elects to defer payments into the 401(k) or deferred compensation plans.

Each participant’s payout is calculated on Eligible Earnings. Eligible Earnings reflect the annualized base salary as of the end of the Plan Year determined prior to any pretax deferrals. The actual incentive calculation is then based on each participant’s performance goals as outlined in the participant’s participation agreement. Actual payouts for each performance goal will be pro-rated between target and stretch levels to reward incremental improvement.

Performance of each specific goal is calculated independently to determine the payout for the goal. The sum of the awards for each of the performance goals determines the total incentive award. Performance that meets Threshold but is below Target will be paid at the Threshold rate. Performance that meets Target will be paid at Target rate. Performance exceeding Target to just below Stretch will be determined using straight line interpolation. Performance meeting or exceeding Stretch will be paid at the Stretch rate.

All Cash Incentive payouts are contingent on achieving a Pre-tax, Pre-Provision Net Revenue (PPNR) threshold of \$10MM.

2025 EQUITY INCENTIVE AWARD OPPORTUNITY

Beginning with awards granted in 2025, the Committee has adopted a plan of granting equity awards to officers covering a number of shares, 50% Restricted Share Awards (RSAs) based on the achievement of specified performance goals for the year preceding the grant date, and 50% Performance Share Awards (PSAs) performance contingent vesting; measurement is at the end of a three-year performance period, shares are vested based on performance at the end of the three-year performance period. The performance goals are distinct from those associated with cash incentives and are related to shareholder metrics. The target payment is an economic value equal to a percentage of base pay. The measures are equally weighted and have threshold, target, and stretch payments.

For the 2025 Plan Year, the Committee has approved the following corporate equity incentive performance measures based upon the consolidated performance of FNWB:

- Total Shareholder Return, which is defined as the annual FNWB shareholder return divided by the annual return on the Community Bank Exchange-Traded Fund (Ticker: KRE) for the year ended 12/31/2025, expressed as a percent.
- Earnings per Share Growth, which is defined as (earnings per share at 12/31/2025 minus prior year end earnings per share) divided by prior year end earnings per share, expressed as a percent.

COMMITTEE DISCRETION

The Committee reserves the right to apply positive or negative discretion to the payments as needed to reflect the business environment and market conditions that may affect First Northwest Bancorp's financial and stock price performance. The Committee also reserves the right to amend, modify and adjust payouts as necessary, including but not limited to complying with any statutory or regulatory requirements. However, no change may be made regarding when or how the payments are made, if such change would violate any Federal or state law or regulation, specifically including Section 409A of the Internal Revenue Code.

GENERAL TERMS AND CONDITIONS

This section provides a general overview of the major terms and conditions of the Plan. These provisions are subject to change and do not constitute a binding agreement.

Effective Date

The Plan will become effective on the date it is approved by the Committee. The Plan will be reviewed annually by the Committee, with input from the Bank's executive management, to ensure proper alignment with the Bank's business objectives.

Plan Administration

The Plan is authorized by the Bank Board of Directors and administered by the Committee. The Committee has the sole authority to interpret the Plan and all participation agreements and to make or nullify any rules and procedures, as necessary, for proper administration. Any determination by the Committee will be final and binding on all participants.

Program Changes or Discontinuance

The Bank has developed the Plan on the basis of existing business, market and economic conditions; current services; and staff assignments. If substantial changes occur that affect these conditions, services, assignments, or forecasts, the Bank may add to, amend, modify or discontinue any of the terms or conditions of the Plan or any participation agreement at any time.

The Committee may, at its sole discretion, waive, change or amend any of the Plan or participation agreement provisions as it deems appropriate.

Program Funding

Plan payouts are made solely from the Bank's general assets. The Plan is funded and accrued based on holding company performance results for a given year. Achieving higher levels of performance will increase the Plan payouts to participants. Similarly, achieving less than target performance will reduce the Plan payouts.

Any rights accruing to a participant or his/her beneficiary under the Plan shall be solely those of an unsecured general creditor of the Bank. Nothing contained in the Plan, and no action taken pursuant to the provisions hereof, will create or be construed to create a trust of any kind, or a pledge, or a fiduciary relationship between the Bank or the Committee and the participant or any other person. Nothing herein will be construed to require the Bank to maintain any fund or to segregate any amount for a participant's benefit.

New Hires, Reduced Work Schedules, Promotions, Transfers, Performance

Participants who are not employed by the Bank at the beginning of the Plan Year will receive a pro rata incentive award based on their length of employment during a given year. Employees hired after September 30th will not be eligible to participate until the next Plan Year.

If a participant changes his/her role or is promoted during the Plan Year, he/she will be eligible for the new role's target incentive award opportunity on a pro rata basis (i.e., the award will be prorated based on the number of full months employed in the respective positions). In the event of an approved leave of absence, the award opportunity level for the year will be adjusted to reflect the time in active status. For example, a participant on leave status for 13 weeks during a Plan Year will have his or her calculated award reduced by one-fourth (13 weeks/52 weeks) to reflect the period of leave. The manner of adjustment shall be determined solely by the Committee.

If an employee is on a performance improvement plan or other performance related disciplinary action, the Bank may, at its discretion, choose to reduce or pay no incentive to a participant. The employee must also have received a total comprehensive performance score of 2.0 or greater in the most recent evaluation

period to be eligible for an incentive payout.

Clawback

The Plan will be subject to the Bank's clawback policy, as it may be modified from time to time.

In the event that the Bank or FNWB is required to prepare an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws, the Bank will recover cash incentive compensation awarded to current or former executive officers (during the preceding three years) to the extent the original awards exceeded the amounts that would have been paid under the restated results. By accepting participation in this Plan, the employee agrees to be bound by this repayment requirement, and such repayment shall be fully made within 60 days of when requested by the Bank.

Death or Disability

In the event of a participant's death during active service or termination due to disability, then to the extent it is determined by the Committee following the end of the Plan Year that the cash performance goals have been attained, the participant shall be entitled to a full payment based on the actual achievement of performance goals during the entire performance period. Payment under these circumstances, if any, shall be made at the time payments are made to participants who did not terminate service during the Plan Year.

Interpretation

If there is any ambiguity as to the meaning of any terms or provisions of this Plan or any questions as to the correct interpretation of any information contained therein, the Bank's interpretation expressed by the Committee will be final and binding.

Miscellaneous

The Plan will not be deemed to give any participant the right to be retained as an employee of the Bank, nor will the Plan interfere with the right of the Bank to discharge any participant at any time.

In the absence of an authorized, written employment contract, the relationship between employees and the Bank is one of at-will employment. The Plan does not alter the relationship.

This Plan and the transactions and payments hereunder shall, in all respect, be governed by, and construed and enforced in accordance with the laws of the State of Washington and where applicable Federal law.

Each provision in this Plan and any participation agreement is severable, and if any provision is held to be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not, in any way, be affected or impaired thereby.

FIRST FED BANK

AMENDED EXECUTIVE CHANGE IN CONTROL PLAN

1. Name, Purpose, and Effective Date

1.1 Name and Purpose of Plan. The purpose of this Amended First Fed Bank Executive Change in Control Plan (the “Plan”) is to provide severance benefits to certain senior executives and key employees of First Fed Bank (the “Bank”) and/or its affiliates in the event their employment terminates under certain circumstances in connection with a Change in Control. The Plan is intended to secure the continued services of eligible executives and key employees of the Bank) and its affiliates and to ensure their continued dedication to their duties in the event of any threat or occurrence of a Change in Control. For the avoidance of doubt, the Bank shall not be obligated to make any payment under this Plan to any individual outside of a Qualifying Termination during a Covered Period, which relates to a Change in Control of the Bank or the Company.

1.2 Effective Date. The Plan became effective on February 24, 2025 (the “Effective Date”).

1.3 ERISA Status. The Bank intends the Plan to be an unfunded plan maintained primarily to provide severance compensation and benefits to a select group of “management or highly compensated employees” within the meaning of Sections 201, 301 and 401 of ERISA, and, therefore, to be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA.

2. Definitions

To the extent not defined elsewhere in the Plan, the following words and phrases have the following meanings unless a different meaning is plainly required by the context:

2.1 “Accrued Obligations” means the sum of: (a) any Base Salary earned but unpaid through the Participant’s Termination Date, (b) unpaid expense reimbursements (subject to, and in accordance with, the expense reimbursement policies of the Bank or its affiliates), (c) unused paid time off accrued through the Termination Date (subject to and in accordance with overall policies of the Bank or its affiliates) and (d) any earned but unpaid short-term and long-term incentive compensation for the year immediately preceding the year of termination.

2.2 “Base Salary” means, as of any applicable determination date, the annualized gross base salary payable to a Participant, before any deductions, exclusions, elective deferrals, or contributions on a tax-qualified or non-tax-qualified basis under any plan or program of the Bank or any of its affiliates.

2.3 “Board of Directors” means the Board of Directors of the Bank.

2.4 “Cause” means (a) the conviction of the Participant of a felony or of any lesser criminal offense involving moral turpitude (other than for traffic violations); (b) the willful commission by the Participant of a criminal or other act that, in the judgment of the Board of Directors will likely cause substantial economic damage to the Bank or its affiliates or any subsidiary or substantial injury to the business reputation of the Bank or its affiliates; (c) the commission by the Participant of an act of fraud in the performance of his or her duties on behalf of the Bank or its affiliates; (d) the continuing willful failure of the Participant to perform his or her duties to the Bank or its affiliates (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness or the Participant declining to perform any assigned duties to the extent such assignment or duties would constitute a violation of law) after written notice thereof; (e) a material breach by the Participant of the Code of Ethics of the Bank or an affiliate; or (f) an order of a federal or state regulatory agency or a court of competent jurisdiction requiring the termination of the Participant’s employment with the Bank or an affiliate of the Bank, following notice and, to the extent possible, a reasonable opportunity to cure in the sole discretion of the Bank (if such violation is capable of cure).

For purposes of this Section 2.4, no act or failure to act will be considered “willful” or “intentional” unless done or omitted to be done in bad faith and without reasonable belief that the Participant’s action or omission was in the best interests of the Bank or an affiliate. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors, based upon the advice of counsel for the Bank or upon the instructions of the Bank’s Chief Executive Officer or another senior officer of the Bank will be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Bank. “Cause” will not exist unless and until the Bank has delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of a majority of the Board of Directors (excluding the Participant if the Participant is a member of the Board of Directors) at a meeting of the Board of Directors called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant to be heard before the Board of Directors), finding that in the good faith opinion of the Board of Directors an event set forth in this Section 2.4 has occurred and specifying the particulars thereof in detail.

2.5 “Change in Control” means (a) a change in the ownership of the Corporation; (ii) a change in the effective control of the Corporation; or (iii) a change in the ownership of a substantial portion of the assets of the Corporation, as defined in accordance with Code Section 409A. For purposes of this Section 2.5, the term “Corporation” means the Bank, the Company, or any of their successors, as applicable.

- (i) A change in the ownership of a Corporation occurs on the date that any one person, or more than one person acting as a group (as defined in Treasury Regulation 1.409A-3(i)(5)(v)(B)), acquires ownership of stock of the Corporation that, together with stock held by such person or group, constitutes more than fifty (50) percent of the total fair market value or total voting power of the stock of the Corporation.
- (ii) A change in the effective control of the Corporation occurs on the date that either (A) any one person, or more than one person acting as a group (as defined in Treasury Regulation 1.409A-3(i)(5)(vi)(D)) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Corporation possessing thirty (30) percent or more of the total voting power of the stock of the Corporation, or (B) a majority of the members of the board of directors of the Corporation is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the board of directors prior to the date of the appointment or election, provided that this subsection “(B)” is inapplicable where a majority stockholder of the Corporation is another corporation.

(iii) A change in a substantial portion of the Corporation's assets occurs on the date that any one person or more than one person acting as a group (as defined in Treasury Regulation 1.409A-3(i)(5)(vii)(C)) acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Corporation that have a total gross fair market value equal to or more than forty (40) percent of the total gross fair market value of (A) all of the assets of the Corporation, or (B) the value of the assets being disposed of, either of which is determined without regard to any liabilities associated with such assets.

For all purposes hereunder, the definition of Change in Control shall be construed to be consistent with the requirements of Treasury Regulation 1.409A-3(i)(5), except to the extent that such regulations are superseded by subsequent guidance.

2.6 "Code" means the Internal Revenue Code of 1986, as amended.

2.7 "Committee" means the Compensation Committee of the Board of Directors, or any successor thereto or any other committee designated by the Board of Directors to assume the responsibility for administering the Plan.

2.8 "Company" means First Northwest Bancorp and any successor or assignee as provided in Section 6.3.

2.9 "Competitive Business" means any business enterprise that either (a) engages in any activity that competes with the business of the Bank or any of its affiliates or (b) holds a five percent (5%) or greater equity, voting or profit participation interest in any enterprise that engages in such a competitive activity.

2.10 "Confidential Information" means any information relating to the Bank or any of its affiliates, or their respective products, services, borrowers, depositors and other clients that is not generally known or available to the general public, including, but not limited to, (a) operation or financial information, such as information with respect to costs, fees, profits, sales, sales margins, capital structure, operating results, borrowing arrangements, strategies and plans for future business, pending projects and proposals and potential acquisitions or divestitures, (b) product and technical information, such as new and innovative product ideas, subjects of research and development, investigations, data, software, software codes, computer models and research and development projects, (c) marketing information, such as new marketing ideas, markets, mailing lists, the identity, including the names or addresses, of the borrowers, depositors and other clients of the Bank or any of its affiliates, the financial arrangement between the Bank or any of its affiliates and such clients, specific client needs and requirements and leads and referrals to prospective clients, (d) vendor, supplier and any other business partner information, including the financial arrangement between the Bank or any of its affiliates and such persons, and (e) any information concerning or obtained from the clients of the Bank or any of its affiliates.

2.11 "Covered Period" means the earlier of (a) the execution of any agreement by the Bank that is expected to result in a Change in Control or (b) the period commencing with the Bank's initial public announcement, whether in a press release or materials filed under the Securities Exchange Act of 1934, of the agreements or other actions by the Bank of the Company or the board of directors of the Company that are expected or intended to result in a Change in Control, and ending twenty-four (24) months following the occurrence of the Change in Control. In the case of a tender or exchange offer that results in a Change in Control, the Covered Period shall commence on the date that the Company or the board of directors of the Company publicly announces acceptance or support of the offer or, if acceptance or support is never announced, the date that the person making the offer publicly announces that the person knows or believes that the offer has sufficient support among shareholders of the Company to succeed in causing a Change in Control. The Covered Period will be extended by one additional month if the cure period in Section 2.14 is triggered in the 23rd or 24th month following the effective date of the Change in Control.

2.12 "Disability" means a physical or mental infirmity that impairs the Participant's ability to substantially perform duties assigned to the Participant and that results in the Participant's becoming eligible for long-term disability benefits under the Bank's or its successor's long-term disability plan or from the U.S. Social Security Administration. A Participant shall not be deemed to have a Disability until the date on which the insurer or the administrator of the Bank's long-term disability insurance program notifies the Participant that the Participant is eligible to commence benefits under such insurance or the date on which the U.S. Social Security Administration notifies the Participant that the Participant is eligible to commence disability benefits.

2.13 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.14 "Good Reason" means, means (a) a material reduction in the Participant's Base Salary and/or aggregate incentive compensation opportunities under the Bank's annual and long-term incentive plans or programs, as applicable; notwithstanding the foregoing, Bank or its affiliates may eliminate and/or modify existing employee benefit, retirement, or fringe benefit plans and coverage levels on a consistent and non-discriminatory basis applicable to all executive officers; (b) a material reduction in the Participant's authority, duties or responsibilities from the position and attributes associated with Participant; (c) the failure to re-appoint the Participant to his or her executive position; (d) a relocation of the Participant's principal place of employment by more than forty (40) miles or (e) the failure of the Bank to obtain the assumption of the Plan by any successor.

Notwithstanding the foregoing, the Participant will only have Good Reason if the Participant provides notice to the Bank of the existence of the event or circumstance constituting Good Reason specified in any of the preceding clauses within ninety (90) days of the initial existence of such event or circumstances and such event or circumstance is not cured within thirty (30) days after the Bank's receipt of such notice. If the Participant initiates termination with Good Reason, the actual termination must occur within sixty (60) days after the date of the notice of termination. The Participant's failure to timely give notice of termination with respect to the occurrence of a specific event that would otherwise constitute Good Reason will not constitute a waiver of the Participant's right to give notice of any new subsequent event that would constitute Good Reason that occurs after such prior event (regardless of whether the new subsequent event is of the same or different nature as the preceding event).

2.15 "Participant" means an executive or key employee of the Bank or any of its affiliates who has been selected by the Committee to participate in the Plan and who is a party to a Participation Agreement that has not been terminated in accordance with the terms of the Plan.

2.16 "Participation Agreement" means an agreement to participate in the Plan (in whatever form prescribed by the Committee) that evidences the terms and conditions of the individual's participation in the Plan.

2.17 "Pro-Rata Bonus" means an amount equal to the product of a (a) Participant's Target Bonus for the year in which the Participant's Termination Date occurs and (b) a fraction, the numerator of which is the number of days elapsed from the beginning of the applicable calendar year through the Participant's Termination Date and the denominator of which is the number of days in the applicable calendar year.

2.18 “Qualifying Termination” means any termination of a Participant’s employment with the Bank and its affiliates (or the successors of the Bank and its affiliates), following the Effective Date, by the Bank and its affiliates other than for Cause or by the Participant for Good Reason, either occurring during a Covered Period. For the avoidance of doubt, termination of the Participant’s employment on account of death or Disability, or by the Bank or any of its affiliates for Cause, or by the Participant for other than Good Reason, shall not be treated as a Qualifying Termination. Notwithstanding the foregoing, the death of the Participant after notice of termination for Good Reason or without Cause has been validly provided shall be deemed to be a Qualifying Termination. It is not the intent of this Plan to provide any severance benefits to any employee other than in connection with a Qualifying Termination occurring during a Covered Period.

2.19 “Severance Multiple” means, for each Participant, the applicable multiple set forth in the Participant’s Participation Agreement.

2.20 “Target Bonus” means a Participant’s target annual bonus under an annual incentive plan applicable to such Participant.

2.21 “Termination Date” means the date on which a Participant experiences a Qualifying Termination during a Covered Period.

3. Participation and Severance Benefits

3.1 Participants. From time to time the Committee may, in its discretion, designate those executives and key employees eligible to participate in the Plan. The Committee will, in its discretion, determine the terms and conditions of participation for each eligible individual. No employee has any right to participate in the Plan, and no Participant has any right to terms and conditions of participation not otherwise set forth in this Plan and in the Participant’s Participation Agreement. Exhibit A to the Plan, as modified from time to time, lists the Participants. The Committee may update Exhibit A at any time without formally amending the Plan. Any individual selected to participate in the Plan will become a Participant only when he or she executes and delivers a Participation Agreement to the Bank.

3.2 Termination of Participant. A Participant will cease to participate in the Plan and, therefore, shall cease to be eligible to receive severance benefits under the Plan, on the date on which the Participant ceases to be an employee of the Bank and its affiliates other than by a Qualifying Termination during a Covered Period. The Committee may terminate the participation of any Participant at any time, but the Participant’s removal from the Plan will not be effective until the later of (a) twenty-four (24) months after the Participant receives notice of his or her termination of participation by Bank or (b) the end of any Covered Period for the Participant that commenced prior to Participant receiving notice of his or her termination of participation by Bank.

3.3 Change in Control Severance Benefits. If a Participant experiences a Qualifying Termination during a Covered Period, the Participant will be entitled to the following payments under the Plan:

- (a) A lump sum cash payment equal to the Participant’s Accrued Obligations;
- (b) A lump sum cash payment equal to the Participant’s Pro-Rata Bonus;
- (c) A lump sum cash payment equal to the Participant’s Severance Multiple, multiplied by the sum of (i) the greater of (x) the Participant’s Base Salary as in effect immediately before the effective date of the Change in Control or (y) the Participant’s Base Salary in effective as of the Participant’s Termination Date and (ii) the Participant’s Target Bonus for the fiscal year in which the Participant’s Termination Date occurs; and
- (d) A lump sum cash payment equal to the cost for eighteen (18) months of COBRA continuation coverage (as in effect as of the Participant’s Termination Date) for group medical, dental and vision coverage for the Participant and his or her dependents (to the extent that the Participant and, if applicable his or her dependents are covered by the Bank’s health and welfare plans at the Participant’s Termination Date) immediately before the Participant’s Termination Date.

3.4 Timing of Severance Payments. The cash payments specified in Section 3.3 shall be paid within five (5) business days following the Participant’s Termination Date.

3.5 No Duplication of Severance Benefits. If a Participant experiences a Qualifying Termination during a Covered Period, the Participant will not be paid any amount, or receive any benefit, under or pursuant to any other plan or program calling for severance benefits, including special severance benefits related to a Change in Control, unless specifically agreed to in writing between the Participant and the Bank or its affiliates. To the extent that a Participant is a party to any written and legally binding employment, retention, retirement or severance agreement with the Bank or any of its affiliates and a provision in such agreement (including a provision calling for special severance benefits related to a Change in Control) is inconsistent with any provision of the Plan, then (a) if the agreement is entered into after the Participant becomes a Participant in the Plan, and if the agreement expressly provides that its inconsistent provision is intended to supersede, override, or settle matters under the Plan for that Participant, the agreement’s provision will govern and control, but (b) in any other circumstances, the provision of the Plan will govern and control. For the avoidance of doubt, amounts awarded under a retention bonus that pays out in connection with a Qualifying Termination during a Covered Period shall not be considered duplicative of the severance benefits provided under Section 3.3 of the Plan.

3.6 Other Benefits Not Affected. Notwithstanding anything in the Plan to the contrary, none of the following benefits, programs, or other employment-related matters is enhanced, diminished, or otherwise affected by the Plan, none is considered a benefit of the Plan, and none is waived, released, or otherwise affected by payments under this Plan, unless expressly provided elsewhere:

- (a) A Participant’s accounts in a savings plan, nonqualified deferred compensation plan, or other similar deferral plan or program of the Bank or any of its affiliate, including any rights to require a grantor trust or other similar funding protection;
- (b) A Participant’s rights under a pension or other funded defined-benefit retirement plan of the Bank or any of its affiliates;
- (c) A Participant’s rights under any award of restricted stock, restricted stock units, stock options, stock appreciation rights, or other equity incentive awards, in each case whether or not associated with performance conditions, under any equity plan of the Bank and/or award agreements issued thereunder;

(d) A Participant's rights under any life or disability insurance plan or program of the Bank or any of its affiliates, including any split-dollar life insurance agreement and the right to continue coverage after termination of employment, whether or not at the Participant's cost; and

(e) A Participant's rights to obtain or continue health, dental or similar insurance coverage after termination of employment (so-called COBRA continuation rights).

3.7 Golden Parachute Provisions. In the event that any benefits payable to a Participant pursuant to the Plan or otherwise ("Payments") (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section 3.7 would be subject to the excise tax imposed by Section 4999 of the Code or any comparable successor provisions (the "Excise Tax"), then the Participant's Payments hereunder will be either (x) provided to the Participant in full or (y) provided to the Participant in such lesser amount that would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, when taking into account all applicable taxes, including any federal, state, local and foreign income, employment or excise taxes, the Excise Tax and any other applicable taxes, results in the receipt by the Participant, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. If the Payments are to be reduced pursuant to this Section 3.7, and none of such Payments are "deferred compensation" subject to Section 409A of the Code, then the reduction will occur in the manner elected by the Participant in writing prior to the date of payment. If any Payment constitutes "deferred compensation" subject to Section 409A of the Code or if the Participant fails to elect an order, then the Payments to be reduced will be determined in a manner which has the least economic cost to the Participant and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made, until the reduction is achieved. Unless the Bank and the Participant otherwise agree in writing, any determination required under this Section 3.10 will be made in writing in good faith by a nationally recognized accounting firm or other independent advisor(s) selected by the Bank (the "Firm") which will provide detailed supporting calculations both to the Bank and the Participant within fifteen (15) business days of the receipt of notice from the Bank or the Participant that there has been a payment that may be subject to Section 4999 of the Code, or such earlier time as is requested by the Bank, and whose determination will be final, conclusive and binding upon the Participant and the Bank for all purposes (and the Bank will report such payments consistently and will reasonably defend such calculations). For purposes of making the calculations required by this Section 3.7, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Bank and Participant agree to furnish to the Firm any information and documents the Firm reasonably request to make the determination under this provision. The Bank will bear all costs the Firm may reasonably incur in connection with any calculations contemplated by this Section 3.7.

4. Restrictive Covenants

4.1 Non-Disclosure of Confidential Material. During a Participant's employment with the Bank or its affiliates and thereafter, the Participant will hold in a fiduciary capacity for the benefit of the Bank and its affiliates all trade secrets and Confidential Information relating to the Bank or any of its affiliates that have been obtained by the Participant during his or her employment by the Bank or any of its affiliates. Except as may be required or appropriate in connection with the Participant carrying out his or her duties as an employee, he or she will not, without the prior written consent of the Bank or as may otherwise be required by law or any legal process, any statutory obligation or order of any court or statutory tribunal of competent jurisdiction, or as is necessary in connection with any adversarial proceeding against the Bank or any of its affiliates (in which case the Participant will use his or her reasonable best efforts in cooperating with the Bank in obtaining a protective order against disclosure by a court of competent jurisdiction), communicate or divulge any such trade secrets or Confidential Information to anyone other than the Bank and those designated by the Bank or on behalf of the Bank in the furtherance of its business or to perform duties hereunder. Notwithstanding anything to the contrary in the Plan or otherwise, nothing shall limit the rights of a Participant under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by any governmental entity. Participants are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (1) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (2) under seal in a complaint or other document filed in a lawsuit or other proceeding or (3) to an attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

4.2 Non-Solicitation of Employees. Each Participant agrees that, during his or her employment with the Bank and its affiliates, and for a twelve (12) month period following the Participant's Termination Date, the Participant will not take any action, directly or indirectly (without the prior written consent of the Bank), that causes or could reasonably be expected to cause any person who is then an employee of the Bank or any of its affiliates to resign from the Bank or any of its affiliates or to apply for or accept employment with any other business or enterprise.

4.3 Non-Solicitation of Clients. Each Participant agrees that, during his or her employment with the Bank and its affiliates, and for a twelve (12) month period following the Participant's Termination Date, the Participant will not, in any manner, directly or indirectly (without the prior written consent of the Bank): (1) take any action that causes or could reasonably be expected to cause any customer or prospective customer of the Bank or any of its affiliates to whom such Participant provided services or with whom the Participant otherwise had contact to become a client of or transact any business with a Competitive Business or reduce or refrain from doing any business with the Bank or any of its affiliates, (2) transact business with any client or prospective client that would cause the Participant to be a Competitive Business or (3) interfere with or damage any relationship between the Bank or any of its affiliates and a client or prospective client.

4.4 Non-Disparagement. Each Participant agrees and covenants that he or she will not at any time make, publish, or communicate to any person or entity or in any public forum any defamatory, maliciously false, or disparaging remarks, comments, or statements concerning the Bank or any of its affiliates or their respective businesses, or any of their respective employees, officers, or directors. The preceding sentence does not in any way restrict or impede the Participant from exercising protected rights, to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation, or order.

4.5 Validity. The terms and provisions of this Section 4 are intended to be separate and divisible provisions and if, for any reason, any one or more of them is held to be invalid or unenforceable, neither the validity nor the enforceability of any other provision set forth herein will thereby be affected. If for any reason any court of competent jurisdiction finds any provision of this Section 4 unreasonable in duration or geographic scope or otherwise, the Participant and the

Bank agree that the restrictions and prohibitions contained herein will be effective to the fullest extent allowed under applicable law in such jurisdiction.

4.6 Injunctive Relief. Without limiting any remedies available to the Bank, by acceptance of payments and benefits under the Plan, a Participant will be deemed to have agreed and acknowledged that a breach of the covenants contained in this Section 4 will result in injury to the Bank and its affiliates for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely, and that therefore, in the event of such a breach or threat thereof, the Bank will be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining the Participant from engaging in activities prohibited by this Section 4 or such other relief as may be required specifically to enforce any of the covenants in Sections 4.1, 4.2 and 4.3 herein. This provision will not, however, be construed as a waiver of any of the rights that the Bank may have for damages under the Plan or otherwise, and, except as limited in Section 6.10, all the Bank's rights and remedies will be unrestricted.

5. Claims for Benefits Under the Plan

5.1 Claims for Benefits under the Plan. If a Participant believes that he or she should have been eligible to participate in the Plan or disputes the amount of benefits under the Plan, such individual may submit a claim for benefits in writing to the Committee within sixty (60) days after the individual's termination of employment. If such claim for benefits is wholly or partially denied, the Committee will within a reasonable period of time, but no later than ninety (90) days after receipt of the written claim, notify the individual of the denial of the claim. If an extension of time for processing the claim is required, the Committee may take up to an additional ninety (90) days; provided that the Committee sends the individual written notice of the extension before the expiration of the original 90-day period. The notice provided to the individual will describe why an extension is required and when a decision is expected to be made. If a claim is wholly or partially denied, the denial notice: (1) will be in writing, (2) will be written in a manner calculated to be understood by the individual and (3) will contain (a) the reasons for the denial, including specific reference to those Plan provisions on which the denial is based; (b) a description of any additional information necessary to complete the claim and an explanation of why such information is necessary; (c) an explanation of the steps to be taken to appeal the adverse determination; and (d) a statement of the individual's right to request arbitration as set forth in Section 6.10, in lieu of bringing a civil action under Section 502(a) of ERISA, following an adverse decision after appeal. The Committee will have full discretion to deny or grant a claim in whole or in part. If notice of denial of a claim is not furnished in accordance with this Section 5.1, the claim will be deemed denied and the claimant will be permitted to exercise his or her rights to review pursuant to Sections 5.2 and 5.3.

5.2 Right to Request Review of Benefit Denial. Within sixty (60) days of the individual's receipt of the written notice of denial of the claim, the individual may file a written request for a review of the denial of the individual's claim for benefits. In connection with the individual's appeal of the denial of his or her benefit, the individual may submit comments, records, documents, or other information supporting the appeal, regardless of whether such information was considered in the prior benefits decision. Upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records, and other information relevant to the claim.

5.3 Disposition of Claim. The Committee will deliver to the individual a written decision on the claim promptly, but not later than sixty (60) days after the receipt of the individual's written request for review, except that if there are special circumstances which require an extension of time for processing, the sixty (60)-day period will be extended to one hundred twenty (120) days; provided that the appeal reviewer sends written notice of the extension before the expiration of the original sixty (60)-day period. If the appeal is wholly or partially denied, the denial notice will: (1) be written in a manner calculated to be understood by the individual, (2) contain references to the specific Plan provision(s) upon which the decision was based, (3) contain a statement that, upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim for benefits and (4) contain a statement of the individual's right to request arbitration as set forth in Section 6.10, in lieu of bringing a civil action under Section 502(a) of ERISA.

5.4 Exhaustion. An individual must exhaust the Plan's claims procedures prior to proceeding with arbitration as set forth in Section 6.10.

6. Administration of the Plan

6.1 Administration. The Committee, or any person or group of persons designated by the Committee, will administer the Plan. The Committee may interpret the Plan and establish, amend or rescind any rules and regulations relating to the Plan. The Committee may make any other determinations it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Plan during a Covered Period will be subject to de novo review without any presumption of correctness. Any action permitted to be taken by the Committee may also be taken by the Board of Directors.

6.2 Amendment; Termination.

(a) The Bank may amend the Plan at any time, provided, however, that unless the Participant otherwise agrees after being given notice of the Plan amendment, an amendment to the Plan pursuant to this Section 6.2 that adversely and materially changes a benefit to a Participant is not effective as to that Participant until immediately after the end of the later of (i) twenty-four (24) months after the Bank gives notice to the Participant of the change and of its effective date or (ii) the end of any Covered Period for the Participant that commenced before amendment of the Plan and that was ongoing at the time of amendment.

(b) The Plan may be amended at any time and in any manner necessary to comply with, or to avoid a material and adverse outcome for the Bank or the Participants under ERISA or Section 409A of the Code. Any such amendment will be effective immediately, or otherwise as provided by the Committee, without the consent of any Participant. If any such amendment is expected to have a material and adverse effect upon one or more Participants, the Bank will give notice of the change to those Participants within thirty (30) days after effectiveness.

(c) The Plan may be terminated at any time. If the Plan is terminated, new Participants may not be added, but the Plan will continue in effect for each then-current Participant until immediately after the later of (i) twenty-four (24) months after termination of the Plan or (ii) the end of any Covered Period that commenced before termination of the Plan.

(d) Termination or amendment of the Plan will not affect any obligation of the Bank under the Plan that has accrued and is unpaid as of the effective date of the

termination or amendment.

6.3 Successors. The Bank will require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank, expressly and unconditionally to assume and agree to perform the Bank's obligations under the Plan, in the same manner and to the same extent that the Bank would be required to perform if no succession or assignment had taken place. In such event, the term "Bank," as used in the Plan, will mean (from and after, but not before, the occurrence of such event) the Bank as herein before defined and any successor or assignee to the business or assets which by reason hereof becomes bound by the terms and provisions of the Plan.

6.4 Third Party Beneficiaries. The Plan shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, and assigns.

6.5 FDIC Limitations. If any payment or benefit under the Plan would otherwise be a golden parachute payment within the meaning of section 18(k) of the Federal Deposit Insurance Act (a "Golden Parachute Payment") that is prohibited by applicable law, then the payments will be reduced to the greatest amount that can be paid to the Participant without there being a prohibited Golden Parachute Payment. To the extent reasonably practicable, the Bank shall seek the approval of the Federal Deposit Insurance Corporation and any other applicable regulatory agency, as necessary, to make any payment to the Participant that would otherwise constitute a Golden Parachute Payment.

6.6 Creditor Status of Participants. If any Participant acquires a right to receive payments from the Bank under the Plan, such right will be no greater than the right of any unsecured general creditor of the Bank.

6.7 Notice of Address. Each Participant entitled to benefits under the Plan must file with the Bank, in writing, his or her post office address and each change of post office address. Any communication, statement or notice addressed to such Participant at such address will be deemed sufficient for all purposes of the Plan, and there will be no obligation on the part of the Bank to search for or to ascertain the location of such Participant.

6.8 Headings. The headings of the Plan are inserted for convenience and reference only and will have no effect upon the meaning of the provisions hereof.

6.9 Choice of Law. The Plan and Participation Agreements shall be governed by and construed in accordance with the laws of the State of Washington without reference to principles of conflict of laws, except as superseded by applicable federal law.

6.10 Arbitration.

(a) Subject to the provisions of Section 4.6, any controversy or claim between a Participant and the Bank arising out of or relating to or concerning the Plan (including the covenants contained in Section 4) and any dispute regarding the Participant's employment or the termination thereof or any dispute regarding the application, interpretation or validity of the Plan will be finally settled by arbitration in a location determined by the Participant (which location must be located within the county in which the Participant primarily works) and administered by the American Arbitration Association (the "**AAA**") under its Commercial Arbitration Rules then in effect. In the event of any conflict between the Plan and the rules of the AAA, the provisions of the Plan will be determinative. If the parties are unable to agree upon an arbitrator, they will select a single arbitrator from a list of seven (7) arbitrators designated by the office of the American Arbitration Association having responsibility for the location selected by the Participant, all of whom will be retired judges who are actively involved in hearing private cases or members of the National Academy of Arbitrators, and who, in either event, are residents of such forum. If the parties are unable to agree upon an arbitrator from such list, they will each strike names alternatively from the list, with the first to strike being determined by lot. After each party has used three (3) strikes, the remaining name on the list will be the arbitrator. The AAA's Commercial Arbitration Rules will be modified in the following ways: (i) each arbitrator will agree to treat as confidential evidence and other information presented to them, (ii) there will be no authority to award punitive damages, (iii) there will be no authority to amend or modify the terms of the Plan and (iv) a decision must be rendered within ten (10) business days of the parties' closing statements or submission of post-hearing briefs. The Participant or the Bank may bring an action or special proceeding in a state or federal court of competent jurisdiction sitting in Clallam County, Washington or such other jurisdiction as the Participant may determine in his or her discretion to enforce any arbitration award under this Section 6.10.

(b) To the extent permitted by law, the Bank shall reimburse the Participant on a current basis for all reasonable legal fees, costs of litigation and other related expenses incurred in good faith by the Participant as a result of the Bank's refusal to provide the severance benefits to which the Participant successfully becomes entitled under the Plan, or as a result of the Bank's contesting the validity, enforceability or interpretation of the Plan; provided, however, that the Participant shall reimburse the Bank for all such fees and expenses if an arbitration panel issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced by the Participant in bad faith.

6.11 Withholding. All payments under the Plan will be subject to all applicable withholding of state, local, and federal taxes.

6.12 No Implied Employment Contract. The Plan does not constitute a contract of employment or impose on a Participant any obligation to remain in the employ of the Bank, nor does it impose on the Bank or any of its affiliates any obligation to retain a Participant in his or her present position or in any other position, nor does it change the status of a Participant's employment as an employee at will. Except as provided for in Section 2.4, nothing in the Plan will in any way affect the right of the Bank or any of its affiliates in its absolute discretion to change or reduce a Participant's compensation at any time, or to change at any time one or more benefit plans, dental plans, health care plans, savings plans, bonus plans, vacation pay plans, disability plans and the like.

6.13 No Assignment. The rights of a Participant to payments under the Plan will not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 6.13 will be void.

6.14 Section 409A.

(a) General. The Plan is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, will in all respects be administered in accordance with Section 409A of the Code. The right to a series of payments under the Plan will be treated as a right to a series of separate payments. Each payment under the Plan that is made within 2-½ months following the

end of the year that contains the Termination Date is intended to be exempt from Section 409A of the Code as a short-term deferral within the meaning of the final regulations under Section 409A of the Code. Each payment under the Plan that is made later than 2-½ months following the end of the year that contains the Participant's Termination Date is intended to be exempt from Section 409A under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation. Then, each payment that is made after the two-times exception ceases to be available shall be subject to delay, in accordance with subsection (c) below. To the extent necessary to comply with Section 409A of the Code, all payments to be made upon a Participant's Termination Date may only be made upon a "separation from service" within the meaning of Section 409A of the Code.

(b) Specified Employees. Notwithstanding anything in the Plan to the contrary, if the Participant is considered a "specified employee" (as such term is defined under Section 409A(a)(2)(B)(i) of the Code or any successor or comparable provision) on the date of the Participant's "separation from service" (within the meaning of Section 409A of the Code), any payment that is subject to Section 409A of the Code and payable due to the Participant's termination of employment will not be made to the Participant until the earlier of the six-month anniversary of the Participant's "separation from service" within the meaning of Section 409A of the Code or the date of the Participant's death and will be accumulated and paid on such date.

(c) No Participant Designation of Year of Payment. To the extent necessary to comply with Section 409A of the Code, in no event may a Participant, directly or indirectly, designate the taxable year of payment. To the extent necessary to comply with Section 409A of the Code, if any payment to a Participant under the Plan is conditioned upon the Participant's executing and not revoking a Release and if the designated payment period for such payment begins in one taxable year and ends in the next taxable year, the payment will be made in the later taxable year.

Exhibit A

List of Participants

**FORM OF
PARTICIPATION AGREEMENT**

Reference is made to the First Fed Bank Executive Change in Control Plan (as the same may be amended or modified from time to time, the "Plan"). The Plan is incorporated in this Participation Agreement and is deemed to be a part hereof for all purposes. Unless otherwise defined herein, capitalized terms used in this Participation Agreement shall have the meanings set forth in the Plan.

Upon your execution and delivery to the Bank of this Participation Agreement, you will become a Participant in the Plan. Your participation in the Plan is subject to the terms and conditions of the Plan. Pursuant to your participation in the Plan, you are eligible to receive severance benefits in accordance with the terms of the Plan.

Your severance multiple for change in control severance benefits under Section 3.3 of the Plan is 2.0.

By signing below, you expressly agree to be bound by, and you promise to abide by, the terms of the Plan. You agree that the terms of the Plan are reasonable in all respects.

You acknowledge and agree that the Plan and this Participation Agreement supersedes all prior employment agreements, change-in-control agreements and/or severance benefit policies, plans and arrangements of the Bank, if any (and supersede all prior oral or written communications by the Bank with respect to change-in-control benefits or severance benefits, if any), and any such prior policies, plans, arrangements and communications are hereby null and void and of no further force and effect with respect to your participation therein.

You further acknowledge and agree that before signing this Participation Agreement (a) you have fully read and you understand the Plan, (b) you have fully read, and you understand and voluntarily enter into, this Participation Agreement, and (c) you have had sufficient opportunity to consult with your personal tax, financial planning advisor and attorney about the tax, financial and legal consequences of your participation in the Plan.

This Participation Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. This Participation Agreement shall be valid, binding, and enforceable against a party when executed by means of (a) an electronic signature; (b) an original manual signature; or (c) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall have for all purposes the same validity, legal effect, and admissibility in evidence as an original manual signature.

IN WITNESS WHEREOF, each of the parties has executed this Participation Agreement (in the case of the Bank, by its duly authorized officer), as set forth below.

FIRST FED BANK

PARTICIPANT:

By:
Name:
Title:
Date:

By:
Name:
Date:

Restricted Stock Unit Award Agreement

THIS AGREEMENT (this “Award Agreement”), is made effective as of March 7, 2025 (the “Grant Date”), by and between First Northwest Bancorp, a Washington corporation (the “Company”), and the employee named in Appendix A (the “Participant”). Company and Participant are referred to individually as a “Party” and collectively as the “Parties” herein. Capitalized terms used but not otherwise defined herein shall have the meanings so indicated in the First Northwest Bancorp 2020 Equity Incentive Plan (the “Plan”).

WHEREAS, the Compensation Committee of the Company has determined that it would be in the best interests of the Company and its stockholders to grant the restricted stock units provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the Parties agree as follows:

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant an Award of restricted stock units in the amount specified in Appendix A (each, a “Restricted Stock Unit”), on the terms and conditions set forth in the Plan and this Award Agreement.

2. Vesting of the Restricted Stock Units.

- a. General. Subject to Section 2(b) hereof and Article 6.5(j) of the Plan, the Restricted Stock Units shall vest on the vesting schedule set forth in Appendix A, independent of the Participant’s continued employment with the Company (“Service”) through each applicable vesting date.
- b. Effect of Change in Control. Except as set forth in Section 2(c), the Restricted Stock Units, to the extent not then vested or forfeited and subject to the Participant’s continued Service on the date the Change in Control is consummated, shall accelerate and become fully vested immediately prior to and contingent upon a Change in Control.
- c. Alternative Awards. No acceleration of vesting shall occur with respect to any of the Restricted Stock Units if the Board of Directors of the Company (the “Board”) reasonably determines in good faith, prior to the occurrence of a Change in Control, that such Restricted Stock Units shall be honored or assumed, or new rights substituted therefor following the Change in Control (such honored, assumed or substituted award, is an “Alternative Award”), provided that any Alternative Award must:
 - i. give the Participant rights and entitlements substantially equivalent to or better than the rights and terms applicable under the Restricted Stock Units, including, but not limited to, an identical or better exercise and vesting schedule; and
 - ii. have terms such that if the Participant’s Service is involuntarily (i.e., by the Company or its successor other than for Cause, as defined in the Employment Agreement) or constructively (i.e., by the Participant with Good Reason, as defined in the Employment Agreement) terminated within one year following a Change in Control at a time when any portion of the Alternative Award is unvested, the unvested portion of such Alternative Award shall immediately vest in full.

3. Settlement.

- a. Each Award shall be settled within thirty (30) days following the date in which such Award becomes vested pursuant to Section 2.
- b. Upon settlement of an Award, the Company shall deliver to the Participant or the Participant’s Trustee (as applicable) a number of Shares equal to the aggregate number of Restricted Stock Units that have previously vested and are not yet settled.
- c. The Participant shall have none of the rights of a stockholder of the Company with respect to the Restricted Stock Units unless and until Shares are issued to the Participant in accordance with this Section 3.

4. Dividend Equivalent Rights. As of any date that the Company pays an ordinary cash dividend on its Common Stock, the Company shall credit the Participant with a dollar amount equal to (i) the per share cash dividend paid by the Company on its Common Stock on such date, multiplied by (ii) the total number of Restricted Stock Units subject to the Award that are outstanding immediately prior to the record date for that dividend (a “Dividend Equivalent Right”). Any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 4 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Restricted Stock Units to which they relate; provided, however, that the amount of any vested Dividend Equivalent Rights shall be paid in cash. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 4 with respect to any Stock Units which, immediately prior to the record date for that dividend, have either been paid or terminated pursuant to this Agreement. As further described in Section 21, the Participant is responsible for any tax liability created by payment of the Dividend Equivalent Rights described in this Section 4.

5. Termination of Service; No Forfeiture. Upon the termination of the Participant’s Service for any reason at any time, any and all of the unvested Restricted Stock Units shall continue in full force and effect and not be forfeited without reasonable consideration therefor.

6. No Right to Continued Service. The granting of the Restricted Stock Units shall impose no obligation on the Company or any Affiliate to continue the Service of the Participant and shall not lessen or affect any right that the Company or any Affiliate may have to terminate the Service of the Participant.

7. Withholding. The Company shall have the power and the right to deduct or withhold automatically from any payment or Shares deliverable under this Award Agreement, or require the Participant to remit to the Company, the minimum statutory amount to satisfy federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Award Agreement.

8. Transferability. Unless otherwise determined by the Committee, the Participant shall not be permitted to transfer or assign an Award or any portion of an Award except in the event of death and in accordance with Article 6.4(d) of the Plan.

9. Adjustment of Restricted Stock Units. Adjustments to the Restricted Stock Units (or any Shares underlying the Restricted Stock Units) shall be made in accordance with the terms of the Plan.

10. Restricted Stock Units Subject to Plan. By entering into this Award Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Restricted Stock Units are subject to the terms and conditions of the Plan. In the event of a conflict between any term hereof and a term of the Plan, the applicable term of the Plan shall govern and prevail.

11. Choice of Law. This Award Agreement, and all claims or causes of action or other matters that may be based upon, arise out of or relate to this Award Agreement, shall be governed by and construed in accordance with the laws of the State of Washington, excluding any conflict- or choice-of-law rule or principle that might otherwise refer construction or interpretation thereof to the substantive laws of another jurisdiction.

12. Consent to Jurisdiction. The Company and the Participant (a) hereby irrevocably submit to the exclusive jurisdiction of the state and federal courts in the State of Washington for the purposes of any claim or action arising out of or based upon this Award Agreement or relating to the subject matter hereof, (b) hereby waive, to the extent not prohibited by applicable law, and agree not to assert by way of motion, as a defense or otherwise, in any such claim or action, any claim that either Party is not subject personally to the jurisdiction of the above-named courts, that either Party's property is exempt or immune from attachment or execution, that any such proceeding brought in the above-named court is improper or that this Award Agreement or the subject matter hereof may not be enforced in or by such court and (c) hereby agree not to commence any claim or action arising out of or based upon this Award Agreement or relating to the subject matter hereof other than before the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such claim or action to any court other than the above-named courts whether on the grounds of inconvenient forum or otherwise; provided, however, that the Company and the Participant may seek to enforce a judgment issued by the above-named courts in any proper jurisdiction.

13. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT SUCH PARTY SHALL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AWARD AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT SUCH PARTY HAS BEEN INFORMED BY THE OTHER PARTY HERETO THAT THIS SECTION 12 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND SHALL RELY IN ENTERING INTO THIS AWARD AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 12 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

14. Securities Laws. Shares shall not be issued pursuant to this Award Agreement unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including, without limitation, the Securities Act of 1933, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. The Company shall not be obligated to file any registration statement under any applicable securities laws to permit the purchase or issuance of any Shares. Any certificates for Shares may have an appropriate legend or statement of applicable restrictions endorsed thereon. If the Company deems it necessary to ensure that the issuance of Shares under this Award Agreement is not required to be registered under any applicable securities laws, the Participant shall deliver to the Company an agreement containing such representations, warranties and covenants as the Company may reasonably require.

15. Notices. Any notice or other communication provided for herein or given hereunder to a Party hereto must be in writing, and shall be deemed to have been given (a) when personally delivered with confirmation of delivery, (b) upon transmission by electronic mail (and no error message is generated), (c) one business day after deposit with Federal Express or similar overnight courier service, or (d) three (3) business days after being mailed by first class mail, return receipt requested. Any notice shall be addressed to the Company at its principal executive office, attention Chief Executive Officer, and to the Participant at the address that the Participant most recently provided to the Company.

16. Consent to Electronic Delivery. By accepting this Award, the Participant agrees, to the fullest extent permitted by applicable law, in lieu of receiving documents in paper format, to accept electronic delivery of any documents that the Company or its Subsidiaries may be required to deliver in connection with

the Plan. Electronic delivery of a document may be via e-mail or by reference to a location on a Company intranet site or a designated third-party vendor's internet site.

17. Entire Agreement. This Award Agreement (including any applicable provisions of Appendix A, attached hereto), the Plan and the Employment Agreement constitute the entire agreement and understanding among the Parties in respect of the subject matter hereof and supersede all prior and contemporaneous arrangements, agreements and understandings, whether oral or written and whether express or implied, and whether in term sheets, presentations or otherwise, among the Parties, or between any of them, with respect to the subject matter hereof; provided, that the Participant shall continue to be bound by any other confidentiality, non-competition, non-solicitation and other similar restrictive covenants contained in any other agreements between the Participant and the Company, its Affiliates and their respective predecessors to which the Participant is bound. In the event of any inconsistency between any of the agreements named in this Section 16 and any restrictive covenants contained in such other agreements in effect on the Grant Date, that obligation that is most restrictive upon the Participant shall control.

18. Survival of Obligations. Forfeiture or termination of any or all of the Restricted Stock Units or termination of the Participant's Service shall not affect the Parties' continuing obligations set forth in this Award Agreement.

19. Amendment; Waiver. No amendment or modification of any term of this Award Agreement shall be effective unless signed in writing by or on behalf of the Company and the Participant and made in accordance with the terms of the Plan. No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature.

20. Successors and Assigns; No Third-Party Beneficiaries. The provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant and the Participant's heirs, successors, legal representatives and permitted assigns. Nothing in this Award Agreement, express or implied, is intended to confer on any person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Award Agreement.

21. Signature in Counterparts; Electronic Signatures. This Award Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. The Participant and the Company each agrees and acknowledges that the use of electronic media (including, without limitation, a clickthrough button or checkbox on a website of the Company or a third-party administrator) to indicate the Participant's confirmation, consent, signature, agreement and delivery of this Award Agreement is legally valid and has the same legal force and effect as if the Participant and the Company signed and executed this Award Agreement in paper form. The same use of electronic media may be used for any amendment or waiver of this Award Agreement.

22. No Guarantees Regarding Tax Treatment. The Participant (or their beneficiaries) shall be responsible for all taxes with respect to the awards contemplated in this Agreement. The Committee and the Company make no guarantees regarding the tax treatment of the Restricted Stock Units or any other awards contemplated herein. Neither the Committee nor the Company has any obligation to take any action to prevent the assessment of any tax under Section 409A or Section 457A of the Internal Revenue Service Code (the "Code") or otherwise, and none of the Company, any Affiliate or any of their employees or representatives shall have any liability to a Participant with respect thereto.

23. Compliance with Section 409A. The Company intends that the Restricted Stock Units be structured in compliance with, or to satisfy an exemption from, Section 409A of the Code and all regulations, guidance, compliance programs and other interpretative authority thereunder ("Section 409A"), such that there are no adverse tax consequences, interest or penalties under Section 409A as a result of the Restricted Stock Units. In the event the Restricted Stock Units are subject to Section 409A, the Committee may, in its sole discretion, take the actions described in Section 12.1 of the Plan.

IN WITNESS WHEREOF, the Parties hereto have executed this Award Agreement.

PARTICIPANT

Name: Matthew P. Deines

FIRST NORTHWEST BANCORP

Cindy H. Finnie, Chair
Board of Directors

APPENDIX A

Participant Name	RSU Award Quantity	Vesting Schedule	Vesting Date
Matthew P. Deines	5,996	1 year	March 7, 2026

**Certification of Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Matthew P. Deines, President, Chief Executive Officer and Director of First Northwest Bancorp, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Northwest Bancorp;
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 quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2025

/s/Matthew P. Deines

Matthew P. Deines

President, Chief Executive Officer and Director
(Principal Executive Officer)

**Certification of Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Phyllis R. Nomura, Executive Vice President and Chief Financial Officer of First Northwest Bancorp, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Northwest Bancorp;
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 quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fiscal fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2025

/s/Phyllis R. Nomura

Phyllis R. Nomura

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

**Certification of Chief Executive Officer and Chief Financial Officer of First Northwest Bancorp
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Each of the undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with this Quarterly Report on Form 10-Q, for the quarter ended March 31, 2025, that:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Matthew P. Deines

Matthew P. Deines
President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/Phyllis R. Nomura

Phyllis R. Nomura
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: May 12, 2025