

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2025

OR

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

For the transition period from _____ to _____

Commission File Number: 001-41196



USCB Financial Holdings, Inc.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

87-4070846
(I.R.S. Employer
Identification No.)

2301 N.W. 87th Avenue, Doral, FL 33172
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: **(305) 715-5200**

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, \$1.00 par value per share	USCB	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," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
As of July 31, 2025 the registrant had 20,078,385 shares of Class A common stock outstanding.

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PART I
Item 1. Financial Statements

USCB FINANCIAL HOLDINGS, INC
Consolidated Balance Sheets – Unaudited
(Dollars in thousands, except share data)

	June 30, 2025	December 31, 2024
ASSETS:		
Cash and due from banks	\$ 8,386	\$ 6,986
Interest-bearing deposits in banks	46,433	70,049
Total cash and cash equivalents	54,819	77,035
Investment securities held to maturity, net of allowance of \$7 and \$6, respectively (fair value of \$142,877 and \$145,540, respectively)	158,740	164,694
Investment securities available for sale, at fair value	285,382	260,221
Federal Home Loan Bank stock, at cost	6,936	9,379
Loans held for investment, net of allowance of \$24,933 and \$24,070, respectively	2,088,385	1,948,778
Accrued interest receivable	11,285	10,945
Premises and equipment, net	4,359	4,563
Bank owned life insurance	58,427	53,472
Deferred tax assets, net	23,663	29,646
Lease right-of-use asset	7,046	8,451
Other assets	20,432	14,032
Total assets	<u>\$ 2,719,474</u>	<u>\$ 2,581,216</u>
LIABILITIES:		
Deposits:		
Non-interest bearing demand deposits	\$ 584,895	\$ 575,159
Savings and money market deposits	1,248,379	1,180,809
Interest-bearing demand deposits	40,597	50,648
Time deposits	461,790	367,388
Total deposits	2,335,661	2,174,004
Federal Home Loan Bank advances	108,000	163,000
Lease liability	7,046	8,451
Accrued interest and other liabilities	37,184	20,373
Total liabilities	2,487,891	2,365,828
Commitments and contingencies (See Notes 5 and 11)		
STOCKHOLDERS' EQUITY:		
Preferred stock - Class C; \$1.00 par value; \$1,000 per share liquidation preference; 52,748 shares authorized; 0 and 0 issued and outstanding as of June 30, 2025 and December 31, 2024	-	-
Preferred stock - Class D; \$1.00 par value; \$5.00 per share liquidation preference; 12,309,480 shares authorized; 0 and 0 issued and outstanding as of June 30, 2025 and December 31, 2024	-	-
Preferred stock - Class E; \$1.00 par value; \$1,000 per share liquidation preference; 3,185,024 shares authorized; 0 and 0 issued and outstanding as of June 30, 2025 and December 31, 2024	-	-
Common stock - Class A Voting; \$1.00 par value; 45,000,000 shares authorized; 20,078,385 issued and outstanding as of June 30, 2025, 19,924,632 issued and outstanding as of December 31, 2024	20,078	19,925
Common stock - Class B Non-voting; \$1.00 par value; 8,000,000 shares authorized; 0 and 0 issued and outstanding as of June 30, 2025 and December 31, 2024	-	-
Additional paid-in capital on common stock	309,282	307,810
Accumulated deficit	(56,025)	(67,813)
Accumulated other comprehensive loss	(41,752)	(44,534)
Total stockholders' equity	231,583	215,388
Total liabilities and stockholders' equity	<u>\$ 2,719,474</u>	<u>\$ 2,581,216</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Operations - Unaudited
(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Interest income:				
Loans, including fees	\$ 31,946	\$ 28,017	\$ 62,191	\$ 54,660
Investment securities	3,432	3,069	6,456	5,880
Interest-bearing deposits in financial institutions	776	1,531	1,485	2,964
Total interest income	<u>36,154</u>	<u>32,617</u>	<u>70,132</u>	<u>63,504</u>
Interest expense:				
Interest-bearing demand deposits	285	391	623	760
Savings and money market deposits	9,410	10,071	18,745	20,465
Time deposits	4,343	3,222	8,261	6,516
Federal Home Loan Bank advances and other borrowings	1,082	1,622	2,354	3,294
Total interest expense	<u>15,120</u>	<u>15,306</u>	<u>29,983</u>	<u>31,035</u>
Net interest income before provision for credit losses	21,034	17,311	40,149	32,469
Provision for credit losses	<u>1,031</u>	<u>786</u>	<u>1,712</u>	<u>1,196</u>
Net interest income after provision for credit losses	20,003	16,525	38,437	31,273
Non-interest income:				
Service fees	2,402	1,977	4,733	3,628
Gain on sale of securities available for sale, net	-	14	-	14
Gain on sale of loans held for sale, net	151	417	676	484
Other non-interest income	<u>817</u>	<u>803</u>	<u>1,677</u>	<u>1,549</u>
Total non-interest income	3,370	3,211	7,086	5,675
Non-interest expense:				
Salaries and employee benefits	7,954	7,353	15,590	13,663
Occupancy	1,337	1,266	2,621	2,580
Regulatory assessments and fees	396	476	817	909
Consulting and legal fees	263	263	456	855
Network and information technology services	564	479	1,069	986
Other operating expense	<u>2,120</u>	<u>1,723</u>	<u>4,133</u>	<u>3,741</u>
Total non-interest expense	<u>12,634</u>	<u>11,560</u>	<u>24,686</u>	<u>22,734</u>
Income before income tax expense	10,739	8,176	20,837	14,214
Income tax expense	<u>2,599</u>	<u>1,967</u>	<u>5,039</u>	<u>3,393</u>
Net income	<u>\$ 8,140</u>	<u>\$ 6,209</u>	<u>\$ 15,798</u>	<u>\$ 10,821</u>
Per share information:				
Net income per share, basic	\$ 0.41	\$ 0.32	\$ 0.79	\$ 0.55
Net income per share, diluted	\$ 0.40	\$ 0.31	\$ 0.78	\$ 0.55
Cash dividends declared	\$ 0.10	\$ 0.05	\$ 0.20	\$ 0.10

The accompanying notes are an integral part of these unaudited consolidated financial statements.

USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Comprehensive Income - Unaudited
(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net income	\$ 8,140	\$ 6,209	\$ 15,798	\$ 10,821
Other comprehensive income (loss):				
Unrealized gain (loss) on investment securities	(895)	910	3,778	(1,224)
Reclassification adjustment for amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity	67	66	134	133
Reclassification adjustment for gain included in net income	-	(14)	-	(14)
Unrealized gain (loss) on cash flow hedge	(28)	30	(186)	549
Tax benefit (expense)	217	(251)	(944)	141
Total other comprehensive income (loss), net of tax	(639)	741	2,782	(415)
Total comprehensive income	<u>\$ 7,501</u>	<u>\$ 6,950</u>	<u>\$ 18,580</u>	<u>\$ 10,406</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

USCB FINANCIAL HOLDINGS, INC.
 Consolidated Statements of Changes in Stockholders' Equity - Unaudited
 (Dollars in thousands, except per share data)

	Common Stock		Additional Paid-in Capital on Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
Balance at March 31, 2025	20,048,385	\$ 20,048	\$ 308,313	\$ (62,160)	\$ (41,113)	\$ 225,088
Net income	-	-	-	8,140	-	8,140
Other comprehensive loss	-	-	-	-	(639)	(639)
Exercise of stock options	30,000	30	195	-	-	225
Dividend payment	-	-	-	(2,005)	-	(2,005)
Stock-based compensation	-	-	774	-	-	774
Balance at June 30, 2025	20,078,385	\$ 20,078	\$ 309,282	\$ (56,025)	\$ (41,752)	\$ 231,583
Balance at March 31, 2024	19,650,463	\$ 19,650	\$ 305,740	\$ (84,952)	\$ (45,427)	\$ 195,011
Net income	-	-	-	6,209	-	6,209
Other comprehensive income	-	-	-	-	741	741
Repurchase of Class A common stock	(25,000)	(25)	(275)	-	-	(300)
Restricted stock issued	5,169	6	(6)	-	-	-
Dividend payment	-	-	-	(1,017)	-	(1,017)
Stock-based compensation	-	-	376	-	-	376
Balance at June 30, 2024	19,630,632	\$ 19,631	\$ 305,835	\$ (79,760)	\$ (44,686)	\$ 201,020

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Common Stock						
	Shares	Par Value	Additional Paid-in Capital on Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2024	19,924,632	\$ 19,925	\$ 307,810	\$ (67,813)	\$ (44,534)	\$ 215,388
Net income	-	-	-	15,798	-	15,798
Other comprehensive income	-	-	-	-	2,782	2,782
Repurchase of Class A common stock	(9,671)	(10)	(164)	-	-	(174)
Restricted stock issued	124,424	124	(124)	-	-	-
Restricted stock forfeiture	-	-	-	-	-	-
Exercise of stock options	39,000	39	278	-	-	317
Dividend payment	-	-	-	(4,010)	-	(4,010)
Stock-based compensation	-	-	1,482	-	-	1,482
Balance at June 30, 2025	<u>20,078,385</u>	<u>\$ 20,078</u>	<u>\$ 309,282</u>	<u>\$ (56,025)</u>	<u>\$ (41,752)</u>	<u>\$ 231,583</u>
Balance at December 31, 2023	19,575,435	19,575	305,212	(88,548)	(44,271)	191,968
Net income	-	-	-	10,821	-	10,821
Other comprehensive loss	-	-	-	-	(415)	(415)
Repurchase of Class A common stock	(32,100)	(32)	(348)	-	-	(380)
Restricted stock issued	57,922	58	(58)	-	-	-
Restricted stock forfeiture	(8,625)	(8)	8	-	-	-
Exercise of stock options	38,000	38	285	-	-	323
Dividend payment	-	-	-	(2,033)	-	(2,033)
Stock-based compensation	-	-	736	-	-	736
Balance at June 30, 2024	<u>19,630,632</u>	<u>\$ 19,631</u>	<u>\$ 305,635</u>	<u>\$ (79,760)</u>	<u>\$ (44,686)</u>	<u>\$ 201,020</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.
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USCB FINANCIAL HOLDINGS, INC.
Consolidated Statements of Cash Flows - Unaudited
(Dollars in thousands)

	Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 15,798	\$ 10,821
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,712	1,196
Depreciation and amortization	298	286
Accretion of premiums on securities, net	(728)	(228)
Amortization of deferred loan fees, net	280	100
Stock-based compensation	1,482	736
Gain on sale of available for sale securities, net	-	(14)
Gain on sale of loans held for sale, net	(676)	(484)
Proceeds from the sale of loans held for sale	9,745	6,049
Origination of loans held for sale	(9,069)	(5,565)
Increase in cash surrender value of bank owned life insurance	(955)	(826)
Decrease in deferred tax assets	5,040	3,393
Net change in operating assets and liabilities:		
Accrued interest receivable	(340)	(850)
Other assets	(6,586)	(1,198)
Accrued interest and other liabilities	16,667	12,991
Net cash provided by operating activities	32,668	26,407
Cash flows from investing activities:		
Proceeds from maturities and pay-downs of investment securities held to maturity	6,044	5,455
Purchase of investment securities available for sale	(31,676)	(52,449)
Proceeds from maturities and pay-downs of investment securities available for sale	11,063	9,630
Proceeds from sales of investment securities available for sale	-	34,753
Net increase in loans held for investment	(71,439)	(43,821)
Purchase of loans held for investment	(70,015)	(44,691)
Additions to premises and equipment	(94)	(178)
Purchase of bank owned life insurance	(4,000)	-
Proceeds from the redemption of Federal Home Loan Bank stock	8,170	4,798
Purchase of Federal Home Loan Bank stock	(5,727)	(177)
Net cash used in investment activities	(157,674)	(86,680)
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock, net	317	323
Cash dividends paid	(4,010)	(2,033)
Repurchase of Class A common stock	(174)	(380)
Net increase in deposits	161,657	119,562
Proceeds from FHLB advances	117,000	-
Proceeds from other borrowings	-	80,000
Repayments on Federal Home Loan Bank advances	(172,000)	(101,000)
Net cash provided by financing activities	102,790	96,472
Net increase (decrease) in cash and cash equivalents	(22,216)	36,199
Cash and cash equivalents at beginning of period	77,035	41,062
Cash and cash equivalents at end of period	\$ 54,819	\$ 77,261
Supplemental disclosure of cash flow information:		
Interest paid	\$ 29,167	\$ 28,538

The accompanying notes are an integral part of these unaudited consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

USCB Financial Holdings, Inc., a Florida corporation incorporated in 2021, is a bank holding company with one direct wholly owned subsidiary, U.S. Century Bank (the "Bank"), together referred to as "the Company". The Bank, established in 2002, is a Florida state-chartered, non-member financial institution providing financial services through its banking centers located in South Florida.

The Bank owns a subsidiary, Florida Peninsula Title LLC, that offers our clients title insurance policies for real estate transactions closed at the Bank. Licensed in the State of Florida and approved by the Department of Insurance Regulation, Florida Peninsula Title LLC began operations in 2021.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

Principles of Consolidation

The Company consolidates entities in which it has a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

To prepare financial statements in conformity with U.S. GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements. The most significant estimate impacting the Company's consolidated financial statements is the allowance for credit losses ("ACL").

Reclassifications

Certain amounts in prior period consolidated financial statements have been reclassified to conform to the current presentation. Reclassifications had no impact on prior period net income or stockholders' equity.

Recently Issued Accounting Standards**Adoption of New Accounting Standards****Improvements to Income Tax Disclosures**

In December 2023, the FASB issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU pertains to disclosures regarding effective tax rates and cash income taxes paid with the goal of providing stakeholders with more transparent and relevant information. This ASU is effective for public business entities for annual periods beginning after December 15, 2024. The Company adopted this ASU 2023-09 effective January 1, 2025. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

USCB FINANCIAL HOLDINGS, INC.

Notes to the Consolidated Financial Statements - Unaudited

2. INVESTMENT SECURITIES

The following tables present a summary of the amortized cost, unrealized or unrecognized gains and losses, and fair value of investment securities at the dates indicated (in thousands):

	June 30, 2025			
Available-for-sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government Agency	\$ 16,308	\$ 18	\$ (1,476)	\$ 14,850
Collateralized mortgage obligations	97,459	13	(20,748)	76,724
Mortgage-backed securities - residential	62,002	9	(11,024)	50,987
Mortgage-backed securities - commercial	104,782	3	(8,261)	96,524
Municipal securities	24,885	-	(5,054)	19,831
Bank subordinated debt securities	26,873	250	(657)	26,466
	<u>\$ 332,309</u>	<u>\$ 293</u>	<u>\$ (47,220)</u>	<u>\$ 285,382</u>

	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Fair Value
Held-to-maturity:				
U.S. Government Agency	\$ 41,716	\$ 22	\$ (4,154)	\$ 37,584
Collateralized mortgage obligations	54,312	266	(6,641)	47,937
Mortgage-backed securities - residential	38,404	319	(4,168)	34,555
Mortgage-backed securities - commercial	15,182	-	(1,293)	13,889
Corporate bonds	9,133	-	(221)	8,912
	<u>\$ 158,747</u>	<u>\$ 607</u>	<u>\$ (16,477)</u>	<u>\$ 142,877</u>
Allowance for credit losses - securities held-to-maturity	<u>(7)</u>			
Securities held-to maturity, net of allowance for credit losses	<u>\$ 158,740</u>			

	December 31, 2024			
Available-for-sale:	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government Agency	\$ 14,279	\$ 14	\$ (1,668)	\$ 12,625
Collateralized mortgage obligations	101,808	15	(22,918)	78,905
Mortgage-backed securities - residential	58,995	1	(12,063)	46,933
Mortgage-backed securities - commercial	86,604	40	(7,905)	78,739
Municipal securities	24,925	-	(5,614)	19,311
Bank subordinated debt securities	24,314	438	(1,044)	23,708
	<u>\$ 310,925</u>	<u>\$ 508</u>	<u>\$ (51,212)</u>	<u>\$ 260,221</u>

	Amortized Cost	Unrecognized Gains	Unrecognized Losses	Fair Value
Held-to-maturity:				
U.S. Government Agency	\$ 42,538	\$ -	\$ (5,094)	\$ 37,444
Collateralized mortgage obligations	56,987	57	(7,785)	49,259
Mortgage-backed securities - residential	40,681	53	(4,613)	36,121
Mortgage-backed securities - commercial	15,272	-	(1,385)	13,887
Corporate bonds	9,222	-	(393)	8,829
	<u>\$ 164,700</u>	<u>\$ 110</u>	<u>\$ (19,270)</u>	<u>\$ 145,540</u>
Allowance for credit losses - securities held-to-maturity	<u>(6)</u>			
Securities held-to maturity, net of allowance for credit losses	<u>\$ 164,694</u>			

Transfers of debt securities into the HTM category from the AFS category are made at fair value as of the date of transfer. The unrealized gain or loss at the date of transfer is retained in AOCI and in the carrying value of the HTM securities and there is no impact to net income. Such amounts are amortized over the remaining life of the security. The Company made two transfers from AFS to HTM portfolios in 2022.

During the quarter ended June 30, 2025 there were no investment securities that were transferred from AFS to HTM. For the three months ended June 30, 2025, total amortization out of AOCI for net unrealized losses on securities transferred

USCB FINANCIAL HOLDINGS, INC.

Notes to the Consolidated Financial Statements - Unaudited

in 2022 from AFS to HTM was \$67 thousand and \$134 thousand for the six month ended June 30, 2025. At June 30, 2025, the fair value of the securities was \$99.9 million and the balance of the net unrealized loss was \$9.1 million.

For the quarter ended June 30, 2024, total amortization out of AOCI for the net unrealized losses on securities transferred from AFS to HTM was \$66 thousand and \$133 thousand for the six month ended June 30, 2024. At June 30, 2024, the fair value of the securities was \$103.7 million and the balance of the net unrealized losses retained in AOCI was \$9.4 million.

The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities.

CECL requires a loss reserve for securities classified as held-to-maturity ("HTM"). The reserve should reflect historical credit performance as well as the impact of projected economic forecasts. For U.S. Government bonds and U.S. Agency issued bonds classified as HTM, the explicit guarantee of the U.S. Government is sufficient to conclude that a credit loss reserve is not required. The reserve requirement is for three primary assets groups: municipal bonds, corporate bonds, and non-agency securitizations. The Company calculates quarterly the loss reserve utilizing Moody's ImpairmentStudio. The CECL measurement for investment securities incorporates historical data, containing defaults and recoveries information, and Moody's baseline economic forecast. The solution uses the probability of default/loss given default ("PD/LGD") approach. PD represents the likelihood a borrower will default. Within the Moody's model, this is determined using historical default data, adjusted for the current economic environment. LGD projects the expected loss if a borrower were to default.

The Company monitors the credit quality of HTM securities through the use of credit ratings. Credit ratings are monitored by the Company on at least a quarterly basis. As of June 30, 2025 and December 31, 2024, all HTM securities held by the Company were rated investment grade.

At June 30, 2025 HTM securities included \$149.6 million of U.S. Government and U.S. Agency issued bonds and mortgage-backed securities. Because of the explicit and/or implicit guarantee on these bonds, the Company holds no reserves on these holdings. The remaining portion of the HTM portfolio is made up of \$9.1 million in investment grade corporate bonds. The required reserve for these holdings is determined each quarter using the model described above. For the portion of the HTM exposed to non-government credit risk, the Company utilized the PD/LGD methodology to estimate a \$7 thousand ACL as of June 30, 2025. The book value for debt securities classified as HTM represents amortized cost less the ACL related to these securities.

The Company's investment portfolio includes Available-for-Sale ("AFS") debt securities, which are carried at fair value with unrealized gains and losses recognized in accumulated other comprehensive income (loss) ("AOCI"), net of applicable taxes. The Company evaluates whether the declines in fair value are attributable to credit losses or other factors like interest rate risk, using both quantitative and qualitative analyses, including company performance analysis, review of credit ratings, bond vintage, remaining payment terms, prepayment speeds and analysis of macro-economic conditions. When the fair value of an AFS security is less than its amortized cost and the decline is attributable to credit-related factors, an allowance for credit losses ("ACL") is recorded. As a result of this evaluation, the Company concluded that no allowance was required on AFS securities as of June 30, 2025.

Information pertaining to investment securities with gross unrealized losses, aggregated by investment category and length of time that those individual securities have been in a continuous loss position, are presented as of the following dates (in thousands):

	June 30, 2025					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale:						
U.S. Government Agency	\$ 3,163	\$ (48)	\$ 8,083	\$ (1,428)	\$ 11,246	\$ (1,476)
Collateralized mortgage obligations	-	-	72,887	(20,748)	72,887	(20,748)
Mortgage-backed securities - residential	5,980	(29)	43,649	(10,995)	49,629	(11,024)
Mortgage-backed securities - commercial	60,802	(1,637)	32,732	(6,624)	93,534	(8,261)
Municipal securities	-	-	19,830	(5,054)	19,830	(5,054)
Bank subordinated debt securities	6,039	(18)	14,333	(639)	20,372	(657)
	<u>\$ 75,984</u>	<u>\$ (1,732)</u>	<u>\$ 191,514</u>	<u>\$ (45,488)</u>	<u>\$ 267,498</u>	<u>\$ (47,220)</u>

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	December 31, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale:						
U.S. Government Agency	\$ 4,468	\$ (76)	\$ 7,451	\$ (1,592)	\$ 11,919	\$ (1,668)
Collateralized mortgage obligations	3,101	(23)	72,952	(22,895)	76,053	(22,918)
Mortgage-backed securities - residential	972	(11)	44,600	(12,052)	45,572	(12,063)
Mortgage-backed securities - commercial	44,411	(1,265)	27,874	(6,640)	72,285	(7,905)
Municipal securities	-	-	19,311	(5,614)	19,311	(5,614)
Bank subordinated debt securities	-	-	14,352	(1,044)	14,352	(1,044)
	<u>\$ 52,952</u>	<u>\$ (1,375)</u>	<u>\$ 186,540</u>	<u>\$ (49,837)</u>	<u>\$ 239,492</u>	<u>\$ (51,212)</u>

The contractual cash flows for these securities are guaranteed by U.S. government sponsored entities. The municipal bonds are of high credit quality and the declines in fair value are not due to credit quality. Based on the assessment of these mitigating factors, management believed that the unrealized losses on these debt security holdings are a function of changes in investment spreads and interest rate movements and not changes in credit quality.

Gains and losses on the sale of securities are recorded on the trade date and are determined on the specific identification basis. There were no sales or calls of securities nor gains or losses of securities during the three months and six months ended June 30, 2025. The following table presents the proceeds, realized gross gains and realized gross losses on sales and calls of AFS debt securities for the three and six months ended June 30, 2024 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Available-for-sale:				
Proceeds from sale and call of securities	\$ -	\$ 34,753	\$ -	\$ 34,753
Gross gains	\$ -	\$ 195	\$ -	\$ 195
Gross losses	-	(181)	-	(181)
Net realized gain	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>

The amortized cost and fair value of investment securities, by contractual maturity, are shown below as of the date indicated (in thousands). Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
June 30, 2025:				
Due within one year	\$ -	\$ -	\$ 9,133	\$ 8,912
Due after one year through five years	7,925	7,978	-	-
Due after five years through ten years	39,593	35,066	-	-
Due after ten years	4,240	3,253	-	-
U.S. Government Agency	16,308	14,850	41,716	37,584
Collateralized mortgage obligations	97,459	76,724	54,312	47,937
Mortgage-backed securities - residential	62,002	50,987	38,404	34,555
Mortgage-backed securities - commercial	104,782	96,524	15,182	13,889
	<u>\$ 332,309</u>	<u>\$ 285,382</u>	<u>\$ 158,747</u>	<u>\$ 142,877</u>

At June 30, 2025, there were no securities held in the portfolio from any one issuer in an amount greater than 10% of total stockholders' equity other than the U.S. Government and U.S. Government Agency securities. All the collateralized mortgage obligations and mortgage-backed securities at June 30, 2025 and December 31, 2024 were issued by U.S. Government entities.

The Bank is a Qualified Public Depository ("QPD") with the State of Florida. As a QPD, the Bank has the legal authority to maintain public deposits from cities, municipalities, and the State of Florida. These public deposits are secured by securities pledged to the State of Florida at a ratio of 25% of the quarter daily average balance at June 30, 2025 and 50%

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at December 31, 2024. The Bank must also maintain a minimum amount of pledged securities to be in the public funds program.

As of June 30, 2025, the Bank had a total of \$176.1 million in deposits under the public funds program and pledged to the State of Florida for these public funds were sixteen bonds with an aggregate fair value of \$49.6 million.

As of December 31, 2024, the Bank had a total of \$110.5 million in deposits under the public funds program and pledged to the State of Florida for these public funds were twenty-one bonds with an aggregate fair value of \$66.1 million.

3. LOANS

The following table is a summary of the distribution of loans held for investment by type (dollars in thousands):

	June 30, 2025		December 31, 2024	
	Total	Percent of Total	Total	Percent of Total
Residential Real Estate	\$ 307,020	14.6 %	\$ 289,961	14.8 %
Commercial Real Estate	1,206,621	57.3 %	1,136,417	57.8 %
Commercial and Industrial	263,966	12.5 %	258,311	13.1 %
Correspondent Banks	110,155	5.2 %	82,438	4.2 %
Consumer and Other	218,426	10.4 %	198,091	10.1 %
Total gross loans	2,106,188	100.0 %	1,965,218	100.0 %
Plus: Deferred fees/costs	7,130		7,630	
Total loans net of deferred fees/costs	2,113,318		1,972,848	
Less: Allowance for credit losses	24,933		24,070	
Total net loans	<u>\$ 2,088,385</u>		<u>\$ 1,948,778</u>	

At June 30, 2025 and December 31, 2024, the Company had \$609.4 million and \$518.8 million, respectively, of commercial real estate and residential mortgage loans pledged as collateral for lines of credit with the FHLB of Atlanta and the Federal Reserve Bank of Atlanta.

Allowance for Credit Losses

In general, the Company utilizes the Discounted Cash Flow ("DCF") method or the Weighted-Average Remaining Maturity ("WARM") methodology to estimate the quantitative portion of the ACL for loan pools. The DCF method uses a loss driver analysis ("LDA") and discounted cash flow analyses. Management engaged advisors and consultants with expertise in CECL model development to assist in development of a LDA based on regression models and supportable forecast. Peer group data obtained from FFIEC Call Report filings is used to inform regression analyses to quantify the impact of reasonable and supportable forecasts in projective models. Economic forecasts applied to regression models to estimate probability of default for loan receivables use at least one of the following economic indicators: civilian unemployment rate (national), real gross domestic product growth (national GDP) or the House Price Index ("HPI"). For each of the segments in which the WARM methodology is used, the long-term average loss rate is calculated and applied on a quarterly basis for the remaining life of the pool. Adjustments for economic expectations are made through qualitative factors.

Qualitative factors ("Q-Factors") used in the ACL methodology include:

- Changes in lending policies, procedures, and strategies
- Changes in international, national, regional, and local conditions
- Changes in nature and volume of portfolio
- Changes in the volume and severity of past due loans and other similar conditions
- Concentration risk
- Changes in the value of underlying collateral
- The effect of other external factors: e.g., competition, legal, and regulatory requirements
- Changes in lending management, among others

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Changes in the ACL for the three and six months ended June 30, 2025 and 2024 were as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended June 30, 2025						
Beginning balance	\$ 5,115	\$ 9,197	\$ 4,434	\$ 817	\$ 5,177	\$ 24,740
Provision for credit losses ⁽¹⁾	356	294	73	57	115	895
Recoveries	6	-	1	-	1	8
Charge-offs	-	-	-	-	(710)	(710)
Ending Balance	\$ 5,477	\$ 9,491	\$ 4,508	\$ 874	\$ 4,583	\$ 24,933
Six Months Ended June 30, 2025						
Beginning balance	\$ 5,121	\$ 8,788	\$ 4,633	\$ 654	\$ 4,874	\$ 24,070
Provision for credit losses ⁽²⁾	344	703	(131)	220	431	1,567
Recoveries	12	-	6	-	1	19
Charge-offs	-	-	-	-	(723)	(723)
Ending Balance	\$ 5,477	\$ 9,491	\$ 4,508	\$ 874	\$ 4,583	\$ 24,933

(1) Provision for credit losses excludes a \$134 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a \$2 thousand provision related to investment securities held to maturity.

(2) Provision for credit losses excludes a \$144 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a \$1 thousand provision related to investment securities held to maturity.

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended June 30, 2024						
Beginning balance	\$ 2,930	\$ 10,302	\$ 4,272	\$ 794	\$ 3,156	\$ 21,454
Provision for credit losses ⁽¹⁾	257	(30)	474	98	(25)	774
Recoveries	6	-	1	-	-	7
Charge-offs	-	-	-	-	(5)	(5)
Ending Balance	\$ 3,193	\$ 10,272	\$ 4,747	\$ 892	\$ 3,126	\$ 22,230
Six Months Ended June 30, 2024						
Beginning balance	\$ 2,695	\$ 10,366	\$ 3,974	\$ 911	\$ 3,138	\$ 21,084
Provision for credit losses ⁽²⁾	492	(94)	762	(19)	(4)	1,137
Recoveries	6	-	11	-	2	19
Charge-offs	-	-	-	-	(10)	(10)
Ending Balance	\$ 3,193	\$ 10,272	\$ 4,747	\$ 892	\$ 3,126	\$ 22,230

(1) Provision for credit losses excludes a \$15 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a \$3 thousand release related to investment securities held to maturity.

(2) Provision for credit losses excludes a \$58 thousand provision due to unfunded commitments included in accrued interest and other liabilities and \$1 thousand provision related to investment securities held to maturity.

At June 30, 2025, the ACL for loans was \$24.9 million compared to \$24.1 million at December 31, 2024. The increase of \$863 thousand in the ACL was due to loan growth.

Charge offs related to loans for the three months ended June 30, 2025 were \$709 thousand originated in 2022 and \$1 originated in 2025. Charge offs for the six months ended June 30, 2025 were \$709 thousand originated in 2022 and \$14 thousand originated in 2025.

Charge offs related to loans for the three months ended June 30, 2024 totaled \$5 thousand and were all originated in 2024. Charge offs for the six months ended June 30, 2024 totaled \$10 thousand and were all originated in 2024.

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The ACL and the outstanding balances in the specified loan categories as of June 30, 2025 and December 31, 2024 are as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
June 30, 2025:						
Allowance for credit losses:						
Individually evaluated	\$ 35	\$ -	\$ 46	\$ -	\$ -	\$ 81
Collectively evaluated	5,442	9,491	4,462	874	4,583	24,852
Balances, end of period	\$ 5,477	\$ 9,491	\$ 4,508	\$ 874	\$ 4,583	\$ 24,933
Loans:						
Individually evaluated	\$ 6,715	\$ -	\$ 1,075	\$ -	\$ -	\$ 7,790
Collectively evaluated	300,305	1,206,621	262,891	110,155	218,426	2,098,398
Balances, end of period	\$ 307,020	\$ 1,206,621	\$ 263,966	\$ 110,155	\$ 218,426	\$ 2,106,188
December 31, 2024:						
Allowance for credit losses:						
Individually evaluated	\$ 40	\$ -	\$ 27	\$ -	\$ 651	\$ 718
Collectively evaluated	5,081	8,788	4,606	654	4,223	23,352
Balances, end of period	\$ 5,121	\$ 8,788	\$ 4,633	\$ 654	\$ 4,874	\$ 24,070
Loans:						
Individually evaluated	\$ 6,788	\$ -	\$ 690	\$ -	\$ 1,990	\$ 9,468
Collectively evaluated	283,173	1,136,417	257,621	82,438	196,101	1,955,750
Balances, end of period	\$ 289,961	\$ 1,136,417	\$ 258,311	\$ 82,438	\$ 198,091	\$ 1,965,218

Credit Quality Indicators

The Company grades loans based on the estimated capability of the borrower to repay the contractual obligation of the loan agreement based on relevant information which may include: current financial information on the borrower, historical payment experience, credit documentation and other current economic trends. Internal credit risk grades are evaluated periodically.

The Company's internally assigned credit risk grades are as follows:

Pass – Loans indicate different levels of satisfactory financial condition and performance.

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

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

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified at substandard, with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible.

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Loan credit exposures by internally assigned grades are presented below for the periods indicated (in thousands):

As of June 30, 2025								
Term Loans by Origination Year								
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
Residential real estate								
Pass	\$ 49,259	\$ 96,857	\$ 35,326	\$ 26,533	\$ 21,750	\$ 63,430	\$ 10,381	\$ 303,536
Special Mention	-	-	-	-	-	2,925	-	2,925
Substandard	-	442	-	-	-	117	-	559
Total	49,259	97,299	35,326	26,533	21,750	66,472	10,381	307,020
Commercial real estate								
Pass	133,847	181,987	118,108	308,006	139,583	312,652	4,687	1,198,870
Special Mention	-	-	4,632	-	-	695	-	5,327
Substandard	-	-	-	-	1,743	681	-	2,424
Total	133,847	181,987	122,740	308,006	141,326	314,028	4,687	1,206,621
Commercial and industrial								
Pass	20,713	65,009	75,054	33,547	28,671	13,652	23,696	260,342
Special Mention	-	74	-	-	891	-	-	965
Substandard	-	-	-	-	489	1,394	776	2,659
Total	20,713	65,083	75,054	33,547	30,051	15,046	24,472	263,966
Correspondent banks								
Pass	102,784	7,371	-	-	-	-	-	110,155
Total	102,784	7,371	-	-	-	-	-	110,155
Consumer and other loans								
Pass	44,714	38,001	41,557	64,426	26,776	1,263	1,689	218,426
Total	44,714	38,001	41,557	64,426	26,776	1,263	1,689	218,426
Total Loans								
Pass	351,317	389,225	270,045	432,512	216,780	390,997	40,453	2,091,329
Special Mention	-	74	4,632	-	891	3,620	-	9,217
Substandard	-	442	-	-	2,232	2,192	776	5,642
Doubtful	-	-	-	-	-	-	-	-
Total	\$ 351,317	\$ 389,741	\$ 274,677	\$ 432,512	\$ 219,903	\$ 396,809	\$ 41,229	\$ 2,106,188

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As of December 31, 2024

Term Loans by Origination Year								
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Residential real estate								
Pass	\$ 109,590	\$ 39,666	\$ 34,315	\$ 23,039	\$ 5,791	\$ 66,115	\$ 10,885	\$ 289,401
Substandard	-	-	-	-	-	560	-	560
Total	109,590	39,666	34,315	23,039	5,791	66,675	10,885	289,961
Commercial real estate								
Pass	175,023	130,503	317,971	175,535	98,695	231,558	4,680	1,133,965
Substandard	-	-	-	1,765	687	-	-	2,452
Total	175,023	130,503	317,971	177,300	99,382	231,558	4,680	1,136,417
Commercial and industrial								
Pass	68,405	80,644	33,962	30,495	3,891	11,839	26,795	256,031
Substandard	-	-	-	519	-	1,093	668	2,280
Total	68,405	80,644	33,962	31,014	3,891	12,932	27,463	258,311
Correspondent banks								
Pass	82,438	-	-	-	-	-	-	82,438
Total	82,438	-	-	-	-	-	-	82,438
Consumer and other loans								
Pass	40,921	51,392	65,603	35,181	491	815	1,698	196,101
Substandard	-	-	1,990	-	-	-	-	1,990
Total	40,921	51,392	67,593	35,181	491	815	1,698	198,091
Total Loans								
Pass	476,377	302,205	451,851	264,250	108,868	310,327	44,058	1,957,936
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	1,990	2,284	687	1,653	668	7,282
Doubtful	-	-	-	-	-	-	-	-
Total	\$ 476,377	\$ 302,205	\$ 453,841	\$ 266,534	\$ 109,555	\$ 311,980	\$ 44,726	\$ 1,965,218

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Loan Aging

The Company also considers the performance of loans in grading and in evaluating the credit quality of the loan portfolio. The Company analyzes credit quality and loan grades based on payment performance and the aging status of the loan. The following tables include an aging analysis of accruing loans and total non-accruing loans as of June 30, 2025 and December 31, 2024 (in thousands):

As of June 30, 2025	<u>Accruing</u>					
	Current	Past Due 30- 89 Days	Past Due 90 Days or > and Still Accruing	Total Accruing	Non-Accrual	Total Loans
Residential real estate:						
Home equity lines of credit and other	\$ 1,139	\$ -	\$ -	\$ 1,139	\$ -	\$ 1,139
1-4 family residential	241,492	3,424	-	244,916	442	245,358
Condo residential	60,284	121	-	60,405	118	60,523
	<u>302,915</u>	<u>3,545</u>	<u>-</u>	<u>306,460</u>	<u>560</u>	<u>307,020</u>
Commercial real estate:						
Land and construction	78,786	-	-	78,786	-	78,786
Multi-family residential	217,339	-	-	217,339	-	217,339
Condo commercial	56,986	-	-	56,986	-	56,986
Commercial property	853,424	86	-	853,510	-	853,510
	<u>1,206,535</u>	<u>86</u>	<u>-</u>	<u>1,206,621</u>	<u>-</u>	<u>1,206,621</u>
Commercial and industrial:						
Secured	239,496	381	-	239,877	806	240,683
Unsecured	23,283	-	-	23,283	-	23,283
	<u>262,779</u>	<u>381</u>	<u>-</u>	<u>263,160</u>	<u>806</u>	<u>263,966</u>
Correspondent banks	110,155	-	-	110,155	-	110,155
Consumer and other	218,426	-	-	218,426	-	218,426
	<u>338,581</u>	<u>-</u>	<u>-</u>	<u>338,581</u>	<u>-</u>	<u>338,581</u>
Total	<u>\$ 2,100,810</u>	<u>\$ 4,012</u>	<u>\$ -</u>	<u>\$ 2,104,822</u>	<u>\$ 1,366</u>	<u>\$ 2,106,188</u>

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As of December 31, 2024:	Accruing					
	Current	Past Due 30-89 Days	Past Due 90 Days or > and Still Accruing	Total Accruing	Non-Accrual	Total Loans
Residential real estate:						
Home equity lines of credit and other	\$ 1,120	\$ -	\$ -	\$ 1,120	\$ -	\$ 1,120
1-4 family residential	225,334	2,886	-	228,220	-	228,220
Condo residential	58,956	1,351	-	60,307	314	60,621
	285,410	4,237	-	289,647	314	289,961
Commercial real estate:						
Land and construction	40,090	-	-	40,090	-	40,090
Multi-family residential	214,912	-	-	214,912	-	214,912
Condo commercial	57,402	-	-	57,402	-	57,402
Commercial property	823,326	687	-	824,013	-	824,013
	1,135,730	687	-	1,136,417	-	1,136,417
Commercial and industrial:						
Secured	232,779	521	-	233,300	403	233,703
Unsecured	24,608	-	-	24,608	-	24,608
	257,387	521	-	257,908	403	258,311
Correspondent banks	82,438	-	-	82,438	-	82,438
Consumer and other	196,101	-	-	196,101	1,990	198,091
Total	\$ 1,957,066	\$ 5,445	\$ -	\$ 1,962,511	\$ 2,707	\$ 1,965,218

Non-accrual Status

The following table includes the amortized cost basis of loans on non-accrual status as of June 30, 2025 and as of December 31, 2024 (in thousands):

	June 30, 2025		
	Non-accrual Loans With No Related Allowance	Non-accrual Loans With Related Allowance	Total Non- accruals
Residential real estate	\$ 560	\$ -	\$ 560
Commercial and industrial	778	28	806
Total	\$ 1,338	\$ 28	\$ 1,366
	December 31, 2024		
	Non-accrual Loans With No Related Allowance	Non-accrual Loans With Related Allowance	Total Non- accruals
Residential real estate	\$ 314	\$ -	\$ 314
Commercial and industrial	-	403	403
Consumer and other	-	1,990	1,990
Total	\$ 314	\$ 2,393	\$ 2,707

Accrued interest receivable is excluded from the estimate of credit losses. There was no interest income recognized attributable to non-accrual loans outstanding during the three months ended June 30, 2025 and 2024. Interest income on these loans for the three months ended June 30, 2025 and 2024, would have been approximately \$29 thousand and \$9 thousand, respectively, had these loans performed in accordance with their original terms. Interest income on these loans for the six months ended June 30, 2025 and 2024, would have been approximately \$80 thousand and \$20 thousand, respectively, had these loans performed in accordance with their original terms.

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Collateral-Dependent Loans

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale or operation of the collateral.

The following table includes the amortized cost basis of collateral dependent loans related to borrowers experiencing financial difficulty by type of collateral as of June 30, 2025 and December 31, 2024 (in thousands):

		June 30, 2025	
		Collateral Type	
	Residential Real Estate	Specific Reserve	
Residential real estate	\$ 560	\$	-
Total	\$ 560	\$	-

		December 31, 2024	
		Collateral Type	
	Boat	Specific Reserve	
Consumer and other	\$ 1,990	\$	651
Total	\$ 1,990	\$	651

Management evaluates on an individual basis collateral dependent loans using the fair value of the collateral method to determine if a credit loss reserve is necessary. The ACL is measured based on the difference of the fair value of the collateral and the recorded investment (amortized cost basis of the loan). If the final collateral valuation is less than the recorded investment of the loan, a reserve amount is calculated. If the collateral valuation is equal to or greater than the recorded investment of the loan, no reserve is determined.

Loan Modifications to Borrowers Experiencing Financial Difficulties

The Company had no new modifications to borrowers experiencing financial difficulties for the three and six months ended June 30, 2025 and three months ended June 30, 2024. The Company had one new modification to borrowers experiencing financial difficulties for the six months ended June 30, 2024. The following table presents newly restructured loans, by type of modification, which occurred during the six months ended June 30, 2024 (in thousands):

	Recorded Investment Prior to Modification			Recorded Investment After Modification		
	Number of Loans	Combination Modifications	Total Modifications	Number of Loans	Combination Modifications	Total Modifications
Commercial and industrial	1	\$ 468	\$ 468	1	\$ 468	\$ 468
Total	1	\$ 468	\$ 468	1	\$ 468	\$ 468

The loan modification for the borrower experiencing financial difficulty at June 30, 2024 included a combination of rate and maturity modifications. The rate was modified from a variable rate to a fixed rate of 8.0%. The original maturity of September 2029 was extended to January 2034.

There were no existing loan modifications that subsequently defaulted during either the three or the six months ended June 30, 2025 and June 30, 2024.

4. INCOME TAXES

The Company's provision for income taxes is presented in the following table for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2025	2024
Current:		
Federal	\$ -	\$ -
State	-	-
Total current	-	-
Deferred:		
Federal	3,948	2,653
State	1,091	740
Total deferred	5,039	3,393
Total tax expense	<u>\$ 5,039</u>	<u>\$ 3,393</u>

The actual income tax expense for the six months ended June 30, 2025 and 2024 differs from the statutory tax expense for the periods (computed by applying the U.S. federal corporate tax rate of 21% for both 2025 and 2024 periods to income before provision for income taxes) as follows (in thousands):

	Six Months Ended June 30,	
	2025	2024
Federal taxes at statutory rate	\$ 4,376	\$ 2,985
State income taxes, net of federal tax benefit	905	618
Bank owned life insurance	(242)	(210)
Total tax expense	<u>\$ 5,039</u>	<u>\$ 3,393</u>

The Company's deferred tax assets and deferred tax liabilities as of the dates indicated were (in thousands):

	June 30, 2025	December 31, 2024
Deferred tax assets:		
Net operating loss	\$ 3,942	\$ 9,276
Allowance for credit losses	6,319	6,100
Lease liability	1,786	2,142
Unrealized losses on available for sale securities	14,209	15,200
Depreciable property	31	38
Equity compensation	889	686
Accruals	367	520
Other, net	70	65
Deferred tax assets:	<u>27,613</u>	<u>34,027</u>
Deferred tax liabilities:		
Deferred loan cost	(1,807)	(1,934)
Lease right of use asset	(1,786)	(2,142)
Deferred expenses	(323)	(224)
Cash flow hedge	(34)	(81)
Deferred tax liabilities	<u>(3,950)</u>	<u>(4,381)</u>
Net deferred tax assets	<u>\$ 23,663</u>	<u>\$ 29,646</u>

The Company has approximately \$11.7 million of federal and \$34.4 million of state net operating loss carryforwards expiring in various amounts between 2031 and 2036 and which are limited to offset, to the extent permitted, future taxable earnings of the Company.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

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Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The major tax jurisdictions where the Company files income tax returns are the U.S. federal jurisdiction and the State of Florida. With few exceptions, the Company is no longer subject to U.S. federal and state income tax return examinations by tax authorities for years before 2022.

For the six months ended June 30, 2025 and 2024, the Company did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. Additionally, no interest or penalties were recorded as a result of tax uncertainties.

5. OFF-BALANCE SHEET ARRANGEMENTS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business in order to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include unfunded commitments under lines of credit, commitments to extend credit, standby and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Company's Consolidated Balance Sheets. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for unused lines of credit, and standby letters of credit is represented by the contractual amount of these commitments.

A summary of the amounts of the Company's financial instruments with off-balance sheet risk are shown below at June 30, 2025 and December 31, 2024 (in thousands):

	June 30, 2025	December 31, 2024
Commitments to grant loans and unfunded lines of credit	\$ 124,051	\$ 122,578
Standby and commercial letters of credit	2,616	5,389
Total	\$ 126,667	\$ 127,967

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses.

Unfunded lines of credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Company committed.

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit have fixed maturity dates and since many of them expire without being drawn upon, they do not generally present a significant liquidity risk to the Company.

6. DERIVATIVES

The Company utilizes interest rate swap agreements as part of its asset-liability management strategy to help manage its interest rate risk exposure. The notional amount of the interest rate swaps does not represent actual amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Interest Rate Swaps Designated as a Cash Flow Hedge

As of June 30, 2025, the Company had two interest rate swap agreements with a notional aggregate amount of \$50 million that were designated as cash flow hedges of certificates of deposit. The interest rate swap agreements have an average maturity of 0.88 years, a weighted average fixed-rate paid of 3.59%, and with a weighted average 3-month compound SOFR being received.

As of December 31, 2024, the Company had two interest rate swap agreements with a notional aggregate amount of \$50 million that were designated as cash flow hedges of certificates of deposit. The interest rate swap agreements have an

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average maturity of 1.38 years, a weighted average fixed-rate paid of 3.59%, and with a weighted average 3-month compound SOFR being received.

The changes in fair value of these interest rate swaps are recorded in other assets or accrued interest and other liabilities with a corresponding recognition in other comprehensive income (loss) and subsequently reclassified to earnings when gains or losses are realized.

Interest Rate Swaps Designated as Fair Value Hedge

The Company had no interest rate swap agreements designated as fair value hedges at June 30, 2025. During the quarter ended September 30, 2024, the Company unwound four fair value interest rate swaps with a notional aggregate amount of \$200 million. The decision to unwind these swaps was driven by changes in interest rate forecasts and asset-liability management strategies. The early termination fee to unwind the fair value swaps totaled \$ 3.7 million. The termination fee allocated to each loan category is being amortized over the remaining life of the hedge loans on a monthly straight-line basis with full recognition of the unamortized cost upon the early payoff of the hedge loan. The amortization of the termination fee is reflected in the loan interest income line in the Consolidated Statement of Operations. The remaining unamortized termination fee as of June 30, 2025 was \$3.2 million. The original maturities of these fair value interest swaps were between 2025 and 2026. The fair value interest rate swap agreements had an average maturity of 1.51 years at the date of their termination.

At June 30, 2024, the Company had four interest rate swap agreements with a notional aggregate amount of \$ 200 million that were designated as fair value hedges on loans. The interest rate swap agreements have an average maturity of 1.73 years, the weighted average fixed-rate paid is 4.74%, with the weighted average 3-month compound SOFR being received.

Interest Rate Swaps

The Company enters into interest rate swaps with its loan customers. The Company had 70 and 60 interest rate swaps with loan customers with an aggregate notional amount of \$237.8 million and \$206.3 million at June 30, 2025 and December 31, 2024, respectively. At June 30, 2025, these interest rate swaps mature between 2025 and 2051. The Company entered into corresponding and offsetting derivatives with third parties. The fair value of the liability created by these derivatives requires the Company to provide the counterparty with funds to be held as collateral which the Company reports as other assets under the Consolidated Balance Sheets. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

The following table reflects the Company's interest rate swaps at the dates indicated (in thousands):

	Notional Amount	Collateral Amount	Balance Sheet Location	Fair Value	
				Asset	Liability
June 30, 2025:					
Derivatives designated as cash flow hedges:					
Interest rate swaps	\$ 50,000	\$ -	Other assets	\$ 135	\$ -
Derivatives not designated as hedging instruments:					
Interest rate swaps related to customer loans	\$ 237,804	\$ 4,981	Other assets/Other liabilities	\$ 9,260	\$ 9,260
December 31, 2024:					
Derivatives designated as cash flow hedges:					
Interest rate swaps	\$ 50,000	\$ -	Other assets	\$ 321	\$ -
Derivatives not designated as hedging instruments:					
Interest rate swaps related to customer loans	\$ 206,258	\$ 4,943	Other assets/Other liabilities	\$ 6,869	\$ 6,869

7. FAIR VALUE MEASUREMENTS

Determination of Fair Value

The Company uses fair value measurements to record fair-value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the fair value measurements accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Items Measured at Fair Value on a Recurring Basis

AFS investment securities: When instruments are traded in secondary markets and quoted market prices do not exist for such securities, management generally relies on prices obtained from independent vendors or third-party broker-dealers. Management reviews pricing methodologies provided by the vendors and third-party broker-dealers in order to determine if observable market information is being utilized. Securities measured with pricing provided by independent vendors or third-party broker-dealers are classified within Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models or discounted cash flow analyses utilizing inputs observable in the market where available.

Derivatives: The fair value of derivatives are measured with pricing provided by third-party participants and are classified within Level 2 of the hierarchy.

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The following table represents the Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2025 and December 31, 2024 for each of the fair value hierarchy levels (in thousands):

	June 30, 2025				December 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities available for sale:								
U.S. Government Agency	\$ -	\$ 14,850	\$ -	\$ 14,850	\$ -	\$ 12,625	\$ -	\$ 12,625
Collateralized mortgage obligations	-	76,724	-	76,724	-	78,905	-	78,905
Mortgage-backed securities - residential	-	50,987	-	50,987	-	46,933	-	46,933
Mortgage-backed securities - commercial	-	96,524	-	96,524	-	78,739	-	78,739
Municipal securities	-	19,831	-	19,831	-	19,311	-	19,311
Bank subordinated debt securities	-	26,466	-	26,466	-	23,708	-	23,708
Total	-	285,382	-	285,382	-	260,221	-	260,221
Derivative assets	-	9,395	-	9,395	-	7,190	-	7,190
Total assets at fair value	\$ -	\$ 294,777	\$ -	\$ 294,777	\$ -	\$ 267,411	\$ -	\$ 267,411
Derivative liabilities	\$ -	\$ 9,260	\$ -	\$ 9,260	\$ -	\$ 6,869	\$ -	\$ 6,869
Total liabilities at fair value	\$ -	\$ 9,260	\$ -	\$ 9,260	\$ -	\$ 6,869	\$ -	\$ 6,869

Items Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of financial instruments not carried at fair value as of June 30, 2025 and December 31, 2024 (in thousands):

	Carrying Amount	Fair Value Hierarchy			Fair Value Amount
		Level 1	Level 2	Level 3	
June 30, 2025:					
Financial Assets:					
Cash and due from banks	\$ 8,386	\$ 8,386	\$ -	\$ -	\$ 8,386
Interest-bearing deposits in banks	\$ 46,433	\$ 46,433	\$ -	\$ -	\$ 46,433
Investment securities held to maturity, net	\$ 158,740	\$ -	\$ 142,877	\$ -	\$ 142,877
Loans held for investment, net	\$ 2,088,385	\$ -	\$ -	\$ 2,113,423	\$ 2,113,423
Accrued interest receivable	\$ 11,285	\$ -	\$ 1,450	\$ 9,835	\$ 11,285
Financial Liabilities:					
Non-interest bearing demand deposits	\$ 584,895	\$ 584,895	\$ -	\$ -	\$ 584,895
Savings and money market deposits	\$ 1,248,379	\$ 1,248,379	\$ -	\$ -	\$ 1,248,379
Interest-bearing demand deposits	\$ 40,597	\$ 40,597	\$ -	\$ -	\$ 40,597
Time deposits	\$ 461,790	\$ -	\$ 460,962	\$ -	\$ 460,962
FHLB advances and other borrowings	\$ 108,000	\$ -	\$ 107,975	\$ -	\$ 107,975
Accrued interest payable	\$ 2,940	\$ -	\$ 2,940	\$ -	\$ 2,940
December 31, 2024:					
Financial Assets:					
Cash and due from banks	\$ 6,986	\$ 6,986	\$ -	\$ -	\$ 6,986
Interest-bearing deposits in banks	\$ 70,049	\$ 70,049	\$ -	\$ -	\$ 70,049
Investment securities held to maturity	\$ 164,694	\$ -	\$ 145,540	\$ -	\$ 145,540
Loans held for investment, net	\$ 1,948,778	\$ -	\$ -	\$ 1,950,646	\$ 1,950,646
Accrued interest receivable	\$ 10,945	\$ -	\$ 1,372	\$ 9,573	\$ 10,945
Financial Liabilities:					
Non-interest bearing demand deposits	\$ 575,159	\$ 575,159	\$ -	\$ -	\$ 575,159
Savings and money market deposits	\$ 1,180,809	\$ 1,180,809	\$ -	\$ -	\$ 1,180,809
Interest-bearing demand deposits	\$ 50,648	\$ 50,648	\$ -	\$ -	\$ 50,648
Time deposits	\$ 367,388	\$ -	\$ 366,479	\$ -	\$ 366,479
FHLB advances	\$ 163,000	\$ -	\$ 161,375	\$ -	\$ 161,375
Accrued interest payable	\$ 2,125	\$ -	\$ 2,125	\$ -	\$ 2,125

8. STOCKHOLDERS' EQUITY

Common Stock

There were no restricted stock awards issued in the three months ended June 30, 2025. During the six months ended June 30, 2025, the Company issued 124,424 shares of Class A common stock to employees as restricted stock awards pursuant to the Company's 2015 equity incentive plan.

During the second quarter 2024, the Company issued 5,169 shares of Class A common stock to employees as restricted stock awards pursuant to the Company's 2015 equity incentive plan. For the six month ended June 30, 2024 the Company issued 52,922 shares of Class A common stock to employees as restricted stock awards pursuant to the Company's 2015 equity incentive plan.

During the first quarter 2025, the Company repurchased 9,671 shares of Class A common stock at a weighted average cost per share of \$17.91. The aggregate purchase price for these transactions was approximately \$174 thousand, including transaction costs. These repurchases were made pursuant to the Company's publicly announced repurchase programs. There were no shares repurchased during the second quarter 2025. As of June 30, 2025, 528,309 shares remained authorized for repurchase under the Company's two stock repurchase programs.

Shares of the Company's Class A common stock issued and outstanding as of June 30, 2025 and December 31, 2024 were 20,078,385 and 19,924,632, respectively.

Dividends

Declaration of dividends by the Board is required before dividend payments are made. The Company is limited in the amount of cash dividends that it may pay. Payment of dividends is generally limited to the Company's net income of the current year combined with the Company's retained income for the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Company must consider additional factors such as the amount of current period net income, liquidity, asset quality, capital adequacy and economic conditions at the Bank since the Bank is the primary source of funds to fund dividends by the Company. It is likely that these factors would further limit the amount of dividends which the Company could declare. In addition, bank regulators have the authority to prohibit banks and bank holding companies from paying dividends if they deem such payment to be an unsafe or unsound practice.

As of June 30, 2025, the Company was not subject to any formal supervisory restrictions on its ability to pay dividends but will notify the Federal Reserve Bank of Atlanta in advance of any proposed dividend to the Company's shareholders in light of the Bank's negative retained earnings. In addition, under applicable FDIC regulations and policy, because the Bank has negative retained earnings, it must obtain the prior approval of the FDIC before effecting a cash dividend or other capital distribution.

On January 21, 2025, the Board of Directors declared a quarterly cash dividend. The quarterly dividend for the first quarter of 2025 was \$0.10 per share of Class A common stock, paid on March 5, 2025, to stockholders of record as of the close of business on February 14, 2025. The aggregate distribution in connection with the first quarter 2025 dividend was \$2.0 million. The quarterly dividend for the second quarter 2025 was \$0.10 per share of Class A common stock, paid on June 5, 2025, to stockholders of record as of close of business on May 15, 2025. The aggregate distribution in connection with the second quarter dividend was \$2.0 million.

On January 29, 2024, the Company announced that its Board of Directors approved a quarterly cash dividend program. The quarterly dividend for the first quarter of 2024 was \$0.05 per share of Class A common stock, paid on March 5, 2024, to stockholders of record as of the close of business on February 15, 2024. The aggregate distribution in connection with the first quarter dividend was \$1.0 million. The quarterly dividend for the second quarter was \$0.05 per share of Class A common stock, paid on June 5, 2024, to stockholders of record as of the close of business on May 15, 2024. The aggregate distribution in connection with the second quarter dividend was \$1.0 million.

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The following table details the dividends declared and paid by the Company for the periods presented:

Six Months Ended June 30, 2025				
Declaration Date	Record Date	Payment Date	Dividend Per Share	Dividend Amount
January 21, 2025	February 14, 2025	March 5, 2025	\$ 0.10	- \$ 2.0 million
April 21, 2025	May 15, 2025	June 5, 2025	\$ 0.10	\$ 2.0 million

Six Months Ended June 30, 2024				
Declaration Date	Record Date	Payment Date	Dividend Per Share	Dividend Amount
January 22, 2024	February 15, 2024	March 5, 2024	\$ 0.05	- \$ 1.0 million
April 22, 2024	May 15, 2024	June 5, 2024	\$ 0.05	\$ 1.0 million

The Company and the Bank exceeded all regulatory capital requirements and remained above “well-capitalized” guidelines as of June 30, 2025 and December 31, 2024. At June 30, 2025, the total risk-based capital ratios for the Bank was 13.67%. The Company is not subject to regulatory capital ratios imposed by Basel III on bank holding companies because the Company is deemed to be a small bank holding company.

See Note 13, Subsequent Events, for information regarding dividends declared in July 2025.

9. EARNINGS PER SHARE

Earnings per share (“EPS”) for common stock is calculated using the two-class method required for participating securities. Basic EPS is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period and the weighted-average number of dilutive common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, common stock equivalents include common stock options and are only included in the calculation of diluted EPS when their effect is dilutive.

The following table reflects the calculation of net income available to common shareholders for the three and six months ended June 30, 2025 and 2024 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net Income	\$ 8,140	\$ 6,209	\$ 15,798	\$ 10,821
Net income available to common shareholders	\$ 8,140	\$ 6,209	\$ 15,798	\$ 10,821

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The following table reflects the calculation of basic and diluted earnings per common share class for the three and six months ended June 30, 2025 and 2024 (in thousands, except share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	Class A		Class A	
Basic EPS				
Numerator:				
Net income available to common shares	\$ 8,140	\$ 6,209	\$ 15,798	\$ 10,821
Denominator:				
Weighted average shares outstanding	20,059,264	19,650,681	20,040,205	19,642,006
Earnings per share, basic	\$ 0.41	\$ 0.32	\$ 0.79	\$ 0.55
Diluted EPS				
Numerator:				
Net income available to common shares	\$ 8,140	\$ 6,209	\$ 15,798	\$ 10,821
Denominator:				
Weighted average shares outstanding for basic EPS	20,059,264	19,650,681	20,040,205	19,642,006
Add: Dilutive effects of assumed exercises of stock options	236,530	66,486	259,380	65,555
Weighted avg. shares including dilutive potential common shares	20,295,794	19,717,167	20,299,585	19,707,561
Earnings per share, diluted	\$ 0.40	\$ 0.31	\$ 0.78	\$ 0.55
Anti-dilutive stock options excluded from dilutedEPS	-	502,500	-	502,500

Net income has not been allocated to unvested restricted stock awards that are participating securities because the amounts that would be allocated are not material to net income per share of common stock. Unvested restricted stock awards that are participating securities represent less than one percent of all of the outstanding shares of common stock for each of the periods presented.

10. SEGMENT REPORTING

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in assessing performance and in deciding how to allocate resources. The Company's CODM is the President, Chief Executive Officer, and Chairman of the Board.

The Company through the Bank, its sole direct subsidiary, operates 10 banking centers in South Florida providing a wide range of personal and business banking products and services, and through a subsidiary of the Bank, offers clients title insurance policies for real estate transactions closed at the Bank. The Company's business activities are similar in their nature, operations and economic characteristics, largely serving commercial and specialty banking clients with products and services that are offered through similar processes and platforms. Accounting policies for the products and services referenced here are the same as those described in Note 1, "Summary of Significant Accounting Policies" in this Form 10-Q. The Company's segment revenue is driven primarily by interest income on loans as well as fee income from the origination of loans and from fees charged on loans and deposit accounts. Lending activities include loans to individuals, which primarily consist of home equity lines of credit, residential real estate loans, yacht loans, and consumer loans, and loans to commercial clients, which include commercial and industrial loans, commercial real estate loans, investor residential real estate loans, correspondent bank loans, and letters of credit.

The CODM regularly reviews consolidated income and expenses, as presented on the Consolidated Statements of Operations, in addition to consolidated assets presented on the Consolidated Balance Sheets. The significant segment expenses that the CODM reviews regularly are interest expense, provision for credit losses, salaries and wages, employee benefits, and occupancy expense. The CODM evaluates the performance of the segment and allocates resources based on net income that is also reported on the Consolidated Statements of Operations as consolidated net income to maximize shareholder value. Additionally, consolidated internal financial information is used by the CODM to monitor credit quality and credit loss expense. Furthermore, net income, as the measure of profit or loss, is used to monitor budget versus actual results and to perform competitive analyses that benchmark the Company to competitors. As a result, the Company has determined that it has only one reportable segment.

11. LOSS CONTINGENCIES

Loss contingencies, including claims and legal actions may arise in the ordinary course of business. In the opinion of management, none of these actions, either individually or in the aggregate, is expected to have a material adverse effect on the Company's Consolidated Financial Statements.

12. RELATED PARTY TRANSACTIONS

In the ordinary course of business, principal officers, directors, and affiliates may engage in transactions with the Company.

Loan Purchases

During the six months ended June 30, 2025 the Bank purchased \$70.0 million from entities that deemed to be related parties. The Bank paid those entities net fees of \$447 thousand.

During the year 2024, the Bank purchased \$90.8 million of loans from entities that are deemed to be related parties. The Bank paid those entities fees of \$2.7 million.

Loan Originations

During the three months ended June 30, 2025, the Bank acted as the lead arranger in a \$40.0 million syndicated loan extended to an entity deemed to be a related party. As of June 30, 2025, the Bank held an outstanding balance of \$15.0 million related to this transaction. In connection with the syndication, the Bank received a 50-basis point commitment fee and will earn a 25-basis point annual servicing fee. The other two financial institutions participating in the syndication were also deemed to be related parties. Although originating loans to related parties is not part of the Company's standard policy, this transaction was reviewed by the appropriate departments in accordance with Company procedures. Detailed analyses were presented to the Board of Directors and the Audit and Risk Committee, and all necessary approvals were obtained. Additional analysis was conducted to determine that the transaction was executed in the ordinary course of business and on arm's-length terms, consistent with the requirements of Regulation O.

There were no loan originations or syndications extended to entities deemed to be related parties during the three months ended March 31, 2025 and for the year ended December 31, 2024.

13. SUBSEQUENT EVENTS

Dividends

On July 21, 2025, the Company announced that its Board of Directors declared its quarterly cash dividend. The quarterly dividend for the third quarter of 2025 was \$0.10 per share of Class A common stock and will be paid on September 5, 2025, to stockholders of record as of the close of business on August 15, 2025.

Derivatives

In July 2025, the Company entered into a two-year costless collar hedge with a notional amount of \$50 million to manage exposure to interest rate volatility on a three-month brokered CD. The derivative is based on the USD SOFR overnight index and establishes a cap rate of 4.50% and a floor rate of 1.875%, effectively creating a defined range of interest rate outcomes without requiring an upfront premium. The hedge was designated as a cash flow hedge under ASC 815, Derivatives and Hedging, and will be accounted for accordingly. Changes in the fair value of the derivative will be recorded in other comprehensive income to the extent the hedge remains effective. Management believes this instrument strengthens the Company's interest rate risk management strategy by mitigating the impact of rate movements on future cash flows.

In August 2025, the Company entered into a two-year costless collar hedge with a notional amount of \$ 50 million to manage exposure to interest rate volatility on a three-month brokered CD. The derivative is based on the USD SOFR overnight index and establishes a cap rate of 4.50% and a floor rate of 1.965%, effectively creating a defined range of interest rate outcomes without requiring an upfront premium. The hedge was designated as a cash flow hedge under ASC 815, Derivatives and Hedging, and will be accounted for accordingly. Changes in the fair value of the derivative will be recorded in other comprehensive income to the extent the hedge remains effective. Management believes this instrument

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strengthens the Company's interest rate risk management strategy by mitigating the impact of rate movements on future cash flows.

Debt Rating

Kroll Bond Rating Agency assigned both the Company and the Bank investment grade debt ratings in July 2025.

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

The following discussion and analysis is designed to provide a better understanding of the consolidated financial condition and results of operations of the Company and the Bank, its wholly owned subsidiary, as of and for the three and the six months ended June 30, 2025. This discussion and analysis is best read in conjunction with the unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q ("Form 10-Q") and the audited consolidated financial statements and related notes included in the Annual Report on Form 10-K ("2024 Form 10-K") filed with the Securities and Exchange Commission ("SEC") for the year ended December 31, 2024.

This discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Forward-Looking Statements" and Item 1A "Risk Factors" below in Part II hereof and in the 2024 Form 10-K filed with the SEC which is available at the SEC's website www.sec.gov.

Throughout this document, references to "we," "us," "our," and "the Company" generally refer to USCB Financial Holdings, Inc.

Forward-Looking Statements

This Form 10-Q contains statements that are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words "may," "will," "anticipate," "could," "should," "would," "believe," "contemplate," "expect," "aim," "plan," "estimate," "continue," and "intend," as well as other similar words and expressions of the future, are intended to identify forward-looking statements. These forward-looking statements include statements related to our projected growth, anticipated future financial performance, and management's long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, or business and growth strategies, including anticipated internal growth.

These forward-looking statements involve significant risks and uncertainties that could cause our actual results to differ materially from those anticipated in such statements. Potential risks and uncertainties include, but are not limited to:

- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- our ability to successfully manage interest rate risk, credit risk, liquidity risk, and other risks inherent to our industry;
- the accuracy of our financial statement estimates and assumptions, including the estimates used for our allowance for credit losses and deferred tax asset valuation allowance;
- the efficiency and effectiveness of our internal control procedures and processes;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- adverse changes or conditions in capital and financial markets, including actual or potential stresses in the banking industry;
- deposit attrition and the level of our uninsured deposits;
- legislative or regulatory changes and changes in accounting principles, policies, practices or guidelines, including the on-going effects of the Current Expected Credit Losses ("CECL") standard;
- the lack of a significantly diversified loan portfolio and our concentration in the South Florida market, including the risks of geographic, depositor, and industry concentrations, including our concentration in loans secured by real estate, in particular, commercial real estate;
- the effects of climate change;
- the concentration of ownership of our common stock;
- fluctuations in the price of our common stock;
- our ability to fund or access the capital markets at attractive rates and terms and manage our growth, both organic growth as well as growth through other means, such as future acquisitions;
- inflation, interest rate, unemployment rate, market and monetary fluctuations;
- the effects of potential new or increased tariffs and trade restrictions;
- the impacts of international hostilities and geopolitical events;
- increased competition and its effect on the pricing of our products and services as well as our interest rate spread and net interest margin;
- the loss of key employees;
- the effectiveness of our risk management strategies, including operational risks, including, but not limited to, client, employee, or third-party fraud and security breaches; and
- other risks described in this Form 10-Q, the 2024 Form 10-K and other filings we make with the SEC.

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All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations. Therefore, you are cautioned not to place undue reliance on any forward-looking statements. Further, forward-looking statements included in this Form 10-Q are made only as of the date hereof, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, unless required to do so under the federal securities laws. You should also review the risk factors described in the 2024 Form 10-K and in the reports the Company filed or will file with the SEC.

Overview

The Company reported net income of \$8.1 million or \$0.40 per diluted share of common stock for the three months ended June 30, 2025 compared to \$6.2 million or \$0.31 per diluted share of common stock for the three months ended June 30, 2024.

On January 21, 2025, the Company's Board of Directors declared the first quarter cash dividend of \$0.10 per share on the Company's Class A common stock. The dividend was paid on March 5, 2025 to shareholders of record at the close of business on February 15, 2025. The aggregate amount distributed in connection with the quarterly cash dividend paid was \$2.0 million. The second quarter cash dividend of \$0.10 per share on the Company's Class A common stock was paid on June 5, 2025 to shareholders of record at the close of business on May 15, 2025. The aggregate amount distributed in connection with this dividend was \$2.0 million. Additionally, the Company's Board of Directors declared a cash dividend of \$0.10 per share of the Company's Class A common stock on July 21, 2025. The dividend will be paid on September 5, 2025 to shareholders of record at the close of business on August 15, 2025.

In evaluating our financial performance, the Company considers the level of and trends in net interest income, the net interest margin, the cost of deposits and borrowings, levels and composition of non-interest income and non-interest expense, performance ratios, asset quality ratios, regulatory capital ratios, and any significant event or transaction.

Unless otherwise stated, all period comparisons in the bullet points below are calculated at or for the quarter ended June 30, 2025 compared to at or for the quarter ended June 30, 2024 and as of December 31, 2024 and annualized where appropriate:

- Net interest income for the three months ended June 30, 2025 increased \$3.7 million or 21.5% to \$21.0 million from \$17.3 million for the quarter ended June 30, 2024.
- Net interest margin ("NIM") was 3.28% for the three months ended June 30, 2025 compared to 2.94% for the three months ended June 30, 2024.
- Total assets were \$2.72 billion at June 30, 2025, representing an increase of \$261.2 million or 10.6% from June 30, 2024 and an increase of \$138.3 million or 10.8% annualized from December 31, 2024.
- Total loans held for investment (net of deferred cost/fees) were \$2.11 billion at June 30, 2025, representing an increase of \$244.1 million or 13.1% from June 30, 2024 and an increase of \$140.5 million or 14.4% annualized from December 31, 2024.
- Total deposits were \$2.34 billion at June 30, 2025, representing an increase of \$279.0 million or 13.6% from June 30, 2024 and an increase of \$161.7 million or 15.0% annualized from December 31, 2024.
- Annualized return on average assets for the quarter ended June 30, 2025 was 1.22% compared to 1.01% for the quarter ended June 30, 2024.
- Annualized return on average stockholders' equity for the quarter ended June 30, 2025 was 14.29% compared to 12.63% for quarter ended June 30, 2024.
- The ACL to total loans was 1.18% at June 30, 2025 compared to 1.22% at December 31, 2024.
- Non-performing loans to total loans was 0.06% at June 30, 2025 and 0.14% at December 31, 2024.
- At June 30, 2025, the total risk-based capital ratios for the Company and the Bank were 13.73% and 13.67%, respectively.
- Tangible book value per common share (a non-GAAP measure) was \$11.53 at June 30, 2025, representing an increase of \$0.72 or 13.5% annualized from \$10.81 at December 31, 2024. At June 30, 2025, tangible book value

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per common share was negatively affected by \$2.08 due to an accumulated comprehensive loss of \$41.8 million. At December 31, 2024, tangible book value per common share was negatively affected by \$2.24 due to an accumulated comprehensive loss of \$44.5 million. See "Reconciliation and Management Explanation for Non-GAAP Financial Measures" included in this Form 10-Q for a reconciliation of this non-GAAP financial measure.

- The Company filed a \$100.0 million universal shelf offering. The shelf offering registration allows the Company to offer various securities over a period of time, as needed, without the requirement to file a new registration statement for each offering.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared based on the application of U.S. Generally Accepted Accounting Practices ("GAAP"), the most significant of which are described in Note 1 "Summary of Significant Accounting Policies" in the Company's 2024 Form 10-K and "Summary of Significant Accounting Policies" in Part I in this Form 10-Q. To prepare financial statements in conformity with US GAAP, management makes estimates, assumptions, and judgments based on available information. These estimates, assumptions, and judgments affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statements. In particular, management has identified accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are critical to an understanding of our financial statements. Management has presented the application of these policies to the Audit and Risk Committee of our Board of Directors.

Non-GAAP Financial Measures

This Form 10-Q includes financial information determined by methods other than in accordance with GAAP. This financial information includes certain operating performance measures. Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating the Company's underlying performance trends. Further, management uses these measures in managing and evaluating the Company's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. To the extent applicable, reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the section "Reconciliation and Management Explanation of Non-GAAP Financial Measures" included in this Form 10-Q.

Segment Reporting

Management monitors the revenue streams for all its various products and services. The identifiable segments are not material and operations are managed and financial performance is evaluated on an overall Company-wide basis. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment.

Results of Operations

General

The following tables present selected balance sheet, income statement, and profitability ratios for the dates and periods indicated (in thousands, except ratios):

	June 30, 2025	December 31, 2024
Consolidated Balance Sheets:		
Total assets	\$ 2,719,474	\$ 2,581,216
Total loans ⁽¹⁾	\$ 2,113,318	\$ 1,972,848
Total deposits	\$ 2,335,661	\$ 2,174,004
Total stockholders' equity	\$ 231,583	\$ 215,388

(1) Loan amounts include deferred fees/costs.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
	Consolidated Statements of Operations:			
Net interest income before provision for credit losses	\$ 21,034	\$ 17,311	\$ 40,149	\$ 32,469
Total non-interest income	\$ 3,370	\$ 3,211	\$ 7,086	\$ 5,675
Total non-interest expense	\$ 12,634	\$ 11,560	\$ 24,686	\$ 22,734
Net income	\$ 8,140	\$ 6,209	\$ 15,798	\$ 10,821
Profitability:				
Efficiency ratio	51.77%	56.33%	52.26%	59.60%
Net interest margin	3.28%	2.94%	3.18%	2.78%

The Company's results of operations depend substantially on the levels of our net interest income and non-interest income. Other factors contributing to the results of operations include our provision for credit losses, the level of non-interest expense, and the provision for income taxes.

Three months ended June 30, 2025 compared to the three months ended June 30, 2024.

Net income increased \$1.9 million to \$8.1 million for the three months ended June 30, 2025 from \$6.2 million for the same period in 2024. The \$1.9 million or 31.1% increase in net income was primarily driven by an improvement in net interest margin, resulting from a larger loan portfolio earning higher yields, along with a reduction in interest expense.

Six months ended June 30, 2025 compared to the six months ended June 30, 2024

Net income increased to \$15.8 million for the six months ended June 30, 2025 from \$10.8 million for the same period in 2024. The \$5.0 million or 46.0% increase in net income was driven by an improvement in net interest margin, resulting from a larger loan portfolio earning higher yields, along with a reduction in interest expense. Additionally, increased activity in fee generating transactions (gain on sale of SBA 7a loans, prepayment penalties, title insurance income) contributed to the increase between periods.

Net Interest Income

Net interest income is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities and is the primary driver of core earnings. Interest income is generated from interest and dividends on interest-earning assets, including loans, investment securities and other short-term investments. Interest expense is incurred from interest paid on interest-bearing liabilities, including interest-bearing deposits, FHLB advances and other borrowings.

To evaluate net interest income, we measure and monitor (i) yields on loans and other interest-earning assets, (ii) the costs of deposits and other funding sources, (iii) net interest spread, and (iv) net interest margin. Net interest spread is equal to the difference between yields earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is equal to the annualized net interest income divided by average interest-earning assets. Because non-interest-bearing sources of funds, such as non-interest-bearing deposits and stockholders' equity, also fund interest-earning assets, net interest margin includes the indirect benefit of these non-interest-bearing funding sources.

Changes in market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets and interest-bearing and non-interest-bearing liabilities, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. Our asset liability committee ("ALCO") has in place asset-liability management techniques to manage major factors that affect net interest income and net interest margin.

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The following table contains information related to average balances, average yields earned on assets, and average costs of liabilities for the periods indicated (dollars in thousands):

	Three Months Ended June 30,					
	2025			2024		
	Average ⁽¹⁾ Balance	Interest	Yield/Rate ⁽²⁾	Average ⁽¹⁾ Balance	Interest	Yield/Rate ⁽²⁾
Assets						
Interest-earning assets:						
Loans ⁽³⁾	\$ 2,057,445	\$ 31,946	6.23%	\$ 1,828,487	\$ 28,017	6.16%
Investment securities ⁽⁴⁾	449,624	3,432	3.06%	440,559	3,069	2.80%
Other interest-earning assets	63,974	776	4.87%	100,371	1,531	6.13%
Total interest-earning assets	2,571,043	36,154	5.64%	2,369,417	32,617	5.54%
Non-interest-earning assets	106,155			109,805		
Total assets	\$ 2,677,198			\$ 2,479,222		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 46,694	285	2.45%	\$ 56,369	391	2.79%
Saving and money market deposits	1,211,513	9,410	3.12%	1,101,272	10,071	3.68%
Time deposits	452,361	4,343	3.85%	315,872	3,222	4.10%
Total interest-bearing deposits	1,710,568	14,038	3.29%	1,473,513	13,684	3.74%
FHLB advances and other borrowings	116,527	1,082	3.72%	162,000	1,622	4.03%
Total interest-bearing liabilities	1,827,095	15,120	3.32%	1,635,513	15,306	3.76%
Non-interest-bearing demand deposits	580,121			610,370		
Other non-interest-bearing liabilities	41,490			35,584		
Total liabilities	2,448,706			2,281,467		
Stockholders' equity	228,492			197,755		
Total liabilities and stockholders' equity	\$ 2,677,198			\$ 2,479,222		
Net interest income		\$ 21,034			\$ 17,311	
Net interest spread ⁽⁵⁾			2.32%			1.78%
Net interest margin ⁽⁶⁾			3.28%			2.94%

(1) Average balances - Daily average balances are used to calculate yields/rates.

(2) Annualized.

(3) Average loan balances include deferred fees/costs and non-accrual loans. Interest income on loans includes accretion of deferred loan fees, net of deferred loan costs.

(4) At fair value except for securities held to maturity. This amount includes FHLB stock.

(5) Net interest spread is the weighted average yield on total interest-earning assets minus the weighted average rate on total interest-bearing liabilities.

(6) Net interest margin is the ratio of net interest income to average total interest-earning assets.

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	Six Months Ended June 30,					
	2025			2024		
	Average Balance ⁽¹⁾	Interest	Yield/Rate ⁽²⁾	Average Balance ⁽¹⁾	Interest	Yield/Rate ⁽²⁾
Assets						
Interest-earning assets:						
Loans ⁽³⁾	\$ 2,022,345	\$ 62,191	6.18 %	\$ 1,805,008	\$ 54,660	6.09 %
Investment securities ⁽⁴⁾	443,314	6,456	2.93 %	430,274	5,880	2.75 %
Other interest-earning assets	69,547	1,485	4.29 %	112,808	2,964	5.28 %
Total interest-earning assets	2,535,206	70,132	5.56 %	2,348,090	63,504	5.44 %
Non-interest earning assets	106,885			109,572		
Total assets	\$ 2,642,091			\$ 2,457,662		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 50,133	623	2.50 %	\$ 54,857	760	2.79 %
Saving and money market deposits	1,205,305	18,745	3.13 %	1,099,423	20,465	3.74 %
Time deposits	426,081	8,261	3.90 %	319,392	6,516	4.10 %
Total interest-bearing deposits	1,681,519	27,629	3.30 %	1,473,672	27,741	3.79 %
FHLB advances and other borrowings	127,674	2,354	3.71 %	163,093	3,294	4.06 %
Total interest-bearing liabilities	1,809,193	29,983	3.33 %	1,636,765	31,035	3.81 %
Non-interest bearing demand deposits	571,627			592,565		
Other non-interest-bearing liabilities	37,247			32,908		
Total liabilities	2,418,067			2,262,238		
Stockholders' equity	224,024			195,424		
Total liabilities and stockholders' equity	\$ 2,642,091			\$ 2,457,662		
Net interest income		\$ 40,149		\$ 32,469		
Net interest spread ⁽⁵⁾			2.23 %			1.63 %
Net interest margin ⁽⁶⁾			3.18 %			2.78 %

(1) Average balances - Daily average balances are used to calculate yields/rates.

(2) Annualized.

(3) Average loan balances include non-accrual loans. Interest income on loans includes accretion of deferred loan fees, net of deferred loan costs.

(4) At fair value except for securities held to maturity. This amount includes FHLB stock.

(5) Net interest spread is the weighted average yield on total interest-earning assets minus the weighted average rate on total interest-bearing liabilities.

(6) Net interest margin is the ratio of net interest income to average total interest-earning assets.

Three months ended June 30, 2025 compared to the three months ended June 30, 2024.

Net interest income before the provision for credit losses was \$21.0 million for the three months ended June 30, 2025. The increase of \$3.7 million or 21.5% was primarily driven by higher income from an expanded loan portfolio, an increase in the weighted average loan yield, and a reduction in rates paid on interest-bearing liabilities between periods.

Net interest margin ("NIM") was 3.28% for the three months ended June 30, 2025 and 2.94% for the same period in 2024. The NIM expansion of 34 basis points reflects both higher loan yields and growth in the loan portfolio average balance, along with a decrease in interest rates paid on interest-bearing liabilities.

Six months ended June 30, 2025 compared to the six months ended June 30, 2024

Net interest income before the provision for credit losses was \$40.1 million for the six months ended June 30, 2025, an increase of \$7.7 million or 23.7%, from \$32.5 million for the same period in 2024. This growth was primarily driven by higher income from an expanded loan portfolio, an increase in the weighted average loan yield, and a reduction in rates paid on interest-bearing liabilities between periods.

The NIM was 3.18% for the six months ended June 30, 2025 and 2.78% for the same period in 2024. The NIM expansion of 40 basis points reflects both higher loan yields and growth in the loan average balance, along with a decrease in interest rates paid on interest-bearing liabilities.

Provision for Credit Losses

The provision for credit losses represents a charge to earnings necessary to maintain an allowance for credit losses that, in management's evaluation, is adequate to provide coverage for all expected credit losses. The provision for credit losses is impacted by variations in the size and composition of our loan and debt securities portfolio, recent historical and projected future economic conditions, our internal assessment of the credit quality of the loan and debt securities portfolios and net charge-offs.

Three months ended June 30, 2025 compared to the three months ended June 30, 2024.

The provision for credit loss was \$1.0 million for the three months ended June 30, 2025 compared to \$786 thousand for the same period in 2024. Growth in the loan portfolio was the primary driver of the increase in the provision expense. This impact was partially offset by the release of reserves related to individually evaluated loans, following a charge-off recorded during the second quarter of 2025.

Six months ended June 30, 2025 compared to the six months ended June 30, 2024

The provision for credit loss was \$1.7 million for the six months ended June 30, 2025 compared to \$1.2 million for the same period in 2024. Growth in the loan portfolio was the primary driver of the increase in the provision expense. This impact was partially offset by the release of reserves related to individually evaluated loans, following a charge-off recorded during the second quarter of 2025.

Non-Interest Income

Our services and products generate service charges and fees, mainly from our depository accounts. We also generate income from gain on sale of loans through SBA 7a loan program and the monetization fees earned through our loan swap program. In addition, we own and are beneficiaries of the life insurance policies on some of our employees, which policies generate income from the increase in the cash surrender values.

The following table presents the components of non-interest income for the dates indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Service fees	\$ 2,402	\$ 1,977	\$ 4,733	\$ 3,628
Gain on sale of securities available for sale, net	-	14	-	14
Gain on sale of loans held for sale, net	151	417	676	484
Other non-interest income	817	803	1,677	1,549
Total non-interest income	\$ 3,370	\$ 3,211	\$ 7,086	\$ 5,675

Three months ended June 30, 2025 compared to the three months ended June 30, 2024.

Non-interest income for the three months ended June 30, 2025 increased \$159 thousand or 5.0%, compared to the same period in 2024. This increase was primarily driven by growth in prepayment penalties and title insurance income reported under service fees category.

Six months ended June 30, 2025 compared to the six months ended June 30, 2024

Non-interest income for the six months ended June 30, 2025 increased \$1.4 million or 24.9%, compared to the same period in 2024. This increase was primarily driven by growth in prepayment penalties and title insurance income reported under service fees category combined with an increase in the gain on sale of loans.

[Table of Contents](#)**Non-Interest Expense**

The following table presents the components of non-interest expense for the dates indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Salaries and employee benefits	\$ 7,954	\$ 7,353	\$ 15,590	\$ 13,663
Occupancy	1,337	1,266	2,621	2,580
Regulatory assessment and fees	396	476	817	909
Consulting and legal fees	263	263	456	855
Network and information technology services	564	479	1,069	986
Other operating	2,120	1,723	4,133	3,741
Total non-interest expense	\$ 12,634	\$ 11,560	\$ 24,686	\$ 22,734

Three months ended June 30, 2025 compared to the three months ended June 30, 2024.

Non-interest expense for the three months ended the June 30, 2025 increased \$1.1 million, or 9.3%, compared to the same period in 2024. The increase was primarily driven by a \$601 thousand rise in salaries and employee benefits, reflecting merit increases and higher stock-based compensation expense. Additionally, other operating expense increased by \$397 thousand, largely due to a reimbursement of force-placed insurance expense received in the second quarter of 2024. This reimbursement reduced expenses in that period, making the second quarter of 2025 appear higher by comparison.

Six months ended June 30, 2025 compared to the six months ended June 30, 2024

Non-interest expense for the six months ended June 30, 2025 increased \$2.0 million or 8.6%, compared to the same period in 2024. The increase was primarily driven by an increase of \$1.9 million in salaries and employee benefits due to increase of \$882 thousand in merit increases and new full-time employee salaries, \$318 thousand in payroll taxes and group insurance expense, and \$727 thousand in stock-based compensation expense.

Provision for Income Tax

Fluctuations in the effective tax rate reflect the effect of the differences in the inclusion or deductibility of certain income and expenses for income tax purposes. Therefore, future decisions on the investments we choose will affect our effective tax rate. The cash surrender value of bank-owned life insurance policies covering key employees, purchasing municipal bonds, and overall levels of taxable income will be important elements in determining our effective tax rate.

Three months ended June 30, 2025 compared to the three months ended June 30, 2024.

Income tax expense for the three months ended June 30, 2025 was \$2.6 million as compared to \$2.0 million for the same period in 2024 and reflected the substantially increased level of net income experienced during the 2025 period. The effective tax rate for the three months ended June 30, 2025 was 24.2% compared to 24.1% for the same period in 2024.

Six months ended June 30, 2025 compared to the six months ended June 30, 2024

Income tax expense for the six months ended June 30, 2025 was \$5.0 million as compared to \$3.4 million for the same period in 2024 and reflected the substantially increased level of net income experienced during the 2025 period. The effective tax rate for the six months ended June 30, 2025 was 24.2% compared to 23.9% for the same period in 2024.

For a further discussion of income taxes, see Note 4 "Income Taxes" to the unaudited Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q.

Analysis of Financial Condition

Total assets at June 30, 2025 were \$2.72 billion, an increase of \$138.3 million, or 10.8% annualized, over total assets of \$2.58 billion at December 31, 2024. Total loans, net of deferred fees/costs, increased \$140.5 million, or 14.4% annualized, to \$2.11 billion at June 30, 2025 compared to \$1.97 billion at December 31, 2024. Total deposits increased by \$161.7 million, or 15.0% annualized, to \$2.34 billion at June 30, 2025 compared to \$2.17 billion December 31, 2024.

Investment Securities

The investment portfolio is used and managed to provide liquidity through cash flows, marketability and, if necessary, collateral for borrowings. The investment portfolio is also used as a tool to manage interest rate risk and the Company's capital market risk exposure. The philosophy of the portfolio is to maximize the Company's profitability taking into consideration the Company's risk appetite and tolerance, manage its asset composition and diversification, and maintain adequate risk-based capital ratios.

The investment portfolio is managed in accordance with the Board approved Asset and Liability Management ("ALM") policy, which includes investment guidelines. Such policy is reviewed at least annually or more frequently if deemed necessary, depending on market conditions and/or unexpected events. The investment portfolio composition is subject to change depending on the funding and liquidity needs of the Company, and the interest risk management objective directed by the Asset-Liability Committee ("ALCO"). The portfolio of investments also can be used to modify the duration of the balance sheet. The allocation of cash into securities takes into consideration anticipated future cash flows (uses and sources) and all available sources of credit.

Our investment portfolio consists primarily of securities issued by the U.S. Government and U.S. Government Agencies and mortgage-backed securities, collateralized mortgage obligations, corporate bonds, municipal securities, other debt securities all with varying contractual maturities and coupons. Due to the optionality embedded in these securities, the contractual maturities do not necessarily represent the expected life of the portfolio. Some of these securities will be called or paid down prior to maturity depending on capital market conditions and expectations. The investment portfolio is regularly reviewed by the Chief Financial Officer, Treasurer, and the ALCO of the Company to ensure an appropriate risk and return profile as well as for adherence to the Company's investment policy.

When evaluating AFS debt securities under ASC Topic 326, the Company evaluates whether the decline in fair value is attributable to credit losses or other factors like interest rate risk, using both quantitative and qualitative analyses, including company performance analysis, review of credit ratings, vintage bonds, remaining payment terms, prepayment speeds and analysis of macro-economic conditions. As a result of this evaluation, the Company concluded that no allowance was required on AFS securities as of June 30, 2025.

At quarter end, HTM securities included \$149.6 million of U.S. Government and U.S. Government Agencies issued bonds and mortgage-backed securities. Because of the explicit and/or implicit guarantee on these bonds, the Company holds no reserves on these holdings. The remaining portion of the HTM portfolio is made up of \$9.1 million in investment grade corporate bonds. For the portion of the HTM exposed to non-government credit risk, the Company utilized the PD/LGD methodology to estimate a \$7 thousand ACL as of June 30, 2025. The book value for debt securities classified as HTM represents amortized cost less ACL.

Aggregate AFS and HTM investment securities increased \$19.2 million, or 9.1% annualized, to \$444.1 million at June 30, 2025 from \$424.9 million at December 31, 2024. Investment securities increased due to reinvestment of payments received and investment of excess in cash balances into high credit quality investment securities to increase the Company's profitability and modify the Company's balance sheet duration according to the ALM policy.

As of June 30, 2025, investment securities with a market value of \$49.6 million were pledged to secure public deposits. The investment portfolio does not have any tax-exempt securities.

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The following table presents the amortized cost and fair value of investment securities for the dates indicated (dollars in thousands):

	June 30, 2025		December 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
U.S. Government Agency	\$ 16,308	\$ 14,850	\$ 14,279	\$ 12,625
Collateralized mortgage obligations	97,459	76,724	101,808	78,905
Mortgage-backed securities - residential	62,002	50,987	58,995	46,933
Mortgage-backed securities - commercial	104,782	96,524	86,604	78,739
Municipal securities	24,885	19,831	24,925	19,311
Bank subordinated debt securities	26,873	26,466	24,314	23,708
	<u>\$ 332,309</u>	<u>\$ 285,382</u>	<u>\$ 310,925</u>	<u>\$ 260,221</u>
Held-to-maturity:				
U.S. Government Agency	\$ 41,716	\$ 37,584	\$ 42,538	\$ 37,444
Collateralized mortgage obligations	54,312	47,937	56,987	49,259
Mortgage-backed securities - residential	38,404	34,555	40,681	36,121
Mortgage-backed securities - commercial	15,182	13,889	15,272	13,887
Corporate bonds	9,133	8,912	9,222	8,829
	<u>\$ 158,747</u>	<u>\$ 142,877</u>	<u>\$ 164,700</u>	<u>\$ 145,540</u>
Allowance for credit losses - securities held-to-maturity		(7)		(6)
Securities held-to maturity, net of allowance for credit losses	<u>\$ 158,740</u>		<u>\$ 164,694</u>	

The following table shows the weighted average yields, categorized by contractual maturity, for investment securities as of June 30, 2025 (in thousands, except yields):

	Within 1 year		After 1 year through 5 years		After 5 years through 10 years		After 10 years		Total	
	Amortized Cost	Yield	Amortized Cost	Yield	Amortized Cost	Yield	Amortized Cost	Yield	Amortized Cost	Yield
Available-for-sale:										
U.S. Government Agency	\$ -	-	\$ -	-	\$ 5,374	4.20%	\$ 10,933	4.18%	\$ 16,308	4.19%
Collateralized mortgage obligations	-	-	-	-	-	-	97,459	1.61%	97,459	1.61%
MBS - residential	-	-	-	-	-	-	62,002	2.11%	62,002	2.11%
MBS - commercial	-	-	1,594	4.41%	4,092	4.71%	99,097	3.97%	104,782	4.01%
Municipal securities	-	-	-	-	20,645	1.73%	4,240	1.86%	24,885	1.75%
Bank subordinated debt securities	-	-	7,925	9.13%	18,948	4.96%	-	-	26,873	6.19%
	<u>\$ -</u>	<u>-</u>	<u>\$ 9,519</u>	<u>8.34%</u>	<u>\$ 49,058</u>	<u>3.50%</u>	<u>\$ 273,732</u>	<u>2.68%</u>	<u>\$ 332,309</u>	<u>2.97%</u>
Held-to-maturity:										
U.S. Government Agency	\$ 2,997	1%	\$ 4,967	1.25%	\$ 19,866	1.44%	\$ 13,886	1.85%	\$ 41,716	1.50%
Collateralized mortgage obligations	-	-	-	-	-	-	54,312	1.65%	54,312	1.65%
MBS - residential	-	-	3,818	1.71%	5,865	1.75%	28,721	2.32%	38,404	2.17%
MBS - commercial	-	-	3,050	1.62%	-	-	12,132	2.57%	15,182	2.38%
Corporate bonds	9,133	2.81%	-	-	-	-	-	-	9,133	2.81%
	<u>\$ 12,130</u>	<u>2.27%</u>	<u>\$ 11,835</u>	<u>1.49%</u>	<u>\$ 25,731</u>	<u>1.51%</u>	<u>\$ 109,051</u>	<u>1.95%</u>	<u>\$ 158,747</u>	<u>1.87%</u>

Loans

Loans are the largest category of interest-earning assets on the unaudited Consolidated Balance Sheets, and usually provide higher yields than the remainder of the interest-earning assets. Higher yields typically carry greater inherent credit and liquidity risks in comparison to lower yield assets. The Company manages and mitigates such risks in accordance with the credit and ALM policies, risk tolerance and balance sheet composition.

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The following table shows the loan portfolio composition as of the dates indicated (in thousands):

	June 30, 2025		December 31, 2024	
	Total	Percent of Total	Total	Percent of Total
Residential Real Estate	\$ 307,020	14.6 %	\$ 289,961	14.8 %
Commercial Real Estate	1,206,621	57.3 %	1,136,417	57.8 %
Commercial and Industrial	263,966	12.5 %	258,311	13.1 %
Correspondent Banks	110,155	5.2 %	82,438	4.2 %
Consumer and Other	218,426	10.4 %	198,091	10.1 %
Total gross loans	2,106,188	100.0 %	1,965,218	100.0 %
Plus: Deferred fees/costs	7,130		7,630	
Total loans net of deferred fees/costs	2,113,318		1,972,848	
Less: Allowance for credit losses	24,933		24,070	
Total net loans	\$ 2,088,385		\$ 1,948,778	

Total loans, net of deferred fees/costs, increased by \$140.5 million, or 14.4% annualized to \$2.11 billion, at June 30, 2025 compared to December 31, 2024. The commercial real estate loan segment had the most significant growth compared to December 31, 2024.

Our loan portfolio continues to grow, with commercial real estate lending as the primary focus which represented approximately 57.3% of the total gross loan portfolio as of June 30, 2025. Our loan growth strategy since inception has been reflective of the market in which we operate and of our strategic plan as approved by the Board.

Most of the commercial real estate exposure represents loans to commercial businesses secured by owner-occupied real estate. The growth experienced in recent years is primarily due to implementation of our relationship-based banking model and the success of our relationship managers in competing for new business in a highly competitive metropolitan area. Many of our larger loan clients have long-term relationships with members of our senior management team or our relationship managers that date back to former institutions.

From a liquidity perspective, our loan portfolio provides us with additional liquidity due to repayments or unexpected prepayments. The following table shows maturities and sensitivity to interest rate changes of the loan portfolio at June 30, 2025 (in thousands):

	Due in 1 year or less	Due in 1 to 5 years	Due after 5 to 15 years	Due after 15 years	Total
Residential Real Estate	\$ 17,952	\$ 44,877	\$ 64,545	\$ 179,646	\$ 307,020
Commercial Real Estate	88,561	441,689	670,767	5,604	1,206,621
Commercial and Industrial	10,922	86,096	122,542	44,406	263,966
Correspondent Banks	110,155	-	-	-	110,155
Consumer and Other	2,218	1,534	20,038	194,636	218,426
Total gross loans	\$ 229,808	\$ 574,196	\$ 877,892	\$ 424,292	\$ 2,106,188
Interest rate sensitivity:					
Fixed interest rates	\$ 187,629	\$ 189,334	\$ 151,576	\$ 333,915	\$ 862,454
Floating or adjustable rates	42,179	384,862	726,316	90,377	1,243,734
Total gross loans	\$ 229,808	\$ 574,196	\$ 877,892	\$ 424,292	\$ 2,106,188

The information presented in the table above is based upon the contractual maturities of the individual loans, which may be subject to renewal at their contractual maturity. Renewals will depend on approval by our credit department and balance sheet composition at the time of the analysis, as well as any modification of terms at the loan's maturity. Additionally, maturity concentrations, loan duration, prepayment speeds and other interest rate sensitivity measures are discussed, reviewed, and analyzed by the ALCO. Decisions on term/rate modifications are discussed as well.

As of June 30, 2025, approximately 59.1% of the loan portfolio has adjustable/variable rates and 40.9% of the loan portfolio has fixed rates. The adjustable/variable rate loans re-price to different benchmarks and tenors and in different periods of time. By contractual characteristics, there are no material concentrations on anniversary repricing. Additionally, it is important to note that most of our loans have interest rate floors. This embedded option protects the Company from a decrease in interest rates below the floor and positions us to gain in the scenario of higher interest rates.

Asset Quality

Our asset quality grading analysis estimates the capability of the borrower to repay the contractual obligation of the loan agreement as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans. Internal credit risk grades are reviewed at least once a year, and more frequently as needed. Internal credit risk ratings may change based on management's assessment of the results from the annual review, portfolio monitoring, and other developments observed with borrowers.

The internal credit risk grades used by the Company to assess the credit worthiness of a loan are shown below:

Pass – Loans indicate different levels of satisfactory financial condition and performance.

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

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

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified at substandard, with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible.

Loan credit exposures by internally assigned grades are as follows for the dates indicated (in thousands):

	June 30, 2025				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential Real Estate	\$ 303,536	\$ 2,925	\$ 559	\$ -	\$ 307,020
Commercial Real Estate	1,198,870	5,327	2,424	-	1,206,621
Commercial and Industrial	260,342	965	2,659	-	263,966
Correspondent Banks	110,155	-	-	-	110,155
Consumer and Other	218,426	-	-	-	218,426
	<u>\$ 2,091,329</u>	<u>\$ 9,217</u>	<u>\$ 5,642</u>	<u>\$ -</u>	<u>\$ 2,106,188</u>

	December 31, 2024				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential Real Estate	\$ 289,401	\$ -	\$ 560	\$ -	\$ 289,961
Commercial Real Estate	1,133,965	-	2,452	-	1,136,417
Commercial and Industrial	256,031	-	2,280	-	258,311
Correspondent Banks	82,438	-	-	-	82,438
Consumer and Other	196,101	-	1,990	-	198,091
	<u>\$ 1,957,936</u>	<u>\$ -</u>	<u>\$ 7,282</u>	<u>\$ -</u>	<u>\$ 1,965,218</u>

[Table of Contents](#)**Non-Performing Assets**

The following table presents non-performing assets as of the dates shown (in thousands, except ratios):

	June 30, 2025	December 31, 2024
Non-accrual loans	\$ 1,366	\$ 2,707
Loans past due over 90 days and still accruing	-	-
Total non-performing loans	\$ 1,366	\$ 2,707
Other real estate owned	-	-
Total non-performing assets	\$ 1,366	\$ 2,707
Asset quality ratios:		
Allowance for credit losses to total loans	1.18%	1.22%
Allowance for credit losses to non-performing loans	1,825%	889%
Non-performing loans to total loans	0.06%	0.14%

Non-performing assets include all loans categorized as non-accrual, other real estate owned ("OREO") and other repossessed assets. Problem loans for which the collection or liquidation in full is reasonably uncertain are placed on a non-accrual status. This determination is based on current existing facts concerning collateral values and the paying capacity of the borrower. When the collection of the full contractual balance is unlikely, the loan is placed on non-accrual to avoid overstating the Company's income for a loan with increased credit risk.

If the principal or interest on a commercial loan becomes due and unpaid for 90 days or more, the loan is placed on non-accrual status as of the date it becomes 90 days past due and remains in non-accrual status until it meets the criteria for restoration to accrual status. Residential loans, on the other hand, are placed on non-accrual status when the principal or interest becomes due and unpaid for 120 days or more and remains in non-accrual status until it meets the criteria for restoration to accrual status. Restoring a loan to accrual status is possible when the borrower resumes payment of all principal and interest payments for a period of six consecutive months and the Company has a documented expectation of repayment of the remaining contractual principal and interest or the loan becomes secured and in the process of collection.

The Company may grant a loan concession to a borrower experiencing financial difficulties. This determination is performed during the annual review process or whenever problems surface regarding the borrower's ability to repay in accordance with the original terms of the loan or line of credit. The concessions are given to the debtor in various forms, including interest rate reductions, principal forgiveness, extension of maturity date, waiver, or deferral of payments and other concessions intended to minimize potential losses.

For further discussion of non-performing loans and borrowers experiencing financial difficulties, see Note 3 "Loans" to the unaudited Consolidated Financial Statements in Item 1 of Part 1 this Form 10-Q.

Allowance for Credit Losses

The ACL on loans represents an amount that, in management's evaluation, is adequate to provide coverage for all expected future credit losses on outstanding loans. Additionally, qualitative adjustments are made to the ACL when, based on management's judgment, there are factors impacting the allowance estimate not considered by the quantitative calculations. See Note 3 "Loans" in Item 1 of Part 1 of this Form 10-Q for more information on the ACL.

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The following table presents ACL on loans and net charge-offs to average loans by type for the periods indicated (in thousands):

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended June 30, 2025						
Beginning balance	\$ 5,115	\$ 9,197	\$ 4,434	\$ 817	\$ 5,177	\$ 24,740
Provision for credit losses ⁽¹⁾	356	294	73	57	115	895
Recoveries	6	-	1	-	1	8
Charge-offs	-	-	-	-	(710)	(710)
Ending Balance	\$ 5,477	\$ 9,491	\$ 4,508	\$ 874	\$ 4,583	\$ 24,933
Average loans	\$ 299,857	\$ 1,167,698	\$ 265,465	\$ 101,776	\$ 222,649	\$ 2,057,445
Net charge-offs (recoveries) to average loans ⁽²⁾	(0.01)%	-	(0.00)%	-	1.28%	0.14%
Six Months Ended June 30, 2025						
Beginning balance	\$ 5,121	\$ 8,788	\$ 4,633	\$ 654	\$ 4,874	\$ 24,070
Provision for credit losses ⁽³⁾	344	703	(131)	220	431	1,567
Recoveries	12	-	6	-	1	19
Charge-offs	-	-	-	-	(723)	(723)
Ending Balance	\$ 5,477	\$ 9,491	\$ 4,508	\$ 874	\$ 4,583	\$ 24,933
Average loans	\$ 300,560	\$ 1,155,436	\$ 261,377	\$ 94,516	\$ 210,456	\$ 2,022,345
Net charge-offs (recoveries) to average loans ⁽²⁾	(0.01)%	-	(0.00)%	-	0.69%	0.07%

(1) Provision for credit losses excludes a \$134 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a \$2 thousand provision related to investment securities held to maturity.

(2) Annualized.

(3) Provision for credit losses excludes a \$144 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a \$1 thousand provision related to investment securities held to maturity.

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	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Correspondent Banks	Consumer and Other	Total
Three Months Ended June 30, 2024						
Beginning balance	\$ 2,930	\$ 10,302	\$ 4,272	\$ 794	\$ 3,156	\$ 21,454
Provision for credit losses ⁽¹⁾	257	(30)	474	98	(25)	774
Recoveries	6	-	1	-	-	7
Charge-offs	-	-	-	-	(5)	(5)
Ending Balance	\$ 3,193	\$ 10,272	\$ 4,747	\$ 892	\$ 3,126	\$ 22,230
Average loans	\$ 231,807	\$ 1,064,636	\$ 232,019	\$ 102,597	\$ 197,428	\$ 1,828,487
Net charge-offs (recoveries) to average loans ⁽²⁾	(0.01)%	-	(0.00)%	-	0.01%	0.00%
Six Months Ended June 30, 2024						
Beginning balance	\$ 2,695	\$ 10,366	\$ 3,974	\$ 911	\$ 3,138	\$ 21,084
Provision for credit losses ⁽³⁾	492	(94)	762	(19)	(4)	1,137
Recoveries	6	-	11	-	2	19
Charge-offs	-	-	-	-	(10)	(10)
Ending Balance	\$ 3,193	\$ 10,272	\$ 4,747	\$ 892	\$ 3,126	\$ 22,230
Average loans	\$ 228,830	\$ 1,050,965	\$ 229,040	\$ 101,280	\$ 194,893	\$ 1,805,008
Net charge-offs (recoveries) to average loans ⁽²⁾	(0.01)%	-	(0.01)%	-	0.01%	0.00%

(1) Provision for credit losses excludes a \$15 thousand provision due to unfunded commitments included in accrued interest and other liabilities and a \$3 thousand release related to investment securities held to maturity.

(2) Annualized.

(3) Provision for credit losses excludes \$58 thousand provision due to unfunded commitments included in accrued interest and other liabilities and \$1 thousand provision due to investment securities held to maturity.

The Federal Open Market Committee ("FOMC") economic forecasts as of June 30, 2025, showed moderate deterioration in unemployment and forecast for real GDP. Fannie Mae House Price Index ("HPI") forecast reflected a deterioration in national housing prices as well. The Company continued to adjust the HPI index effect on the 1-4 Family loan portfolio with a qualitative factor because Florida housing prices are performing better than national levels. The Q-factor scorecard was updated based on the latest portfolio stress test and the resulting maximum loss calculation.

Our ACL included residential loans. To assess the potential impact of changes in qualitative factors related to these loans, management performed a sensitivity analysis. The Company evaluated the impact of the HPI used in calculating expected losses on the residential loan segment. As of June 30, 2025, for every 100 basis points increase in the HPI, the forecast reduces reserves by approximately \$353 thousand and about 2 basis points to the reserve coverage ratio, everything else being constant. This sensitivity analysis provides a hypothetical result to assess the sensitivity of the ACL and does not represent a change in management's judgement.

As of June 30, 2025, we stress tested two qualitative factors in our commercial real estate loan pool, as it is the largest segment in our portfolio. We evaluated the impact of a change in the qualitative factors from no risk to maximum loss to measure the sensitivity of the qualitative factors. The change from no risk to high risk resulted in a \$9.4 million or 36.4% increase in the ACL. This sensitivity analysis provides a hypothetical result to assess the sensitivity of the ACL and does not represent a change in management's judgement.

Bank-Owned Life Insurance

As of June 30, 2025, the combined cash surrender value of all bank-owned life insurance ("BOLI") policies was \$58.4 million. Changes in cash surrender value are recorded to non-interest income in the unaudited Consolidated Statements of Operations. The Company has BOLI policies with five insurance carriers. The Company is the beneficiary of these policies.

Deposits

Customer deposits are the primary funding source for the Bank's growth. Through our network of banking centers, we offer a competitive array of deposit accounts and treasury management services designed to meet our customers' business

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needs. Our primary deposit customers are small-to-medium sized businesses (“SMBs”), and the personal business of the owners and operators of these SMBs, as well as the retail/consumer relationships of the employees of these businesses.

The following table presents the daily average balance and average rate paid on deposits by category for the periods presented (in thousands, except ratios):

	Three Months Ended June 30,			
	2025		2024	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest bearing demand deposits	\$ 580,121	0.00%	\$ 610,370	0.00%
Interest-bearing demand deposits	46,694	2.45%	56,369	2.79%
Saving and money market deposits	1,211,513	3.12%	1,101,272	3.68%
Time deposits	452,361	3.85%	315,872	4.10%
Total	<u>\$ 2,290,689</u>	<u>2.46%</u>	<u>\$ 2,083,883</u>	<u>2.64%</u>

The Company has a granular deposit portfolio with outstanding balances comprised of 57% in commercial deposits, 28% in personal deposits, 8% in public funds (which are partially collateralized) and 8% in brokered deposits. The brokered deposits balance at June 30, 2025 was \$188.0 million and was \$133.0 million at December 31, 2024.

As of June 30, 2025, the Company has approximately 21 thousand deposit accounts with the majority in personal accounts, approximately 13 thousand or 61.4%. The estimated average account size of our deposit portfolio was approximately \$113 thousand as of June 30, 2025.

The uninsured deposits are estimated based on the FDIC deposit insurance limit of \$250 thousand per account holder for all deposit accounts at the Company. The total estimated percentage of uninsured deposits was 52% at June 30, 2025 and 55% at December 31, 2024. The Company offers Insured Cash Sweep (“ICS”) and Certificate of Deposit Account Registry Service (“CDARS”) deposit products to fully insure our clients. The deposit balance in ICS/CDARS was \$143.4 million at June 30, 2025 and was \$125.5 million at December 31, 2024.

The following table shows scheduled maturities of uninsured time deposits as of June 30, 2025 (in thousands):

	June 30, 2025
Three months or less	\$ 53,680
Over three through six months	25,041
Over six through twelve months	11,888
Over twelve months	40,376
	<u>\$ 130,985</u>

Other Liabilities

The Company collects from commercial and residential loan customers funds which are held in escrow for future payment of real estate taxes and insurance. These escrow funds are disbursed by the Company directly to the insurance companies and taxing authority of the borrower. Escrow funds are recorded as accrued interest and other liabilities.

As of June 30, 2025, escrow balances totaled \$20.9 million compared to \$6.1 million at December 31, 2024.

Borrowings

As a member of the FHLB of Atlanta, we are eligible to obtain advances with various terms and conditions. This accessibility to additional funding allows us to efficiently and timely meet both expected and unexpected outgoing cash flows and collateral needs without adversely affecting either daily operations or the financial condition of the Company.

As of June 30, 2025, we had \$108.0 million of fixed-rate advances outstanding from the FHLB with a weighted average rate of 3.60%. Maturity dates for the advances range between 2025 to 2028 as detailed in the table below.

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The following table presents the FHLB advances as of June 30, 2025 (in thousands):

Interest Rate	Type of Rate	Maturity Date	Amount
1.07%	Fixed	July 18, 2025	\$ 6,000
3.76%	Fixed	January 24, 2028	11,000
3.77%	Fixed	April 25, 2028	50,000
3.68%	Fixed	September 13, 2027	21,000
3.79%	Fixed	March 23, 2026	20,000
			<u>\$ 108,000</u>

During the third quarter 2024, the Company paid off the \$80.0 million fixed-rate loan outstanding from the Bank Term Funding Program with an original maturity date of January 10, 2025.

The Company has also established Federal Funds lines of credit with our upstream correspondent banks and the Federal Reserve Bank of Atlanta Discount Window to manage temporary fluctuations in our daily cash balances. As of June 30, 2025, there were no outstanding balances with any of these liquidity sources.

Off-Balance Sheet Arrangements

We engage in various financial transactions in our operations that, under GAAP, may not be included on the balance sheet. To meet the financing needs of our customers, we may include commitments to extend credit and standby letters of credit. To a varying degree, such commitments involve elements of credit, market, and interest rate risk in excess of the amount recognized in the balance sheet. We use more conservative credit and collateral policies in making these credit commitments than we do for on-balance sheet items. We maintain an allowance for off-balance sheet credit risk which is recorded under accrued interest and other liabilities on the unaudited Consolidated Balance Sheets. The ACL related to unfunded commitments at June 30, 2025 was \$716 thousand and at December 31, 2024 was \$571 thousand. The increase was primarily driven by an increase in unfunded commitments and to a lesser degree by the deterioration of the estimated loss rate.

Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect actual future cash funding requirements. The following table presents lending related commitments outstanding as of the dates indicated (in thousands):

	June 30, 2025	December 31, 2024
Commitments to grant loans and unfunded lines of credit	\$ 124,051	\$ 122,578
Standby and commercial letters of credit	2,616	5,389
Total	<u>\$ 126,667</u>	<u>\$ 127,967</u>

Commitments to extend credit are agreements to lend funds to a client, as long as there is no violation of any condition established in the contract, for a specific purpose. Commitments generally have variable interest rates, fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn, the total commitment amounts disclosed above do not necessarily represent future cash requirements.

Unfunded lines of credit represent unused portions of credit facilities to our current borrowers that represent no change in credit risk in our portfolio. Lines of credit generally have variable interest rates. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment, less the amount of any advances made.

Letters of credit are conditional commitments issued by us to guarantee the performance of a client to a third party. In the event of nonperformance by the client in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. If the commitment is funded, we would be entitled to seek recovery from the client from the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash or marketable securities.

Asset and Liability Management Committee

Members of senior management and our Board make up the asset and liability management committee, or ALCO. Senior management is responsible for ensuring that Board approved strategies and policies for managing and mitigating risks are appropriately executed within the designated lines of authority and responsibility in a timely manner.

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ALCO oversees the establishment, approval, implementation, and review of interest rate risk, management, and mitigation strategies, ALM related policies, ALCO procedures and risk tolerances and appetite.

While some degree of Interest Rate Risk ("IRR") is inherent to the banking business, we believe our ALCO implements sound risk management practices to identify, quantify, monitor, and limit IRR exposures.

When assessing the scope of IRR exposure and impact on the consolidated balance sheet, cash flows and income statement, management considers both earnings and economic impacts. Asset price variations, deposit volatility and reduced earnings or outright losses could adversely affect the Company's liquidity, performance, and capital adequacy.

Income simulations are used to assess the impact of changing rates on earnings under different rates scenarios and time horizons. These simulations utilize both instantaneous and parallel changes in the level of interest rates, as well as non-parallel changes such as changing slopes (flat and steepening) and twists of the yield curve. Static simulation models are based on current exposures and assume a constant balance sheet with no new growth. Dynamic simulation is also utilized to have a more comprehensive assessment on IRR. This simulation relies on detailed assumptions outlined in our budget and strategic plan, and in assumptions regarding changes in existing lines of business, new business, management strategies and client expected behavior.

To have a more complete picture of IRR, the Company also evaluates the economic value of equity ("EVE"). This assessment allows us to measure the degree to which the economic values will change under different interest rate scenarios (parallel and non-parallel). The economic value approach focuses on a longer-term time horizon and captures all future cash flows expected from existing assets and liabilities. The economic value model utilizes a static approach in that the analysis does not incorporate new business; rather, the analysis shows a snapshot in time of the risk inherent in the balance sheet.

Market and Interest Rate Risk Management

According to our ALCO model, as of June 30, 2025, we had a slightly liability sensitive balance sheet for year one, and a neutral balance sheet for year two, using the static model. Asset sensitivity indicates that our assets generally reprice faster than our liabilities, which results in a favorable impact to net interest income when market interest rates increase. Liability sensitivity indicates that our liabilities generally reprice faster than our assets, which results in a favorable impact to net interest income when market interest rates decrease. Many assumptions are used to calculate the impact of interest rate variations on our net interest income, such as asset prepayment speeds, non-maturity deposit price sensitivity (betas), pricing correlations, deposit truncations and decay rates, and key interest rate drivers.

Because of the inherent use of these estimates and assumptions in the model, our actual results may, and most likely will, differ from static measures results. In addition, static measures like EVE do not include actions that management may undertake to manage the risks in response to anticipated changes in interest rates or customer deposit behavior. As part of our ALM strategy and policy, management has the ability to modify the balance sheet to either increase asset duration and decrease liability duration to reduce asset sensitivity, or to decrease asset duration and increase liability duration in order to increase asset sensitivity.

According to our model, as of June 30, 2025, our balance sheet is liability sensitive for year one and more neutral in year two under static interest rate scenarios (an increase or decrease of 400 basis points). Additionally, utilizing an EVE approach, we analyze the risk to capital from the effects of various interest rate scenarios through a long-term discounted cash flow model. This measures the difference between the economic value of our assets and the economic value of our liabilities, which is a proxy for our liquidation value. According to our balance sheet composition, and as expected, our model stipulates that an increase in interest rates will have a negative impact on the EVE and lower rates, a positive impact. Results and analysis are presented quarterly to the ALCO, and strategies are reviewed and defined.

Liquidity

Liquidity is defined as a Company's capacity to meet its cash and collateral obligations at a reasonable cost. Maintaining an adequate level of liquidity depends on the Company's ability to efficiently meet both expected and unexpected cash flow and collateral needs without adversely affecting either daily operations or the financial condition of the Company.

Liquidity risk is the risk that we will be unable to meet our short-term and long-term obligations as they become due because of an inability to liquidate assets or obtain relatively adequate funding. The Company's obligations, and the funding sources used to meet them, depend significantly on our business mix, balance sheet structure and composition, credit quality of our assets and the cash flow profiles of our on- and off-balance sheet obligations.

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In managing inflows and outflows, management regularly monitors situations that can give rise to increased liquidity risk. These include funding mismatches, market constraints on the ability to convert assets (particularly investments) into cash or in accessing sources of funds (i.e., market liquidity), pledging assets and contingent liquidity events.

Changes in macroeconomic conditions, as well as exposure to credit, market, operational, legal, cybersecurity risk and reputational risks, could have an unexpected impact on the Company's liquidity risk profile and are factored into the assessment of liquidity and the ALM framework.

Management has established a comprehensive and holistic management process for identifying, measuring, monitoring and mitigating liquidity risk. Due to its critical importance to the viability of the Company, liquidity risk management is integrated into our risk management processes, Contingency Funding Plan and ALM policy.

Critical elements of our liquidity risk management include: effective corporate governance consisting of oversight by the Board and ALCO, and active involvement of senior management; appropriate strategies, policies, procedures, and limits used to identify and mitigate liquidity risk; comprehensive liquidity risk measurement and monitoring systems (including assessments of the current and prospective cash flows or sources and uses of funds) that are commensurate with the complexity and business activities of the Company; active management of intraday liquidity and collateral; an appropriately diverse mix of existing and potential future funding sources; adequate levels of highly liquid marketable securities free of legal, regulatory, or operational impediments, that can be used to meet liquidity needs in stressful situations; comprehensive contingency funding plans that sufficiently address potential adverse liquidity events and emergency cash flow requirements; and internal controls and internal audit processes sufficient to determine the adequacy of the institution's liquidity risk management process.

We expect funds to be available from several basic banking activity sources, including the core deposit base, the repayment and maturity of loans and the investment portfolio cash flows. Other potential funding sources include Federal Funds purchased, brokered certificates of deposit, listing services certificates of deposit, unsecured fed funds lines with other banking institutions and draws from the Federal Reserve Bank of Atlanta discount window, and borrowings from the FHLB Atlanta. Accordingly, we believe our liquidity resources are adequate to fund loans and meet other cash needs as necessary.

Capital Adequacy

As of June 30, 2025, the Bank was well capitalized under the FDIC's prompt corrective action framework. We also follow the capital conservation buffer framework, and as of June 30, 2025, we exceeded the capital conversation buffer in all capital ratios, according to our actual ratios. The following table presents the capital ratios for the Bank at the dates indicated (in thousands, except ratios).

	Actual		Minimum Capital Requirements		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2025						
Total risk-based capital	\$ 287,836	13.67 %	\$ 168,507	8.00 %	\$ 210,634	10.00 %
Tier 1 risk-based capital	\$ 262,180	12.45 %	\$ 126,380	6.00 %	\$ 168,507	8.00 %
Common equity tier 1 capital	\$ 262,180	12.45 %	\$ 94,785	4.50 %	\$ 136,912	6.50 %
Leverage ratio	\$ 262,180	9.65 %	\$ 108,629	4.00 %	\$ 135,786	5.00 %
December 31, 2024						
Total risk-based capital	\$ 266,387	13.34 %	\$ 159,795	8.00 %	\$ 199,744	10.00 %
Tier 1 risk-based capital	\$ 241,740	12.10 %	\$ 119,846	6.00 %	\$ 159,795	8.00 %
Common equity tier 1 capital	\$ 241,740	12.10 %	\$ 89,885	4.50 %	\$ 129,834	6.50 %
Leverage ratio	\$ 241,740	9.38 %	\$ 103,074	4.00 %	\$ 128,843	5.00 %

The Company is not subject to regulatory capital ratios imposed by Basel III on bank holding companies because the Company is deemed to be a small bank holding company.

Impact of Inflation

Our Consolidated Financial Statements and related notes have been prepared in accordance with U.S. GAAP, which require the measurement of financial position and operating results in terms of historical dollars, without considering

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the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is mostly reflected in the increased cost of operations, inflation can negatively impact overhead expenses and other variable expenses. Unlike most industrial companies, nearly all our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than the effects of inflation. Periods of high inflation are often accompanied by relatively higher interest rates, and periods of low inflation are accompanied by relatively lower interest rates.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Note 1 "Summary of Significant Accounting Policies" to the unaudited Consolidated Financial Statements in Part 1 of this Form 10-Q.

Reconciliation and Management Explanation of Non-GAAP Financial Measures

Management has included these non-GAAP measures because it believes these measures may provide useful supplemental information for evaluating the Company's underlying performance trends. Further, management uses these measures in managing and evaluating the Company's business and intends to refer to them in discussions about our operations and performance. Operating performance measures should be viewed in addition to, and not as an alternative to or substitute for, measures determined in accordance with GAAP, and are not necessarily comparable to non-GAAP measures that may be presented by other companies. The following table reconciles the non-GAAP financial measurement of operating net income available to common shareholders for the periods presented (in thousands, except per share data):

USCB FINANCIAL HOLDINGS, INC.
NON-GAAP FINANCIAL MEASURES (UNAUDITED)
(Dollars in thousands)

	As of or For the Three Months Ended				
	6/30/2025	3/31/2025	12/31/2024	9/30/2024	6/30/2024
Pre-tax pre-provision ("PTPP") income:⁽¹⁾					
Net income	\$ 8,140	\$ 7,658	\$ 6,904	\$ 6,949	\$ 6,209
Plus: Provision for income taxes	2,599	2,440	2,197	2,213	1,967
Plus: Provision for credit losses	1,031	681	1,030	931	786
PTPP income	\$ 11,770	\$ 10,779	\$ 10,131	\$ 10,093	\$ 8,962
PTPP return on average assets:⁽¹⁾					
PTPP income	\$ 11,770	\$ 10,779	\$ 10,131	\$ 10,093	\$ 8,962
Average assets	\$ 2,677,198	\$ 2,606,593	\$ 2,544,592	\$ 2,485,434	\$ 2,479,222
PTPP return on average assets ⁽²⁾	1.76%	1.68%	1.58%	1.62%	1.45%
Operating net income:⁽¹⁾					
Net income	\$ 8,140	\$ 7,658	\$ 6,904	\$ 6,949	\$ 6,209
Less: Net gains (losses) on sale of securities	-	-	-	-	14
Less: Tax effect on sale of securities	-	-	-	-	(4)
Operating net income	\$ 8,140	\$ 7,658	\$ 6,904	\$ 6,949	\$ 6,199
Operating PTPP income:⁽¹⁾					
PTPP income	\$ 11,770	\$ 10,779	\$ 10,131	\$ 10,093	\$ 8,962
Less: Net gains (losses) on sale of securities	-	-	-	-	14
Operating PTPP income	\$ 11,770	\$ 10,779	\$ 10,131	\$ 10,093	\$ 8,948
Operating PTPP return on average assets:⁽¹⁾					
Operating PTPP income	\$ 11,770	\$ 10,779	\$ 10,131	\$ 10,093	\$ 8,948
Average assets	\$ 2,677,198	\$ 2,606,593	\$ 2,544,592	\$ 2,485,434	\$ 2,479,222
Operating PTPP return on average assets ⁽²⁾	1.76%	1.68%	1.58%	1.62%	1.45%
Operating return on average assets:⁽¹⁾					
Operating net income	\$ 8,140	\$ 7,658	\$ 6,904	\$ 6,949	\$ 6,199
Average assets	\$ 2,677,198	\$ 2,606,593	\$ 2,544,592	\$ 2,485,434	\$ 2,479,222
Operating return on average assets ⁽²⁾	1.22%	1.19%	1.08%	1.11%	1.01%
Operating return on average equity:⁽¹⁾					
Operating net income	\$ 8,140	\$ 7,658	\$ 6,904	\$ 6,949	\$ 6,199
Average equity	\$ 228,492	\$ 219,505	\$ 215,715	\$ 206,641	\$ 197,755
Operating return on average equity ⁽²⁾	14.29%	14.15%	12.73%	13.38%	12.61%
Operating Revenue:⁽¹⁾					
Net interest income	\$ 21,034	\$ 19,115	\$ 19,358	\$ 18,109	\$ 17,311
Plus: Non-interest income	3,370	3,716	3,627	3,438	3,211
Less: Net gains (losses) on sale of securities	-	-	-	-	14
Operating revenue	\$ 24,404	\$ 22,831	\$ 22,985	\$ 21,547	\$ 20,508
Operating Efficiency Ratio:⁽¹⁾					
Total non-interest expense	\$ 12,634	\$ 12,052	\$ 12,854	\$ 11,454	\$ 11,560
Operating revenue	\$ 24,404	\$ 22,831	\$ 22,985	\$ 21,547	\$ 20,508
Operating efficiency ratio	51.77%	52.79%	55.92%	53.16%	56.37%

(1) The Company believes these non-GAAP measurements are key indicators of the ongoing earnings power of the Company.

(2) Annualized.

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USCB FINANCIAL HOLDINGS, INC.
NON-GAAP FINANCIAL MEASURES (UNAUDITED)
(Dollars in thousands, except per share data)

	As of or For the Three Months Ended				
	6/30/2025	3/31/2025	12/31/2024	9/30/2024	6/30/2024
Tangible book value per common share (at period-end):⁽¹⁾					
Total stockholders' equity	\$ 231,583	\$ 225,088	\$ 215,388	\$ 213,916	\$ 201,020
Less: Intangible assets	-	-	-	-	-
Tangible stockholders' equity	\$ 231,583	\$ 225,088	\$ 215,388	\$ 213,916	\$ 201,020
Total shares issued and outstanding (at period-end):					
Total common shares issued and outstanding	20,078,385	20,048,385	19,924,632	19,620,632	19,630,632
Tangible book value per common share ⁽²⁾	\$ 11.53	\$ 11.23	\$ 10.81	\$ 10.90	\$ 10.24
Operating diluted net income per common share:⁽¹⁾					
Operating net income	\$ 8,140	\$ 7,658	\$ 6,904	\$ 6,949	\$ 6,199
Total weighted average diluted shares of common stock	20,295,794	20,319,535	20,183,731	19,825,211	19,717,167
Operating diluted net income per common share:	<u>\$ 0.40</u>	<u>\$ 0.38</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>	<u>\$ 0.31</u>
Tangible Common Equity/Tangible Assets⁽¹⁾					
Tangible stockholders' equity	\$ 231,583	\$ 225,088	\$ 215,388	\$ 213,916	\$ 201,020
Tangible total assets ⁽³⁾	\$ 2,719,474	\$ 2,677,382	\$ 2,581,216	\$ 2,503,954	\$ 2,458,270
Tangible Common Equity/Tangible Assets	8.52%	8.41%	8.34%	8.54%	8.18%

(1) The Company believes these non-GAAP measurements are key indicators of the ongoing earnings power of the Company.

(2) Excludes the dilutive effect, if any, of shares of common stock issuable upon exercise of outstanding stock options.

(3) Since the Company has no intangible assets, tangible total assets is the same amount as total assets calculated under GAAP.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of June 30, 2025. Based on that evaluation, management believes that, as of the end of the period covered by this Form 10-Q, the Company's disclosure controls and procedures were effective to collect, process, and disclose the information required to be disclosed in the reports filed or submitted under the Exchange Act within the required time periods.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II

Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings. We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include, among other things, allegations of violation of banking and other applicable regulations, competition law, labor laws and consumer protection laws, as well as claims or litigation relating to intellectual property, securities, breach of contract and tort. We intend to defend ourselves vigorously against any pending or future claims and litigation.

There can be no assurance that any future legal proceedings to which we are a party will not be decided adversely to our interests and have a material adverse effect on our financial condition and operations.

Item 1A. Risk Factors

For detailed information about certain risk factors that could materially affect our business, financial condition, or future results, see "Part I, Item 1A – Risk Factors" of the 2024 Form 10-K.

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

(a) None.

(b) Not applicable.

(c) There were no repurchases of equity securities during any month in the three months ended June 30, 2025. As of June 30, 2025 the maximum number of shares that may yet be purchased under the Company's Board approved stock repurchase programs was 528,309 shares.

Item 3. Defaults Upon Senior Securities

(a) Not applicable

(b) Not applicable

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) Not applicable

(b) Not applicable

(c) During the three months ended June 30, 2025, none of the Company's directors or Section 16 reporting persons adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of the SEC's Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description of Exhibit
2.1	Agreement and Plan of Share Exchange, dated December 27, 2021, by and between U.S. Century Bank and USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
3.1	Articles of Incorporation, as amended, of USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (File No. 001-41196), filed with the Securities and Exchange Commission on August 11, 2023).
3.2	Amended and Restated Bylaws of USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on July 26, 2023).
4.1	Side Letter Agreement, dated December 30, 2021, between USCB Financial Holdings, Inc., U.S. Century Bank, Priam Capital Fund II, LP, Patriot Financial Partners II, L.P. and Patriot Financial Partners Parallel II, L.P. (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-41196), filed with the Securities and Exchange Commission on December 30, 2021).
4.2	Registration Rights Agreement, dated March 17, 2015, between U.S. Century Bank, Priam Capital Fund II, LP, Patriot Financial Partners II, L.P., Patriot Financial Partners Parallel II, L.P., and certain other shareholders of U.S. Century Bank (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.3	Assignment and Assumption of Agreement, dated December 30, 2021, between U.S. Century Bank and USCB Financial Holdings, Inc. (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 001-41196) filed with the Securities and Exchange Commission on December 30, 2021).
4.4	Description of USCB Financial Holdings, Inc.'s securities (incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K (File No. 001-41196) filed with the Securities and Exchange Commission on March 22, 2024).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.**
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.**
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.***
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.***
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 formatted in Inline XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statements of Changes in Stockholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), (vi) Notes to Consolidated Financial Statements (unaudited).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management Contract or Compensatory plan or arrangement.

** Filed herewith.

*** Furnished hereby.

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.

USCB FINANCIAL HOLDINGS, INC.
(Registrant)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Luis de la Aguilera</u> Luis de la Aguilera	Chairman, President and Chief Executive Officer (Principal Executive Officer)	August 8, 2025
<u>/s/ Robert Anderson</u> Robert Anderson	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 8, 2025

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

I, Luis de la Aguilera, certify that:

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

/s/ Luis de la Aguilera

Luis de la Aguilera

Chairman, President and Chief Executive Officer

Date: August 8, 2025

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

I, Robert Anderson, certify that:

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

/s/ Robert Anderson

Robert Anderson
Chief Financial Officer

Date: August 8, 2025

**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of USCB Financial Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Luis de la Aguilera, as President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Luis de la Aguilera

Luis de la Aguilera

Chairman, President and Chief Executive Officer

Date: August 8, 2025

**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of USCB Financial Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Anderson, as Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Robert Anderson

Robert Anderson
Chief Financial Officer

Date: August 8, 2025

