

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the Quarterly Period Ended September 30, 2025**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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Commission File Number 2-27985

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1st FRANKLIN FINANCIAL CORPORATION

A Georgia Corporation

I.R.S. Employer Identification No. 58-0521233

135 East Tugalo Street  
Post Office Box 880  
Toccoa, Georgia 30577  
(706) 886-7571

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Securities registered pursuant to Section 12(b) of the Act: **None**

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| Class  | Outstanding November 19, 2025 |
|--|-------------------------------|
| Voting Common Stock, par value \$100 per share | 1,700 Shares                  |
| Non-Voting Common Stock, no par value          | 168,300 Shares                |

## **PART I. FINANCIAL INFORMATION**

### **ITEM 1. Financial Statements:**

The information contained under the following captions in the Company's Quarterly Report to Investors as of and for the three and nine months ended September 30, 2025 is incorporated by reference herein. See Exhibit 13.

Condensed Consolidated Statements of Financial Position (Unaudited): September 30, 2025 and December 31, 2024

Condensed Consolidated Statements of Income (Unaudited): Three and Nine Months Ended September 30, 2025 and September 30, 2024

Condensed Consolidated Statements of Comprehensive Income (Unaudited): Three and Nine Months Ended September 30, 2025 and September 30, 2024

Condensed Consolidated Statements of Stockholders' Equity (Unaudited): Three and Nine Months Ended September 30, 2025 and September 30, 2024

Condensed Consolidated Statements of Cash Flows (Unaudited): Nine Months Ended September 30, 2025 and September 30, 2024

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

The information contained under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Report to Investors as of and for the three and nine months ended September 30, 2025 is incorporated by reference herein. See Exhibit 13.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk:**

The information contained under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quantitative and Qualitative Disclosures About Market Risk" in the Company's Quarterly Report to Investors as of and for the three and nine months ended September 30, 2025 is incorporated by reference herein. See Exhibit 13.

### **ITEM 4. Controls and Procedures:**

We maintain a set of disclosure controls and procedures, as such term is defined in Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was carried out as of the end of the period covered by this report, under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that, as of September 30, 2025, the Company's disclosure controls and procedures were not effective, because of the material weaknesses in our internal control over financial reporting further described below. No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

#### ***Material Weakness in Internal Control over Financial Reporting***

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

As previously described in the 2024 Annual Report, we have identified certain deficiencies in internal control that we believe rise to the level of material weaknesses. These deficiencies relate to the Company's conversion to and implementation of a new loan servicing system, which conversion began in June 2024 and continued into 2025. These material weaknesses include:

- The Company lacks a formal risk assessment process to identify and analyze risks of misstatement due to error and/or fraud. Specifically, the Company did not adequately assess the risks associated with the conversion of the Company's loan servicing system, such as data migration risks, system integration risks, or operational risks. The Company's lack of sufficient technical accounting resources during the implementation of the new loan servicing system led to delays or omissions in the critical control activities, increasing the risk of misstatements.
- The Company does not have a formal process for monitoring the effectiveness of their internal controls due to a lack of ongoing monitoring of the system's performance, failure to conduct post-implementation reviews, or inadequate follow-up on identified issues.
- Due to the material weaknesses described above, additional material weaknesses were identified related to the lack of design and implementation of the necessary controls related to the conversion to and implementation of the Company's new loan servicing system to identify that certain transaction codes were incorrectly configured in the system. As a result, business process controls (automated and manual) that rely on data produced from the new system were also deemed ineffective, which affects the Company's loan, unearned finance charge, finance charge, and provision for credit loss account balances and related disclosures. In addition, the Company was unable to provide sufficient audit evidence to support the completeness and accuracy of certain general ledger balances without performing extensive manual reconciliation procedures.

These control deficiencies created a reasonable possibility that a material misstatement in the Company's financial statements would not be prevented or detected on a timely basis and, therefore, constituted material weaknesses.

### ***Remediation Plan***

We have initiated a comprehensive remediation plan to remediate the identified material weaknesses described above, which remediation efforts began in the quarter ended March 31, 2025 and have continued into the quarter ending September 30, 2025. Steps within the remediation plan include:

- Designing and implementing procedures to identify and evaluate changes in our business and the impact on our internal controls in order to plan and perform more timely and thorough monitoring activities and risk assessment analyses;
- Ensuring locations that have not yet transitioned to the new loan servicing system have appropriate implementation and monitoring controls;
- Engaging external system consultants to assist in correcting general ledger mapping logic;
- Revalidating all transaction code mappings to financial statement accounts;
- Enhancing internal controls and testing procedures around system data flow and reconciliation; and

- Strengthening the oversight of the new loan servicing system implementation and configuration process.

### ***Remediation Progress***

During the nine months ended September 30, 2025, we continued to implement our remediation plan and made progress toward addressing the identified material weaknesses. The steps taken or underway include:

- Created multiple task forces of internal and external resources that are dedicated to remediating the material weaknesses described above;
- Transitioned all locations to the new loan servicing system;
- Engaged external consultants to assist in working through the high volume of new and unique data output as well as correcting general ledger and transaction code mapping to financial statement accounts.

We continue to evaluate and monitor the design, implementation, and operating effectiveness of these controls. However, the material weaknesses described above have not yet been remediated. Management is committed to remediating the weaknesses as quickly as possible and will continue to devote the necessary resources to achieve this goal.

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

As of September 30, 2025, all branches have converted to the new loan servicing system to replace the prior platform. The new system was subject to various testing and review procedures before, during and after implementation. As a result, there were certain changes to processes and procedures, which resulted in changes to the Company's internal control over financial reporting. These changes in internal controls were not made in response to any identified financial statement error.

Other than the changes and remediation efforts as described above, there were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings:

The Company is, and expects to be, involved in various legal proceedings incidental to its business from time to time. In the opinion of management, the ultimate resolution of any such known claims or proceedings is not expected to have a material adverse effect on the Company's financial position, liquidity or results of operations.

### ITEM 3. Defaults Upon Senior Securities:

The Company is party to a Loan and Security Agreement, dated as of December 6, 2024 (the "credit agreement"), with BMO Bank, N.A. The credit agreement requires the Company to comply with certain covenants, including maintaining, as of the end of each calendar month, a funded debt to adjusted tangible net worth ratio (the "consolidated tangible net worth ratio") of not more than 3.75 to 1.00.

The Company informed BMO Bank, N.A. that it was not in compliance with the consolidated tangible net worth ratio covenant for each of the three months in the period ended September 30, 2025, each instance of which constituted an event of default under the credit agreement. At September 30, 2025, the Company exceeded the maximum consolidated tangible net worth ratio of 3.75, with a ratio of 3.76. The Company requested and received a waiver of the designated defaults from the bank syndicate. Although the Company believes that it will be in compliance with this covenant for future periods, any failure to comply with such covenant or other covenants under the credit agreement could result in an event of default that would entitle BMO Bank, N.A. to request immediate repayment of the outstanding loan amount.

### ITEM 6. Exhibits:

#### (a) Exhibits:

- |         |   |
|---------|---|
| 13      | <a href="#"><u>Quarterly Report to Investors as of and for the Three and Nine Months Ended September 30, 2025.</u></a>  |
| 31.1    | <a href="#"><u>Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) / 15d-14(a) of the Securities Exchange Act of 1934.</u></a>                            |
| 31.2    | <a href="#"><u>Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) / 15d-14(a) of the Securities Exchange Act of 1934.</u></a>                            |
| 32.1    | <a href="#"><u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a> |
| 32.2    | <a href="#"><u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a> |
| 101.INS | Inline XBRL Instance Document.  |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document.   |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document.   |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document.   |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document.  |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document.  |
| 104     | Cover Page Interactive Data File (embedded within the Inline XBRL document).  |

## 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.

1<sup>st</sup> FRANKLIN FINANCIAL CORPORATION

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Registrant

/s/ Virginia C. Herring

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President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Jenna C. Hood

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

Date: November 19, 2025

**1<sup>st</sup> FRANKLIN FINANCIAL CORPORATION**

**QUARTERLY REPORT TO INVESTORS  
AS OF AND FOR THE  
THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2025**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following narrative is management's discussion and analysis of the foremost factors that influenced 1<sup>st</sup> Franklin Financial Corporation's and its consolidated subsidiaries' (the "Company", "our" or "we") financial condition and operating results as of and for the three and nine months ended September 30, 2025 and 2024. This discussion and analysis and the accompanying unaudited condensed consolidated financial information should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's 2024 Annual Report. Results achieved in any interim period are not necessarily indicative of the results to be expected for any other interim or full year period.

### **Forward-Looking Statements:**

Certain information in this discussion and other statements contained in this Quarterly Report are forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are all statements other than those of historical fact. The Company's actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein, which involve known and unknown risks and uncertainties. Possible factors that could cause actual future results to differ from expectations include, but are not limited to, the ability to manage cash flow and working capital, the accuracy of management's estimates and judgments, adverse general economic conditions, including changes in employment rates or in the interest rate environment, unexpected reductions in the size or collectability of our loan portfolio, unexpected increases in our allowance for credit losses, reduced sales or increased redemptions of our securities, unavailability of borrowings under our credit facility, federal and state regulatory changes affecting consumer finance companies, unfavorable outcomes in legal proceedings and those risks and uncertainties described under "Risk Factors" in our 2024 Annual Report, as well as other factors referenced elsewhere in our filings with the Securities and Exchange Commission from time to time. The Company undertakes no obligation to update any forward-looking statements, except as required by law.

### **The Company:**

We are engaged in the consumer finance business, primarily in making consumer installment loans to individuals. Our other lending-related activities include the purchase of sales finance contracts from various dealers and the making of first and second mortgage real estate loans on real estate. All of our loans are at fixed rates, and contain fixed terms and fixed payments. The majority of our revenues are derived from finance charges earned on loans outstanding. Additional revenues are derived from earnings on investment securities, insurance income and other miscellaneous income. The Company and its operations are guided by a strategic plan which includes planned growth through strategic geographic expansion of our branch office network. As of September 30, 2025, the Company's business was operated through 117 branch offices in Georgia, 48 in Alabama, 43 in South Carolina, 40 in Mississippi, 39 in Tennessee, 37 in Louisiana, 24 in Texas, 17 in Kentucky, 7 in Virginia, and 5 in Florida.

In connection with our business, we also offer optional single premium credit insurance products to our customers when making a loan. Such products may include credit life insurance, credit accident and health insurance, credit involuntary unemployment insurance and/or credit property insurance. Customers may request credit life insurance coverage to help assure any outstanding loan balance is repaid if the customer dies before the loan is repaid or they may request accident and health insurance coverage to help continue loan payments if the customer becomes sick or disabled for an extended period of time. In certain states where offered, customers may choose involuntary unemployment insurance for payment protection in the form of loan payment assistance due to an unexpected job loss. Customers may also choose property insurance coverage to protect the value of loan collateral against damage, theft or destruction. We write these various insurance products as an agent for a non-affiliated insurance company. Under various agreements, our wholly-owned insurance subsidiaries, Frandisco Life Insurance Company and Frandisco Property and Casualty Insurance Company, reinsure the insurance coverage on our customers written by this non-affiliated insurance company.

### **Financial Condition:**

The Company's total assets increased \$97.6 million (7%) to \$1,409.3 million at September 30, 2025 compared to \$1,311.7 million at December 31, 2024. Increases in our net loan portfolio, cash and cash equivalents, restricted cash, and investment securities were partially offset by decreases in other assets.

Cash and cash equivalents (excluding restricted cash) increased \$1.9 million (5%) at September 30, 2025 while restricted cash increased \$8.7 million (99%) compared to December 31, 2024. Restricted cash consists of funds maintained in restricted accounts at the Company's insurance subsidiaries in order to comply with certain requirements imposed on insurance companies by the State of Georgia and to meet the reserve requirements of its reinsurance agreements. See Note 3, *Investment Securities*, in the accompanying Notes to Condensed Consolidated Financial Statements for further discussion of amounts held in trust. Restricted cash also includes escrow deposits held by the Company on behalf of certain mortgage real estate customers.

Gross loan originations increased \$116.2 million for the three months ended September 30, 2025, compared to the same period last year. For the nine months ended September 30, 2025, originations increased \$243.9 million compared to the same period last year. Our net loan portfolio increased \$82.9 million to \$994.6 million at September 30, 2025 compared to \$911.7 million at December 31, 2024. Included in our net loan portfolio is our allowance for credit losses which reflects estimated current expected credit losses in the loan portfolio as of the date of the Condensed Consolidated Statements of Financial Position. Management increased the allowance \$2.1 million to \$75.5 million at September 30, 2025, compared to \$73.4 million at December 31, 2024. See Note 2, *Loans*, in the accompanying Notes to Condensed Consolidated Financial Statements for further discussion of the Company's allowance for credit losses. Management believes the allowance for credit losses is adequate to cover expected losses inherent in the portfolio as of September 30, 2025; however, unexpected changes in trends or deterioration in economic conditions could result in additional changes in the allowance. Any change in our allowance for credit losses could have a material impact on our results of operations or financial condition in the future.

The Company's investment securities portfolio increased \$13.8 million to \$269.8 million at September 30, 2025 compared to \$256.0 million at December 31, 2024. The majority of the increase was due to an increase in fair market values. The portfolio consists primarily of invested surplus funds generated by the Company's insurance subsidiaries. Management maintains what it believes to be a conservative approach when formulating its investment strategy. The Company does not participate in hedging programs, interest rate swaps or other similar activities. The investment portfolio consists mainly of government agency bonds and various municipal bonds. Investment securities have been designated as available-for-sale at September 30, 2025 with any unrealized gain or loss accounted for in the equity section of the Company's Condensed Consolidated Statements of Financial Position, net of deferred income taxes as well as the Condensed Consolidated Statements of Comprehensive Income.

Operating lease right-of-use assets decreased \$0.8 million (2%) in the nine months ended September 30, 2025 mainly due to an increase in the weighted-average discount rate at September 30, 2025 compared to December 31, 2024.

Other assets decreased \$8.8 million (15%) to \$49.7 million at September 30, 2025 compared to \$58.5 million at December 31, 2024. Primary drivers include decreases in receivables due from a non-affiliated insurance company of \$2.3 million, prepaid expenses of \$1.4 million, officers' insurance of \$0.9 million, and miscellaneous receivables of \$1.2 million.

The Company's senior debt is comprised of a revolving credit facility and senior demand notes and commercial paper debt securities. Our subordinated debt is comprised of the variable rate subordinated debentures sold by the Company. The aggregate amount of senior and subordinated debt outstanding at September 30, 2025 was \$1,076.2 million compared to \$992.5 million at December 31, 2024, representing a increase of \$83.7 million (8%). There was an increase of \$37.8 million (5%) in commercial paper, an increase of \$49.8 million (33%) in the outstanding balance on the revolving credit facility, and an increase of \$0.8 million (3%) in subordinated debentures partially offset by a decrease of \$4.7 million (5%) in senior demand notes.

Operating lease liabilities decreased \$0.7 million (2%) and accrued expenses and other liabilities increased \$1.6 million (6%) to \$28.1 million at September 30, 2025 compared to \$26.5 million at December 31, 2024.

### **Results of Operations:**

During the three and nine months ended September 30, 2025, total revenues were \$111.8 million and \$320.2 million, respectively, compared to \$96.3 million and \$282.9 million during the same periods a year ago. Year-over-year growth in the Company's gross loan portfolio resulted in higher interest and finance charge revenue. Increases in the Company's insurance premium and commission revenues of \$1.6 million (9%) and \$3.2 million (7%), respectively, also resulted in higher revenue for the three and nine months ended September 30, 2025. Net income of \$6.2 million for the three months ended September 30, 2025, represents a

\$6.1 million increase compared to the same period last year. Revenue gains were partially offset by an increased provision for credit losses, increased interest expense and personnel expense for the three months ended September 30, 2025. Net income of \$12.1 million for the nine months ended September 30, 2025, represents a \$9.9 million (456%) increase compared to the same period a year ago. Higher interest income and insurance income for the nine months ended September 30, 2025 were partially offset by an increase in the provision for credit losses, higher interest expense, and personnel expense.

### ***Net Interest Income***

Net interest income represents the difference between income on earning assets and the cost of funds on interest bearing liabilities. Net interest income is affected by the size and mix of the loan and investment portfolios as well as the spread between interest and finance charges earned on the respective assets and interest incurred on debt. Net interest income increased \$12.1 million (19%) and \$30.7 million (16%) during the three and nine months ended September 30, 2025, respectively, compared to the same periods in 2024. Average daily net loan balances increased by \$80.4 million (9%) during the nine months just ended compared to the same period a year ago.

Average daily borrowings increased \$148.1 million (16%) during the nine months ended September 30, 2025 compared the same period last year. The Company's average borrowing rates were 5.62% and 5.80% during the nine month period ended September 30, 2025, and 2024, respectively. Interest expense increased \$1.4 million (10%) and \$3.1 million (8%) during the three and nine months just ended, respectively, compared to the same periods a year ago due to the higher average daily borrowings.

Management projects that, based on historical results and current estimates, average net receivables will grow throughout the remainder of 2025, and net interest income is expected to increase accordingly. However, a decrease in net receivables or an increase in interest rates on outstanding borrowings could negatively impact net interest income.

### ***Insurance Revenue***

Insurance revenues were \$1.6 million (9%) and \$3.2 million (7%) higher during the three and nine months ended September 30, 2025, respectively, compared to the same periods a year ago. Insurance claims and expenses increased \$0.1 million (3%) for the three month period just ended, and there was a decrease of \$0.3 million (3%) during the nine month period just ended, as compared to the same periods a year ago.

### ***Other Revenue***

Other revenue increased \$0.5 million (25%) and \$0.4 million (6%) during the three and nine months ended September 30, 2025, respectively, compared to the same periods last year. The increases are primarily due to increased sales of auto club memberships offered to loan customers partially offset by a decrease in service charges.

### ***Provision for Credit Losses***

The Company's provision for credit losses is a charge against earnings to maintain the allowance for credit losses at a level that management estimates is adequate to cover expected losses as of September 30, 2025. See Note 2, *Loans*, in the accompanying Notes to Condensed Consolidated Financial Statements for further discussion.

The provision for credit losses increased \$1.5 million (7%) during the three months ended September 30, 2025, compared to the same period last year. For the nine months ended September 30, 2025, the provision increased \$13.3 million (22%) compared to the same period last year. Net charge-offs increased \$0.7 million (3%) and increased \$11.6 million (19%) to \$20.2 million and \$72.5 million during the three and nine months ended September 30, 2025, respectively, compared to the same periods last year.

The allowance for credit losses increased by \$2.1 million to \$75.5 million as of September 30, 2025, compared to \$73.4 million at December 31, 2024.

Determining a proper allowance for credit losses is a critical accounting estimate which involves management's judgment with respect to certain relevant factors, such as historical and expected loss trends, unemployment rates in various locales, delinquency levels, bankruptcy trends and overall general and industry specific economic conditions.

The Company utilizes a major rating service provider to assist with estimating inherent losses and the average severity of losses using the characteristics of the loan portfolio, along with incorporating a reasonable and supportable forecast utilized to support the adjustments to historical loss experience of loans with similar credit risk. Key segmentation in the technique is origination vintage, remaining contractual term, risk score and state of origination. A variety of alternative economic scenarios are utilized within the calculation. The Company considers how macroeconomic and/or other factors might impact expected credit losses over the remaining maturity of the portfolio and determines which scenario(s) and specific scenario weights are applied within the estimation.

The allowance for credit losses recorded in the balance sheet reflects management's best estimate of expected credit losses. For further information regarding the technique, refer to the *Critical Accounting Policies* section below and Note 2, *Loans*, in the accompanying Notes to Condensed Consolidated Financial Statements for further discussion of estimated credit losses. Management may determine it is appropriate to increase or decrease the allowance for credit losses in a future period, or actual losses in any period, either of which events could have a material impact on our future results of operations.

### **Other Operating Expenses**

Other operating expenses increased \$6.3 million (11%) and increased \$11.0 million (7%) during the three and nine months ended September 30, 2025, respectively, compared to the same periods a year ago. Other operating expenses encompass personnel expense, occupancy expense and other expenses.

Personnel expense increased \$5.2 million (16%) and \$14.7 million (16%) during the three and nine months ended September 30, 2025, respectively, compared to the same periods in 2024. An increase in the number of employees, higher bonus accrual, medical claims, and salary adjustments were the primary reasons for the increase.

Occupancy expenses increased \$0.5 million (8%) and \$0.7 million (4%) during the three and nine months ended September 30, 2025, respectively, compared to the same periods a year ago. Increases in depreciation and amortization expenses and rent expense attributed to the increase in occupancy expenses which were partially offset by a decrease in maintenance and utilities expenses.

Other expenses increased \$0.6 million (3%) and decreased \$4.4 million (8%) during the three and nine months ended September 30, 2025, respectively, compared to the same periods in 2024. Increases in consulting expenses, recording fees, taxes and license fees, and professional fees were partially offset by decreases in advertising, computer, and postage expenses during the three months ended September 30, 2025 compared to the same period in 2024. The decrease in other expenses during the nine months ended September 30, 2025 as compared to the same period in 2024 was primarily driven by management's concentrated efforts to reduce discretionary spending, particularly related to advertising, postage, and promotional expenses.

### **Income Taxes**

The Company is an S corporation for income tax reporting purposes. Taxable income or loss of an S corporation is passed through to the shareholders of the Company. Accordingly, deferred income tax assets and liabilities have been eliminated and no provision for current and deferred income taxes were made by the Company except for amounts attributable to state income taxes for certain states which do not recognize S corporation status for income tax reporting purposes. Deferred income tax assets and liabilities are recognized and provisions for current and deferred income taxes continue to be recorded by the Company's subsidiaries as they are not permitted to be treated as S corporations. The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences.

The effective income tax rate was 20% and 27% during the three and nine months ended September 30, 2025, respectively, compared to 94% and 66% during the same periods ended September 30, 2024. The effective income tax rate differs from the statutory rate due to changes in the proportion of income earned by the Company's insurance subsidiaries.

### **Quantitative and Qualitative Disclosures About Market Risk:**

Volatility in the market can impact the Company's investment portfolio performance and the interest rates tied to the Company's credit facility and debt securities. Changes in interest rates have more impact on the income earned from investments and the Company's borrowing costs than on interest income earned on

loans, as rates charged on loans are fixed at the time of origination. Market exposures are monitored and managed by the Company as an integral part of its overall cash management program. It is management's goal to minimize any adverse effect that movements in interest rates may have on the financial condition and operations of the Company. Please refer to the market risk analysis discussion in our 2024 Annual Report for a more detailed analysis of the Company's market risk exposure. There have been no material changes to the Company's market risk during the three and nine months ended September 30, 2025.

### **Liquidity and Capital Resources:**

Liquidity is the ability of the Company to meet its ongoing financial obligations, either through the collection of receivables or by generating additional funds through liability management. The Company's liquidity is therefore dependent on the collection of its receivables, the sale of debt securities and the continued availability of funds under the Company's revolving credit facility.

We continue to monitor and review current economic conditions and the related potential implications on the Company, including with respect to, among other things, changes in credit losses, liquidity, compliance with debt covenants, and customer relationships.

As of September 30, 2025 and December 31, 2024, the Company had \$37.9 million and \$35.9 million, respectively, invested in cash and short-term investments readily convertible into cash with original maturities of three months or less. The Company uses cash reserves to fund its operations, including providing funds for any increase in redemptions of debt securities by investors which may occur.

The Company's available for sale investment portfolio can be converted into cash, if necessary. The Company's wholly owned insurance subsidiaries are regulated by the state of Georgia, which imposes certain restrictions on how the companies operate. Ordinary dividend payments to the Parent company by Frandisco Life Insurance Company are subject to annual limitations and are restricted to the lesser of 10% of policyholder's statutory surplus or the net statutory gain from operations before recognizing realized investment gains of the insurance subsidiary during the prior year. Dividend payments to the Parent company by Frandisco Property and Casualty Insurance Company are subject to annual limitations and are restricted to the lesser of 10% of policyholders' surplus or the net statutory income before recognizing realized investment gains of the insurance subsidiary during the prior two years. Any dividends above these state limitations are termed extraordinary dividends and must be approved in advance by the Georgia Commissioner of Insurance and Safety Fire. The maximum aggregate amount of dividends these subsidiaries could have paid to the Company during 2024, without prior approval of the Georgia Commissioner of Insurance and Safety Fire, was approximately \$49.7 million.

At December 31, 2024, Frandisco Property and Casualty Insurance Company and Frandisco Life Insurance Company had a statutory surplus of \$142.6 million and \$120.7 million, respectively. The maximum aggregate amount of dividends these subsidiaries can pay to the Company during 2025, without prior approval of the Commissioner of Insurance and Safety Fire, is approximately \$49.7 million. On December 12, 2024, management submitted a request for approval of two separate transactions involving dividends and/or lines of credit with maximum amounts of \$90.0 million from Frandisco Life Insurance Company and \$105.0 million from Frandisco Property and Casualty Insurance Company. The Commissioner of Insurance and Safety Fire did not deny such requests within the 30 days allotted by law, thereby granting approval for transactions on or before December 31, 2025. Effective February 1, 2025, Frandisco Life Insurance Company and Frandisco Property and Casualty Insurance Company amended previous unsecured revolving lines of credit available to the Company by extending the term to December 31, 2028. At September 30, 2025, an advance of \$30.0 million and accrued interest of \$6.4 million on this advance was outstanding on the Parent's credit line with Frandisco Property and Casualty Insurance Company.

Most of the Company's loan portfolio is financed through sales of its various debt securities, which have shorter average maturities than the loan portfolio as a whole. The difference in maturities may adversely affect liquidity if the Company is not able to continue to sell debt securities at interest rates and on terms that are responsive to the demands of the marketplace or maintain sufficient borrowing availability under our credit facility.

The Company's continued liquidity is therefore also dependent on the collection of its receivables and the sale of debt securities that meet the investment requirements of the public. In addition to its receivables and securities sales, the Company has an external source of funds available under a revolving credit facility with

BMO Bank, N.A. The credit agreement with BMO Bank, N.A. provides for borrowings or re-borrowings of up to \$300.0 million or 75% of the Company's net finance receivables (as defined in the credit agreement), whichever is less, subject to certain limitations, and all borrowings are secured by the finance receivables of the Company. At September 30, 2025 and December 31, 2024, \$201.7 million and \$151.9 million, respectively, were outstanding under the credit facility. The credit agreement has a termination date of December 6, 2027.

Available but unborrowed amounts under the credit agreement are subject to a periodic unused line fee of up to 0.50%, based on the outstanding balance on the credit facility. The interest rate under the credit agreement is equivalent to the greater of (a) 0.75% per annum plus the Applicable Margin or (b) the one month secured overnight financing rate (the "SOFR Rate") plus the term SOFR adjustment (the "Adjusted Term SOFR Rate") plus the Applicable Margin. The Adjusted Term SOFR Rate is adjusted on the first day of each calendar month based upon the SOFR Rate as of the last day of the preceding calendar month. The Applicable Margin is 3.00%. The interest rate on the credit agreement at September 30, 2025 and December 31, 2024 was 7.28% and 7.52%, respectively.

The credit agreement requires the Company to comply with certain covenants customary for financing transactions of this nature, including, among others, maintaining a minimum interest coverage ratio, a minimum loss reserve ratio, a minimum ratio of earnings to interest, taxes and depreciation and amortization to interest expense, a minimum asset quality ratio, a minimum consolidated tangible net worth ratio, and a maximum debt to tangible net worth ratio, each as defined in the credit agreement. The Company must also comply with certain restrictions on its activities consistent with credit facilities of this type, including limitations on: (a) restricted payments; (b) additional debt obligations (other than specified debt obligations); (c) investments (other than specified investments); (d) mergers, acquisitions, or a liquidation or winding up; (e) modifying its organizational documents or changing lines of business; (f) modifying certain contracts; (g) certain affiliate transactions; (h) sale-leaseback, synthetic lease, or similar transactions; (i) guaranteeing additional indebtedness (other than specified indebtedness); (j) capital expenditures; or (k) speculative transactions. The credit agreement also restricts the Company or any of its subsidiaries from creating or allowing certain liens on their assets, entering into agreements that restrict their ability to grant liens (other than specified agreements), or creating or allowing restrictions on any of their ability to make dividends, distributions, inter-company loans or guaranties, or other inter-company payments, or inter-company asset transfers.

The Company informed BMO Bank, N.A. that it was not in compliance with the consolidated tangible net worth ratio covenant for each of the three months in the period ended September 30, 2025, each instance of which constituted an event of default under the credit agreement. At September 30, 2025, the Company exceeded the maximum consolidated tangible net worth ratio of 3.75, with a ratio of 3.76. The Company requested and received a waiver of the designated defaults from the bank syndicate. Although the Company believes that it will be in compliance with this covenant for future periods, any failure to comply with such covenant or other covenants under the credit agreement could result in an event of default that would entitle BMO Bank, N.A. to request immediate repayment of the outstanding loan amount.

Any increase in the Company's allowance for credit losses would not directly affect the Company's liquidity, as adjustments to the allowance have no impact on cash; however, an increase in the actual loss rate may have a material adverse effect on the Company's liquidity. The inability to collect loans could materially impact the Company's future liquidity.

The Company anticipates that its cash and cash equivalents, cash flows from operations, sales of debt securities, available lines of credit, and borrowings under the credit agreement will be sufficient to fund its liquidity needs for the next 12 months and thereafter for the foreseeable future.

### **Critical Accounting Policies:**

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States and conform to general practices within the financial services industry. The Company's critical accounting and reporting policies include the allowance for credit losses, revenue recognition and insurance claims reserves.

### ***Allowance for Credit Losses***

Provisions for credit losses are charged to operations in amounts sufficient to maintain the allowance for credit losses at a level considered adequate to cover expected credit losses in our loan portfolio. The allowance for credit losses is established based on the determination of expected losses inherent in the loan portfolio as of the reporting date.

The Company uses a Probability of Default (PD) / Loss Given Default (LGD) methodology to estimate the allowance for credit losses, in which the estimated loss is equal to the product of PD and LGD. Historical net finance receivables are tracked over the term of the loan pools to identify the instances of loss (PDs) and the average severity of losses (LGDs). The Company engaged a major rating service provider to assist with incorporating a reasonable and supportable forecast which is utilized to support the adjustments to historical loss experience of loans with similar credit risk. Key segmentation in the calculation is origination vintage, remaining contractual term, risk score and state of origination. The allowance for credit loss methodology produces a variety of alternative economic scenarios. The Company considers how macroeconomic or other factors might impact expected credit losses over the remaining maturity of the portfolio and determine which scenario(s) and specific scenario weights to be applied within the estimation. The allowance for credit losses recorded in the balance sheet reflects the Company's best estimate of expected credit losses.

### ***Revenue Recognition***

Accounting principles generally accepted in the United States require that an interest yield method be used to calculate the income recognized on accounts which have precomputed charges. An interest yield method is used by the Company on each individual account with precomputed charges to calculate income for those active accounts; however, state regulations often allow interest refunds to be made according to the Rule of 78's method for payoffs and renewals. Since the majority of the Company's accounts with precomputed charges are paid off or renewed prior to maturity, the result is that most of those accounts effectively yield on a Rule of 78's basis.

Precomputed finance charges are included in the gross balance of certain direct cash loans and sales finance contracts. Precomputed charges are deferred and recognized as income on an accrual basis using the effective interest method. Some other cash loans and real estate loans, which do not have precomputed charges, have income recognized on a simple interest accrual basis. Income is not accrued on any loan that is more than 60 days past due.

Loan fees and origination costs are deferred and recognized as adjustments to the loan yield over the contractual life of the loan.

The property and casualty credit insurance policies written by the Company, as agent for a non-affiliated insurance company, are reinsured by the Company's property and casualty insurance subsidiary. The premiums on these policies are deferred and earned over the period of insurance coverage using the pro-rata method or the effective yield method, depending on whether the amount of insurance coverage generally remains level or declines.

The credit life and accident and health insurance policies written by the Company, as agent for a non-affiliated insurance company, are reinsured by the Company's life insurance subsidiary. The premiums are deferred and earned using the pro-rata method for level-term life insurance policies and the effective yield method for decreasing-term life policies. Premiums on accident and health insurance policies are earned based on an average of the pro-rata method and the effective yield method.

### ***Insurance Claims Reserves***

Included in unearned insurance premiums and commissions on the Condensed Consolidated Statements of Financial Position are reserves for incurred but unpaid credit insurance claims for policies written by the Company, as agent for a non-affiliated insurance underwriter, and reinsured by the Company's wholly-owned insurance subsidiaries. These reserves are established based on generally accepted actuarial methods. Should the Company's actual reported losses for any given period be materially in excess of the previously estimated amounts, losses could have a material adverse effect on the Company's results of operations.

Different assumptions in the application of any of these policies could result in material changes in the Company's consolidated financial position or consolidated results of operations.

### **Recent Accounting Pronouncements:**

See Note 1, *Basis of Presentation*, in the accompanying Notes to Condensed Consolidated Financial Statements for a discussion of new accounting standards and the expected impact of accounting standards recently issued but not yet required to be adopted. For pronouncements already adopted, any material impacts on the Company's condensed consolidated financial statements are discussed in the applicable section(s) of

this Management's Discussion and Analysis of Financial Condition and Results of Operations, and the accompanying Notes to Condensed Consolidated Financial Statements.



**1<sup>st</sup> FRANKLIN FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited)**

|  | September 30,<br>2025   | December 31,<br>2024    |
|--|-------------------------|-------------------------|
| <b>Assets</b>  |                         |                         |
| Cash and cash equivalents .....  | \$ 37,855,983           | \$ 35,930,768           |
| Restricted cash .....  | 17,448,605              | 8,784,328               |
| Loans:   |                         |                         |
| Direct cash loans .....  | 1,224,359,971           | 1,080,370,655           |
| Real estate loans .....  | 19,886,295              | 23,364,743              |
| Sales finance contracts .....  | 129,864,984             | 154,677,310             |
|  | 1,374,111,250           | 1,258,412,708           |
| Less: Unearned finance charges .....   | 224,433,558             | 199,844,507             |
| Unearned insurance premiums and commissions .....  | 79,568,250              | 73,503,536              |
| Allowance for credit losses .....  | 75,488,548              | 73,365,842              |
| Loans, net .....   | 994,620,894             | 911,698,823             |
| Investment securities available-for-sale .....   | 269,802,425             | 255,966,759             |
| Other assets:  |                         |                         |
| Operating lease right-of-use assets .....  | 39,933,463              | 40,737,215              |
| Other assets .....   | 49,652,616              | 58,545,177              |
|  | 89,586,079              | 99,282,392              |
| Total assets .....   | <u>\$ 1,409,313,986</u> | <u>\$ 1,311,663,070</u> |
| <b>Liabilities and stockholders' equity</b>  |                         |                         |
| Senior debt .....  | \$ 1,044,612,558        | \$ 961,693,962          |
| Subordinated debt .....  | 31,586,225              | 30,769,476              |
| Operating lease liabilities .....  | 41,358,351              | 42,026,593              |
| Accrued expenses and other liabilities .....   | 28,085,803              | 26,462,022              |
| Total liabilities .....  | 1,145,642,937           | 1,060,952,053           |
| Stockholders' equity:  |                         |                         |
| Preferred stock  |                         |                         |
| \$100 par value, 6,000 shares authorized; 0 shares outstanding .....                         | —                       | —                       |
| Common stock   |                         |                         |
| Voting shares; \$100 par value; 2,000 shares authorized; 1,700 shares outstanding .....      | 170,000                 | 170,000                 |
| Non-voting Shares; no par value; 198,000 shares authorized; 168,300 shares outstanding ..... | —                       | —                       |
| Accumulated other comprehensive loss .....   | (26,351,685)            | (27,222,450)            |
| Retained earnings .....  | 289,852,734             | 277,763,467             |
| Total stockholders' equity .....   | 263,671,049             | 250,711,017             |
| Total liabilities and stockholders' equity .....   | <u>\$ 1,409,313,986</u> | <u>\$ 1,311,663,070</u> |

See Notes to Condensed Consolidated Financial Statements

**1<sup>st</sup> FRANKLIN FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                     |
|--|-------------------------------------|------------------|------------------------------------|---------------------|
|  | 2025                                | 2024             | 2025                               | 2024                |
| Interest income .....  | \$ 90,505,130                       | \$ 77,021,585    | \$ 263,252,828                     | \$ 229,452,851      |
| Interest expense .....   | 14,979,057                          | 13,600,021       | 43,076,902                         | 39,978,456          |
| Net interest income .....  | 75,526,073                          | 63,421,564       | 220,175,926                        | 189,474,395         |
| Provision for credit losses .....  | 21,981,644                          | 20,466,944       | 74,604,174                         | 61,258,554          |
| Net interest income after provision for credit losses .....                            | 53,544,429                          | 42,954,620       | 145,571,752                        | 128,215,841         |
| Insurance income   |                                     |                  |                                    |                     |
| Premiums and commissions .....   | 18,889,989                          | 17,299,544       | 50,764,236                         | 47,604,166          |
| Insurance claims and expenses .....  | 4,399,545                           | 4,270,153        | 11,950,134                         | 12,297,930          |
| Total net insurance income .....   | 14,490,444                          | 13,029,391       | 38,814,102                         | 35,306,236          |
| Other revenue .....  | 2,429,552                           | 1,948,710        | 6,228,195                          | 5,863,914           |
| Other operating expenses   |                                     |                  |                                    |                     |
| Personnel expense .....  | 37,556,226                          | 32,378,486       | 107,040,858                        | 92,344,052          |
| Occupancy expense .....  | 6,041,499                           | 5,586,914        | 17,296,402                         | 16,582,452          |
| Other .....  | 19,097,072                          | 18,468,783       | 49,718,295                         | 54,134,282          |
| Total .....  | 62,694,797                          | 56,434,183       | 174,055,555                        | 163,060,786         |
| Income before income taxes .....   | 7,769,628                           | 1,498,538        | 16,558,494                         | 6,325,205           |
| Provision for income taxes .....   | 1,584,493                           | 1,410,844        | 4,469,227                          | 4,151,930           |
| Net income .....   | <u>\$ 6,185,135</u>                 | <u>\$ 87,694</u> | <u>\$ 12,089,267</u>               | <u>\$ 2,173,275</u> |
| Basic and diluted earnings per share   |                                     |                  |                                    |                     |
| 170,000 Shares outstanding for all periods (1,700<br>voting, 168,300 non-voting) ..... | <u>\$ 36.38</u>                     | <u>\$ 0.52</u>   | <u>\$ 71.11</u>                    | <u>\$ 12.78</u>     |

See Notes to Condensed Consolidated Financial Statements

**1st FRANKLIN FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

|  | Three Months Ended<br>September 30, |                     | Nine Months Ended<br>September 30, |                     |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
|  | 2025                                | 2024                | 2025                               | 2024                |
| Net income .....                                     | \$ 6,185,135                        | \$ 87,694           | \$ 12,089,267                      | \$ 2,173,275        |
| Other comprehensive income / (loss):                 |                                     |                     |                                    |                     |
| Net changes related to available-for-sale securities |                                     |                     |                                    |                     |
| Unrealized gain / (losses) .....                     | 10,873,244                          | 8,987,286           | 1,104,908                          | (338,701)           |
| Income tax (expense) / benefit .....                 | (2,283,382)                         | (1,873,826)         | (232,031)                          | 105,464             |
| Net unrealized income / (losses) .....               | 8,589,862                           | 7,113,460           | 872,877                            | (233,237)           |
| Less reclassification of gain to net income .....    | —                                   | 67,471              | 2,112                              | 208,177             |
| Total other comprehensive income / (loss) .....      | 8,589,862                           | 7,045,989           | 870,765                            | (441,414)           |
| Total comprehensive income .....                     | <u>\$ 14,774,997</u>                | <u>\$ 7,133,683</u> | <u>\$ 12,960,032</u>               | <u>\$ 1,731,861</u> |

See Notes to Condensed Consolidated Financial Statements

**1st FRANKLIN FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**

|  | Common Stock   |                   | Retained Earnings     | Accumulated Other Comprehensive Income (Loss) | Total                 |
|--|----------------|-------------------|-----------------------|---|-----------------------|
|  | Shares         | Amount            |                       |   |                       |
| Three Months Ended September 30, 2025: |                |                   |                       |   |                       |
| Balance at June 30, 2025 .....         | 170,000        | \$ 170,000        | \$ 283,667,599        | \$ (34,941,547)                               | \$ 248,896,052        |
| Comprehensive income:                  |                |                   |                       |   |                       |
| Net income .....                       | —              | —                 | 6,185,135             | —   |                       |
| Other comprehensive income .....       | —              | —                 | —                     | 8,589,862                                     |                       |
| Total comprehensive income .....       | —              | —                 | —                     | —   | 14,774,997            |
| Balance at September 30, 2025 .....    | <u>170,000</u> | <u>\$ 170,000</u> | <u>\$ 289,852,734</u> | <u>\$ (26,351,685)</u>                        | <u>\$ 263,671,049</u> |
| Three Months Ended September 30, 2024: |                |                   |                       |   |                       |
| Balance at June 30, 2024 .....         | 170,000        | \$ 170,000        | \$ 285,454,420        | \$ (26,443,128)                               | \$ 259,181,292        |
| Comprehensive income:                  |                |                   |                       |   |                       |
| Net income .....                       | —              | —                 | 87,694                | —   |                       |
| Other comprehensive income .....       | —              | —                 | —                     | 7,045,989                                     |                       |
| Total comprehensive income .....       | —              | —                 | —                     | —   | 7,133,683             |
| Balance at September 30, 2024 .....    | <u>170,000</u> | <u>\$ 170,000</u> | <u>\$ 285,542,114</u> | <u>\$ (19,397,139)</u>                        | <u>\$ 266,314,975</u> |
| Nine Months Ended September 30, 2025:  |                |                   |                       |   |                       |
| Balance at December 31, 2024 .....     | 170,000        | \$ 170,000        | \$ 277,763,467        | \$ (27,222,450)                               | \$ 250,711,017        |
| Comprehensive income:                  |                |                   |                       |   |                       |
| Net income .....                       | —              | —                 | 12,089,267            | —   |                       |
| Other comprehensive income .....       | —              | —                 | —                     | 870,765                                       |                       |
| Total comprehensive income .....       | —              | —                 | —                     | —   | 12,960,032            |
| Balance at September 30, 2025 .....    | <u>170,000</u> | <u>\$ 170,000</u> | <u>\$ 289,852,734</u> | <u>\$ (26,351,685)</u>                        | <u>\$ 263,671,049</u> |
| Nine Months Ended September 30, 2024:  |                |                   |                       |   |                       |
| Balance at December 31, 2023 .....     | 170,000        | \$ 170,000        | \$ 283,368,839        | \$ (18,955,725)                               | \$ 264,583,114        |
| Comprehensive income:                  |                |                   |                       |   |                       |
| Net income .....                       | —              | —                 | 2,173,275             | —   |                       |
| Other comprehensive loss .....         | —              | —                 | —                     | (441,414)                                     |                       |
| Total comprehensive income .....       | —              | —                 | —                     | —   | 1,731,861             |
| Balance at September 30, 2024 .....    | <u>170,000</u> | <u>\$ 170,000</u> | <u>\$ 285,542,114</u> | <u>\$ (19,397,139)</u>                        | <u>\$ 266,314,975</u> |

See Notes to Condensed Consolidated Financial Statements

**1<sup>ST</sup> FRANKLIN FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|   | <b>Nine Months Ended<br/>September 30,</b> |                      |
|---|--|----------------------|
|   | <b>2025</b>                                | <b>2024</b>          |
| <b>Cash flows from operating activities:</b>  |  |                      |
| Net income .....  | \$ 12,089,267                              | \$ 2,173,275         |
| Adjustments to reconcile net income to net cash provided by operating activities:                 |  |                      |
| Provision for credit losses .....   | 74,604,174                                 | 61,258,554           |
| Depreciation and amortization .....   | 6,753,855                                  | 5,829,678            |
| Deferred tax provision .....  | 513,083                                    | 392,146              |
| Net gains due to called redemptions of marketable securities and amortization on securities ..... | (350,004)                                  | (535,868)            |
| Decrease / (increase) in other assets .....   | 5,290,312                                  | (7,219,452)          |
| Increase in other liabilities .....   | 1,623,781                                  | 1,446,036            |
| Net cash provided by operating activities .....   | <u>100,524,468</u>                         | <u>63,344,369</u>    |
| <b>Cash flows from investing activities:</b>  |  |                      |
| Loans originated or purchased .....   | (615,070,730)                              | (432,062,052)        |
| Loan payments .....   | 457,544,485                                | 373,982,386          |
| Purchases of securities, available-for-sale .....   | (12,673,428)                               | (16,892,183)         |
| Redemptions of securities, available-for-sale .....   | 290,000                                    | 3,885,000            |
| Capital expenditures .....  | (3,739,408)                                | (6,078,314)          |
| Proceeds from sale of fixed assets .....  | —  | 8,831                |
| Net cash (used in) investing activities .....   | <u>(173,649,081)</u>                       | <u>(77,156,332)</u>  |
| <b>Cash flows from financing activities:</b>  |  |                      |
| (Decrease) in senior demand notes .....   | (4,751,768)                                | (7,299,901)          |
| Advances on credit line .....   | 203,753,090                                | 128,945,041          |
| Payments on credit line .....   | (153,921,660)                              | (144,395,041)        |
| Commercial paper issued .....   | 85,897,403                                 | 91,085,834           |
| Commercial paper redeemed .....   | (48,079,709)                               | (48,742,577)         |
| Subordinated debt securities issued .....   | 5,665,911                                  | 6,777,791            |
| Subordinated debt securities redeemed .....   | (4,849,162)                                | (5,058,078)          |
| Dividends / distributions .....   | —  | —                    |
| Net cash provided by financing activities .....   | <u>83,714,105</u>                          | <u>21,313,069</u>    |
| Change in cash, cash equivalents, and restricted cash .....                                       | \$ 10,589,492                              | \$ 7,501,106         |
| Cash, cash equivalents and restricted cash, beginning .....                                       | <u>44,715,096</u>                          | <u>34,834,874</u>    |
| Cash, cash equivalents and restricted cash, ending .....  | <u>\$ 55,304,588</u>                       | <u>\$ 42,335,980</u> |
| <b>Cash paid during the year for -</b>  |  |                      |
| Interest paid .....   | \$ 42,830,741                              | \$ 39,895,827        |
| Income taxes paid .....   | 3,850,000                                  | 3,795,200            |
| <b>Non-cash transactions for -</b>  |  |                      |
| ROU assets and associated liabilities .....   | 4,245,747                                  | 6,921,857            |

See Notes to Condensed Consolidated Financial Statements

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### Note 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of 1<sup>st</sup> Franklin Financial Corporation and subsidiaries (the "Company", "our" or "we") should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto as of December 31, 2024 and for the year then ended included in the Company's 2024 Annual Report filed with the Securities and Exchange Commission. Inter-company accounts and transactions have been eliminated from the condensed consolidated financial statements.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal recurring adjustments necessary to present fairly the Company's consolidated financial position as of September 30, 2025 and December 31, 2024, its consolidated results of operations and comprehensive income for the three and nine months ended September 30, 2025 and 2024 and its consolidated cash flows for the nine months ended September 30, 2025 and 2024. While certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, the Company believes that the disclosures herein are adequate to make the information presented not misleading.

The Company's financial condition and results of operations as of and for the three and nine months ended September 30, 2025 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at and as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Earnings per share is net income available to shareholders divided by the weighted average number of shares of common stock outstanding during the period. The Company has no dilutive securities outstanding.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Condensed Consolidated Statements of Cash Flows:

|  | September 30,<br>2025 | December 31,<br>2024 |
|--|-----------------------|----------------------|
| Cash and Cash Equivalents .....                        | \$ 37,855,983         | \$ 35,930,768        |
| Restricted Cash .....                                  | 17,448,605            | 8,784,328            |
| Total Cash, Cash Equivalents and Restricted Cash ..... | <u>\$ 55,304,588</u>  | <u>\$ 44,715,096</u> |

The Company categorizes its primary sources of revenue into three categories: (1) interest revenue, (2) insurance revenue and (3) other revenue from contracts with customers.

- Interest revenues are specifically excluded from the scope of ASC Topic 606, "*Revenue from Contracts with Customers*" (ASC Topic 606), and accounted for under ASC Topic 310, "*Receivables*".
- Insurance revenues are subject to industry-specific guidance within the scope of ASC Topic 944, "*Financial Services – Insurance*".
- Other revenues primarily relate to commissions earned by the Company on sales of auto club memberships. Auto club commissions are revenue from contracts with customers and are accounted for in accordance with the guidance set forth in ASC Topic 606.

During the three months ended September 30, 2025 and 2024, the Company recognized interest revenue of \$90.5 million and \$77.0 million, respectively, insurance revenue of \$18.9 million and \$17.3 million, respectively, and other revenue from contracts with customers of \$2.4 million and \$1.9 million, respectively. During the nine months ended September 30, 2025, and 2024, the Company recognized interest revenue of \$263.3 million and \$229.5 million, respectively, insurance revenue of \$50.8 million and \$47.6 million, respectively, and other revenues of \$6.2 million and \$5.9 million, respectively.

## Recent Accounting Pronouncements:

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*", enhancing the transparency and decision usefulness of income tax disclosures. The amendment, among other things, improves transparency of income tax disclosures by requiring more consistent categories and greater disaggregation of information in rate reconciliations, and disaggregation of income taxes paid by jurisdiction. The amendments in this update are effective for annual periods beginning after December 15, 2024, and early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The income tax guidance should be applied on a prospective basis; however, retrospective application is permitted. The Company is currently evaluating the potential impact of this update on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, "*Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*" enhancing the disclosures about a company's expenses. The amendment, among other things, improves these disclosures by requiring disaggregated expense information about a company's expense types. The amendments in this update are effective for annual periods beginning after December 15, 2026, and early adoption is permitted. The enhanced expense guidance can be applied on either a prospective (for financial statements issued during reporting periods after the effective date of this ASU) or retrospective (to any or all prior periods presented) basis. The Company is currently evaluating the impact of this update on its consolidated financial statements.

## Note 2 – LOANS

The Company's consumer loans are made to individuals, in relatively small amounts for relatively short period of time. First and second mortgage loans on real estate were historically made in larger amounts and for longer periods of time. The Company also purchases sales finance contracts from various dealers. All loans and sales finance contracts are held for investment.

### Loan Renewals

Loan renewals are accounted for in accordance with the applicable guidance in ASC Topic 310-20, "*Nonrefundable Fees and Other Costs*". Loan renewals are offered to existing customers and allows customers to borrow additional funds. In evaluating a loan for renewal, in addition to standard underwriting requirements, the Company will take into consideration the customer's prior payment performance, which we believe to be an indicator of the customer's future credit performance. If the terms of the loan renewal are as favorable to the Company as the terms for comparable loans to other customers with similar collection risks who are not renewing a loan, the renewal is accounted for as a new loan. The criteria is met if the new loan's effective yield is at least equal to the effective yield for such comparable loans and the modification of the original loan is more than minor. A modification of a loan is more than minor if the present value of the cash flows under the terms of the renewal is at least 10 percent different from the present value of the remaining cash flows under the terms of the original loan. Accordingly, when a renewal is generated, the original loan(s) are extinguished along with the associated unearned finance charges and a new loan is originated. Substantially all renewals include a non-cash component that represents the exchange of the original principal balance for the new principal balance and a cash component for the net proceeds distributed to the customer for the additional amount borrowed. The cash component is presented as outflows from investing activities and the non-cash component is presented as a non-cash investing activity.

Cash, unearned finance charges, origination fees, discounts, premiums, deferred fees, and, in the instance of a loan renewal, the net payoff of the renewed loan are included in the loan origination amount. The cash component of the loan origination is included in the Condensed Consolidated Statements of Cash Flows in the Cash Flows from Investing Activities as Loans Originated or Purchased.

Reconciliation of Gross Loans Originated / Acquired to Loans Originated or Purchased in Condensed Consolidated Statements of Cash Flows (in thousands):

|   | Nine Months Ended September 30, |                   |
|---|---------------------------------|-------------------|
|   | 2025                            | 2024              |
| Loans originated or purchased:  |                                 |                   |
| Originated .....  | \$ 1,159,595                    | \$ 915,660        |
| Purchased .....   | 8,892                           | 8,705             |
| Less Non-Cash Reconciling items:  |                                 |                   |
| Other Consumer renewed loans (live check and premier) .....   | 282,595                         | 226,821           |
| Other non-cash activity: unearned finance charges, origination fees, discounts, premiums, and deferred fees ..... | 270,821                         | 265,482           |
| Loans originated or purchased per Condensed Consolidated Statements of Cash Flows:                                | <u>\$ 615,071</u>               | <u>\$ 432,062</u> |

### Description of Loans

Loans outstanding on the Condensed Consolidated Statements of Financial Position include principal, origination fees, premiums, discounts, and in the case of interest-bearing loans, deferred fees, other fees receivable, and accrued interest receivable.

Loan performance reporting is based on a loan's gross balance that includes principal plus origination fees for interest-bearing loans and the total of payments for loans with pre-computed interest.

The allowance for credit losses is based on the underlying financial instrument's amortized cost basis, with the allowance representing the portion of amortized cost basis the Company does not expect to recover due to credit losses. The following are included in the Company's amortized cost basis:

- Pre-computed loans: Principal Balance, net of unearned finance charges and unearned insurance<sup>1</sup>.
- Interest-bearing loans: Principal Balance, net of unearned insurance<sup>1</sup>.

<sup>1</sup> The state of Louisiana classifies certain insurance products as non-refundable. Non-refundable products are not netted against the principal balance for calculation of the amortized cost basis.

Gross loans outstanding as of September 30, 2025 by loan class and origination year (in thousands):

| Loan Class                                    | 2025              | 2024              | 2023             | 2022             | 2021             | Prior            | Total               |
|---|-------------------|-------------------|------------------|------------------|------------------|------------------|---------------------|
| Direct Cash Loans: Live Check Loans .....     | \$ 175,618        | \$ 41,048         | \$ 4,770         | \$ 807           | \$ 116           | \$ 32            | \$ 222,391          |
| Direct Cash Loans: Premier Loans .....        | —                 | 1,452             | 1,338            | 3,921            | 1,207            | 237              | 8,155               |
| Direct Cash Loans: Other Consumer Loans ..... | 656,358           | 239,018           | 61,969           | 18,420           | 6,602            | 1,733            | 984,100             |
| Real Estate Loans .....                       | —                 | 2,249             | —                | 976              | 7,408            | 8,867            | 19,500              |
| Sales Finance Contracts .....                 | 39,032            | 39,477            | 29,777           | 13,952           | 4,349            | 714              | 127,301             |
| Total .....                                   | <u>\$ 871,008</u> | <u>\$ 323,244</u> | <u>\$ 97,854</u> | <u>\$ 38,076</u> | <u>\$ 19,682</u> | <u>\$ 11,583</u> | <u>\$ 1,361,447</u> |



Gross loans outstanding as of December 31, 2024 by loan class and origination year (in thousands):

| Loan Class                              | 2024              | 2023              | 2022             | 2021             | 2020            | Prior           | Total               |
|---|-------------------|-------------------|------------------|------------------|-----------------|-----------------|---------------------|
| Direct Cash Loans: Live Check Loans     | \$ 176,859        | \$ 18,932         | \$ 3,081         | \$ 425           | \$ 55           | \$ 20           | \$ 199,372          |
| Direct Cash Loans: Premier Loans        | 3,398             | 3,786             | 9,563            | 3,320            | 492             | 161             | 20,720              |
| Direct Cash Loans: Other Consumer Loans | 645,179           | 150,608           | 40,634           | 14,853           | 2,623           | 1,312           | 855,209             |
| Real Estate Loans                       | 2,249             | 4                 | 1,035            | 8,486            | 3,607           | 7,364           | 22,745              |
| Sales Finance Contracts                 | 63,232            | 53,598            | 24,938           | 9,232            | 2,361           | 278             | 153,639             |
| Total                                   | <u>\$ 890,917</u> | <u>\$ 226,928</u> | <u>\$ 79,251</u> | <u>\$ 36,316</u> | <u>\$ 9,138</u> | <u>\$ 9,135</u> | <u>\$ 1,251,685</u> |

The Company's principal balances on non-accrual loans by loan class are as follows (in thousands):

| Loan Class                              | September 30, 2025 | December 31, 2024 |
|---|--------------------|-------------------|
| Direct Cash Loans: Live Check Loans     | \$ 14,175          | \$ 7,815          |
| Direct Cash Loans: Premier Loans        | 460                | 1,170             |
| Direct Cash Loans: Other Consumer Loans | 43,372             | 38,895            |
| Real Estate Loans                       | 1,415              | 1,464             |
| Sales Finance Contracts                 | 5,227              | 6,741             |
| Total                                   | <u>\$ 64,649</u>   | <u>\$ 56,085</u>  |

Age analysis of principal balances on past due loans, segregated by loan class (in thousands):

| Loan Class                              | September 30, 2025  |                     |                          |                      |
|---|---------------------|---------------------|--------------------------|----------------------|
|   | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due Loans |
| Direct Cash Loans: Live Check Loans     | \$ 7,569            | \$ 5,511            | \$ 8,664                 | \$ 21,744            |
| Direct Cash Loans: Premier Loans        | 239                 | 159                 | 300                      | 698                  |
| Direct Cash Loans: Other Consumer Loans | 26,288              | 15,843              | 27,529                   | 69,660               |
| Real Estate Loans                       | 803                 | 376                 | 1,039                    | 2,218                |
| Sales Finance Contracts                 | 3,658               | 1,662               | 3,565                    | 8,885                |
| Total                                   | <u>\$ 38,557</u>    | <u>\$ 23,551</u>    | <u>\$ 41,097</u>         | <u>\$ 103,205</u>    |

  

| Loan Class                              | December 31, 2024   |                     |                          |                      |
|---|---------------------|---------------------|--------------------------|----------------------|
|   | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | Total Past Due Loans |
| Direct Cash Loans: Live Check Loans     | \$ 4,812            | \$ 3,794            | \$ 5,180                 | \$ 13,786            |
| Direct Cash Loans: Premier Loans        | 768                 | 416                 | 759                      | 1,943                |
| Direct Cash Loans: Other Consumer Loans | 31,154              | 17,363              | 25,229                   | 73,746               |
| Real Estate Loans                       | 1,213               | 299                 | 1,308                    | 2,820                |
| Sales Finance Contracts                 | 6,140               | 3,298               | 3,801                    | 13,239               |
| Total                                   | <u>\$ 44,087</u>    | <u>\$ 25,170</u>    | <u>\$ 36,277</u>         | <u>\$ 105,534</u>    |

While aging analysis is a primary credit quality indicator, we also consider loans in non-accrual status, loan modifications to borrowers experiencing financial difficulty, the ratio of bankrupt accounts to the total loan portfolio, and economic factors in evaluating whether any qualitative adjustments were necessary to the allowance for credit losses.

The ratio of bankrupt accounts to total principal loan balances outstanding was 1.39% at September 30, 2025, compared to 1.38% at December 31, 2024.

The following table presents the principal balance in each segment in the portfolio as of September 30, 2025 based on payment performance by year of origination (in thousands):

| Payment Performance by Origination Year |                   |                   |                  |                  |                 |                 | Total Principal   |
|---|-------------------|-------------------|------------------|------------------|-----------------|-----------------|-------------------|
|   | 2025(1)           | 2024              | 2023             | 2022             | 2020            | Prior           | Balance           |
| Direct Cash Loans: Live Check Loans     |                   |                   |                  |                  |                 |                 |                   |
| Performing .....                        | \$ 166,189        | \$ 36,342         | \$ 4,421         | \$ 719           | \$ 84           | \$ 30           | \$ 207,785        |
| Nonperforming .....                     | 9,429             | 4,706             | 349              | 88               | 32              | 2               | 14,606            |
|   | <u>\$ 175,618</u> | <u>\$ 41,048</u>  | <u>\$ 4,770</u>  | <u>\$ 807</u>    | <u>\$ 116</u>   | <u>\$ 32</u>    | <u>\$ 222,391</u> |
| Direct Cash Loans: Premier Loans        |                   |                   |                  |                  |                 |                 |                   |
| Performing .....                        | \$ —              | \$ 1,383          | \$ 1,284         | \$ 3,694         | \$ 1,101        | \$ 216          | \$ 7,678          |
| Nonperforming .....                     | —                 | 69                | 54               | 227              | 106             | 21              | 477               |
|   | <u>\$ —</u>       | <u>\$ 1,452</u>   | <u>\$ 1,338</u>  | <u>\$ 3,921</u>  | <u>\$ 1,207</u> | <u>\$ 237</u>   | <u>\$ 8,155</u>   |
| Direct Cash Loans: Other Consumer Loans |                   |                   |                  |                  |                 |                 |                   |
| Performing .....                        | \$ 636,146        | \$ 222,868        | \$ 57,167        | \$ 16,625        | \$ 5,731        | \$ 1,397        | \$ 939,934        |
| Nonperforming .....                     | 20,212            | 16,150            | 4,802            | 1,795            | 871             | 336             | 44,166            |
|   | <u>\$ 656,358</u> | <u>\$ 239,018</u> | <u>\$ 61,969</u> | <u>\$ 18,420</u> | <u>\$ 6,602</u> | <u>\$ 1,733</u> | <u>\$ 984,100</u> |
| Real Estate Loans:                      |                   |                   |                  |                  |                 |                 |                   |
| Performing .....                        | \$ —              | \$ 2,249          | \$ —             | \$ 890           | \$ 6,773        | \$ 8,060        | \$ 17,972         |
| Nonperforming .....                     | —                 | —                 | —                | 86               | 635             | 807             | 1,528             |
|   | <u>\$ —</u>       | <u>\$ 2,249</u>   | <u>\$ —</u>      | <u>\$ 976</u>    | <u>\$ 7,408</u> | <u>\$ 8,867</u> | <u>\$ 19,500</u>  |
| Sales Finance Contracts:                |                   |                   |                  |                  |                 |                 |                   |
| Performing .....                        | \$ 38,354         | \$ 37,903         | \$ 28,234        | \$ 13,040        | \$ 3,890        | \$ 593          | \$ 122,014        |
| Nonperforming .....                     | 678               | 1,574             | 1,543            | 912              | 459             | 121             | 5,287             |
|   | <u>\$ 39,032</u>  | <u>\$ 39,477</u>  | <u>\$ 29,777</u> | <u>\$ 13,952</u> | <u>\$ 4,349</u> | <u>\$ 714</u>   | <u>\$ 127,301</u> |

(1) Includes loans originated during the nine months ended September 30, 2025.

### Loan Modifications to Borrowers Experiencing Financial Difficulty

The Company allows refinancing of delinquent loans on a case-by-case basis for those who satisfy certain eligibility requirements. The eligible customers can include those experiencing temporary hardships, lawsuits, or those who have declared bankruptcy. In most cases, loans eligible for restructuring are between 90 and 180 days past due. The Company does not allow the amount of the new loan to exceed the original amount of the existing loan. Refinancing also provides a resolution to temporary financial setbacks for these borrowers and sustain their credit rating.

Legal fees and other direct costs incurred by the Company during a restructuring are expensed when incurred. The effective interest rate for restructured loans is based on the original contractual rate. Modified loans are adjusted to be recorded at the value of expected cash flows to be received in the future. Modifications that lower the principal balance experience a direct charge-off for the difference of the original and modified principal amount. Substantially all of the Company's restructurings relate to term and interest rate concessions. The Company only reduces the principal balance of a loan in the event of a court order.

The information relating to modifications to borrowers experiencing financial difficulty for the period indicated are as follows (in thousands, except for %):

**Three Months Ended September 30, 2025**

| Loan Class                                    | Interest Rate Reduction |        | Term Extension |    | Principal Forgiveness |       | Combination - Term Extension and Principal Forgiveness |     | Combination - Term Extension and Interest Rate Reduction |    |       |       |
|---|-------------------------|--------|----------------|----|-----------------------|-------|--|-----|--|----|-------|-------|
| Direct Cash Loans: Live Check Loans .....     | \$                      | 306    | 0.5 %          | \$ | 644                   | 1.2 % | \$   | 4   | — %  | \$ | 264   | 0.5 % |
| Direct Cash Loans: Premier Loans .....        |                         | 15     | 0.7 %          |    | 52                    | 2.5 % |  | 3   | 0.2 %  |    | 15    | 0.7 % |
| Direct Cash Loans: Other Consumer Loans ..... |                         | 11,041 | 4.5 %          |    | 13,812                | 5.6 % |  | 349 | 0.1 %  |    | 8,521 | 3.5 % |
| Real Estate Loans .....                       |                         | —      | — %            |    | —                     | — %   |  | —   | — %  |    | —     | — %   |
| Sales Finance Contracts .....                 |                         | 233    | 0.7 %          |    | 375                   | 1.2 % |  | 78  | 0.2 %  |    | 223   | 0.7 % |
| Total .....                                   | \$                      | 11,595 | 3.4 %          | \$ | 14,883                | 4.4 % | \$   | 434 | 0.1 %  | \$ | 9,023 | 2.7 % |

**Three Months Ended September 30, 2024**

| Loan Class                                    | Interest Rate Reduction |       | Term Extension |       | Principal Forgiveness |       | Combination - Term Extension and Principal Forgiveness |       | Combination - Term Extension and Interest Rate Reduction |       |
|---|-------------------------|-------|----------------|-------|-----------------------|-------|--|-------|--|-------|
| Direct Cash Loans: Live Check Loans .....     | \$ 1,106                | 3.1 % | \$ 354         | 1.0 % | \$ 451                | 1.2 % | \$ 531   | 1.5 % | \$ 392   | 1.1 % |
| Direct Cash Loans: Premier Loans .....        | 143                     | 2.1 % | 161            | 2.3 % | 70                    | 1.0 % | 364  | 5.2 % | 188  | 2.7 % |
| Direct Cash Loans: Other Consumer Loans ..... | 4,545                   | 2.2 % | 5,064          | 2.5 % | 2,774                 | 1.3 % | 8,906  | 4.3 % | 5,623  | 2.7 % |
| Real Estate Loans .....                       | —                       | — %   | —              | — %   | 4                     | 0.1 % | —  | — %   | —  | — %   |
| Sales Finance Contracts .....                 | 209                     | 0.5 % | 200            | 0.5 % | 564                   | 1.4 % | 1,620  | 4.0 % | 172  | 0.4 % |
| Total .....                                   | \$ 6,003                | 2.0 % | \$ 5,779       | 2.0 % | \$ 3,863              | 1.3 % | \$ 11,421  | 3.9 % | \$ 6,375   | 2.2 % |

**Nine Months Ended September 30, 2025**

| Loan Class                                    | Interest Rate Reduction |        | Term Extension |    | Principal Forgiveness |       | Combination - Term Extension and Principal Forgiveness |       | Combination - Term Extension and Interest Rate Reduction |    |    |       |
|---|-------------------------|--------|----------------|----|-----------------------|-------|--|-------|--|----|----|-------|
| Direct Cash Loans: Live Check Loans .....     | \$                      | 776    | 0.5 %          | \$ | 2,206                 | 1.3 % | \$   | 52    | — %  | \$ | 1  | — %   |
| Direct Cash Loans: Premier Loans .....        |                         | 108    | 1.8 %          |    | 309                   | 5.1 % |  | 13    | 0.2 %  |    | 3  | 0.1 % |
| Direct Cash Loans: Other Consumer Loans ..... |                         | 22,505 | 3.0 %          |    | 34,842                | 4.7 % |  | 1,348 | 0.2 %  |    | 27 | — %   |
| Real Estate Loans .....                       |                         | —      | — %            |    | —                     | — %   |  | —     | — %  |    | —  | — %   |
| Sales Finance Contracts .....                 |                         | 1,277  | 1.3 %          |    | 1,920                 | 2.0 % |  | 275   | 0.3 %  |    | —  | — %   |
| Total .....                                   | \$                      | 24,666 | 2.4 %          | \$ | 39,277                | 3.9 % | \$   | 1,688 | 0.2 %  | \$ | 31 | — %   |

**Nine Months Ended September 30, 2024**

| Loan Class                    | Interest Rate Reduction |              | Term Extension   |              | Principal Forgiveness |              | Combination - Term Extension and Principal Forgiveness |              | Combination - Term Extension and Interest Rate Reduction |              |
|-------------------------------|-------------------------|--------------|------------------|--------------|-----------------------|--------------|--|--------------|--|--------------|
| Direct Cash Loans:            |                         |              |                  |              |                       |              |  |              |  |              |
| Live Check Loans .....        | \$ 3,749                | 3.5 %        | \$ 1,298         | 1.2 %        | \$ 1,665              | 1.5 %        | \$ 1,541   | 1.4 %        | \$ 1,118   | 1.0 %        |
| Direct Cash Loans:            |                         |              |                  |              |                       |              |  |              |  |              |
| Premier Loans .....           | 445                     | 2.1 %        | 613              | 2.9 %        | 318                   | 1.5 %        | 791  | 3.8 %        | 575  | 2.7 %        |
| Direct Cash Loans:            |                         |              |                  |              |                       |              |  |              |  |              |
| Other Consumer Loans .....    | 12,390                  | 2.0 %        | 13,380           | 2.2 %        | 8,038                 | 1.3 %        | 23,390   | 3.8 %        | 14,645   | 2.4 %        |
| Real Estate Loans .....       | 104                     | 0.6 %        | 27               | 0.2 %        | 4                     | — %          | —  | — %          | 9  | 0.1 %        |
| Sales Finance Contracts ..... | 666                     | 0.5 %        | 699              | 0.6 %        | 1,399                 | 1.1 %        | 4,472  | 3.7 %        | 423  | 0.3 %        |
| Total .....                   | <u>\$ 17,354</u>        | <u>2.0 %</u> | <u>\$ 16,017</u> | <u>1.8 %</u> | <u>\$ 11,424</u>      | <u>1.3 %</u> | <u>\$ 30,194</u>                                       | <u>3.4 %</u> | <u>\$ 16,770</u>   | <u>1.9 %</u> |

The financial effects of the modifications to borrowers experiencing financial difficulty for the period indicated are:

**As of and for the three months ended September 30, 2025**

| <b>Loan Modification</b> | <b>Loan Class</b>       | <b>Financial Effect</b>  |
|--------------------------|-------------------------|--|
| Principal Forgiveness    | Live Check Loans        | Reduced the gross balance of the loans < \$0.1 million                     |
|                          | Premier Loans           | Reduced the gross balance of the loans < \$0.1 million                     |
|                          | Other Consumer Loans    | Reduced the gross balance of the loans \$0.3 million                       |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Reduced the gross balance of the loans < \$0.1 million                     |
| Interest Rate Reduction  | Live Check Loans        | Reduced the weighted-average contractual interest rate from 29.0% to 21.9% |
|                          | Premier Loans           | No Financial Effect  |
|                          | Other Consumer Loans    | Reduced the weighted-average contractual interest rate from 29.8% to 21.7% |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Reduced the weighted-average contractual interest rate from 22.6% to 18.2% |
| Term Extension           | Live Check Loans        | Added a weighted average 11 months to the term                             |
|                          | Premier Loans           | Added a weighted average 18 months to the term                             |
|                          | Other Consumer Loans    | Added a weighted average 14 months to the term                             |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Added a weighted average 15 months to the term                             |

**As of and for the three months ended September 30, 2024**

| <b>Loan Modification</b> | <b>Loan Class</b>       | <b>Financial Effect</b>  |
|--------------------------|-------------------------|--|
| Principal Forgiveness    | Live Check Loans        | Reduced the gross balance of the loans \$0.5 million                       |
|                          | Premier Loans           | Reduced the gross balance of the loans < \$0.1 million                     |
|                          | Other Consumer Loans    | Reduced the gross balance of the loans \$2.8 million                       |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Reduced the gross balance of the loans \$0.6 million                       |
| Interest Rate Reduction  | Live Check Loans        | Reduced the weighted-average contractual interest rate from 27.5% to 16.5% |
|                          | Premier Loans           | Reduced the weighted-average contractual interest rate from 20.4% to 15.5% |
|                          | Other Consumer Loans    | Reduced the weighted-average contractual interest rate from 28.9% to 18.8% |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Reduced the weighted-average contractual interest rate from 22.5% to 14.9% |
| Term Extension           | Live Check Loans        | Added a weighted average 10 months to the term                             |
|                          | Premier Loans           | Added a weighted average 20 months to the term                             |
|                          | Other Consumer Loans    | Added a weighted average 16 months to the term                             |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Added a weighted average 19 months to the term                             |

**As of and for the nine months ended September 30, 2025**

| <b>Loan Modification</b> | <b>Loan Class</b>       | <b>Financial Effect</b>  |
|--------------------------|-------------------------|--|
| Principal Forgiveness    | Live Check Loans        | Reduced the gross balance of the loans < \$0.1 million                     |
|                          | Premier Loans           | Reduced the gross balance of the loans < \$0.1 million                     |
|                          | Other Consumer Loans    | Reduced the gross balance of the loans \$0.8 million                       |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Reduced the gross balance of the loans \$0.1 million                       |
| Interest Rate Reduction  | Live Check Loans        | Reduced the weighted-average contractual interest rate from 28.2% to 19.1% |
|                          | Premier Loans           | Reduced the weighted-average contractual interest rate from 20.8% to 15.0% |
|                          | Other Consumer Loans    | Reduced the weighted-average contractual interest rate from 29.6% to 20.5% |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Reduced the weighted-average contractual interest rate from 21.1% to 12.5% |
| Term Extension           | Live Check Loans        | Added a weighted average 7 months to the term                              |
|                          | Premier Loans           | Added a weighted average 10 months to the term                             |
|                          | Other Consumer Loans    | Added a weighted average 11 months to the term                             |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Added a weighted average 15 months to the term                             |

**As of and for the nine months ended September 30, 2024**

| <b>Loan Modification</b> | <b>Loan Class</b>       | <b>Financial Effect</b>  |
|--------------------------|-------------------------|--|
| Principal Forgiveness    | Live Check Loans        | Reduced the gross balance of the loans \$1.7 million                       |
|                          | Premier Loans           | Reduced the gross balance of the loans \$0.3 million                       |
|                          | Other Consumer Loans    | Reduced the gross balance of the loans \$8.0 million                       |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Reduced the gross balance of the loans \$1.4 million                       |
| Interest Rate Reduction  | Live Check Loans        | Reduced the weighted-average contractual interest rate from 27.6% to 16.4% |
|                          | Premier Loans           | Reduced the weighted-average contractual interest rate from 20.2% to 15.3% |
|                          | Other Consumer Loans    | Reduced the weighted-average contractual interest rate from 29.0% to 18.8% |
|                          | Real Estate Loans       | Reduced the weighted-average contractual interest rate from 19.3% to 8.5%  |
|                          | Sales Finance Contracts | Reduced the weighted-average contractual interest rate from 22.6% to 15.1% |
| Term Extension           | Live Check Loans        | Added a weighted average 12 months to the term                             |
|                          | Premier Loans           | Added a weighted average 21 months to the term                             |
|                          | Other Consumer Loans    | Added a weighted average 16 months to the term                             |
|                          | Real Estate Loans       | No Financial Effect  |
|                          | Sales Finance Contracts | Added a weighted average 19 months to the term                             |

Aging of loans modified for borrowers experiencing financial difficulty in the past 12 months are as follows (in thousands):

| September 30, 2025                      |                  |                  |                 |                  |
|---|------------------|------------------|-----------------|------------------|
| Loan Class                              | Current          | 30 - 89 Past Due | 90+ Past Due    | Total            |
| Direct Cash Loans: Live Check Loans     | \$ 1,730         | \$ 417           | \$ 560          | \$ 2,707         |
| Direct Cash Loans: Premier Loans        | 369              | 35               | 79              | 483              |
| Direct Cash Loans: Other Consumer Loans | 35,303           | 4,576            | 3,702           | 43,581           |
| Real Estate Loans                       | —                | —                | —               | —                |
| Sales Finance Contracts                 | 2,112            | 436              | 469             | 3,017            |
| Total                                   | <u>\$ 39,514</u> | <u>\$ 5,464</u>  | <u>\$ 4,810</u> | <u>\$ 49,788</u> |

| September 30, 2024                      |                  |                  |                 |                   |
|---|------------------|------------------|-----------------|-------------------|
| Loan Class                              | Current          | 30 - 89 Past Due | 90+ Past Due    | Total             |
| Direct Cash Loans: Live Check Loans     | \$ 12,127        | \$ 472           | \$ 423          | \$ 13,022         |
| Direct Cash Loans: Premier Loans        | 4,734            | 357              | 158             | 5,249             |
| Direct Cash Loans: Other Consumer Loans | 72,747           | 6,709            | 2,976           | 82,432            |
| Real Estate Loans                       | 262              | 29               | 24              | 315               |
| Sales Finance Contracts                 | 9,262            | 734              | 373             | 10,369            |
| Total                                   | <u>\$ 99,132</u> | <u>\$ 8,301</u>  | <u>\$ 3,954</u> | <u>\$ 111,387</u> |

Loans modified for borrowers experiencing financial difficulty during the prior 12 months that subsequently charged off (in thousands):

| Three Months Ended September 30, 2025   |                         |                |                       |  |  |  |
|---|-------------------------|----------------|-----------------------|--|--|--|
| Loan Class                              | Interest Rate Reduction | Term Extension | Principal Forgiveness | Combination - Term Extension and Principal Forgiveness | Combination - Term Extension and Interest Rate Reduction |  |
| Direct Cash Loans: Live Check Loans     | \$ 36                   | \$ 46          | \$ 18                 | \$ —   | \$ 4   |  |
| Direct Cash Loans: Premier Loans        | —                       | 3              | 4                     | —  | —  |  |
| Direct Cash Loans: Other Consumer Loans | 153                     | 488            | 190                   | —  | 33   |  |
| Real Estate Loans                       | —                       | —              | —                     | —  | —  |  |
| Sales Finance Contracts                 | 18                      | 55             | 13                    | —  | —  |  |
| Total                                   | <u>\$ 207</u>           | <u>\$ 592</u>  | <u>\$ 225</u>         | <u>\$ —</u>  | <u>\$ 37</u>   |  |

**Three Months Ended September 30, 2024**

| Loan Class                                    | Interest Rate Reduction | Term Extension | Principal Forgiveness | Combination - Term Extension and Principal Forgiveness | Combination - Term Extension and Interest Rate Reduction |
|---|-------------------------|----------------|-----------------------|--|--|
| Direct Cash Loans: Live Check Loans .....     | \$ 584                  | \$ 106         | \$ 298                | \$ 129   | \$ 109   |
| Direct Cash Loans: Premier Loans .....        | 35                      | 38             | 22                    | 42   | 42   |
| Direct Cash Loans: Other Consumer Loans ..... | 1,405                   | 532            | 1,098                 | 1,193  | 960  |
| Real Estate Loans .....                       | —                       | —              | —                     | —  | —  |
| Sales Finance Contracts .....                 | 108                     | 54             | 99                    | 285  | 42   |
| Total .....                                   | <u>\$ 2,132</u>         | <u>\$ 730</u>  | <u>\$ 1,517</u>       | <u>\$ 1,649</u>  | <u>\$ 1,153</u>  |

**Nine Months Ended September 30, 2025**

| Loan Class                                    | Interest Rate Reduction | Term Extension  | Principal Forgiveness | Combination - Term Extension and Principal Forgiveness | Combination - Term Extension and Interest Rate Reduction |
|---|-------------------------|-----------------|-----------------------|--|--|
| Direct Cash Loans: Live Check Loans .....     | \$ 338                  | \$ 125          | \$ 74                 | \$ 151   | \$ 83  |
| Direct Cash Loans: Premier Loans .....        | 13                      | 42              | 23                    | 61   | 20   |
| Direct Cash Loans: Other Consumer Loans ..... | 1,110                   | 1,370           | 671                   | 1,416  | 873  |
| Real Estate Loans .....                       | —                       | —               | —                     | —  | —  |
| Sales Finance Contracts .....                 | 116                     | 98              | 80                    | 162  | 37   |
| Total .....                                   | <u>\$ 1,577</u>         | <u>\$ 1,635</u> | <u>\$ 848</u>         | <u>\$ 1,790</u>  | <u>\$ 1,013</u>  |

**Nine Months Ended September 30, 2024**

| Loan Class                                    | Interest Rate Reduction | Term Extension  | Principal Forgiveness | Combination - Term Extension and Principal Forgiveness | Combination - Term Extension and Interest Rate Reduction |
|---|-------------------------|-----------------|-----------------------|--|--|
| Direct Cash Loans: Live Check Loans .....     | \$ 2,448                | \$ 223          | \$ 617                | \$ 244   | \$ 252   |
| Direct Cash Loans: Premier Loans .....        | 239                     | 63              | 55                    | 101  | 140  |
| Direct Cash Loans: Other Consumer Loans ..... | 4,996                   | 1,155           | 2,202                 | 2,388  | 2,014  |
| Real Estate Loans .....                       | —                       | —               | —                     | —  | —  |
| Sales Finance Contracts .....                 | 341                     | 87              | 190                   | 493  | 109  |
| Total .....                                   | <u>\$ 8,025</u>         | <u>\$ 1,528</u> | <u>\$ 3,064</u>       | <u>\$ 3,227</u>  | <u>\$ 2,515</u>  |

**Allowance for Credit Losses**

The Company uses a Probability of Default (“PD”) / Loss Given Default (“LGD”) methodology to estimate the allowance for credit losses, in which the estimated loss is equal to the product of PD and LGD. We utilized this same technique for the current and prior reporting periods. The Company engaged a major rating service provider to assist with estimating the instances of loss (PDs) and the average severity of losses (LGDs) using the characteristics of our loan portfolio, along with incorporating a reasonable and supportable forecast which is utilized to support the adjustments to historical loss experience of loans with similar credit risk. Key segmentation in the calculation is origination vintage, remaining contractual term, risk score and state of



origination. The allowance for credit loss methodology produces a variety of alternative economic scenarios. The Company considers how macroeconomic and/or other factors might impact expected credit losses over the remaining maturity of the portfolio and determine which scenario(s) and specific scenario weights are applied within the estimation. The allowance for credit losses recorded in the Condensed Consolidated Statements of Financial Position reflects the Company's best estimate of expected credit losses.

The Company classifies delinquent accounts according to the number of installments past due. Accounts are classified in delinquency categories of 30-59 days, 60-89 days, or 90 or more days past due. When a loan meets the Company's charge-off policy of 180 days past due, the loan is charged off. There are limited exception situations where a loan may be more than 180 days past due and not charged off - specifically pending insurance transactions and bankruptcy status. The amount charged off is the unpaid balance less the unearned finance charges and the unearned insurance premiums, if applicable.

Management ceases accruing finance charges on loans that are on non-accrual, generally when two payments remain unpaid on precomputed loans or when the interest paid-to-date on an interest-bearing loan is 60 days or more past due. Finance charges are only recognized to the extent there is a loan payment received or when the account qualifies for return to accrual status. Accounts qualify for return to accrual status when delinquency on a precomputed loan is less than two payments and when the interest paid-to-date on an interest-bearing loan is less than 60 days past due. There were no loans classified as non-accrual still accruing interest at September 30, 2025 or December 31, 2024.

The allowance for credit losses increased by \$2.1 million to \$75.5 million as of September 30, 2025, compared to \$73.4 million as of December 31, 2024.

Management believes that the allowance for credit losses, as calculated in accordance with the Company's current expected credit loss ("CECL") methodology, is appropriate to cover expected credit losses on loans at September 30, 2025 and December 31, 2024. However, because the allowance for credit losses is based on estimates, there can be no assurance that the ultimate charge-off amount will match such estimates. Management may determine it is appropriate to increase or decrease the allowance for expected credit losses in future periods, or actual losses in any period, either of which events could have a material impact on our results of operations in the future.

Gross charge offs by origination year are as follows (in thousands):

|   | Three Months Ended September 30, 2025 |                  |                 |                 |               |               |                  |
|---|---------------------------------------|------------------|-----------------|-----------------|---------------|---------------|------------------|
|   | 2025                                  | 2024             | 2023            | 2022            | 2021          | Prior         | Total            |
| Direct Cash Loans: Live Check Loans .....     | \$ 2,702                              | \$ 5,381         | \$ 387          | \$ 114          | \$ 29         | \$ 11         | 8,624            |
| Direct Cash Loans: Premier Loans .....        | —                                     | 63               | 73              | 182             | 78            | 19            | 415              |
| Direct Cash Loans: Other Consumer Loans ..... | 3,915                                 | 12,053           | 2,615           | 944             | 403           | 209           | 20,139           |
| Real Estate Loans .....                       | —                                     | —                | —               | —               | 7             | —             | 7                |
| Sales Finance Contracts .....                 | 95                                    | 657              | 693             | 387             | 156           | 57            | 2,045            |
| Total .....                                   | <u>\$ 6,712</u>                       | <u>\$ 18,154</u> | <u>\$ 3,768</u> | <u>\$ 1,627</u> | <u>\$ 673</u> | <u>\$ 296</u> | <u>\$ 31,230</u> |

| Three Months Ended September 30, 2024         |                 |                  |                 |                 |               |               |                  |
|---|-----------------|------------------|-----------------|-----------------|---------------|---------------|------------------|
|   | 2024            | 2023             | 2022            | 2021            | 2020          | Prior         | Total            |
| Direct Cash Loans: Live Check Loans .....     | \$ 2,543        | \$ 3,352         | \$ 479          | \$ 85           | \$ 18         | \$ 14         | \$ 6,491         |
| Direct Cash Loans: Premier Loans .....        | 26              | 108              | 404             | 208             | 43            | 12            | 801              |
| Direct Cash Loans: Other Consumer Loans ..... | 3,812           | 10,103           | 2,500           | 1,067           | 161           | 142           | 17,785           |
| Real Estate Loans .....                       | —               | —                | —               | —               | —             | 1             | 1                |
| Sales Finance Contracts .....                 | 227             | 1,097            | 778             | 423             | 140           | 23            | 2,688            |
| Total .....                                   | <u>\$ 6,608</u> | <u>\$ 14,660</u> | <u>\$ 4,161</u> | <u>\$ 1,783</u> | <u>\$ 362</u> | <u>\$ 192</u> | <u>\$ 27,766</u> |

| Nine Months Ended September 30, 2025          |                 |                  |                  |                 |                 |                 |                  |
|---|-----------------|------------------|------------------|-----------------|-----------------|-----------------|------------------|
|   | 2025            | 2024             | 2023             | 2022            | 2021            | Prior           | Total            |
| Direct Cash Loans: Live Check Loans .....     | \$ 2,798        | \$ 21,431        | \$ 2,745         | \$ 471          | \$ 92           | \$ 68           | 27,605           |
| Direct Cash Loans: Premier Loans .....        | —               | 173              | 239              | 661             | 352             | 98              | 1,523            |
| Direct Cash Loans: Other Consumer Loans ..... | 4,038           | 37,711           | 12,924           | 3,863           | 1,622           | 760             | 60,918           |
| Real Estate Loans .....                       | —               | 12               | —                | —               | 7               | —               | 19               |
| Sales Finance Contracts .....                 | 95              | 2,422            | 2,800            | 1,759           | 695             | 278             | 8,049            |
| Total .....                                   | <u>\$ 6,931</u> | <u>\$ 61,749</u> | <u>\$ 18,708</u> | <u>\$ 6,754</u> | <u>\$ 2,768</u> | <u>\$ 1,204</u> | <u>\$ 98,114</u> |

| Nine Months Ended September 30, 2024          |                 |                  |                  |                 |                 |               |                  |
|---|-----------------|------------------|------------------|-----------------|-----------------|---------------|------------------|
|   | 2024            | 2023             | 2022             | 2021            | 2020            | Prior         | Total            |
| Direct Cash Loans: Live Check Loans .....     | \$ 2,498        | \$ 14,845        | \$ 2,619         | \$ 341          | \$ 58           | \$ 47         | 20,408           |
| Direct Cash Loans: Premier Loans .....        | 26              | 378              | 1,799            | 776             | 135             | 43            | 3,157            |
| Direct Cash Loans: Other Consumer Loans ..... | 3,964           | 31,558           | 11,166           | 3,603           | 718             | 628           | 51,637           |
| Real Estate Loans .....                       | —               | —                | —                | —               | 3               | 1             | 4                |
| Sales Finance Contracts .....                 | 238             | 3,186            | 2,833            | 1,397           | 654             | 114           | 8,422            |
| Total .....                                   | <u>\$ 6,726</u> | <u>\$ 49,967</u> | <u>\$ 18,417</u> | <u>\$ 6,117</u> | <u>\$ 1,568</u> | <u>\$ 833</u> | <u>\$ 83,628</u> |

The following table provides additional information on our allowance for credit losses based on a collective evaluation in accordance with ASC Topic 326, “Financial Instruments - Credit Losses” (in thousands):

**Three Months Ended September 30, 2025**

|                                   | <b>Direct Cash:<br/>Live<br/>Check<br/>Loans</b> | <b>Direct Cash:<br/>Premier<br/>Loans</b> | <b>Direct Cash:<br/>Other<br/>Consumer<br/>Loans</b> | <b>Real<br/>Estate<br/>Loans</b> | <b>Sales<br/>Finance<br/>Contracts</b> | <b>Total</b>     |
|-----------------------------------|--|---|--|----------------------------------|--|------------------|
| Allowance for Credit Losses:      |  |   |  |                                  |  |                  |
| Ending Balance 6/30/2025 .....    | \$ 10,833  | \$ 457                                    | \$ 53,372  | \$ 1,442                         | \$ 7,601                               | \$ 73,705        |
| Provision for Credit Losses ..... | 7,141  | (34)                                      | 14,119   | (97)                             | 853                                    | \$ 21,982        |
| Charge-offs .....                 | (8,624)  | (415)                                     | (20,139)   | (7)                              | (2,045)                                | \$ (31,230)      |
| Recoveries .....                  | 1,796  | 303                                       | 8,318  | 1                                | 614                                    | \$ 11,032        |
| Ending Balance 9/30/2025 .....    | <u>\$ 11,146</u>                                 | <u>\$ 311</u>                             | <u>\$ 55,670</u>                                     | <u>\$ 1,339</u>                  | <u>\$ 7,023</u>                        | <u>\$ 75,489</u> |

**Three Months Ended September 30, 2024**

|                                   | <b>Direct Cash:<br/>Live<br/>Check<br/>Loans</b> | <b>Direct Cash:<br/>Premier<br/>Loans</b> | <b>Direct Cash:<br/>Other<br/>Consumer<br/>Loans</b> | <b>Real<br/>Estate<br/>Loans</b> | <b>Sales<br/>Finance<br/>Contracts</b> | <b>Total</b>     |
|-----------------------------------|--|---|--|----------------------------------|--|------------------|
| Allowance for Credit Losses:      |  |   |  |                                  |  |                  |
| Ending Balance 6/30/2024 .....    | \$ 9,162   | \$ 1,476                                  | \$ 49,133  | \$ 1,921                         | \$ 9,110                               | \$ 70,802        |
| Provision for Credit Losses ..... | 5,320  | 56  | 13,341   | (87)                             | 1,837                                  | 20,467           |
| Charge-offs .....                 | (6,491)  | (801)                                     | (17,785)   | (1)                              | (2,688)                                | (27,766)         |
| Recoveries .....                  | 1,570  | 437                                       | 5,636  | 1                                | 589                                    | 8,233            |
| Ending Balance 9/30/2024 .....    | <u>\$ 9,561</u>                                  | <u>\$ 1,168</u>                           | <u>\$ 50,325</u>                                     | <u>\$ 1,834</u>                  | <u>\$ 8,848</u>                        | <u>\$ 71,736</u> |

**Nine Months Ended September 30, 2025**

|                                   | <b>Direct Cash:<br/>Live<br/>Checks</b> | <b>Direct Cash:<br/>Premier<br/>Loans</b> | <b>Direct Cash:<br/>Other<br/>Consumer<br/>Loans</b> | <b>Real<br/>Estate<br/>Loans</b> | <b>Sales<br/>Finance<br/>Contracts</b> | <b>Total</b>     |
|-----------------------------------|---|---|--|----------------------------------|--|------------------|
| Allowance for Credit Losses:      |   |   |  |                                  |  |                  |
| Balance as of 12/31/2024 .....    | \$ 11,571                               | \$ 857                                    | \$ 50,943  | \$ 1,616                         | \$ 8,379                               | \$ 73,366        |
| Provision for Credit Losses ..... | 22,373                                  | (43)                                      | 47,840   | (261)                            | 4,695                                  | \$ 74,604        |
| Charge-offs .....                 | (27,605)                                | (1,523)                                   | (60,918)   | (19)                             | (8,049)                                | \$ (98,114)      |
| Recoveries .....                  | 4,807                                   | 1,020                                     | 17,805   | 3                                | 1,998                                  | \$ 25,633        |
| Ending Balance 9/30/2025 .....    | <u>\$ 11,146</u>                        | <u>\$ 311</u>                             | <u>\$ 55,670</u>                                     | <u>\$ 1,339</u>                  | <u>\$ 7,023</u>                        | <u>\$ 75,489</u> |

**Nine Months Ended September 30, 2024**

|                                   | <b>Direct Cash:<br/>Live<br/>Checks</b> | <b>Direct Cash:<br/>Premier<br/>Loans</b> | <b>Direct Cash:<br/>Other<br/>Consumer<br/>Loans</b> | <b>Real<br/>Estate<br/>Loans</b> | <b>Sales<br/>Finance<br/>Contracts</b> | <b>Total</b>     |
|-----------------------------------|---|---|--|----------------------------------|--|------------------|
| Allowance for Credit Losses:      |   |   |  |                                  |  |                  |
| Balance as of 12/31/2023 .....    | \$ 9,832                                | \$ 2,510                                  | \$ 47,282  | \$ 2,488                         | \$ 9,250                               | \$ 71,362        |
| Provision for Credit Losses ..... | 15,268                                  | 563                                       | 39,874   | (655)                            | 6,209                                  | 61,259           |
| Charge-offs .....                 | (20,408)                                | (3,157)                                   | (51,637)   | (4)                              | (8,422)                                | (83,628)         |
| Recoveries .....                  | 4,869                                   | 1,252                                     | 14,806   | 5                                | 1,811                                  | 22,743           |
| Ending Balance 9/30/2024 .....    | <u>\$ 9,561</u>                         | <u>\$ 1,168</u>                           | <u>\$ 50,325</u>                                     | <u>\$ 1,834</u>                  | <u>\$ 8,848</u>                        | <u>\$ 71,736</u> |

### Note 3 – INVESTMENT SECURITIES

Investment securities available for sale are carried at estimated fair market value. The amortized cost and estimated fair values of these investment securities are as follows (in thousands):

|  | As of September 30, 2025 |                      | As of December 31, 2024 |                      |
|--|--------------------------|----------------------|-------------------------|----------------------|
|  | Amortized Cost           | Estimated Fair Value | Amortized Cost          | Estimated Fair Value |
| Obligations of states and political subdivisions ..... | \$ 303,159               | \$ 269,802           | \$ 290,425              | \$ 255,967           |

Gross unrealized losses on investment securities totaled \$34.4 million and \$35.1 million at September 30, 2025 and December 31, 2024, respectively. The following table provides an analysis of investment securities in an unrealized loss position for which an allowance for credit losses is unnecessary as of September 30, 2025 and December 31, 2024 (in thousands):

|  | September 30, 2025  |                   |                     |                   |            |                   |
|--|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
|  | Less than 12 Months |                   | 12 Months or Longer |                   | Total      |                   |
|  | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value | Unrealized Losses |
| Available-for-Sale:                                    |                     |                   |                     |                   |            |                   |
| Obligations of states and political subdivisions ..... | \$ 61,986           | \$ (2,487)        | \$ 146,016          | \$ (31,951)       | \$ 208,002 | \$ (34,438)       |

  

|  | December 31, 2024   |                   |                     |                   |            |                   |
|--|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
|  | Less than 12 Months |                   | 12 Months or Longer |                   | Total      |                   |
|  | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value | Unrealized Losses |
| Available-for-Sale:                                    |                     |                   |                     |                   |            |                   |
| Obligations of states and political subdivisions ..... | \$ 97,056           | \$ (2,934)        | \$ 125,068          | \$ (32,208)       | \$ 222,124 | \$ (35,142)       |

The previous two tables represent 215 and 244 investments held by the Company at September 30, 2025 and December 31, 2024, respectively, the majority of which are rated “A” or higher by Moody’s and/or Standard & Poor’s. The unrealized losses on the Company’s investments listed in the above table were primarily the result of interest rate and market fluctuations. Based on the credit ratings of these investments, along with the consideration of whether the Company has the intent to sell or will be more likely than not required to sell the applicable investment before recovery of amortized cost basis, no other than temporary impairment was determined to be necessary as of September 30, 2025 and December 31, 2024.

There were no investment securities sold during the nine-month period ended September 30, 2025. Proceeds from redemption of investments due the exercise of call provisions by the issuers thereof and regularly scheduled maturities totaled \$0.3 million with no net gains as of September 30, 2025.

During the year ended December 31, 2024, the Company engaged in the sale of our corporate securities, classified as available for sale. The total gross proceeds from the sale were \$707 thousand, which resulted in realized gains of \$222 thousand in 2024. Proceeds from redemption of investments due to the exercise of call provisions by the issuers thereof and regularly scheduled maturities totaled \$6.1 million with a net gain of \$0.1 million as of December 31, 2024.

The Company’s insurance subsidiaries internally designate certain investments as restricted to cover policy reserves and loss reserves. Funds are held in separate trusts for the benefit of each insurance subsidiary at U.S. Bank National Association (“US Bank”). US Bank serves as trustee under trust agreements with the Company’s property and casualty insurance company subsidiary (“Frandisco P&C”). These trusts held \$56.4 million and \$48.2 million in available-for-sale investment securities at market value at September 30, 2025 and December 31, 2024, respectively. US Bank also serves as trustee under trust agreements with the Company’s life insurance company subsidiary (“Frandisco Life”). At September 30, 2025, these trusts held \$34.6 million in available-for-sale investment securities at market value compared to \$33.1 million at

December 31, 2024. The amounts required to be held in each trust change as required reserves change. All earnings on assets in the trusts are remitted to the Company's insurance subsidiaries.

#### **Note 4 – FAIR VALUE**

Under ASC Topic 820, "*Fair Value Measurement*", fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs used to determine the fair value of an asset or liability, with the highest priority given to Level 1, as these are the most transparent or reliable. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements.

**Level 1** - Quoted prices for identical instruments in active markets.

**Level 2** - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

**Level 3** - Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The following methods and assumptions are used by the Company in estimating fair values of its financial instruments:

**Cash and Cash Equivalents:** Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value due to the relatively short period of time between the origination of the instruments and their expected realization. Cash and cash equivalents are classified as a Level 1 financial asset.

**Loans:** The fair value of the Company's direct cash loans and sales finance contracts approximate the carrying value since the estimated life, assuming prepayments, is short-term in nature. The fair value of the Company's real estate loans approximate the carrying value as the interest rate charged by the Company is at statutory maximums, which approximates market rates as there have been no material changes to statutory maximums since origination. Loans are classified as a Level 3 financial asset.

**Obligations of State and Political Subdivisions:** Management has designated the Company's investment portfolio as available-for-sale. The portfolio is reported at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss) included in the Condensed Consolidated Statements of Comprehensive Income (Loss). Gains and losses on sales of securities designated as available-for-sale are determined based on the specific identification method; therefore, marketable debt securities are classified as a Level 2 financial asset.

**Corporate Securities:** The Company estimates the fair value of corporate securities with readily determinable fair values based on quoted prices observed in active markets; therefore, these investments are classified as a Level 1 financial asset.

**Senior Debt Securities:** The \$1,044.6 million carrying value of the Company's senior debt securities approximates fair value due to the relatively short period of time between the origination of the instruments and their expected payment. Senior debt securities are classified as a Level 2 financial liability.

**Subordinated Debt Securities:** The \$31.6 million carrying value of the Company's subordinated debt securities approximates fair value due to the re-pricing frequency of the securities. Subordinated debt securities are classified as a Level 2 financial liability.

The Company is responsible for the valuation process and as part of this process may use data from outside sources to establish fair value. The Company performs due diligence to understand the inputs and how the data was calculated or derived.

The Company employs a market approach in the valuation of its obligations of states, political subdivisions and municipal revenue bonds that are available-for-sale. These investments are valued based on current market quotations provided by independent pricing services selected by management based on the advice of an investment manager. To determine the value of a particular investment, these independent pricing services may use certain information with respect to market transactions in such investment or comparable investments,

various relationships observed in the market between investments, quotations from dealers, and pricing metrics and calculated yield measures based on valuation methodologies commonly employed in the market for such investments. Quoted prices are subject to our internal price verification procedures. We validate prices received using a variety of methods including, but not limited, to comparison to other pricing services or corroboration of pricing by reference to independent market data such as a secondary broker. There was no change in this methodology during any period reported.

Assets measured at fair value as of September 30, 2025 and December 31, 2024 were available-for-sale investment securities which are summarized below (in thousands):

| <b>Fair Value Measurements at Reporting Date Using</b> |                       |  |  |   |
|--|-----------------------|--|--|---|
| Description  | September 30,<br>2025 | Quoted Prices<br>In Active<br>Markets for<br>Identical<br>Assets<br>(Level1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level2) | Significant<br>Unobservable<br>Inputs<br>(Level3) |
|  |                       |  |  |   |
| Obligations of states and political subdivisions ..... | 269,802               | —  | 269,802  | —   |
| Total .....  | <u>\$ 269,802</u>     | <u>\$ —</u>  | <u>\$ 269,802</u>  | <u>\$ —</u>                                       |

| <b>Fair Value Measurements at Reporting Date Using</b> |                      |  |  |   |
|--|----------------------|--|--|---|
| Description  | December 31,<br>2024 | Quoted Prices<br>In Active<br>Markets for<br>Identical<br>Assets<br>(Level1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level2) | Significant<br>Unobservable<br>Inputs<br>(Level3) |
|  |                      |  |  |   |
| Obligations of states and political subdivisions ..... | 255,967              | —  | 255,967  | —   |
| Total .....  | <u>\$ 255,967</u>    | <u>\$ —</u>  | <u>\$ 255,967</u>  | <u>\$ —</u>                                       |

## Note 5 – LEASES

The Company is party to operating lease agreements, which are recorded as operating lease right-of-use (“ROU”) assets and operating lease liabilities. Lease payments during the three and nine months ended September 30, 2025 were \$2.4 million and \$7.1 million, respectively, compared to \$2.3 million and \$6.8 million, respectively, for the same periods in the prior year.

ROU assets represent the Company’s right to use an underlying asset during the lease term and the operating lease liabilities represent the Company’s obligations for lease payments in accordance with the lease. Recognition of ROU assets and liabilities are recognized at the lease commitment date based on the present value of the remaining lease payments using a discount rate that represents the Company’s incremental borrowing rate at the lease commitment date or the ASC Topic 842 “Leases” adoption date. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and is recorded in occupancy expense in the Condensed Consolidated Statements of Income.

Remaining lease terms range from 1 to 12 years. The Company’s leases are not complex and do not contain residual value guarantees, variable lease payments, or significant assumptions or judgments. Operating leases with a term of 12 months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the lease term. Operating lease ROU assets and operating lease liabilities were \$39.9 million and \$41.4 million at September 30, 2025, respectively, and \$42.2 million and \$43.5 million at September 30, 2024, respectively. At December 31, 2024 the operating lease ROU assets and operating liabilities were \$40.7 million and \$42.0 million, respectively.

The Company’s lease maturities as of September 30, 2025 and September 30, 2024 are presented in the tables that follow. The table below summarizes lease expense and other information related to the Company’s operating leases with respect to ASC Topic 842:

|  | <b>Three Months<br/>Ended September<br/>30, 2025</b> | <b>Nine Months Ended<br/>September 30, 2025</b> |
|--|--|---|
| Operating lease expense .....  | \$ 2,416,598   | \$ 7,113,416                                    |
| Cash paid for amounts included in the measurement of lease liabilities:..... |  |   |
| Operating cash flows from operating leases .....                             | 2,383,875  | 7,068,907                                       |
| Weighted-average remaining lease term – operating leases .....               | 6.67 years   |   |
| Weighted-average discount rate – operating leases .....                      | 6.23 %   |   |
| Maturity analysis of lease liabilities:                                      |  |   |
| Remainder of 2025 .....  | \$ 2,409,746   |   |
| 2026 .....   | 9,112,721  |   |
| 2027 .....   | 8,234,992  |   |
| 2028 .....   | 7,346,453  |   |
| 2029 .....   | 5,982,114  |   |
| 2030 and beyond .....  | 17,629,317   |   |
| Total .....  | 50,715,343   |   |
| Less: Discount .....   | (9,356,992)  |   |
| Present Value of Lease Liability .....                                       | <u>\$ 41,358,351</u>                                 |   |

|  | Three Months<br>Ended September<br>30, 2024 | Nine Months Ended<br>September 30, 2024 |
|--|---|---|
| Operating lease expense .....  | \$ 2,311,356                                | \$ 6,921,857                            |
| Cash paid for amounts included in the measurement of lease liabilities:..... |   |   |
| Operating cash flows from operating leases .....                             | 2,291,706                                   | 6,817,570                               |
| Weighted-average remaining lease term – operating leases .....               | 6.79 years                                  |   |
| Weighted-average discount rate – operating leases .....                      | 5.80 %                                      |   |
| Maturity analysis of lease liabilities:                                      |   |   |
| Remainder of 2024 .....  | \$ 2,300,061                                |   |
| 2025 .....   | 9,165,944                                   |   |
| 2026 .....   | 8,499,924                                   |   |
| 2027 .....   | 7,611,857                                   |   |
| 2028 .....   | 6,691,209                                   |   |
| 2029 and beyond .....  | 18,484,824                                  |   |
| Total .....  | 52,753,819                                  |   |
| Less: Discount .....   | (9,281,247)                                 |   |
| Present Value of Lease Liability .....                                       | <u>\$ 43,472,572</u>                        |   |

## Note 6 – COMMITMENTS AND CONTINGENCIES

The Company conducts its lending operations under the provisions of various federal and state laws, regulations, and insurance regulations. Changes in the current regulatory environment, or the interpretation or application of current regulations, could impact our business.

The Company is subject to various legal proceedings, claims and administrative proceedings arising in the ordinary course of its business, some of which are expected to be covered by liability insurance. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters using the latest information available. The Company records a liability for litigation if an unfavorable outcome is probable, the peril or claim is uninsured or under-insured, and the amount of loss or range of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the uninsured or under-insured loss is a range, the Company accrues the best estimate within the range. If no amount within the range is a better estimate than any other amount, the Company accrues the minimum amount within the range. If an unfavorable outcome is probable but the amount of the uninsured or under-insured loss cannot be reasonably estimated, the Company discloses the nature of the litigation and indicates that an estimate of the loss or range of loss cannot be made. If an unfavorable outcome is reasonably possible and the estimated uninsured or under-insured loss is material, the Company discloses the nature and estimate of the possible loss of the litigation. The Company does not disclose information with respect to litigation where an unfavorable outcome is considered to be remote or where the estimated loss (whether on the merits or by virtue of the existence of collectible insurance) would not be material.

Based on current expectations, there are no legal matters, individually or in the aggregate, expected to have a material adverse effect on the liquidity, results of operations, business or financial condition of the Company as of September 30, 2025.

## Note 7 – INCOME TAXES

The Company is an S corporation for income tax reporting purposes. The taxable income or loss of an S corporation is passed through to the shareholders of the Company. Accordingly, deferred income tax assets and liabilities have been eliminated and no provisions for current and deferred income taxes were made by the Company except for amounts attributable to state income taxes for certain states, which do not recognize S corporation status for income tax reporting purposes. Deferred income tax assets and liabilities are recognized and provisions for current and deferred income taxes will be made by the Company's subsidiaries as they are not permitted to be treated as S Corporations. The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences.



The effective income tax rate was 20% and 27% during the three and nine months ended September 30, 2025, respectively, compared to 94% and 66% during the same periods ended September 30, 2024. The effective income tax rate differs from the statutory rate due to changes in the proportion of income earned by the Company's insurance subsidiaries.

## Note 8 – DEBT

### Senior Debt

The Company is party to a credit agreement with BMO Bank, N.A. The credit agreement provides for borrowings up to \$300.0 million or 75% of the Company's net finance receivables (as defined in the credit agreement), whichever is less, subject to certain limitations. All borrowings under the credit agreement are secured by finance receivables of the Company. Available borrowings under the credit agreement were \$98.3 million and \$148.1 million at September 30, 2025 and December 31, 2024, at interest rates of 7.28% and 7.52%, respectively. Outstanding borrowings on the credit facility were \$201.7 million and \$151.9 million at September 30, 2025 and December 31, 2024, respectively. The credit agreement contains covenants customary for financing transactions of this type. The Company is required, under the credit agreement, to report on its performance as it relates to the covenants contained therein. The credit agreement has a commitment termination date of December 6, 2027.

The Company informed BMO Bank, N.A. that it was not in compliance with the consolidated tangible net worth ratio covenant for each of the three months in the period ended September 30, 2025, each instance of which constituted an event of default under the credit agreement. At September 30, 2025, the Company exceeded the maximum consolidated tangible net worth ratio of 3.75, with a ratio of 3.76. The Company requested and received a waiver of the designated defaults from the bank syndicate.

Available but unborrowed amounts under the credit agreement are subject to a periodic unused line fee of 0.50%, based on the outstanding balance of the credit line. The interest rate under the credit agreement is equivalent to the greater of (a) 0.75% per annum plus the Applicable Margin or (b) the one month secured overnight financing rate (the "SOFR Rate") plus the term SOFR adjustment (the "Adjusted Term SOFR Rate") plus the Applicable Margin. The Adjusted Term SOFR Rate is adjusted on the first day of each calendar month based upon the SOFR Rate as of the last day of the preceding calendar month. The Applicable Margin is 3.00%. The interest rate on the credit agreement at September 30, 2025 and December 31, 2024 was 7.28% and 7.52%, respectively.

The Company's Senior Demand Notes are unsecured obligations which are payable on demand. The interest rate payable on any Senior Demand Note is a variable rate, compounded daily, established from time to time by the Company.

Commercial paper is issued by the Company only to qualified investors, in amounts in excess of \$50,000, with maturities of less than 260 days and at interest rates the Company believes are competitive in the marketplace. Additional data related to the Company's senior debt is as follows (in thousands, except % data):

|                           | Weighted<br>Average<br>Interest<br>Rate | Average<br>Amount<br>Outstanding<br>During Period |
|---------------------------|---|---|
| As of September 30, 2025  |   |   |
| Bank Borrowings .....     | 7.32 %                                  | \$ 149,751  |
| Senior Demand Notes ..... | 1.89                                    | 90,621  |
| Commercial Paper .....    | 5.76                                    | 738,386   |
| As of December 31, 2024   |   |   |
| Bank Borrowings .....     | 7.52 %                                  | \$ 111,916  |
| Senior Demand Notes ..... | 1.90                                    | 95,809  |
| Commercial Paper .....    | 5.96                                    | 685,772   |

## Subordinated Debt

The payment of the principal and interest on the Company's subordinated debt is subordinate and junior to all unsubordinated indebtedness of the Company.

Subordinated debt consists of variable rate subordinated debentures issued by the Company, and which mature four years after the date of issue. The maturity date is automatically extended for an additional four years term unless the holder or the Company redeems the debenture on its original maturity date or within any applicable grace period thereafter. The debentures are offered and sold in various minimum purchase amounts with varying interest rates with interest adjustment periods for each respective minimum purchase amount. Interest rates on the debentures automatically adjust at the end of each adjustment period. The debentures may also be redeemed by the holder at the applicable interest adjustment date or within any applicable grace period thereafter without penalty.

Redemptions at any other time are at the discretion of the Company and subject to a penalty. The Company may redeem the debentures for a price equal to 100% of the principal plus accrued but unpaid interest upon 30 days' notice to the holder.

Additional data related to the Company's subordinated debt is as follows (in thousands, except % data):

|                          | Weighted<br>Average<br>Interest<br>Rate | Average<br>Amount<br>Outstanding<br>During Period |
|--------------------------|---|---|
| As of September 30, 2025 | 4.99 %                                  | \$ 33,584   |
| As of December 31, 2024  | 5.04                                    | 31,597  |

## Note 9 – RELATED PARTY TRANSACTIONS

The Company engages from time to time in transactions with related parties. The Company leased a portion of its properties from certain officers or stockholders (see Note 5 - *Leases*). The remaining payments under the leases were \$424,800 at September 30, 2025.

The Company has an outstanding loan to a real estate development partnership of which David Cheek (son of Ben F. Cheek, III) who beneficially owns 24.24% of the Company's voting stock, is a partner. The balance on this commercial loan (including principal and accrued interest) was \$2.5 million at September 30, 2025.

The Company also has a loan for premium payments to a trust of a retired executive officer's irrevocable life insurance policy. The principal balance on this loan at September 30, 2025 was \$0.5 million. Please refer to the disclosure contained in Note 12 *Related Party Transactions* in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2024 for additional information on related party transactions.

The Company also has outstanding borrowings with certain related parties, including the Company's owners, members of management, and other employees. As of September 30, 2025, total related party debt was approximately \$53.5 million. These borrowings carry terms and interest rates that are consistent with the market and those offered to non-affiliates.

The Company also maintains a non-qualified deferred compensation plan for employees who receive compensation in excess of the amount provided in Section 401(a)(17) of the Internal Revenue Code (the "Code"), as such amount may be adjusted from time to time in accordance with the Code.

## Note 10 – SEGMENT FINANCIAL INFORMATION

The Company discloses segment information in accordance with ASC Topic 280 “*Segment Reporting*”. ASC Topic 280 requires companies to determine segments based on how management makes decisions about allocating resources to segments and measuring their performance. As disclosed in Note 13 *Segment Financial Information* in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2024, the Company adopted ASU 2023-07 “*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*” and applied the guidance retrospectively effective for the fiscal year beginning January 1, 2024.

In addition, effective December 31, 2024, the Company reorganized into two reportable segments, North and South, following a series of entrances into new states of operation. The impact of change of the segments is presented on a retrospective basis for the prior periods presented below. Each segment is managed by a Senior Vice President who directly reports to the Company's Chief Operating Officer, who is the Company's Chief Operating Decision Maker (“CODM”). The Company allocates resources and assesses operational and financial performance to each segment. The Company's CODM is responsible for allocating resources and assessing financial performance.

The Company's net income is the measure used by the CODM in evaluating the segments' profit and loss of each segment. The CODM uses net income along with the strategy of the organization to assess performance and enable decision making when allocating resources.

As part of the CODM's review and evaluation process for allocating resources, the CODM is provided segment income and expenses.

Below is a performance recap of each of the Company's segments for the three and nine months ended September 30, 2025 and September 30, 2024, followed by a reconciliation to consolidated Company data.

|                                     | Three Months Ended September 30, 2025 |        |          |
|-------------------------------------|---------------------------------------|--------|----------|
|                                     | North                                 | South  | Total    |
|                                     | (In millions)                         |        |          |
| Revenues:                           |                                       |        |          |
| Finance Charges Earned .....        | \$ 35                                 | \$ 53  | \$ 88    |
| Insurance Income .....              | 5                                     | 11     | 16       |
| Other .....                         | 1                                     | 1      | 2        |
| Total Revenues .....                | 41                                    | 65     | 106      |
| Expenses:                           |                                       |        |          |
| Interest Cost .....                 | 6                                     | 10     | 16       |
| Provision for Loan Losses .....     | 8                                     | 13     | 21       |
| Depreciation and Amortization ..... | —                                     | 1      | 1        |
| Other Expense .....                 | 12                                    | 20     | 32       |
| Total Expenses .....                | 26                                    | 44     | 70       |
| Segment Profit .....                | \$ 15                                 | \$ 21  | \$ 36    |
| Segment Assets:                     |                                       |        |          |
| Net Receivables .....               | \$ 415                                | \$ 666 | \$ 1,081 |
| Cash .....                          | 9                                     | 6      | 15       |
| Net Fixed Assets .....              | 3                                     | 7      | 10       |
| Other Assets .....                  | 15                                    | 23     | 38       |
| Total Segment Assets .....          | \$ 442                                | \$ 702 | \$ 1,144 |

|                                     | Three Months Ended September 30, 2024 |        |          |
|-------------------------------------|---------------------------------------|--------|----------|
|                                     | North                                 | South  | Total    |
|                                     | (In millions)                         |        |          |
| Revenues:                           |                                       |        |          |
| Finance Charges Earned .....        | \$ 29                                 | \$ 45  | \$ 74    |
| Insurance Income .....              | 5                                     | 10     | 15       |
| Other .....                         | 1                                     | 1      | 2        |
| Total Revenues .....                | 35                                    | 56     | 91       |
| Expenses:                           |                                       |        |          |
| Interest Cost .....                 | 6                                     | 9      | 15       |
| Provision for Loan Losses .....     | 9                                     | 12     | 21       |
| Depreciation and Amortization ..... | —                                     | 1      | 1        |
| Other Expense .....                 | 12                                    | 20     | 32       |
| Total Expenses .....                | 27                                    | 42     | 69       |
| Segment Profit .....                | \$ 8                                  | \$ 14  | \$ 22    |
| Segment Assets:                     |                                       |        |          |
| Net Receivables .....               | \$ 364                                | \$ 598 | \$ 962   |
| Cash .....                          | 11                                    | 2      | 13       |
| Net Fixed Assets .....              | 3                                     | 7      | 10       |
| Other Assets .....                  | 13                                    | 25     | 38       |
| Total Segment Assets .....          | \$ 391                                | \$ 632 | \$ 1,023 |

| Nine Months Ended September 30, 2025 |        |        |          |
|--------------------------------------|--------|--------|----------|
|                                      | North  | South  | Total    |
| (In millions)                        |        |        |          |
| Revenues:                            |        |        |          |
| Finance Charges Earned .....         | \$ 101 | \$ 155 | \$ 256   |
| Insurance Income .....               | 15     | 30     | 45       |
| Other .....                          | 2      | 4      | 6        |
| Total Revenues .....                 | 118    | 189    | 307      |
| Expenses:                            |        |        |          |
| Interest Cost .....                  | 17     | 28     | 45       |
| Provision for Loan Losses .....      | 31     | 42     | 73       |
| Depreciation and Amortization .....  | 1      | 2      | 3        |
| Other Expense .....                  | 34     | 54     | 88       |
| Total Expenses .....                 | 83     | 126    | 209      |
| Segment Profit .....                 | \$ 35  | \$ 63  | \$ 98    |
| Segment Assets:                      |        |        |          |
| Net Receivables .....                | \$ 415 | \$ 666 | \$ 1,081 |
| Cash .....                           | 9      | 6      | 15       |
| Net Fixed Assets .....               | 3      | 7      | 10       |
| Other Assets .....                   | 15     | 23     | 38       |
| Total Segment Assets .....           | \$ 442 | \$ 702 | \$ 1,144 |
| Nine Months Ended September 30, 2024 |        |        |          |
|                                      | North  | South  | Total    |
| (In millions)                        |        |        |          |
| Revenues:                            |        |        |          |
| Finance Charges Earned .....         | \$ 85  | \$ 136 | \$ 221   |
| Insurance Income .....               | 14     | 28     | 42       |
| Other .....                          | 2      | 4      | 6        |
| Total Revenues .....                 | 101    | 168    | 269      |
| Expenses:                            |        |        |          |
| Interest Cost .....                  | 16     | 27     | 43       |
| Provision for Loan Losses .....      | 26     | 36     | 62       |
| Depreciation and Amortization .....  | 1      | 2      | 3        |
| Other Expense .....                  | 36     | 58     | 94       |
| Total Expenses .....                 | 79     | 123    | 202      |
| Segment Profit .....                 | \$ 22  | \$ 45  | \$ 67    |
| Segment Assets:                      |        |        |          |
| Net Receivables .....                | \$ 364 | \$ 598 | \$ 962   |
| Cash .....                           | 11     | 2      | 13       |
| Net Fixed Assets .....               | 3      | 7      | 10       |
| Other Assets .....                   | 13     | 25     | 38       |
| Total Segment Assets .....           | \$ 391 | \$ 632 | \$ 1,023 |

|  | Three<br>Months<br>Ended<br>September<br>30, 2025 | Three<br>Months<br>Ended<br>September<br>30, 2024 | Nine<br>Months<br>Ended<br>September<br>30, 2025 | Nine<br>Months<br>Ended<br>September<br>30, 2024 |
|--|---|---|--|--|
| (in millions)  |   |   |  |  |
| <b>Reconciliation of Revenues:</b>                                   |   |   |  |  |
| Total revenues from reportable divisions .....                       | \$ 106  | \$ 91   | \$ 307   | \$ 269   |
| Corporate finance charges earned, not allocated to divisions .....   | —   | —   | (1)  | 1  |
| Corporate investment income earned, not allocated to divisions ..... | 3   | 3   | 8  | 8  |
| Timing difference of insurance income allocation to divisions .....  | 3   | 2   | 6  | 5  |
| Consolidated Revenues (1) .....                                      | <u>\$ 112</u>                                     | <u>\$ 96</u>                                      | <u>\$ 320</u>                                    | <u>\$ 283</u>                                    |
| (in millions)  |   |   |  |  |
| <b>Reconciliation of Income Before Taxes:</b>                        |   |   |  |  |
| Profit per division .....  | \$ 36   | \$ 22   | \$ 98  | \$ 67  |
| Corporate earnings not allocated .....                               | 6   | 5   | 13   | 14   |
| Corporate expenses not allocated .....                               | (34)  | (26)  | (94)   | (75)   |
| Consolidated Income Before Income Taxes .....                        | <u>\$ 8</u>                                       | <u>\$ 1</u>                                       | <u>\$ 17</u>                                     | <u>\$ 6</u>                                      |

(1) Includes Finance Charge Income, Investment Income, Insurance Premium Revenues and Other Revenue.

# **BRANCH OPERATIONS**

|                                      |                                  |                                      |                                  |
|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| Pat Smith                            | South Area Senior Vice President | Billy Fuller                         | North Area Senior Vice President |
| <b>MIDDLE GEORGIA</b>                |                                  | <b>SOUTH CAROLINA</b>                |                                  |
| Michael J. Whitaker                  | Vice President                   | M. Summer Clevenger                  | Vice President                   |
| <b>Regional Operations Directors</b> |                                  | <b>Regional Operations Directors</b> |                                  |
| Janet R. Brownlee                    | Deloris L. O'Neal                | Lonnie N. Boston III                 | Gerald D. Rhoden                 |
| Ronald E. Byerly                     | Jennifer C. Purser               | Audrey C. Goode                      | Gregory A. Shealy                |
| Kathryn D. Landry                    | Harriet H. Welch                 | Jenna L. Henderson                   | Louise S. Stokes                 |
| James A. Mahaffey                    |                                  | Tammy T. Lee                         |                                  |
| <b>SOUTH GEORGIA</b>                 |                                  | <b>NORTH GEORGIA</b>                 |                                  |
| Michael E. Shankles                  | Vice President                   | Becki B. Lawhon                      | Vice President                   |
| <b>Regional Operations Directors</b> |                                  | <b>Regional Operations Directors</b> |                                  |
| Stacy M. Courson                     | Wanda Parham                     | James D. Blalock                     | Christian J. Murray              |
| Jeffrey C. Lee                       | David B. Surret                  | Kevin M. Gray                        | April E. Pelphrey                |
| Sylvia J. McClung                    | Robert D. Whitlock               | Nokie N. Moore                       | F. Cliff Snyder                  |
| <b>ALABAMA</b>                       |                                  | <b>TENNESSEE</b>                     |                                  |
| Jerry W. Hughes                      | Vice President                   | Josh C. Nickerson                    | Vice President                   |
| <b>Regional Operations Directors</b> |                                  | <b>Regional Operations Directors</b> |                                  |
| M. Peyton Givens                     | William J. Pridmore              | Jerry D. Cline                       | J. Steven Knotts                 |
| Eric S. Hayes                        | Tanya M. Slaten                  | Brian M. Hill                        | Angelia M. Stafford              |
| Tomerria S. Iser                     | Michael L. Spriggs               | Tammy R. Hood                        | Melissa D. Storck                |
| Jonathan M. Kendrick                 |                                  |                                      |                                  |
| <b>MISSISSIPPI</b>                   |                                  | <b>KENTUCKY</b>                      |                                  |
| Marty B. Miskelly                    | Vice President                   | Chad H. Frederick                    | Vice President                   |
| <b>Regional Operations Directors</b> |                                  | <b>Regional Operations Directors</b> |                                  |
| Maurice J. Bize, Jr.                 | Jimmy R. Fairbanks, Jr.          | Zackary S. Coker                     | Gary A. Zortman                  |
| Carla A. Eldridge                    | Teresa A. Grantham               | Daniel C. Powell                     |                                  |
| <b>LOUISIANA</b>                     |                                  | <b>VIRGINIA</b>                      |                                  |
| John B. Gray                         | Vice President                   | Scott T. Milbourn                    | Assistant Vice President         |
| <b>Regional Operations Directors</b> |                                  | <b>Regional Operations Directors</b> |                                  |
| Sonya L. Acosta                      | Tabatha A. Green                 |                                      |                                  |
| Bryan W. Cook                        | Anthony B. Seney                 |                                      |                                  |
| L. Christopher Deakle                |                                  |                                      |                                  |
| <b>TEXAS</b>                         |                                  | <b>FLORIDA</b>                       |                                  |
| Lori A. Sanchez                      | Vice President                   | Lori A. Sanchez                      | Vice President                   |
| Lauren M. Munoz                      | Assistant Vice President         |                                      |                                  |
| <b>Regional Operations Directors</b> |                                  | <b>Regional Operations Directors</b> |                                  |
| Chadd D. Stewart                     | Brittany L. Rubio                |                                      |                                  |
| Rene N. Villescas                    |                                  |                                      |                                  |

## BRANCH OPERATIONS

### ALABAMA

|                |            |                |               |                  |            |
|----------------|------------|----------------|---------------|------------------|------------|
| Adamsville     | Brewton    | Fort Payne     | Moody         | Pell City        | Talladega  |
| Albertville    | Clanton    | Gadsden        | Moulton       | Prattville       | Tallassee  |
| Alexander City | Cullman    | Hamilton       | Muscle Shoals | Robertsdale      | Troy       |
| Andalusia      | Decatur    | Huntsville (2) | Oneonta       | Russellville (2) | Trussville |
| Arab           | Dothan     | Jackson        | Opelika       | Saraland         | Tuscaloosa |
| Athens         | Enterprise | Jasper         | Oxford        | Scottsboro       | Wetumpka   |
| Bay Minette    | Fayette    | Mobile         | Ozark         | Selma            |            |
| Bessemer       | Florence   | Montgomery     | Pelham        | Sylacauga        |            |

### FLORIDA

|             |          |        |                  |             |  |
|-------------|----------|--------|------------------|-------------|--|
| Blountstown | Marianna | Milton | DeFuniak Springs | Panama City |  |
|-------------|----------|--------|------------------|-------------|--|

### GEORGIA

|               |              |                |                |               |                   |
|---------------|--------------|----------------|----------------|---------------|-------------------|
| Adel          | Cartersville | Douglasville   | Hawkinsville   | Milledgeville | Thomaston         |
| Albany (2)    | Cedartown    | Dublin         | Hazlehurst     | Monroe        | Thomasville       |
| Alma          | Chatsworth   | East Ellijay   | Helena         | Montezuma     | Thomson           |
| Americus      | Clarkesville | Eastman        | Hinesville (2) | Monticello    | Tifton            |
| Athens (2)    | Claxton      | Eatonton       | Hiram          | Moultrie      | Toccoa            |
| Augusta       | Clayton      | Elberton       | Hogansville    | Nashville     | Tucker            |
| Bainbridge    | Cleveland    | Fayetteville   | Jackson        | Newnan        | Valdosta          |
| Barnesville   | Cochran      | Fitzgerald     | Jasper         | Perry         | Vidalia           |
| Baxley        | Columbus (2) | Flowery Branch | Jefferson      | Pooler        | Villa Rica        |
| Blairsville   | Commerce     | Forest Park    | Jesup          | Richmond Hill | Warner Robins (2) |
| Blakely       | Conyers      | Forsyth        | Kennesaw       | Rome          | Washington        |
| Blue Ridge    | Cordele      | Fort Valley    | Kingsland      | Royston       | Waycross          |
| Bremen        | Cornelia     | Ft. Oglethorpe | LaGrange       | Sandersville  | Waynesboro        |
| Brunswick (2) | Covington    | Gainesville    | Lavonia        | Savannah      | Winder            |
| Butler        | Cumming      | Garden City    | Lawrenceville  | Statesboro    |                   |
| Cairo         | Dahlonega    | Georgetown     | Macon (2)      | Stockbridge   |                   |
| Calhoun       | Dalton       | Greensboro     | Madison        | Swainsboro    |                   |
| Canton        | Dawson       | Griffin        | Manchester     | Sylvania      |                   |
| Carrollton    | Douglas (2)  | Hartwell       | McDonough      | Sylvester     |                   |

### KENTUCKY

|               |              |              |             |             |                |
|---------------|--------------|--------------|-------------|-------------|----------------|
| Burkesville   | Harlan       | Lexington    | Middlesboro | Paducah     | Shepherdsville |
| Cadiz         | Hopkinsville | Louisville   | Morehead    | Richmond    | Somerset       |
| Elizabethtown | Jackson      | Madisonville | Owensboro   | Shelbyville |                |



**BRANCH OPERATIONS**  
**(Continued)**

**LOUISIANA**

|              |                |              |              |              |             |
|--------------|----------------|--------------|--------------|--------------|-------------|
| Abbeville    | Crowley        | Jena         | Marksville   | New Iberia   | Slidell     |
| Alexandria   | Denham Springs | Kenner       | Marrero      | Opelousas    | Sulphur     |
| Baker        | DeRidder       | Lafayette    | Minden       | Pineville    | Thibodaux   |
| Bastrop      | Eunice         | Lake Charles | Monroe       | Prairieville | West Monroe |
| Baton Rouge  | Franklin       | LaPlace      | Morgan City  | Ruston       | Winnsboro   |
| Bossier City | Hammond        | Leesville    | Natchitoches | Shreveport   |             |
| Covington    | Houma          |              |              |              |             |

**MISSISSIPPI**

|               |             |             |            |              |            |
|---------------|-------------|-------------|------------|--------------|------------|
| Amory         | Columbia    | Gulfport    | Laurel     | Olive Branch | Ridgeland  |
| Batesville    | Columbus    | Hattiesburg | Louisville | Oxford       | Ripley     |
| Bay St. Louis | Corinth     | Hazlehurst  | Magee      | Pearl        | Senatobia  |
| Booneville    | D'Iberville | Hernando    | McComb     | Philadelphia | Starkville |
| Brookhaven    | Forest      | Houston     | Meridian   | Picayune     | Tupelo     |
| Carthage      | Greenwood   | Iuka        | New Albany | Pontotoc     | Winona     |
| Clinton       | Grenada     | Kosciusko   | Newton     |              |            |

**SOUTH CAROLINA**

|                     |          |            |               |                  |             |
|---------------------|----------|------------|---------------|------------------|-------------|
| Aiken               | Cheraw   | Gaffney    | Lancaster     | Newberry         | Spartanburg |
| Anderson            | Chester  | Georgetown | Laurens       | North Charleston | Summerville |
| Batesburg-Leesville | Columbia | Greenwood  | Lexington     | North Greenville | Sumter      |
| Beaufort            | Conway   | Greer      | Manning       | Orangeburg       | Union       |
| Boling Springs      | Dillon   | Hartsville | Marion        | Rock Hill        | Walterboro  |
| Camden              | Easley   | Irmo       | Moncks Corner | Seneca           | Winnsboro   |
| Cayce               | Florence | Lake City  | Myrtle Beach  | Simpsonville     | York        |
| Charleston          |          |            |               |                  |             |

**TENNESSEE**

|             |              |              |              |              |             |
|-------------|--------------|--------------|--------------|--------------|-------------|
| Athens      | Crossville   | Greeneville  | Lebanon      | Murfreesboro | Smyrna      |
| Bristol     | Dayton       | Hixson       | Lenoir City  | Newport      | Springfield |
| Clarksville | Dickson      | Jacksboro    | Lexington    | Powell       | Tazewell    |
| Cleveland   | Dyersburg    | Jackson      | Madisonville | Pulaski      | Tullahoma   |
| Columbia    | Elizabethton | Johnson City | Maryville    | Savannah     | Winchester  |
| Cookeville  | Fayetteville | Kingsport    | Millington   | Sevierville  |             |
| Cordova     | Gallatin     | Lafayette    | Morristown   |              |             |

**TEXAS**

|                |              |                |               |                 |           |
|----------------|--------------|----------------|---------------|-----------------|-----------|
| Austin (2)     | Houston      | Longview       | New Braunfels | San Antonio (3) | Texarkana |
| Bastrop        | Huntsville   | Lufkin         | Pasadena      | San Marcos      | Victoria  |
| Conroe         | Katy         | Missouri City  | Pearland      | Temple          |           |
| Corpus Christi | Lake Jackson | Mount Pleasant | Rosenburg     |                 |           |

**VIRGINIA**

|          |                |                  |          |                |          |
|----------|----------------|------------------|----------|----------------|----------|
| Abingdon | Chesapeake (2) | Colonial Heights | Danville | Mechanicsville | Yorktown |
|----------|----------------|------------------|----------|----------------|----------|

## DIRECTORS

Ben F. Cheek, IV  
Chairman  
1<sup>st</sup> Franklin Financial Corporation

Ben F. Cheek, III  
Chairman Emeritus  
1<sup>st</sup> Franklin Financial Corporation

Virginia C. Herring  
Vice Chairman, President and Chief Executive Officer  
1<sup>st</sup> Franklin Financial Corporation

David W. Cheek  
Shareholder

A. Roger Guimond, Jr.  
Retired Executive Officer  
1<sup>st</sup> Franklin Financial Corporation

Jerry J. Harrison, Jr.  
Executive Vice President and Chief Strategy Officer  
1<sup>st</sup> Franklin Financial Corporation

Donata Ison  
Vice President of Finance Amhr

John G. Sample, Jr.  
CPA

Sheryl Smith  
Retired Chief Operating, Risk and Compliance Officer

Keith D. Watson  
Chairman  
Bowen & Watson, Inc.

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## **EXECUTIVE OFFICERS**

Ben F. Cheek, IV  
Chairman

Ben F. Cheek, III  
Chairman Emeritus

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Vice Chairman, President and Chief Executive Officer

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Executive Vice President and Chief Compliance Officer

Kristin M. Dunn  
Executive Vice President and Chief Marketing Officer

Jerry J. Harrison, Jr.  
Executive Vice President and Chief Strategy Officer

Jenna C. Hood  
Executive Vice President and Chief Financial Officer

Gary L. McQuain  
Executive Vice President and Chief Operating Officer

John D. Niemiec  
Executive Vice President and Chief Credit Officer

Mark J. Scarpitti  
Executive Vice President and General Counsel  
Corporate Secretary / Treasurer

Joseph A. Shaw  
Executive Vice President and Chief Information Officer

Mary S. Zimmerman  
Executive Vice President and Chief Human Resources Officer

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