

Lincoln Bancorp and Subsidiaries
Independent Auditor's Report and Consolidated
Financial Statements

December 31, 2025 and 2024

Lincoln Bancorp and Subsidiaries

December 31, 2025 and 2024

Contents

Independent Auditor's Report	1
 Consolidated Financial Statements	
Balance Sheets.....	3-4
Statements of Operations.....	5
Statements of Comprehensive Income (Loss).....	6
Statements of Stockholders' Equity	7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-63

Independent Auditor's Report

Board of Directors
Lincoln Bancorp and Subsidiaries
Reinbeck, Iowa

Opinion

We have audited the accompanying consolidated financial statements (the "financial statements") of Lincoln Bancorp and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2025 financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Bancorp and Subsidiaries as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Lincoln Bancorp and Subsidiaries as of December 31, 2024, were audited by other auditors whose report dated March 25, 2025, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Wipfli LLP

Wipfli LLP

May 4, 2026
Milwaukee, Wisconsin

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Lincoln Bancorp and Subsidiaries

Consolidated Balance Sheets

December 31, 2025 and 2024

(Amounts in Thousands)

Assets

	<u>2025</u>	<u>2024</u>
Cash and due from banks	\$ 61,730	\$ 16,933
Federal funds sold	72,546	1,129
Cash and cash equivalents	134,276	18,062
Available-for-sale debt securities (amortized cost basis of \$361,273 and \$304,452 at December 31, 2025 and 2024) (Note 2)	329,909	265,346
Loans held for sale	605	900
Loans, net of allowance for credit losses of \$17,865 and \$16,009 at December 31, 2025 and 2024 (Note 3)	1,148,171	1,398,227
Premises and equipment, net (Note 4)	39,672	41,326
Other real estate	9,966	5,858
Accrued interest receivable	10,478	11,311
Cash value of life insurance	36,887	35,303
Other investments (Note 2)	7,657	8,232
Goodwill (Note 6)	18,805	18,805
Other assets	23,952	46,032
Total assets	<u>\$ 1,760,378</u>	<u>\$ 1,849,402</u>

See Notes to Consolidated Financial Statements

Lincoln Bancorp and Subsidiaries

Consolidated Balance Sheets

December 31, 2025 and 2024

(Amounts in Thousands)

Liabilities and Stockholders' Equity

	2025	2024
Liabilities		
Noninterest-bearing deposits	\$ 245,236	\$ 253,014
Interest-bearing deposits	1,261,835	1,328,676
Total deposits	1,507,071	1,581,690
Federal Home Loan Bank advances (Note 8)	70,000	89,510
Notes payable (Note 10)	14,500	14,500
Junior subordinated debentures (Note 11)	9,279	9,279
Accrued interest payable	2,533	3,396
Other liabilities	19,181	14,169
Total liabilities	1,622,564	1,712,544
Stockholders' Equity		
Class A Common stock, \$0.01 par value; authorized 25,000,000 shares; 6,778,670 shares issued and 6,654,688 shares outstanding at December 31, 2025, and 6,778,670 shares issued and 6,712,091 shares outstanding at December 31, 2024	68	68
Class B Common stock, \$0.01 par value; authorized 25,000,000 shares; 656,328 shares issued and outstanding at December 31, 2025 and 2024	7	7
Additional paid-in capital	65,745	65,673
Retained earnings	97,635	100,083
Accumulated other comprehensive loss, net of income taxes (Note 9)	(22,492)	(25,783)
Treasury stock, at cost		
Common - 123,982 shares at December 31, 2025 and 66,579 shares at December 31, 2024	(1,635)	(973)
Unallocated common stock of Employee Stock Ownership (ESOP), 90,498 and 132,141 shares at December 31, 2025 and 2024	(1,514)	(2,217)
Total stockholders' equity	137,814	136,858
Total liabilities and stockholders' equity	\$ 1,760,378	\$ 1,849,402

See Notes to Consolidated Financial Statements

Lincoln Bancorp and Subsidiaries

Consolidated Statements of Operations

Years Ended December 31, 2025 and 2024

(Amounts in Thousands)

	2025	2024
Interest Income		
Loans, including fees	\$ 75,002	\$ 81,733
Investment securities		
Taxable	10,225	8,344
Tax-exempt	4,165	4,370
Federal funds sold	1,535	277
Total interest income	<u>90,927</u>	<u>94,724</u>
Interest Expense		
Deposits	42,096	49,335
Federal funds purchased and securities sold under agreements to repurchase	-	4
Federal Home Loan Bank advances	2,820	3,645
Notes payable and junior subordinated debentures	1,608	1,838
Total interest expense	<u>46,524</u>	<u>54,822</u>
Net Interest Income	44,403	39,902
Provision for Credit Losses	3,501	5,378
Net Interest Income After Provision for Credit Losses	<u>40,902</u>	<u>34,524</u>
Noninterest Income		
Trust fees	1,045	891
Brokerage service commissions	2,305	3,350
Service charges on deposit accounts	1,176	1,203
Net gains on mortgage loan sales	255	1,504
Net gains on SBA and USDA loan sales	109	1,001
Net realized gains on sale of available-for-sale debt securities	-	10
Unrealized gains on equity securities	8	57
Gain on the sale of business unit	-	7,320
Other noninterest income	8,046	9,481
Total noninterest income	<u>12,944</u>	<u>24,817</u>
Noninterest Expense		
Salaries and employee benefits	29,584	34,244
Occupancy	4,086	4,204
Furniture, equipment and software expense	7,020	7,578
Net losses on sales of other real estate and real estate expense	1,874	143
Other noninterest expense	14,195	15,039
Total noninterest expense	<u>56,759</u>	<u>61,208</u>
Loss Before Income Tax	(2,913)	(1,867)
Credit for Income Taxes (Note 12)	(465)	(472)
Net Loss	<u>\$ (2,448)</u>	<u>\$ (1,395)</u>
Earnings Per Share		
Basic	\$ (0.34)	\$ (0.19)

See Notes to Consolidated Financial Statements

Lincoln Bancorp and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2025 and 2024
(Amounts in Thousands)

	<u>2025</u>	<u>2024</u>
Net Loss	\$ (2,448)	\$ (1,395)
Other Comprehensive Income (Loss)		
Securities:		
Unrealized appreciation (depreciation) on available-for-sale debt securities	4,873	(4,396)
Reclassification adjustment for (gain) loss included in net loss	-	(10)
Income tax benefit (expense)	(1,125)	1,024
Other comprehensive gain (loss) on available-for-sale debt securities	<u>3,748</u>	<u>(3,382)</u>
Derivatives used in cash flow hedging relationships:		
Unrealized gain (loss) on derivatives	(596)	1,098
Income tax benefit (expense)	139	(256)
Other comprehensive gain (loss) on cash flow hedges	<u>(457)</u>	<u>842</u>
Other comprehensive income (loss), net of tax	<u>3,291</u>	<u>(2,540)</u>
Comprehensive Income (Loss)	<u>\$ 843</u>	<u>\$ (3,935)</u>

See Notes to Consolidated Financial Statements

Lincoln Bancorp and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2025 and 2024
(Amounts in Thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unearned ESOP Shares	Total
Balance, January 1, 2024	\$ 68	\$ 7	\$ 66,048	\$ 101,478	\$ (23,243)	\$ (1,737)	\$ (3,046)	\$ 139,575
Net loss	-	-	-	(1,395)	-	-	-	(1,395)
Other comprehensive loss	-	-	-	-	(2,540)	-	-	(2,540)
Issuance of 39,915 shares of common stock out of treasury stock for stock based compensation plan	-	-	(121)	-	-	703	-	582
Purchase of 65,733 shares of treasury stock	-	-	-	-	-	(958)	-	(958)
Sale of 57,756 shares of treasury stock	-	-	(177)	-	-	1,019	-	842
ESOP shares earned	-	-	(77)	-	-	-	829	752
Balance, December 31, 2024	<u>68</u>	<u>7</u>	<u>65,673</u>	<u>100,083</u>	<u>(25,783)</u>	<u>(973)</u>	<u>(2,217)</u>	<u>136,858</u>
Net loss	-	-	-	(2,448)	-	-	-	(2,448)
Other comprehensive income	-	-	-	-	3,291	-	-	3,291
Issuance of 20,264 shares of common stock out of treasury stock for stock based compensation plan	-	-	(47)	-	-	298	-	251
Purchase of 77,667 shares of treasury stock	-	-	-	-	-	(960)	-	(960)
Stock based compensation	-	-	308	-	-	-	-	308
ESOP shares earned	-	-	(189)	-	-	-	703	514
Balance, December 31, 2025	<u>\$ 68</u>	<u>\$ 7</u>	<u>\$ 65,745</u>	<u>\$ 97,635</u>	<u>\$ (22,492)</u>	<u>\$ (1,635)</u>	<u>\$ (1,514)</u>	<u>\$ 137,814</u>

See Notes to Consolidated Financial Statements

Lincoln Bancorp and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2025 and 2024

(Amounts in Thousands)

	<u>2025</u>	<u>2024</u>
Operating Activities		
Net loss	\$ (2,448)	\$ (1,395)
Items not requiring (providing) cash		
Depreciation	2,265	2,487
Provision for credit losses	3,501	5,378
Amortization and accretion, net	934	441
Deferred income taxes	(639)	(722)
Gain on the sale of business unit	-	(7,320)
Net gains on sale of loans	(364)	(2,505)
Gain on sale and write down of fixed assets and other assets	-	(4)
Net realized (gain) loss on available-for-sale securities	-	(10)
Unrealized gain on equity securities	(8)	(57)
Origination of loans held for sale	(12,431)	(63,593)
Proceeds from sale of loans held for sale	13,090	67,583
Stock based compensation	308	-
ESOP shares earned	514	752
Amortization of right-of-use asset	122	62
Increase in cash value of life insurance	(1,584)	(1,523)
Stock based compensation expense from share issuance	251	582
Net loss on other real estate due to writedown or sale	1,754	-
Changes in		
Interest receivable	833	227
Other assets	(1,336)	3,115
Interest payable and other liabilities	3,441	(2,652)
Net cash provided by operating activities	<u>8,203</u>	<u>846</u>
Investing Activities		
Purchases of available-for-sale securities	(82,583)	(78,111)
Purchase of bank owned life insurance	-	(20,000)
Proceeds from maturities and paydowns of available-for-sale securities	25,557	16,944
Proceeds from sale of available-for-sale securities	-	49,242
Sale of other investments	10,423	29,779
Purchase of other investments	(9,840)	(31,829)
Net change in loans	240,219	(15,271)
Purchase of premises and equipment	(721)	(298)
Proceeds from bank owned life insurance	19,847	-
Proceeds from sale of premises and equipment	-	26
Proceeds from sale of business unit	-	8,428
Proceeds from sale of real estate and other assets held for sale, net	198	1,097
Net cash provided by (used in) investing activities	<u>\$ 203,100</u>	<u>\$ (39,993)</u>

See Notes to Consolidated Financial Statements

Lincoln Bancorp and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2025 and 2024

(Amounts in Thousands)

	2025	2024
Financing Activities		
Net (decrease) increase in deposits	\$ (74,782)	\$ (72,071)
Net change in escrow accounts	163	364
Proceeds from Federal Home Loan Bank advances and other debt	211,478	723,730
Repayment of Federal Home Loan Bank advances and other debt	(230,988)	(684,220)
Proceeds from sale of treasury stock	-	842
Purchase of treasury stock	(960)	(958)
	(95,089)	(32,313)
(Decrease) Increase in Cash and Cash Equivalents	116,214	(71,460)
Cash and Cash Equivalents, Beginning of Year	18,062	89,522
Cash and Cash Equivalents, End of Year	\$ 134,276	\$ 18,062
Supplemental Cash Flows Information		
Interest paid	\$ 47,387	\$ 54,566
Income taxes paid	40	20
Real estate acquired in settlement of loans	-	5,858
Net transfers from property and equipment to other assets	-	955
Restricted cash	4,940	4,940

See Notes to Consolidated Financial Statements

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Operating Segments

Lincoln Bancorp (the “Company”) is a bank holding company which owns 100% of the outstanding common stock of Lincoln Savings Bank (the “Bank”). The Bank’s services are offered to individuals, businesses, governmental units and institutional customers in Iowa communities including Adel, Allison, Ankeny, Aplington, Clive, Cedar Falls, Des Moines, Garwin, Greene, Grinnell, Hudson, Lincoln, Nashua, Reinbeck, Tama, Waterloo and the surrounding areas. The Bank is actively engaged in many areas of commercial banking, including: acceptance of demand, savings and time deposits; making commercial, real estate, agricultural and consumer loans; and other banking services tailored for its individual customers. The Bank also operates an embedded finance division, partnering with several corporate Fintech clients which offer payment sources and business products. The Bank’s trust department administers estates, personal trusts, conservatorships, pension and profit-sharing funds along with providing other management services to customers.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Lincoln Savings Bank, and its wholly owned subsidiaries, LSB Financial Services Inc, LSB Capital Management Inc. and Abe I LLC. All significant intercompany balances and transactions have been eliminated in consolidation. The Company also owns 100% of Lincoln Bancorp Capital Trust II, which was formed for the purpose of issuing trust preferred securities as discussed more fully in *Note 11*. In accordance with generally accepted accounting principles (GAAP), this Trust is not included in the consolidated financial statements. This investment is accounted for under the equity method of accounting.

Use of Estimates and Changes in Accounting Standards

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, goodwill, and fair values of financial instruments, and valuation of deferred tax assets.

In some cases, the Company could be required to apply a new or revised standard retroactively, which would result in the recasting of our prior period financial statements.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted of money market accounts with brokers. The Company is required to maintain restricted cash as swap collateral in the amount of \$4,940,000

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

and \$4,940,000 at December 31, 2025 and 2024. At December 31, 2025, the Company's cash accounts exceeded federally insured limits by approximately \$50.9 million.

Debt Securities

Available-for-sale (AFS) debt securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the debt securities. Gains and losses on the sale of debt securities are recorded on the trade date and are determined using the specific identification method.

Available-for-sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses at least quarterly. For available-for-sale debt securities, a decline in fair value due to credit loss results in recording an allowance for credit losses to the extent the fair value is less than the amortized cost basis. Declines in fair value that have not been reduced through an allowance for credit losses, such as declines due to changes in market interest rates, are recorded through other comprehensive income (loss), net of applicable taxes.

Impairment may result from credit deterioration of the issuer or collateral underlying the security. In performing an assessment of whether any decline in fair value is due to a credit loss, all relevant information is considered at the individual security level. Performance indicators considered related to the underlying assets include default rates, delinquency rates, percentage of nonperforming assets, debt-to-collateral ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, analyst reports and forecasts, credit ratings and other market data. In assessing whether a credit loss exists, we compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount the fair value is less than amortized cost basis. Accrued interest receivable on available-for-sale debt securities totaled \$2.2 million and \$2.0 million at December 31, 2025 and 2024, respectively and is included in accrued interest receivable on the consolidated balance sheet and is excluded from the estimate of credit losses.

Equity Securities

The Company measures equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income (loss). The Company measures equity securities without a readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or similar investment. For equity securities and equity investments measured under the practicability exception, the Company performs a qualitative assessment for equity investments without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, the Company will recognize a loss based on the difference between carrying value and fair value. Gains and losses on the sale of equity securities are recorded on the trade date and are determined using the specific identification method.

During the year ended December 31, 2022, the Company entered into an agreement with an investment fund designed to help accelerate technology adoption at banks. During the year ended December 31, 2022, the

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Company committed up to \$2 million in capital for these equity funds, however, the Company is not obligated to fund these commitments prior to a capital call. The Company contributed approximately \$337,000 and \$264,000 during the years ended December 31, 2025 and December 31, 2024, respectively, resulting in an equity interest of approximately \$1,511,000 and \$1,174,000 for the years ended December 31, 2025 and 2024, respectively, and is included in other investments on the consolidated balance sheet.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

Accrued interest receivable on loans totaled \$8.2 million and \$9.2 million at December 31, 2025 and 2024, respectively and is included in accrued interest receivable on the consolidated balance sheet and is excluded from the estimate of credit losses.

The accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past-due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Allowance for Credit Losses

The allowance for credit losses is an estimate of expected losses inherent within the Company's existing loans held for investment portfolio. The allowance for credit losses for loans held for investment, as reported in our consolidated balance sheet, is adjusted by a credit loss provision expense, which is reported in earnings, and reduced by the charge-off of loan amounts, net of recoveries.

The credit loss estimation process involves procedures to appropriately consider the unique characteristics of loan portfolio segments, which consist of agricultural, 1-4 family first and junior liens, commercial, and consumer lending. These segments are further disaggregated into loan classes (pools), the level at which credit risk is monitored. For each of these pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, probability of default and loss given default. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical internal data.

The allowance level is influenced by loan volumes, loan credit quality, indicator migration or delinquency status, historic loss experience and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. The methodology for estimating the amount of expected credit losses reported in the allowance for credit losses has two basic components: first, a pooled component for estimate expected credit losses for pools of loans that share similar risk characteristics; and second, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans. For the pooled loan component, the Company uses a discounted cash flow method to estimate expected credit losses.

Discounted cash flow (DCF) method: In estimating the component of the allowance for credit losses for loans that share similar risk characteristics with other loans, such loans are segregated into loan classes. Loans are designated into loan classes based on loans pooled by product types and similar risk characteristics or areas of risk concentration. In determining the allowance for credit losses, we derive an estimated credit loss assumption from a model that categories loan pools based on loan type and purpose. This model calculates an expected loss percentage for each loan class by considering the probability of default, using life-of-loan analysis periods for all loan segments, and the historical severity of loss, based on the aggregate net lifetime losses incurred per loan class. The default and severity factors used to calculate the allowance for credit losses for loans that share similar risk characteristics with other loans are adjusted for differences between the historical period used to calculated historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to: (1) lending and credit policies and procedures; (2) local and national economic business conditions that affect the collectability of the portfolio; (3) the volume and type of credit extended (4) the experience, ability, and depth of the lending and credit management (5) the volume and severity of past due, nonaccrual, modified and classified loans; (6) the quality of our loan review system and oversight by the Board of Directors and (7) the existence of, or changes in the level of, any concentrations of credit. Such factors are used to adjust the historical probabilities of default and severity of loss so that they reflect management expectation of future conditions based on a reasonable and supportable forecast. The Company uses regression analysis of historical internal and peer data to determine which variables are best suited to be economic variables utilized when modeling lifetime probability of default and loss given default. This analysis also determines how expected probability of default and loss given default will react to forecasted levels of the economic variables.

For all DCF models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over eight quarters on a straight-line basis. Other

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

internal and external indicators of economic forecasts are also considered by management when developing the forecast metrics.

Collateral dependent financial assets: For a loan that does not share risk characteristics with other loans, expected credit loss is measured based on net realizable value, that is, the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the amortized cost basis of the loan. For these loans, we recognize expected credit loss equal to the amount by which the net realizable value of the loan is less than the amortized cost basis of the loan (which is net of previous charge-offs and deferred loan fees and costs), except when the loan is collateral dependent, that is, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In these cases, expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral.

Allowance for credit losses(ACL) on off-balance sheet credit exposures, including unfunded loan commitments: The Company maintains a separate allowance for credit losses from off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. Management estimates the amount of expected losses by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Company and applying the loss factors used in the ACL methodology to the results of the usage calculation to estimate the liability for credit losses related to unfunded commitments for each loan type. No credit loss estimate is reported for off-balance-sheet (OBS) credit exposures that are unconditionally cancellable by the Company, such as for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement. The allowance for credit losses on OBS credit exposures is adjusted as credit loss provision expense. Categories of OBS credit exposures correspond to the loan portfolio segments described previously.

Premises and Equipment

Land is carried at cost. Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense principally using the straight-line method.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	10 – 50 years
Furniture and equipment	3 – 10 years

Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income (loss) or expense from foreclosed assets.

Company-owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Company-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangibles are evaluated annually for impairment or more frequently if impairment indicators are present. If the implied fair value of goodwill or the fair value of the indefinite-lived intangible is lower than their carrying amounts, an impairment loss is recognized in an amount equal to the difference. The Company sold a business line in January 2024 and reduced goodwill \$535,817 and other intangibles \$99,833. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

Derivatives

The Company uses interest rate swaps as part of its interest rate risk management. FASB Accounting Standards Codification (ASC) Topic 815 establishes accounting and reporting standards for derivative instruments and hedging activities. The Company records all interest rate swaps on the balance sheet at fair value. Derivatives used as a hedge of the fair value of a recognized asset or liability are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows are considered cash flow hedges. To qualify for hedge accounting, the Company must comply with detailed rules and documentation requirements at the inception of the hedge, and hedge effectiveness is assessed at inception and periodically throughout the life of the hedging relationship.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (loss) and subsequently reclassified to interest income or expense when the hedged transaction affects earnings, while the ineffective portion of changes in fair value of the derivative, if any, is recognized immediately in other noninterest income. The Company assesses the effectiveness of each hedging relationship by comparing the cumulative changes in cash flows of the derivative hedging instruments with the cumulative changes in cash flows of the designated hedged item or transaction. No component of the change in the fair value of the hedging instrument is excluded from the assessment of hedge effectiveness.

For derivatives designated as fair value hedges, changes in the fair value of derivatives along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk are recorded in current period earnings.

The Company does not use derivatives for trading or speculative purposes.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Stock-based Compensation

Compensation cost is recognized for restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. Compensation cost is recognized over the required service period, generally defined as the vesting period.

Earnings Per Share

Basic earnings per share is computed using the weighted average number of actual common shares outstanding during the period.

The following table presents calculations of earnings per share:

	Year Ended December 31,	
	2025	2024
Computation of weighted average number of basic shares:		
Weighted average shares outstanding (basic)	7,241,843	7,159,044
Income (Loss) available to common shareholders (in thousands)	\$ (2,448)	\$ (1,395)
Basic earnings per share:	\$ (0.34)	\$ (0.19)

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

Trust Assets

Trust assets (other than cash deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying consolidated balance sheets since such items are not assets of the Bank.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues.

The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. With a few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2022.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net loss and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale securities and unrealized and realized gains and losses in derivative financial instruments that qualify for cash flow hedge accounting.

Accounting Standards Pending Adoption

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The amendments in this ASU require disclosure in the notes to the financial statements, specified information about certain costs and expenses at each interim and annual reporting period. Additionally, in January 2025, the FASB issued ASU No. 2025-01, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*. This ASU amends the effective date of ASU No. 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU No. 2024-03 is permitted. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This ASU introduces a practical expedient that all entities are able to utilize when estimating expected credit losses on current accounts receivable and/or current contract assets arising from transactions that are accounted for under Topic 606. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. The practical expedient, if elected, should be applied prospectively. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

In November 2025, the FASB issued ASU No. 2025-08, *Financial Instruments-Credit Losses (Topic 326): Purchased Loans*. The ASU expands the population of acquired financial assets accounted for using the "gross-up approach" when recording the initial allowance for credit losses through an adjustment to the initial amortized cost basis. Acquired loans are deemed purchased seasoned loans and accounted for using the gross-up approach upon acquisition if criteria established by the new guidance are met. This change aims to enhance comparability, consistency and better reflect the economics of acquiring financial assets. This ASU is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

In November 2025, the FASB issued ASU No. 2025-09, *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*. The ASU enables entities to apply hedge accounting to a greater number of highly effective economic hedges in multiple areas. The ASU expands the hedged risks permitted to be aggregated in a group of individual forecasted transactions, enabling entities to apply hedge accounting to potentially broader portfolios of forecasted transactions. The ASU is effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. For all other entities the effective date is for annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. The ASU clarifies the applicability of the interim reporting guidance, the types of interim reporting, and the form and content of interim financial statements in accordance with generally accepted accounting principles. The amendments in this ASU are effective for public business entities for interim periods within annual periods beginning after December 15, 2027. For all other entities, the amendments are effective for interim periods within annual periods beginning after December 15, 2028. Early adoption is permitted. The amendments can be applied either prospectively or retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

In December 2025, the FASB issued ASU No. 2025-12, *Codification Improvements*. The amendments in this ASU update the FASB Accounting Standards Codification for a broad range of topics arising from technical corrections, unintended application of the Codification, clarifications, and other minor improvements. The amendments in this ASU are effective for all entities for annual periods beginning after December 15, 2026, and interim periods within those annual periods. Early adoption is permitted in both interim and annual periods in which financial statements have not yet been issued or made available for issuance. An entity may elect to

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

adopt the amendments on an issue-by-issue basis. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

Adopted Accounting Standards

In December 2023, the FASB issued ASU 2023-09, Income Tax (Topic 740): Improvements to Income Tax Disclosures. The amendments in this ASU improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliations table, as well as income taxes paid disaggregated by jurisdiction. These expanded disclosures allow investors to better assess how an entity's overall operations, including the related tax risks, tax planning, and operational opportunities, affect its income tax rate and prospects for future cash flows. The updated guidance is effective for annual periods beginning after December 15, 2025, with early adoption permitted. The adoption was applied on a retrospective basis and did not have a material impact on the Company's consolidated financial statements.

Revenue from Contracts with Customers

Accounting principles (ASC 606, *Revenue from Contracts with Customers*) require that an entity recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The guidance includes a five-step model to apply to revenue recognition, consisting of the following: (1) identify the contract; (2) identify the performance obligation in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when or as the performance obligation is satisfied. ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities, as well as certain noninterest income categories, such as gains or losses associated with mortgage servicing rights and income from bank owned life insurance. Descriptions of the Company's primary revenue contracts within the scope of this revenue recognition guidance are discussed in detail below.

Trust and brokerage services fee income: A contract between the Company and its customers to provide fiduciary and / or investment administration services on trust accounts and brokerage accounts in exchange for a fee. Trust services and brokerage fee income is generally based upon the month-end market value of the assets under management and the applicable fee rate, which is recognized over the period the underlying trust or brokerage account is serviced (generally monthly). Such contracts are generally cancellable at any time, with the customer subject to a pro-rated fee in the month of termination.

Service charges on deposit accounts: The deposit contract obligates the Company to serve as a custodian of the customer's deposited funds and generally can be terminated at will by either party. This contract permits the customer to access the funds on deposit and request additional services related to the deposit account. Service charges on deposit accounts consist of account analysis fees (net fees earned on analyzed business and public checking accounts), monthly service charges, nonsufficient fund ("NSF") charges, and other deposit account related charges. The Company's performance obligation for account analysis fees and monthly service charges is generally satisfied, and the related revenue recognized over the period in which the service is provided (typically on a monthly basis); while NSF charges and other deposit account related charges are largely transactional based, and the related revenue is recognized at the time the service is provided.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Other income: Other noninterest income includes several items, such as debit card income, ATM fees, merchant services income, income from our finance division, and other fee income. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks such as Visa. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM, or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit card transactions, in addition to account management fees. The revenue recognized from our finance division consists primarily of fees earned from partnerships with several corporate Fintech clients that offer payment sources and business products. Other fee income includes revenue from processing wire transfers, cashier's checks, lock box fees, check orders, and other services. The Company's performance obligation, except for revenue recognized from the finance division, is completed and the fees are recognized as the service is provided (i.e., when the customer uses a debit card). The Company's performance obligation for revenue from the finance division is generally satisfied, and the related revenue recognized over the period in which the service is provided (typically on a monthly basis).

Note 2: Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are in the following table (Amounts in Thousands):

	Amortized Cost	December 31, 2025		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Debt Securities				
Asset-backed securities	\$ 2,386	\$ 19	\$ -	\$ 2,405
Collateralized mortgage obligations	102,824	154	(3,618)	99,360
Government-sponsored				
mortgage-backed securities	49,911	152	(5,042)	45,021
State and political subdivisions	168,260	26	(22,274)	146,012
U.S. Treasuries	14,942	-	(703)	14,239
U.S government agencies	-	-	-	-
Collateralized debt obligations	22,950	60	(138)	22,872
	<u>\$ 361,273</u>	<u>\$ 411</u>	<u>\$ (31,775)</u>	<u>\$ 329,909</u>

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt Securities				
Collateralized mortgage obligations	\$ 60,163	\$ -	\$ (4,531)	\$ 55,632
Government-sponsored				
mortgage-backed securities	55,695	-	(7,616)	48,079
State and political subdivisions	169,179	12	(25,585)	143,606
U.S. Treasuries	14,915	-	(1,354)	13,561
U.S government agencies	3,000	-	(32)	2,968
Collateralized debt obligations	1,500	-	-	1,500
	<u>\$ 304,452</u>	<u>\$ 12</u>	<u>\$ (39,118)</u>	<u>\$ 265,346</u>

The amortized cost and estimated fair value of available-for-sale debt securities classified according to their contractual maturities at December 31, 2025 are shown below (Amounts in Thousands):

	Amortized Cost	Fair Value
U.S. government agencies, treasuries & state and political subdivisions		
Due in one year or less	\$ 80	\$ 80
Due after one year through five years	26,763	25,816
Due after five years through ten years	18,237	16,427
Due over ten years	138,122	117,928
	<u>183,202</u>	<u>160,251</u>
Collateralized mortgage obligations	102,824	99,360
Government-sponsored mortgage-backed securities	49,911	45,021
Collateralized debt obligations	22,950	22,872
Asset-backed securities	2,386	2,405
	<u>\$ 361,273</u>	<u>\$ 329,909</u>

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

The carrying value of debt securities pledged as collateral, to secure public deposits and for other purposes, was \$139.8 million and \$137.9 million at December 31, 2025 and 2024, respectively.

Gross gains of \$0 and \$562,900 and gross losses of \$0 and \$552,900 resulting from sales of available-for-sale debt securities were realized for 2025 and 2024, respectively.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2025 and 2024, was \$275.1 million and \$259.2 million, of the Company's available-for-sale debt securities portfolio. These declines primarily resulted from recent changes in market interest rates.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

The following table shows the total available-for-sale debt securities and aggregated depreciation by security type:

Available-for-sale Debt Securities	Number of securities in a loss position	Aggregate depreciation
Collateralized mortgage obligations	21	4.4%
Government-sponsored mortgage-backed securities	22	14.9%
State and political subdivisions	215	13.9%
U.S. Treasuries	3	4.7%
Collateralized debt obligations	6	0.9%
	<u>267</u>	<u>10.4%</u>

The following table shows the Company's investments' gross unrealized losses and fair value of the Company's investments for which an allowance for credit losses has not been recorded, aggregated by investment class and length of time that individual debt securities have been in a continuous unrealized loss position at December 31, 2025 and 2024 (Amounts in Thousands):

Available-for-Sale Debt Securities	December 31, 2025					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Collateralized mortgage obligations	\$ 36,022	\$ (222)	\$ 43,159	\$ (3,396)	\$ 79,181	\$ (3,618)
Government-sponsored mortgage-backed securities	-	-	28,763	(5,042)	28,763	(5,042)
State and political subdivisions	-	-	138,099	(22,274)	138,099	(22,274)
U.S. Treasuries	-	-	14,239	(703)	14,239	(703)
U.S. government agencies	-	-	-	-	-	-
Collateralized debt obligations	14,812	(138)	-	-	14,812	(138)
Total temporarily impaired securities	<u>\$ 50,834</u>	<u>\$ (360)</u>	<u>\$ 224,260</u>	<u>\$ (31,415)</u>	<u>\$ 275,094</u>	<u>\$ (31,775)</u>

As of December 31, 2025, 22 government-sponsored mortgage-backed securities and 21 collateralized mortgage obligations with unrealized losses totaling \$8.7 million were held by the Company. Management evaluated the payment history of these securities and considered the implied U.S. government guarantee of these agency securities and the level of credit enhancement for non-agency securities. Based on this evaluation, management concluded that the decline in fair value was not attributable to credit losses.

As of December 31, 2025, 215 state and political subdivisions securities with total unrealized losses of \$22.3 million were held by the Company. Management evaluated these securities through a process that included consideration of credit agency ratings and payment history. In addition, management evaluated securities by considering the yield spread to treasury securities and the most recent financial information

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

available. Based on this evaluation, management concluded that the decline in fair value was not attributable to credit losses.

As of December 31, 2025, 3 U.S. treasuries and no U.S. government agencies securities with a total unrealized loss of \$0.7 million were held by the Company. Management considered the explicit or implied U.S. treasury and U.S. government guarantee of these securities. Based on this evaluation, management concluded that the decline in fair value was not attributable to credit losses.

As of December 31, 2025, 6 collateralized debt obligations with unrealized losses of \$0.1 million were held by the Company. Management evaluated these securities through a process that included consideration of credit agency ratings, priority of cash flows and the amount of over-collateralization. In addition, management may evaluate securities by considering the yield spread to treasury securities and the most recent financial information available. Based on this evaluation, management concluded that the decline in fair value was not attributable to credit losses.

	December 31, 2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale Debt Securities						
Collateralized mortgage obligations	\$ 39,547	\$ (275)	\$ 16,085	\$ (4,256)	\$ 55,632	\$ (4,531)
Government-sponsored						
mortgage-backed securities	17,645	(406)	30,434	(7,210)	48,079	(7,616)
State and political subdivisions	16,779	(438)	122,167	(25,147)	138,946	(25,585)
U.S. Treasuries	-	-	13,561	(1,354)	13,561	(1,354)
U.S. government agencies	-	-	2,968	(32)	2,968	(32)
Total temporarily impaired securities	<u>\$ 73,971</u>	<u>\$ (1,119)</u>	<u>\$ 185,215</u>	<u>\$ (37,999)</u>	<u>\$ 259,186</u>	<u>\$ (39,118)</u>

Other investments at December 31, 2025 and 2024 were as follows (Amounts in Thousands):

	2025	2024
Federal Home Loan Bank stock	\$ 4,513	\$ 5,450
Bankers Bank stock	1,072	1,021
Investment in Lincoln Bancorp Capital Trust II	280	280
Farmer Mac stock	281	307
Other	1,511	1,174
	<u>\$ 7,657</u>	<u>\$ 8,232</u>

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 3: Loans and Allowance for Credit Losses

Classes of loans at December 31, 2025 and 2024 include (Amounts in Thousands):

	<u>2025</u>	<u>2024</u>
Real Estate:		
Construction - Land and commercial development	\$ 41,508	\$ 75,425
Multi-family	179,265	188,337
Commercial	327,023	392,884
1-4 Family include construction	241,626	279,905
Agricultural and Farmland	164,525	171,345
Commercial & National credit & SBA/Government guaranteed	209,522	302,494
Loans to Individuals - Other	3,487	4,449
Total loans	<u>1,166,956</u>	<u>1,414,839</u>
Less:		
Net deferred loan fees, premiums and discounts	920	603
Allowance for credit losses	17,865	16,009
Net loans	<u>\$ 1,148,171</u>	<u>\$ 1,398,227</u>

The following tables present the balance in the allowance for credit losses and unfunded commitment liability based on portfolio segment as of December 31, 2025 and 2024 (Amounts in Thousands):

	2025							
	Real Estate: Construction - Land	Real Estate: Multi-family	Real Estate: Commercial	Real Estate: 1-4 Family / Construction	Agricultural and Farmland	Commercial, National credit & SBA/Gov't guaranteed	Loans to Individuals - Other	Total
Allowance for credit losses								
Balance, beginning of year	\$ 1,112	\$ 874	\$ 6,930	\$ 2,470	\$ 1,003	\$ 3,595	\$ 25	\$ 16,009
Provision (Credit)	194	71	2,605	(320)	(28)	(63)	542	3,001
Charged off	-	-	-	(4)	-	(878)	(540)	(1,422)
Recoveries	-	-	-	18	-	238	21	277
Balance, end of year	<u>\$ 1,306</u>	<u>\$ 945</u>	<u>\$ 9,535</u>	<u>\$ 2,164</u>	<u>\$ 975</u>	<u>\$ 2,892</u>	<u>\$ 48</u>	<u>\$ 17,865</u>

	2025							
	Real Estate: Construction - Land	Real Estate: Multi-family	Real Estate: Commercial	Real Estate: 1-4 Family / Construction	Agricultural and Farmland	Commercial, National credit & SBA/Gov't guaranteed	Loans to Individuals - Other	Total
Unfunded Commitment Liability								
Balance, beginning of year	\$ 21	\$ 1	\$ 4	\$ 12	\$ 1	\$ 96	\$ 1	\$ 136
Provision (Credit)	228	-	12	(3)	-	263	-	500
Balance, end of year	<u>\$ 249</u>	<u>\$ 1</u>	<u>\$ 16</u>	<u>\$ 9</u>	<u>\$ 1</u>	<u>\$ 359</u>	<u>\$ 1</u>	<u>\$ 636</u>

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

2024

	Real Estate: Construction - Land	Real Estate: Multi-family	Real Estate: Commercial	Real Estate: 1-4 Family / Construction	Agricultural and Farmland	Commercial, National credit & SBA/Gov't guaranteed	Loans to Individuals - Other	Total
Allowance for credit losses								
Balance, beginning of year	\$ 3,959	\$ 898	\$ 8,109	\$ 2,869	\$ 962	\$ 4,999	\$ 27	\$ 21,823
Provision (Credit)	1,155	(24)	4,498	(301)	97	217	74	5,716
Charged off	(4,002)	-	(5,677)	(216)	(58)	(2,624)	(97)	(12,674)
Recoveries	-	-	-	118	2	1,003	21	1,144
Balance, end of year	<u>\$ 1,112</u>	<u>\$ 874</u>	<u>\$ 6,930</u>	<u>\$ 2,470</u>	<u>\$ 1,003</u>	<u>\$ 3,595</u>	<u>\$ 25</u>	<u>\$ 16,009</u>

2024

	Real Estate: Construction - Land	Real Estate: Multi-family	Real Estate: Commercial	Real Estate: 1-4 Family / Construction	Agricultural and Farmland	Commercial, National credit & SBA/Gov't guaranteed	Loans to Individuals - Other	Total
Unfunded Commitment Liability								
Balance, beginning of year	\$ 216	\$ 1	\$ 4	\$ 28	\$ 1	\$ 223	\$ 1	\$ 474
Provision (Credit)	(195)	-	-	(16)	-	(127)	-	(338)
Balance, end of year	<u>\$ 21</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 12</u>	<u>\$ 1</u>	<u>\$ 96</u>	<u>\$ 1</u>	<u>\$ 136</u>

Net loan charge-offs were \$1.1 million for the year ended December 31, 2025, a decrease of \$10.4 million from the prior year net charge-offs of \$11.5 million. This decrease stemmed primarily from elevated charge-offs in the year ended December 31, 2024, from a few larger commercial relationships.

Internal Risk Categories

Loan grades are numbered 1 through 9. Grades 1 through 6 are considered satisfactory grades. The grade of 7, or Watch, represents loans of lower quality and is considered criticized. The grades of 8, or Substandard, and 9, or Doubtful, refer to assets that are classified. The use and application of these grades by the Company will be uniform and shall conform to the Company's policy.

Pass (1-6) Loans in this category have enough cash flow from operations to service all obligations. They exhibit good financial strength, collateral protection is viewed as an adequate secondary source of repayment and guarantor support a tertiary repayment source.

Watch (7) Loans in this category are generally adequately collateralized, but the financial performance of the borrower has shown a downturn and needs to improve in order to generate sufficient cash flow for overall performance. Loans in this category will remain at this rating for a limited time (12 – 24 months maximum) as the performance needs to improve or the loan will be downgraded to a "8" or substandard rating.

Substandard (8) Loans with inadequate financial condition not meeting our Company's credit standards and/or ability to meet scheduled payments. Loss is possible. Loans in this category will be transferred to

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

nonaccrual status with interest charged off if past due 90 days or more, unless well secured and in the process of collection.

Doubtful (9) Loans with a weak financial condition making collection in full improbable. The possibility of principal loss is high but because of certain important and reasonably specific pending factors, full charge-off is deferred until more exact status can be determined. A partial charge-off of principal may occur to more clearly exhibit the true value of the asset. Loans in this category are on nonaccrual status and interest charged off.

Risk characteristics applicable to each segment of the loan portfolio are described as follows.

Construction – Land and Commercial Development–The Company provides financing for both horizontal (land development) and vertical (construction) financing, with a primary focus within our identified lending footprint. Land development financing is broad in scope, serving both commercial and residential developers. The loan policy outlines the underwriting criteria for each of these areas. These loans are generally structured with variable rates based on the Prime interest rate with loan maturities driven by the project scope, generally 12 – 18 months. Guarantor financial strength and liquidity play a vital role in underwriting these credits as collateral liquidation is generally the primary source of repayment.

Multi-family Real Estate–The company provides many types of multifamily real estate financing, ranging from smaller properties to larger multi building complexes, as well as standard multifamily to more urban mixed use properties. Underwriting guidelines for these loans are laid out in the loan policy, with available market data including vacancy and absorption rates used in the analysis. Project economics are stressed to ensure their ability to withstand changes in rents, expenses, and occupancy. Loan amortizations for multifamily properties range from 20 – 30 years depending on the age of the property. Interest rates for these types of properties are predominantly adjustable, with the initial fixed rate periods generally not exceeding five years.

Commercial Real Estate–The Company focuses on both owner and non-owner occupied commercial real estate properties. Property types included within this segment would consist of industrial, warehouse, flex, and office for example. Underwriting guidelines for these loans are documented in the loan policy. Market data, vacancy rates, lease rates and duration are some of the items used within the analysis. Loan amortizations for commercial real estate properties are generally 20 years, with adjustable interest rates.

For commercial real estate loans, the Approval is generally based on the following factors:

- Sufficient cash flow to support debt repayment
- Lease terms that match or exceed the term of the loan
- Positive earnings and financial trends
- Reasonable expense rate assumptions
- Financial strength of the history of the tenants
- Value and marketability of collateral
- Financial strength and liquidity of the guarantors and sponsors

1-4 Family Real Estate including Construction–The Company provides many types of loans involving the purchase or refinance of real property including consumer mortgages, home construction, home improvement and small lines of credit. The loan policy addresses specific credit guidelines for each type. Many of the consumer real estate loans underwritten by the Company, other than home equity lines of credit (HELOC),

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

conform to the underwriting requirements of Fannie Mae or other secondary market aggregators to allow the Company to resell loans in the secondary market. The Company structures most loans that will not conform to those underwriting requirements as adjustable rate mortgages that mature or adjust in one to five years, and then retains these loans in the Bank's portfolio. Servicing rights are generally not retained on the residential real estate loans sold in the secondary market except for select loans sold to the Federal Home Loan Bank MPF program. The loan policy establishes minimum appraisal and other credit guidelines. HELOC loans are included in consumer real estate loans and total \$24.8 million and \$23.5 million at December 31, 2025 and 2024, respectively.

Agricultural and Farmland-Agricultural and agricultural real estate loans are subject to underwriting standards and processes similar to commercial loans. The Company provides a wide range of agricultural loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of real estate, facilities, equipment and other purposes. Approval is generally based on the following factors:

- Sufficient cash flow to support debt repayment
- Ability and stability of current management of the borrower
- Positive earnings and financial trends
- Earnings projections based on reasonable assumptions
- Financial strength of the industry and business
- Value and marketability of collateral

Collateral for agricultural loans generally includes accounts receivable, inventory (typically grain or livestock) and equipment. Collateral for agricultural real estate loans is generally real estate and improvements. The loan policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

The loan policy specifies maximum term limits for agricultural loans. For agricultural real estate term loans, the maximum amortization is 30 years. The loan policy includes guidelines for real estate appraisals, including minimum appraisal standards based on certain transactions. Where the purpose of the loan is to finance depreciable equipment, the term loan generally does not exceed the estimated useful life of the asset. For lines of credit, the typical maximum term is 365 days. However, longer maturities may be approved if the loan is secured by readily marketable collateral or if collateral margin is so abundant that risk is sufficiently mitigated. In addition, the Company often takes personal guarantees to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

Commercial, Shared National Credits, & SBA/Government Guaranteed—For commercial loans, the Company focuses on small and mid-sized businesses with primary operations in transportation, warehousing and manufacturing, as well as service industry companies such as retailers and hospitality.

Collateral for commercial loans generally includes accounts receivable, inventory and equipment. The loan policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

The loan policy specifies maximum term limits for commercial loans. For commercial non-real estate term loans, the maximum term is 7 years. Where the purpose of the loan is to finance depreciable equipment, the term loan generally does not exceed the estimated useful life of the asset. For lines of credit, the typical

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

maximum term is 365 days. Longer maturities may be approved if the loan is secured by readily marketable collateral.

In addition, the Company as a matter of policy takes personal guarantees to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

In some instances, for all loans, it may be appropriate to originate or purchase loans that are exceptions to the guidelines and limits established within the loan policy described above and below. In general, exceptions to the loan policy do not significantly deviate from the guidelines and limits established within the loan policy and, if there are exceptions, they are clearly noted as such, specifically identified in loan approval documents, and tracked for reporting purposes.

The Company also engages with the shared national credit market or leverage loan market under the advisement of a third-party asset manager. A specific Leveraged Lending Policy is established with a series of guidelines, thresholds, and parameters to guide the bank's activities in the origination and management of Leveraged Loans and risk management associated with the Leveraged Loan portfolio. The Company acquires direct assignment interests in leveraged loans only on a safe, sound, and collectible basis where current and accurate financial information on the borrower indicates a reasonable expectation the borrower has the financial ability to service and repay the debt in compliance with applicable laws, regulations, and bank policies.

Loans to Individuals-The Company provides many types of consumer and other loans including motor vehicle, signature loans and small personal credit lines. The loan policy addresses specific credit guidelines by consumer loan type.

For consumer real estate loans, and consumer and other loans, these large groups of smaller balance homogenous loans are collectively evaluated for impairment. The Company applies a quantitative factor based on historical charge-off experience in total for each of these segments. Accordingly, the Company generally does not separately identify individual consumer real estate loans, and/or consumer and other loans for impairment disclosures, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

The following tables present the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity as of December 31, 2025 and 2024 (Amounts in Thousands):

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	2025							Total
	Year of Origination							
	2025	2024	2023	2022	2021	Prior		
Real Estate: Construction - Land								
Risk rating								
Pass	\$ 8,455	\$ 12,851	\$ 1,072	\$ 12,619	\$ 162	\$ 3,060	\$ 38,219	
Watch	-	-	-	-	-	-	-	
Substandard	-	-	-	1,595	-	1,694	3,289	
Doubtful	-	-	-	-	-	-	-	
Total Real Estate: Construction - Land	<u>\$ 8,455</u>	<u>\$ 12,851</u>	<u>\$ 1,072</u>	<u>\$ 14,214</u>	<u>\$ 162</u>	<u>\$ 4,754</u>	<u>\$ 41,508</u>	

Real Estate: Construction - Land								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Year of Origination							Total
	2025	2024	2023	2022	2021	Prior		
	Real Estate: Multi-family							
Risk rating								
Pass	\$ -	\$ 12,249	\$ 474	\$ 44,719	\$ 65,618	\$ 21,645	\$ 144,705	
Watch	-	-	-	2,776	8,371	17,429	28,576	
Substandard	-	-	-	-	5,839	145	5,984	
Doubtful	-	-	-	-	-	-	-	
Total Real Estate: Multi-family	<u>\$ -</u>	<u>\$ 12,249</u>	<u>\$ 474</u>	<u>\$ 47,495</u>	<u>\$ 79,828</u>	<u>\$ 39,219</u>	<u>\$ 179,265</u>	

Real Estate: Multi-family								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Year of Origination							Total
	2025	2024	2023	2022	2021	Prior		
	Real Estate: Commercial							
Risk rating								
Pass	\$ 10,911	\$ 5,856	\$ 18,107	\$ 94,323	\$ 62,365	\$ 82,390	\$ 273,952	
Watch	-	-	-	3,427	3,003	11,622	18,052	
Substandard	-	-	1,818	4,527	18,610	10,064	35,019	
Doubtful	-	-	-	-	-	-	-	
Total Real Estate: Commercial	<u>\$ 10,911</u>	<u>\$ 5,856</u>	<u>\$ 19,925</u>	<u>\$ 102,277</u>	<u>\$ 83,978</u>	<u>\$ 104,076</u>	<u>\$ 327,023</u>	

Real Estate: Commercial								
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
Agricultural and Farmland							
Risk rating							
Pass	\$ 20,532	\$ 15,388	\$ 13,674	\$ 27,318	\$ 23,237	\$ 64,361	\$ 164,510
Watch	-	-	-	-	-	15	15
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total Agricultural and Farmland	<u>\$ 20,532</u>	<u>\$ 15,388</u>	<u>\$ 13,674</u>	<u>\$ 27,318</u>	<u>\$ 23,237</u>	<u>\$ 64,376</u>	<u>\$ 164,525</u>

Agricultural and Farmland							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
Commercial, National credit & SBA/Gov't guaranteed							
Risk rating							
Pass	\$ 42,410	\$ 48,095	\$ 32,596	\$ 33,304	\$ 9,344	\$ 29,515	\$ 195,264
Watch	1,471	521	2,510	1,162	485	987	7,136
Substandard	-	151	2,227	2,922	137	938	6,375
Doubtful	-	-	746	-	-	1	747
Total Commercial, National credit & SBA/ Gov't guaranteed	<u>\$ 43,881</u>	<u>\$ 48,767</u>	<u>\$ 38,079</u>	<u>\$ 37,388</u>	<u>\$ 9,966</u>	<u>\$ 31,441</u>	<u>\$ 209,522</u>

Commercial, National credit & SBA/Gov't guaranteed							
Current period gross write offs	\$ -	\$ -	\$ 62	\$ 816	\$ -	\$ -	\$ 878

	Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
Real Estate: 1-4 Family / Construction							
Payment performance							
Performing	\$ 22,063	\$ 39,841	\$ 28,828	\$ 80,395	\$ 18,732	\$ 50,603	\$ 240,462
Nonperforming	214	334	-	170	57	389	1,164
Total Real Estate: 1-4 Family / Construction	<u>\$ 22,277</u>	<u>\$ 40,175</u>	<u>\$ 28,828</u>	<u>\$ 80,565</u>	<u>\$ 18,789</u>	<u>\$ 50,992</u>	<u>\$ 241,626</u>

Real Estate: 1-4 Family / Construction							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
Loans to Individuals - Other							
Payment performance							
Performing	\$ 1,130	\$ 774	\$ 533	\$ 374	\$ 55	\$ 610	\$ 3,476
Nonperforming	-	-	2	9	-	-	11
Total Loans to Individuals - Other	<u>\$ 1,130</u>	<u>\$ 774</u>	<u>\$ 535</u>	<u>\$ 383</u>	<u>\$ 55</u>	<u>\$ 610</u>	<u>\$ 3,487</u>

Loans to Individuals - Other							
Current period gross write offs	\$ 530	\$ -	\$ 5	\$ 2	\$ 1	\$ 2	\$ 540

	2025 Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
All Loan Segments							
Risk rating							
Pass	\$ 82,308	\$ 94,439	\$ 65,923	\$ 212,283	\$ 160,726	\$ 200,971	\$ 816,650
Watch	1,471	521	2,510	7,365	11,859	30,053	53,779
Substandard	-	151	4,045	9,044	24,586	12,841	50,667
Doubtful	-	-	746	-	-	1	747
	<u>\$ 83,779</u>	<u>\$ 95,111</u>	<u>\$ 73,224</u>	<u>\$ 228,692</u>	<u>\$ 197,171</u>	<u>\$ 243,866</u>	<u>\$ 921,843</u>
Payment performance							
Performing	\$ 23,193	\$ 40,615	\$ 29,361	\$ 80,769	\$ 18,787	\$ 51,213	\$ 243,938
Nonperforming	214	334	2	179	57	389	1,175
	<u>\$ 23,407</u>	<u>\$ 40,949</u>	<u>\$ 29,363</u>	<u>\$ 80,948</u>	<u>\$ 18,844</u>	<u>\$ 51,602</u>	<u>\$ 245,113</u>
Total Loans by Year of Origination	<u>\$ 107,186</u>	<u>\$ 136,060</u>	<u>\$ 102,587</u>	<u>\$ 309,640</u>	<u>\$ 216,015</u>	<u>\$ 295,468</u>	<u>\$ 1,166,956</u>

	2024 Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Real Estate: Construction - Land							
Risk rating							
Pass	\$ 13,196	\$ 5,125	\$ 35,472	\$ 176	\$ 836	\$ 3,004	\$ 57,809
Watch	-	-	1,671	-	1,755	7,743	11,169
Substandard	-	62	385	-	-	-	447
Doubtful	-	-	-	6,000	-	-	6,000
Total Real Estate: Construction - Land	<u>\$ 13,196</u>	<u>\$ 5,187</u>	<u>\$ 37,528</u>	<u>\$ 6,176</u>	<u>\$ 2,591</u>	<u>\$ 10,747</u>	<u>\$ 75,425</u>

Real Estate: Construction - Land							
Current period gross write offs	\$ -	\$ -	\$ -	\$ 4,002	\$ -	\$ -	\$ 4,002

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Real Estate: Multi-family							
Risk rating							
Pass	\$ 12,881	\$ 2,492	\$ 34,400	\$ 87,333	\$ 18,764	\$ 16,332	\$ 172,202
Watch	-	-	-	-	4,745	5,460	10,205
Substandard	-	-	-	5,789	-	141	5,930
Doubtful	-	-	-	-	-	-	-
Total Real Estate: Multi-family	<u>\$ 12,881</u>	<u>\$ 2,492</u>	<u>\$ 34,400</u>	<u>\$ 93,122</u>	<u>\$ 23,509</u>	<u>\$ 21,933</u>	<u>\$ 188,337</u>

Real Estate: Multi-family							
Current period gross write offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Real Estate: Commercial							
Risk rating							
Pass	\$ 7,012	\$ 25,330	\$ 129,006	\$ 77,786	\$ 24,727	\$ 84,215	\$ 348,076
Watch	-	471	1,980	2,095	2,089	8,391	15,026
Substandard	-	1,871	4,589	14,688	-	8,634	29,782
Doubtful	-	-	-	-	-	-	-
Total Real Estate: Commercial	<u>\$ 7,012</u>	<u>\$ 27,672</u>	<u>\$ 135,575</u>	<u>\$ 94,569</u>	<u>\$ 26,816</u>	<u>\$ 101,240</u>	<u>\$ 392,884</u>

Real Estate: Commercial							
Current period gross write offs	\$ -	\$ -	\$ 2,483	\$ 406	\$ 133	\$ 2,655	\$ 5,677

	Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Agricultural and Farmland							
Risk rating							
Pass	\$ 20,671	\$ 18,061	\$ 32,844	\$ 24,979	\$ 7,555	\$ 67,207	\$ 171,317
Watch	-	-	-	-	-	28	28
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Total Agricultural and Farmland	<u>\$ 20,671</u>	<u>\$ 18,061</u>	<u>\$ 32,844</u>	<u>\$ 24,979</u>	<u>\$ 7,555</u>	<u>\$ 67,235</u>	<u>\$ 171,345</u>

Agricultural and Farmland							
Current period gross write offs	\$ -	\$ 58	\$ -	\$ -	\$ -	\$ -	\$ 58

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Commercial, National credit & SBA/Gov't guaranteed							
Risk rating							
Pass	\$ 74,146	\$ 69,451	\$ 69,048	\$ 41,006	\$ 3,109	\$ 35,621	\$ 292,381
Watch	169	1,986	713	677	123	112	3,780
Substandard	171	364	4,468	48	-	312	5,363
Doubtful	-	950	-	-	20	-	970
Total Commercial, National credit & SBA/ Gov't guaranteed	<u>\$ 74,486</u>	<u>\$ 72,751</u>	<u>\$ 74,229</u>	<u>\$ 41,731</u>	<u>\$ 3,252</u>	<u>\$ 36,045</u>	<u>\$ 302,494</u>

Commercial, National credit & SBA/Gov't guaranteed							
Current period gross write offs	\$ -	\$ 670	\$ 396	\$ 353	\$ 167	\$ 1,038	\$ 2,624

	Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Real Estate: 1-4 Family / Construction							
Payment performance							
Performing	\$ 75,265	\$ 38,597	\$ 93,851	\$ 21,958	\$ 10,929	\$ 38,227	\$ 278,827
Nonperforming	-	-	571	-	-	507	1,078
Total Real Estate: 1-4 Family / Construction	<u>\$ 75,265</u>	<u>\$ 38,597</u>	<u>\$ 94,422</u>	<u>\$ 21,958</u>	<u>\$ 10,929</u>	<u>\$ 38,734</u>	<u>\$ 279,905</u>

Real Estate: 1-4 Family / Construction							
Current period gross write offs	\$ -	\$ -	\$ 44	\$ 71	\$ 25	\$ 76	\$ 216

	Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Loans to Individuals - Other							
Payment performance							
Performing	\$ 1,895	\$ 985	\$ 598	\$ 188	\$ 306	\$ 472	\$ 4,444
Nonperforming	-	5	-	-	-	-	5
Total Loans to Individuals - Other	<u>\$ 1,895</u>	<u>\$ 990</u>	<u>\$ 598</u>	<u>\$ 188</u>	<u>\$ 306</u>	<u>\$ 472</u>	<u>\$ 4,449</u>

Loans to Individuals - Other							
Current period gross write offs	\$ 96	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 97

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

All Loan Segments	2024						Total
	Year of Origination						
	2024	2023	2022	2021	2020	Prior	
Risk rating							
Pass	\$ 127,906	\$ 120,459	\$ 300,769	\$ 231,280	\$ 54,991	\$ 206,380	\$ 1,041,785
Watch	169	2,457	4,364	2,772	8,712	21,734	40,208
Substandard	171	2,297	9,442	20,525	-	9,087	41,522
Doubtful	-	950	-	6,000	20	-	6,970
	<u>\$ 128,246</u>	<u>\$ 126,163</u>	<u>\$ 314,575</u>	<u>\$ 260,577</u>	<u>\$ 63,723</u>	<u>\$ 237,201</u>	<u>\$ 1,130,485</u>
Payment performance							
Performing	\$ 77,160	\$ 39,582	\$ 94,449	\$ 22,146	\$ 11,235	\$ 38,699	\$ 283,271
Nonperforming	-	5	571	-	-	507	1,083
	<u>\$ 77,160</u>	<u>\$ 39,587</u>	<u>\$ 95,020</u>	<u>\$ 22,146</u>	<u>\$ 11,235</u>	<u>\$ 39,206</u>	<u>\$ 284,354</u>
Total Loans by Year of Origination	<u>\$ 205,406</u>	<u>\$ 165,750</u>	<u>\$ 409,595</u>	<u>\$ 282,723</u>	<u>\$ 74,958</u>	<u>\$ 276,407</u>	<u>\$ 1,414,839</u>

Performing loans are those which are accruing and less than 90 days past due. Nonperforming loans are those on nonaccrual, accruing loans that are greater than or equal to 90 days past due, and those with modifications for borrowers experiencing financial difficulties.

The Company evaluates the loan risk grading system definitions and allowance for credit loss methodology on an ongoing basis.

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2025 and 2024 (Amounts in Thousands):

	2025							
	30-59 Days Past Due	60-89 Days Past Due	Total Loans > 90 Days & Accruing	Total Past Due	Nonaccrual with Allowance for Credit Loss	Nonaccrual With No Allowance for Credit Loss	Current	Total Loans Receivable
	Real Estate: Construction - Land	\$ -	\$ -	\$ -	\$ -	\$ 1,595	\$ 1,694	\$ 38,219
Real Estate: Multi-family	-	-	-	-	-	145	179,120	179,265
Real Estate: Commercial	-	-	-	-	16,865	8,654	301,504	327,023
Real Estate: 1-4 Family / Construction	635	1,446	32	2,113	316	816	238,381	241,626
Agricultural and Farmland	-	-	-	-	-	-	164,525	164,525
Commercial, National credit & SBA/Gov't guaranteed	939	843	-	1,782	2,829	3,542	201,369	209,522
Loans to Individuals - Other	1	-	-	1	11	-	3,475	3,487
Total	<u>\$ 1,575</u>	<u>\$ 2,289</u>	<u>\$ 32</u>	<u>\$ 3,896</u>	<u>\$ 21,616</u>	<u>\$ 14,851</u>	<u>\$ 1,126,593</u>	<u>\$ 1,166,956</u>

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

2024

	30-59 Days Past Due	60-89 Days Past Due	Total Loans > 90 Days & Accruing	Total Past Due	Nonaccrual with Allowance for Credit Loss	Nonaccrual With No Allowance for Credit Loss	Current	Total Loans Receivable
Real Estate: Construction - Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ 69,425	\$ 75,425
Real Estate: Multi-family	-	-	-	-	-	141	188,196	188,337
Real Estate: Commercial	-	-	-	-	-	382	392,502	392,884
Real Estate: 1-4 Family / Construction	3,214	2,394	302	5,910	815	263	272,917	279,905
Agricultural and Farmland	-	-	-	-	-	-	171,345	171,345
Commercial, National credit & SBA/Gov't guaranteed	670	1,697	-	2,367	1,132	3,331	295,664	302,494
Loans to Individuals - Other	33	4	-	37	5	-	4,407	4,449
Total	\$ 3,917	\$ 4,095	\$ 302	\$ 8,314	\$ 1,952	\$ 10,117	\$ 1,394,456	\$ 1,414,839

The following table presents the amortized cost basis of collateral dependent loans by class of loans as of December 31, 2025 and 2024 (Amounts in Thousands):

2025

	Real Estate	Equipment	Total
Real Estate: Construction - Land	\$ 3,289	\$ -	\$ 3,289
Real Estate: Multi-family	212	-	212
Real Estate: Commercial	4,359	-	4,359
Real Estate: 1-4 Family / Construction	4,976	895	5,871
Commercial, National credit & SBA/Gov't guaranteed	3,958	3,308	7,266
Loans to Individuals - Other	-	-	-
Total	\$ 16,794	\$ 4,203	\$ 20,997

2024

	Real Estate	Equipment	Total
Real Estate: Construction - Land	\$ 9,425	\$ -	\$ 9,425
Real Estate: Multi-family	5,930	-	5,930
Real Estate: Commercial	2,477	-	2,477
Real Estate: 1-4 Family / Construction	1,994	-	1,994
Commercial, National credit & SBA/Gov't guaranteed	4,597	831	5,428
Loans to Individuals - Other	-	3	3
Total	\$ 24,423	\$ 834	\$ 25,257

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

The following table presents the amortized cost basis of loans at December 31, 2025 and 2024 that were both experiencing financial difficulty and modified during the year ended December 31, 2025 and 2024, by class and by type of modification (Amounts in Thousands):

2025

	Interest Only Payment Extension	Payment Delay	Term Extension	Total Class of Financing Receivable
Real Estate: Multifamily	\$ -	\$ -	\$ -	\$ -
Real Estate: 1-4 Family / Construction	1,725	170	1,279	3,174
Commercial, National credit & SBA/Gov't guaranteed	573	-	1,317	1,890
Total	<u>\$ 2,298</u>	<u>\$ 170</u>	<u>\$ 2,596</u>	<u>\$ 5,064</u>

2024

	Interest Only Payment Extension	Payment Delay	Term Extension	Total Class of Financing Receivable
Real Estate: Multifamily	\$ -	\$ -	\$ 5,788	\$ 5,788
Real Estate: 1-4 Family / Construction	-	-	-	-
Commercial, National credit & SBA/Gov't guaranteed	194	-	291	485
Total	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 6,079</u>	<u>\$ 6,273</u>

The following tables describes the financial effect of the modifications made to borrowers experiencing financial difficulty of loans at December 31, 2025 and 2024 (Amounts in Thousands):

2025

	Weighted -Average Term Extension (in years)
Real Estate: Multifamily	0.00
Real Estate: 1-4 Family / Construction	0.30
Commercial, National credit & SBA/Gov't guaranteed	0.92

2024

	Weighted -Average Term Extension (in years)
Real Estate: Multifamily	0.83
Real Estate: 1-4 Family / Construction	0.00
Commercial, National credit & SBA/Gov't guaranteed	0.50

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The following table provides the amortized cost basis of loans that experienced a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty at December 31, 2025 and 2024 (Amounts in Thousands):

	2025		
	Interest Only Payment Extension	Payment Delay	Term Extension
Commercial, National credit & SBA/Gov't guaranteed	\$ 315	\$ -	\$ -
	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ -</u>
	2024		
	Interest Only Payment Extension	Payment Delay	Term Extension
Commercial, National credit & SBA/Gov't guaranteed	\$ -	\$ -	\$ 291
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291</u>

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified in the last 12 months at December 31, 2025 and 2024 (Amounts in Thousands):

	2025	
	Current	30-89 Days Past Due
Real Estate: Multifamily	\$ -	\$ -
Real Estate: 1-4 Family / Construction	3,174	-
Commercial, National credit & SBA/Gov't guaranteed	1,575	315
	<u>\$ 4,749</u>	<u>\$ 315</u>
	2024	
	Current	90+ Days Past Due
Real Estate: Multifamily	\$ 5,788	\$ -
Real Estate: 1-4 Family / Construction	-	-
Commercial, National credit & SBA/Gov't guaranteed	194	291
	<u>\$ 5,982</u>	<u>\$ 291</u>

Loans serviced for others include certain USDA and SBA commercial loans and other commercial loan participations, as well as certain consumer real estate loans. Loans sold and serviced for others totaled \$174.1 million and \$196.0 million at December 31, 2025 and 2024, respectively. These amounts are not included in the accompanying consolidated balance sheet.

In the course of conducting the bank activities of originating SBA loans and selling those loans in the secondary market, various representations and warranties are made to the purchasers of the SBA loans. Under the representations and warranties, failure by the Company to comply with the underwriting standards and eligibility requirements could result in the Company being required to repurchase the SBA loan or to reimburse the investor for losses incurred (i.e. make whole requests) if such failure cannot be cured by the

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Company within the specified period following discovery. During the years ended December 31, 2025, and 2024, no SBA loans were repurchased as a result of underwriting standard exceptions.

At December 31, 2025 and 2024, the Company had reserved \$1,290,800 and \$955,300, respectively, for probable losses from representation and warranty obligations. The reserve is included in other liabilities and is based on the Company's repurchase and loss trends, and quantitative and qualitative factors that may result in anticipated losses different than historical loss trends, including loan vintage, underwriting characteristics and macroeconomic trends.

At December 31, 2025 and December 31, 2024, the Company had five consumer loans totaling \$517,062 and one consumer real estate loan in the process of foreclosure for \$39,778, respectively.

At December 31, 2025 and 2024, the Company had no 1-4 Family real estate properties in Other Real Estate.

The following table presents information regarding participation loans purchased and sold during the years ended December 31, 2025 and 2024 (Amounts in Thousands):

	2025								
	Real Estate: Construction - Land	Real Estate: Multi-family	Real Estate: Commercial	Real Estate: 1-4 Family / Construction	Agricultural and Farmland	Commercial, National credit & SBA/Gov't guaranteed	Loans to Individuals - Other		Total
Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,240	\$ -	\$ -	\$ 3,240
Sales	1,649	-	-	-	-	3,623	-	-	5,272

	2024								
	Real Estate: Construction - Land	Real Estate: Multi-family	Real Estate: Commercial	Real Estate: 1-4 Family / Construction	Agricultural and Farmland	Commercial, National credit & SBA/Gov't guaranteed	Loans to Individuals - Other		Total
Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,123	\$ -	\$ -	\$ 4,123
Sales	1,535	-	1,564	6,968	-	13,085	-	-	23,152

Note 4: Premises and Equipment and Leases

Major classifications of premises and equipment, stated at cost, are as follows (Amounts in Thousands):

	2025	2024
Land	\$ 4,026	\$ 4,026
Buildings and improvements	50,433	50,198
Furniture and equipment	18,290	17,922
	72,749	72,146
Less accumulated depreciation	33,077	30,820
Net premises and equipment	<u>\$ 39,672</u>	<u>\$ 41,326</u>

Included in occupancy and furniture, equipment and software expense is depreciation expense of \$2.3 million and \$2.5 million for the years ended December 31, 2025 and 2024.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Leases

The Company accounts for its operating leases in accordance with ASC 842, *Leases*, which requires lessees to record almost all leases on the balance sheet as a right-of-use (“ROU”) asset and lease liability. The Company accounts for lease and non-lease components in contracts in which the Company is a lessee as a single lease component and excludes leases having an original term of 12 months or less and no option to purchase the underlying asset.

The Company has a lease agreement in which it is the lessee, with lease terms exceeding twelve months, for IT equipment. Operating right-of-use assets are included in the other assets line of the consolidated balance sheet and operating lease liabilities are included in the other liabilities line of the consolidated balance sheet.

These amounts were determined based on the present value of remaining minimum lease payments, discounted using the Company’s incremental borrowing rate as of the date of adoption. The discount rate utilized was the Bankers Bank or FHLB Bank borrowing rate for the term corresponding to the expected term of the lease. The remaining expected lease terms range from 2.33 years to 6.50 years with a weighted average lease term of 5.68 years. The weighted-average discount rate was 4.15%.

	At or For the Year Ended December 31, 2025 (In Thousands)	At or For the Year Ended December 31, 2024 (In Thousands)
Consolidated Balance Sheet		
Operating leases right of use asset	\$ 649	\$ 205
Operating leases liability	663	212
Consolidated Statement of Income (Loss)		
Operating lease costs classified as occupancy and equipment expense (includes short-term lease costs and amortization of right of use asset)	\$ 136	\$ 78
Supplemental Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 109	\$ 68

For the years ended December 31, 2025 and 2024, lease expense was \$135,972 and \$77,578, respectively. At December 31, 2025 future expected lease payments for leases with terms exceeding one year were as follows (Amounts in Thousands):

Future lease payments expected:	
2026	148
2027	149
2028	112
2029	95
2030	96
Thereafter	148
Less interest portion of lease payments	(85)
Lease liability	\$ 663

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 5: Derivative Financial Instruments

In the normal course of business, the Company uses various derivative financial instruments to manage its interest rate risk and market risks in accommodating the needs of its customers. These instruments carry varying degrees of credit, interest rate and market or liquidity risks. Derivative instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the change in the fair value of the derivative as well as the offsetting change in the fair value of the hedged item attributable to the hedged risks are recognized in current earnings.

Interest rate swap agreements are entered into to reduce the exposure to changes in the fair value of fixed-rate municipal securities in both individual fair value hedges and a portfolio fair value hedge.

The change in fair value of the interest rate swap agreement and the underlying municipal investment securities are recorded as gains or losses in interest income from non-taxable investment securities. The notional amounts of the municipal investment securities being hedged were \$30.9 million at December 31, 2025 and 2024, respectively. Beginning in 2024, interest rate swaps with notional amounts of \$100.0 million at December 31, 2025 and 2024, respectively, were designated as a fair value hedge of a layer of a closed portfolio of callable municipal investment securities.

As of December 31, 2025 and 2024, the following amounts were recorded on the balance sheet related to cumulative-basis adjustments for fair value hedges (Amounts in Thousands):

Line item in the consolidated balance sheet in which the hedged item is included	Carrying amount of the hedged assets		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets	
	2025	2024	2025	2024
Securities available-for-sale (A)	\$ 158,048	\$ 158,179	\$ 2,106	\$ 4,975

(A) For 2025 and 2024, the carrying amount of hedged assets includes the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the portfolio layer expected to be remaining at the end of the hedging relationship. The carrying amount of the portfolio layer designated as the hedged item was \$127,128.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Cash Flow Hedges

As a strategy to manage the risks of increasing funding costs, the Company entered into multiple forward-starting interest rate swap agreements to effectively convert the repricing of the rollover of short-term debt into fixed rate debt. The short-term debt, in the form of FHLB advances or brokered certificates of deposit, will be renewed at each three-month interval through maturity at prevailing market rates. The underlying debt instruments have no credit, price or interest rate risk once renewed. The swap agreements provide for the Company to receive interest from the counterparty at compound Secured Overnight Funding Rate (SOFR) and to pay interest to the counterparty at a fixed rate of between 3.24% and 4.11% on notional amounts of \$60.0 million and \$90.0 million at December 31, 2025 and 2024, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense.

The company executed forward-starting interest rate swap transactions in October 2023 to effectively convert \$30 million of variable rate debt to fixed rate debt with an effective date of October 2023 and an expiration date of October 2026. In January 2025, the bank exercised its option to unwind the swaps for a net termination loss of \$257,000; and paid off the related hedged items. For accounting purposes, these swap transactions were designated as a cash flow hedge of changes in cash flows attributable to changes in SOFR, the benchmark interest rate being hedged, associated with the interest payments made on the amount of the Bank's debt principal.

The change in fair value of the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The following table presents the fair value of derivative instruments as of December 31, 2025 and 2024 (Amounts in Thousands):

	Fair Value	Balance Sheet Location
December 31, 2025		
Interest rate swaps	\$ (893)	Other liabilities
Interest rate swaps	2,439	Other assets
	<u>\$ 1,546</u>	

	Fair Value	Balance Sheet Location
December 31, 2024		
Interest rate swaps	\$ (387)	Other liabilities
Interest rate swaps	5,443	Other assets
	<u>\$ 5,056</u>	

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The following tables presents the effect of derivative instruments on the statements of operations for the years ended December 31, 2025 and 2024 (Amounts in Thousands):

	Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	2025		2024	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Cash Flow Hedges - Interest rate swaps	\$ -	\$ 323	\$ -	\$ 1,062
Fair Value Hedges - Interest rate swaps	1,630	-	1,720	-
	<u>\$ 1,630</u>	<u>\$ 323</u>	<u>\$ 1,720</u>	<u>\$ 1,062</u>

The following table presents the effect of cash flow hedge accounting on the statements of comprehensive income (loss) (Amounts in Thousands):

Cash Flow Hedges	Amount of Gain (Loss) Recognized in AOCI	
	2025	2024
Interest rate swaps	<u>\$ (596)</u>	<u>\$ 1,098</u>

Note 6: Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2025 and 2024, were (Amounts in Thousands):

	2025	2024
Balance as of January 1	\$ 18,805	\$ 19,340
Sale of business unit	\$ -	\$ (535)
Balance as of December 31	<u>\$ 18,805</u>	<u>\$ 18,805</u>

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 7: Deposits

The following tables presents the composition of our deposits for the years ended December 31, 2025 and 2024 (Amounts in Thousands):

	2025	2024
Noninterest bearing deposits	\$ 245,236	\$ 253,014
Interest bearing deposits	387,439	363,764
Money market deposits	104,583	116,686
Savings deposits	276,727	218,096
Brokered deposits	106,263	169,481
Time deposits of \$250 and under	269,588	329,795
Time deposits over \$250	117,235	130,854
	<u>\$ 1,507,071</u>	<u>\$ 1,581,690</u>

At December 31, 2025, the scheduled maturities of time deposits are as follows (Amounts in Thousands):

2026	453,570
2027	39,129
2028	218
2029	127
2030	42
	<u>\$ 493,086</u>

Note 8: Federal Home Loan Bank Advances and Federal Funds Lines

Advances from the Federal Home Loan Bank as of December 31, 2025 and 2024, bear interest and are due as follows (Amounts in Thousands):

	2025		2024	
	Weighted Average Interest Rate at Year End	Balance Due	Weighted Average Interest Rate at Year End	Balance Due
Year ending December 31:				
2025		\$ -	3.70%	\$ 80,000
2026	4.05%	70,000		-
Total		<u>\$ 70,000</u>		<u>\$ 80,000</u>
Overnight borrowings		-	4.62%	9,510
Total FHLB advances		<u>\$ 70,000</u>		<u>\$ 89,510</u>

The Federal Home Loan Bank advances are secured by Federal Home Loan Bank stock, included in other investments on the consolidated balance sheet, totaling \$4.5 million and \$5.4 million as of December 31, 2025 and 2024, respectively. Additionally, qualifying consumer, commercial and agriculture mortgage loans of approximately \$303.9 million and \$342.1 million as of December 31, 2025 and 2024, respectively, are pledged

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

as collateral on Federal Home Loan Bank advances. Advances, at interest rates from 3.82% to 4.30%, are subject to restrictions or penalties in the event of prepayment.

Federal Funds Lines: The Bank has unsecured federal funds lines totaling \$30.0 million from multiple correspondent banking relationships. There were no borrowings from such lines at either December 31, 2025 or December 31, 2024.

Note 9: Accumulated Other Comprehensive Loss

The following table summarizes the balances of each component of accumulated other comprehensive income (loss) (AOCI), included in stockholders' equity, at December 31, 2025 and 2024 (Amounts in Thousands):

	2025	2024
Net unrealized loss on available for sale securities	\$ (29,259)	\$ (34,132)
Net unrealized gain (loss) on derivatives used for cash flow hedges	(515)	81
Tax Effect	7,282	8,268
Net of Tax Amount	<u>\$ (22,492)</u>	<u>\$ (25,783)</u>

Amounts reclassified from AOCI and affected line items in the statement of operations during the years ended December 31, 2025 and 2024, were as follows (Amounts in Thousands):

	2025	2024	Affected line item in the Statements of Operations
Unrealized gain (loss) on available-for-sale securities	\$ -	\$ (1,320)	(A) Net realized gains (losses) on sale of available-for-sale securities
Tax Effect	-	307	Provision for Income Taxes (expense) benefit
Total Reclassification out of OCI	<u>\$ -</u>	<u>\$ (1,013)</u>	

(A) Difference of \$1.33 million compared to the Consolidated Statements of Comprehensive Income (Loss) stems from the sale of municipal securities, with related swap terminations in April 2024 as part of a portfolio restructure.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 10: Notes Payable

Notes payable as of December 31, 2025 and 2024, are as follows (Amounts in Thousands):

	2025	2024
Line of credit, bank, variable (WSJ Prime Rate) minus 0.25% with a floor of 4.50%, final principal and interest payment due April 1, 2026, collateralized by shares of Lincoln Savings Bank. (A) (B)	\$ 14,500	\$ 14,500
	<u>\$ 14,500</u>	<u>\$ 14,500</u>

(A) The line of credit was paid off in January 2026.

(B) The Company has a credit agreement with this note holder that contains various covenants. These covenants primarily consist of capital ratios and loan performance ratios. The line of credit of \$15 million is due April 1, 2026.

Note 11: Junior Subordinated Debentures

Junior subordinated debentures are due to Lincoln Bancorp Capital Trust II, a 100%-owned, nonconsolidated subsidiary of the Company. The debentures were issued on June 21, 2007, in conjunction with the Trust's issuance of 9,000,000 shares of Company Obligated Mandatorily Redeemable Preferred Securities. The debentures bear the same interest rate and terms as the preferred securities. The preferred securities provide for cumulative cash distributions calculated at a rate equal to the 3-month CME Term SOFR rate of interest, plus one hundred seventy (170) basis points (5.42481% at December 31, 2025). The maximum rate of interest payable will be no higher than that allowed by New York state law. The Company may, at one or more times, defer interest payments on the debentures for up to 20 consecutive quarters, but not beyond September 15, 2037. At the end of the deferral period, all accumulated and unpaid distributions will be paid. The securities will be redeemed no later than September 15, 2037. The Company also has an optional redemption, after receiving the requisite approvals, to redeem the debentures in whole or in part, on or after the interest payment date in June 2012. The securities will be redeemed at par value. Holders of the securities have no voting rights, are unsecured and rank junior in priority of payments to all of the Company's indebtedness and senior to the Company's capital stock. The debentures are included on the balance sheets as liabilities; however, for regulatory purposes are allowed in the calculation of Tier 1 Capital as of December 31, 2025 and 2024, subject to certain limitations.

Note 12: Income Taxes

The provision for income taxes includes these components (Amounts in Thousands):

	2025	2024
Current income taxes	\$ 173	\$ 250
Deferred income taxes	(417)	(970)
Valuation Allowance	(221)	248
Income tax expense	<u>\$ (465)</u>	<u>\$ (472)</u>

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

For the years ended December 31, 2025 and 2024, federal and state income taxes paid were as follows (Amounts in Thousands):

	2025	2024
Federal	\$ -	\$ 20
State - Iowa	40	-
Total income taxes paid	\$ 40	\$ 20

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below (Amounts in Thousands):

	2025	Percent	2024	Percent
Computed at the statutory rate (21%)	\$ (612)	20.9%	\$ (388)	20.8%
State income taxes, net	(154)	5.3%	74	-4.0%
Change in valuation allowance	220	-7.6%	(248)	13.3%
Nontaxable or nondeductible items:				
Tax-exempt income	(995)	34.2%	(1,078)	57.8%
Interest expense limitation	1,695	-58.2%	332	-17.8%
Key person life insurance	(354)	12.2%	360	-19.3%
Modified endowment penalty	-	0.0%	317	-17.0%
Other nondeductible expense	16	-0.6%	19	-1.0%
Other, net	(281)	9.8%	140	-7.5%
Income tax expense	<u>\$ (465)</u>	<u>16.0%</u>	<u>\$ (472)</u>	<u>25.3%</u>

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The tax effects of temporary differences related to deferred taxes on the consolidated balance sheets were (Amounts in Thousands):

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 4,310	\$ 3,761
Deferred compensation	795	798
Loans held for sale	8	8
Other	1,746	542
Federal net operating loss	3,704	4,701
State net operating loss	1,018	709
Unrealized losses on available-for-sale securities	7,307	9,110
Premise and equipment	344	575
	<u>19,232</u>	<u>20,204</u>
Deferred tax liabilities		
Prepaid expenses	232	274
Other	395	329
Deferred loan fees	629	682
Goodwill	2,869	2,869
Unrealized gains on equity securities	245	244
Unrealized gains on derivative transactions	360	1,178
	<u>4,730</u>	<u>5,576</u>
Less: Valuation allowance	(668)	(447)
Net deferred tax asset	<u>\$ 13,834</u>	<u>\$ 14,181</u>

The Company has evaluated the realizability of the deferred tax assets and considered both positive and negative assurance in assessing the likelihood of realization. The net deferred tax assets are expected to be utilized through future taxable earnings and tax planning strategies.

At December 31, 2025, the Company had a federal net operating loss (NOL) carryforward of approximately \$17.6 million. This NOL carries forward indefinitely. At December 31, 2025, the Company had an Iowa NOL carryforward of approximately \$27.4 million that can be carried forward in various amounts through 2045.

Note 13: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Company and Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), of Tier I capital (as defined) to average assets (as defined) and of Common Equity Tier I capital (as defined) to risk-weighted assets. Management believes, as of December 31, 2025 and 2024, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2025, the most recent notification from FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company's and the Bank's actual capital amounts and ratios are also presented in the table on the following page (Amounts in Thousands):

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	Actual Amount	Ratio	Minimum Capital Requirement Amount	Ratio	Minimum to Be Well Capitalized Amount	Ratio
As of December 31, 2025						
Total Capital						
(to Risk-Weighted Assets)						
Consolidated	\$ 166,166	12.41%	\$ 107,115	8.00%	N/A	N/A
Lincoln Savings Bank	177,161	13.32%	106,380	8.00%	132,975	10.00%
Tier I Capital						
(to Risk-Weighted Assets)						
Consolidated	\$ 149,529	11.17%	\$ 80,336	6.00%	N/A	N/A
Lincoln Savings Bank	160,524	12.07%	79,785	6.00%	106,380	8.00%
Tier I Capital						
(to Total Adjusted Assets)						
Consolidated	\$ 149,529	8.34%	\$ 71,726	4.00%	N/A	N/A
Lincoln Savings Bank	160,524	9.00%	71,270	4.00%	89,088	5.00%
Common Equity Tier I Capital (CET1)						
(to Risk-Weighted Assets)						
Consolidated	\$ 140,529	10.50%	\$ 60,252	4.50%	N/A	N/A
Lincoln Savings Bank	160,524	12.07%	59,839	4.50%	86,434	6.50%
As of December 31, 2024						
Total Capital						
(to Risk-Weighted Assets)						
Consolidated	\$ 166,882	10.87%	\$ 122,864	8.00%	N/A	N/A
Lincoln Savings Bank	176,370	11.59%	121,688	8.00%	152,110	10.00%
Tier I Capital						
(to Risk-Weighted Assets)						
Consolidated	\$ 151,917	9.89%	\$ 92,148	6.00%	N/A	N/A
Lincoln Savings Bank	161,405	10.61%	91,266	6.00%	121,688	8.00%
Tier I Capital						
(to Total Adjusted Assets)						
Consolidated	\$ 151,917	8.14%	\$ 74,691	4.00%	N/A	N/A
Lincoln Savings Bank	161,405	8.69%	74,292	4.00%	92,866	5.00%
Common Equity Tier I Capital (CET1)						
(to Risk-Weighted Assets)						
Consolidated	\$ 142,917	9.31%	\$ 69,111	4.50%	N/A	N/A
Lincoln Savings Bank	161,405	10.61%	68,450	4.50%	98,872	6.50%

The above minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

officers. The capital conservation buffer was 2.50% at December 31, 2025 and 2024. The net unrealized gain or loss on available-for-sale securities and derivatives is not included in computing regulatory capital.

The Company and Bank are subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. The Company has adopted a resolution to not pay dividends, incur debt or repurchase or redeem stock without prior regulatory approval.

Note 14: Related Party Transactions

At December 31, 2025 and 2024, the Bank had loans outstanding to principal officers and directors and their affiliates in the amount of \$7.0 million and \$13.1 million, respectively. During the years ended December 31, 2025 and 2024, respectively, total principal additions were \$144,000 and \$12.3 million and total principal payments were \$6.1 million and \$3.8 million.

Deposits from principal officers and directors and their affiliates held by the Bank at December 31, 2025 and 2024, totaled \$24.0 million and \$13.7 million, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Note 15: Employee Benefit Plans

Employee Stock Ownership Plan (ESOP)

The Company has an employee stock ownership plan (the "Plan") and a related trust to provide retirement benefits to its employees.

In 2014, the Plan borrowed \$874,198 from the Company to purchase shares of Lincoln Bancorp stock from terminated participants. This loan matured and was paid off on June 29, 2024.

In 2014, the Plan borrowed \$921,132 from the Company to pay off notes to a commercial bank. This loan matured and was paid off on December 30, 2024.

In 2014, the Plan borrowed \$600,000 from the Company to purchase shares of Lincoln Bancorp stock. This loan matures December 30, 2044 and bears an interest rate of 3.25%. The loan was collateralized by 44,094.75 shares of Lincoln Bancorp stock. The loan balance at December 31, 2025 and 2024, was \$443,600 and \$460,229, respectively.

In 2015, the Plan borrowed \$2,500,000 from the Company to purchase shares of Lincoln Bancorp Preferred C stock. This loan matured and was paid off on July 15, 2025 and bore interest at a rate of 3.25%. The loan was collateralized initially by 2,500 shares of Lincoln Bancorp Preferred C stock, which were converted to 159,574 shares of Lincoln Bancorp common stock on July 20, 2020. The loan balance at December 31, 2024, was \$287,682.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

In 2016, the Plan borrowed \$336,802 from the Company to purchase shares of Lincoln Bancorp stock from terminated participants. This loan matures October 21, 2026 and bears an interest rate of 3.50%. The loan was collateralized by 22,972.77 shares of Lincoln Bancorp stock. The loan balance at December 31, 2025 and 2024, was \$39,202 and \$77,060, respectively.

In 2018, the Plan borrowed \$4,000,035 from the Company to purchase shares of Lincoln Bancorp Common A stock. This loan matures July 24, 2028 and bears an interest rate of 4.15%. The loan was collateralized by 219,180 shares of Lincoln Bancorp Common A stock. The loan balance at December 31, 2025 and 2024 was \$1,269,250 and \$1,696,215, respectively.

The Company makes annual contributions to the ESOP equal to the ESOP's debt service less dividends received by the ESOP. Dividends received by the ESOP are used for debt service to the extent allowed under any applicable law. Company contributions to the Plan are allocated based on the participant compensation in relation to total compensation for all participants. Forfeited balances of terminated participants' non-vested account balance may be used to reinstate previously forfeited account balances of former participants, satisfy any contribution that may be required or pay any administrative expenses of the Plan, with any remaining forfeitures allocated among the participant accounts in a similar manner as employer contributions. The Plan follows a vesting schedule, with participants being fully vested in their account balance after six years. The Bank contributed \$962,000 and \$1,054,750 to the trust for the years ended December 31, 2025 and 2024, respectively.

In the event a terminated plan participant desires to sell his or her shares of the Company's stock or for certain employees who elect to diversify their account balances, the Company may be required to purchase the shares from the participant at their fair market value. During the years ended December 31, 2025 and 2024, the Company purchased 77,231 and 57,756 shares from Plan participants, respectively. The fair value of ESOP shares is based on an independent annual appraisal. This contingent repurchase liability totaled approximately \$11.0 million and \$12.9 million at December 31, 2025 and 2024, respectively.

Shares of common stock held by the ESOP at December 31, 2025 and 2024 are as follows:

	2025	2024
Allocated shares	876,893	903,133
Shares released for allocation	41,642	51,534
Unreleased (unearned) shares	90,498	132,141
Ending ESOP common shares	1,009,033	1,086,808
Approximate fair value of unreleased (unearned) common shares	\$ 1,118,555	\$ 1,926,617

Supplemental Income & Deferred Compensation Agreements

The Bank and the Company have also entered into supplemental income and deferred compensation agreements with some of its directors and key executives, which provide for an annual retirement benefit commencing at age 65. The present value of the estimated liability under the agreements is being accrued over the years required to attain full eligibility as provided in the contract and is included in accrued expenses and other liabilities. At December 31, 2025 and 2024, \$3,751,407 and \$3,792,711, respectively, has been accrued and included in other liabilities under these agreements. Expense attributable to these agreements totaled

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

\$1,101,876 and \$1,197,356 for the years ended December 31, 2025 and 2024, respectively. Payments totaled \$988,681 and \$1,190,911 for the years ended December 31, 2025 and 2024, respectively.

Equity Plans

On April 5, 2019, the Company's stockholders voted to approve the Lincoln Bancorp 2019 Equity Incentive Plan (the "2019 Plan"). The 2019 Plan provides for the grant of up to 400,000 shares of Common Stock under equity awards including stock options, stock awards, restricted stock, stock appreciation rights, performance units, or other equity-based awards payable in cash or stock to key employees and directors of the Company and the Bank.

During the years ended December 31, 2025 and 2024, 7,764 and 6,582 restricted stock units (RSUs), respectively, were granted to directors. During 2025, RSU's were issued to employees with a maximum of 79,000 RSUs to be granted to key employees under the 2019 Plan. The director RSUs were immediately vested and expense of \$95,963 and \$95,965 (\$12.36 and \$14.58 per share equal to the fair value of awards on the grant date) was recognized for 2025 and 2024, respectively.

The awards to the key employees represent annual tranches that vest over two years for each tranche. Employee awards are subject to both service and performance thresholds requirements. There are two possible levels of awards for key employees RSUs: "target" and "maximum". Performance thresholds include return on asset measurements and certain subjective measurements determined by the Company's compensation committee. The grant date for each tranche is established when all significant terms have been established and subjective measurements by the Company's compensation committee have been completed. As of December 31, 2025, the Company recognized \$81,600 in compensation expense for the vesting of 12,500 shares of the 2023 RSU tranche.

As of December 31, 2025, the Company recognized an estimate of \$312,324 in compensation expense for the vesting of the 2025 RSU tranche. The estimated compensation expense will be adjusted if necessary to equal fair value once an independent appraisal is completed in 2026. Management does not expect a significant adjustment will be necessary.

Due to the fact that the measurements cannot be determined at the time of the grant, the Company estimated that the most likely outcome is the achievement of the target level. If during the performance periods, additional information becomes available to lead the Company to believe a different level will be achieved for each performance period, the Company will reassess the number of RSUs that will vest for the grant and adjust its compensation expense accordingly on a prospective basis. As of December 31, 2025, and 2024, there were \$664,116 and \$343,000, respectively, of estimated unrecognized compensation expense related to nonvested RSU target shares, which will be recognized over the remaining vesting periods.

401(k) Profit Sharing Plan

The company has a 401(k) profit sharing plan covering substantially all employees. Employees may contribute a percentage of their compensation up to the maximum allowable by the IRS. Employer profit-sharing contributions and company matching contributions are discretionary as determined by the Company's Board of Directors. Employer contributions charged to expense for 2025 and 2024 were \$227,000 and \$294,000, respectively.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 16: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024 (Amounts in Thousands):

	2025			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset-backed securities	\$ 2,405	\$ -	\$ 2,405	\$ -
Collateralized mortgage obligations	99,360	-	99,360	-
Government-sponsored mortgage-backed securities	45,021	-	45,021	-
State and political subdivisions	146,012	-	146,012	-
U.S. Treasuries	14,239	14,239	-	-
Collateralized debt obligations	22,872	-	22,872	-
Farmer Mac stock	281	281	-	-
Interest rate swap asset	2,439	-	2,439	-
Interest rate swap liability	(893)	-	(893)	-

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

	2024			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateralized mortgage obligations	\$ 55,632	\$ -	\$ 55,632	\$ -
Government-sponsored mortgage-backed securities	48,079	-	48,079	-
State and political subdivisions	143,606	-	143,606	-
U.S. Treasuries	13,561	13,561	-	-
U.S. government agencies	2,968	-	2,968	-
Corporate bonds	1,500	-	1,500	-
Farmer Mac stock	307	307	-	-
Interest rate swap asset	5,443	-	5,443	-
Interest rate swap liability	(387)	-	(387)	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2025. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Available-for-Sale Securities and Farmer Mac Stock

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and is calculated using discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024 (Amounts in Thousands):

	2025			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Collateral dependent loans	\$ 19,753	\$ -	\$ -	\$ 19,753
Equity securities - without readily determinable value	1,072	-	1,072	-
Other real estate	9,966	-	-	9,966
	2024			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Collateral dependent loans	\$ 37,363	\$ -	\$ -	\$ 37,363
Equity securities - without readily determinable value	1,021	-	1,021	-
Other real estate	5,858	-	-	5,858

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-Dependent Loans, Net of Allowance for Credit Losses

The estimated fair value of collateral-dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

consistency by management. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by management by comparison to historical results. The range of inputs used in the valuation was between 17% and 100%.

Equity Securities

Equity securities without a readily determinable fair value are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment.

Other Real Estate

Other real estate (ORE) is carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of ORE is based on appraisals or evaluations. ORE is classified within Level 3 of the fair value hierarchy.

Appraisals of ORE are obtained when deemed necessary by management. Appraisals are reviewed for accuracy and consistency by management. Appraisers are selected from the list of approved appraisers maintained by management. The inputs used in the valuation were 7%.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments at December 31, 2025 and 2024 (Amounts in Thousands):

	2025				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and due from banks	\$ 61,730	\$ 61,730	\$ 61,730	\$ -	\$ -
Federal funds sold	72,546	72,546	72,546	-	-
Available-for-sale debt securities	329,909	329,909	14,239	315,670	-
Other investments	7,657	7,657	281	7,376	-
Loans held for sale	605	605	-	605	-
Loans, net of allowance for losses	1,148,171	1,120,820	-	-	1,120,820
Accrued interest receivable	10,478	10,478	-	10,478	-
Financial Liabilities					
Deposits	1,507,071	1,507,972	1,013,984	493,988	-
Federal Home Loan Bank advances	70,000	70,055	-	70,055	-
Notes payable	14,500	14,500	-	14,500	-
Junior subordinated debentures	9,279	9,279	-	9,279	-
Accrued interest payable	2,533	2,533	-	2,533	-
Off-balance sheet instruments					
Loan commitments	-	-	-	-	-
Standby letters of credit	-	-	-	-	-
2024					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Cash and due from banks	\$ 16,933	\$ 16,933	\$ 16,933	\$ -	\$ -
Federal funds sold	1,129	1,129	1,129	-	-
Available-for-sale debt securities	265,346	265,346	13,561	251,785	-
Other investments	8,232	8,232	307	7,925	-
Loans held for sale	900	900	-	900	-
Loans, net of allowance for losses	1,398,227	1,355,279	-	-	1,355,279
Accrued interest receivable	11,311	11,311	-	11,311	-
Financial Liabilities					
Deposits	1,581,690	1,581,524	951,560	629,964	-
Federal Home Loan Bank advances	89,510	89,392	-	89,392	-
Notes payable	14,500	14,500	-	14,500	-
Junior subordinated debentures	9,279	9,279	-	9,279	-
Accrued interest payable	3,396	3,396	-	3,396	-
Off-balance sheet instruments					
Loan commitments	-	-	-	-	-
Standby letters of credit	-	-	-	-	-

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Due from Banks, Federal Funds Sold and Other Investments

The carrying amount approximates fair value.

Loans Held for Sale

The carrying amount approximates fair value due to the insignificant time between origination and date of sale. The carrying amount is the amount funded and accrued interest.

Loans

The fair value of loans is estimated on an exit price basis incorporating contractual cash flow, prepayments, discount spreads, credit loss and liquidity premiums.

Accrued Interest Receivable and Payable

The carrying amount approximates fair value. The carrying amount is determined using the interest rate, balance and last payment date.

Deposits

Fair value of term deposits is estimated by discounting the future cash flows using rates of similar deposits with similar maturities. The estimated fair value of demand, NOW, savings and money market deposits are the book value since rates are regularly adjusted to market rates and amounts are payable on demand at the reporting date.

Federal Home Loan Bank Advances, Notes Payable and Junior Subordinated Debentures

Fair value for the Federal Home Loan Bank advances is estimated by discounting the future cash flows using rates of similar advances with similar maturities. The carrying amount for Notes Payable and Junior Subordinated Debentures approximates fair value.

Commitments to Originate Loans and Letters of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

The fair values of letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. The fair values of commitments to originate loans and letters of credit is not presented because the amounts are not deemed significant.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk.

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Note 18: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At December 31, 2025 and 2024, the Company had outstanding commitments to originate loans aggregating \$135,000 and \$1.40 million, respectively.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should the Bank be obligated to perform under the standby letters of credit, the Bank may seek recourse from the customer for reimbursement of amounts paid.

The Bank had total outstanding standby letters of credit amounting to \$4.60 million and \$4.40 million, at December 31, 2025 and 2024, respectively.

Lincoln Bancorp and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At December 31, 2025 and 2024, the Bank had granted unused lines of credit to borrowers aggregating \$259.58 million and \$211.68 million, respectively, for commercial lines-of-credit, revolving credit lines and overdraft protection agreements.

Concentrations of Credit Risk

Substantially all of the Bank's loans and commitments to extend credit have been granted to customers in the Bank's market area. A significant portion of the Bank's loan portfolio consists of loans to finance the construction and development of real estate, companies involved in agribusiness and loans to farmers. The Bank's lending policies for agriculture and nonagricultural customers require loans that are well collateralized and supported by cash flows. Credit losses from loans related to the agricultural economy are consistent with credit losses experienced in the loan portfolio as a whole. The amount of collateral obtained on loans made by the Bank is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, crops, equipment, livestock, real estate and other income-producing properties.

The nature of the Bank's business requires that it maintain amounts due from banks which, at times, may exceed federally insured limits. In the opinion of management, no material risk of loss exists due to the institution's financial condition and the fact they are well capitalized.

Note 19: Operating Segments

The Company's activities are considered to be one operating segment. This determination was based upon factors such as: the Company's organizational structure, the reporting package provided to the Company's chief operating decision maker ("CODM"), methodology for allocation of resources, and the level at which budgets are reviewed and approved by the CODM. The Company is engaged in many areas of commercial banking, operates an embedded finance division that partners with several corporate Fintech clients, and provides services to customers through the Bank's trust department. These services are offered to individuals, businesses, governmental units and institutional customers in various Iowa communities, described further in Note 1.

The accounting policies of the reportable segment are the same as those described in Note 1.

The Company's chief executive officer is the CODM. The CODM assesses performance for the reportable segment and decides how to allocate resources based on net income (loss) that is reported in the consolidated statements of operations. The CODM uses net income (loss) to evaluate income (loss) generated from the segment assets (return on assets) to make decisions about allocating capital, such as to the business or to pay

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

dividends. Additionally, net income (loss) is used by the CODM to monitor budget versus actual results monthly.

The following table summarizes segment revenue, segment profit or loss and significant segment expenses for the years ended December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Interest income	\$ 90,927	\$ 94,724
Interest expense	46,524	54,822
Net interest income	44,403	39,902
Noninterest income	12,944	24,817
Total revenue	57,347	64,719
Less:		
Salaries and employee benefits	29,584	34,244
Occupancy (1)	4,086	4,204
Furniture, equipment and software expense (1)	7,020	7,578
Provision for credit losses	3,501	5,378
Credit for income taxes	(465)	(472)
Other noninterest expense (2)	16,069	15,182
Net loss	<u>\$ (2,448)</u>	<u>\$ (1,395)</u>

(1) Included in occupancy and furniture, equipment and software expense is depreciation expense of \$2.3 million and \$2.5 million for the years ended December 31, 2025 and 2024.

(2) Other segment items included in segment net loss includes net losses on sales of other real estate and real estate expense and other noninterest expense.

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 20: Parent Company Only Condensed Financial Statements

The following are condensed balance sheets of Lincoln Bancorp as of December 31, 2025 and December 31, 2024 (parent company only):

	<u>2025</u>	<u>2024</u>
Assets		
Cash	\$ 2,379	\$ 3,501
Investment in Lincoln Savings Bank	154,882	151,828
Investment in Lincoln Bancorp Capital Trust II	280	280
Other assets	8,909	8,150
Total assets	<u>\$ 166,450</u>	<u>\$ 163,759</u>
Liabilities and Stockholders' Equity		
Junior subordinated debentures	\$ 9,279	\$ 9,279
Notes payable	14,500	14,500
Accrued expenses and other liabilities	4,857	3,122
Total liabilities	28,636	26,901
Total stockholders' equity	137,814	136,858
Total liabilities and stockholders' equity	<u>\$ 166,450</u>	<u>\$ 163,759</u>

The following are condensed statements of operations of Lincoln Bancorp for the years ended December 31, 2025 and December 31, 2024 (parent company only):

	<u>2025</u>	<u>2024</u>
Income		
Dividend income from Lincoln Savings Bank	\$ -	\$ 3,497
Dividend income from Lincoln Bancorp Capital Trust II	17	20
Interest and other income	80	121
Total operating income	97	3,638
Expense		
Interest expense	1,608	1,838
Other expenses	921	803
Total operating expenses	2,529	2,641
(Loss) earnings before income taxes and equity in undistributed loss of subsidiaries	(2,432)	997
Equity in undistributed loss of subsidiaries	(545)	(3,335)
Credit for income taxes	(529)	(943)
Net loss	<u>\$ (2,448)</u>	<u>\$ (1,395)</u>

Lincoln Bancorp and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The following are condensed statements of cash flows of Lincoln Bancorp for the years ended December 31, 2025 and December 31, 2024 (parent company only):

	<u>2025</u>	<u>2024</u>
Operating Activities		
Net loss	\$ (2,448)	\$ (1,395)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Equity in undistributed loss of subsidiaries	545	3,335
Dividend from Lincoln Savings Bank	-	3,497
Deferred income taxes	(161)	(244)
Stock based compensation	308	
ESOP shares earned	514	752
Stock based compensation expense from share issuance	251	582
Net change in other assets and liabilities	829	(4,901)
Net cash (used in) provided by operating activities	\$ (162)	\$ 1,626
Operating Activities		
Proceeds from sale of treasury stock	\$ -	\$ 842
Purchase of treasury stock	(960)	(958)
Net cash used in financing activities	\$ (960)	\$ (116)
(Decrease) increase in cash and cash equivalents	\$ (1,122)	\$ 1,510
Cash and cash equivalents, beginning of year	3,501	1,991
Cash and cash equivalents, end of year	\$ 2,379	\$ 3,501

Note 21: Subsequent Events

On January 15, 2026, Lincoln Bancorp, Inc. completed an offering of \$33.5 million in aggregate principal amount of its 9.00% Fixed-to-Floating Rate Subordinated Notes due 2036 (the “Notes”) pursuant to Subordinated Note Purchase Agreements (collectively, the “Note Purchase Agreement”) with certain qualified institutional buyers and institutional accredited investors (the “Purchasers”). The Notes were offered and sold by the Company in a private placement transaction in reliance on exemptions from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 4(a)(2) of the Securities Act and Regulation D thereunder. The Company intends to use the net proceeds from the offering for general corporate purposes, including enhancing regulatory capital and repayment of indebtedness.

The Company implemented balance sheet repositioning strategies, executed in January 2026, which resulted in a loss on sale of securities. The company sold \$176.6 million in available-for-sale securities recognizing a loss totaling \$15.7 million.

Subsequent events have been evaluated through May 4, 2026 which is the date the financial statements were available to be issued.