FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C., 20429
FORM 10-Q

(Mark one)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2026

OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period ________ to ________.

Commission File Number: FDIC Certificate No. 90211

HINGHAM INSTITUTION FOR SAVINGS

(Exact name of registrant as specified in its charter)

Massachusetts	**04-1442480**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
55 Main Street, Hingham, Massachusetts	**02043**
(Address of principal offices)	**(Zip Code)**

(781) 749-2200
(Registrant's telephone number, including area code)
Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value per share	HIFS	NASDAQ Stock Market, LLC

Securities registered under Section 12(g) of the Act: None

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

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

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

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

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

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

The number of shares outstanding of each of the registrant’s common stock, $1.00 par value per share, outstanding as of August 5, 2026 was 2,199,250.

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)	December 31, 2025	June 30, 2026
	(In Thousands, Except Share Amounts)	
ASSETS		
Cash and due from banks	$ 6,683	$ **5,487**
Federal Reserve and other short-term investments	362,925	**349,677**
Cash and cash equivalents	369,608	**355,164**
Equity securities, at fair value	150,344	**164,461**
Securities held to maturity, at amortized cost	7,499	**11,499**
Federal Home Loan Bank stock, at cost	61,987	**59,622**
Loans, net of allowance for credit losses of $28,555 at December 31, 2025 and $29,555 at June 30, 2026	3,899,008	**3,903,907**
Foreclosed assets	—	**4,669**
Bank-owned life insurance	14,318	**14,488**
Premises and equipment, net	15,911	**15,718**
Accrued interest receivable	9,213	**9,274**
Other assets	14,766	**17,708**
Total assets	$ 4,542,654	$ **4,556,510**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing	$ 2,080,661	$ **2,089,295**
Non-interest bearing	467,656	**504,230**
Total deposits	2,548,317	**2,593,525**
Federal Home Loan Bank advances	1,463,815	**1,405,340**
Mortgagors' escrow accounts	18,427	**20,238**
Accrued interest payable	11,831	**11,154**
Deferred income tax liability, net	9,495	**9,579**
Other liabilities	11,061	**9,252**
Total liabilities	4,062,946	**4,049,088**
Stockholders' equity:		
Preferred stock, $1.00 par value, 2,500,000 shares authorized; none issued	—	**—**
Common stock, $1.00 par value, 5,000,000 shares authorized; 2,182,250 shares issued and outstanding at December 31, 2025 and 2,198,250 shares issued and outstanding at June 30, 2026	2,182	**2,198**
Additional paid-in capital	16,004	**18,116**
Undivided profits	461,530	**487,055**
Accumulated other comprehensive income (loss)	(8)	**53**
Total stockholders' equity	479,708	**507,422**
Total liabilities and stockholders' equity	$ 4,542,654	$ **4,556,510**

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

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Net Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2026	2025	2026
(Unaudited)	**(In Thousands, except per share amounts)**			
Interest and dividend income:				
Loans	$ 46,752	$ **48,093**	$ 91,973	$ **95,099**
Debt securities	97	**131**	192	**244**
Equity securities	1,365	**1,402**	2,816	**2,965**
Federal Reserve and other short-term investments	3,072	**3,256**	6,127	**6,381**
Total interest and dividend income	51,286	**52,882**	101,108	**104,689**
Interest expense:				
Deposits	17,841	**15,582**	36,462	**31,159**
Federal Home Loan Bank and Federal Reserve Bank advances	15,406	**13,694**	30,571	**27,792**
Total interest expense	33,247	**29,276**	67,033	**58,951**
Net interest income	18,039	**23,606**	34,075	**45,738**
Provision for credit losses	450	**500**	750	**1,000**
Net interest income, after provision for credit losses	17,589	**23,106**	33,325	**44,738**
Other income:				
Customer service fees on deposits	139	**170**	274	**336**
Increase in cash surrender value of bank-owned life insurance	79	**88**	163	**170**
Gain on equity securities, net	2,516	**18,953**	3,797	**9,033**
Miscellaneous	73	**99**	122	**154**
Total other income	2,807	**19,310**	4,356	**9,693**
Operating expenses:				
Salaries and employee benefits	4,392	**4,558**	8,859	**9,237**
Occupancy and equipment	417	**396**	856	**873**
Data processing	758	**850**	1,482	**1,667**
Deposit insurance	784	**541**	1,532	**1,178**
Marketing	222	**341**	358	**589**
Foreclosure and related	14	**206**	24	**281**
Other general and administrative	959	**2,084**	1,905	**2,975**
Total operating expenses	7,546	**8,976**	15,016	**16,800**
Income before income taxes	12,850	**33,440**	22,665	**37,631**
Income tax provision	3,436	**7,997**	6,127	**9,337**
Net income	$ 9,414	$ **25,443**	$ 16,538	$ **28,294**
Weighted average common shares outstanding:				
Basic	2,181	**2,196**	2,181	**2,191**
Diluted	2,200	**2,213**	2,200	**2,211**
Earnings per share:				
Basic	$ 4.32	$ **11.59**	$ 7.58	$ **12.92**
Diluted	$ 4.28	$ **11.49**	$ 7.52	$ **12.80**

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

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2026	2025	2026
(Unaudited)	(In Thousands)			
Net income	$ 9,414	$ **25,443**	$ 16,538	$ **28,294**
Other comprehensive income, net of tax				
Net change in fair value of cash flow hedges	—	**26**	—	**61**
Total other comprehensive income, net of tax	—	**26**	—	**61**
Comprehensive income	$ 9,414	$ **25,469**	$ 16,538	$ **28,355**

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

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the Six Months Ended June 30, 2025 and 2026

	Common Stock	Additional Paid-In Capital	Undivided Profits	Other Comprehensive Income (Loss)	Total Stockholders' Equity
			(In Thousands)		
(Unaudited)					
Balance at December 31, 2024	$ 2,180	$ 15,571	$ 414,004	$ —	$ 431,755
Net income	—	—	16,538	—	16,538
Share-based compensation expense	—	102	—	—	102
Stock options exercised	1	104	—	—	105
Cash dividends declared – common ($1.26 per share)	—	—	(2,748)	—	(2,748)
Balance at June 30, 2025	$ 2,181	$ 15,777	$ 427,794	$ —	$ 445,752
Balance at December 31, 2025	**$ 2,182**	**$ 16,004**	**$ 461,530**	**$ (8)**	**$ 479,708**
Net income	**—**	**—**	**28,294**	**—**	**28,294**
Share-based compensation expense	**—**	**86**	**—**	**—**	**86**
Stock options exercised	**16**	**2,026**	**—**	**—**	**2,042**
Net change in fair value of cash flow hedges	**—**	**—**	**—**	**61**	**61**
Cash dividends declared – common ($1.26 per share)	**—**	**—**	**(2,769)**	**—**	**(2,769)**
Balance at June 30, 2026	**$ 2,198**	**$ 18,116**	**$ 487,055**	**$ 53**	**$ 507,422**

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

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended
June 30, 2025 and 2026

	Common Stock	Additional Paid-In Capital	Undivided Profits	Other Comprehensive Income	Total Stockholders' Equity
			(In Thousands)		
(Unaudited)					
Balance at March 31, 2025	$ 2,180	$ 15,622	$ 419,755	$ —	$ 437,557
Net income	—	—	9,414	—	9,414
Share-based compensation expense	—	51	—	—	51
Stock options exercised	1	104	—	—	105
Cash dividends declared – common ($.63 per share)	—	—	(1,375)	—	(1,375)
Balance at June 30, 2025	$ 2,181	$ 15,777	$ 427,794	$ —	$ 445,752
Balance at March 31, 2026	**$ 2,193**	**$ 17,443**	**$ 463,000**	**$ 27**	**$ 482,663**
Net income	**—**	**—**	**25,443**	**—**	**25,443**
Share-based compensation expense	**—**	**42**	**—**	**—**	**42**
Stock options exercised	**5**	**631**	**—**	**—**	**636**
Net change in fair value of cash flow hedges	**—**	**—**	**—**	**26**	**26**
Cash dividends declared – common ($.63 per share)	**—**	**—**	**(1,388)**	**—**	**(1,388)**
Balance at June 30, 2026	**$ 2,198**	**$ 18,116**	**$ 487,055**	**$ 53**	**$ 507,422**

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

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(Unaudited)	Six Months Ended June 30, 2025	Six Months Ended June 30, 2026
	(In Thousands)	
Cash flows from operating activities:		
Net income	$ 16,538	**$ 28,294**
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	750	**1,000**
Amortization of securities premiums, net	(1)	**—**
Amortization of deferred loan origination costs, net	60	**129**
Share-based compensation expense	102	**86**
Deferred income tax expense	842	**84**
Depreciation and amortization of premises and equipment	371	**375**
Increase in cash surrender value of bank-owned life insurance	(163)	**(170)**
Gain on equity securities, net	(3,797)	**(9,033)**
Loss on sale of foreclosed assets	—	**16**
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(1,672)	**(3,003)**
Accrued interest payable and other liabilities	3,984	**(908)**
Net cash provided by operating activities	17,014	**16,870**
Cash flows from investing activities:		
Activity in equity securities:		
Proceeds from sales	179	**15,655**
Purchases	(5,727)	**(20,739)**
Activity in held to maturity securities:		
Purchases	—	**(4,000)**
Purchase of Federal Home Loan Bank stock	(15,605)	**(21)**
Proceeds from redemption of Federal Home Loan Bank stock	11,968	**2,386**
Loans originated, net of payments received	(58,811)	**(13,815)**
Proceeds from sale of loans	—	**2,885**
Proceeds from sale of foreclosed assets	—	**217**
Additions to premises and equipment	(154)	**(182)**
Net cash used in investing activities	(68,150)	**(17,614)**

(continued)

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

HINGHAM INSTITUTION FOR SAVINGS AND SUBSIDIARIES
Consolidated Statements of Cash Flows (concluded)

(Unaudited)	Six Months Ended June 30, 2025	Six Months Ended June 30, 2026
	(In Thousands)	
Cash flows from financing activities:		
Increase (decrease) in deposits	(14,216)	**45,208**
Increase in mortgagors' escrow accounts	1,779	**1,811**
Cash dividends paid on common stock	(2,748)	**(4,286)**
Proceeds from stock options exercised	105	**2,042**
Net change in Federal Home Loan Bank advances with maturities of three months or less	(25,000)	**(15,000)**
Proceeds from Federal Home Loan Bank advances with maturities of more than three months	391,000	**309,525**
Repayment of Federal Home Loan Bank advances with maturities of more than three months	(291,000)	**(353,000)**
Net cash (used in) provided by financing activities	59,920	**(13,700)**
Net change in cash and cash equivalents	8,784	**(14,444)**
Cash and cash equivalents at beginning of period	351,830	**369,608**
Cash and cash equivalents at end of period	$ 360,614	**$ 355,164**
Supplementary information:		
Interest paid on deposit accounts	$ 31,654	**$ 31,374**
Interest paid on Federal Home Loan Bank and Federal Reserve Bank advances	30,664	**28,254**
Income taxes paid	6,872	**11,722**
Non-cash activities:		
Real estate acquired through foreclosure	$ —	**$ 4,902**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements of Hingham Institution for Savings (the "Bank") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial statements and with the instructions to Securities and Exchange Commission Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Financial information as of June 30, 2026, and for the three and six months ended June 30, 2025 and 2026, is unaudited and, in the opinion of management, reflects all adjustments necessary for a fair presentation of such information. Such adjustments were of a normal recurring nature. Interim results are not necessarily indicative of results to be expected for the entire year. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Bank for the year ended December 31, 2025 filed on Form 10-K.

Business and operating segments

The Bank provides a variety of financial services to individuals and small businesses through its six branches in Boston and eastern Massachusetts, as well as offices in Washington, D.C. and San Francisco. Its primary deposit products are savings, checking, and term certificate accounts, and its primary lending products are residential and commercial mortgage loans secured by properties in eastern Massachusetts, Washington, D.C. ("WMA") and to a lesser extent in the San Francisco Bay Area ("SFBA"). While the Bank derives revenue from multiple loan products, and to a lesser extent investments and services, decision-makers manage operations and evaluate financial performance on a Bank-wide basis. Discrete financial information is not available other than on a Bank-wide basis. Accordingly, all of the financial services operations are considered by management to be aggregated in one reportable operating segment.

Earnings per common share

Basic earnings per share represent net income available to common stockholders divided by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect additional shares that would have been outstanding if dilutive potential shares had been issued, as well as any adjustments to net income that would result from the assumed issuance. Potential shares that may be issued by the Bank relate solely to outstanding stock options and are determined using the treasury stock method. The amount of excess tax benefit assuming exercise of the options is not considered in the proceeds when applying the treasury stock method. Earnings per common share have been computed based on the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2026	2025	2026
	(In Thousands)			
Average number of shares outstanding used to calculate basic earnings per share	2,181	**2,196**	2,181	**2,191**
Effect of dilutive options	19	**17**	19	**20**
Average number of shares outstanding used to calculate diluted earnings per share	2,200	**2,213**	2,200	**2,211**

There were 1,000 antidilutive options for the three and six months ended June 30, 2025 and no antidilutive options for both the three and six months ended June 30, 2026.

Fair value hierarchy

The Bank groups its assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value, as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 – Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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.

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

Loans

The Bank's loan portfolio includes residential real estate, commercial real estate, construction, home equity, commercial and consumer segments. A substantial portion of the loan portfolio is secured by real estate in the eastern Massachusetts area. The Bank also lends to commercial real estate and residential borrowers in the WMA and in the SFBA. The ability of the Bank's debtors to honor their contracts is dependent upon real estate, construction, and general economic conditions in these markets.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the amount of their outstanding principal, including deferred loan origination fees and costs, reduced by unearned discounts, and the allowance for credit losses ("ACL"). Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Accrued interest is presented separately in the consolidated balance sheets. The accrual of interest on mortgage and commercial loans is discontinued at the time a loan is 90 days past due (the loan is in default) unless the credit is well-secured and in the process of collection. Personal loans are typically charged off no later than becoming 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual 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 non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for credit losses

The Bank's ACL is established through a provision for credit losses charged against income. All, or portions of, loans deemed to be uncollectible are charged against the ACL when the Bank believes that collectability of all, or some portion of, outstanding principal is unlikely. Subsequent recoveries, if any, of loans previously charged off are credited to the ACL when collected.

Losses on loan receivables are estimated and recognized upon origination of the loan, based on expected credit losses for the life of the loan balance as of the period end date. The ACL is evaluated quarterly by management and is maintained at a level the Bank believes will be adequate to absorb expected credit losses in future periods associated with its loan portfolio and unfunded loan commitments as of the period end date. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The Bank's methodology consists of quantitative and qualitative components, as described below. This methodology applies to the Bank's real estate loan portfolio, which at June 30, 2026, comprised virtually 100% of the Bank's loan portfolio. Consumer and commercial loans that are not secured by real estate are evaluated qualitatively.

For the quantitative component, the Bank uses an undiscounted cash flow probability-of-default ("PD") / loss-given-default ("LGD") method, forecasted based on statistically derived economic variable loss drivers and using a single forward-looking macroeconomic forecast (national unemployment rate). Given the minimal level of loan losses experienced by the Bank over recent decades, the Bank uses statistical data derived from a large group of community banks' loss experience ("Index"), which incorporates a combination of recessionary and non-recessionary performance periods for which data is available. This process includes estimates which involve projecting loan prepayments, PD and LGD throughout the life of the loan. The PD component is driven by the Call Report code and risk rating of the loan (Pass, Watch, Special Mention or Substandard), while the LGD component is driven by the Call Report code. The reasonable and supportable forecast period is determined based upon the reasonableness and level of national unemployment rate forecast estimates. For periods beyond a reasonable and supportable forecast time frame, the Bank reverts to historical information over a period for which comparable data is available. In determining the ACL, the Bank utilizes a reasonable and supportable forecast period which, as of June 30, 2026, was two years followed by a one year mean reversion period. These assumptions are reviewed periodically to determine whether they remain appropriate.

For the qualitative component, management performs an assessment beyond model estimates, and applies qualitative adjustments as deemed necessary. The qualitative components of the ACL consider (i) the Bank's idiosyncratic lending program attributes to which management ascribe the Bank's lower historical losses versus the Index and the industry during periods of stress, such as sponsor/borrower quality, collateral valuation approach and loan-to-value, loan structure (contractual provisions, recourse to borrower) and collection process, among others; (ii) the uncertainty of forward-looking scenarios; (iii) certain portfolio characteristics, such as portfolio growth, concentrations of credit and delinquencies; (iv) national and local economic and industry conditions which may affect borrowers' ability to pay and/or real estate values and (v) model limitations; among others.

The Bank segments its loan receivable population into homogeneous pools of loans which share similar risk characteristics. When a loan no longer meets the criteria of its initial pooling as a result of credit deterioration or other changes, the Bank may evaluate the credit for estimated losses on an individual basis, and establish a specific reserve if deemed necessary. For loans with real estate collateral, when management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. While an individual assessment and related ACL may be calculated for non-performing loans, no portion of the Bank's ACL is restricted to any individual loan or group of loans, and the entire ACL is available to absorb losses from any and all loans, including unfunded loan commitments.

Residential real estate – The Bank generally does not originate loans with a loan-to-value ratio greater than 80% (without private mortgage insurance). All loans in this segment are collateralized by residential real estate that is owner-occupied at the time of origination and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment. The Bank offers these loans in Massachusetts, the WMA and the SFBA.

Commercial real estate – Loans in this segment are primarily secured by income-producing properties throughout Massachusetts, the WMA and the SFBA. Underwriting and portfolio management policies are the same across all markets. Loan amounts do not exceed the lesser of 75% of the Bank's internal estimate of value or the appraised value of the collateral. The underlying cash flows generated by the properties could be adversely impacted by a downturn in the economy leading to increased vacancy rates which, in turn, would have an effect on the credit quality in this segment. Management obtains rent rolls annually and regularly monitors the cash flows of these loans.

Construction – Loans in this segment include both owner-occupied and speculative real estate development loans for which payment is derived from sale of the property. Credit risk could be affected by cost overruns, time to sell at an adequate price, the overall health of the economy and market conditions.

Home equity – Loans in this segment include equity lines of credit and second mortgage loans, and are generally collateralized by second liens on residential real estate. Repayment is dependent on the credit quality of the individual borrower. The Bank generally does not originate loans with combined loan-to-value ratios greater than 70% when taking into account both the balance of the home equity loans and the first mortgage loan. Similar to residential real estate, the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment. The Bank offers these loans in Massachusetts, the WMA and the SFBA. The Bank generally will not originate these loans unless it holds the senior lien position on the collateral property.

Commercial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment. These loans are not a focus of the Bank's origination program.

Consumer – Loans in this segment are generally unsecured lines of credit and repayment is dependent on the credit quality of the individual borrower. The Bank is no longer offering these loans.

The Bank has elected not to measure an ACL on accrued interest and to write off uncollectible accrued interest receivable in a timely manner.

Reserve for Unfunded Commitments

The expected credit losses for unfunded commitments are measured over the contractual period of the Bank's exposure to credit risk. The estimate of credit loss incorporates assumptions for both the likelihood and amount of funding over the estimated life of the commitments, for the risk of loss, and current conditions and expectations. Management periodically reviews and updates the assumptions.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as all changes in equity, except for those resulting from transactions with shareholders. Net income is a component of comprehensive income (loss). All other components are referred to in the aggregate as other comprehensive income (loss). Other comprehensive income (loss) includes the after-tax effect of net changes in the fair value of cash flow hedges. The income tax effects associated with these items are also released to net income in the period of the reclassification.

Derivatives

Derivatives are recognized as either assets or liabilities and are measured at fair value. Derivative assets are included in other assets and derivative liabilities are included in other liabilities in the consolidated balance sheets. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and resulting designation:

Cash Flow Hedges – For derivatives designated as cash flow hedges, the changes in the fair value are recorded in other comprehensive income (loss), net of income tax, and subsequently reclassified to earnings when gains or losses are realized. When a cash flow hedge is discontinued, but the hedged cash flows or forecasted transaction is still expected to occur, changes in value that were accumulated in other comprehensive income (loss) are amortized or accreted into earnings over the same periods that the hedged transactions will affect earnings.

Fair Value Hedges – For derivatives designated as fair value hedges, the hedged item is measured at fair value through a basis adjustment recognized on the balance sheet. The changes in fair value of derivatives designated as fair value hedges, as well as the offsetting changes in fair value of the hedged item are recognized in earnings. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. The Bank did not have any fair value hedges at June 30, 2026 and December 31, 2025.

For derivatives not designated as hedges, changes in fair value of the derivative instruments are recognized in earnings, in noninterest income. The Bank did not have any derivatives not designated as hedges at June 30, 2026 and December 31, 2025.

Net accrued interest receivable or payable on derivatives that qualify for hedge accounting are recorded in interest income or interest expense based on the item being hedged. Net accrued interest receivable or payable on derivatives that do not qualify for hedge accounting are reported in noninterest income.

Leases

In accordance with Accounting Standards Codification ("ASC") *Topic 842, Leases*, the Bank records operating lease right-of-use ("ROU") assets and operating lease liabilities relating to operating leases for some of its banking offices. These lease agreements have lease and non-lease components, which are generally accounted for separately. The ROU asset is included in other assets and the operating lease liability is included in other liabilities on the Bank's consolidated balance sheets. At June 30, 2026, both the ROU asset and the corresponding operating lease liability were $1.1 million. Operating lease costs for the six months ended June 30, 2025, were $132,000, as compared to $144,000 for the six months ended June 30, 2026.

The maturities of lease liabilities are as follows at June 30, 2026:

Years	**Amount (In Thousands)**
2026 (remaining six months)	**$ 140**
2027	**284**
2028	**293**
2029	**278**
2030	**169**
Thereafter	**43**
Total lease payments	**1,207**
Imputed interest	**(103)**
Total lease liability	**$ 1,104**

NOTE 2: COMMITMENTS AND CONTINGENCIES

At December 31, 2025 and June 30, 2026, outstanding loan commitments were as follows:

	December 31, 2025	June 30, 2026
	(In Thousands)	
Unused lines of credit	$ 144,401	**$ 148,130**
Commitments to originate loans	56,105	**68,200**
Unadvanced funds on construction loans	145,591	**101,206**
Standby letters-of-credit	69	**191**
Total	$ 346,166	**$ 317,727**

As of June 30, 2026, the Bank was served with a lawsuit filed in Superior Court of the State of California by a commercial customer. The plaintiff alleges Bank liability related to the loss of funds resulting from an alleged breach of the customer's computer systems and subsequent unauthorized wire transfers totaling $2.2 million, of which the Bank recovered $341,000. The Bank denies any wrongdoing in this matter and has retained outside legal counsel. The Bank intends to vigorously defend against the claims. Additionally, the Bank is exploring insurance coverage in the event a loss is incurred, although coverage has not yet been confirmed. While the Bank believes that a loss associated with this matter is not probable, the matter is in its preliminary stages and is possible. Therefore, the Bank cannot reasonably estimate the potential loss or range of loss, if any, at this time.

NOTE 3: DIVIDEND DECLARATION

On June 24, 2026, the Board of Directors declared a cash dividend of $0.63 per share to all stockholders of record as of August 3, 2026, payable on August 12, 2026.

NOTE 4: FAIR VALUES OF ASSETS AND LIABILITIES

Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. 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 is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below. There are no liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total Fair Value
		(In Thousands)		
December 31, 2025				
Equity securities	$ 131,096	$ 19,248	$	$ 150,344
Derivatives - interest rate collar	—	33	—	33
	$ 131,096	$ 19,281	$ —	$ 150,377
June 30, 2026				
Equity securities	**$ 143,259**	**$ 21,202**	**$**	**$ 164,461**
Derivatives - interest rate collar	—	**110**	—	**110**
Total	**$ 143,259**	**$ 21,312**	**$ —**	**$ 164,571**

Assets Measured at Fair Value on a Non-recurring Basis

The Bank may also be required, from time to time, to measure certain other assets on a non-recurring basis in accordance with U.S. GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets.

Notes to Unaudited Consolidated Financial Statements (continued)

There are no assets or liabilities measured at fair value on a non-recurring basis at December 31, 2025 and no liabilities measured at fair value on a non-recurring basis at June 30, 2026. Assets measured at fair value on a non-recurring basis at June 30, 2026 are summarized below.

	Balance as of June 30, 2026	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
		(In Thousands)		
June 30, 2026				
Individually assessed collateral-dependent loans	**$ 28,138**	**$ —**	**$ —**	**$ 28,138**
Foreclosed assets	**4,669**	**—**	**—**	**4,669**
Total	**$ 32,807**	**$ —**	**$ —**	**$ 32,807**

For the valuation of the individually assessed collateral-dependent loans and foreclosed assets, the Bank relies primarily on third-party valuation information from certified appraisers, and values are generally based upon recent appraisals of the underlying collateral, brokers' opinions based upon recent sales of comparable properties and management's assessment of market conditions. Depending on the type of underlying collateral, valuations may be adjusted by management for qualitative factors such as economic factors and estimated liquidation expenses. The range of these possible adjustments may vary. For foreclosed assets, any adjustments to the carrying value subsequent to foreclosure are recognized in current earnings. Management evaluates the specific circumstances of each asset to determine if an updated appraisal or additional valuation discount is warranted.

Summary of Fair Values of Financial Instruments

The estimated fair values, determined using the exit price notion, and related carrying amounts, of the Bank's financial instruments are as follows. Certain financial instruments and all nonfinancial instruments are exempt from disclosure requirements. Accordingly, the aggregate fair value amounts presented herein do not represent the underlying fair value of the Bank.

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
		(In Thousands)		
December 31, 2025				
Financial assets:				
Cash and cash equivalents	$ 369,608	$ 369,608	$ —	$ —
Equity securities	150,344	131,096	19,248	—
Securities held to maturity	7,499	—	—	7,311
Federal Home Loan Bank stock	61,987	—	—	61,987
Loans, net	3,899,008	—	—	3,809,273
Derivatives - interest rate collar	33	—	33	—
Accrued interest receivable	9,213	—	—	9,213
Financial liabilities:				
Deposits	$ 2,548,317	$ —	$ —	$ 2,549,256
Federal Home Loan Bank advances	1,463,815	—	1,472,947	—
Mortgagors' escrow accounts	18,427	—	—	18,427
Accrued interest payable	11,831	—	—	11,831
June 30, 2026				
Financial assets:				
Cash and cash equivalents	**$ 355,164**	**$ 355,164**	**$ —**	**$ —**
Equity securities	**164,461**	**143,259**	**21,202**	**—**
Securities held to maturity	**11,499**	**—**	**—**	**11,396**
Federal Home Loan Bank stock	**59,622**	**—**	**—**	**59,622**
Loans, net	**3,903,907**	**—**	**—**	**3,819,214**
Derivatives - interest rate collar	**110**	**—**	**110**	**—**
Accrued interest receivable	**9,274**	**—**	**—**	**9,274**
Financial liabilities:				
Deposits	**$ 2,593,525**	**$ —**	**$ —**	**$ 2,593,325**
Federal Home Loan Bank advances	**1,405,340**	**—**	**1,405,304**	**—**
Mortgagors' escrow accounts	**20,238**	**—**	**—**	**20,238**
Accrued interest payable	**11,154**	**—**	**—**	**11,154**

NOTE 5: SECURITIES

Securities held to maturity

At December 31, 2025, and June 30, 2026 securities held to maturity totaled $7.5 million and $11.5 million, respectively. These investments consist entirely of debt instruments issued by other banks and bank holding companies. These notes are typically fixed or fixed-to-floating rate and some have call features. At both December 31, 2025 and June 30, 2026, $5.5 million were callable by the issuer quarterly and $2.0 million were callable by the issuer semi-annually beginning in December 2026. In the second quarter of 2026, the Bank made a $4.0 million investment in the subordinated debt of a multi-bank mutual holding company headquartered in Massachusetts.

The Bank intends to hold the bonds until maturity, and therefore they are recorded at amortized cost on the consolidated balance sheets. There was no credit impairment recorded during the quarters ended June 30, 2025 and 2026.

Securities available for sale

At December 31, 2025 and June 30, 2026, there are no securities available for sale outstanding. There were no sales of securities available for sale during the quarters ended June 30, 2025 and 2026.

Equity securities

At December 31, 2025 and June 30, 2026, equity securities include a $9.0 million and $9.0 million investment in the Community Reinvestment Act Qualified Investment Fund, respectively, and a $141.3 million and $155.5 million investment in marketable common equity securities, respectively.

The Bank did not sell any equity securities in the three months ended June 30, 2025. For the three months ended June 30, 2026, proceeds from sales of equity securities amounted to $5.4 million. Unrealized gains recognized during the second quarter of 2025 on securities still held at June 30, 2025 were $2.5 million, as compared to $18.0 million recognized during the second quarter of 2026 on securities still held at June 30, 2026.

For the six months ended June 30, 2025, proceeds from sales of equity securities amounted to $179,000, as compared to $15.7 million for the six months of 2026. The proceeds for the first six months of 2026 reflected primarily the partial sale of the Bank's marketable equity investment in Alphabet, which remained the Bank's largest equity investment at June 30, 2026. Unrealized gains recognized during the first six months of 2025 on securities still held at June 30, 2025 were $3.8 million, as compared to $7.6 million recognized during the first six months of 2026 on securities still held at June 30, 2026.

NOTE 6: LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

Loans by category

A summary of the balances of loans outstanding is as follows:

	December 31, 2025	June 30, 2026
	(In Thousands)	
Real estate loans:		
Residential	$ 435,741	**$ 433,998**
Commercial	3,304,882	**3,299,542**
Construction	156,430	**171,274**
Home equity	29,808	**28,400**
Total real estate loans	3,926,861	**3,933,214**
Other loans:		
Commercial	30	**93**
Consumer	672	**155**
Total other loans	702	**248**
Total loans	3,927,563	**3,933,462**
Allowance for credit losses	(28,555)	**(29,555)**
Loans, net	$ 3,899,008	**$ 3,903,907**

A blanket lien on "qualified collateral," defined principally as 75-80% of the market value of first mortgage loans on certain owner-occupied and non-owner-occupied residential property, 70% of the market value of first mortgage loans on certain multi-family residential property and 68% of the market value of loans on certain commercial property, is used to secure borrowings from the Federal Home Loan Bank ("FHLB"). Additionally, the Bank has pledged the bulk of its home equity portfolio and certain construction, residential and commercial real estate loans to secure borrowings from the Federal Reserve's Discount Window.

Delinquencies

The following is a summary of past due loans at December 31, 2025 and June 30, 2026:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due (1)	Total Past Due	Current (2)	Total
			(In Thousands)			
December 31, 2025						
Residential real estate	$ 627	$ 182	$ —	$ 809	$ 434,932	$ 435,741
Commercial real estate	1,528	—	30,638	32,166	3,272,716	3,304,882
Construction	—	—	—	—	156,430	156,430
Home equity	79	—	584	663	29,145	29,808
Consumer	—	—	—	—	672	672
Commercial	—	—	—	—	30	30
Total loans	$ 2,234	$ 182	$ 31,222	$ 33,638	$ 3,893,925	$ 3,927,563
June 30, 2026						
Residential real estate	$ —	**$ —**	**$ 20**	**$ 20**	**$ 433,978**	**$ 433,998**
Commercial real estate	**—**	**—**	**30,638**	**30,638**	**3,268,904**	**3,299,542**
Construction	**—**	**—**	**—**	**—**	**171,274**	**171,274**
Home equity	**391**	**—**	**—**	**391**	**28,009**	**28,400**
Consumer	**—**	**—**	**—**	**—**	**155**	**155**
Commercial	**—**	**—**	**—**	**—**	**93**	**93**
Total loans	$ **391**	**$ —**	**$ 30,658**	**$ 31,049**	**$ 3,902,413**	**$ 3,933,462**

(1) All loans greater than 90 days past due were on non-accrual status at December 31, 2025 and June 30, 2026.
(2) Includes $79,000 of nonaccrual at June 30, 2026. There were no current loans on nonaccrual at December 31, 2025.

Non-accrual loans

The following is information pertaining to non-accrual loans at December 31, 2025 and June 30, 2026:

	As of December 31, 2025		As of June 30, 2026	
	Non-accrual Loans With No ACL	Total Non-accrual Loans	Non-accrual Loans With No ACL	Total Non-accrual Loans
		(In Thousands)		
Residential real estate	$ —	$ —	**$ 20**	**$ 20**
Commercial real estate	30,638	30,638	—	**30,638**
Home equity	584	584	**79**	**79**
Total loans	$ 31,222	$ 31,222	**$ 99**	**$ 30,737**

Nonaccrual loans at both December 31, 2025 and June 30, 2026 include a $30.6 million commercial real estate loan secured by an entitled development site for a significant multifamily development in Washington, D.C. Certain performance obligations, including but not limited to the payment of real estate taxes, are unconditionally guaranteed by a large publicly traded national homebuilder as well as an affordable housing developer headquartered in New York City. These parties have also conditionally guaranteed payment with respect to losses suffered in the event of certain triggers, although they did not fully guarantee all payments unconditionally. The Bank has not yet initiated any litigation with respect to the conditional guarantee, as it would first require the realization of loss, if any. As of June 30, 2026, the Bank had a $2.5 million specific reserve for this loan, included in the ACL. There was no specific reserve associated with this loan at December 31, 2025.

No additional funds are committed to be advanced in connection with nonaccrual loans. Interest income on nonaccrual loans is recognized on a cash basis when and if actually collected. Total interest income recognized on nonaccrual loans for the three and six months ended June 30, 2026 and June 30, 2025 was not material.

Allowance for Credit Losses

An analysis of the activity in the allowance for credit losses, by segment, for the periods ended June 30, 2026 and June 30, 2025 follows:

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity (In Thousands)	Commercial	Consumer	Total
Six months ended June 30, 2026							
Balance December 31, 2025	**$ 2,475**	**$ 22,402**	**$ 3,139**	**$ 537**	**$ —**	**$ 2**	**$ 28,555**
Loans charged off	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Recoveries of loans previously charged off	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Provision for (release-of) credit losses	**(141)**	**766**	**427**	**(52)**	**1**	**(1)**	**1,000**
Balance June 30, 2026	**$ 2,334**	**$ 23,168**	**$ 3,566**	**$ 485**	**$ 1**	**$ 1**	**$ 29,555**
Three months ended June 30, 2026							
Balance March 31, 2026	**$ 2,187**	**$ 23,134**	**$ 3,212**	**$ 520**	**$ 1**	**$ 1**	**$ 29,055**
Loans charged off	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Recoveries of loans previously charged off	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Provision for (release-of) credit losses	**147**	**34**	**354**	**(35)**	**—**	**—**	**500**
Balance June 30, 2026	**$ 2,334**	**$ 23,168**	**$ 3,566**	**$ 485**	**$ 1**	**$ 1**	**$ 29,555**

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity (In Thousands)	Commercial	Consumer	Total
Six months ended June 30, 2025							
Balance December 31, 2024	$ 2,289	$ 20,822	$ 3,428	$ 436	$ —	$ 5	$ 26,980
Loans charged off	—	—	—	—	—	—	—
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Provision for (release-of) credit losses	290	(17)	358	113	—	6	750
Balance June 30, 2025	$ 2,579	$ 20,805	$ 3,786	$ 549	$ —	$ 11	$ 27,730
Three months ended June 30, 2025							
Balance March 31, 2025	$ 2,389	$ 20,646	$ 3,822	$ 421	$ —	$ 2	$ 27,280
Loans charged off	—	—	—	—	—	—	—
Recoveries of loans previously charged off	—	—	—	—	—	—	—
Provision for (release-of) credit losses	190	159	(36)	128	—	9	450
Balance June 30, 2025	$ 2,579	$ 20,805	$ 3,786	$ 549	$ —	$ 11	$ 27,730

The $1.0 million provision for credit loss expense for the first six months of 2026 was driven by the specific reserve discussed above, market conditions, and loan growth over the period. The Bank evaluated the unfunded commitments as of June 30, 2026 and June 30, 2025 and determined the amount required was not material.

Credit Quality Indicators

The Bank uses a seven-grade internal rating system for residential real estate, commercial real estate and construction loans:

Loans rated 1-3C: Loans in this category are considered "pass" rated with low to average risk. The 3C category is only applicable to construction loans and represents loans that are subject to elevated monitoring, such as loans with increased project or capital structure complexity or loans experiencing delays in construction.

Notes to Unaudited Consolidated Financial Statements (continued)

Loans rated 4: Loans in this category are considered "special mention." These loans are currently protected, but exhibit conditions that have the potential for weakness. The borrower may be affected by unfavorable economic, market or other external conditions that may affect their ability to repay the debt. These may also include credits where there is deterioration of the collateral or have deficiencies which may affect our ability to collect on the collateral. This rating is consistent with the "Other Assets Especially Mentioned" category used by the Federal Deposit Insurance Corporation ("FDIC").

Loans rated 5: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Bank will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

Commercial real estate loans are assigned an initial risk rating by the Bank at the origination of the loan. Subsequently, the Bank has a quality control program performed by an independent second party. Quarterly, all new commercial real estate, construction and residential real estate loan relationships with outstanding balances or commitments of $500,000 or more are reviewed and assigned a risk rating. Loans in the Bank's watchlist are reviewed quarterly and an in-depth review is performed twice a year on all commercial real estate relationships (and related residential loans) with exposure in excess of $850,000. Commercial real estate relationships (and related residential loans) with exposure between $500,000 and $850,000 are reviewed at least annually. Watchlist loans are those loans that are more than two payments past due at the end of the quarter, loans for which the borrowing entity or sponsor has filed bankruptcy, loans rated four or higher in a previous review, individually assessed loans, loan modifications made to borrowers experiencing financial difficulty, and loans past contractual maturity. Results of the independent loan review are reported to the Bank's Audit Committee on a quarterly basis and become the mechanism for monitoring the overall credit quality of the portfolio.

The following tables presents the Bank's loans by risk rating as of December 31, 2025:

	As of December 31, 2025								
	Term loans amortized cost basis by origination year								
Rating	**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving loans**	**Revolving loans converted to term**	**Total**
					(In Thousands)				
Residential Real Estate:									
1- 3B	$ 26,947	$ 17,916	$ 21,224	$ 33,519	$ 64,778	$ 271,246	$ —	$ —	$ 435,630
4	—	—	—	—	—	111	—	—	111
5	—	—	—	—	—	—	—	—	—
Total	$ 26,947	$ 17,916	$ 21,224	$ 33,519	$ 64,778	$ 271,357	$ —	$ —	$ 435,741
Commercial Real Estate:									
1- 3B	$ 258,586	$ 168,454	$ 247,143	$ 994,103	$ 730,636	$ 813,586	$ 53,267	$ —	$ 3,265,775
4	—	—	—	—	—	8,469	—	—	8,469
5	—	—	—	—	30,638	—	—	—	30,638
Total	$ 258,586	$ 168,454	$ 247,143	$ 994,103	$ 761,274	$ 822,055	$ 53,267	$ —	$ 3,304,882
Construction:									
1- 3C	$ 69,012	$ 48,417	$ 22,840	$ 12,503	$ —	$ —	$ —	$ —	$ 152,772
4	—	—	3,658	—	—	—	—	—	3,658
5	—	—	—	—	—	—	—	—	—
Total	$ 69,012	$ 48,417	$ 26,498	$ 12,503	$ —	$ —	$ —	$ —	$ 156,430

The following tables presents the Bank's loans by risk rating as of June 30, 2026:

	As of June 30, 2026								
	Term loans amortized cost basis by origination year								
Rating	Six months ended June 30, 2026	2025	2024	2023	2022	Prior	Revolving loans	Revolving loans converted to term	Total
					(In Thousands)				
Residential Real Estate:									
1- 3B	$ 23,715	$ 19,940	$ 16,339	$ 18,395	$ 32,569	$ 322,664	$ —	$ —	$ 433,622
4	—	—	—	—	—	376	—	—	376
5	—	—	—	—	—	—	—	—	—
Total	$ 23,715	$ 19,940	$ 16,339	$ 18,395	$ 32,569	$ 323,040	$ —	$ —	$ 433,998
Commercial Real Estate:									
1- 3B	$ 134,572	$ 261,239	$ 171,124	$ 242,903	$ 956,521	$ 1,449,876	$ 51,942	$ —	$ 3,268,177
4	—	—	—	—	—	727	—	—	727
5	—	—	—	—	—	30,638	—	—	30,638
Total	$ 134,572	$ 261,239	$ 171,124	$ 242,903	$ 956,521	$ 1,481,241	$ 51,942	$ —	$ 3,299,542
Construction:									
1- 3C	$ 12,644	$ 69,698	$ 56,952	$ 19,477	$ 12,503	$ —	$ —	$ —	$ 171,274
4	—	—	—	—	—	—	—	—	—
5	—	—	—	—	—	—	—	—	—
Total	$ 12,644	$ 69,698	$ 56,952	$ 19,477	$ 12,503	$ —	$ —	$ —	$ 171,274

Residential real estate loans are rated 1-3B at origination with subsequent adjustments based on delinquency or upon review if included in the scope of the Bank's loan review process described above. For home equity, consumer and commercial loans, management uses delinquency reports as the key credit quality indicator.

The Bank did not record any charge-offs in the three and six months ended June 30, 2025 or 2026.

NOTE 7: DERIVATIVE FINANCIAL INSTRUMENTS

The Bank's derivative financial instruments are primarily used to manage differences in the amount, timing, and duration of the Bank's known or expected cash receipts and its known or expected cash payments, to manage interest rate risk ("IRR").

IRR management agreements, such as swaps, caps, floors, and collars, may be used from time to time as part of the Bank's IRR management strategy. Interest rate swaps are agreements in which the Bank and another party agree to exchange interest payments (e.g., fixed-rate for variable-rate payments or variable-rate for fixed-rate payments) computed on a notional principal amount. Interest rate caps and floors represent options purchased by the Bank to manage the interest rate paid throughout the term of the option contract. An interest rate collar is a derivative instrument that represents simultaneously buying an interest rate cap and selling an interest rate floor over the same term. The credit risk associated with these transactions is the risk of default by the counterparty. To minimize this risk, the Bank enters into interest rate agreements only with highly rated counterparties that management believes to be creditworthy. The notional amounts of these agreements do not represent amounts exchanged by the parties and, thus, are not a measure of the potential loss exposure.

The Bank does not hold or issue derivative financial instruments for trading or speculative purposes and formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for entering into hedge transactions at inception. The Bank assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments used are highly effective in offsetting changes in cash flows of the hedged items.

Notes to Unaudited Consolidated Financial Statements (concluded)

Interest Rate Risk Management Agreements

Cash Flow Hedging Instruments: As of June 30, 2026, the Bank was party to a $25.0 million notional forward starting interest rate collar that was designated as a cash flow hedge. This cash flow hedge, which was executed to hedge the interest rate risk associated with short-term FHLB advances indexed to the Secured Overnight Financing Rate, has a starting date in March of 2026 and a term of two and one-half years. The collar, which consists of a 4.5% cap and a 1.0% floor, had a fair value of $110,000 at June 30, 2026, as compared to $33,000 at December 31, 2025, included in other assets in the consolidated balance sheets. The Bank elected to exclude the time value component of the collar (i.e. the net premium) from hedge effectiveness testing and amortize it as a component of interest expense on a straight-line basis over the term of hedging relationship.

There was no accrued interest receivable included in the fair value of derivative assets at June 30, 2026. During the three and six months ended June 30, 2026, the Bank recognized an after-tax gain of $26,000 and $61,000, respectively, recorded in accumulated other comprehensive income (loss). Amounts reclassified from other comprehensive income (loss) into income are reflected in Interest Expense - Federal Home Loan Bank advances.

At June 30, 2026, the Bank expects approximately $16,600 of the unrealized losses in other comprehensive income (loss) to be reclassified into interest expense over the next twelve months. The Bank expects the hedges to remain effective over the term of the collar.

The Bank had no derivatives instruments at June 30, 2025.

NOTE 8: RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Issued But Yet Not Adopted

In December 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2025-11 *"Interim Reporting (Topic 270): Narrow-Scope Improvements*” to improve the clarity and consistency of interim financial reporting. The update reorganizes the existing guidance in ASC 270 and introduces a disclosure principle that requires an entity to provide information about significant events or transactions that have occurred since the end of the most recent annual reporting period and have a material impact on the entity. This ASU is effective for public business entities for interim periods within fiscal years beginning after December 15, 2027 (e.g., January 1, 2028, for the Bank), with early adoption permitted. As this ASU is focused on disclosure and presentation, its adoption is not expected to have a material impact on the Bank’s consolidated financial position or results of operations.

In January 2025, the FASB issued ASU 2025-01, *“Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date”,* to refine the transition timeline for new disclosure requirements regarding the disaggregation of certain expense categories originally included in FASB ASU 2024-03, *“Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses”*. The underlying guidance requires public business entities to disclose, in a tabular format, specific natural expense categories – such as employee compensation, depreciation, and amortization – that are included in relevant functional line items on the income statement. This ASU is effective for the Bank for annual reporting periods beginning after December 15, 2026 (e.g., January 1, 2027, for the Bank), and for interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Bank may apply the amendments either prospectively or retrospectively to all periods presented. As this ASU is focused on disclosure and presentation, its adoption is not expected to have a material impact on the Bank’s consolidated financial position or results of operations; however, it may impact footnote disclosures related to the Bank’s non-interest expenses.

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

Cautionary Note Regarding Forward-Looking Statements

The following discussion of the financial condition and results of operations of the Bank should be read in conjunction with the Consolidated Financial Statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2025. Matters discussed in this Quarterly Report on Form 10-Q and in our public disclosures, whether written or oral, relating to future events or our future performance, including any discussion, expressed or implied, of our anticipated growth, operating results, future earnings per share, plans and objectives, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are often identified by the words "believe," "plan," "estimate," "project," "target," "continue," "intend," "expect," "future," "anticipate," and similar expressions that are not statements of historical fact. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, including changes in political and economic climate, interest rate fluctuations and competitive product and pricing pressures within the Bank's market, bond market fluctuations, personal and corporate customers' bankruptcies and inflation. Our actual results and timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those set forth under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in our other public filings with the Federal Deposit Insurance Corporation ("FDIC"). It is routine for internal projections and expectations to change as the year or each quarter in the year progresses and, therefore, it should be clearly understood that all forward-looking statements and the internal projections and beliefs upon which we base our expectations included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q and may change. While we may elect to update forward-looking statements at some point in the future, we do not undertake any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

SIGNIFICANT ACCOUNTING POLICIES; CRITICAL ACCOUNTING ESTIMATES

The Bank's consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of consolidated financial statements requires management to make judgments involving significant estimates and assumptions in the application of certain of its accounting policies about the effects of matters that are inherently uncertain. These estimates and assumptions, which may materially affect the reported amounts of certain assets, liabilities, revenues and expenses, are based on information available as of the date of the consolidated financial statements, and changes in this information over time could materially impact amounts reported in the consolidated financial statements as a result of the use of different estimates and assumptions. Certain accounting policies, by their nature, have a greater reliance on the use of estimates and assumptions and could produce results materially different from those originally reported.

Based on the sensitivity of financial statement amounts to the methods, estimates and assumptions underlying reported amounts, the most significant accounting estimate followed by the Bank has been identified by management as the determination of the allowance for credit losses ("ACL"). This policy requires the most subjective and complex judgments and, as such, could be most subject to revision as new information becomes available. An understanding of the judgments, estimates and assumptions underlying this accounting estimate is essential in order to understand the Bank's reported financial condition and results of operations.

In developing the ACL estimate, management considers historical charge-offs, loan-to-value ratios, underlying collateral values, payment history, the size of the loan portfolio and the risks associated with certain loan types as well as other factors such as local economic trends, market conditions and credit concentrations. The Bank's ACL estimate is determined using a probability-of-default / loss-given default undiscounted cash flow model ("Model"), adjusted by management's qualitative factors. Given the Bank's long term history of immaterial net charge-offs, the Model relies on statistical information derived from the loss experience of an index composed of other community banks, and is largely dependent on management's qualitative factors, which are determined based on the elements described above. Therefore, the estimate is sensitive to the Model's parameters and assumptions, and management's subjectivity in the assessment of the qualitative factors.

If management's assumptions and judgments prove to be incorrect and the ACL is inadequate to absorb expected losses, or if bank regulatory authorities require the Bank to increase the ACL as a part of their examination process, the Bank's earnings and capital could be significantly and adversely affected.

Note on Core Return on Average Equity and Core Return on Average Assets

In accordance with Accounting Standards Codification *Topic 321, Investments - Equity Securities*, equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are measured at fair value with changes in fair value recognized in the consolidated statements of net income, regardless of whether such gains and losses are realized, and included in the other income (loss) category. Understanding this accounting standard is important to understanding the Bank's quarterly financials statements, as it determines the U.S. GAAP income and loss, if any, associated with the Bank's portfolio of marketable equity securities, which includes common equity securities and a mutual fund which invests in securities which qualify for the Community Reinvestment Act ("CRA") securities test. This portfolio primarily includes common equity investments, which the Bank views as long-term partnership interests in operating companies. Consequently the Bank does not view the quarterly fluctuation in market value as indicative of the change in the intrinsic value of these portfolio holdings. The performance of these holdings should be evaluated on the basis of their contribution to growth in book value per share over time, not via quarterly adjustments to net income.

Consistent with this view, "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporates core net income, core return on average equity, and core return on average assets, which are non-U.S. GAAP measurements that exclude the after-tax effect of gain (loss) on equity securities, net, both realized and unrealized. These disclosures should not be viewed as a substitute for financial results determined in accordance with U.S. GAAP, nor are they necessarily comparable to non-U.S. GAAP performance measures which may be presented by other companies.

The table below presents the reconciliation between net income and core net income for the three and six months ended June 30, 2025 and 2026:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, unaudited)	2025	2026	2025	2026
Non-U.S. GAAP reconciliation:				
Net income	$ 9,414	**$ 25,443**	$ 16,538	**$ 28,294**
Gain on equity securities, net	(2,516)	**(18,953)**	(3,797)	**(9,033)**
Income tax expense (1)	555	**4,178**	837	**1,991**
Core net income	$ 7,453	**$ 10,668**	$ 13,578	**$ 21,252**

(1) The equity securities are held in a tax-advantaged subsidiary corporation, the Hingham Unpledged Securities Corporation. The income tax effect of the gain on equity securities, net, was calculated using the effective tax rate applicable to the subsidiary.

The efficiency ratio, which represents total operating expenses, divided by the sum of net interest income and total other income, excluding net gain on equity securities, is a non-U.S. GAAP performance measure the management uses to assess operational efficiency. The table below presents the calculation of the efficiency ratio for the three and six months ended June 30, 2025 and 2026:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, unaudited)	2025	2026	2025	2026
Non-U.S. GAAP efficiency ratio calculation:				
Operating expenses	$ 7,546	**$ 8,976**	$ 15,016	**$ 16,800**
Net interest income	$ 18,039	**$ 23,606**	$ 34,075	**$ 45,738**
Other income	2,807	**19,310**	4,356	**9,693**
Gain on equity securities, net	(2,516)	**(18,953)**	(3,797)	**(9,033)**
Total revenue	$ 18,330	**$ 23,963**	$ 34,634	**$ 46,398**
Efficiency ratio	41.17 %	**37.46 %**	43.36 %	**36.21 %**

As the efficiency ratio can be significantly influenced by the level of net interest income, the Bank also utilizes annualized operating expenses as a percentage of average assets to evaluate operational efficiency.

INTRODUCTION

Net income for the quarter ended June 30, 2026 was $25,443,000 or $11.59 per share basic and $11.49 per share diluted, as compared to $9,414,000 or $4.32 per share basic and $4.28 per share diluted in earnings for the second quarter of 2025. The Bank's annualized return on average equity for the second quarter of 2026 was 20.38%, and the annualized return on average assets was 2.25%, as compared to 8.43% and 0.85% for the same period in 2025. Core net income for the second quarter of 2026, which represents net income excluding the after-tax net gain on equity securities, both realized and unrealized, was $10,668,000 or $4.86 per share basic and $4.82 per share diluted, representing an annualized core return on average equity of 8.55% and an annualized core return on average assets of 0.94%. This compares to core net income of $7,453,000 or $3.42 per share basic and $3.39 per share diluted, representing an annualized core return on average equity of 6.67% and an annualized core return on average assets of 0.67% for the same period in 2025.

Net income for the six months ended June 30, 2026 was $28,294,000 or $12.92 per share basic and $12.80 per share diluted as compared to $16,538,000 or $7.58 per share basic and $7.52 per share diluted for the same period last year. The Bank's annualized return on average equity for the first six months of 2026 was 11.45%, and the annualized return on average assets was 1.25%, as compared to 7.45% and 0.75% for the same period in 2025. Excluding the after-tax net gain on equity securities, both realized and unrealized, core net income for the six months ended June 30, 2026 was $21,252,000 or $9.70 per share basic and $9.61 per share diluted, representing an annualized core return on average equity of 8.60% and an annualized core return on average assets of 0.94%.

This compares to core net income of $13,578,000 or $6.23 per share basic and $6.17 per share diluted, representing an annualized core return on average equity of 6.12% and an annualized core return on average assets of 0.61% for the same period in 2025.

The net interest margin for the second quarter of 2026 increased 48 basis points to 2.14%, as compared to 1.66% for the same period in 2025. This improvement was the result of growth in non-interest-bearing deposits and a decline in the cost of interest-bearing liabilities. The cost of interest-bearing liabilities fell 40 basis points in the second quarter of 2026, as the Bank's retail and commercial deposits continued to reprice at lower rates, and the Bank continued to take advantage of the inverted yield curve by rolling over maturing Federal Home Loan Bank of Boston ("FHLB") advances and brokered deposits at lower rates. The yield on interest-earning assets increased by eight basis points in the second quarter of 2026, driven primarily by a higher yield on loans, as the Bank continued to originate loans at higher rates and reprice existing loans, partially offset by a lower rate on cash held at the Federal Reserve Bank of Boston ("FRBB").

The net interest margin for the six months ended June 30, 2026 increased 51 basis points to 2.09%, as compared to 1.58% for the same period last year. This improvement was the result of growth in non-interest-bearing deposits and a decline in the cost of interest-bearing liabilities. The cost of interest-bearing liabilities fell 43 basis points in the first six months of 2026, as the Bank's retail and commercial deposits continued to reprice at lower rates, and the Bank continued rolling over maturing Federal Home Loan Bank of Boston ("FHLB") advances and brokered deposits at lower rates. The yield on interest-earning assets increased by 10 basis points in the first six months of 2026, driven primarily by a higher yield on loans, as the Bank continued to originate loans at higher rates and reprice existing loans, partially offset by a lower rate on cash held at the Federal Reserve Bank of Boston ("FRBB").

Total assets increased by $13.9 million from December 31, 2025 and $17.4 million from June 30, 2025, representing 0.6% annualized growth year-to-date and 0.4% growth from June 30, 2025. Net loans increased by $4.9 million from December 31, 2025 but decreased $27.8 million from June 30, 2025, representing 0.3% annualized growth year-to-date and a 0.7% decline from June 30, 2025. Total deposits, including wholesale deposits, increased to $2.594 billion at June 30, 2026, representing 3.5% annualized growth year-to-date and 4.7% growth from June 30, 2025. Total retail and business deposits were $2.084 billion at June 30, 2026, representing 2.7% annualized growth from December 31, 2025 and 4.3% growth from June 30, 2025. Non-interest-bearing deposits, included in retail and business deposits, were $504.2 million at June 30, 2026, representing 15.6% annualized growth year-to-date and 15.2% growth from June 30, 2025. In the first six months of 2026, the Bank continued to focus on developing and deepening deposit relationships with new and existing commercial, institutional and non-profit customers, retaining maturing time deposit balances, and managing its wholesale funding mix between wholesale time deposits and FHLB advances, while capturing the benefit of declining short term rates in the cost of funds. In recent months, geopolitical disruptions in the Middle East have triggered severe oil price shocks, renewing inflation concerns and prompting markets to price in a higher-for-longer interest rate environment, which has caused the forward curve to steepen.

Stockholders' equity increased to $507.4 million as of June 30, 2026, representing 11.6% annualized growth year-to-date and a 13.8% increase from June 30, 2025. Book value per share increased to $230.83 per share at June 30, 2026, from $219.82 per share at December 31, 2025 and $204.36 per share at June 30, 2025. Since June 30, 2025, the Bank declared dividends of $3.22 per share.

Key credit and operational metrics remained acceptable in the second quarter of 2026. At June 30, 2026, non-performing assets totaled 0.78% of total assets, compared with 0.69% at December 31, 2025 and 0.70% at June 30, 2025. Non-performing loans as a percentage of the total loan portfolio totaled 0.78% at June 30, 2026, as compared to 0.80% at December 31, 2025 and 0.81% at June 30, 2025.

The efficiency ratio, which represents total operating expenses, divided by the sum of net interest income and total other income, excluding net gain on equity securities, decreased to 37.46% for the second quarter of 2026, as compared to 41.17% in the same period last year. Operating expenses (annualized) as a percentage of average assets increased to 0.79% for the second quarter of 2026, as compared to 0.68% for the same period last year. As the efficiency ratio can be significantly influenced by the level of net interest income, the Bank utilizes these paired figures together to assess its operational efficiency over time. During periods of significant net interest income volatility, the efficiency ratio in isolation may over or understate the underlying operational efficiency of the Bank. Both metrics were adversely impacted by a $928,000 estimated one-time termination fee due to Fiserv associated with the Bank's implementation of a new online banking platform with Q2 Technologies (expected to go live in the second half of 2026) and a $201,000 operational loss from a home equity line of credit fraud-related settlement, recorded in the second quarter of 2026. Management expects the termination fee above will be offset by lower ongoing costs over the term of the new agreement. These expenses, which were recorded under other general and administrative expenses in the consolidated statements of net income, were not excluded for the purposes of calculating core net income, the efficiency ratio or operating expenses as a percentage of average assets. As a reminder, in calculating core net income, the Bank does not make any adjustments other than those relating to the after-tax net gain on equity securities, both realized and unrealized.The Bank remains focused on reducing waste through an ongoing process of continuous improvement and standard work that supports operational leverage. These figures reflect the Bank's continued focus on credit quality and disciplined expense management.

The Bank continues to exceed all of the minimum regulatory capital requirements.

RESULTS OF OPERATIONS
COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 2026 AND 2025

General

The Bank reported net income of $25.4 million for the quarter ended June 30, 2026 as compared to $9.4 million for the quarter ended June 30, 2025. Net income was $11.59 per share basic and $11.49 diluted for the quarter ended June 30, 2026 as compared to $4.32 per share basic and $4.28 per share diluted for the same period in 2025. Earnings for the quarter ended June 30, 2026 were positively impacted by an increase of $5.6 million in net interest income and an increase of $16.5 million in other income, partially offset by an increase of $4.6 million in the income tax provision, a $1.4 million increase in operating expenses and a $50,000 increase in the provision for credit losses. The Bank's annualized return on average equity for the quarter ended June 30, 2026 was 20.38%, and the annualized return on average assets was 2.25%, compared to 8.43% and 0.85%, respectively, for the same period in 2025.

Core net income for the second quarter of 2026, which represents net income excluding the after-tax net gain on equity securities, both realized and unrealized, was $10.7 million or $4.86 per share basic and $4.82 per share diluted, representing an annualized core return on average equity of 8.55% and an annualized core return on average assets of 0.94%. This compares to core net income of $7.5 million or $3.42 per share basic and $3.39 per share diluted, representing an annualized core return on average equity of 6.67% and an annualized core return on average assets of 0.67% for the same period in 2025.

Net Interest Income

Net interest income was $23.6 million for the second quarter of 2026, as compared to $18.0 million for the second quarter of 2025. The $5.6 million increase was due to a 48 basis point increase in the weighted average spread, combined with a $61.8 million, or 1.4%, increase in average interest-earning assets in the three months ended June 30, 2026, as compared to the same period in 2025. For the quarter ended June 30, 2026, the weighted average rate spread and net interest margin were 1.43% and 2.14%, respectively, compared to 0.95% and 1.66%, respectively, for the quarter ended June 30, 2025. Average interest-bearing liabilities decreased by $51.2 million, or 1.4% and the rate paid on interest-bearing liabilities decreased by 40 basis points during the same period.

Following a period of increasing and elevated short term market rates, the Federal Reserve began lowering the federal funds rate target range in the second half of 2024, and after remaining on hold for several months, reduced the federal funds rate target range again in September, October and December of 2025. As a result, the Bank experienced a significant decline in the cost of interest-bearing liabilities in the second quarter of 2026 when compared to the prior year, driven primarily by the repricing of the Bank's funding sources, as the Bank began to reduce retail and commercial deposit rates and to take advantage of the inverted yield curve by rolling over maturing longer term FHLB advances and brokered deposits. At the same time, the funding mix continued to shift positively towards lower cost deposits, with average non-interest bearing deposits increasing by 18.2% in the second quarter of 2026 when compared to the same period in the prior year. During this period, long term rates remained above prior cycles lows, allowing the Bank to reprice existing adjustable loans and originate new loans at favorable rates, contributing to a gradual increase in the yield on interest-earning assets. This was the ninth consecutive quarter, since the beginning of the recent cycle, that the Bank's quarterly net interest margin expanded, and the eighth consecutive quarter of expansion versus the prior year comparable quarter.

Interest and dividend income increased by $1.6 million to $52.9 million for the second quarter of 2026, as compared to $51.3 million for the second quarter of 2025, driven by an increase in both the average balance and the yield on interest-earning assets. The yield on total interest-earning assets was 4.79% for the quarter ended June 30, 2026, as compared to 4.71% for the quarter ended June 30, 2025.

Interest income on loans increased by $1.3 million when comparing the two periods, primarily resulting from a 17 basis point increase in yield, partially offset by a 0.7% decline in average loan balances.

Securities and short-term investments, which include the Bank's cash holdings at the FRBB, accounted for 11.3% of the total average interest-earning assets for the quarter ended June 30, 2026 compared to 9.5% for the quarter ended June 30, 2025. The increase was driven by the Bank extending some liabilities at lower interest rates, which has resulted in the Bank maintaining a larger cash balance at the FRBB without incurring an immediate carrying cost. This increase was also driven, to a lesser extent, by an increase in the fair value of the Bank's equity securities portfolio when compared to the prior year. Combined income for these categories increased by $255,000 when comparing the two periods, primarily due to a $88.6 million increase in combined average balances, partially offset by lower average yields. The decline in yields reflected primarily a lower interest on the Bank's cash held at the FRBB and a lower dividend on the FHLB stock investment.

The average rate on interest-bearing liabilities decreased to 3.36% for the second quarter of 2026 from 3.76% for the comparable quarter of 2025. Total interest expense decreased by $4.0 million when comparing the quarters ended June 30, 2026 and 2025 due to lower interest rates on deposits and borrowings, combined with a lower average balance.

Interest expense on interest-bearing deposits for the second quarter of 2026 decreased by $2.3 million over the same period in 2025, due to a 43 basis point decrease in the weighted average rate, combined with a decrease of $1.5 million in average interest-bearing deposits. After a period of rising market pricing for term deposits, money market accounts, and wholesale funds, which was driven by increasing short-term market rates and intense competition, both from other banks as well as the U.S. Treasury fixed income securities, the Bank began to benefit from a decline in funding costs in late 2024 and 2025, as the Federal Reserve began to reduce the federal funds target rate range. During this period, the Bank continued to manage core product rates, implemented special offerings, and continued to use wholesale time deposits to remain competitive while balancing cost versus growth.

Interest expense on borrowed funds for the second quarter of 2026 decreased by $1.7 million as compared to the same quarter in 2025, primarily due to a 34 basis point decline in the weighted average rate, combined with a $49.7 million decrease in average balances. The decrease in the FHLB borrowings rate was primarily driven by the lower short-term market rates and the Bank's actions taken to benefit from the inverted yield curve by extending maturing advances.

The following tables detail components of net interest income and yields/rates on daily average earning assets/liabilities.

	Three Months Ended June 30,					
	2025			2026		
	AVERAGE BALANCE(8)	INTEREST	YIELD/ RATE (9)	AVERAGE BALANCE(8)	INTEREST	YIELD/ RATE (9)
	(In Thousands)					
Loans (1) (2)	$ 3,952,477	$ 46,752	4.74 %	**$ 3,925,640**	**$ 48,093**	**4.91** %
Securities (3) (4)	135,541	1,462	4.33	**148,050**	**1,533**	**4.15**
Federal Reserve and other short-term investments	277,146	3,072	4.45	**353,225**	**3,256**	**3.70**
Total interest-earning assets	4,365,164	51,286	4.71	**4,426,915**	**52,882**	**4.79**
Other assets	78,230			**105,849**		
Total assets	$ 4,443,394			**$ 4,532,764**		
Interest-bearing deposits (5)	$ 2,102,662	17,841	3.40	**$ 2,101,178**	**15,582**	**2.97**
Borrowed funds	1,448,078	15,406	4.27	**1,398,343**	**13,694**	**3.93**
Total interest-bearing liabilities	3,550,740	33,247	3.76	**3,499,521**	**29,276**	**3.36**
Demand deposits	429,537			**507,665**		
Other liabilities	16,378			**26,204**		
Total liabilities	3,996,655			**4,033,390**		
Stockholders' equity	446,739			**499,374**		
Total liabilities and stockholders' equity	$ 4,443,394			**$ 4,532,764**		
Net interest income		$ 18,039			**$ 23,606**	
Weighted average spread			0.95 %			**1.43** %
Net interest margin (6)			1.66 %			**2.14** %
Average interest-earning assets to average interest-bearing liabilities (7)	122.94 %			**126.50 %**		

(1) Before allowance for credit losses.
(2) Includes average non-accrual loans.
(3) Excludes the impact of the average net unrealized gain or loss on securities.
(4) Includes Federal Home Loan Bank stock.
(5) Includes mortgagors' escrow accounts.
(6) Net interest income divided by average total interest-earning assets.
(7) Total interest-earning assets divided by total interest-bearing liabilities.
(8) Average balances are calculated on a daily basis.
(9) Annualized based on the actual number of days in the period.

The following table presents information regarding changes in interest and dividend income and interest expense of the Bank for the periods indicated. For each category, information is provided with respect to the change attributable to volume (change in volume multiplied by old rate) and the change in rate (change in rate multiplied by old volume). The change attributable to both volume and rate is allocated proportionally to the change due to volume and rate.

	Three Months Ended June 30, 2026 Compared to the Three Months Ended June 30, 2025 Increase (Decrease)		
	Due to		
	Volume	Rate	Total
		(In Thousands)	
Interest and dividend income:			
Loans	$ (319)	$ 1,660	$ 1,341
Securities and FHLB stock	131	(60)	71
Federal Reserve and other short-term investments	755	(571)	184
Total interest and dividend income	567	1,029	1,596
Interest expense:			
Deposits	(13)	(2,246)	(2,259)
Borrowed funds	(516)	(1,196)	(1,712)
Total interest expense	(529)	(3,442)	(3,971)
Net interest income	$ 1,096	$ 4,471	$ 5,567

Provision for Credit Losses

At June 30, 2026, management's review of the allowance for credit losses concluded that a balance of $29.6 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the second quarter of 2026, management provided $500,000 to achieve such an allowance for credit loss balance at June 30, 2026. Comparably, at June 30, 2025, management's evaluation of the balance of the allowance for credit losses indicated the need for a quarterly provision of $450,000.

See Notes 1 and 6 to the accompanying interim consolidated financial statements and "Loans and Foreclosed Real Estate" included in this Management's Discussion and Analysis for additional information pertaining to the allowance for credit losses.

Other Income

Other income consists of net gain on equity securities, net, customer service fees on deposits, increases in the cash surrender value of bank-owned life insurance policies and miscellaneous income. Total other income was $19.3 million for the quarter ended June 30, 2026, compared to other income of $2.8 million for the same period in 2025. In the second quarter of 2026, the Bank recorded gains totaling $19.0 million on equity securities, including $18.0 million of unrealized gains on equity securities held at the end of the period and $975,000 in gains recognized on equity securities sold during the period. In the second quarter of 2025, the Bank recorded gains totaling $2.5 million on equity securities, comprised solely of unrealized gains on equity securities held at the end of the period.

Customer service fees on deposits increased by $31,000, or 22.3%, in the second quarter of 2026 compared to the same period in 2025. In 2025, the Bank modified its non-sufficient funds (NSF) fee on ACH transactions. Generally, the Bank's strategy does not rely on generating substantial non-interest fee-based revenue from our deposit accounts.

An increase in the cash surrender value of bank-owned life insurance also contributed to other income during the second quarters of 2026 and 2025. The Bank held $14.5 million in life insurance policies at June 30, 2026 as compared to $14.1 million at June 30, 2025. The policies accrete at a variable rate of interest with minimum stated guaranteed rates. Income from these assets is fully excludable from federal income taxes and contributed $88,000 to other income in the second quarter of 2026, as compared to $79,000 for the same period in 2025.

Operating Expenses

Operating expenses include salaries and employee benefits, occupancy and equipment, data processing, deposit insurance, marketing, foreclosure and related, and other general and administrative expenses. Total operating expenses were $9.0 million, or an annualized 0.79% of average total assets, for the quarter ended June 30, 2026 as compared to $7.5 million, or an annualized 0.68% of average total assets, for the same period of 2025. Operating expenses for the second quarter of 2026 included a $928,000 estimated termination fee due to Fiserv associated with the Bank's implementation of a new online banking platform with Q2 Technologies (expected to go live in the second half of 2026). Management expects this fee will be offset by lower ongoing costs over the term of the agreement. Operating expenses also included a $201,000 operational loss incurred on a home equity line of credit related check fraud settlement.

Salaries and employee benefits expenses increased by $166,000, or 3.8%, in the three months ended June 30, 2026 compared to the same period in 2025, primarily due to annual merit-based salary increases, enhancements to our operational teams and higher payroll taxes. The number of employees increased, reflecting additional relationship managers in our SDG and additional cash management specialists that support the customer-facing business development team.

Occupancy and equipment expenses decreased by $21,000, or 5.0%, in the second quarter of 2026 compared to the same period in 2025. This decrease was primarily driven by higher rental income recorded in the second quarter of 2026 compared to the same quarter in the prior year, partially offset by higher rent expense related to the Bank's office in San Francisco. The Bank owns rental apartments located above its Nantucket branch which are rented during the summer season.

Data processing expenses for the second quarter of 2026 increased by $92,000, or 12.1%, when compared to the same period in 2025, driven primarily by higher core processing charges associated with improvements made to the Bank's systems and volume increases, partially offset by lower software expenses. Technology spending at the Bank remains focused on three primary objectives: delivering new or improved customer experience, reducing costs through simplification and automation of internal processes, and securing customer and Bank confidential information. The Bank regularly adds or removes software products as it experiments with different tools to accomplish these objectives.

Deposit insurance expense for the second quarter of 2026 decreased by $243,000, or 31.0%, when compared to the same period in 2025. The decrease was the result of a lower assessed rate, partially offset by a higher assessment base driven by the Bank's average balance sheet size growth. Deposit insurance expense consists of premiums paid to the FDIC and the Massachusetts Depositors Insurance Fund ("DIF"). The FDIC assessment rate is determined based on several factors, including capitalization, asset growth, earnings, use of brokered deposits and level of non-performing assets, among others, and is calculated on an assessment base that takes into consideration the Bank's average total assets and average tangible equity, among other factors. The lower assessed rate in the second quarter of 2026 primarily reflects improvements in the earnings and capital components used in the determination of the premium paid to the FDIC. The DIF assessment rate is based on an institution's risk category, which is defined based on similar factors.

Marketing expenses increased by $119,000, or 53.6%, for the second quarter of 2026 as compared to the same period in 2025, as the Bank continues to carefully manage these expenses focusing on business development for the Bank's Commercial Real Estate Group and SDG. The Bank continued to allocate its marketing spending in 2026 towards supporting its commercial deposit acquisition, with focus on non-interest-bearing deposits.

Foreclosure and related expenses include expenses associated with the collection and foreclosure process, such as legal, tax, appraisal, insurance and other related foreclosure expenses, as well as operational costs and gain or losses on disposition of other real estate owned. Rental income derived from other real estate owned is reported under miscellaneous income in the consolidated statements of net income. Some of these expenses may be recovered when the loan returns to performing status or when the Bank exercises its remedies, as they are generally secured by the Bank's mortgages. Such recoveries, if any, are reflected in future periods as contra-expense. The Bank recorded $206,000 in foreclosure and related expenses in the quarter ended June 30, 2026 as compared to $14,000 in the same period in 2025, driven primarily by the increase in non performing assets and associated collection activity and operational expenses. At June 30, 2026, the Bank held $4.7 million in foreclosed property. At December 31, 2025 and June 30, 2025, the Bank did not own any foreclosed property.

Other general and administrative expenses, which include director fees, supplies, deposit/card related losses and audit-related expenses, among others, increased by $1.1 million or 117.3%, when comparing the two periods, reflecting the $928,000 one-time termination fee associated with the Bank's implementation of a new online banking platform and the $201,000 operational loss incurred on a home equity line of credit related fraud settlement discussed above. Over the last several years, the Bank has seen a general increase in deposit-related operational losses, particularly related to check fraud, and continues to explore technical and procedural solutions to minimize this expense.

Income Taxes

The Bank recognizes income taxes under the asset and liability method in which deferred tax assets and liabilities are established for the temporary difference between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. The Bank's deferred tax asset is reviewed quarterly by management as to the realizability of such asset.

During the second quarter of 2026, the Bank recorded $8.0 million, or 23.9% of pre-tax income, in tax expense as compared to $3.4 million, or 26.7%, for the same quarter in 2025. The lower effective tax rate was primarily the result of higher unrealized gains on equity securities recognized during the second quarter of 2026 as compared to the same quarter in the prior year, as these securities are held at a tax-advantaged subsidiary. The Bank also recognized $202,000 in excess tax benefit on the exercise of stock options in the second quarter 2026, as compared to $32,000 in the second quarter of 2025.

RESULTS OF OPERATIONS
COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2026 AND 2025

General

The Bank reported net income of $28.3 million for the six months ended June 30, 2026 as compared to $16.5 million for the six months ended June 30, 2025. Net income was $12.92 per share basic and $12.80 per share diluted for the six months ended June 30, 2026 as compared to $7.58 per share basic and $7.52 per share diluted for the same period in 2025. Earnings for the six months ended June 30, 2026 were positively impacted by an increase of $11.7 million in net interest income and an increase of $5.3 million in other income, partially offset by an increase of $3.2 million in the income tax provision, a $1.8 million increase in operating expenses, and a $250,000 increase in the provision for credit losses. The Bank's annualized return on average equity for the six months ended June 30, 2026 was 11.45%, and the annualized return on average assets was 1.25%, compared to 7.45% and 0.75%, respectively, for the same period in 2025.

Core net income for the six months ended June 30, 2026, which represents net income excluding the after-tax net gain on equity securities, both realized and unrealized, was $21.3 million or $9.70 per share basic and $9.61 per share diluted, representing an annualized core return on average equity of 8.60% and an annualized core return on average assets of 0.94%. This compares to core net income of $13.6 million or $6.23 per share basic and $6.17 per share diluted, representing an annualized core return on average equity of 6.12% and an annualized core return on average assets of 0.61% for the same period in 2025.

Net Interest Income

Net interest income was $45.7 million for the first six months of 2026 as compared to $34.1 million for the first six months of 2025. The $11.6 million increase was due to a 53 basis point increase in the weighted average spread, combined with a $65.4 million, or 1.5%, increase in average interest-earning assets in the first six months of 2026, as compared to the same period in 2025. For the first six months of 2026, the weighted average rate spread and net interest margin were 1.40% and 2.09%, respectively, as compared to 0.87% and 1.58%, respectively, for the same period in 2025. Average interest-bearing liabilities decreased by $36.8 million, or 1.0%, and the rate paid on interest-bearing liabilities decreased by 43 basis points during the same period.

Following a period of increasing and elevated short term market rates, the Federal Reserve began lowering the federal funds rate target range in the second half of 2024, and after remaining on hold for several months, reduced the federal funds rate target range again in September, October and December of 2025. As a result, the Bank experienced a significant decline in the cost of interest-bearing liabilities in the first six months of 2026 when compared to the prior year, driven primarily by the repricing of the Bank's funding sources, as the Bank began to reduce retail and commercial deposit rates and to take advantage of the inverted yield curve by rolling over maturing longer term FHLB advances and brokered deposits. At the same time, the funding mix continued to shift positively towards lower cost deposits, with average non-interest bearing deposits increasing by 16.3% in the first six months of 2026 when compared to the same period in the prior year. During this period, long term rates remained above prior cycles lows, allowing the Bank to reprice existing adjustable loans and originate new loans at favorable rates, contributing to a gradual increase in the yield on interest-earning assets.

Interest and dividend income increased by $3.6 million to $104.7 million for the first six months of 2026, as compared to $101.1 million for the first six months 2025, driven by the increase in average interest-earning assets discussed above, combined with a higher yield. The yield on total interest-earning assets was 4.78% for the six months ended June 30, 2026, as compared to 4.68% for the same period in 2025.

Interest income on loans increased by $3.1 million when comparing the two periods, primarily resulting from a 18 basis point increase in yield, partially offset by a 0.4% decline in average loan balances.

Securities and short-term investments, which include the Bank's cash holdings at the FRBB, accounted for 11.2% of the total average interest-earning assets for the six months ended June 30, 2026 compared to 9.4% for the six months ended June 30, 2025. The increase was driven by the Bank extending some liabilities at lower interest rates, which has resulted in the Bank maintaining a larger cash balance at the FRBB without incurring an immediate carrying cost. This increase was also driven, to a lesser extent, by an increase in the fair value of the Bank's equity securities portfolio when compared to the prior year. Combined income for these categories increased by $455,000 when comparing the two periods, primarily due to a $82.1 million increase in combined average balances, partially offset by lower average yields. The decline in yields reflected primarily a lower interest on the Bank's cash held at the FRBB and a lower dividend on the FHLB stock investment.

The average rate on interest-bearing liabilities decreased to 3.38% for the first six months of 2026 from 3.81% for the comparable period in 2025. Total interest expense decreased by $8.1 million when comparing the six months ended June 30, 2026 and 2025, due to lower interest rates on deposits and borrowings, combined with lower average balances.

Interest expense on interest-bearing deposits for the six months ended June 30, 2026 decreased by $5.3 million over the same period in 2025, due to a 47 basis point decrease in the weighted average rate, combined with a $25.8 million decrease in average interest-bearing deposits. After a period of rising market pricing for term deposits, money market accounts, and wholesale funds, which was driven by increasing short-term market rates and intense competition, both from other banks as well as the U.S. Treasury fixed income securities, the Bank benefited from a decline in funding costs in late 2024 and 2025, as the Federal Reserve began to reduce the federal funds target rate range. During this period, the Bank continued to manage core product rates, implemented special offerings, and continued to use wholesale time deposits to remain competitive while balancing cost versus growth.

Interest expense on borrowed funds for the first six months of 2026 decreased by $2.8 million as compared to the same period in 2025, primarily due to a 37 basis point decrease in the weighted average rate, combined with a $11.0 million decrease in average balances. The decrease in the FHLB borrowings rate was primarily driven by lower short-term market rates and the Bank's actions taken to benefit from the inverted yield curve by extending advances.

The following tables detail components of net interest income and yields/rates on daily average earning assets/liabilities.

	Six Months Ended June 30,					
	2025			2026		
	AVERAGE BALANCE(8)	INTEREST	YIELD/ RATE (9)	AVERAGE BALANCE(8)	INTEREST	YIELD/ RATE (9)
	(In Thousands)					
Loans (1) (2)	$ 3,941,215	$ 91,973	4.71 %	**$ 3,924,471**	**$ 95,099**	**4.89** %
Securities (3) (4)	133,121	3,008	4.56	**145,319**	**3,209**	**4.45**
Federal Reserve and other short-term investments	277,930	6,127	4.45	**347,855**	**6,381**	**3.70**
Total interest-earning assets	4,352,266	101,108	4.68	**4,417,645**	**104,689**	**4.78**
Other assets	78,717			**106,521**		
Total assets	$ 4,430,983			**$ 4,524,166**		
Interest-bearing deposits (5)	$ 2,121,871	36,462	3.47	**$ 2,096,060**	**31,159**	**3.00**
Borrowed funds	1,428,072	30,571	4.32	**1,417,076**	**27,792**	**3.95**
Total interest-bearing liabilities	3,549,943	67,033	3.81	**3,513,136**	**58,951**	**3.38**
Demand deposits	421,750			**490,388**		
Other liabilities	15,428			**26,608**		
Total liabilities	3,987,121			**4,030,132**		
Stockholders' equity	443,862			**494,034**		
Total liabilities and stockholders' equity	$ 4,430,983			**$ 4,524,166**		
Net interest income		$ 34,075			**$ 45,738**	
Weighted average spread			0.87 %			**1.40** %
Net interest margin (6)			1.58 %			**2.09** %
Average interest-earning assets to average interest-bearing liabilities (7)	122.60 %			**125.75 %**		

(1) Before allowance for credit losses.
(2) Includes average non-accrual loans.
(3) Excludes the impact of the average net unrealized gain or loss on securities.
(4) Includes Federal Home Loan Bank stock.
(5) Includes mortgagors' escrow accounts.
(6) Net interest income divided by average total interest-earning assets.
(7) Total interest-earning assets divided by total interest-bearing liabilities.
(8) Average balances are calculated on a daily basis.
(9) Annualized based on the actual number of days in the period.

The following table presents information regarding changes in interest and dividend income and interest expense of the Bank for the periods indicated. For each category, information is provided with respect to the change attributable to volume (change in volume multiplied by old rate) and the change in rate (change in rate multiplied by old volume). The change attributable to both volume and rate is allocated proportionally to the change due to volume and rate.

	Six Months Ended June 30, 2026 Compared to the Six Months Ended June 30, 2025 Increase (Decrease)		
	Due to		
	Volume	Rate	Total
		(In Thousands)	
Interest and dividend income:			
Loans	$ (392)	$ 3,518	$ 3,126
Securities and FHLB stock	271	(70)	201
Federal Reserve and other short-term investments	1,386	(1,132)	254
Total interest and dividend income	1,265	2,316	3,581
Interest expense:			
Deposits	(439)	(4,864)	(5,303)
Borrowed funds	(234)	(2,545)	(2,779)
Total interest expense	(673)	(7,409)	(8,082)
Net interest income	$ 1,938	$ 9,725	$ 11,663

Provision for Credit Losses

At June 30, 2026, management's review of the allowance for credit losses concluded that a balance of $29.6 million was adequate to provide for losses based upon evaluation of risk in the loan portfolio. During the first six months of 2026, management provided $1.0 million to achieve such an allowance for credit loss balance at June 30, 2026. Comparably, at June 30, 2025, management's evaluation of the balance of the allowance for credit losses indicated the need for a provision of $750,000. The Bank did not record any charge-offs in the first six months of 2026 or 2025.

See Notes 1 and 6 to the accompanying interim consolidated financial statements and "Loans and Foreclosed Real Estate" included in this Management's Discussion and Analysis for additional information pertaining to the allowance for credit losses.

Other Income

Other income consists of net gain on equity securities, customer service fees on deposits, increases in the cash surrender value of bank-owned life insurance policies and miscellaneous income. Total other income was $9.7 million for the first six months of 2026, as compared to $4.4 million for the same period in 2025. In the first six months of 2026, the Bank recorded gains totaling $9.0 million on equity securities, including $7.6 million of unrealized gain on equity securities held at the end of the period and a $1.4 million gain recognized on equity securities sold during the period. In the first six months of 2025, the Bank recorded gains totaling $3.8 million on equity securities, including $3.8 million of unrealized gains on equity securities held at the end of the period and $21,000 of gains recognized on equity securities sold during the period.

Customer service fees on deposits increased by $62,000, or 22.6%, in the first six months of 2026 compared to the same period in 2025. In 2025, the Bank modified its non-sufficient funds (NSF) fee on ACH transactions. Generally, the Bank's strategy does not rely on generating substantial non-interest fee-based revenue from our deposit accounts.

An increase in the cash surrender value of bank-owned life insurance also contributed to other income during the first six months of 2026 and 2025. The Bank held $14.5 million in life insurance policies at June 30, 2026 as compared to $14.1 million at June 30, 2025. The policies accrete at a variable rate of interest with minimum stated guaranteed rates. Income from these assets is fully excludable from federal income taxes and contributed $170,000 to other income in the first six months of 2026, as compared to $163,000 for the same period in 2025.

Operating Expenses

Operating expenses include salaries and employee benefits, occupancy and equipment, data processing, deposit insurance, marketing, foreclosure and related, and other general and administrative expenses. Total operating expenses were $16.8 million, or an annualized 0.74% of average total assets, for the six months ended June 30, 2026 as compared to $15.0 million, or an annualized 0.68% of average total assets, for the same period of 2025. Operating expenses for the first six months of 2026 included a $928,000 estimated termination fee due to Fiserv associated with the Bank's implementation of a new online banking platform with Q2 Technologies (expected to go live in the second half of 2026). Management expects this fee will be offset by lower ongoing costs over the term of the agreement. Operating expenses also included a $201,000 operational loss incurred on a home equity line of credit related check fraud settlement.

Salaries and employee benefits expenses increased by $378,000, or 4.3%, in the six months ended June 30, 2026 compared to the same period in 2025, primarily due to annual merit-based salary increases, enhancements to our operational teams and higher payroll taxes. The number of employees increased, reflecting additional relationship managers in our Specialized Deposit Group ("SDG") and additional cash management specialists that support the customer-facing business development team.

Occupancy and equipment expenses increased by $17,000, or 2.0%, in the first six months of 2026 compared to the same period in 2025. The increase in 2026 was primarily driven by higher rent expenses associated with the Bank's office in San Francisco, partially offset by higher rental income recorded in the first six months of 2026 compared to the same period in the prior year. The Bank owns rental apartments located above its Nantucket branch which are rented during the summer season.

Data processing expenses for the first six months of 2026 increased by $185,000, or 12.5%, when compared to the same period in 2025, driven primarily by higher core processing charges associated with improvements made to the Bank's systems and volume increases in 2025. Technology spending at the Bank remains focused on three primary objectives: delivering new or improved customer experience, reducing costs through simplification and automation of internal processes, and securing customer and Bank confidential information. The Bank regularly adds or removes software products as it experiments with different tools to accomplish these objectives.

Deposit insurance expense for the first six months of 2026 decreased by $354,000 or 23.1%, when compared to the same period in 2025. The decrease was the result of a lower assessed rate, partially offset by a higher assessment base driven by the Bank's average balance sheet size growth. Deposit insurance expense consists of premiums paid to the FDIC and the DIF. The FDIC assessment rate is determined based on several factors, including capitalization, asset growth, earnings, use of brokered deposits and level of non-performing assets, among others, and is calculated on an assessment base that takes into consideration the Bank's average total assets and average tangible equity, among other factors. The lower assessed rates in the first two quarters of 2026 primarily reflect improvements in the earnings and capital components used in the determination of the premium paid to the FDIC. The DIF assessment rate is based on an institution's risk category, which is defined based on similar factors.

Marketing expenses increased by $231,000, or 64.5%, for the first six months of 2026 as compared to the same period in 2025, as the Bank continues to carefully manage these expenses focusing on business development for the Bank's Commercial Real Estate Group and SDG. The Bank continued to allocate its marketing spending in 2026 towards supporting its commercial deposit acquisition, with focus on non-interest-bearing deposits.

Foreclosure and related expenses include expenses associated with the collection and foreclosure process, such as legal, tax, appraisal, insurance and other related foreclosure expenses, as well as operational costs and gain or losses on disposition of other real estate owned. Rental income derived from other real estate owned is reported under miscellaneous income in the consolidated statements of net income. Some of these expenses may be recovered when the loan returns to performing status or when the Bank exercises its remedies, as they are generally secured by the Bank's mortgages. Such recoveries, if any, are reflected in future periods as contra-expense. The Bank recorded $281,000 in foreclosure and related expenses in the six months ended June 30, 2026 as compared to $24,000 in the same period in 2025, driven primarily by the increase in non performing assets and associated collection activity and operational expenses. At June 30, 2026, the Bank held $4.7 million in foreclosed property. At December 31, 2025 and June 30, 2025, the Bank did not own any foreclosed property.

Other general and administrative expenses, which include director fees, supplies, deposit related losses and audit-related expenses, among others, increased by $1.1 million or 56.2%, when comparing the two periods, reflecting the $928,000 one-time termination fee associated with the Bank's implementation of a new online banking platform and the $201,000 operational loss incurred on a home equity line of credit related fraud settlement discussed above. Over the last several years, the Bank has seen a general increase in deposit-related operational losses, particularly related to check fraud, and continues to explore technical and procedural solutions to minimize this expense.

Income Taxes

The Bank recognizes income taxes under the asset and liability method in which deferred tax assets and liabilities are established for the temporary difference between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. The Bank's deferred tax asset is reviewed quarterly by management as to the realizability of such asset.

During the first six months of 2026, the Bank recorded $9.4 million, or 24.8% of pre-tax income, in tax expense as compared to $6.1 million, or 27.0%, for the same quarter in 2025. The lower effective tax rate in the prior year was the result of higher unrealized gains on equity securities, as these securities are held at a tax-advantaged subsidiary, combined with $626,000 of stock options excess tax benefit recorded in the first six months of 2026. The Bank recorded $32,000 in stock option excess tax benefit in the first six months of 2025.

BALANCE SHEET ANALYSIS
COMPARISON AT JUNE 30, 2026 TO DECEMBER 31, 2025

Assets totaled $4.557 billion at June 30, 2026, as compared to $4.543 billion at December 31, 2025, an increase of $13.9 million, or 0.6% annualized. During the first six months of 2026, the Bank continued to manage the balance of reserves held at the FRBB, in order to minimize the carrying cost of its on-balance sheet liquidity. In the first six months of 2026, the Bank carried a larger balance of cash reserves at the FRBB as compared to the same period in the prior year, as extending the wholesale funding book has allowed the Bank to operate with higher on-balance sheet liquidity without incurring an immediate carrying cost.

Securities, Short-term Investments and FHLB Stock

Securities were $176.0 million at June 30, 2026, an increase of $18.1 million when compared to $157.8 million at December 31, 2025, reflecting an increase in the fair value of the equity securities portfolio and purchases, partially offset by sales made in the first six months of 2026.

At both June 30, 2026 and December 31, 2025, the Bank held a $3.5 million investment in the subordinated debt issued by the National Capital Bancorp Inc., a Washington, D.C.-based bank holding company which the Bank also maintains a significant equity investment, as well as additional investments made in the senior notes and subordinated debt of other financial institutions. In the second quarter of 2026, the Bank made a $4.0 million investment in the subordinated debt of a multi-bank mutual holding company headquartered in Massachusetts. These investments are included in securities held to maturity on the consolidated balance sheets. To the extent permissible under Massachusetts law, the Bank decides whether to hold these securities at the Bank or in a tax-advantaged subsidiary in order to reduce taxable income.

At June 30, 2026, equity securities accounted for approximately 94% of the investment portfolio. At June 30, 2026, the Bank held a $9.0 million investment in the CRA Fund, a mutual fund which invests in securities which qualify under the CRA securities test. Additionally, the portfolio included $155.5 million in marketable common equity securities. The Bank's marketable common equity securities are not viewed as a source of liquidity and are managed to produce superior returns on capital over a longer time horizon. The Bank's process is focused on identifying businesses with strong returns on capital, owner-oriented management teams, good reinvestment opportunities or capital discipline, and reasonable valuations. The portfolio is concentrated in a relatively small number of investments in the financial services and technology areas.

During the third quarter of 2025, the Bank's portfolio of securities reportable under Section 13F of the Securities Exchange Act of 1934 exceeded $100.0 million for the first time. This does not represent the entirety of the Bank's marketable equity securities, as the Bank's investment in banks and bank holding companies that are traded "Over the Counter" are exempt for reporting under Section 13F. As a result, the Bank began filing an itemized listing of its Section 13F securities with the Securities and Exchange Commission on Form 13F in 2026.

A breakdown of the marketable equity securities portfolio per industry follows:

	December 31, 2025		June 30, 2026	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Payments	$ 30,393	22 %	**$ 32,505**	**21 %**
Technology	46,621	33	**37,863**	**24**
Insurance	25,744	18	**33,300**	**21**
Banking	29,517	21	**36,843**	**24**
Credit Ratings/Data	6,242	4	**6,925**	**5**
Others	2,777	2	**8,069**	**5**
Total	$ 141,294	100 %	**$ 155,505**	**100 %**

The Bank receives three sources of advantageous tax treatment through these investments. First, dividend distributions from these companies to the Bank are partially excluded from the Bank's taxable income due to the Dividends Received Deduction. Second, to the extent that these companies are capable of internal reinvestment at high rates of return or deploy capital via tax-advantaged repurchases, the deferred tax liability associated with any long-term unrealized gains on our investments constitutes an interest-free source of financing. Three, to the extent the Bank holds these investments in a tax-advantaged subsidiary, the Bank benefits from a favorable state tax treatment under Massachusetts law.

As a member of the FHLB of Boston, the Bank is required to hold a Membership Stock Investment plus an Activity-based Stock Investment in the FHLB, which is based primarily on the amount of FHLB borrowings. The Bank recorded dividends on FHLB stock totaling $1.0 million and $2.1 million for the three and six months ended June 30, 2026, as compared to $1.1 million and $2.3 million for the same periods in 2025. The decrease reflects primarily a lower dividend rate received on FHLB stock held for the three and six months ended June 30, 2026 as compared to the prior year. At June 30, 2026, the Bank held $59.6 million in FHLB stock compared to $62.0 million at December 31, 2025.

Loans and Foreclosed Real Estate

During the first six months of 2026, net loans outstanding increased by $4.9 million to $3.904 billion, from $3.899 billion at December 31, 2025, attributable primarily to originated loans of $199.6 million, partially offset by payoffs and amortization. Comparably, loan originations for the same period in 2025 were $324.4 million. At both June 30, 2026 and December 31, 2025, net loans outstanding represented 86% of assets. Mortgage loans continue to account for more than 99% of the loan portfolio. While the Bank's lending activities are focused in Massachusetts, the WMA and the SFBA, the Bank may, on an exceptional basis, make loans secured by properties in other markets to accommodate commercial banking customers' needs. These are reflected in the Other Market category in the tables below. As of June 30, 2026, the Bank did not have any loans in this category.

A breakdown of the originated loan by geography follows:

	Six Months Ended June 30, 2025		Six Months Ended June 30, 2026	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Massachusetts	$ 212,363	66 %	**$ 125,792**	**63 %**
Washington Metropolitan Area	107,693	33	**62,002**	**32**
San Francisco Bay Area	2,850	1	**11,830**	**6**
Other Market	1,500	—	—	—
Total	$ 324,406	100 %	**$ 199,624**	**100 %**

A breakdown of the originated loans by geography for the last five quarters follows:

	Three months ended,				
	June 30, 2025	September 30, 2025	December 31, 2025	March 31, 2026	June 30, 2026
	(Dollars in Thousands)				
Massachusetts	$ 117,764	$ 46,594	$ 55,473	$ 58,483	**$ 67,309**
Washington Metropolitan Area	34,968	20,605	39,433	21,646	**40,356**
San Francisco Bay Area	1,200	40	8,365	—	**11,830**
Other Market	1,500	—	—	—	**—**
Total	$ 155,432	$ 67,239	$ 103,271	$ 80,129	**$ 119,495**

A breakdown of the outstanding loans by geography follows:

	December 31, 2025		June 30, 2026	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Massachusetts	$ 2,494,580	66 %	**$ 2,490,096**	**63 %**
Washington Metropolitan Area	1,300,467	31	**1,301,398**	**33**
San Francisco Bay Area	131,030	3	**141,968**	**4**
Other Market	1,486	—	—	—
Total	$ 3,927,563	100 %	**$ 3,933,462**	**100 %**

WMA: The Bank began making commercial real estate loans in the WMA in 2016, after several years of research and preparation. The Bank had also held direct equity investments in other WMA area banks prior to entering the market operationally. In 2019, the Bank opened a commercial lending office at a temporary location and hired a commercial real estate lender. In February 2020, the Bank acquired a property in the Georgetown neighborhood of Washington, D.C., renovated the property, and opened a commercial banking office in 2022. The Bank has two senior commercial real estate lenders based in the WMA, along with two relationship managers and a cash management specialist from its SDG. When needed, the Bank also utilizes Boston-based staff in its Commercial Real Estate Group and SDG with experience in the WMA, on a fly-away basis from its corporate office.

The Bank originally identified the WMA as an attractive opportunity for three reasons. First, the region has favorable economic characteristics that will support long-term investments in commercial real estate. It is the capital of the world's largest economy, it is an international economic gateway, it has one of the highest household median income of any of the nation's major metropolitan areas, and it has a relatively high concentration of young people. Second, the commercial real estate product in the market bears significant similarity to Boston, characterized by high density, urban infill development, transit-oriented multifamily, and scarcity imposed by land supply and restrictions on vertical development. Third, we believe that the banking market in Washington, D.C. has experienced a level of consolidation and disruption that has left smaller and mid-sized real estate investors underserved as compared to the Boston market. We believe that our history as one of America's oldest banks and our family management team provide stability and surety of execution that is valued by our customers. Approaching ten years of operation in the market, we have gained increasing confidence in this thesis. We view this as an attractive opportunity for internal capital allocation and superior to geographically proximate, product-adjacent businesses like wealth management, insurance, or commercial-industrial lending in our home marketplace. The Bank did not initially make commercial construction loans in this market, as these loans have a higher level of inherent risk. As the Bank developed greater familiarity with the market and the portfolio grew, the Bank made the investment in the operational capacity to originate and manage such loans in the WMA and the Bank now originates the full range of commercial mortgages in Washington. For similar reasons, the Bank initially delayed originating residential owner occupant loans in the WMA, but as the Bank's customer base has grown, the Bank began to see demand for this service. In 2023, the Bank began offering such loans to existing commercial and private clients of the Bank in the WMA.

SFBA: The San Francisco Bay Area is the Bank's newest and smallest market, having begun operations in 2021 with a focus on commercial real estate customers and commercial and nonprofit deposit relationships. The Bank relied on Boston and WMA-based staff to cover the initial operations in this market. The Bank currently has two SDG deposit-focused relationship managers, three cash management specialists and a commercial real estate lender. The Bank opened a commercial banking office in this market in 2025. The Bank built the operational framework for originating commercial real estate loans in the SFBA, began engaging with prospective customers and closed its first loan in 2021.

This initiative builds on several years of research and direct equity investments that provided the Bank with exposure and insight into the SFBA real estate and banking markets, but the Bank's long-term plans were accelerated to capitalize the pandemic-related disruption in those markets. The Bank continues to believe that the most attractive markets for its business are coastal, urban, gateway cities with substantial wealth, favorable demographics, substantial multifamily real estate, and consolidation among small and mid-sized banks. The Bank initially focused on both investor and owner-occupied commercial real estate and multifamily properties, but now offers owner-occupied residential loans to its clients in the SFBA as well.

The Bank continues to engage actively with prospective customers in the SFBA for both lending and deposit opportunities.

While the Bank's lending activities are focused in Massachusetts, the WMA and the SFBA, the Bank may, on an exceptional basis, make loans secured by properties in other markets to accommodate commercial banking customers' needs.

All WMA and SFBA underwriting and approval processes are identical to those utilized in the Boston marketplace and all loans are reviewed and approved by the Bank's Executive Committee and when larger than $2.0 million, by the Bank's full Board of Directors. A member of the Executive Committee performs a site visit for every collateral property. The Bank has retained local counsel in both markets to advise on all of its transactional needs, with oversight on each individual transaction by the Bank's primary real estate counsel in Boston. The Bank uses the same consulting firm in Boston, Washington, D.C., and San Francisco for environmental assessments and property condition reports to ensure quality of execution and to manage risk. This firm also performs seismic risk assessments in San Francisco for the Bank. The Bank generally requires that all third-party assessments are conducted by the Bank's consultants and will not generally accept reports ordered separately by a borrower. Once closed, these loans are subject to all of the Bank's regular quality control and portfolio management processes.

The Bank approaches prospective borrowers directly via advertising programs, and indirectly via intermediaries such as attorneys, accountants and mortgage brokers. The Bank also has customers with cross-holdings across these markets.

Commercial real estate loans by collateral type at December 31, 2025 and June 30, 2026 , are as follows:

	December 31, 2025		June 30, 2026	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Multifamily (5+)	$ 1,258,927	38 %	**$ 1,260,917**	**38 %**
Residential (1-4)	473,641	14	**455,792**	**14**
Office	405,275	12	**431,370**	**13**
Mixed use	643,800	20	**660,596**	**20**
Retail	289,376	9	**262,398**	**8**
Industrial	111,550	3	**105,684**	**3**
Land	52,651	2	**53,168**	**2**
Others	69,662	2	**69,617**	**2**
Total	$ 3,304,882	100 %	**$ 3,299,542**	**100 %**

Mixed-use properties generally consist of urban properties which combine a substantial multifamily use with street level retail or office uses.

Loans are carried net of the allowance for credit losses. The allowance is maintained at a level to absorb losses within the loan portfolio. At June 30, 2026, the allowance for credit losses had a balance of $29.6 million, as compared to $28.6 million at December 31, 2025. The allowance for credit losses represented 0.75% of gross loans as of June 30, 2026, as compared to 0.73% at December 31, 2025. The allowance for credit losses at June 30, 2026 included a $2.5 million specific reserve, whereas no specific reserves were established at December 31, 2025.

The Bank's non-performing assets consist of non-accrual loans and foreclosed real estate. At June 30, 2026, non-performing assets, which included three loans secured by real estate and eight properties held in foreclosed assets, totaled 0.78% of total assets, as compared to two loans secured by real estate representing 0.69% of total assets at December 31, 2025. Non-performing loans as a percentage of the total loan portfolio totaled 0.78% at June 30, 2026, compared to 0.80% at December 31, 2025.

Below is a summary of non-performing assets:

	December 31, 2025	June 30, 2026
	(Dollars in Thousands)	
Non-accrual loans:		
Residential real estate	$ —	**$ 20**
Commercial real estate	30,638	**30,638**
Home equity	584	**79**
Total non-accrual loans	31,222	**30,737**
Foreclosed real estate	—	**4,669**
Total non-performing assets	$ 31,222	**$ 35,406**
Percent of non-accrual loans to:		
Total loans	0.80 %	**0.78 %**
Total assets	0.69 %	**0.67 %**
Percent of non-performing assets to:		
Total loans and foreclosed real estate	0.80 %	**0.90 %**
Total assets	0.69 %	**0.78 %**
Allowance for credit losses to total loans	0.73 %	**0.75 %**

Non-performing loans at both December 31, 2025 and June 30, 2026 included a commercial real estate loan with an outstanding balance of $30.6 million. This loan is secured by an entitled land development site for the second phase of a significant multifamily development in Washington, D.C. known as Banner Lane and colloquially referred to as Sursum Corda, the name of the community that formerly occupied the site. The loan was originally made with the expectation that the borrower and guarantors would obtain construction financing, including certain subsidies, for vertical construction of the second phase. The first phase of the project was under construction at the time this loan was originated and has subsequently been completed, occupied, and sold. Certain performance obligations, including but not limited to the payment of real estate taxes, are unconditionally guaranteed by a large publicly traded national homebuilder as well as an affordable housing developer headquartered in New York City. A joint venture between these parties is the direct owner of the site. These parties have also conditionally guaranteed payment with respect to losses suffered in the event of certain triggers, although they did not fully guarantee all payments unconditionally. The Bank has not yet initiated any litigation with respect to the conditional guarantee, as it would first require the realization of loss, if any. The borrower and guarantors recently obtained an extension of the entitlements for the site for an additional year, and the Bank continues to work with the parties, as well as independently, to identify a solution that protects the Bank's interests. The allowance for credit losses at June 30, 2026 includes a $2.5 million specific reserve for this loan, based upon appraisals, ongoing negotiations with potential buyers and market conditions.

Non-performing assets at June 30, 2026 included several properties associated with a borrower specializing in affordable housing properties in Washington, D.C. The Bank foreclosed on one loan associated with this relationship in March 2026, and resolved the remaining two loans acquiring title to additional properties in the second quarter of 2026, in accordance with a settlement agreement executed with the borrower following litigation. In total, the Bank obtained two multi-family properties and seven single family properties. The Bank sold one of the single family properties during the second quarter, placed two additional properties under agreement shortly after quarter end, and is actively marketing the remainder of the portfolio for sale. Given the value of the collateral obtained from the borrower, based upon contemporaneous appraisals, the Bank did not recognize any loan loss associated with these transactions.

In the second quarter of 2026, the Bank sold its interest in the collateral securing a construction loan with an outstanding balance of $3.7 million made to a different affordable multifamily developer in Washington, D.C. The Bank foreclosed on this loan in March 2026 but did not take title, anticipating the assignment of the bid in the second quarter. The Bank did not incur any loss associated with this transaction, as the purchase price and cash collateral held at the Bank exceeded the loan balance.

In the second quarter of 2026, the Bank resolved a long-standing non-performing home equity line of credit by reaching a settlement agreement with the borrower's descendants. This settlement agreement resulted in a $201,000 operational check fraud loss recorded in the second quarter of 2026.

Non-performing loans at June 30, 2026 also included a small home equity line of credit and a small residential loan which became non-performing during the second quarter.

The Bank works closely with delinquent mortgagors to bring their loans current and commences foreclosure proceedings if the mortgagor is unable to satisfy their outstanding obligation. Although regulatory changes have slowed the foreclosure process in recent years, the Bank continues to pursue delinquencies vigorously.

Management believes that its loans classified as non-accrual are significantly collateralized, pose minimal risk of loss to the Bank, and the allowance for credit losses allocated to these loans is sufficient to absorb such losses, if any. However, management continues to monitor the loan portfolio and additional reserves will be recorded if necessary.

Other Assets

The Bank held $14.5 million in bank-owned life insurance at June 30, 2026, as compared to $14.3 million at December 31, 2025. The $170,000 increase during the first six months of 2026 is due to increases in the cash surrender value of policies insuring the life of the Bank's Chief Executive Officer. The policies accrete at a variable rate of interest with minimum stated guaranteed rates. The Bank monitors the financial strength and counterparty credit ratings of the policy issuers and has determined that at June 30, 2026, two of three issuers were rated at or above Bank guidelines, while the third retained a rating from A.M. Best two notches below Bank guidelines at B++.

As of June 30, 2026, both the right-of-use ("ROU") asset and corresponding lease liability related to operating leases for two of the Bank's banking offices were $1.1 million. In 2025, the Bank extended the lease for its Boston branch and re-measured the ROU asset and corresponding operating lease liability. The ROU asset is included in other assets and the lease liability is included in other liabilities in the consolidated balance sheets.

As of June 30, 2026, the Bank held a $2.4 million investment in the common stock of Founders Bank, a de novo bank in Washington, D.C. This balance includes a $50,000 unrealized gain recognized on the initial $1.0 million investment, based upon the subscription price of the second investment round in 2022. This investment represents a non-marketable equity security and is included in other assets on the consolidated balance sheets.

As of June 30, 2026, other assets included a $812,000 investment in the Washington Housing Initiative, a CRA investment vehicle that provides low cost loans to acquire and develop affordable workforce housing in Washington D.C., a $3.8 million long-term subordinated debt investment in the BlueHub Community Loan Fund, and a $5.0 million investment in the San Francisco Housing Accelerator Fund, a CRA investment vehicle that provides low cost loans to acquire and develop affordable workforce housing in San Francisco.

Deposits

Deposits increased by $45.2 million to $2.594 billion at June 30, 2026, from $2.548 billion at December 31, 2025. Non-certificate accounts, which include regular, money market, NOW and demand deposits, increased by $40.0 million from December 31, 2025 to June 30, 2026, while certificate balances increased by $5.2 million. The increase in non-certificate accounts, driven primarily by growth in non-interest bearing deposits, reflects the Bank's investments in new relationship managers for the SDG and focus on developing and deepening deposit relationships with new and existing commercial and non-profit customers. The increase in certificate account balances reflects a $17.1 million increase in wholesale time deposits, partially offset by a decrease of $11.9 million in retail and commercial time deposits. Wholesale time deposits include both brokered and Internet listing services time deposits. The Bank continues to focus on improving retention of maturing time deposits while continuing to offer competitive rates. Non-certificate accounts represent 53.5% of total deposits at June 30, 2026 as compared to 52.8% at December 31, 2025.

Other banks and credit unions in the Bank's market areas, banking services through the Internet, and mutual funds make up the Bank's primary competition for deposits. At times, the Bank also faces direct and indirect competition from fixed income securities such as U.S. Treasury bills or non-bank financial services companies with access to the Federal Reserve's Overnight Reverse Repurchase Facility. The Bank's ability to attract and retain deposits depends upon satisfaction of depositors' requirements with respect to insurance, product, rate and service. The Bank offers traditional deposit products, competitive rates, convenient branch locations, ATMs, debit cards and Internet-based banking for consumers and commercial account holders. The Bank also opens deposit accounts, including checking accounts, money market accounts, and certificates of deposit, directly online for personal customers. Occasionally, the Bank implements special offerings based on market conditions and the competitive environment. The Bank also offers a limited range of certificate of deposit products using national Internet listing services and brokered deposits. These alternatives, at times, provide the Bank with a source of funding across different maturities at lower cost and/or longer duration than may be available via retail or other wholesale channels. At June 30, 2026, the Bank had $509.5 million in deposits from these sources, as compared to $492.4 million at December 31, 2025. The increase was primarily driven by Internet listing services deposits, and to a lesser extent brokered time deposits. The percentage of the Bank's wholesale funding allocated to Internet listing services deposits remains significantly below the Bank's long term average, reflecting less attractive conditions on this market observed since early 2022. The Bank carefully manages its wholesale funding mix allocation based on market conditions to reduce the Bank's cost of interest-bearing liabilities and minimize the negative effect of elevated short-term rates on the Bank's net interest margin, while remaining in a position to capture the benefit of a decline in short term market rates. In doing this, the Bank takes into consideration each funding source's interest rate, broker commission and FDIC insurance assessment implications (as applicable), speed of execution as well as the operational characteristics. This approach has allowed the Bank to maintain deposit balances to fund lending activity and operate with an elevated level of liquidity.

Deposits are insured in full through the combination of the FDIC and the DIF. Generally, separately insured deposit accounts are insured up to $250,000 by the FDIC and deposit balances in excess of this amount are insured by the DIF. DIF insurance provides an advantage for the Bank as some competitors cannot offer this coverage.

Below is a summary of deposits:

	Deposit Balances by Type			
	December 31, 2025	% of Total	June 30, 2026	% of Total
	(Dollars in Thousands)			
Non-certificate accounts				
Regular	$ 70,683	2.8 %	**$ 71,938**	**2.8 %**
Money market deposits	781,806	30.6	**784,222**	**30.3**
NOW	25,605	1.0	**25,348**	**1.0**
Demand	467,656	18.4	**504,230**	**19.4**
Total non-certificate accounts	1,345,750	52.8	**1,385,738**	**53.5**
Term certificates of less than $250,000	808,145	31.7	**809,976**	**31.2**
Term certificates of $250,000 or more	394,422	15.5	**397,811**	**15.3**
Total certificate accounts	1,202,567	47.2	**1,207,787**	**46.5**
Total deposits	$ 2,548,317	100.0 %	**$ 2,593,525**	**100.0 %**

Borrowings

FHLB advances were $1.405 billion, or 30.8% of total assets, at June 30, 2026, as compared to $1.464 billion, or 32.2% of total assets, at December 31, 2025. The Bank continued to manage its wholesale funding mix opportunistically during the first six months of 2026. During this period, borrowings decreased by $58.5 million, as the Bank replaced maturing advances with retail and commercial deposit growth. Since late 2023, the Bank has somewhat extended the duration of its FHLB Regular Advances to capture the benefit of the FHLB curve inversion and, to a lesser extent, to protect against a slower pace of decline or an increase in short-term market rates. Additionally, at both June 30, 2026 and December 31, 2025, the Bank had $785.0 million in FHLB HLB-Option Advances outstanding. These are 3-year, 4-year, 5-year and to a lesser extent 7-year original maturity fixed rate advances callable quarterly by the FHLB after an initial lockout period of three months, which provide the Bank with a lower fixed rate in exchange for the call option granted to the FHLB. At June 30, 2026, the Bank had $30.0 million, $335.0 million, $375.0 million and $45.0 million in HLB-Option Advances outstanding, with original maturities in 2027, 2028, 2029 and 2030, respectively, all of which were past their lockout periods and are callable by the FHLB quarterly. The FHLB of Boston provides an explanation of HLB-Option Advances on its website under the "Products' ' section that explains the features of this product.

Derivatives and Hedging

As of June 30, 2026, the Bank was party to a forward starting interest rate collar that was designated as a cash flow hedge. This cash flow hedge, which has a notional amount of $25.0 million and was executed to hedge the interest rate risk associated with short-term FHLB advances indexed to the Secured Overnight Financing Rate ("SOFR"), began in March of 2026 and a term of two and one-half years. The cap and floor rates on this contract are 4.50% and 1.00%, respectively.

The Bank continues to explore ways to manage certain types of tail risk utilizing derivatives, given the overall liability sensitivity of the Bank's balance sheet and business model.

Liquidity and Capital Resources

In order to ensure the Bank has sufficient liquidity to fund its lending operations, off-balance sheet commitments and contractual obligations, the Bank maintains an adequate level of readily available liquidity, both on and off-balance sheet.

The Bank also assesses its liquidity position regularly by forecasting incoming and outgoing cash flows. In some cases, contractual maturity dates are used to anticipate cash flows. However, when an asset or liability has no contractual maturity, or is subject to early repayment or redemption at the discretion of the issuer or customer, cash flows can be difficult to predict. Generally, these rights are exercised when it is most financially favorable to the issuer or customer.

Marketable common equity holdings, although generally highly liquid, are not viewed as a source of liquidity and are managed to produce superior returns on capital over a longer time horizon.

Investment in FHLB stock is illiquid.

Residential loans are susceptible to principal repayment at the discretion of the borrower. Commercial mortgage loans, while subject to significant penalties for early repayment in most cases, can also prepay at the borrower's discretion. In the first six months of 2026, prepayment rates were slightly higher when compared to the same period in 2025. The Bank has observed a gradual trend towards normalizing prepayment rates, particularly in commercial real estate loans, including turnover in the construction portfolio.

The Bank invests in key executive life insurance policies that are illiquid during the life of the executive. Such policies totaled

$14.5 million, or less than 1% of total assets, at June 30, 2026.

Non-certificate deposit balances can generally be withdrawn from the Bank at any time. The Bank estimates the volatility of its deposits in light of the general economic climate and recent actual experience. Over the past 10 years, deposits have exceeded withdrawals resulting in net cash inflows from depositors.

Time certificates of deposit, which have predefined maturity dates, have different redemption characteristics based on their nature. Retail certificates of deposit, subject to early redemption penalties, can be withdrawn subject to the discretion of the Bank. Internet listing service certificates are offered on the same terms as retail certificates, although the Bank generally does not permit early withdrawal. Brokered certificates generally may not be withdrawn before the stated maturity. The Bank had $1.208 billion in time deposits outstanding at June 30, 2026, of which $1.194 billion have a contractual maturity within one year.

At June 30, 2026, $620.3 million of the Bank's borrowings were fixed in terms of maturity and $785.0 million were callable by the FHLB during the third quarter of 2026. The Bank had no amortizing advances as of June 30, 2026.

The Bank also monitors its off-balance sheet items. At June 30, 2026, the Bank had approximately $317.7 million in commitments to extend credit, as compared to $346.2 million at December 31, 2025. The Bank also has commitments for data processing agreements totaling $11.1 million at June 30, 2026. In 2025, the Bank renegotiated and extended certain elements of the Bank's core processor contract with Fiserv until June of 2031, entered into a new contract for an open application programming interface (API) layer, obtained the option to cancel other elements of the contract in advance of contract maturity, and entered into a 5 year agreement with another provider for the Bank's commercial and retail online banking platform.

The Bank takes each of these preceding issues into consideration when measuring its liquidity position. Specific measurements include the Bank's cash flow position from the 30-day to 365-day horizon, the level of price-sensitive liabilities to earning assets and loan to deposit ratios. Additionally, the Bank "shocks" its cash flows by assuming significant cash outflows in both non-certificate and certificate deposit balances. At June 30, 2026, each measurement was within predefined Bank guidelines, with the exception of the loan to deposit ratio, which was marginally above the guidelines. The loan to deposit ratio has increased in recent years driven primarily by the significant growth in the loan portfolio in 2022, and to a lesser extent in 2023, and the modest deposit growth by comparison. This ratio has also been impacted by the Bank's allocation of the wholesale funding mix between wholesale deposits and borrowings, particularly by management's deliberate actions to replace maturing Internet listing services time deposits with lower rate FHLB advances during the recent cycle. The Bank's initial source of liquidity is cash and cash equivalents which were $355.2 million, or 7.8% of total assets, at June 30, 2026. Virtually all cash and cash equivalents are held in overnight cash balances at the FRBB, which are immediately accessible for liquidity. The Bank carefully monitors these overnight cash balances to minimize the carrying cost of on-balance sheet liquidity.

To supplement its liquidity position, should the need arise, the Bank maintains its membership in the FHLB where it is eligible to obtain both short and long-term credit advances and is eligible to access the FRBB discount window.

The FHLB does not accept certain types of real estate loans and establishes certain limits on borrowing activity, including a limitation on commercial real estate collateral discounted value up to two times the Bank's GAAP shareholders' equity and an overall limit of total extension of credit up to 40% of the Bank's total assets. This latter limit, which was lowered from 50% by the FHLB in early 2025, applies to all members. In 2025, the FHLB adopted a framework that establishes this limit based upon an assessment of a member's credit category, going from 40% for members in category "1" to 5% for members in category "4".

This dual relationship with the FHLB and FRBB provides the Bank with the flexibility to maximize available capacity and to access immediately available liquidity using the FRBB discount window if the FHLB was unavailable to provide liquidity or were to establish more stringent limits in the future. The Bank actively pledges new collateral as loans are originated and manages the collateral allocation between the FHLB and the FRBB to maximize borrowing capacity. In aggregate, the Bank had available borrowing capacity of $990.6 million from these sources at June 30, 2026, as compared to $934.5 million at December 31, 2025.

As of June 30, 2026, the Bank can borrow up to approximately $1.819 billion from the FHLB to meet its borrowing needs, based on the Bank's available qualified collateral which consists primarily of one-to-four-family residential mortgage loans, certain multifamily residential property and commercial mortgage loans. At June 30, 2026, the Bank had $1.405 billion in advances outstanding from the FHLB and had $409.5 million in available unused capacity. This compares to an unused capacity of $343.8 million at December 31, 2025. The FHLB unused capacity increased in the first six months of 2026 as a result of a $58.5 million decrease in outstanding advances, combined with an increase in gross capacity, as the Bank manages collateral to maximize capacity while staying within the 40% limit discussed above.

At June 30, 2026, the Bank can borrow up to $581.1 million by accessing the FRBB Discount Window, based on the Bank's available qualified collateral which consists primarily of HELOCs, one-to-four-family residential mortgage loans, multifamily residential property, construction and commercial mortgage loans. At June 30, 2026 the Bank did not have any advances outstanding at the FRBB and had $581.1 million in available unused capacity. The Bank tests this facility at least annually by borrowing nominal amounts on an overnight basis. This compares to an unused capacity of $590.7 million at December 31, 2025. The FRBB unused capacity decreased by $9.7 million in the first six months of 2026.

The Bank obtains the necessary capital to support its current and future requirements from the retained earnings generated through its operations.

At June 30, 2026, the Bank had capital of $507.4 million, or 11.1% of total assets, as compared to $479.7 million, or 10.6% of total assets, at December 31, 2025. During the six months ended June 30, 2026, stockholders' equity increased by $27.7 million due primarily to net income for the period of $28.3 million and $2.0 million associated with the exercise of stock options, partially offset by the declaration of dividends of $1.26 per share, which reduced capital by $2.8 million.

The Bank is subject to minimum capital maintenance requirements. Regulatory guidelines define the minimum amount of qualifying capital an institution must maintain as a percentage of risk-weighted assets and average total assets. The Bank's ratios exceeded these regulatory capital requirements at June 30, 2026 and December 31, 2025.

The following table details the Bank's actual capital ratios and minimum regulatory ratios as of December 31, 2025 and June 30, 2026.

	Actual		Minimum Capital Requirement*		Minimum To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
			(Dollars in Thousands)			
December 31, 2025						
Total Capital to Risk-Weighted Assets	$ 508,271	14.84 %	$ 359,624	10.50 %	$ 342,499	10.00 %
Common Equity Tier 1 Capital to Risk-Weighted Assets	479,716	14.01	239,749	7.00	222,624	6.50
Tier 1 Capital to Risk-Weighted Assets	479,716	14.01	291,124	8.50	273,999	8.00
Tier 1 Capital to Average Assets	479,716	10.63	180,455	4.00	225,568	5.00
June 30, 2026						
Total Capital to Risk-Weighted Assets	**$ 536,924**	**15.54 %**	**$ 362,765**	**10.50 %**	**$ 345,490**	**10.00 %**
Common Equity Tier 1 Capital to Risk-Weighted Assets	**507,369**	**14.69**	**241,843**	**7.00**	**224,569**	**6.50**
Tier 1 Capital to Risk-Weighted Assets	**507,369**	**14.69**	**293,667**	**8.50**	**276,392**	**8.00**
Tier 1 Capital to Average Assets	**507,369**	**11.19**	**181,311**	**4.00**	**226,638**	**5.00**

* Minimum risk-based regulatory capital ratios and amounts at December 31, 2025 and June 30, 2026 include the applicable minimum risk-based capital ratios and capital conservation buffer of 2.5%

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

The earnings of most banking institutions are exposed to interest rate risk because their balance sheets, both assets and liabilities, are predominantly interest-bearing. It is the Bank's objective to maximize the Bank’s net interest income through the economic cycle while minimizing, to the degree prudently possible, its exposure to interest rate risk, bearing in mind that the Bank, by its very nature, will always be in the business of taking on interest rate risk. Interest rate risk is monitored on a quarterly basis by the Asset Liability Committee (the “ALCO”) and Board of Directors of the Bank. The ALCO is composed of members of Bank management and the Executive Committee of the Board. The ALCO establishes and monitors the various components of the balance sheet including volume, maturities, pricing and mix of assets along with funding sources. The goal is to balance liquidity, interest rate risk and profitability. The primary tool used in managing interest rate risk is income simulation modeling. Income simulation modeling measures changes in net interest income by projecting the future composition of the Bank's balance sheet and applying different interest rate scenarios. Management incorporates numerous assumptions into the simulation model, such as asset prepayment speeds, balance sheet growth and non-maturity deposits elasticity. Management believes that there have been no material changes in the interest rate risk reported in the Bank’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the Federal Deposit Insurance Corporation. The information is contained in the Form 10-K within the section “Quantitative and Qualitative Disclosures About Market Risk.”

Item 4 – Controls and Procedures

(a) Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Bank’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness, as of June 30, 2026, of the Bank’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Bank’s disclosure controls and procedures as of June 30, 2026, the CEO and CFO concluded that, as of such date, the Bank’s disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in Internal Control

There were no significant changes in the Bank’s internal control over financial reporting, as defined in Rules 13a-15(e) and 15d-15(e), during the quarter ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Bank’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

The Bank is involved, from time to time, as plaintiff or defendant in various legal actions arising in the normal course of business and typically related to loan collection activities. As of June 30, 2026, the Bank was not involved in any material legal proceedings, other than those disclosed elsewhere in this Form 10-Q, the outcome of which, if determined in a manner adverse to the Bank, would have a material adverse effect on the Bank's financial condition or results of operations.

Item 1A – Risk Factors

There have generally been no material changes to the nature of the risk factors previously disclosed in the Bank's most recent Form 10-K for the year ended December 31, 2025 filed with the FDIC, other than the one discussed below.

Inflationary pressures and rising prices may affect our results of operations and financial condition and **a downturn in local economic conditions could negatively impact the Bank's business**. The Bank, in its Form 10-K, outlined the potential risks to the Bank's business from certain macroeconomic forces, including but not limited to the impact of inflationary pressures on the Bank's financial condition. Since the filing of the Form 10-K, global macroeconomic volatility has been significantly exacerbated by escalating geopolitical conflict in the Middle East. These developments have caused severe disruptions to global energy markets and key maritime supply chain routes, resulting in energy price shocks and renewed, acute inflationary pressures. Furthermore, the U.S. government has announced a variety of new tariffs on goods imported to the United States from overseas. The Bank has had difficulty assessing the size, scope, nature, and applicability of these proposed tariffs. To the extent that they are implemented, they would be the largest increase in U.S. tariff rates in several generations. The compounding effects of these proposed tariffs, widespread energy price volatility, and heightened geopolitical instability could have a materially adverse impact on the U.S. economy, both directly - through sustained inflation and supply chain constraints - and via the implementation of retaliatory tariffs by foreign trading partners. The mechanism by which such macroeconomic deterioration could impact the Bank's operations is further outlined in our Form 10-K.

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

None.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

Not applicable.

Item 5 – Other Information

None.

Item 6 – Exhibits

Exhibit No.	
31.1	Certifications – Chief Executive Officer
31.2	Certifications – Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. §1350 – Chief Executive Officer
32.2	Certification Pursuant to 18 U.S.C. §1350 – Chief Financial Officer

SIGNATURES

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

HINGHAM INSTITUTION FOR SAVINGS

Date: August 5, 2026

/s/

Robert H. Gaughen, Jr.
Chief Executive Officer
(Principal Executive Officer)

Date: August 5, 2026

/s/

Cristian A. Melej
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

CERTIFICATIONS

EXHIBIT 31.1

I, Robert H. Gaughen, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Hingham Institution for Savings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2026

/s/
Robert H. Gaughen, Jr.
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

EXHIBIT 31.2

I, Cristian A. Melej, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Hingham Institution for Savings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2026

/s/
Cristian A. Melej
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Hingham Institution for Savings (the "Bank") for the fiscal quarter ended June 30, 2026, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned Robert H. Gaughen, Jr., Chief Executive Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/
Robert H. Gaughen, Jr.
Chief Executive Officer
(Principal Executive Officer)

Date: August 5, 2026

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q of Hingham Institution for Savings (the "Bank") for the fiscal quarter ended June 30, 2026, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), the undersigned Cristian A. Melej, Chief Financial Officer of the Bank, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/
Cristian A. Melej
Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)

Date: August 5, 2026