



Report of Independent Auditors and
Consolidated Financial Statements

**FourLeaf Federal Credit Union
and Subsidiaries**

December 31, 2025 and 2024

Table of Contents

	Page
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Condition	4
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Members' Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10

Report of Independent Auditors

The Board of Directors and Supervisory Committee
FourLeaf Federal Credit Union and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of FourLeaf Federal Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FourLeaf Federal Credit Union and Subsidiaries as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FourLeaf Federal Credit Union and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Baker Tilly US, LLP

Portland, Oregon
March 30, 2026

Consolidated Financial Statements

FourLeaf Federal Credit Union and Subsidiaries
Consolidated Statements of Financial Condition
(dollars in thousands)
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 259,331	\$ 91,079
Investments:		
Available-for-sale, at fair value	2,236,607	2,701,888
Other	54,084	77,220
Loans held for sale	4,677	7,723
Loans receivable, net	10,989,879	10,039,652
Accrued interest receivable	60,832	54,663
Servicing rights, net	22,701	26,685
Property and equipment, net	68,970	59,793
Goodwill	56,788	56,788
Other intangibles	18,951	18,951
National Credit Union Share Insurance Fund deposit	108,862	99,171
Right-of-use lease asset	48,241	45,357
Other assets	122,613	92,700
Total assets	\$ 14,052,536	\$ 13,371,670
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' shares	\$ 12,689,993	\$ 11,613,647
Borrowed funds	-	580,000
Lease liability	51,458	47,994
Accrued expenses and other liabilities	172,717	169,139
Total liabilities	12,914,168	12,410,780
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 6 and 10)		
MEMBERS' EQUITY		
Undivided earnings	1,247,852	1,179,832
Equity acquired in merger	5,304	5,304
Accumulated other comprehensive loss	(114,788)	(224,246)
Total members' equity	1,138,368	960,890
Total liabilities and members' equity	\$ 14,052,536	\$ 13,371,670

See accompanying notes.

FourLeaf Federal Credit Union and Subsidiaries
Consolidated Statements of Income
(dollars in thousands)
Years Ended December 31, 2025 and 2024

	2025	2024
INTEREST INCOME		
Interest and fees on loans receivable	\$ 629,877	\$ 539,845
Interest and dividends on investments and cash equivalents	71,143	85,823
Total interest income	701,020	625,668
INTEREST EXPENSE		
Dividends on members' shares	295,979	273,301
Interest on borrowed funds	15,791	47,596
Total interest expense	311,770	320,897
Net interest income	389,250	304,771
PROVISION FOR CREDIT LOSSES	51,433	38,186
Net interest income after provision for credit losses	337,817	266,585
NONINTEREST INCOME		
Members' shares service charges and other fees	17,411	15,683
Mortgage servicing and loan fees	15,628	15,775
Investment services and insurance fees – commissions	8,401	7,885
Gain on sale of mortgage loans	4,932	4,974
Other noninterest income	2,347	12,755
Total noninterest income	48,719	57,072
NONINTEREST EXPENSES		
Salaries and benefits	119,813	102,082
Operations	81,518	70,488
Data processing	54,404	47,464
Education and promotional	32,073	25,896
Occupancy	15,296	13,948
Professional services	15,412	16,252
Total noninterest expenses	318,516	276,130
NET INCOME	\$ 68,020	\$ 47,527

See accompanying notes.

FourLeaf Federal Credit Union and Subsidiaries
Consolidated Statements of Comprehensive Income
(dollars in thousands)
Years Ended December 31, 2025 and 2024

	2025	2024
NET INCOME	\$ 68,020	\$ 47,527
OTHER COMPREHENSIVE INCOME		
Investments available-for-sale		
Net unrealized gains on securities available-for-sale arising during the period	100,387	51,103
Reclassification adjustment for realized gains from sales included in other non-interest income	-	(386)
Defined benefit pension plans		
Net gain arising during the period	9,071	11,739
Total other comprehensive income	109,458	62,456
COMPREHENSIVE INCOME	\$ 177,478	\$ 109,983

See accompanying notes.

FourLeaf Federal Credit Union and Subsidiaries
Consolidated Statements of Changes in Members' Equity
(dollars in thousands)
Years Ended December 31, 2025 and 2024

	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Loss	Total
BALANCE, December 31, 2023	\$ 1,132,305	\$ 5,304	\$ (286,702)	\$ 850,907
Net income	47,527	-	-	47,527
Other comprehensive income	-	-	62,456	62,456
BALANCE, December 31, 2024	<u>1,179,832</u>	<u>5,304</u>	<u>(224,246)</u>	<u>960,890</u>
Net income	68,020	-	-	68,020
Other comprehensive income	-	-	109,458	109,458
BALANCE, December 31, 2025	<u><u>\$ 1,247,852</u></u>	<u><u>\$ 5,304</u></u>	<u><u>\$ (114,788)</u></u>	<u><u>\$ 1,138,368</u></u>

See accompanying notes.

FourLeaf Federal Credit Union and Subsidiaries
Consolidated Statements of Cash Flows
(dollars in thousands)
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 68,020	\$ 47,527
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of mortgage servicing rights	5,416	5,085
Impairment of mortgage servicing rights	272	14
Amortization of commercial servicing rights	588	748
Impairment of commercial servicing rights	53	13
Amortization of net premium on investments	27,043	32,335
Provision for credit loss	51,433	38,186
Gain on sales of investments available-for-sale	-	(386)
Gain on sales of mortgage loans	(4,932)	(4,974)
Mortgage loans originated for sale	(171,125)	(195,738)
Proceeds from sale of mortgage loans	176,769	200,129
Depreciation and amortization	6,104	5,868
Non-cash lease expense	4,010	3,799
Repayment of operating lease liabilities	(3,430)	(3,339)
Amortization of core deposit intangible	-	59
Write down of real estate acquired through foreclosure	2,313	1,155
Gain (loss) on sales of foreclosed and repossessed assets	42	(134)
Increase in accrued interest receivable	(6,169)	(4,421)
Increase in other assets	(20,114)	(2,629)
Increase (decrease) in accrued expenses and other liabilities	3,966	(29,071)
Net cash provided by operating activities	<u>140,259</u>	<u>94,226</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments available-for-sale	538,625	347,058
Proceeds from sales of investments available-for-sale	-	16,260
Proceeds from sales of foreclosed and repossessed assets	300	2,573
Purchase of other assets owned interest	(2,184)	-
Net decrease (increase) in other investments	23,136	(29,626)
Net increase in loans receivable	(1,003,258)	(1,221,442)
(Increase) decrease in the National Credit Union Share Insurance Fund deposit	(9,691)	1,233
Purchases of property and equipment	(15,281)	(6,903)
Net cash used in investing activities	<u>(468,353)</u>	<u>(890,847)</u>

See accompanying notes.

FourLeaf Federal Credit Union and Subsidiaries
Consolidated Statements of Cash Flows
(dollars in thousands)
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short-term borrowed funds	\$ (580,000)	\$ (485,000)
Net increase in members' shares	1,076,346	915,030
Net cash provided by financing activities	496,346	430,030
NET CHANGE IN CASH AND CASH EQUIVALENTS	168,252	(366,591)
CASH AND CASH EQUIVALENTS, beginning of year	91,079	457,670
CASH AND CASH EQUIVALENTS, end of year	\$ 259,331	\$ 91,079
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for		
Dividends on members' shares	\$ 295,979	\$ 273,301
Interest on borrowed funds	\$ 16,385	\$ 75,839
Schedule of noncash investment activities		
Transfer of loans receivable to foreclosed and repossessed assets	\$ 3,363	\$ 7,228
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 6,894	\$ 7,691

See accompanying notes.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

Note 1 – Organization and Summary of Significant Accounting Policies

Organization – FourLeaf Federal Credit Union (the Credit Union) is a cooperative association holding an open charter under the provisions of the Federal Credit Union Act. The National Credit Union Administration (NCUA) is the regulatory agency that ensures the powers and privileges conferred on the Credit Union are used properly.

Effective March 3, 2025, the Credit Union officially changed its name to FourLeaf Federal Credit Union. The Credit Union has continued to expand its member reach beyond Bethpage, New York. The new name establishes the Credit Union as a forward-looking brand that can resonate with a broader audience.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiary, Bethpage Management Services, LLC (BMS). BMS owns 100% of Bethpage Risk Management, LLC; Bethpage Commercial, LLC; Business Services Group West Broadway LLC; Business Services Group 305 2nd Ave, LLC; 200 South Street NC, LLC; and has 51% ownership of Land Bound Services, LLC. All material intercompany balances and transactions have been eliminated in consolidation. Amounts included in the consolidated financial statements and related footnote disclosures are presented in thousands.

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

The principal estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, fair value of collateral dependent loans, servicing rights, net realizable value of foreclosed and repossessed assets, fair value of derivatives and other financial instruments, impairment of goodwill and other intangibles, and projected benefit obligations of defined benefit plans.

Acquisition accounting – Credit union business combinations are accounted for using the acquisition method of accounting pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*. Under the acquisition method of accounting, assets acquired (including identifiable intangibles) and liabilities assumed are recorded at the estimated fair value at the date of acquisition. Any difference in purchase consideration over the fair value of assets acquired and liabilities assumed results in the recognition of goodwill should purchase consideration exceed net estimated fair values or, bargain purchase gain, should estimated net fair values exceed purchase consideration. With credit union acquisitions, purchase consideration is often referred to as estimated fair value of equity acquired. Expenses incurred in connection with an acquisition are expensed as incurred.

Equity method investments – The Credit Union has certain investments which are accounted for under the equity method of accounting, whereby the Credit Union's net investment is increased or decreased by allocated profits and losses, respectively. Additional investments increase the Credit Union's investment while distributions decrease the Credit Union's net investment. See Note 14.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

Cash, cash equivalents, and cash flows – Cash and cash equivalents consist of cash on hand, demand deposits with other financial institutions, and overnight investments. Cash and cash equivalents generally have a maturity of 90 days or less at the time of purchase. For purposes of reporting cash flows, loans receivable, other investments, members' shares, and borrowed funds are reported net. Amounts due from financial institutions may exceed federally insured limits. At December 31, 2025 and 2024, there were approximately \$2,520 and \$7,012, respectively, in credit union and bank demand deposits with individual balances in excess of the insured limit.

Investments – Investment securities that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on investments classified as available-for-sale have been accounted for as accumulated other comprehensive loss. Realized gains and losses on the sale or call of investments available-for-sale are determined using the specific identification method. Amortization of premiums and discounts, including fair value adjustments from business combinations, are recognized in interest income over the period to maturity.

Management no longer evaluates securities for other-than-temporary impairment, as ASC Subtopic 326-30 *Financial Instruments – Credit Losses – Available for Sale Debt Securities* changes the accounting for recognizing impairment on available-for-sale and held-to-maturity debt securities. Each reporting period, management evaluates impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value. Management considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value, and historical loss information for financial assets secured with similar collateral among other factors. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method, whereby management compares the present value of expected cash flows with the amortized cost basis of the security. The credit loss component is recognized through the provision for credit losses on the statements of income.

Allowance for credit losses (ACL) on available-for-sale securities – For available-for-sale securities in an unrealized loss position, management first assesses whether it intends to sell, or is more-likely-than-not to be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis.

Changes in the ACL are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is not included in the estimate of credit losses.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

Accrued interest receivable on available-for-sale debt securities totaled \$8,175 and \$10,719 at December 31, 2025 and 2024, respectively, and is excluded from the estimate of credit losses.

Federal Home Loan Bank stock – The Credit Union is a member of Federal Home Loan Bank of New York (FHLBNY). As a member of the FHLBNY, the Credit Union is required to acquire and hold shares of its capital stock. At December 31, 2025 and 2024, the Credit Union held FHLBNY stock with par value of \$23,156 and \$47,576, respectively.

No ready market exists for the FHLBNY stock, and it has no quoted market value. Therefore, the Credit Union's investment in FHLBNY stock is carried at cost and tested for impairment. At December 31, 2025 and 2024, management did not believe the stock was impaired.

Central Liquidity Facility stock – The Credit Union is a member of the Central Liquidity Facility (CLF), a mixed ownership government corporation created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions. Member credit unions own the CLF which exists within the NCUA. Membership is voluntary and open to all credit unions that purchase a prescribed amount of CLF stock.

Stock in the CLF is classified as restricted stock and is periodically evaluated for impairment. The determination of whether the investment is impaired is based on the Credit Union's assessment of the ultimate recoverability of par value rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability is influenced by criteria such as (1) the significance of the decline in the net assets of the CLF as compared to the capital stock amount for the CLF and the length of time this situation has persisted; (2) commitments by the CLF to make payments required by law or regulation and the level of such payments in relation to the operating performance of the CLF; (3) the impact of the legislative and regulatory changes on institutions and, accordingly, on the customer base of the CLF; and (4) the liquidity position of the CLF.

As of December 31, 2025 and 2024, the Credit Union held \$30,424 and \$28,890 of CLF capital stock, respectively. The remainder is held on call by the Credit Union in cash or investment securities. The amount of the capital stock subscription is adjusted at the close of each calendar year in accordance with the level of the unimpaired capital and surplus of the Credit Union over a period specified by regulation. The Credit Union may withdraw from membership six months after notifying the NCUA Board of its intention to do so if its subscription amount is less than five percent of required subscriptions outstanding, or 24 months after notification if its subscription amount is five percent or more of required subscriptions outstanding. Dividends are paid on the paid-in portion of the Credit Union's capital stock from available earnings of the CLF at rates determined by the NCUA Board.

Other investments – In order to utilize various service offerings, the Credit Union maintains a member capital account with a corporate credit union, and the member capital account is an uninsured equity capital account with the corporate credit union. No ready market exists for the equity capital, and there is no quoted market value. The Credit Union's investment in the corporate credit union is carried at cost and tested for impairment. At December 31, 2025 and 2024, management did not believe the investment was impaired.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Loans held for sale – Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated fair value. Mortgage loans held for sale are generally sold with the mortgage servicing rights retained by the Credit Union.

Acquired loans and leases – Loans purchased or acquired in a business combination are referred to as acquired loans. Acquired loans are valued as of the acquisition date in accordance with FASB ASC Topic 805, *Business Combinations*. Loans acquired with evidence of credit deterioration since origination for which it is probable that all contractually required payments will not be collected are referred to as purchased credit deteriorated (PCD) loans. PCD loans are accounted for under FASB ASC Topic 326, *Allowance for Credit Loss*. Under FASB ASC Topic 805 and FASB ASC Topic 326, all acquired loans are recorded at fair value at acquisition date, factoring in credit losses expected to be incurred over the life of the loan. Accordingly, an allowance for loan and lease losses is not carried over or recorded as of the acquisition date. Fair value is defined as the present value of the future estimated principal and interest payments of the loan, with the discount rate used in the present value calculation representing the estimated effective yield of the loan. Default rates, loss severity, prepayment speed, and other relevant assumptions are periodically reassessed, and the estimate of future payments is adjusted accordingly.

In the case of PCD loans, the difference between expected cash flows and the contractual cash flows from principal and interest is considered credit deterioration and is not accreted into income (non-accretable difference). The difference between the expected cash flows from each loan and the recorded fair value is accreted into interest income over the life of each loan (accretable yield). Interest income recognition is discontinued on a loan if management determines sufficient uncertainty exists about the timing and amount of expected future cash flows. In such instances, all cash flows received are applied against the carrying value of the loan on a cost-recovery basis. Periodically, management reassesses the expected future cash flows for all PCD loans.

Increases in cash flows will cause increases in interest income over the remaining life of a loan. Cash flow declines will typically result in recognition of impairment of a loan through establishment of an allowance for credit losses and charge to the provision for credit losses.

Acquired loans that are not PCD loans are referred to as non-PCD loans. Non-PCD loans are accounted for under FASB ASC Topic 326, *Allowance for Credit Loss*, in which interest income is accrued on a level-yield basis for performing loans. For income recognition purposes, this method assumes that the fair value of loans acquired, and all contractual cash flows will be collected, and no allowance for credit losses is established at the time of acquisition. Post-acquisition date, an allowance for credit losses may need to be established for acquired loans through a provision charged to earnings for credit losses incurred subsequent to acquisition. Under ASC 326, the loss would be measured based on the probable shortfall in relation to the contractual note requirements, consistent with the allowance for loan and lease loss methodology for similar loans.

Loans receivable, net – Loans are stated at the amount of unpaid principal, reduced by an allowance for credit losses, and increased by net deferred loan fees and costs. Deferred fees and costs are amortized to interest income as an adjustment to yield using the straight-line method or over the effective life of the underlying loans, adjusted for prepayments. Interest on loans receivable is recognized over their term and is calculated using the simple interest method on principal amounts outstanding.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed and recoveries are credited to the allowance when received. In the case of recoveries, amounts may not exceed the aggregate of amounts previously charged off. Accrued interest receivable is excluded from the estimate of credit losses for loans.

Management utilizes relevant available information, from internal and external sources, relating to past events, current conditions, historical loss experience, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in economic conditions, unemployment rates, property values, or other relevant factors.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist. The Credit Union segments the loan portfolio into commercial and consumer loans. The ACL for these segments is estimated using probability of default and loss given default modeling, adjusted for qualitative factors. The ACL also includes an amount for the estimated losses on individually evaluated loans, as applicable.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs.

Expected credit losses are estimated over the contractual term of loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that an extension or renewal option are included in the original or modified contract at the reporting date, and are not unconditionally cancellable by the Credit Union.

Credit card receivables do not have stated maturities. In determining the estimated life of a credit card receivable, management first estimates the future cash flows expected to be received and then applies those future expected cash flow to the credit card balance. Expected credit losses for credit cards are calculated using the weighted average remaining maturity (WARM) methodology.

The ACL for off-balance sheet credit exposures is estimated as the expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposure is adjusted through a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

Accrued interest on loans – Interest is accrued as earned unless the collectability of the loan is in doubt. Accrual of interest on loans is discontinued when management believes that, after considering economics, business conditions, and collection efforts, the borrower's financial condition is such that collection of principal and interest is doubtful. The Credit Union's policy is to stop accruing interest when the loan becomes 90 days delinquent or if the collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual status or subsequently charged off is reversed against interest income. Income is subsequently recognized on the cash basis until, in management's judgment, the borrower's ability to make periodic interest and principal payments has returned to normal and future payments are reasonably assured, in which case the loan is returned to accrual status.

The Credit Union's policy is that loans placed on nonaccrual will typically remain on nonaccrual status until all principal and interest payments are brought current and the prospect for future payment in accordance with the loan agreement appear relatively certain. The Credit Union's policy for modifications for commercial borrowers experiencing financial difficulty generally refers to six months of payment performance as sufficient to warrant a return to accrual status.

Transfers and servicing of financial assets – FASB ASC 860, *Transfers and Servicing*, requires the Credit Union to recognize as a separate asset the right to service mortgage and commercial loans for others. An institution that acquires loan servicing rights through either the purchase or the origination of mortgage and commercial loans and sells those loans with servicing rights retained must allocate a portion of the cost of the loans to the servicing rights. Under FASB ASC 860, the Credit Union could elect to either amortize the servicing rights over the life of the loan or carry the servicing rights at fair value. Under both methodologies, the servicing rights would be tested for impairment. Management has elected to amortize the servicing rights in proportion to and over the period of estimated net servicing income.

Servicing rights are periodically evaluated for impairment based on the fair value of those rights. Fair values are estimated using discounted cash flows based on current market rates of interest and current expected future prepayment rates. For purposes of measuring impairment, the rights are stratified by one or more predominant risk characteristics of the underlying loans. The amount of impairment recognized is the amount, if any, by which the amortized cost of the rights for each stratum exceeds their fair value.

The servicing rights for mortgage and commercial loans recorded by the Credit Union were segregated into pools for valuation purposes, using the loan type, loan term, investor, interest rate, maturity date, origination date, and coupon rate as pooling criteria. Once pooled, each grouping of loans was evaluated on a discounted earnings basis to determine the present value of future earnings that a purchaser could expect to realize from each portfolio. Earnings were projected from a variety of sources including loan servicing fees, interest earned on float, net interest earned on escrows, miscellaneous income, and costs to service the loans. The present value of future earnings is the economic value of the pool; i.e., the net realizable present value to a potential acquirer of the servicing rights.

The valuation of servicing rights is influenced by market factors, including servicing volumes and market prices, as well as management's assumptions regarding mortgage and commercial prepayment speeds, interest rates and servicing costs. Management also utilizes periodic third-party valuations by market professionals to evaluate the fair value of its capitalized servicing rights asset.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Property and equipment – Land is carried at cost. Buildings, furniture and equipment, data processing, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Buildings, furniture and equipment, and data processing are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to compute depreciation and amortization are as follows:

Buildings	5 – 40 years
Furniture and equipment	3 – 15 years
Data processing	2 – 5 years
Automobiles	5 years

The cost of leasehold improvements is amortized using the straight-line method over the shorter of the terms of related leases or the useful lives of the improvements.

Leases – Under FASB ASC 842 *Leases* (Topic 842), the Credit Union determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the consolidated balance sheets as Right-of-Use (ROU) assets and lease liabilities. ROU assets represent the Credit Union’s right to use an underlying asset for the lease term, and lease liabilities represent the Credit Union’s obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Credit Union considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Credit Union will utilize their incremental borrowing rate as permitted by Topic 842. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option.

The Credit Union leases office space under agreements classified as operating leases that expire on various dates through 2046. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Credit Union’s leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right of use assets unless the Credit Union is reasonably certain to be exercising the options. Variable expenses generally represent the Credit Unions share of the landlord’s operating expenses. The Credit Union has elected the short-term lease recognition exemption for certain leases which are less than 12 months in duration or month-to-month. This means, for those leases that qualify, ROU assets or lease liabilities will not be recognized.

Goodwill – Goodwill is related to the acquisition of Montauk Credit Union in 2016 and arises from the application of the acquisition method of accounting for business combinations, and represents the excess of the fair value of the consideration transferred over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is deemed to have an indefinite life, is not subject to amortization, and as such is tested for impairment at least annually or more frequently if events and circumstances lead management to believe the value of goodwill may be impaired. Impairment testing is performed at the reporting unit level, which management concluded goodwill was not impaired at December 31, 2025 and 2024.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

Management's assessment of goodwill impairment is performed in accordance with ASC 350-20, *Intangibles – Goodwill and Other – Goodwill*, and encompasses a two-step process to evaluate each reporting unit. First, the Credit Union has the option to perform a qualitative assessment to evaluate relevant events or circumstances to determine whether it is more-likely-than-not the estimated fair value of the of the Credit Union is less than its carrying amount, including goodwill. The factors considered in the qualitative assessment typically include macroeconomic conditions, industry and market conditions, and the overall financial performance of the Credit Union, among other factors. If the Credit Union determines that it is more-likely-than-not its estimated fair value may be less than its carrying amount, then it proceeds to the quantitative impairment test, whereby it calculates the estimated fair value of the Credit Union. Under U.S. GAAP, in its performance of impairment testing, management has the unconditional option to proceed directly to the quantitative impairment test, bypassing the qualitative assessment. If the carrying amount of the Credit Union exceeds its estimated fair value, the amount by which the carrying amount exceeds fair value, up to the carrying value of goodwill, is recorded through earnings as an impairment charge recorded in non-interest expense. If the results of the qualitative assessment indicate that it is not more likely than not that an impairment has occurred, or if the quantitative impairment test results in a fair value of the Credit Union that is greater than the carrying amount, then no impairment charge is recorded.

The Credit Union performs its annual goodwill impairment test as of December 31st each year. The results indicated that goodwill was not impaired as of December 31, 2025. In addition, the Credit Union recorded no goodwill impairment for the year ended December 31, 2024, and there were no triggering events that led to an impairment test being performed at other than the annual impairment test date for either 2025 or 2024.

Other intangibles – Other intangibles is comprised of the credit union charter acquired in the Montauk Credit Union business combination in 2016, which is an indefinite life intangible asset. Intangible assets with indefinite useful lives are not amortized and are reviewed for impairment at least annually, similar to goodwill impairment or, more frequently if impairment indicators arise. As of December 31, 2025 and 2024, the Credit Union concluded the intangible asset was not impaired.

National Credit Union Share Insurance Fund deposit – The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each federally insured Credit Union in an amount equal to 1% of its insured members' shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, if it converts its insurance coverage to another source, or if management of the fund is transferred from the NCUA board.

Foreclosed and repossessed assets – Foreclosed and repossessed assets acquired through foreclosure or other proceedings are carried at fair value on the date of acquisition plus certain capitalized costs, net of estimated disposal costs. When these assets are acquired, any excess of the loan balance over the estimated fair value is charged to the allowance for loan and lease losses. Carrying costs such as maintenance, interest, and taxes are charged to expense as incurred. Subsequent impairments are recognized in non-interest income. Because of changing market conditions, there are inherent uncertainties in the assumptions with respect to the estimated fair value of foreclosed and repossessed assets. Because of these inherent uncertainties, the amount ultimately realized from foreclosed and repossessed assets may differ from the amounts reflected in the consolidated financial statements.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

Derivative financial instruments

Mortgage loan commitments – Mortgage loan commitments are considered derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Credit Union enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Credit Union to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the Credit Union to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, generally the value of these loan commitments decreases. Conversely, if interest rates decrease, generally the value of these loan commitments increases. Loan commitments that are derivatives are recognized at fair value on the consolidated statements of financial condition in other assets or other liabilities with changes in fair values recorded in gain on sale of mortgage loans.

The Credit Union records no value for a loan commitment at inception (at the time the commitment is issued to a borrower) and does not recognize the value of the expected normal servicing rights until the underlying loan is sold. Subsequent to inception, changes in the fair value of loan commitments are recognized based on changes in the fair value of the underlying mortgage loan due to interest rate changes, changes in the probability the derivative loan commitment will be exercised, and the passage of time. In estimating fair value, the Credit Union assigns a probability to a loan commitment based on an expectation that it will be exercised, and the loan will be funded.

Forward loan sale commitments – The Credit Union utilizes forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that might result from the exercise of the derivative loan commitments. With a forward loan sale contract, the Credit Union commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded.

The Credit Union's forward sale contracts generally meet the definition of derivative instruments. Accordingly, forward loan sale commitments are recognized at fair value on the consolidated statements of financial condition in other assets or other liabilities with changes in their fair values recorded in gain on sale of mortgage loans. The Credit Union estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

At December 31, 2025 and 2024, the Credit Union had fair value hedges. The gain or loss on the related derivatives, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change. Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

The Credit Union formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value hedges to specific assets and liabilities on the balance sheet. The Credit Union also formally assesses, both at the hedge inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values of the hedged items. The Credit Union discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value of the hedged item, the derivative is settled or terminates, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. If 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.

Members' shares – Members' shares are the deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's management.

Income taxes – The Credit Union is federally chartered under the Federal Credit Union Act; therefore, no income tax returns are required to be filed. The Credit Union's wholly-owned subsidiaries are disregarded entities for tax purposes and, therefore, operations of the subsidiaries resulted in no income taxes for the years ended December 31, 2025 and 2024.

The Credit Union recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended December 31, 2025 and 2024, the Credit Union recognized no interest or penalties. Additionally, the Credit Union had no unrecognized tax benefits as of December 31, 2025 and 2024.

Employee pension plan benefits – The Credit Union has a qualified, noncontributory defined benefit pension plan covering employees hired before March 1, 2012. The Credit Union's policy is to fund an amount in excess of the minimum amount required under the Employee Retirement Income Security Act (ERISA). The Credit Union accounts for the pension plan in accordance with FASB ASC 715, *Compensation*.

FASB ASC 715 requires an employer to (a) recognize in its balance sheet the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation; (b) measure a plan's assets and its obligations that determine its funded status as of the date of its year-end statement of financial condition; and (c) recognize as a component of other comprehensive income (loss) the actuarial gains and losses and the prior service costs and credits that arise during the period.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Comprehensive income (loss) – Comprehensive income (loss) consists of net income and other comprehensive income (loss). Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized or realized gains and losses on investments available-for-sale and pension liability adjustments, are reported as a separate component of the members’ equity section of the consolidated statement of financial condition under the caption “Accumulated other comprehensive loss,” and in the consolidated statements of comprehensive income (loss).

The following are changes in accumulated other comprehensive income (loss) by component for the years ending December 31, 2025 and 2024:

	<u>Unrealized Losses on Investments Available-for-Sale</u>	<u>Defined Benefit Pension Items</u>	<u>Total</u>
<u>December 31, 2024</u>			
Beginning balance	\$ (278,836)	\$ (7,866)	\$ (286,702)
Other comprehensive income before reclassification	51,103	11,739	62,842
Amounts reclassified from accumulated other comprehensive income	<u>(386)</u>	<u>-</u>	<u>(386)</u>
Net current period other comprehensive income	<u>50,717</u>	<u>11,739</u>	<u>62,456</u>
Ending balance	<u>\$ (228,119)</u>	<u>\$ 3,873</u>	<u>\$ (224,246)</u>
<u>December 31, 2025</u>			
Beginning balance	\$ (228,119)	\$ 3,873	\$ (224,246)
Current period other comprehensive income	<u>100,387</u>	<u>9,071</u>	<u>109,458</u>
Ending balance	<u>\$ (127,732)</u>	<u>\$ 12,944</u>	<u>\$ (114,788)</u>

Revenue from contracts with customers – The Credit Union accounts for revenue arising through contracts with customers under the guidance of FASB ASC 606 *Revenue from Contracts with Customers*, which (a) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (b) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as other real estate owned (OREO). To determine revenue recognition for arrangements that an entity determines are within the scope of FASB ASC 606, the Credit Union performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Credit Union satisfies a performance obligation.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

A significant portion of the Credit Union's revenues come from interest income on financial instruments, such as loans and investments, which are outside of the scope of FASB ASC 606, as are certain other streams such as mortgage banking income. The Credit Union's services that fall within the scope of FASB ASC 606 are recognized as revenue as the Credit Union satisfies its obligation to the customer. The Credit Union recognizes revenue from non-interest income subject to FASB ASC 606 as follows:

Deposit account service fees – The Credit Union earns fees from its deposit members for account maintenance and transaction-based activity. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied, and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees are charged for specific services provided including non-sufficient funds, overdraft transfers, and wire services. The performance obligation is satisfied as the transaction completes resulting in the immediate recognition of the income.

Debit card and interchange income and expenses – Debit card interchange income is earned when a debit card issued by the Credit Union is used to purchase goods or services at a merchant. The income earned on each transaction is determined by a combination of the transaction amount, merchant type, and other factors. The performance obligation is satisfied, and the resulting income is earned when the transaction completes and is charged to the cardholders' card. Accordingly, the income is recognized in the period in which the performance obligation is satisfied. Certain expenses directly associated with debit cards including transaction processing and reward program costs are netted against interchange income.

Credit card and interchange income and expenses – Credit card interchange income represent fees earned when a credit card issued by the Credit Union is used. Similar to the debit card interchange, the Credit Union earns an interchange fee for each transaction made with the Credit Union's branded credit cards. The performance obligation is satisfied, and the fees are earned when the cost of the transaction is charged to the cardholders' credit card. Certain expenses and rewards directly related to the credit card interchange contract are recorded net to the interchange income.

Noninterest expense – Noninterest expense consists of employee compensation and related benefits, professional and outside services rendered, facilities and office operations, and other miscellaneous expenses. Noninterest expense is recognized as incurred.

Fair value of financial instruments – The Credit Union generally holds its earning assets, other than investments available-for-sale and loans held for sale, to maturity and settles its liabilities at maturity. However, fair value estimates are made at a specific point in time and are based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Credit Union's entire holdings of a particular instrument. Accordingly, as assumptions change, such as interest rates and prepayments, fair value estimates change, and these amounts may not necessarily be realized in an immediate sale.

Disclosure of fair value does not require fair value information for items that do not meet the definition of a financial instrument or certain other financial instruments specifically excluded from its requirements. These items include property and equipment, leases, and equity. Further, fair value disclosure does not attempt to value future income or business. These items may be material and, accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying "market" or franchise value of the Credit Union.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

The Credit Union accounts for and discloses fair value using the guidance of FASB ASC 820, *Fair Value Measurement and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy includes three levels of inputs that may be used to measure fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active for identical or similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and significant to the fair value of the assets or liabilities that are developed using the reporting entities' estimates and assumptions, which reflect those that market participants would use.

A description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the classification of the instruments pursuant to the valuation hierarchy, are as follows:

Investments available-for-sale are reported using Level 1, Level 2, and Level 3 inputs. Level 1 instruments generally include equity securities valued based on quoted market prices in active markets. Level 2 instruments include agency issued securities, municipal bonds, mortgage-backed securities, collateralized mortgage obligations and certain auction rate securities. For these securities, the Credit Union obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the bonds' terms and conditions, among other things.

Fair values for mortgage loan commitments and forward sales commitments are estimated using quoted or published market prices for similar instruments, adjusted for factors such as interest rates and pull-through rate assumptions based on historical information, where appropriate. Mortgage loan commitments and forward sales commitments are classified as Level 2.

Fair values of collateral dependent loans are measured based on the fair value of the underlying collateral securing the loan. Collateral dependent loans are secured by commercial assets, and commercial and consumer real estate or automobiles. Market value is determined using the value of the collateral securing the loans and is therefore classified as Level 3. The value of the real estate is determined by independent licensed appraisers contracted by the Credit Union to perform the assessment. The appraised value is then discounted based upon management's experience, which includes estimated disposal costs, understanding of the member and the member's business as well as economic conditions.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Fair values of foreclosed and repossessed assets, primarily real estate, automobiles, and taxi medallions, are measured based on the assets' observable market price. For real estate, prices are derived from independent appraisals, while automobiles are based on observable market prices for comparable vehicles. For taxi medallions, prices are derived from published sales of medallions less liquidation expenses. Foreclosed and repossessed assets are classified within Level 3 of the fair value hierarchy.

Subsequent events – Subsequent events are events or transactions that occur after the date of the consolidated statements of financial condition, but before consolidated financial statements are issued. The Credit Union recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial condition, including the estimates inherent in the process of preparing the consolidated financial statements.

In August 2025, FourLeaf requested withdrawal from the NCUA CLF. In February 2026, FourLeaf's CLF membership was withdrawn resulting in \$31,691 of cash being returned to FourLeaf.

The Credit Union has evaluated subsequent events through March 30, 2026, which is the date the consolidated financial statements became available for issuance.

Note 2 – Investments

Investments classified as available-for-sale consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>December 31, 2025</u>				
Agency issued securities	\$ 102,669	\$ 224	\$ (1,785)	\$ 101,108
Agency issued MBS/CMOs*	1,880,886	660	(114,801)	1,766,745
Municipal bonds	380,784	4	(12,034)	368,754
Total	<u>\$ 2,364,339</u>	<u>\$ 888</u>	<u>\$ (128,620)</u>	<u>\$ 2,236,607</u>
<u>December 31, 2024</u>				
Agency issued securities	\$ 129,309	\$ 131	\$ (3,222)	\$ 126,218
Agency issued MBS/CMOs*	2,257,330	271	(197,350)	2,060,251
Municipal bonds	543,368	-	(27,949)	515,419
Total	<u>\$ 2,930,007</u>	<u>\$ 402</u>	<u>\$ (228,521)</u>	<u>\$ 2,701,888</u>

*MBS and CMO represent Mortgage-Backed Securities and Collateralized Mortgage Obligations, respectively.

There were no sales of available-for-sale securities during the year ended December 31, 2025. Proceeds from sales of available-for-sale securities for the year ended December 31, 2024, totaled \$16,260, and gross realized loss totaled \$386.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Gross unrealized losses and fair value by length of time that the individual investments available-for-sale have been in a continuous unrealized loss position at December 31, 2025 and 2024, are as follows:

	Less than 12 Months		Equal to or more than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>December 31, 2025</u>						
Agency issued securities	\$ 484	\$ (11)	\$ 68,865	\$ (1,774)	\$ 69,349	\$ (1,785)
Agency issued MBS/CMOs	24,096	(114)	1,665,985	(114,687)	1,690,081	(114,801)
Municipal bonds	4,808	(48)	352,816	(11,986)	357,624	(12,034)
Total	<u>\$ 29,388</u>	<u>\$ (173)</u>	<u>\$ 2,087,666</u>	<u>\$ (128,447)</u>	<u>\$ 2,117,054</u>	<u>\$ (128,620)</u>
<u>December 31, 2024</u>						
Agency issued securities	\$ 18,505	\$ (103)	\$ 94,639	\$ (3,119)	\$ 113,144	\$ (3,222)
Agency issued MBS/CMOs	42,284	(371)	2,003,417	(196,979)	2,045,701	(197,350)
Municipal bonds	5,850	(236)	504,964	(27,713)	510,814	(27,949)
Total	<u>\$ 66,639</u>	<u>\$ (710)</u>	<u>\$ 2,603,020</u>	<u>\$ (227,811)</u>	<u>\$ 2,669,659</u>	<u>\$ (228,521)</u>

There were a total of 25 investments available-for-sale in an unrealized loss position less than 12 months, and a total of 734 investments available-for-sale in an unrealized loss position equal to or greater than 12 months, at December 31, 2025. There were a total of 88 investments available-for-sale in an unrealized loss position less than 12 months, and a total of 889 investments available-for-sale in an unrealized loss position equal to or greater than 12 months, at December 31, 2024.

The unrealized losses associated with these investments are considered temporary as the Credit Union does not have the intention to sell nor does it expect to be required to sell the investments prior to recovery or maturity. Management believes that the temporary unrealized loss is due to the interest rate and liquidity environment. Such determination was based upon an evaluation of the creditworthiness of the issuers and/or guarantors, the underlying collateral, if applicable, as well as the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of deteriorating credit quality. These include, but are not limited to, an evaluation of the type of security and length of time and extent to which the fair value has been less than cost, as well as certain collateral related characteristics. The Credit Union does not intend to sell these securities and it is not likely that the Credit Union will be required to sell these securities before recovery of their amortized cost bases, which may include holding each security until contractual maturity or sooner in the event of a more favorable interest rate environment. Accordingly, no allowance for credit losses has been recorded for available-for-sale securities as of December 31, 2025.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Other investments consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Certificates of deposit in banks and savings institutions	\$ -	\$ 250
FHLBNY stock	23,156	47,576
Central Liquidity Facility (CLF)	30,424	28,890
Member capital account in Corporate Credit Union	<u>504</u>	<u>504</u>
Total	<u>\$ 54,084</u>	<u>\$ 77,220</u>

Investments by contractual maturity as of December 31, 2025, are summarized as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Other Investments</u>
No contractual maturity – FHLBNY stock, CLF, and member capital in Corporate Credit Union	\$ -	\$ -	\$ 54,084
Less than 1 year maturity	217,181	215,456	-
1 – < 5 years maturity	262,634	251,588	-
5 – 10 years maturity	3,638	2,818	-
Mortgage-backed securities and CMOs	<u>1,880,886</u>	<u>1,766,745</u>	<u>-</u>
Total	<u>\$ 2,364,339</u>	<u>\$ 2,236,607</u>	<u>\$ 54,084</u>

Expected maturities of mortgage-backed securities and CMOs may differ from contractual maturities because borrowers may have the right to prepay the obligations and are, therefore, classified based on average life.

Investments pledged for available and outstanding borrowings are summarized below as of December 31:

	<u>2025</u>	<u>2024</u>
Investments available-for-sale	\$ 1,540,901	\$ 1,818,828
Federal Home Loan Bank stock	23,156	47,576

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 3 – Loans Receivable and Credit Quality

Loans receivable consist of the following at December 31:

	Past Due				Current	Purchased Credit Deteriorated Loans	2025 Total
	1 Month	2 Months	3 Months or More	Total			
Real estate loans							
Residential fixed rate mortgages	\$ 730	\$ 1,952	\$ 9,060	\$ 11,742	\$ 378,316	\$ -	\$ 390,058
Residential non-owner occupied	-	-	-	-	8,715	-	8,715
Hybrid/balloon mortgages	4,139	99	28,890	33,128	2,914,661	-	2,947,789
Home equity line of credit, variable rate	4,371	1,860	8,099	14,330	240,909	-	255,239
Home equity masterlines	23,730	12,273	29,407	65,410	2,755,081	-	2,820,491
Home equity loans	2,150	880	12,354	15,384	141,114	-	156,498
Commercial real estate including participations	453	-	65,134	65,587	1,716,724	-	1,782,311
Vehicle loans	41,891	13,151	23,323	78,365	2,054,306	-	2,132,671
Consumer loans	3,993	2,931	3,433	10,357	439,993	-	450,350
Commercial	116	3	299	418	17,361	2,162	19,941
Consumer credit cards	1,067	663	1,125	2,855	103,207	-	106,062
	<u>\$ 82,640</u>	<u>\$ 33,812</u>	<u>\$ 181,124</u>	<u>\$ 297,576</u>	<u>\$ 10,770,387</u>	<u>\$ 2,162</u>	11,070,125
Allowance for credit losses							(157,854)
Net deferred origination fees and costs							76,121
Basis adjustment for interest rate swap							1,487
Total							<u>\$ 10,989,879</u>

	Past Due				Current	Purchased Credit Impaired Loans	2024 Total
	1 Month	2 Months	3 Months or More	Total			
Real estate loans							
Residential fixed rate mortgages	\$ 1,520	\$ 1,262	\$ 8,690	\$ 11,472	\$ 442,774	\$ -	\$ 454,246
Residential non-owner occupied	-	-	-	-	10,421	-	10,421
Hybrid/balloon mortgages	3,833	1,685	22,235	27,753	2,930,086	-	2,957,839
Home equity line of credit, variable rate	10,044	1,169	7,383	18,596	315,972	-	334,568
Home equity masterlines	29,351	3,301	17,906	50,558	2,283,224	-	2,333,782
Home equity loans	3,385	274	9,037	12,696	139,892	-	152,588
Commercial real estate including participations	-	2,151	83,096	85,247	1,722,225	-	1,807,472
Vehicle loans	15,853	3,050	5,286	24,189	1,598,996	-	1,623,185
Consumer loans	2,348	1,230	1,505	5,083	314,780	-	319,863
Commercial	53	4	163	220	17,889	3,069	21,178
Consumer credit cards	755	648	933	2,336	98,419	-	100,755
	<u>\$ 67,142</u>	<u>\$ 14,774</u>	<u>\$ 156,234</u>	<u>\$ 238,150</u>	<u>\$ 9,874,678</u>	<u>\$ 3,069</u>	10,115,897
Allowance for credit losses							(146,922)
Net deferred origination fees and costs							69,065
Basis adjustment for interest rate swap							1,612
Total							<u>\$ 10,039,652</u>

The Credit Union has purchased commercial loan participations originated by other financial institutions. All of these loan participations were purchased without recourse and are collateralized by real property.

As of December 31, 2025, there were \$1,575,381 in real estate loans pledged to secure available borrowings with FHLB.

The Credit Union offers hybrid/balloon mortgage loans to its members. Hybrid/balloon loans consist of loans that are fixed for an initial period of three, five, seven, or ten years. After this period, the mortgages are converted to variable rate using the fully indexed rate capped at an annual increase of two percent, which can result in significant payment increase to the borrower.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Credit quality indicators – For all loans, the Credit Union evaluates credit quality based on payment activity. Those loans that are 90 days or more past due are considered non-performing and are on nonaccrual, while all remaining loans are evaluated as performing. The following table presents the contractual balance of loans on nonaccrual status and the related ACL as of December 31, 2025:

	December 31, 2025			
	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	ACL
Commercial	\$ -	\$ 302	\$ 302	\$ 245
Commercial real estate including participations	-	103,175	103,175	31,961
Consumer				
Consumer – auto	-	23,848	23,848	315
Consumer – other	72	3,676	3,748	106
Consumer – credit cards	-	1,138	1,138	68
Residential mortgages	14,919	25,083	40,002	1,579
Home equity masterlines, loans and lines of credit	12,199	37,662	49,861	6,026
Total	\$ 27,190	\$ 194,884	\$ 222,074	\$ 40,300

The following table presents the amortized cost basis of loans on nonaccrual status as of December 31, 2024:

	December 31, 2024			
	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	ACL
Commercial	\$ 239	\$ 372	\$ 611	\$ 200
Commercial real estate including participations	-	120,282	120,282	34,949
Consumer				
Consumer – auto	-	5,404	5,404	38
Consumer – other	-	1,505	1,505	25
Consumer – credit cards	-	929	929	53
Residential mortgages	17,795	14,815	32,610	1,447
Home equity masterlines, loans and lines of credit	19,123	15,036	34,159	4,180
Total	\$ 37,157	\$ 158,343	\$ 195,500	\$ 40,892

No loans 90 days or more past due accrue interest as of December 31, 2025 and 2024.

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

The Credit Union categorizes commercial and real estate loans into risk categories based on numerous factors. Some of those factors include, but are not limited to, financial strength, industry/economic trends, and credit history. Each loan is assessed individually and grouped into a sub-category such as commercial, commercial real estate, commercial loan participations – real estate, residential, home equity masterlines, home equity, and home equity lines of credit. An analysis of loans categorized and rated for risk is performed at least semi-annually. The Credit Union used the below five levels of risk rating grading (the Grades) based on the underlying characteristics of the loan.

Pass – The borrower is considered creditworthy and has the ability to repay the debt in the normal course of business.

Special Mention – A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Credit Union's credit position at some future date. Special mention assets are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful – A doubtful loan has all the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.

Loss – A loss loan is considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The following is a summary of the credit risk profile of the commercial and real estate loans (principal balance only) and includes PCD loans:

December 31, 2025				
	Commercial	Commercial Real Estate Including Participations	Residential Mortgages	Home Equity Masterlines, Loans, and Lines of Credit
Grade				
Pass	\$ 12,673	\$ 1,567,348	\$ 3,306,534	\$ 3,167,353
Special Mention	112	84,814	11,811	30,824
Substandard	5,731	84,205	7,600	12,806
Doubtful	1,425	45,944	20,617	21,245
Total	<u>\$ 19,941</u>	<u>\$ 1,782,311</u>	<u>\$ 3,346,562</u>	<u>\$ 3,232,228</u>
December 31, 2024				
	Commercial	Commercial Real Estate Including Participations	Residential Mortgages	Home Equity Masterlines, Loans, and Lines of Credit
Grade				
Pass	\$ 11,948	\$ 1,520,683	\$ 3,388,607	\$ 2,781,868
Special Mention	46	170,608	7,719	13,604
Substandard	6,609	51,538	3,312	8,795
Doubtful	2,575	64,643	22,868	16,671
Total	<u>\$ 21,178</u>	<u>\$ 1,807,472</u>	<u>\$ 3,422,506</u>	<u>\$ 2,820,938</u>

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

For consumer loans, the Credit Union also evaluates credit quality based on credit score. The following table provides a breakdown of the consumer loans receivable by credit tier which is based on credit score. The Credit Union obtains credit scores at loan origination and the scores are updated twice a year. If an updated score could not be obtained, the loan was classified within the unidentified category. The majority of the portfolio is underwritten with a credit score of 700 and above.

Loans receivable by customer credit quality tier	December 31, 2025		
	Consumer Auto	Credit Card	Other Consumer
	Tier 1+ - (>=770)	\$ 880,959	\$ 39,078
Tier 1 - (720 - 769)	410,697	22,779	136,816
Tier 2 - (670 - 719)	422,118	20,403	134,887
Tier 3 - (620 - 669)	260,665	15,143	17,596
Tier 4 - (550 - 619)	118,592	6,218	7,394
Tier 5 - (< 550)	38,585	2,258	2,182
Unidentified	1,055	183	2,011
Total	\$ 2,132,671	\$ 106,062	\$ 450,350

Loans receivable by customer credit quality tier	December 31, 2024		
	Consumer Auto	Credit Card	Other Consumer
	Tier 1+ - (>=770)	\$ 834,098	\$ 34,379
Tier 1 - (720 - 769)	323,761	23,004	97,198
Tier 2 - (670 - 719)	256,730	19,990	68,082
Tier 3 - (620 - 669)	137,760	14,202	14,882
Tier 4 - (550 - 619)	52,533	6,215	5,942
Tier 5 - (< 550)	18,047	2,259	1,964
Unidentified	256	706	1,094
Total	\$ 1,623,185	\$ 100,755	\$ 319,863

Collateral dependent loans – The Credit Union individually evaluates certain loans to determine expected credit losses for which repayment is dependent upon the operation or sale of collateral as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

- Commercial loans are typically secured by business assets or taxi medallions.
- Commercial real estate loans are typically secured by real estate, promissory notes, and personal guarantees.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

- Residential real estate loans and home equity masterlines, loans, and lines of credit are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Consumer auto loans are secured by new and used automobiles.
- Other consumer loans are secured by motorcycles, recreational vehicles, and other personal property.
- Some other consumer loans are unsecured and have no underlying collateral.

The following table presents the amortized cost basis of collateral dependent loans by class of loans and the underlying collateral type:

	December 31, 2025			
	Commercial Assets	Commercial Real Estate	Residential Real Estate	Total
Commercial	\$ 6,443	\$ -	\$ -	\$ 6,443
Commercial real estate including participations	-	236,577	-	236,577
Residential mortgages	-	-	24,443	24,443
Home equity masterlines, loans and lines of credit	-	-	33,911	33,911
Total	<u>\$ 6,443</u>	<u>\$ 236,577</u>	<u>\$ 58,354</u>	<u>\$ 301,374</u>
	December 31, 2024			
	Commercial Assets	Commercial Real Estate	Residential Real Estate	Total
Commercial	\$ 8,702	\$ -	\$ -	\$ 8,702
Commercial real estate including participations	-	298,335	-	298,335
Residential mortgages	-	-	26,807	26,807
Home equity masterlines, loans and lines of credit	-	-	31,394	31,394
Total	<u>\$ 8,702</u>	<u>\$ 298,335</u>	<u>\$ 58,201</u>	<u>\$ 365,238</u>

As of December 31, 2025 and 2024, the Credit Union's investment in residential mortgage loans collateralized by residential real estate property in process of foreclosure was \$33,394 and \$34,303, respectively.

Modified loans – The Credit Union may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulties as part of ongoing loss mitigation strategies. These modifications may result in principal forgiveness, other-than-insignificant payment delay, term extension, interest rate modification, or combination therein.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The table below summarizes the amortized cost of loans as of December 31, 2025 and 2024, that were both experiencing financial difficulty and modified during the year then ended, by class and by type of modification.

	December 31, 2025				
	Payment Delay	Term Extension	Rate Reduction	Combination	Total
Commercial	\$ -	\$ 142	\$ -	\$ -	\$ 142
Commercial real estate including participations	19,503	12,098	-	25,289	56,890
Residential mortgages	197	1,514	86	190	1,987
Total	<u>\$ 19,700</u>	<u>\$ 13,754</u>	<u>\$ 86</u>	<u>\$ 25,479</u>	<u>\$ 59,019</u>
	December 31, 2024				
	Payment Delay	Term Extension	Rate Reduction	Combination	Total
Commercial	\$ -	\$ 1,197	\$ -	\$ -	\$ 1,197
Commercial real estate including participations	12,168	10,912	15,234	-	38,314
Residential mortgages	-	-	-	782	782
Home equity masterlines, loans and lines of credit	-	-	-	-	-
Total	<u>\$ 12,168</u>	<u>\$ 12,109</u>	<u>\$ 15,234</u>	<u>\$ 782</u>	<u>\$ 40,293</u>

The financial impacts of the modifications were immaterial to the consolidated financial statements.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The Credit Union closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months as of December 31, 2025 and 2024:

	December 31, 2025		
	Accrual Status	Nonaccrual Status	Total Modifications
Commercial	\$ 142	\$ -	\$ 142
Commercial real estate including participations	15,181	41,709	56,890
Residential mortgages	1,928	59	1,987
Total	\$ 17,251	\$ 41,768	\$ 59,019
	December 31, 2024		
	Accrual Status	Nonaccrual Status	Total Modifications
Commercial	\$ 619	\$ 577	\$ 1,196
Commercial real estate including participations	-	38,314	38,314
Residential mortgages	358	425	783
Total	\$ 977	\$ 39,316	\$ 40,293

The Credit Union's policy provides that modified loans placed on non-accrual status would typically remain on non-accrual status until all principal and interest payments are brought current and the prospect for future payment in accordance with the loan agreement appears certain. The Credit Union's policy generally refers to six months of payment performance as sufficient to warrant a return to accrual status.

The amortized cost basis of loans that had a payment default during the year ended December 31, 2025, and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty was insignificant to the financial statements for the year ended December 31, 2025.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 4 – Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at December 31, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Federal National Mortgage Association	\$ 4,029,913	\$ 4,278,437
Federal Home Loan Mortgage Corporation	275,223	289,074
Federal Home Loan Bank of New York	224,620	188,567
Government National Mortgage Association	155,145	153,314
Conventional (other)	<u>4,677</u>	<u>5,550</u>
Total	<u>\$ 4,689,578</u>	<u>\$ 4,914,942</u>

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in members' shares, were \$39,157 and \$33,980 at December 31, 2025 and 2024, respectively.

The following table presents a summary of the changes in the balance of mortgage servicing rights as of December 31:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 25,998	\$ 29,095
Servicing assets recognized during the year	1,700	2,002
Amortization of servicing assets	(5,416)	(5,085)
Impairment of servicing assets	<u>(272)</u>	<u>(14)</u>
Balance, end of year	<u>\$ 22,010</u>	<u>\$ 25,998</u>
Fair value of mortgage servicing rights	<u>\$ 47,164</u>	<u>\$ 53,098</u>

The key assumptions used in determining the fair value of mortgage servicing rights are as follows as of December 31:

	<u>Range of Assumptions</u>	
	<u>2025</u>	<u>2024</u>
Constant prepayment rate	11.14%	10.03%
Internal rate of return	9.20%-11.20%	9.18%-11.18%
Weighted average life (years)	6.67	7.32

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The unpaid principal balance of commercial loans serviced for others, primarily commercial real estate, was \$1,062,783 and \$1,043,560 for the years ended December 31, 2025 and 2024, respectively. The following table presents a summary of the changes in the balance of commercial servicing rights as of December 31:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 687	\$ 1,070
Servicing assets recognized during the year	645	377
Amortization of servicing assets	(588)	(747)
Impairment of servicing assets	<u>(53)</u>	<u>(13)</u>
Balance, end of year	<u>\$ 691</u>	<u>\$ 687</u>
Fair value of commercial servicing rights	<u>\$ 6,042</u>	<u>\$ 6,323</u>

The key assumptions used in determining the fair value of commercial servicing rights are as follows as of December 31:

	<u>Range of Assumptions</u>	
	<u>2025</u>	<u>2024</u>
Constant prepayment rate	15.69%	14.29%
Internal rate of return	22.03%–24.03%	20.00%–22.00%
Weighted average life (years)	4.75	5.42

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 5 – Property and Equipment, Net

Property and equipment are summarized as follows as of December 31:

	<u>Property and Equipment</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Property and Equipment, net</u>
<u>December 31, 2025</u>			
Land and improvements	\$ 7,235	\$ (1,037)	\$ 6,198
Buildings	59,696	(24,281)	35,415
Furniture and equipment	34,396	(24,447)	9,949
Data processing	47,038	(39,254)	7,784
Automobile	60	(60)	-
Leasehold improvements	33,922	(24,298)	9,624
	<u>\$ 182,347</u>	<u>\$ (113,377)</u>	<u>\$ 68,970</u>
<u>December 31, 2024</u>			
Land and improvements	\$ 7,185	\$ (947)	\$ 6,238
Buildings	57,882	(22,545)	35,337
Furniture and equipment	29,689	(23,248)	6,441
Data processing	40,808	(37,712)	3,096
Automobile	60	(60)	-
Leasehold improvements	31,810	(23,129)	8,681
	<u>\$ 167,434</u>	<u>\$ (107,641)</u>	<u>\$ 59,793</u>

Note 6 – Leases

The Credit Union leases administrative office and branch space under noncancelable operating leases with varying terms, including options to renew expiring through 2046.

The components of lease cost included in occupancy expense on the Consolidated Statements of Income are as follows for the year ended December 31:

	<u>2025</u>	<u>2024</u>
Lease cost		
Minimum rent payments	<u>\$ 5,802</u>	<u>\$ 5,180</u>

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025 and 2024, are as follows:

2026	\$	5,594
2027		5,703
2028		5,474
2029		4,689
2030		4,705
Thereafter		<u>41,721</u>
Total undiscounted lease payments		67,886
Less imputed interest		<u>(16,428)</u>
Net lease liabilities	\$	<u><u>51,458</u></u>

The following table provides the supplemental information related to operating leases for the purpose of the measurement of lease liabilities at or for the year ended December 31 (dollars in thousands):

	<u>2025</u>	<u>2024</u>
Operating cash flows from operating leases	\$ 5,222	\$ 4,720
Weighted average remaining lease term (years)	13.1	13.2
Weighted average discount rate	4.0%	3.6%

Note 7 – Members’ Shares

Members’ shares are summarized as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Money market accounts	4,082,919	\$ 2,395,252
Certificates	4,016,642	4,976,834
Regular shares	2,476,764	2,202,084
Share draft accounts	1,480,817	1,397,534
Individual retirement accounts – money market	103,186	117,200
Individual retirement accounts – certificates	<u>529,665</u>	<u>524,743</u>
Total	<u><u>\$ 12,689,993</u></u>	<u><u>\$ 11,613,647</u></u>

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Certificates by maturity as of December 31, 2025, are summarized as follows:

0–1 year maturity	\$ 3,966,244
1–2 years maturity	290,528
2–3 years maturity	134,389
3–4 years maturity	18,036
4–6 years maturity	<u>137,110</u>
Total	<u>\$ 4,546,307</u>

The National Credit Union Share Insurance Fund insures members' shares up to \$250. The aggregate amount of certificates in denominations of \$250 or more at December 31, 2025 and 2024, was \$1,232,485 and \$1,331,585, respectively.

At December 31, 2025 and 2024, overdraft demand shares reclassified as loans totaled \$1,743 and \$809, respectively.

Note 8 – Borrowed Funds

The Credit Union has lines of credits with various financial institutions. The terms of the agreements call for pledging assets as security for any and all obligations taken by the Credit Union. Two lines of credit available are unsecured. The agreements provide for a total gross borrowing capacity of \$2,650,045 at December 31, 2025, subject to certain collateral requirements, with interest charged at a rate determined by the lenders on a periodic basis. The agreements are reviewed for continuation by the lenders and the Credit Union annually. At December 31, 2025, the Credit Union had no outstanding borrowings under these line of credit agreements.

At December 31, 2024, the Credit Union had outstanding borrowings of \$580,000 at a weighted average rate of 4.49% from the Federal Home Loan Bank with \$380,000 maturing in February 2025, and \$200,000 maturing in March 2025.

Note 9 – Concentrations of Credit Risk

The Credit Union has an open federal charter and there are no geographic or group affiliation field of membership restrictions. The open charter was approved during 2016 by the NCUA. The majority of members are primarily located in New York. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of the overall geographic region in which the majority of borrowers reside.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 10 – Commitments and Contingent Liabilities

The Credit Union is a party to various legal actions normally associated with collection of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the consolidated financial condition or results of operations of the Credit Union.

Outstanding loan commitments are summarized as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Home equity masterlines, loans and lines of credit	\$ 2,834,881	\$ 2,706,189
Mortgage loan commitments	71,379	68,302
Consumer – credit card	487,709	494,071
Consumer – other	221,249	217,567
Commercial	11,579	2,223
Commercial – real estate	<u>365</u>	<u>500</u>
Total	<u>\$ 3,627,162</u>	<u>\$ 3,488,852</u>

Commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements of the Credit Union. These commitments are not reflected in the consolidated financial statements.

In the ordinary course of business, the Credit Union is exposed to potential claims and/or litigation under representations and warranties made to purchasers and insurers of mortgage loans as well as the purchasers of servicing rights. Under certain circumstances, the Credit Union may be required to repurchase mortgage loans or indemnify the purchasers of loans or servicing rights for losses if there has been a breach of representations or warranties. Any resulting liabilities would be recorded at the date the loss is probable and could be reasonably estimated. There were no repurchase or indemnification liabilities at December 31, 2025 and 2024.

Note 11 – Derivative and Hedging Activities

The Credit Union offers its members real estate loans with fixed interest rates. To mitigate the negative effects of rising interest rates on fair value of these loans, the Credit Union enters into interest rate swaps committing to pay a fixed rate and to receive a variable rate based on a notional amount over a set term, which were determined to be fully effective during all periods presented. The aggregate fair value of the swaps is recorded in other assets or accrued liabilities, with the fair value adjustment of hedged asset recorded in the underlying asset and the offsetting loss or gain recognized in current earnings as fair values change. The Credit Union expects the hedges to remain fully effective during the remaining terms of the swaps.

The Credit Union had collateral held with the counterparties of \$2,120 at December 31, 2025, which is included in other assets. The Credit Union did not hold deposit collateral from the counterparties at December 31, 2025.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Summary information about the interest-rate swaps designated as fair value hedges as of year-end is as follows:

	<u>2025</u>
Notional amount	\$ 500,000
Weighted-average pay rate	4.29%
Weighted-average receive rate	4.50%
Weighted-average remaining maturity in years	0.47
Loss reported in current earnings on the consolidated statement of income	\$ (284)

Net interest expense recorded on these swap transactions totaled \$284 during 2025. The amounts are recorded as a component of interest income on loans.

The following table reflects the fair value hedges included in the Consolidated Statements of Financial Condition:

	<u>Notional amount</u>	<u>Fair Value</u>
Included in accrued liabilities		
Interest rate contracts	\$ 500,000	\$ (1,487)
Collateral held by Counterparty	\$ 2,120	

Certain derivative instruments do not meet the requirements to be accounted for as hedging instruments. These undesignated derivative instruments are recognized in other assets and other liabilities on the consolidated statements of financial condition at fair value, with changes in fair value recorded in gain on sale of mortgage loans.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Derivatives outstanding at December 31, and gains (losses) recognized during the years then ended, are summarized as follows:

	December 31, 2025			
	Notional Amount	Fair Value – Asset	Fair Value – (Liability)	Gain (Loss) Recognized
Forward loan sale commitments	\$ 14,615	\$ -	\$ (77)	\$ (144)
Mortgage loan commitments	51,926	247	-	132
	December 31, 2024			
	Notional Amount	Fair Value – Asset	Fair Value – (Liability)	Gain (Loss) Recognized
Forward loan sale commitments	\$ 19,774	\$ 67	\$ -	\$ 323
Mortgage loan commitments	43,973	115	-	(79)

Note 12 – Employee Benefits

The Credit Union sponsors a funded, noncontributory defined benefit pension plan covering employees hired before March 1, 2012. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Credit Union and compensation levels at retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist primarily of equity securities.

The Credit Union also sponsors a postretirement benefit plan to provide health care benefits to retirees of the Credit Union from retirement until Medicare benefits become available. The postretirement benefits take into account actuarial assumptions that consider employee age, years to retirement, and years to Medicare benefits. Other assumptions include the portion of the health care premium for the retirees to be paid by the plan, and a factor of the health care cost trend rate.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The accrued pension benefits and net periodic pension costs for the years ended December 31, 2025 and 2024, are as follows:

	Pension Plan		Postretirement Benefit	
	2025	2024	2025	2024
Change in benefit obligation				
Projected benefit obligation at beginning of year	\$ 90,537	\$ 93,103	\$ 11,182	\$ 12,215
Service cost	1,524	1,704	151	191
Interest cost	5,108	4,690	597	607
Participant contributions	-	-	34	-
Benefits paid	(3,648)	(3,307)	(158)	(119)
Actuarial loss (gain)	2,955	(5,653)	(463)	(1,712)
Projected benefit obligation at end of year	<u>96,476</u>	<u>90,537</u>	<u>11,343</u>	<u>11,182</u>
Change in plan assets				
Fair value of plan assets at beginning of year	113,624	105,273	-	-
Actual return on plan assets	19,439	11,611	-	-
Employer contributions	-	-	124	119
Participant contributions	-	-	34	-
Benefits paid	(3,648)	(3,260)	(158)	(119)
Fair value of plan assets at end of year	<u>129,415</u>	<u>113,624</u>	<u>-</u>	<u>-</u>
Funded (unfunded) status at end of year	<u>\$ 32,939</u>	<u>\$ 23,087</u>	<u>\$ (11,343)</u>	<u>\$ (11,182)</u>
Accumulated benefit obligation	<u>\$ 88,265</u>	<u>\$ 83,191</u>	<u>\$ -</u>	<u>\$ -</u>
Amounts recognized in the consolidated statements of financial condition consist of				
Accrued benefit asset (liability)	<u>\$ 32,939</u>	<u>\$ 23,087</u>	<u>\$ (11,343)</u>	<u>\$ (11,182)</u>
Accumulated other comprehensive gain	<u>\$ 11,327</u>	<u>\$ 2,660</u>	<u>\$ 1,617</u>	<u>\$ 1,213</u>
Amounts recognized in accumulated other comprehensive loss consist of				
Net actuarial gain	<u>\$ (11,327)</u>	<u>\$ (2,660)</u>	<u>\$ (1,617)</u>	<u>\$ (1,213)</u>
Total	<u>\$ (11,327)</u>	<u>\$ (2,660)</u>	<u>\$ (1,617)</u>	<u>\$ (1,213)</u>

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The following table sets forth the actuarial assumptions related to the Credit Union's employee benefit plans as of December 31:

	Pension Plan		Postretirement Benefit	
	2025	2024	2025	2024
Weighted-average assumptions used to determine benefit obligation				
Discount rate	5.56%	5.64%	5.65%	5.66%
Rate of compensation increase	3.40%	3.40%	N/A	N/A
Weighted-average assumptions used to determine net periodic pension cost				
Discount rate	5.64%	5.04%	5.66%	5.04%
Expected return on plan assets	7.00%	7.00%	N/A	N/A
Rate of compensation increase	3.40%	3.40%	N/A	N/A
Inflation	3.00%	3.00%	N/A	N/A
Health care inflation				
Medical trend rates			4.87% - 7.50%	4.87% - 7.50%
Year of ultimate achievement			2045	2045
Dental trend rates			5.00%	5.00%
Year of ultimate achievement			2045	2045

Net periodic pension cost for the Credit Union's pension plan include the following components for the years ended December 31:

	2025	2024
Service cost	\$ 1,676	\$ 1,895
Interest cost	5,705	5,297
Expected return on assets	(7,818)	(7,245)
Amortization of net (gain)/ loss	(57)	8
Net periodic cost (benefit)	<u>\$ (494)</u>	<u>\$ (45)</u>

The funded, noncontributory defined benefit pension plan's expected long-term rate of return assumption is based on a building block approach, determining risk-free asset return assumptions, and applying a weighted average methodology to the proportion of plan assets in each applicable asset class.

The Credit Union's pension plan's approximate weighted-average asset allocations by asset category are as follows as of December 31:

	2025	2024
Equity securities (Level 1)	89%	86%
Debt securities (Level 2)	11%	14%
Total	<u>100%</u>	<u>100%</u>

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The Credit Union's pension investment strategies are targeted to produce a total return that, when combined with the Credit Union's contributions, will maintain the fund's ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in domestic and international equities, fixed income securities and cash.

The expected required contributions in 2026 are approximately \$0 for the pension plan and approximately \$379 to the postretirement benefit plan.

The following pension and postretirement benefit payments for the next ten years, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending December 31,	Pension/ Postretirement Benefit Payments
2026	\$ 4,587
2027	4,952
2028	5,321
2029	5,731
2030	6,213
2031–2035	35,907
Total	\$ 62,711

The noncontributory defined benefit pension plan is closed to new hires on or after March 1, 2012.

The Credit Union also has a defined contribution 401(k) plan that allows employees to defer a portion of their salary into the 401(k) plan. The Credit Union matches a portion of employees' wage contributions. Plan costs are accrued and funded on a current basis. The Credit Union contributed approximately \$5,315 and \$4,476 to the 401(k) plan for the years ended December 31, 2025 and 2024, respectively.

Note 13 – Members' Equity

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Quantitative measures, established by regulation to ensure capital adequacy, require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of net worth to total assets. Further, due to regulatory capital changes effective January 1, 2022, credit unions with over \$500 million in assets are also required to calculate a Risk-Based Capital Ratio (RBCR) or a Complex Credit Union Leverage Ratio (CCULR), to determine the net worth classification. Credit unions with a net worth ratio of 9% or higher may elect the CCULR option. At December 31, 2025 and 2024, the Credit Union elected the CCULR option and the CCULR was 9.06% and 9.08%, respectively.

As of December 31, 2025, the most recent regulatory reporting period, the NCUA categorized the Credit Union as “well capitalized” under the regulatory framework. To be categorized as “well capitalized,” the Credit Union must maintain a minimum net worth ratio of 7.0% of assets, as well as a CCULR of 9.0% or higher. Management believes, as of December 31, 2025, that the Credit Union meets all capital adequacy requirements to which it is subject. In addition, there are no conditions or events since that notification that management believes has changed the Credit Union’s category.

The Credit Union’s actual capital amounts and ratios are presented in the following table:

	December 31, 2025		December 31, 2024	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Amount needed to be classified as “adequately capitalized”	\$ 832,011	6.00%	\$ 790,680	6.00%
Amount needed to be classified as “well capitalized”	970,680	7.00%	922,459	7.00%
Actual net worth	1,255,657	9.06%	1,196,285	9.08%

Further, in performing its calculation of total assets, the Credit Union used the average of the current and three preceding calendar quarter-end balances, as permitted by regulation.

The following table presents a reconciliation of the Credit Union’s total members’ equity to regulatory net worth as summarized below as of December 31:

	2025	2024
Total members' equity	\$ 1,138,368	\$ 960,890
Accumulated other comprehensive loss	114,788	224,246
CECL transition provision	-	8,648
Acquisition date retained earnings of acquirees	12,966	12,966
Acquisition date enterprise fair values of acquirees	(5,304)	(5,304)
Bargain purchase gain recognized	(5,161)	(5,161)
Regulatory net worth	\$ 1,255,657	\$ 1,196,285

FourLeaf Federal Credit Union and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands)

Note 14 – Related-party Transactions

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members, and executive officers. The aggregate loans to related-parties at December 31, 2025 and 2024, were \$4,094 and \$5,861, respectively. Deposits from related-parties at December 31, 2025 and 2024, amounted to \$5,065 and \$4,448, respectively.

The Credit Union holds equity method investments in certain credit union service organizations (CUSOs). These CUSOs provide back-office and other operational services to the Credit Union.

The Credit Union owns a one-third interest in S3 Shared Service Solutions, LLC (S3) which provides various administrative services to the Credit Union. Two other credit unions (CUs) also each own one-third interests in S3. The investment is included in other assets on the consolidated statements of financial condition and totaled \$3,804 at December 31, 2025 and 2024. Net expenses for services provided by S3 were \$32,988 and \$36,234 during the years ended December 31, 2025 and 2024, respectively, and are included in operations expenses on the consolidated statements of income. The investment in S3 is recorded using the equity method of accounting. In 2025, some of the S3 services began transitioning back to FourLeaf. This transition allows FourLeaf to support these services at a pace conducive to FourLeaf's strategies and growth.

On May 31, 2013, the Credit Union entered into a Contracted Employees and Cost Sharing Agreement with S3 in which the Credit Union leases employees and office space to S3 to perform administrative services for the CUs. The agreement may be unilaterally terminated by either party after a notice period of up to one year. In addition, the Credit Union and the CUs entered into a correspondent service agreement (CSA) on May 31, 2013, where the CUs pay monthly service charges to the Credit Union. These payments received by the Credit Union amounted to \$35,360 and \$46,468 for the years ended December 31, 2025 and 2024, respectively. These payments are netted against the Credit Union's incurred expense to provide the leased employees, office space, and administrative expenses, having no net impact to the Credit Union's income statement.

The Credit Union owns a one-third interest in Open Technology Solutions, LLC (OTS), which provides data support services to the Credit Union. The Credit Unions own one-third interests in OTS. The investment, included in other assets on the consolidated statements of financial condition, totaled \$2,596 at December 31, 2025 and 2024. Expenses for services provided by OTS were \$31,526 and \$26,211 for the years ended December 31, 2025 and 2024, respectively, and are included in operations expense on the consolidated statements of income. The investment in OTS is recorded using the equity method of accounting. In addition, the Credit Union and the CUs extended an operating line of credit to OTS in the amount of \$7,000 bearing a variable interest rate based on the Wall Street Journal Prime rate and maturing in October 2026. The portion of the loan to OTS recorded as a receivable to the Credit Union were \$583 and \$1,133 as of December 31, 2025 and 2024, respectively, and is included in loans receivable in the consolidated statement of financial condition.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 15 – Fair Value of Financial Instruments

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement at December 31, 2025			
	Level 1	Level 2	Level 3	Fair Value
Investments available-for-sale				
Agency issued securities	\$ -	\$ 101,108	\$ -	\$ 101,108
Agency issued MBS/CMOs	-	1,766,745	-	1,766,745
Municipal bonds	-	368,754	-	368,754
Mortgage loan commitments	-	247	-	247
	<u>\$ -</u>	<u>\$ 2,236,854</u>	<u>\$ -</u>	<u>\$ 2,236,854</u>
Forward loan sales commitment	\$ -	\$ 77	\$ -	\$ 77
Interest rate swap	-	1,487	-	1,487
	<u>\$ -</u>	<u>\$ 1,564</u>	<u>\$ -</u>	<u>\$ 1,564</u>
Fair Value Measurement at December 31, 2024				
	Level 1	Level 2	Level 3	Fair Value
Investments available-for-sale				
Agency issued securities	\$ -	\$ 126,218	\$ -	\$ 126,218
Agency issued MBS/CMOs	-	2,060,251	-	2,060,251
Municipal bonds	-	515,419	-	515,419
Mortgage loan commitments	-	115	-	115
Forward loan sales commitment	-	67	-	67
Interest rate swap	-	1,612	-	1,612
	<u>\$ -</u>	<u>\$ 2,703,682</u>	<u>\$ -</u>	<u>\$ 2,703,682</u>
Total assets	<u>\$ -</u>	<u>\$ 2,703,682</u>	<u>\$ -</u>	<u>\$ 2,703,682</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a nonrecurring basis are summarized below:

	Fair Value Measurement at December 31, 2025			
	Level 1	Level 2	Level 3	Fair Value
Collateral dependent loans	\$ -	\$ -	\$ 301,374	\$ 301,374
Foreclosed and repossessed assets	-	-	13,779	13,779
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,153</u>	<u>\$ 315,153</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,153</u>	<u>\$ 315,153</u>
Fair Value Measurement at December 31, 2024				
	Level 1	Level 2	Level 3	Fair Value
Collateral dependent loans	\$ -	\$ -	\$ 365,238	\$ 365,238
Foreclosed and repossessed assets	-	-	10,890	10,890
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,128</u>	<u>\$ 376,128</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,128</u>	<u>\$ 376,128</u>

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

The estimated fair value amounts have been determined by the Credit Union using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Credit Union could realize in a market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Note 16 – Securitizations

The Credit Union securitizes loans as a source of funding. In a securitization, debt securities are issued and are generally collateralized by a single class of transferred assets, such as residential mortgages. The Credit Union had \$156,354 and \$153,865 outstanding as of December 31, 2025 and 2024, respectively, of GNMA guaranteed Residential Mortgage Backed Securities (RMBS) while retaining the rights to servicing.

Under the provisions of the RMBS program, the Credit Union, as the issuer and servicer, is obligated in specific instances to collect certain “defaulted” mortgages that are subject to a specific collection process under Federal Housing Administration (FHA) and Department of Housing and Urban Development (HUD) guidelines. Management has determined that under certain circumstances it is possible that the Credit Union might, in some instances, collect amounts that are less than the HUD guaranteed amount. Additionally, if a borrower prepays a loan at any time during any month other than at the end of the month the Credit Union cannot charge a prepayment penalty and must pay the bondholders’ interest as if the loan were outstanding all month.

As part of the securitization process, the Credit Union enters into forward delivery contracts. At December 31, 2025 and 2024, the fair value of outstanding forward delivery contracts were \$(77) and \$67, respectively. The forward delivery contracts are included within the forward loan sale commitments in Note 11. These agreements are matched to the dollar amount of each securitization trade.

FourLeaf Federal Credit Union and Subsidiaries
Notes to Consolidated Financial Statements
(dollars in thousands)

Note 17 – Revenue from Contracts with Customers

The Credit Union's non-interest income, including revenue from contracts with customers in the scope of ASC 606, is presented for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Noninterest income		
Members' shares service charges and other fees		
Deposit account service fees (1)	\$ 10,730	\$ 10,536
Debit card interchange income (1)	6,223	4,632
Other fee income (1)	458	515
	<u>17,411</u>	<u>15,683</u>
Mortgage servicing and loan fees		
Credit card interchange income (1)	2,441	2,310
Mortgage servicing rights (2)	8,714	9,872
Other loan fees (2)	4,473	3,593
	<u>15,628</u>	<u>15,775</u>
Investment services and insurance fees – commissions (2)	8,401	7,885
Gain on sale of mortgage loans (2)	4,932	4,974
Other noninterest income (2)	2,347	12,755
	<u>25,680</u>	<u>36,489</u>
Total noninterest income	<u><u>\$ 48,719</u></u>	<u><u>\$ 57,072</u></u>

(1) Within the scope of ASC 606

(2) Outside the scope of ASC 606

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.