

**Raise Your Expectations,
We'll Meet Them**

**New Valley Bank & Trust
Annual Report 2022**

Letter from the Chairman

Dear Fellow Shareholder

May 10, 2023

We are pleased to provide you with the 2022 annual report for your bank. Thanks to your support, and with the leadership of your active and competent Board of Directors along with Jeff Sullivan and his entire New Valley Bank team, your bank is fundamentally on target with the plan set forth at the time we made our investments in 2018.

Your bank's plan contemplates a simple strategy, accepting deposits and making loans to local families and businesses. As a result, despite the pandemic and other economic and political challenges, your bank remains healthy with \$30.6 million of capital and a tier 1 capital to assets ratio of 13%. As you will see from the enclosed financial reports the bank has continued its growth track, ending the year with \$271 million in assets, an increase of \$17 million from the prior year end. As of December 31, 2022, your bank's book value per share ended at \$901. Deposits grew \$11 million, and the loan portfolio grew by \$30 million.

As indicated by current events, 2023 is likely to be a challenging year. Yet as we have in the past we will continue with the business of making good loans and building solid banking relationships. In 2022, your bank opened 1,522 new deposit accounts and added 186 new loan accounts.

We are ever mindful of the bank's obligations to you, our shareholders, while continuing to serve our existing and new customers with a culture driven by their banking needs. You should be proud of the impact your bank is having on your community supporting local businesses and families through products and services geared towards their specific needs.

We hope to see you at our annual meeting on May 10.



Frank P. Fitzgerald

Board of Directors

Chairman Frank Fitzgerald, Esq.

Founder, Fitzgerald Law, PC, The Bank of Western Mass

Frank M. Antonacci

Owner, USA Recycle, Lindy Farms, Greathorse CC

Lamont Clemons

President, S-Cel-O Painting

Maureen Devine

Retired President, Strategic Information Resources

Rocco Falcone

President, Rocky's Hardware

Jim Garvey

Owner, James Motors, Inc. and St. James Checking, Inc.

Tim Lamotte

President, Northern Tree

Peter Martins

Owner Salema Management, Salmar Realty

Sarah Maggi Morin

Chief of Staff, Tree House Brewing Company

Jacob Waah

Owner, Victory Home Health Care

J. Jeffrey Sullivan

President and CEO, New Valley Bank & Trust

New West Springfield Branch

In September 2022, the bank opened its third full service branch at 333 Elm St., West Springfield, MA. The West Springfield branch is open six days a week with convenient drive through and ATM capabilities. New Valley offers personal and business checking and savings accounts as well as commercial loans from the new location. The branch is off to a great start under the caring leadership of Crystal Gonyea.

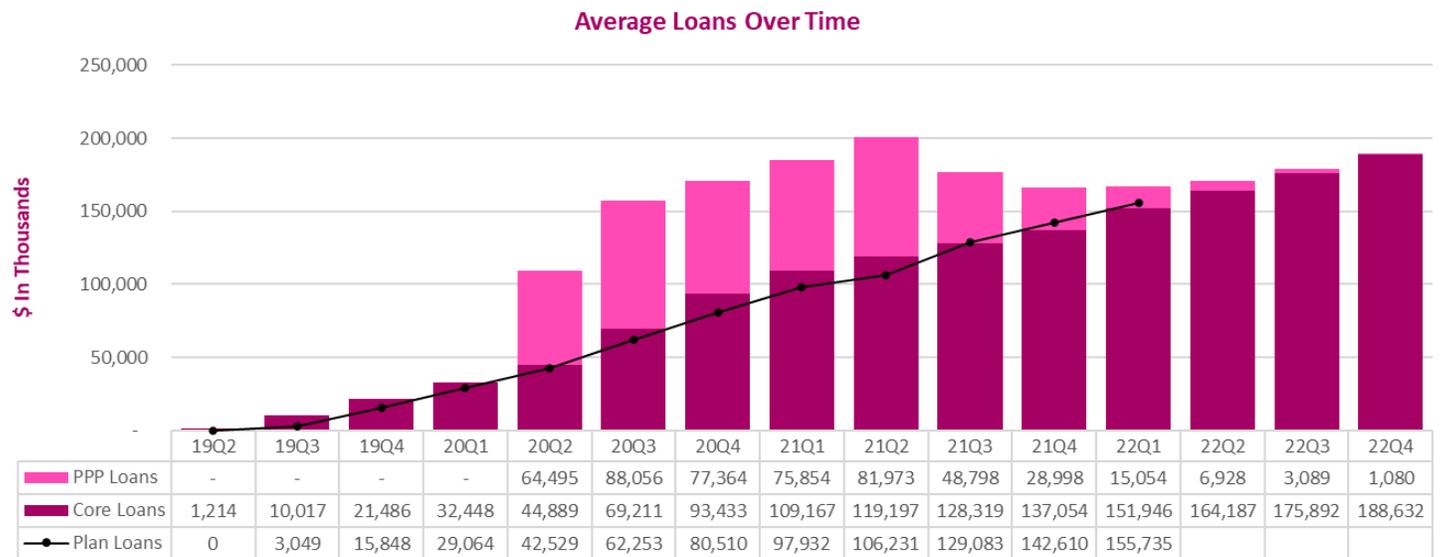
In addition to the talented staff of our West Springfield location, the bank has added new lending capacity including an expanded commercial lending office in Monarch Place, and additional support in Human Resources, Customer Service, Risk Management, and Compliance. The bank welcomed 12 new people to the New Valley team in 2022 and is poised for future growth in 2023 and beyond.



Left to Right: Denise Shah, Crystal Gonyea, Hector Toledo, Dawna Skowyra, and Mike Paré.



Loan Growth

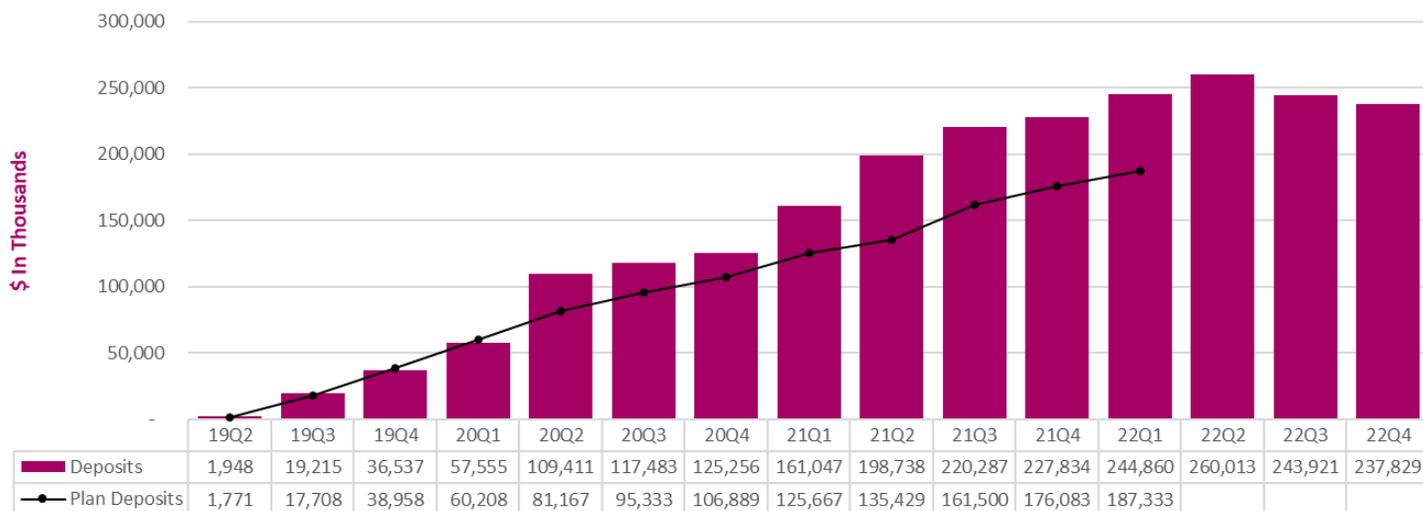


- Net organic loan growth was \$29.7 million in 2022, ending at \$196.2 million in gross loans outstanding.
- The Paycheck Protection Program (PPP) ended May 31, 2021. Most of the bank's PPP loans have been forgiven as of Q4 2022.

The Bank's original business plan projections ended in May 2022 at the bank's three year anniversary.

Deposit Growth

Average Deposits Over Time

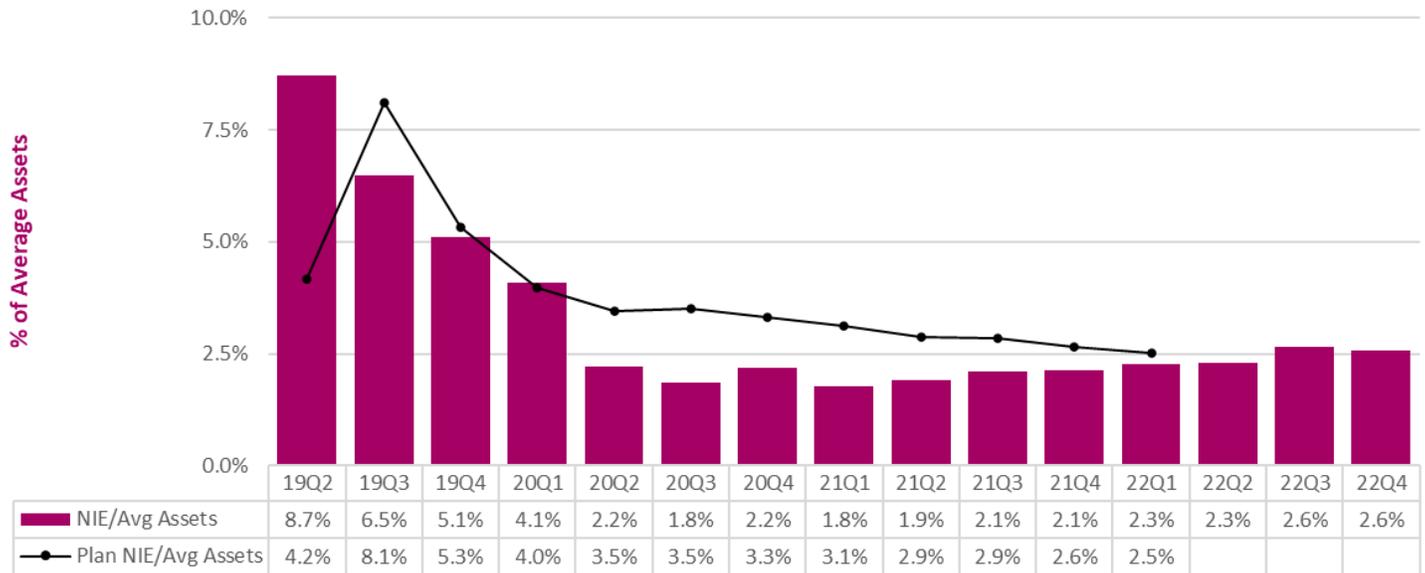


- Deposit growth was \$10.7 million in 2022, ending at \$236.1 million.
- Rapidly rising interest rates created significant competition on rates in the banking industry. While the bank continues to succeed at bringing on new deposit relationships, net growth was muted as some excess funds were moved to brokerage accounts.

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Expense Management

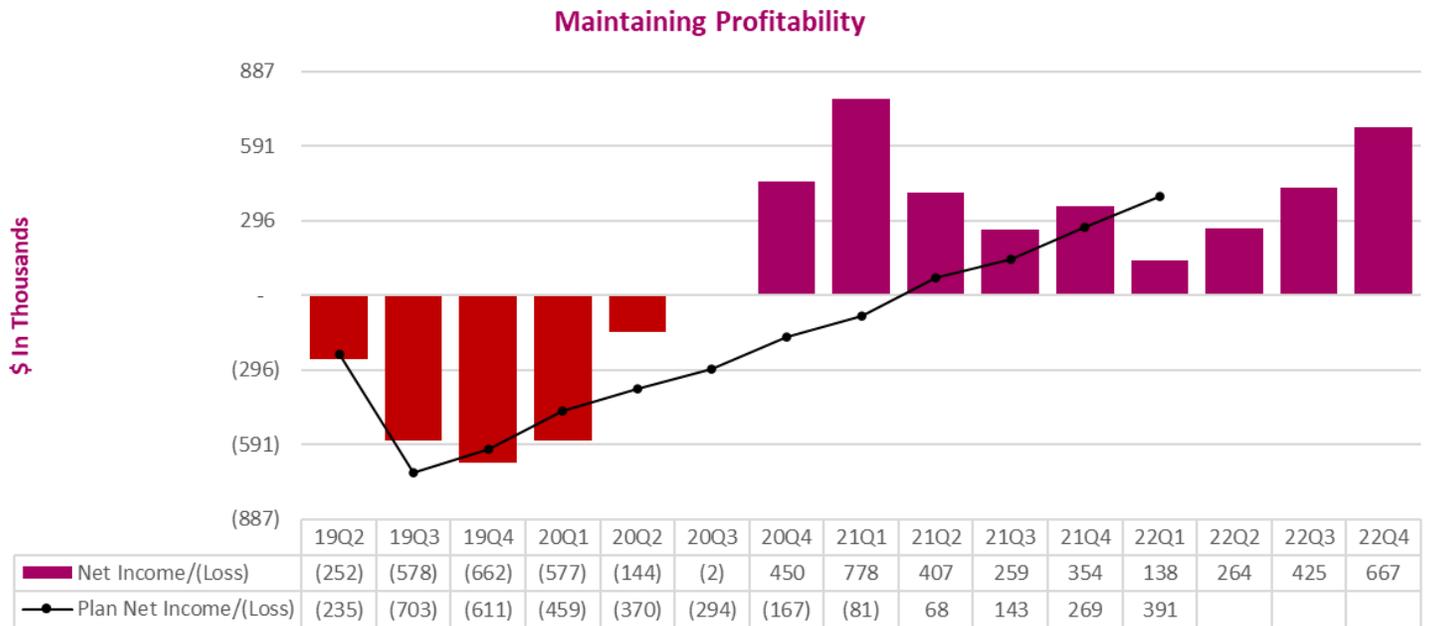
Non-Interest Expense Management



- Salaries & benefits make up the majority of the bank's expense base at 58% of total non-interest expense.
- Higher expenses in late 2022 reflect the opening of the new West Springfield office at 333 Elm Street. This investment will help the bank to continue growing core deposits.
- Provision for future loan losses is not included within non-interest expense, but is the other most material expense line for the bank. The bank expensed \$835 thousand of provision during 2022, building up an allowance for future loan losses of \$2.4 million at December 31, 2022.

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Net Income



- The bank remained profitable in all quarters of 2022, with some volatility as a result of timing of PPP loan forgiveness.
- Consistent profitability allowed the bank to recognize the benefit of a deferred tax asset in Q4 2022.
- Rapidly rising interest rates impacted interest expense towards the end of 2022.

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Management Team



Jeff Sullivan
President & CEO



Ryan Hess
SVP, Chief Lending Officer



Mike Paré
SVP, CFO & Treasurer



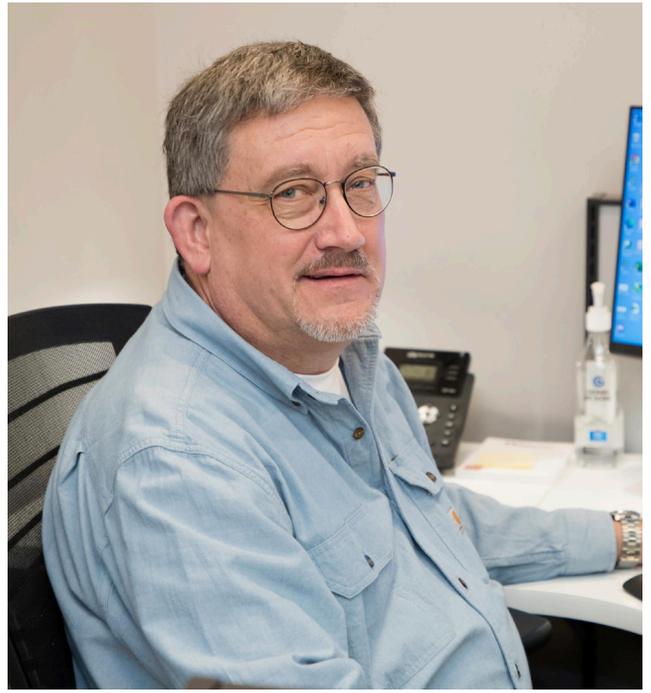
Jill Brody
VP, Director of Risk Management



Jeannette Ramos
VP, Bank Operations



Elizabeth Beaudry
VP, Senior Credit Officer



New Valley Bank & Trust

Administrative Headquarters and Branch

One Monarch Place
Suite 100
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Full Service Branch and Drive Up

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Springfield, MA 01129

Full Service Branch and Drive Up

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West Springfield, MA 01089

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