



New Valley Bank & Trust

# Annual Report 2025



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Bank & Trust





# Letter from the Chairman

## Dear Fellow Shareholder,

We are pleased to provide you with the 2025 Annual Report for your bank. Thanks to your continued support, and with the leadership of your Board of Directors, along with Jeff Sullivan and his entire New Valley Bank team, your bank continues to navigate a unique and challenging economic environment for community banks.

In our 2025 Annual Report, we must share that the Bank is reporting a loss of \$53,000 for the year. While this is a substantial improvement from our 2024 results, we recognize that there is still more work to be done. The bank continues to prioritize the resolution of non-performing loans and to that end, in 2025 the allowance for credit losses decreased by \$302,000 as there was progress with the resolution of some smaller relationships with specific reserves.

We are pleased to report that your bank remains healthy with a tier 1 risk-based capital ratio of 10.42%. The bank ended the year with \$337.6 million in assets, an increase of \$13.1 million from prior year-end. Deposits increased \$2.97 million, which is a strong performance in a very competitive deposit market. The loan portfolio grew by \$7.6 million, which is a modest 3% increase as the Bank prioritizes credit quality over volume. The Bank's net interest margin increased by 0.70% to 3.35%, primarily due to a one-time discount accretion associated with purchasing \$11 Million of Main Street Lending loans in June 2025 from the Federal Reserve for a 30% discount.

Our team continues to actively work to remediate the problem loans within our existing portfolio and bring down the level of non-accrual loans. We have already had success in reducing our reserves in the first quarter of 2026 and are making meaningful progress to improve the credit quality of our portfolio.

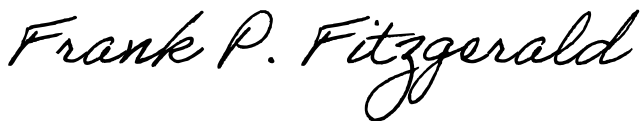
Rapidly changing interest rates continue to pose challenges, yet the bank has consistently performed in accordance with its mission to serve the financial needs of Pioneer Valley. We continue to focus on our primary mission of accepting deposits and making loans to local businesses, investors, and families while we work to return to profitable earnings in 2026 and onward.

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 sincerely appreciate your patience with your investment, as the Board of Directors and Management of the Bank strives to create value for shareholders.

We hope to see you at our upcoming Annual Meeting on Wednesday, May 27th starting at 9 A.M. in the Monarch Room located at One Monarch Place, Springfield, MA 01144.

Respectfully,

**Frank P. Fitzgerald**



*PS – Don't forget to speak with our amazing retail team about our Monarch Checking product, which is our best-in-class personal checking account.*

# Board of Directors

**Chairman Frank Fitzgerald, Esq.**

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

**Vice Chairman Rocco Falcone**

President, Rocky's Hardware

**Frank M. Antonacci**

Owner, USA Recycle, Lindy Farms, Greathorse CC

**Maureen Devine**

Retired President, Strategic Information Resources

**Sarah Maggi Morin**

Chief of Staff, Tree House Brewing Company

**Jim Garvey**

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

**Peter Martins**

Owner Salema Management, Salmar Realty

**Tim Lamotte**

President, Northern Tree

**Jacob Waah**

Owner, Victory Home Health Care

**Andrew Henshon**

Managing Director, The Pearson Companies

**Eleanor P. Williams**

EVP & General Counsel, The Cape Cod Five Cents Savings Bank



**Jeff Sullivan**

President & Chief Executive Officer of New Valley Bank & Trust

# Management Team



**Mike Paré**

SVP, Chief Administrative Officer,  
Chief Financial Officer, & Treasurer



**Renee Messier**

SVP, Cash Management &  
Retail Banking



**Elizabeth Beaudry**

SVP, Chief Credit Officer



**Jill Brody**

SVP, Risk Management



**Aaron Goodman**

SVP, Chief Lending Officer

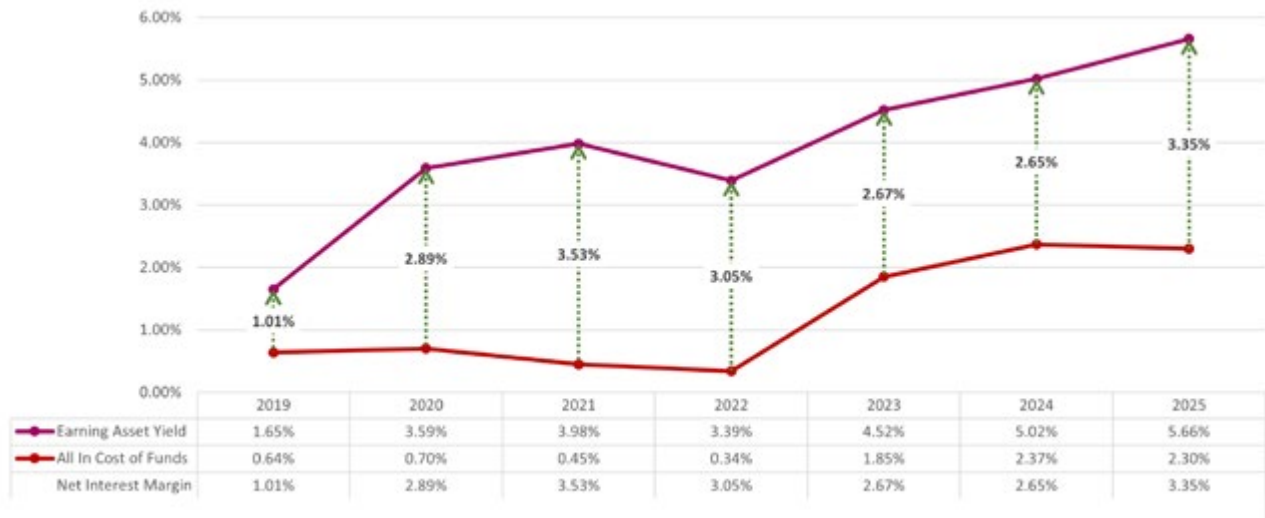


**Jeannette Ramos**

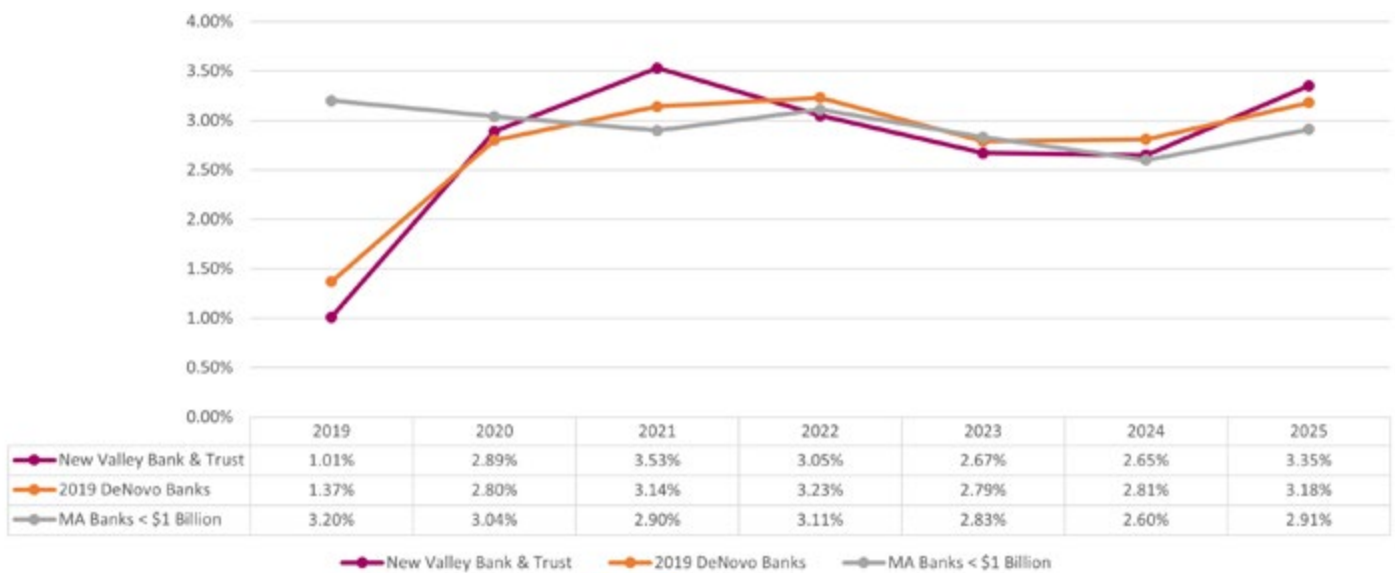
SVP, Operations & Technology

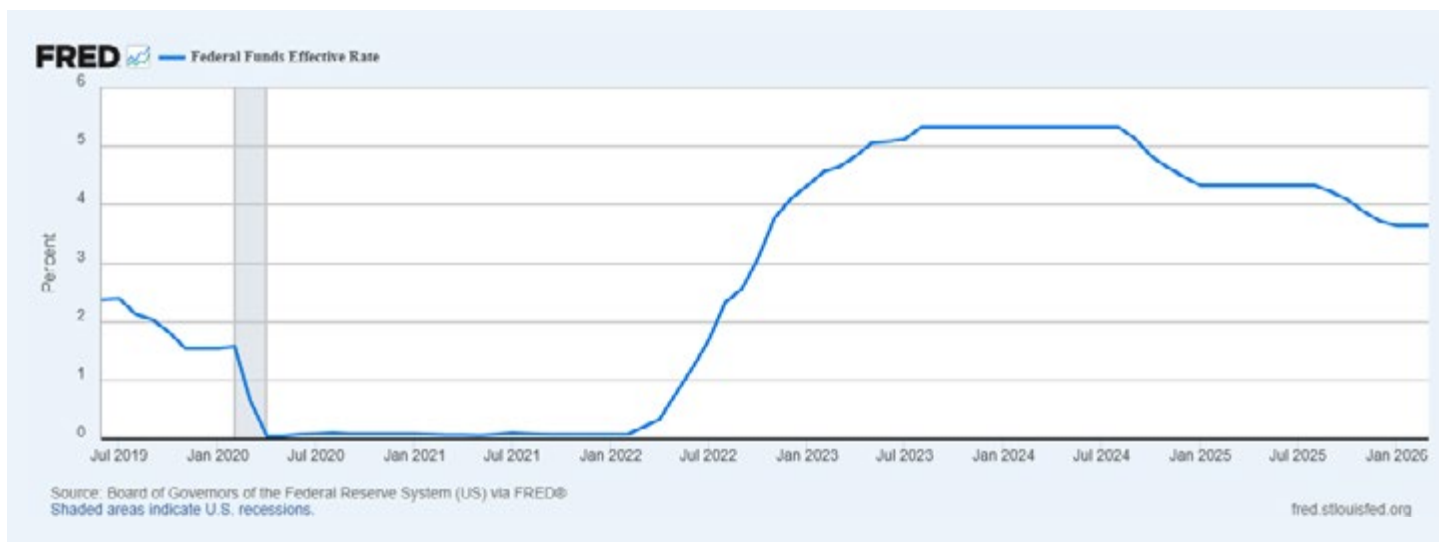
# Net Interest Margin

## Net Interest Margin – New Valley Bank & Trust



## Net Interest Margin – Peer Group Comparisons per FDIC Call Reports

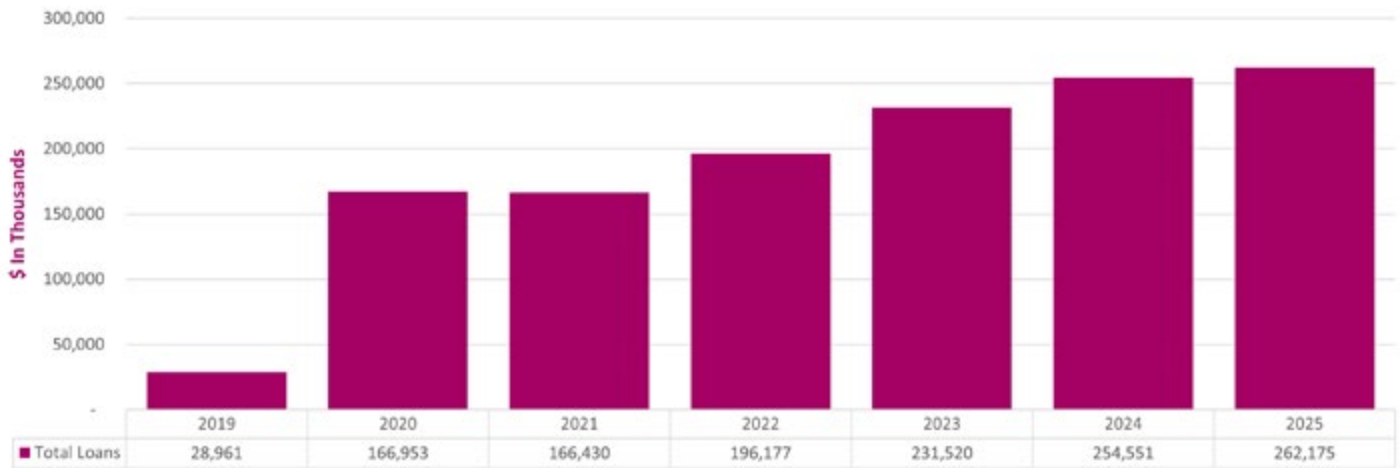




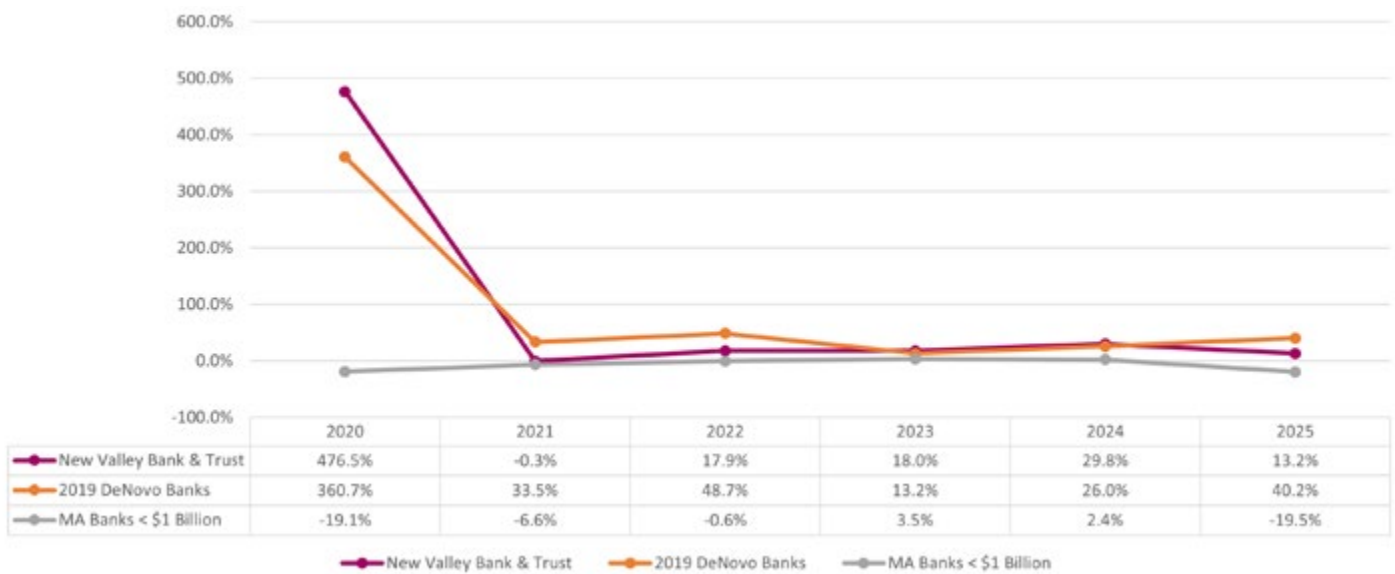
- Net interest margin increased by 0.70% in 2025, primarily due to one time discount accretion associated with a purchased loan portfolio in June 2025. During the pandemic the Bank participated in the Main Street Lending Program through the Federal Reserve. We received an offer to repurchase \$11 million in loans at a discount of \$3.1 million, including two loans in the pool which were at a loss of \$1.1 million. The Bank accepted this offer, and subsequently all but one of the purchased loans paid off in 2025, resulting in one time earnings of \$1.8 million as of 12/31/2025. Excluding this one time accretion, net interest margin for 2025 was 2.80%, an increase of 0.15%.
- The Federal Funds Effective Rate declined by 0.75% in late 2025, which has reduced pressure on funding costs. Despite these decreases, competition has resulted in elevated pricing.
- The Bank continues to strike a balance between competitive deposit pricing for customers and funding cost management to improve earnings. Our focus remains to grow core deposit relationships, increase wallet share, and to retain existing relationships with competitive pricing and exceptional customer service.

# Annual Loan Growth

Annual Loan Growth — New Valley Bank & Trust



Annual Loan Growth (%) — Peer Group Comparisons per FDIC Call Reports



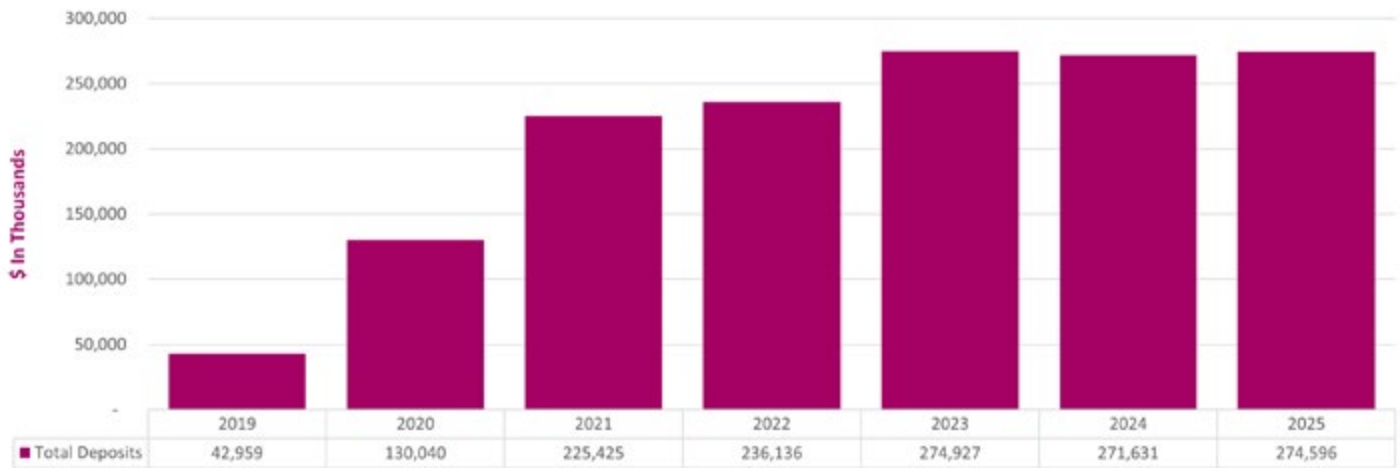
### Allowance for Credit Losses — New Valley Bank & Trust



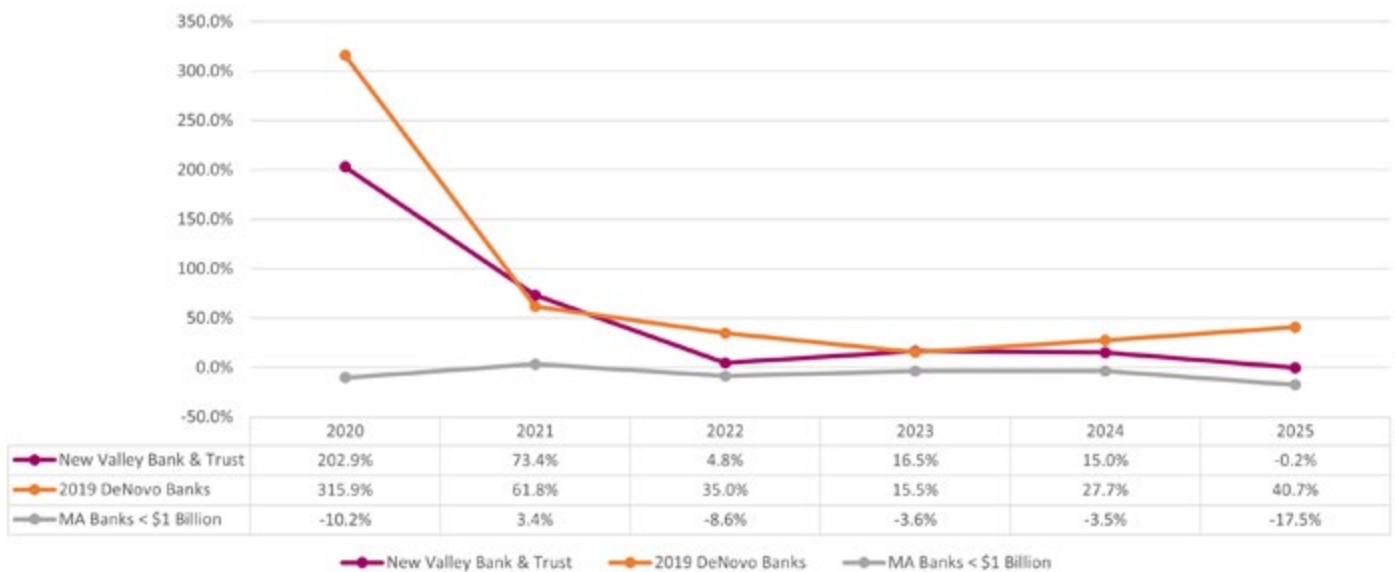
- Gross loans grew \$7.6 million or 3% in 2025. Commercial real estate balances grew by \$2.5 million or 1.5% year over year. Commercial & industrial loan balances grew by \$6 million or 8.1% year over year. This was offset by runoff of residential mortgage balances of \$0.9 million or 4.9%. Within the commercial & industrial loan growth there is one remaining purchased loan from the Main Street Lending Program for \$919,000. This loan has subsequently paid off in Q1 2026.
- Loan growth was below peer de novo banks while more established institutions saw declines in loans. Underperformance versus peer de novo banks was expected as the Bank prioritized resolution of non-performing loans and remediation of asset quality challenges impacting earnings in 2025.
- Allowance for credit losses decreased by \$0.3 million year over year. There was progress in resolution of some smaller relationships with specific reserves during the year. The Bank also recognized net charge offs of \$2 million and charge offs of \$1.1 million on two purchased Main Street Lending Program loans recognized at acquisition.

# Annual Deposit Growth

Annual Deposit Growth — New Valley Bank & Trust



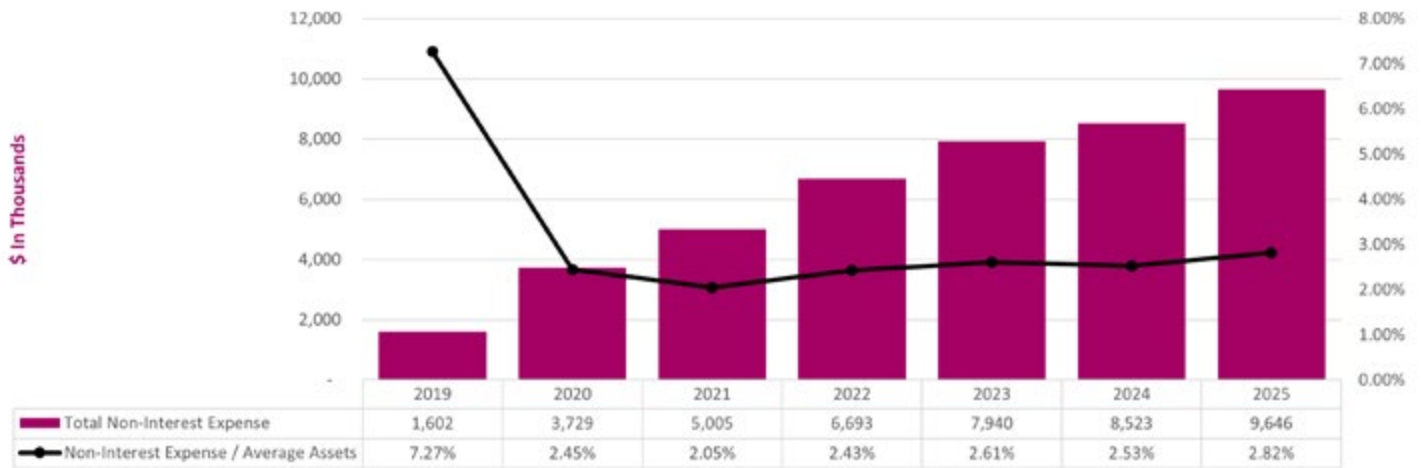
Annual Deposit Growth (%) — Peer Group Comparisons per FDIC Call Reports



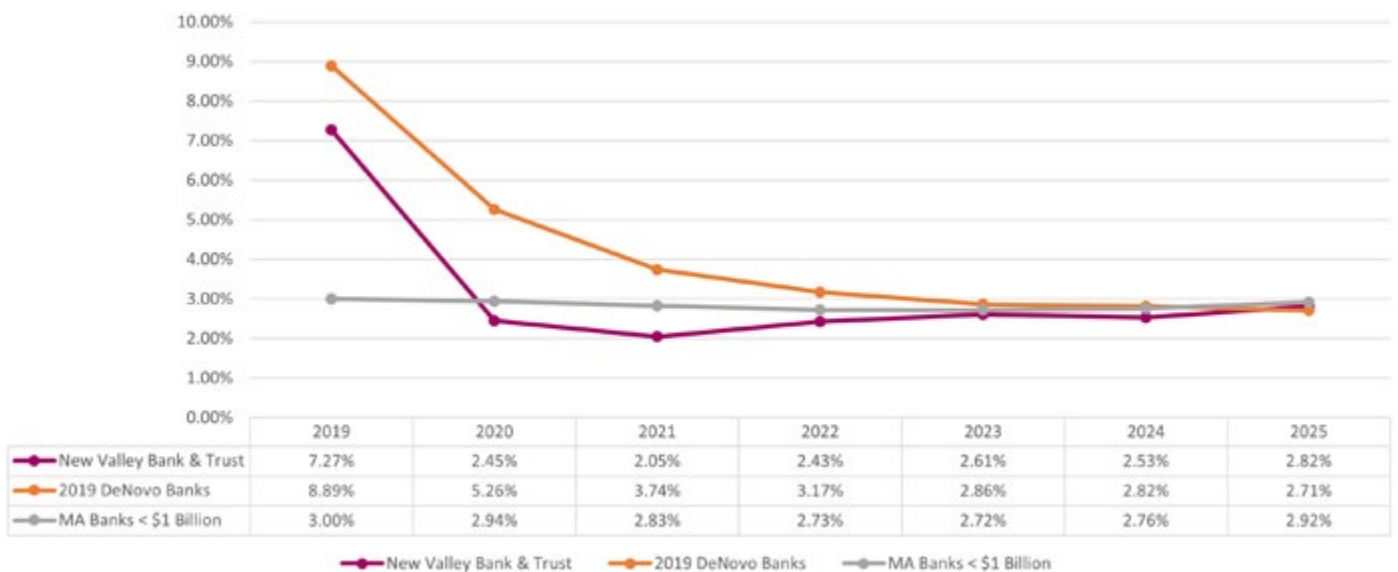
- Deposits increased by \$3 million or 1.1% year over year. With short term rates continuing to decline competition to retain deposits has increased.
- As noted in the Net Interest Margin commentary, the bank has been selective about pricing on CD renewals for depositors without relationships.
- Deposit mix has continued to shift from short term CDs and checking into money market accounts as customers look to keep funds more liquid.
- Bank deposit growth has trailed peer de novo banks slightly but remains well above Massachusetts banks below \$1 billion in assets.

# Non-Interest Expenses

Non-Interest Expense — New Valley Bank & Trust



Non-Interest Expense % of Average Assets — Peer Group Comparisons per FDIC Call Reports



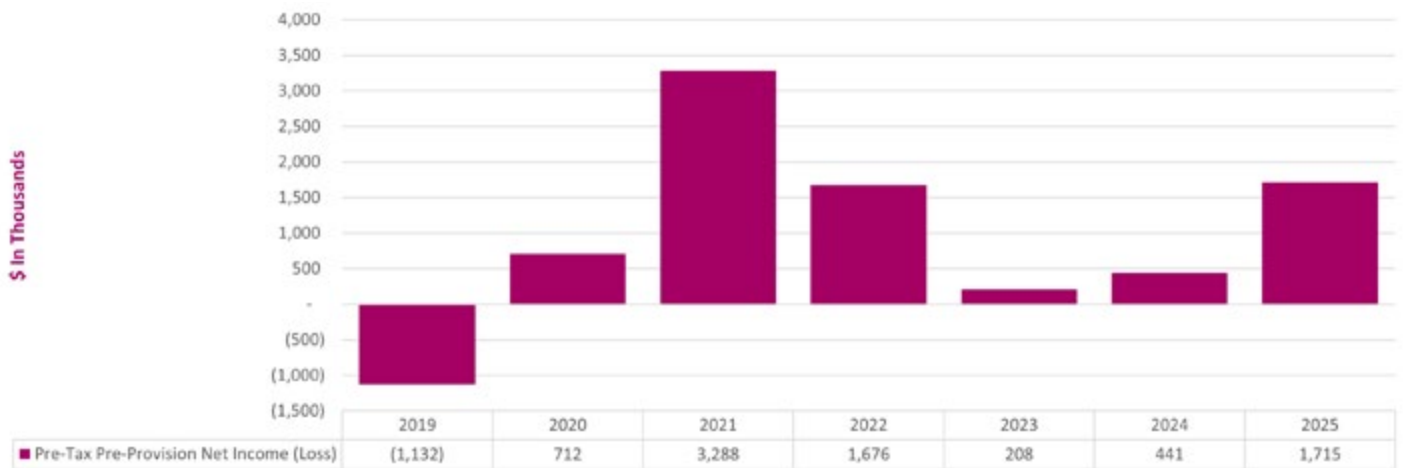
- Non-interest expense increased by \$1.1 million or 13.2% in 2025. The majority of the increase was from salaries & benefits, which increased \$556,000 or 11.4%. This increase was driven by the full year impact of new hires in 2024 and 2025 to support ongoing growth and operational requirements. Included in the \$1.1 million was \$350,000 in one time expenses associated with execution of the Main Street Lending Program purchase. One of the relationships exceeded the Bank's lending limits and as a result the Bank partnered with a third party loan participant who charged a servicing fee.
- Non-interest expense represents 2.82% of total average assets, which remains consistent with peer groups.
- The Bank remains committed to managing expense growth in line with profitability. Additional expenses are contingent upon improved net interest margin or to support growth targets laid out in strategic planning.

# Net Income (Loss)

Net Income (Loss) — New Valley Bank & Trust



Pre-Tax Pre-Provision Net Income (Loss) — Peer Group Comparisons per FDIC Call Reports



- Net loss for 2025 was \$53,000, an improvement of \$1.5 million year over year. This was driven primarily by improved net interest income of \$2.4 million and lower provision for credit losses of \$0.8 million. This was offset by increased non-interest expense and tax provision.
- The Bank continues prioritizing resolution of loan accounts experiencing financial difficulty and has already successfully recovered some of these reserves in Q1 2025.
- Core earnings are projected to improve in 2026 as with resolution of non-performing loans and continued repricing of loans and deposits.

# Return on Average Assets

Return on Average Assets — New Valley Bank & Trust



- Return on average assets and return on average equity overall have trended above peer de novo banks with the exception of 2024.
- This reflects the impact of credit loss reserves established during the year.

# Return on Average Equity

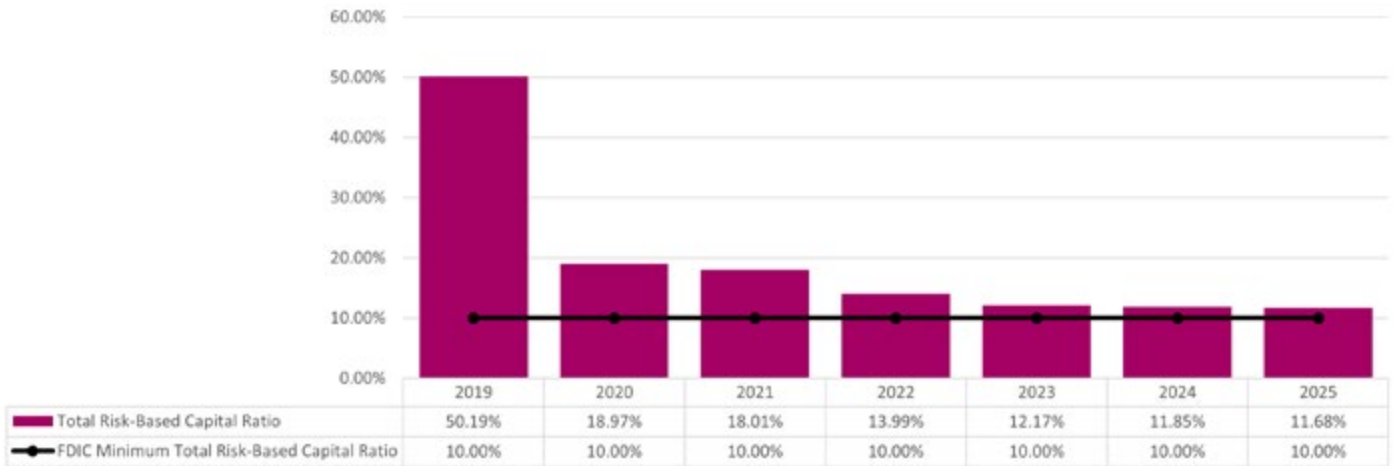


Return on Average Equity — New Valley Bank & Trust



# Risk-Based Capital Ratios

## Total Risk-Based Capital Ratios — New Valley Bank & Trust



## Tier 1 Risk-Based Capital Ratios — New Valley Bank & Trust



- The Bank remains well capitalized with a total risk-based capital ratio of 11.68% and a total tier 1 risk-based capital ratio of 10.42%.
- Additional capital will be necessary to support continued growth.



# New Valley Bank & Trust and Subsidiary

## Consolidated Financial Statements

Years Ended December 31, 2025 and 2024



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## Independent Auditor's Report

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To the Audit Committee of New Valley Bank & Trust and Subsidiary:

### ***Opinion***

We have audited the accompanying consolidated financial statements of New Valley Bank & Trust and Subsidiary (the "Bank"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the related consolidated statements of net loss, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2025 and 2024, and the results of its operations and its 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 the Bank 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

*Wolf & Company, P.C.*

Boston, Massachusetts  
March 18, 2026

# New Valley Bank & Trust and Subsidiary

## Consolidated Balance Sheets

December 31, 2025 and 2024

	2025	2024
	(In thousands)	
Assets		
Cash and due from banks	\$ 8,126	\$ 9,407
Federal funds sold	8,504	875
Cash and cash equivalents	<u>16,630</u>	<u>10,282</u>
Interest-bearing deposits in banks	6,203	585
Securities available for sale, at fair value	21,148	29,317
Securities held to maturity, net of allowance for credit losses of \$9 and \$0 in 2025 and 2024, respectively	21,948	21,432
Federal Home Loan Bank stock, at cost	1,527	1,127
Loans, net of allowance for credit losses of \$4,818 in 2025 and \$5,120 in 2024	257,357	249,431
Bank-owned life insurance	4,504	4,356
Deferred tax asset	2,228	2,195
Premises and equipment, net	987	1,144
Other assets	5,083	4,618
	<u>\$ 337,615</u>	<u>\$ 324,487</u>
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing	\$ 27,093	\$ 23,756
Interest-bearing	247,503	247,875
Total deposits	<u>274,596</u>	<u>271,631</u>
Short-term borrowings	9,600	-
Long-term debt	24,000	24,000
Accrued expenses and other liabilities	2,406	2,376
Total liabilities	<u>310,602</u>	<u>298,007</u>
Commitments and contingencies (Notes 6, 11, 12, and 13)		
Stockholders' equity:		
Common stock, \$100 par value; 50,000 shares authorized; 29,868 shares issued and outstanding	2,987	2,987
Class A common stock, \$0.25 par value; 1,500 shares authorized; none issued	-	-
Additional paid-in capital	28,118	28,065
Retained deficit	(2,055)	(2,002)
Accumulated other comprehensive loss	(2,037)	(2,570)
Total stockholders' equity	<u>27,013</u>	<u>26,480</u>
	<u>\$ 337,615</u>	<u>\$ 324,487</u>

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

# New Valley Bank & Trust and Subsidiary

## Consolidated Statements of Net Loss

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
	(In thousands, except per share data)	
Interest and dividend income:		
Loans, including fees	\$ 15,562	\$ 12,806
Debt securities	1,462	1,459
Interest-bearing deposits and other	218	238
Federal funds sold	794	1,262
Total interest income	<u>18,036</u>	<u>15,765</u>
Interest expense:		
Deposits	6,054	6,399
Short-term borrowings	306	-
Long-term debt	985	1,047
Total interest expense	<u>7,345</u>	<u>7,446</u>
Net interest income	10,691	8,319
Provision for credit losses	1,806	2,589
Net interest income, after provision for credit losses	<u>8,885</u>	<u>5,730</u>
Non-interest income		
Customer service fees	491	467
Loan servicing fees, net	35	40
Net loss on sales of available for sale securities	(4)	-
Other	148	138
Total non-interest income	<u>670</u>	<u>645</u>
Operating expenses:		
Salaries and employee benefits	5,439	4,883
Occupancy and equipment	825	825
Data processing	914	725
Advertising	118	100
Professional	463	420
Other general and administrative	1,887	1,570
Total non-interest expenses	<u>9,646</u>	<u>8,523</u>
Loss before income taxes	(91)	(2,148)
Benefit for income taxes	(38)	(605)
Net loss	<u>\$ (53)</u>	<u>\$ (1,543)</u>
Loss per common share		
Basic and diluted loss per share	\$ (1.77)	\$ (51.66)
Weighted average basic and diluted shares outstanding	29,870	29,868

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

**New Valley Bank & Trust and Subsidiary**  
**Consolidated Statements of Comprehensive Income (Loss)**

Years Ended December 31, 2025 and 2024

	2025	2024
	(In thousands)	
Net loss	\$ (53)	\$ (1,543)
Other comprehensive income (loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains on securities available for sale	517	118
Reclassification adjustment for losses realized in losses	4	-
Reclassification adjustment for accretion of net unrealized losses transferred from available for sale to held to maturity	233	257
Net unrealized gains	754	375
Tax effects	(125)	(125)
Net-of-tax amount	629	250
Derivative instrument:		
Change in fair value of derivative used for cash flow hedge	(134)	-
Tax Effects	38	-
Net-of-tax amount	(96)	-
Comprehensive income (loss)	\$ 480	\$ (1,293)

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

# New Valley Bank & Trust and Subsidiary

## Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2025 and 2024

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2023	29,868	\$ 2,987	\$ 27,982	\$ (459)	\$ (2,820)	\$ 27,690
Comprehensive income (loss)	-	-	-	(1,543)	250	(1,293)
Share based compensation - stock options	-	-	83	-	-	83
Balance at December 31, 2024	29,868	\$ 2,987	\$ 28,065	\$ (2,002)	\$ (2,570)	\$ 26,480
Issuance of common stock in connection with stock offering	2	-	2	-	-	2
Comprehensive income (loss)	-	-	-	(53)	533	480
Share based compensation - stock options	-	-	51	-	-	51
Balance at December 31, 2025	29,870	\$ 2,987	\$ 28,118	\$ (2,055)	\$ (2,037)	\$ 27,013

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

# New Valley Bank & Trust and Subsidiary

## Consolidated Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Cash flows from operating activities:		
Net loss	\$ (53)	\$ (1,543)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,806	2,300
Net amortization of securities	316	282
Amortization of deferred loan (fees)/costs, net	1,618	(151)
Depreciation and amortization of premises and equipment	240	268
Realized loss on sales of available-for-sale securities, net	4	-
Increase in cash surrender value of bank-owned life insurance	(148)	(138)
Share based compensation expense	51	83
Deferred income tax benefit	(120)	(770)
Net change in:		
Other assets and liabilities, net	(494)	(1,185)
Net cash used by operating activities	<u>3,220</u>	<u>(854)</u>
Cash flows from investing activities:		
Net change in interest-bearing deposits in banks	(5,618)	1,162
Activity in available-for-sale securities:		
Sales	7,557	-
Maturities, prepayments and calls	11,716	31,848
Purchases	(11,195)	(32,456)
Redemption (purchase) of Federal Home Loan Stock	(400)	89
Loan purchases	(8,716)	-
Loan principal (originations)/collections, net	(2,700)	(22,880)
Additions to premises and equipment, net	(83)	(23)
Net cash used by investing activities	<u>(9,439)</u>	<u>(22,260)</u>
Cash flows from financing activities:		
Net increase (decrease) in deposits	2,965	(3,296)
Net change in short-term borrowings	9,600	-
Repayment of long-term debt	-	(3,000)
Net proceeds from issuance of common stock	2	-
Net cash provided by (used by) financing activities	<u>12,567</u>	<u>(6,296)</u>
Net change in cash and cash equivalents	6,348	(29,410)
Cash and cash equivalents at beginning of period	<u>10,282</u>	<u>39,692</u>
Cash and cash equivalents at end of period	<u>\$ 16,630</u>	<u>\$ 10,282</u>
Supplementary information:		
Interest paid on deposits and borrowed funds	\$ 5,016	\$ 7,572
Income taxes paid, net of (refunds)	217	(281)

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

# New Valley Bank & Trust and Subsidiary

## Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of New Valley Bank & Trust (the “Bank”) and its wholly owned subsidiary, New Valley Securities Corporation (the “Subsidiary”). All significant intercompany balances and transactions have been eliminated in consolidation.

#### *Nature of Operations*

The Bank provides a variety of financial services to individuals, small and medium-sized businesses, professionals, municipalities, and not-for-profit organizations through its offices in Springfield, Massachusetts and West Springfield, Massachusetts. Its primary deposit products are checking, money market, savings and term certificate accounts, and its primary lending products are commercial real estate and commercial loans.

#### *Use of Estimates*

In preparing consolidated financial statements in conformity with accounting principles generally accepted (“GAAP”) in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the valuation of deferred tax assets.

#### *Significant Group Concentrations of Credit Risk*

Most of the Bank’s lending activities are with customers located within Massachusetts and Connecticut. The Bank does not have any significant concentrations to any one industry or customer.

#### *Cash and Cash Equivalents*

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all of which mature within ninety days. The Bank maintains cash balances in excess of federally insured limits.

#### *Interest-bearing Deposits in Banks*

Interest-bearing deposits in banks mature within one year and are carried at cost.

# New Valley Bank & Trust and Subsidiary

## ***Fair Value Hierarchy***

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

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

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

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

## ***Reclassification***

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

## ***Securities***

Debt securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost. Debt securities not classified as held to maturity are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss).

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities except for purchase premiums and discounts on callable securities, which are amortized to the earliest call date. Gains and losses on the sale of securities are recorded on the settlement date and are determined using the specific identification method.

Each reporting period, the Bank evaluates all debt securities classified as available for sale or held to maturity with a decline in fair value below the amortized cost of the investment to determine whether an allowance for credit losses should be recorded. The Bank first assesses if there is intent to sell, or if it is more likely than not that the Bank will 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 a provision for credit losses charged to earnings.

# New Valley Bank & Trust and Subsidiary

For debt securities available for sale that the Bank intends to hold, management evaluates whether the decline in fair value has resulted from credit losses or other factors.

The Bank considers both quantitative and qualitative factors in making this assessment. Credit loss is measured based on discounted cash flow analysis and recorded in a valuation allowance. The allowance is limited by the amount that the fair value is less than the amortized cost basis. Impairment that has not been recorded through an allowance for credit losses shall be recorded through other comprehensive income (loss), net of applicable taxes. Changes in the allowance shall be recorded in the period of the change as credit loss expense (or reversal of credit loss expense).

The Bank measures expected credit losses on held to maturity securities on a collective basis by major security type in accordance with the Current Expected Credit Loss (“CECL”) methodology using discounted cash flow analysis and credit losses are recognized as part of the allowance for credit losses.

Debt securities are placed on non-accrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

## ***Federal Home Loan Bank Stock***

The Bank, as a member of the Federal Home Loan Bank (“FHLB”) system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. The Bank reviews for impairment based on the ultimate recoverability of the cost basis in the stock. As of December 31, 2025 and 2024, no impairment has been recognized.

## ***Loans***

The Bank’s loan portfolio includes 1-4 family residential real estate, owner occupied commercial real estate, non-owner occupied commercial real estate, commercial and consumer segments.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination costs, net of certain direct origination fees, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual.

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Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current for 90 days and future payments are reasonably assured.

## *Allowance for Credit Losses-Loans*

The allowance for credit losses 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. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term). The allowance for credit losses on loans is established through a provision for credit losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses on loans is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Management estimates the allowance for credit losses on loans using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience including peer information provides the basis for the estimation of expected credit losses. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period may consider all of the following: the borrower's creditworthiness, changes in lending policy and procedures, changes in nature and volume of the loan portfolio and in the terms of loans, changes in experience, ability and depth of lending management and staff, changes in the quality of the loan review system, changes in the value of underlying collateral for collateral-dependent loans, existence and effect of any concentration of credit and changes in the level of such concentrations, effect of other external forces such as competition, legal and regulatory requirements on the level of estimated credit losses in the existing portfolio, and the current and forecasted direction of the economic and business environment. Such forecasted information may include: GDP growth, unemployment rates, interest rates and house price indexes amongst others.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

1-4 family residential real estate - The Bank generally does not originate or purchase loans with a loan-to-value ratio greater than 80 percent and does not generally grant or purchase loans that would be classified as subprime upon origination. All loans in this segment are collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will influence the credit quality in this segment.

Commercial real estate (owner and non-owner occupied) – Loans in this segment are primarily income-producing properties in Massachusetts and Connecticut. The underlying cash flows generated by the properties can be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, could have an effect on the credit quality in this segment.

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Management obtains rent rolls annually and continually monitors the cash flows of these loans.

Commercial Loans – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, could have an effect on the credit quality in this segment.

Consumer Loans – Loans in this segment are generally secured by personal property or unsecured, and repayment is dependent on the credit quality of the individual borrower.

The Bank measures the allowance for credit losses using the SCALE method.

The SCALE method is a spreadsheet-based method developed by the Federal Reserve to assist community banks in calculating a CECL compliant allowance for credit losses using proxy expected lifetime loss rates. The SCALE tool is a template designed for smaller community banks with total assets of less than \$1 billion. It uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy lifetime loss rates.

## *Individually Evaluated Loans*

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

## *Accrued Interest Receivable*

The Bank elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on non-accrual status, which is generally when the instrument is 90 days past due, or earlier if the Bank believes the collection of interest is doubtful. The Bank has concluded that this policy results in the timely reversal of uncollectible interest.

Accrued interest receivable of \$1,149,000 and \$1,227,000 as of December 31, 2025 and 2024, respectively, is in other assets on the consolidated balance sheet.

## *Allowance for Credit Losses – Off-Balance Sheet Credit Exposures*

The Bank has off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and commercial letters of credit.

The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bank. The Bank's allowance for credit losses on off-balance sheet credit exposures is recognized as a liability in accrued expenses and other liabilities on the consolidated balance sheets, with adjustments to the reserve recognized in

# New Valley Bank & Trust and Subsidiary

the provision for credit losses in the consolidated statements of net loss. 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. The Bank monitors credit line utilization on revolving lines of credit periodically to estimate future utilization and assumes full draw on closed end lines of credit.

The allowance for credit losses for off-balance sheet credit losses was \$59,000 and \$0 as of December 31, 2025 and 2024, respectively.

## ***Bank-Owned Life Insurance***

Bank-owned life insurance policies are reflected on the consolidated balance sheets at cash surrender value. Changes in the net cash surrender value of the policies, as well as insurance proceeds received, are reflected in non-interest income on the consolidated statement of net loss and are not subject to income taxes.

## ***Derivative Financial Instruments***

Derivative financial instruments are recognized as assets and liabilities on the consolidated balance sheet, measured at fair value and recorded in loans, other assets and other liabilities.

## ***Interest Rate Swap Agreements***

For asset/liability management purposes, the Bank uses interest rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and generally convert a portion of the Bank's fixed-rate loans to a variable rate (fair value hedge).

The gain (loss) on a derivative designated and qualifying as a fair value hedging instrument, as well as the offsetting gain or loss on the hedged item attributable to the risk being hedged, is recognized currently in earnings in the same accounting period. The gain or loss on a derivative designated and qualifying as a cash flow hedging instrument is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The Bank records basis adjustments to the amortized cost of the hedged asset or liability due to the changes in fair value related to the hedged risk, except for basis adjustments related to active portfolio layer method hedges which are maintained at a portfolio level and not allocated to the individual assets in the portfolio.

For cash flow hedges, the net settlement (upon close-out or termination) that offsets change in the value of the hedged debt is deferred and amortized into net interest income over the life of the hedged debt. For fair value hedges, the net settlement (upon close-out or termination) that offsets changes in the value of the loans adjusts the basis of the loans and

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is deferred and amortized to loan interest income over the life of the loans. The portion, if any, of the net settlement amount that did not offset changes in the value of the hedged asset or liability is recognized immediately in non-interest income.

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Bank to risk. Those derivative financial instruments that do not meet specified hedging criteria would be recorded at fair value with changes in fair value recorded in income.

Cash flows resulting from the derivative financial instruments that are accounted for as hedges of assets and liabilities are classified in the cash flow statement in the same category as the cash flows of the items being hedged.

## ***Premises and Equipment***

Premises and equipment are carried at cost, less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

## ***Leases***

The Bank determines if an arrangement is a lease at inception. Operating lease right-of-use (“ROU”) assets are included in other assets and operating lease liabilities are included in accrued expenses and other liabilities in the consolidated balance sheets. The Bank does not have any finance leases.

ROU assets represent the Bank’s right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the bank uses an incremental borrowing rate, which is generally the Federal Home Loan Bank classic advance rate, based on the information available at commencement date in determining the present value of lease payments. The bank uses the implicit rate when readily determinable. The operating lease ROU asset is net of lease incentives. The bank lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. For operating leases, lease expense is recognized on a straight-line basis over the lease term.

The Bank has lease agreements with lease and non-lease components, which are generally accounted for separately. The Bank has not elected the practical expedient to account for lease and non-lease components as one lease component.

## ***Transfers of Financial Assets***

Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when

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(1) the assets have been isolated from the Bank, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets.

During the normal course of business, the Bank may transfer a portion of a financial asset, for example, a participation loan or the government guaranteed portion of a loan. In order to be eligible for sales treatment, the transfer of the portion of the loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

## ***Revenue Recognition***

The Bank recognizes revenue from contracts with customers when it satisfies its performance obligations. The Bank's performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. The majority of the Bank's revenue-generating transactions are not subject to Accounting Standard Codification ("ASC") 606, including revenue generated from financial instruments, such as loans, derivatives and investment securities, and revenue related to mortgage servicing activities, as these activities are subject to other GAAP.

Revenues for the Bank subject to ASC 606 include customer service fees in the consolidated statements of net loss. These fees are made up of service charges and fees on deposit accounts that is recognized at a point in time, including non-sufficient funds fees, overdraft charge fees and stop-payment fees. Such revenue is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction. Payment is generally received at the time the performance obligations are satisfied.

## ***Advertising***

Advertising costs are expensed as incurred.

## ***Share Based Compensation Plans***

The Bank measures and recognizes compensation cost relating to share-based payment transactions based on the grant-date calculated value of the equity instruments issued. Share based compensation is recognized over the period the employee is required to provide services for the award. The Bank accounts for forfeitures as they occur. The Bank reverses compensation cost previously recognized when an award is forfeited before the completion of the applicable vesting period. The Bank uses the Black-Scholes option-pricing model to determine the calculated value of stock options granted.

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## *Income Taxes*

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted accordingly through the provision for income taxes. A valuation allowance is established against deferred tax assets when, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

## *Earnings Per Common Share*

Basic earnings/loss per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. If rights to dividends on unvested options/awards are non-forfeitable, these unvested awards/options are considered outstanding in the computation of basic earnings per share. Diluted earnings/loss per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Bank relate to outstanding stock options and stock warrants and are determined using the treasury stock method.

Earnings or loss per common share has been computed based on the following:

	<u>2025</u>	<u>2024</u>
Net gain (loss) applicable to common stock (in thousands)	<u>\$ (53)</u>	<u>\$ (1,543)</u>
Average number of common shares outstanding used to calculate basic and diluted gain per share	<u>29,870</u>	<u>29,868</u>
Basic and diluted gain (loss) per share	<u>\$ (1.77)</u>	<u>\$ (51.66)</u>

Options for 1,900 shares and warrants for 3,109 shares were not included in the computation of diluted loss per share for the years ended December 31, 2025 and 2024, respectively, because to do so would have been anti-dilutive.

## *Comprehensive Income (Loss)*

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net loss. Although certain changes in assets and liabilities are reported as a separate component of the stockholders' equity section of the balance sheet, such items, along with net loss, are components of comprehensive income (loss).

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The components of accumulated other comprehensive income (loss) and related tax effects included in stockholder's equity are as follows:

	December 31,	
	2025	2024
	(in thousands)	
Securities:		
Net unrealized holding losses on securities available for sale	\$ (1,303)	\$ (1,824)
Unamortized losses on securities transferred from available for sale to held to maturity	(1,063)	(1,296)
Tax effect	425	550
Net of tax effect	(1,941)	(2,570)
Derivative Instrument:		
Net unrealized loss on derivatives used for cash flow hedges	(134)	-
Tax effect	38	-
Net of effect	(96)	-
	\$ (2,037)	\$ (2,570)

### ***Recently Adopted Pronouncements***

In March 2022, the Financial Accounting Standards Board (“FASB”) issued ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*. This Update allows for nonprepayable financial assets to also be included in a closed portfolio hedged using the portfolio layer method. The expanded scope permits an entity to apply the same portfolio hedging method to both prepayable and nonprepayable financial assets resulting in more consistent accounting for similar hedges. All amendments in this ASU are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Bank adopted ASU 2022-01 effective January 1, 2024, on a prospective basis. The adoption of ASU 2022-01 did not have a material impact on the Bank’s consolidated financial statements for the year ended December 31, 2024.

In November 2025, the FASB issued ASU 2025-08, *Financial Instruments—Credit Losses (Topic 326): Purchased Loans* to expand the use of the “gross-up” method for acquired loans, eliminating Day 1 credit loss expense (double counting) and recognizing an allowance offset to the asset’s amortized cost basis at acquisition for “purchased seasoned loans.” It applies to loans acquired in a business combination or those purchased at least 90 days after origination (excluding credit cards), and is effective for fiscal years beginning after December 15, 2026 (interim periods included), on a prospective basis. Early adoption is permitted. The adoption did not have a material impact.

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## ***Recent Accounting Pronouncements***

In December 2023, the FASB issued ASU 2023-09, *Income Taxes—Improvements to Income Tax Disclosures (Topic 740)*, which requires entities to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. On an annual basis, entities must disclose: (1) the amount of income taxes paid, net of refunds, disaggregated by federal, state, and foreign; and (2) the amount of income taxes paid, net of refunds, disaggregated by individual jurisdictions in which income taxes paid, net of refunds received, for amounts equal to or greater than 5% of total income taxes paid. Further, the amendments also require entities to disclose: (1) income or loss from continued operations before income tax expense (or benefit) disaggregated between domestic and foreign sources; and (2) income or loss from continued operations disaggregated by federal, state, and foreign sources. This ASU, as amended, is effective for the Bank in fiscal years beginning after December 15, 2025, and is not expected to have a material impact on the Bank’s consolidated financial statements.

In November 2025, the FASB issued ASU 2025-09, *Derivative and Hedging (Topic 815): Hedge Accounting Improvements* which provides targeted enhancements to cash flow, fair value, nonfinancial component, net written options, and foreign currency hedge guidance (including LIBOR reforms). Key improvements include expanded grouping and “similar risk” designation of forecasted transactions, permissive cash flow hedging under changeable interest rate instruments, and broader hedge designation for nonfinancial assets. This ASU is effective for fiscal years beginning after December 15, 2027 (interim periods included). Early adoption is permitted. The Company does not yet anticipate a material impact from adopting this ASU but continues evaluating its hedge documentation and strategy.

## **2. RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS**

At December 31, 2025 and 2024, the Bank was not required to maintain average balances on hand or with the Federal Reserve Bank.

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## 3. SECURITIES

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	Amortized Cost	Allowance for Credit Losses	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)					
<b>December 31, 2025:</b>						
Securities available for sale:						
U.S. government and federal agency	\$ 1,202	\$ -	\$ 1,202	\$ -	\$ (25)	\$ 1,177
U.S. government-sponsored residential mortgage-backed securities	7,186	-	7,186	-	(793)	6,393
U.S. government guaranteed residential mortgage-backed securities	5,780	-	5,780	13	(185)	5,608
U.S. government-sponsored commercial mortgage-backed securities	3,329	-	3,329	1	(10)	3,320
State and municipal	3,318	-	3,318	-	(314)	3,004
Corporate	1,636	-	1,636	11	(1)	1,646
Total securities available for sale	<u>\$ 22,451</u>	<u>\$ -</u>	<u>\$ 22,451</u>	<u>\$ 25</u>	<u>\$ (1,328)</u>	<u>\$ 21,148</u>
Securities Held to Maturity:						
U.S. government and federal agency	\$ 7,912	\$ -	\$ 7,912	\$ -	\$ (161)	7,751
State and municipal	8,045	(1)	8,044	1	(321)	7,725
Corporate	6,000	(8)	5,992	-	(485)	5,515
Total securities held to maturity	<u>\$ 21,957</u>	<u>\$ (9)</u>	<u>\$ 21,948</u>	<u>\$ 1</u>	<u>\$ (967)</u>	<u>\$ 20,991</u>
<b>December 31, 2024:</b>						
Securities available for sale:						
U.S. government and federal agency	\$ 10,469	\$ -	\$ 10,469	\$ 1	\$ (107)	\$ 10,363
U.S. government-sponsored residential mortgage-backed securities	5,274	-	5,274	-	(885)	4,389
U.S. government guaranteed residential mortgage-backed securities	2,948	-	2,948	-	(244)	2,704
U.S. government-sponsored commercial mortgage-backed securities	4,607	-	4,607	1	(250)	4,358
State and municipal	3,368	-	3,368	-	(364)	3,004
Corporate	4,475	-	4,475	26	(2)	4,499
Total securities available for sale	<u>\$ 31,141</u>	<u>\$ -</u>	<u>\$ 31,141</u>	<u>\$ 28</u>	<u>\$ (1,852)</u>	<u>\$ 29,317</u>
Securities Held to Maturity:						
U.S. government and federal agency	\$ 7,869	\$ -	\$ 7,869	\$ -	\$ (425)	7,444
State and municipal	8,063	-	8,063	-	(390)	7,673
Corporate	5,500	-	5,500	-	(759)	4,741
Total securities held to maturity	<u>\$ 21,432</u>	<u>\$ -</u>	<u>\$ 21,432</u>	<u>\$ -</u>	<u>\$ (1,574)</u>	<u>\$ 19,858</u>

At December 31, 2025 and 2024, securities with a fair value of \$42,139,000 and \$37,787,000, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

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The amortized cost and fair value of securities by contractual maturity at December 31, 2025 follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Carrying Value	Fair Value
	(In thousands)		(In thousands)	
Within one year	\$ 999	\$ 980	\$ -	\$ -
After 1 year through 5 years	2,616	2,563	8,412	8,244
After 5 years through 10 years	126	121	5,992	5,502
Over 10 years	2,416	2,163	7,544	7,245
	<u>6,157</u>	<u>5,827</u>	<u>21,948</u>	<u>20,991</u>
 Mortgage-backed securities	 16,295	 15,322	 -	 -
	<u>\$ 22,452</u>	<u>\$ 21,149</u>	<u>\$ 21,948</u>	<u>\$ 20,991</u>

For the year ended December 31, 2025, proceeds from sales of securities available for sale amounted to \$7,557,000. The Bank recorded gross losses of \$4,000 for the year ended December 31, 2025. There were no sales of securities available for sales of December 31, 2024.

Information pertaining to securities with gross unrealized losses at December 31, 2025 and 2024, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In thousands)					
<b>December 31, 2025:</b>						
Securities available for sale:						
U.S. government and federal agency	\$ 1	\$ 76	\$ 24	\$ 1,101	\$ 25	\$ 1,177
U.S. government-sponsored residential mortgage-backed securities	-	-	793	6,393	793	6,393
U.S. government guaranteed residential mortgage-backed securities	3	673	182	2,651	185	3,324
U.S. government-sponsored commercial mortgage-backed securities	-	-	10	2,348	10	2,348
State and municipal	-	-	314	3,004	314	3,004
Corporate	1	498	-	-	1	498
Total securities available for sale	<u>\$ 5</u>	<u>\$ 1,247</u>	<u>\$ 1,323</u>	<u>\$ 15,497</u>	<u>\$ 1,328</u>	<u>\$ 16,744</u>
Securities held to maturity:						
U.S. government and federal agency	\$ -	\$ -	\$ 161	\$ 7,751	\$ 161	\$ 7,751
State and municipal	-	-	321	7,215	321	7,215
Corporate	2	498	483	5,017	485	5,515
Total securities held to maturity	<u>\$ 2</u>	<u>\$ 498</u>	<u>\$ 965</u>	<u>\$ 19,983</u>	<u>\$ 967</u>	<u>\$ 20,481</u>

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	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In thousands)					
<b>December 31, 2024:</b>						
Securities available for sale:						
U.S. government and federal agency	\$ 28	\$ 6,516	\$ 79	\$ 3,113	\$ 107	\$ 9,629
U.S. government-sponsored residential mortgage-backed securities	-	-	885	4,389	885	4,389
U.S. government guaranteed residential mortgage-backed securities	-	-	244	2,705	244	2,705
U.S. government-sponsored commercial mortgage-backed securities	16	1,647	234	2,528	250	4,175
State and municipal	-	-	364	3,004	364	3,004
Corporate	1	521	1	195	2	716
Total securities available for sale	<u>\$ 45</u>	<u>\$ 8,684</u>	<u>\$ 1,807</u>	<u>\$ 15,934</u>	<u>\$ 1,852</u>	<u>\$ 24,618</u>
Securities held to maturity:						
U.S. government and federal agency	\$ -	\$ -	\$ 425	\$ 7,444	\$ 425	\$ 7,444
State and municipal	-	-	390	7,673	390	7,673
Corporate	759	4,741	-	-	759	4,741
Total securities held to maturity	<u>\$ 759</u>	<u>\$ 4,741</u>	<u>\$ 815</u>	<u>\$ 15,117</u>	<u>\$ 1,574</u>	<u>\$ 19,858</u>

Management evaluates securities for impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation.

At December 31, 2025, forty-one securities have unrealized losses with aggregate depreciation of 5.9% from the Bank's amortized cost basis.

The unrealized losses on the Bank's investment in U.S. Government and federal agency bonds, government-sponsored residential and commercial mortgage backed securities, U.S. government guaranteed residential mortgage-backed securities and state and municipal bonds were primarily caused by changes in interest rates. Many of these investments are guaranteed by the U.S. Government or an agency thereof. Accordingly, it is expected that the securities would not be settled at a price less than the par value of the investment. Because the decline in market value is attributable to changes in interest rates and not to credit quality, and because the Bank does not intend to sell the investments and it is more likely than not that the Bank will not be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Bank does not consider these investments to be credit impaired at December 31, 2025.

The Bank's unrealized losses on investments in corporate bonds primarily relate to investments in companies within the financial services sector. The unrealized losses are primarily caused by (a) recent decreases in profitability and near-term profit forecasts by industry analysts and (b) change in interest rates. The contractual terms of these investments do not permit the companies to settle the security at a price less than the par value of the investment. All corporate bonds are investment grade, and the Bank currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Therefore, it is expected that the bonds would not be settled at a price less than the par value of the investment. Because the Bank does not intend to sell the investments and it is more likely than not that the Bank will not be required to sell the investments before recovery of their amortized cost bases, the Bank does not consider these investments to be credit impaired at December 31, 2025.

# New Valley Bank & Trust and Subsidiary

## *Allowance for Credit Losses – Available for Sale Securities*

Available for sale securities which are guaranteed by government agencies do not currently have an allowance for credit loss as the Bank determined these securities are either backed by the full faith and credit of the U.S. government and/or there is an unconditional commitment to make interest payments and to return the principal investment in full to investors when a debt security reaches maturity. In assessing the Bank's investments in government-sponsored and U.S. government guaranteed mortgage-backed securities, the contractual cash flows of these investments are guaranteed by the respective government-sponsored enterprise; Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”), or Federal Home Loan Bank (“FHLB”). Accordingly, it is expected that the securities would not be settled at a price less than the par value of the Bank's investments. The Bank will evaluate this position no less than annually, however, certain items which may cause the Bank to change this methodology include legislative changes that remove a government-sponsored enterprise’s ability to draw funds from the U.S. government, or legislative changes to housing policy that reduce or eliminate the U.S. government’s implicit guarantee on such securities. There was no allowance for credit losses established on available for sale debt securities during the year ended December 31, 2025.

## *Allowance for Credit Losses – Securities Held to Maturity*

Held to maturity securities which are issued by the U.S. Treasury or are guaranteed by government agencies do not currently have an allowance for credit loss as the Bank determined these securities are either backed by the full faith and credit of the U.S. government and/or there is an unconditional commitment to make interest payments and to return the principal investment in full to investors when a debt security reaches maturity. In assessing the Bank’s investments in state and municipal bonds contractual cash flows of these investments are guaranteed by the respective state or municipality. Accordingly, it is expected that the securities would not be settled at a price less than the par value of the Bank’s investments. The Bank will evaluate this position no less than annually, however, certain items which may cause the Bank to change this methodology include legislative changes that remove a state or municipality’s ability to levy taxes to cover debt. Any expected credit losses on held to maturity securities would be presented as an allowance for credit loss.

The following table summarizes the activity in the allowance for credit losses for debt securities held to maturity by security type for the year ended December 31, 2025 and 2024:

	State and Municipal	Corporate	Total
Balance at December 31, 2023	\$ -	\$ -	\$ -
Provision (reversal) for credit losses	-	-	-
Balance at December 31, 2024	-	-	-
Provision (reversal) for credit losses	(1)	(8)	(9)
Balance at December 31, 2025	<u>\$ (1)</u>	<u>\$ (8)</u>	<u>\$ (9)</u>

# New Valley Bank & Trust and Subsidiary

## *Credit Quality Indicators*

The Bank monitors the credit quality of securities held to maturity through the use of credit ratings. The Bank monitors the credit ratings on an annual basis. The following table provides the amortized cost of securities held to maturity at the date indicated, aggregated by credit quality indicator:

Securities Held To Maturity	December 31, 2025			
	AAA/AA/A	BBB/BB/B	Unrated	Total
	(In thousands)			
U.S. government and federal agency	\$ 7,912	\$ -	\$ -	\$ 7,912
State and municipal	8,044	-	-	8,044
Corporate	-	1,000	4,992	5,992
Total securities held to maturity	<u>\$ 15,956</u>	<u>\$ 1,000</u>	<u>\$ 4,992</u>	<u>\$ 21,948</u>
Securities Held To Maturity	December 31, 2024			
	AAA/AA/A	BBB/BB/B	Unrated	Total
	(In thousands)			
U.S. government and federal agency	\$ 7,869	\$ -	\$ -	\$ 7,869
State and municipal	8,063	-	-	8,063
Corporate	-	500	5,000	5,500
Total securities held to maturity	<u>\$ 15,932</u>	<u>\$ 500</u>	<u>\$ 5,000</u>	<u>\$ 21,432</u>

As of December 31, 2025, there are no securities held to maturity on non-accrual status and there are no securities held to maturity past due 90 days or more and still accruing interest. During the year ended December 31, 2025, the Bank did not recognize any interest income on non-accrual securities held to maturity.

These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a history of no credit losses. The Bank reviewed the financial strength of these investments and has concluded that the amortized cost remains supported by the expected future cash flows of the securities.

# New Valley Bank & Trust and Subsidiary

## 4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of the balances of loans follows:

	December 31,	
	2025	2024
	(In thousands)	
1-4 family residential real estate	\$ 16,313	\$ 17,150
Commercial real estate	164,985	162,659
Commercial	80,239	73,959
Consumer	51	97
Total loans	261,588	253,865
Allowance for credit losses	(4,818)	(5,120)
Deferred loan costs, net	409	657
Fair value basis adjustment on loans tied to interest rate swaps	178	29
Loans, net	\$ 257,357	\$ 249,431

The Bank has transferred a portion its originated commercial real estate and commercial loans to participating lenders.

The amounts transferred have been accounted for as a sale and are therefore not included on the Bank's accompanying consolidated balance sheets. The Bank and participating lenders share ratably in cash flows and any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. The Bank continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrower, remits payments (net of servicing fees) to the participating lenders and disburses required escrow funds to relevant parties. At December 31, 2025 and 2024, the Bank was servicing loans for participants aggregating \$18,088,000 and \$21,741,000, respectively.

During the year ended December 31, 2025, the Bank purchased 1-4 family residential real estate loans aggregating \$755,000 and commercial loans aggregating \$7,961,000. There were no such purchases for the year ended December 31, 2024. As of December 31, 2025 and 2024, the outstanding balances of purchased 1-4 family residential real estate, commercial real estate loans, and commercial loans were \$31,888,000 and \$31,442,000, respectively.

At December 31 2025 and 2024, loans with a fair value of \$120,936,000 and \$48,481,000, respectively, were pledged to secure advances payable to, and available borrowings from, the FHLB and Federal Reserve Bank of Boston.

# New Valley Bank & Trust and Subsidiary

The following represents the composition of the Bank's provision for credit loss expense for the year ended December 31 (in thousands):

	2025	2024
	(In thousands)	
Loans	\$ 1,738	\$ 2,589
Off-balance sheet credit exposures	59	-
Held to maturity debt securities	9	-
Total provision for credit losses	<u>\$ 1,806</u>	<u>\$ 2,589</u>

Activity in the allowance for credit losses for the years ended December 31, 2025 and 2024 and allocation of the allowance to loan segments, as of December 31, 2025 and 2024 follows:

	1-4 Family Residential Real Estate	Owner Occupied Commercial Real Estate	Non-owner Occupied Commercial Real Estate	Commercial	Consumer	Total
	(In thousands)					
<b>Allowance for credit losses - loans</b>						
<u>Years Ended December 31,</u>						
Balance at December 31, 2023	\$ 102	\$ 514	\$ 1,050	\$ 1,154	\$ -	\$ 2,820
Provisions for (reversals of) for credit losses	(12)	106	954	1,541	-	2,589
Loans charged-off	-	-	-	(346)	-	(346)
Recoveries of loans previously charged-off	-	-	-	57	-	57
Balance at December 31, 2024	90	620	2,004	2,406	-	5,120
Provisions for (reversals of) for credit losses	(2)	15	(182)	1,907	-	1,738
Initial allowance on loans purchased with credit deterioration	-	-	-	1,147	-	1,147
Loans charged-off	-	-	(339)	(2,894)	-	(3,233)
Recoveries of loans previously charged-off	-	-	-	46	-	46
Balance at December 31, 2025	<u>\$ 88</u>	<u>\$ 635</u>	<u>\$ 1,483</u>	<u>\$ 2,612</u>	<u>\$ -</u>	<u>\$ 4,818</u>
<b>Allowance for off-balance sheet credit exposures</b>						
Balance at December 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative effect of change in accounting principle	-	-	-	-	-	-
Provisions for (reversals of) credit losses	-	-	-	-	-	-
Balance at December 31, 2024	-	-	-	-	-	-
Provisions for (reversals of) for credit losses	-	-	43	16	-	59
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 59</u>

The decrease in the allowance for credit losses in 2025 reflected an increase in loans charged off with specific reserves not requiring replacement in the general reserve pool. This was offset partially by a large increase in specific reserves for credit losses on commercial loans as well as the establishment of reserves for held to maturity securities and off balance sheet exposures.

During the year ended December 31, 2025, the Bank purchased a pool of loans from a third-party with an amortized cost basis of \$11,044,000 at a purchase price of \$7,961,000. The Bank determined the fair value of the pool was \$9.9 million and included an acquired \$1.1 million in purchase credit deteriorated loans which required a full allowance for credit loss reserve.

## New Valley Bank & Trust and Subsidiary

The following is a summary of past due and non-accrual loans at December 31, 2025 and December 31, 2024:

December 31, 2025					
	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days Or More	Total Past Due	Loans on Non-Accrual
(In thousands)					
Commercial real estate	\$ -	\$ 177	\$ 3,593	\$ 3,770	\$ 4,564
Commercial	593	-	2,100	2,693	3,166
<b>Total</b>	<b>\$ 593</b>	<b>\$ 177</b>	<b>\$ 5,693</b>	<b>\$ 6,463</b>	<b>\$ 7,730</b>
December 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days Or More	Total Past Due	Loans on Non-Accrual
(In thousands)					
Commercial real estate	\$ 1,244	\$ 4,009	\$ 237	\$ 5,490	\$ 3,566
Commercial	976	251	2,733	3,960	3,604
<b>Total</b>	<b>\$ 2,220</b>	<b>\$ 4,260</b>	<b>\$ 2,970</b>	<b>\$ 9,450</b>	<b>\$ 7,170</b>

The following table presents information regarding non-accrual loans:

December 31, 2025			
	Non-accrual loans with Allowance for Credit Loss	Non-accrual loans without Allowance Credit Loss	Total loans on Non- accrual
(In thousands)			
Commercial real estate	\$ 4,564	\$ -	\$ 4,564
Commercial	3,159	7	3,166
<b>Total</b>	<b>\$ 7,723</b>	<b>\$ 7</b>	<b>\$ 7,730</b>
December 31, 2024			
	Non-accrual loans with Allowance for Credit Loss	Non-accrual loans without Allowance Credit Loss	Total loans on Non- accrual
(In thousands)			
Commercial real estate	\$ 3,566	\$ -	\$ 3,566
Commercial	3,537	67	3,604
<b>Total</b>	<b>\$ 7,103</b>	<b>\$ 67</b>	<b>\$ 7,170</b>

## New Valley Bank & Trust and Subsidiary

When a loan is placed on non-accrual status, any accrued interest is reversed from loan interest income. The following table summarizes the amount of accrued interest reversed during the years ended December 31, 2025 and 2024 (in thousands):

	2025	2024
	Total Accrued Interest Reversed	Total Accrued Interest Reversed
	(In thousands)	(In thousands)
Commercial real estate	\$ 662	\$ 189
Commercial	681	311
	\$ 1,343	\$ 500

The Bank did not recognize any interest income on non-accrual loans during the years ended December 31, 2025 and 2024, respectively.

### ***Collateral-Dependent Loans***

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. Expected credit losses for collateral-dependent loans are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. The following table presents the amortized cost basis of individually analyzed collateral-dependent loans by loan portfolio segment:

	<b>December 31, 2025</b>	
	Type of Collateral	
	Real Estate	Other
	(In thousands)	
Commercial real estate	\$ 2,952	\$ -
Commercial	375	1,383
Total	\$ 3,327	\$ 1,383

	<b>December 31, 2024</b>	
	Type of Collateral	
	Real Estate	Other
	(In thousands)	
Commercial real estate	\$ 3,785	\$ -
Commercial	897	699
Total	\$ 4,682	\$ 699

# New Valley Bank & Trust and Subsidiary

## *Modified Loans*

Occasionally, the Bank will modify the contractual terms of loans to a borrower experiencing financial difficulties as a way to mitigate loss, proactively work with borrowers in financial difficulty, or to comply with regulations regarding the treatment of certain bankruptcy filing and discharge situations. Loans are designated as modified when, as part of an agreement to modify the original contractual terms of the loan as a result of financial difficulties of the borrower, the Bank grants the borrower a concession on the terms that would not otherwise be considered. Typically, such concessions may consist of a reduction in interest rate to a below market rate, taking into account the credit quality of the note, extension of additional credit based on receipt of adequate collateral, or a deferment or reduction of payments (principal or interest) which materially alters the Bank's position or significantly extends the note's maturity date, such that the present value of cash flows to be received is materially less than those contractually established at the loan's origination. When principal forgiveness is provided, the amount forgiven is charged-off against the allowance for credit losses on loans.

There were no loan modifications to borrowers experiencing financial difficulty during the year ended December 31, 2025 or 2024. During the year ended December 31, 2025 and 2024, no modified loans defaulted, defined as 30 days or more past due, within 12 months of restructuring. There were no charge-offs on modified loans during the years ended December 31, 2025 or 2024.

## Credit Quality Information

The Bank utilizes a nine-grade internal loan rating system for commercial real estate and commercial loans as follows:

Loans rated 1 – 5: Loans in these categories are considered “pass” rated loans with low to average risk.

Loans rated 6: Loans in this category are considered “special mention.” These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 7: Loans in this category are considered “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Bank will sustain some loss if the weakness is not corrected.

Loans rated 8: Loans in this category are considered “doubtful.” Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 9: Loans in this category are considered uncollectible (“loss”) and of such little value that their continuance as loans is not warranted.

# New Valley Bank & Trust and Subsidiary

Management utilizes delinquency reports and communications with borrowers to monitor credit quality in the Bank's 1-4 family residential real estate and consumer loan portfolios.

On an annual basis, or more often if needed, the Bank formally reviews the ratings on all commercial real estate and commercial loans. Annually, the Bank engages an independent third-party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

The following table presents the Bank's loans by risk rating at December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	Commercial Real Estate	Commercial	Commercial Real Estate	Commercial
	(In thousands)			
Loans rated 1-5	\$ 152,485	\$ 62,407	\$ 153,275	\$ 61,348
Loans rated 6	7,936	14,161	2,185	5,748
Loans rated 7	1,612	2,076	7,199	6,892
Loans rated 8	2,952	1,595	-	-
	\$ 164,985	\$ 80,239	\$ 162,659	\$ 73,988

## 5. PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation and amortization of premises and equipment follows:

	December 31,		Estimated Useful Life
	2025	2024	
	(In thousands)		
Furniture, fixtures and equipment	\$ 1,012	\$ 935	3-5 years
Leasehold improvements	1,374	1,365	5-10 years
Assets in process	-	3	N/A
	2,386	2,303	
Less accumulated depreciation and amortization	(1,399)	(1,159)	
	\$ 987	\$ 1,144	

Depreciation and amortization expense for the years ended December 31, 2025 and 2024 amounted to \$240,000 and \$268,000, respectively.

# New Valley Bank & Trust and Subsidiary

## 6. LEASES

The Bank has operating leases for the operations center and branch locations. These leases have remaining lease terms of two years to nine years and certain of these leases have options to extend the lease for up to five years. None of the options to extend have been included in the lease term as it was determined that it was not reasonably certain that the Bank will exercise the option. The Bank does not have any material short-term leases.

The components of lease expense for the years ended December 31, 2025 and 2024 is as follows:

	December 31,	
	2025	2024
	(In thousands)	
Operating lease cost	\$ 403	\$ 400

Supplemental cash flow and other information related to leases as of and for the year ended December 31, 2025 and 2024 is as follows (dollars in thousands):

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 403	\$ 400
Weighted-average remaining lease term in years for operating leases	5.2	5.9
Weighted-average discount rate for operating leases	3.1%	2.9%

Maturities of lease liabilities are as follows (in thousands):

	Operating
2026	\$ 392
2027	394
2028	396
2029	396
2030	236
Thereafter	127
Total undiscounted cash flows	1,941
Less: present value discount	(142)
Total lease liabilities	\$ 1,799

# New Valley Bank & Trust and Subsidiary

## 7. DEPOSITS

A summary of deposit balances, by type, is as follows:

	December 31,	
	2025	2024
	(In thousands)	
NOW and demand	\$ 94,349	\$ 86,744
Money market deposits	93,253	92,069
Regular savings and other	4,631	5,200
Total non-certificate accounts	192,233	184,013
Term certificates less than \$250,000	49,507	25,960
Term certificates of \$250,000 or more	32,856	61,658
Total certificate accounts	82,363	87,618
Total deposits	\$ 274,596	\$ 271,631

A summary of certificate accounts by maturity at December 31, 2025 (in thousands) is as follows:

2026	\$ 55,128
2027	10,378
2028	2,683
2029	6,035
2030	5,190
Thereafter	2,949
	\$ 82,363

## 8. SHORT-TERM BORROWINGS

### *Line of Credit*

The Bank has a \$2,500,000 unsecured available line of credit with a correspondent bank at an interest rate that adjusts daily. At December 31, 2025 and 2024, there were no amounts outstanding.

### *Federal Home Loan Bank Advances*

Federal Home Loan Bank advances with an original maturity of less than one year amounted to \$9,600,000 at December 31, 2025 at a weighted average rate of 3.95%. There were no amounts outstanding as of December 31, 2024. All borrowings from the Federal Home Loan Bank of Boston are secured by blanket security agreements on qualified collateral, principally mortgage loans and U.S. government and federal agency securities in an aggregate amount equal to outstanding advances.

# New Valley Bank & Trust and Subsidiary

## 9. LONG-TERM DEBT

### *Federal Home Loan Bank Advances*

Long-term FHLB Advances at December 31, 2025 and 2024 consists of the following:

	Amount		Weighted Average Rate	
	2025	2024	2025	2024
	(In thousands)		(In thousands)	
Fixed rate advances maturing:				
2026	\$ 1,000	\$ 1,000	4.0%	4.2%
2027	4,000	4,000	4.4	4.4
2028	19,000	19,000	4.0	4.0
Total advances	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>4.0%</u>	<u>4.0%</u>

## 10. INCOME TAXES

Allocation of federal and state income taxes between current and deferred portions is as follows:

	December 31,	
	2025	2024
	(In thousands)	
Current tax provision:		
Federal	\$ 75	\$ 127
State	7	38
	<u>82</u>	<u>165</u>
Deferred tax provision (benefit):		
Federal	(84)	(515)
State	(36)	(255)
	<u>(120)</u>	<u>(770)</u>
	<u>\$ (38)</u>	<u>\$ (605)</u>

The reason for the differences between the statutory federal tax provision and the actual income tax provision are summarized as follows:

	December 31,	
	2025	2024
	(In thousands)	
Statutory federal income tax provision (benefit), at 21%	\$ (19)	\$ (450)
Increase (decrease) resulting from:		
State taxes	(23)	(171)
Bank-owned life insurance	(31)	(29)
Other, net	35	45
	<u>35</u>	<u>45</u>
Total tax provision (benefit)	<u>\$ (38)</u>	<u>\$ (605)</u>

# New Valley Bank & Trust and Subsidiary

The effects of each item that give rise to deferred taxes are as follows:

	December 31,	
	2025	2024
	(In thousands)	
Organization and start-up costs	\$ 317	\$ 354
Allowance for credit losses	1,354	1,520
Deferred fees	(115)	(185)
Depreciation and amortization	(136)	(189)
Unrealized loss on securities available for sale, net of valuation allowance	128	186
Unrealized loss on securities held to maturity, net	297	364
Unrealized loss on derivative instruments	38	-
Interest on non-accrual loans	236	79
Other, net	109	66
Net deferred tax asset	<u>\$ 2,228</u>	<u>\$ 2,195</u>

As December 31, 2025 and 2024, the Bank has a valuation allowance impacting other comprehensive income of \$187,000 and \$256,000, respectively, related to the net available for sale unrealized capital loss on securities at New Valley Securities Corporation for which it is more likely than not that a tax benefit will not be realized.

At December 31, 2025 and 2024, the Bank had no material uncertain tax positions. The Bank accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. No interest or penalties were recorded for the years ended December 31, 2025 and 2024. The Bank is currently open to audit under the applicable statutes of limitation by the Internal Revenue Service for the years ended December 31, 2022 through 2025. The years open to examination by taxing authorities vary by jurisdiction; no years prior to 2022 are open.

## 11. OFF-BALANCE SHEET ACTIVITIES

### *Credit Related Financial Instruments*

The Bank is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and advance funds on lines of credit, construction loans and real estate loans, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments. As of December 31, 2025 and 2024, the company has an allowance for credit losses on its off-balance sheet credit exposures of \$59,000 and \$0, respectively.

# New Valley Bank & Trust and Subsidiary

At December 31, 2025 and 2024, the following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2025	2024
	(In thousands)	
Commitments to grant loans	\$ 400	\$ 1,241
Unadvanced funds on lines-of-credit	39,539	40,590
Unadvanced funds on construction loans	5,959	8,648
Unadvanced funds on real estate loans	1,040	1,950
Commercial letter of credit	-	1,632

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines-of-credit, construction loans, and real estate loans may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis and the commitments are collateralized by real estate or other business assets.

## ***Executive Employment Agreement***

The Bank has entered into an employment agreement with a certain executive that provides for specified annual compensation and certain other benefits, as defined in the agreement, for an original term of one year. Thereafter, the agreement automatically renews on an annual basis.

## ***Legal Contingencies***

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Bank's consolidated financial statements.

## **12. ON-BALANCE SHEET DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

### ***Derivative Financial Instruments***

The Bank has stand-alone derivative financial instruments in the form of interest rate swap agreements, which derives its value from underlying interest rates. The transactions involve both credit and market risk. The notional amount is amounts on which calculations, payments, and the value of the derivative are based. Notional amount do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such difference, which represents the fair value of the derivative instruments, is reflected on the Bank's consolidated balance sheet as other assets and other liabilities.

# New Valley Bank & Trust and Subsidiary

The Bank is exposed to credit-related losses in the event of nonperformance by the counterparties to these agreements.

The Bank controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect any counterparties to fail their obligations.

Derivative instruments are generally either negotiated OTC contracts or standardized contracts executed on a recognized exchange. Negotiated OTC derivative contracts are generally entered into between two counterparties that negotiate specific agreement terms, including the underlying instrument, amount, exercise prices and maturity.

## ***Interest Rate Risk Management – Cash Flow Hedging Instruments***

The Bank uses long-term variable rate debt as a source of funds for use in the Bank's lending and investment activities and other general business purposes. These debt obligations expose the Bank to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. Management believes it is prudent to limit the variability of a portion of its interest payments and, therefore, generally hedges a portion of its variable rate interest payments. To meet this objective, management enters into interest rate swap agreements whereby the Company receives variable interest rate payments and makes fixed interest rate payments.

At December 31, 2025 and 2024, the information pertaining to outstanding interest rate swap agreements used to hedge variable rate debt is as follows:

	<u>December 31, 2025</u>
	(Dollars in thousands)
Notional amount	\$ 9,458
Weighted average pay rate	3.78%
Weighted average receive rate	3.69%
Weighted average maturity in years	6.2
Unrealized loss relating to interest rate swaps	(134)

These agreements provided for the Bank to receive payments at a variable rate determined by a specified index (one month Secured Overnight Financing ("SOFR") compounded) in exchange for making payments at a fixed rate plus a set spread.

At December 31, 2025, the unrealized loss relating to interest rate swaps was recorded in accrued expense and other assets. No such interest rate swaps existed at December 31, 2024. Changes in the fair value of interest rate swaps designated as hedging instruments of the variability of cash flows associated with long-term debt are reported in other comprehensive income (loss). These amounts subsequently are reclassified into interest expense as a yield adjustment in the same period in which the related interest on the long-term debt affects earnings. The net amount of other comprehensive income reclassified into interest expense during the years ended December 31, 2025 and 2024 was \$134,000 and \$0, respectively.

## New Valley Bank & Trust and Subsidiary

As of December 31, 2025, approximately \$36,000 of losses reported in other comprehensive income (loss) related to the interest rate swaps were expected to be reclassified into interest expense as a yield adjustment of the hedged borrowings during the twelve-month period ending December, 31, 2026.

### ***Interest Rate Risk Management - Fair Value Hedging Instruments***

The Bank originates fixed- and variable-rate loans. Fixed-rate loans expose the Bank to variability in their fair value due to changes in the level of interest rates. Management believes that it is prudent to limit the variability in the fair value of a portion of its fixed-rate loan portfolio. It is the Bank's objective to hedge the change in fair value of fixed-rate loans at coverage levels that are appropriate, given anticipated or existing interest rate levels and other market considerations, as well as the relationship of change in this asset to other assets of the Bank. To meet this objective, the Bank utilizes interest rate swaps as an asset/liability management strategy to hedge the change in value of the loans due to changes in expected interest rate assumptions. Although the Bank hedges the change in value of its fixed-rate loans, its hedge coverage ratio does not equate to 100%. The Bank believes it is economically prudent to keep hedge coverage ratios at acceptable risk levels, which may vary depending on current and expected interest rate movement.

At December 31, 2025 and 2024, the information pertaining to outstanding interest rate swap agreements used to hedge fixed-rate loans is as follows:

	<u>December 31, 2025</u> (Dollars in thousands)	<u>December 31, 2024</u> (Dollars in thousands)
Notional amount	\$ 10,000	\$ 10,000
Weighted average pay rate	4.09%	4.09%
Weighted average receive rate	3.69%	4.33%
Weighted average maturity in years	2.4	3.4
Unrealized loss relating to interest rate swaps	(153)	(25)

The table below presents the carrying amount of hedged items and cumulative fair value hedging basis adjustments for loans at December 31, 2025 and 2024 that were designated under the portfolio layer method.

<u>Balance Sheet Location</u>	<u>Carrying Amount</u>	<u>December 31, 2025</u>	
		<u>Hedge Accounting Basis Adjustment</u> (Dollars in thousands)	<u>Hedged Portfolio Layer</u>
Loans	\$ 33,223	\$ 178	\$ 10,000

<u>Balance Sheet Location</u>	<u>Carrying Amount</u>	<u>December 31, 2024</u>	
		<u>Hedge Accounting Basis Adjustment</u> (Dollars in thousands)	<u>Hedged Portfolio Layer</u>
Loans	\$ 38,001	\$ 29	\$ 10,000

# New Valley Bank & Trust and Subsidiary

The Bank has recorded \$15,000 and \$49,000 of interest income which is recorded in loans, including fees on the statement of net loss as of December 31, 2025 and 2024, respectively.

These agreements provide for the Company to receive payments at a variable-rate determined by a specified index (one month SOFR compounded) in exchange for making payments at a fixed-rate.

The company includes the gain or loss on the hedged items (that is, fixed-rate loans) in the same line item—interest income—as the offsetting loss or gain on the related interest rate swaps.

## ***Collateral Requirements***

To reduce credit risk related to the use of derivative instruments, the Bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Company's credit evaluation of the customer. Similarly, counterparties might deem it necessary to obtain collateral from the Bank based on their exposure to the derivative transaction.

As of December 31, 2025 and 2024, the Bank has posted collateral to counterparties totaling \$958,000 and \$265,000, respectively. This amount is included within interest bearing deposits in banks on the consolidated balance sheet.

## **13. LEGAL CONTINGENCIES**

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

## **14. MINIMUM REGULATORY CAPITAL REQUIREMENTS**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Federal banking regulations require the Bank to maintain minimum amounts and ratios of common equity Tier 1, Tier 1 and total capital to risk-weighted assets and Tier 1 capital to average assets, as set forth in the table below. Additionally, community banking institutions must maintain a capital conservation buffer of common equity Tier 1 capital in

# New Valley Bank & Trust and Subsidiary

an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonuses.

As of December 31, 2025, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, common equity Tier 1 risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. The Bank's actual capital amounts and ratios are presented in the table. There are no conditions or events since that notification that management believes have changed the Bank's category. Management believes, as of December 31, 2025, that the Bank meets all capital adequacy requirements to which it is subject.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
<b><u>December 31, 2025:</u></b>						
Total capital						
(to risk-weighted assets)	\$32,550	11.7%	\$22,300	8.0%	\$27,875	10.0%
Common equity Tier 1 capital						
(to risk-weighted assets)	29,049	10.4	12,544	4.5	18,119	6.5
Tier 1 capital						
(to risk-weighted assets)	29,049	10.4	16,725	6.0	22,300	8.0
Tier 1 leverage ratio						
(to average assets)	29,049	8.3	14,012	4.0	28,024	8.0
<b><u>December 31, 2024:</u></b>						
Total capital						
(to risk-weighted assets)	\$32,499	11.9%	\$21,937	8.0%	\$27,422	10.0%
Common equity Tier 1 capital						
(to risk-weighted assets)	29,051	10.6	12,340	4.5	17,824	6.5
Tier 1 capital						
(to risk-weighted assets)	29,051	10.6	16,453	6.0	21,937	8.0
Tier 1 leverage ratio						
(to average assets)	29,051	8.6	13,458	4.0	26,916	8.0

## 15. EMPLOYEE BENEFIT PLANS

### *Stock Incentive Plan*

The Bank has adopted the 2019 Equity Incentive Plan (the "Plan"), whereby 2,359 shares of the Bank's common stock have been reserved for issuance. Under the Plan, the Bank may grant incentive stock options, non-qualified stock options and restricted stock awards to its employees, officers and directors. The exercise price for each option will be established at the discretion of the Bank's Board of Directors (the "Board") but may not be less than the fair market value of the stock on the grant date. The term of each option will be fixed by the Board and may not exceed ten years from the date of grant.

## New Valley Bank & Trust and Subsidiary

Options and restricted stock awards will generally vest over five years unless otherwise determined by the Board. Vesting may be accelerated upon a change in control, as defined in the Plan. No restricted stock awards were granted in 2025 or 2024.

### *Stock Options*

The calculated value of each stock option grant is estimated on the date of grant using the Black- Scholes option-pricing model with the following weighted-average assumptions:

	December 31,	
	2025	2024
(In thousands)		
Expected term	7 years	7 years
Expected volatility	31.65%	30.75%
Risk-free interest rate	4.08%	4.28%
Expected dividends	0%	0%

The expected term is estimated by management using the vesting term and term of the option. The expected volatility is based on NASDAQ exchange historical volatility. The risk-free interest rate for periods consistent with the expected term of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The dividend yield is zero as the Bank has not paid dividends to date and has declared no dividends as of December 31, 2025.

A summary of option activity under the Plan as of December 31, 2025, and changes during the year then ended, is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Options				
Outstanding, at beginning of year	1,950	\$ 1,031		
Granted	100	1,150		
Forfeited	(150)	1,050		
Outstanding and unvested at end of year	1,900	\$ 1,036	5.1	\$ (132)

The weighted-average grant-date fair value of options granted during the years ended December 31, 2025 and 2024 were \$284 and \$315, respectively. No options were exercised or expired during the years ended December 31, 2025 or 2024. 150 options were forfeited during the year ended December 31, 2025. No options were forfeited during the year ended December 31, 2024. Net share-based compensation expense was \$51,000 and \$83,000 for the years ended December 31, 2025 and 2024, respectively. Share-based

# New Valley Bank & Trust and Subsidiary

compensation expense for the year ended December 31, 2025 was net of forfeited option expense of \$25,000. Unrecognized share-based compensation related to non-vested options amounted to \$93,000 at December 31, 2025 and is expected to be recognized over a period of 5 years.

## ***Common Stock Warrants***

The Bank adopted the Common Stock Warrant Plan (the “Warrant Plan”), whereby warrants for 3,109 shares were granted to original investors in New Valley Founders, LLC (see Note 1). The warrants allow holders, for a period of ten years after the effective date (May 30, 2019) of the warrants, to purchase 3,109 shares of Bank common stock for \$1,000 per share. Warrants do not entitle holders to voting rights or dividends. The purchase price per share of common stock was allocated to the common stock and warrants based on relative fair value. The calculated value of the warrants was \$779,000 which was recorded through additional paid-in capital. The calculated value of the warrants was estimated using the Black-Scholes option pricing model with the same assumptions disclosed in the Stock Options section of this footnote.

## ***401(k) Plan***

The Bank has a 401(k) Plan in which substantially all employees participate. Employees may contribute a portion of their compensation subject to certain limits based on federal tax laws. The Bank makes matching contributions up to 4.0% of an employee’s compensation contributed to the Plan. Matching contributions immediately vest. For the years ended December 31, 2025 and 2024 expense attributable to the Plan amounted to \$149,000 and \$138,000, respectively.

## **16. RESTRICTIONS ON DIVIDENDS**

Federal and state banking regulations place certain restrictions on dividends paid by the Bank. Dividends are limited to an amount that shall not exceed the Bank’s net income for the current year, plus its net income retained for the two previous years. At December 31, 2025 and 2024, the Bank had no retained earnings available for payment of dividends. The Bank will be prohibited from paying dividends to the extent that any such payment would reduce the Bank’s capital below required well capitalized levels. Any dividend payment would require prior regulatory approval. No dividends have been declared as of December 31, 2025 or 2024.

## **17. RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Bank has granted loans to directors, executive officers and their affiliates amounting to \$15,858,000 and \$5,022,000 at December 31, 2025 and 2024, respectively.

Deposits from directors, executive officers and their affiliates held by the Bank at December 31, 2025 and 2024 amounted to \$33,837,000 and \$33,404,000, respectively.

# New Valley Bank & Trust and Subsidiary

## 18. FAIR VALUES OF ASSETS AND LIABILITIES

### *Determination of Fair Value*

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there may be no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The following methods and assumptions were used by the Bank in estimating fair value disclosures:

Securities available for sale - All fair value measurements are obtained from a third-party pricing service and are not adjusted by management. Securities measured at fair value in Level 2 are based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Interest rate swap agreements - The fair values of interest rate swap agreements are based on a valuation model that uses primarily observable inputs, such as benchmark yield curves and interest rates and also include the value associated with counterparty credit risk.

# New Valley Bank & Trust and Subsidiary

## *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

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

	December 31, 2025			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
	(In thousands)			
<b>Assets</b>				
Securities available for sale	\$ -	\$ 21,148	\$ -	\$ 21,148
Interest rate swap agreements	-	178	-	178
Total assets	<u>\$ -</u>	<u>\$ 21,326</u>	<u>\$ -</u>	<u>\$ 21,326</u>
<b>Liabilities</b>				
Interest rate swap agreement	\$ -	\$ 134	\$ -	\$ 134
Total liabilities	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 134</u>
	December 31, 2024			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
	(In thousands)			
<b>Assets</b>				
Securities available for sale	\$ -	\$ 29,317	\$ -	\$ 29,317
Interest rate swap agreements	-	1	-	1
Total assets	<u>\$ -</u>	<u>\$ 29,318</u>	<u>\$ -</u>	<u>\$ 29,318</u>
<b>Liabilities</b>				
Interest rate swap agreements	\$ -	\$ 26	\$ -	\$ 26
Total liabilities	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 26</u>

The Bank may also be required, from time to time, to measure certain other assets on a non-recurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The Bank does not measure any liabilities or collateral dependent individually evaluated loans at fair value on a non-recurring basis at December 31, 2025 or December 31, 2024.

## 19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 18, 2026, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the consolidated financial statements.



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# New Valley Bank & Trust

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## **Full Service Branch and Drive Up**

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