

ANNUAL REPORT

2024

NMB FINANCIAL CORPORATION

Message to Shareholders

Special greetings to all of you –

Fellow Shareholders and Friends, 2024 was another successful year for NMB Financial Corporation (“Company”) and its subsidiary New Millennium Bank (“NMB”).

As we announced in 2022, the Company became a beneficiary of the US Treasury Department’s Emergency Capital Investment Program (“ECIP”), and received ECIP funding qualifying as Tier 1 capital for NMB in the amount of \$79.1 million, which will remain with the Company in the form of perpetual preferred stock.

In 2024, the Company further enhanced capital with another profitable year generating \$8.1 million in net income, reflecting a consistent level of earnings over the past three years. This successful result afforded the Company to pay its third consecutive dividend to shareholders in July 2024 of \$2.1 million.

The Company’s capital position continues to be robust – as of December 31, 2024, the Company had \$155.6 million in total stockholders’ equity representing over 17% of total assets of \$913.7 million, which denotes a significant level of capital to propel future growth.

The Company completed December 31, 2024 with \$913.7 million in total assets compared to \$783.8 million in total assets as of December 31, 2023, representing over 16.6% growth. Net loans increased \$90.0 million, or 13.3%, to \$768.8 million from \$678.8 million, and total deposits increased \$121.8 million, or 19.3% to \$751.2 million at December 31, 2024, compared to \$629.4 million at December 31, 2023.

The increase in the loan portfolio included continued growth in commercial real estate loans, increasing the size of the portfolio by \$53.0 million, or 16.1%, from \$329.7 million as of December 31, 2023 to \$382.8 million as of December 31, 2024. Residential mortgage lending, also grew \$34.4 million, or 11.1%, from \$310.0 million as of December 31, 2023 to \$344.4 million as of December 31, 2024.

In these changing times, the Board of Directors and Management have been focused on the Bank’s competitive position within its New Jersey, New York and Georgia marketplaces, and have successfully generated a volume of quality loans commensurate with the Bank’s credit risk profile. Further, these loans have been primarily funded with deposits from these same marketplaces at a cost and structure commensurate with the Bank’s liquidity and interest rate risk profiles. NMB has well managed its asset quality and liquidity positions to maintain strong levels in both categories. This continues to be a very important attribute in maintaining the confidence of depositors and shareholders.

As we have stated before, we continue to maintain strong relations with the various regulatory agencies to which we report our results. And the Bank’s status as a Minority Depository Institution (“MDI”) is considered one of our most important designations as we continue to serve the Korean American and other minority communities throughout New Jersey, New York, and Georgia by operating 9 full-service branches, as well as Texas, Washington and California through the operation of loan production offices. The Bank has expanded its exposure to minority communities by becoming a member of the Community Development Bankers Association. Through this partnership, the Bank has begun to attract deposits from other financial institutions investing to further the Community Investment credits by placing deposits with an MDI. We look forward to growing with this opportunity during 2025 and beyond.

The Board of Directors and Management of NMB Financial Corporation would like to express our sincere appreciation for your continued support. We look forward to continuing our relationship through growth in all the communities that we serve during 2025 and beyond.

Until next time, remain safe and healthy –



Dong Hwan Kim
Chairman of the Board
NMB Financial Corporation



Donna Baik
Chairman of the Board
New Millennium Bank



Hong Sik Hur
President and CEO
New Millennium Bank

NMB FINANCIAL CORPORATION

FORT LEE, NEW JERSEY

AUDIT REPORT

DECEMBER 31, 2024

NMB FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

	<u>Page Number</u>
Independent Auditor's Report	1–3
Consolidated Financial Statements	
Consolidated Balance Sheets	4
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Stockholders' Equity	7
Consolidated Statements of Cash Flows	8 -9
Notes to Consolidated Financial Statements	10–47



INDEPENDENT AUDITOR'S REPORT

Board of Directors Stockholders
NMB Financial Corporation
Fort Lee, New Jersey

Opinion

We have audited the accompanying consolidated financial statements of NMB Financial Corporation and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023; the related consolidated statements of income, comprehensive income, 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 Company as of December 31, 2024 and 2023, 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 Company 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.

PITTSBURGH, PA

2009 Mackenzie Way • Suite 340
Cranberry Township, PA 16066
(724) 934-0344

PHILADELPHIA, PA

2100 Renaissance Blvd. • Suite 110
King of Prussia, PA 19406
(610) 278-9800

WHEELING, WV

980 National Road
Wheeling, WV 26003
(304) 233-5030

STEUBENVILLE, OH

511 N. Fourth Street
Steubenville, OH 43952
(304) 233-5030



Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises a letter to shareholders but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



Other Information Included in Annual Report (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
April 30, 2025

NMB FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share amounts)

	December 31,	
	2024	2023
ASSETS		
Cash and due from banks	\$ 6,847	\$ 2,944
Interest-bearing deposits with other institutions	113,854	70,366
Total cash and cash equivalents	120,701	73,310
Interest-earning time deposits	2,165	2,181
Investment securities available for sale	1,888	2,006
Investment securities held to maturity, fair value of \$ 529 and \$ 654, respectively	537	677
Loans held for sale	3,681	520
Loans receivable, net of allowance for credit losses, of \$10,112 and \$9,064, respectively	768,804	678,752
Restricted stock, at cost	851	792
Premises and equipment, net	1,147	1,410
Accrued interest receivable	3,279	2,808
Foreclosed assets	-	137
Other assets	10,668	21,239
TOTAL ASSETS	\$ 913,721	\$ 783,832
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 104,889	\$ 103,149
Interest-bearing demand	646,296	526,265
Total deposits	751,185	629,414
Accrued interest payable	1,116	878
Other liabilities	5,795	6,216
TOTAL LIABILITIES	758,096	636,508
STOCKHOLDERS' EQUITY		
Senior Non-Cumulative Perpetual Preferred Stock, Series ECIP, \$1,000 liquidation value per share; 79,062 shares authorized, issued and outstanding	79,062	79,062
Common stock, no par value per share; authorized 20,000,000 shares; issued and outstanding 5,217,054 and 4,989,389 respectively	48,469	45,623
Retained earnings	28,231	22,735
Accumulated other comprehensive loss	(137)	(96)
TOTAL STOCKHOLDERS' EQUITY	155,625	147,324
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 913,721	\$ 783,832

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except share and per share amounts)

	Year Ended December 31,	
	2024	2023
INTEREST AND DIVIDEND INCOME		
Loans receivable, including fees	\$ 48,841	\$ 39,909
Investment securities:		
Taxable	222	576
Other	4,529	4,549
Total interest and dividend income	<u>53,592</u>	<u>45,034</u>
INTEREST EXPENSE		
Deposits	<u>26,855</u>	<u>19,023</u>
Total interest expense	<u>26,855</u>	<u>19,023</u>
NET INTEREST INCOME	<u>26,737</u>	<u>26,011</u>
CREDIT LOSS EXPENSE		
Provision for credit loss expense - loans	1,800	418
Provision for credit loss expense - held to maturity securities	-	2
Provision for credit loss expense - off-balance sheet commitments	-	430
Total credit loss expense	<u>1,800</u>	<u>850</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>24,937</u>	<u>25,161</u>
OTHER INCOME		
Loan servicing fees	763	794
Customer service fees	418	313
Net realized gains on sale of foreclosed assets	590	132
Net realized gains on sale of loans	934	832
Other	183	178
Total other income	<u>2,888</u>	<u>2,249</u>
OTHER EXPENSE		
Salaries and employee benefits	10,261	9,292
Occupancy	1,906	1,833
Data processing and telephone	1,374	1,128
Professional fees	604	711
Furniture and equipment	321	342
Foreclosed assets	131	58
FDIC assessment	355	471
Advertising	143	177
Other	1,558	1,421
Total other expense	<u>16,653</u>	<u>15,433</u>
Income before income tax expense	11,172	11,977
Income tax expense	<u>3,089</u>	<u>3,743</u>
Net Income Attributable to the Company	8,083	8,234
Less: preferred stock dividend	<u>(516)</u>	<u>-</u>
Net Income Available to Common shareholders	<u>\$ 7,567</u>	<u>\$ 8,234</u>
EARNINGS PER SHARE		
Basic weighted-average common share outstanding	5,110,609	4,988,875
Diluted weighted-average common shares outstanding	5,531,038	5,058,746
Basic net income per common share	\$ 1.48	\$ 1.65
Diluted net income per common share	\$ 1.37	\$ 1.63

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Year Ended December 31,	
	<u>2024</u>	<u>2023</u>
Net income	\$ 8,083	\$ 8,234
Other comprehensive (loss) income :		
Unrealized (losses) gains on available for sale securities		
arising during the year of (\$58) and \$221,		
net of tax benefit (expense) of \$17 and (\$66), respectively	<u>(41)</u>	<u>155</u>
Other comprehensive (loss) income	<u>(41)</u>	<u>155</u>
Comprehensive income	<u>\$ 8,042</u>	<u>\$ 8,389</u>

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(dollars in thousands)

	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2022	\$ 79,062	\$ 44,841	\$ 15,748	\$ (251)	\$ 139,400
Exercise of 31,500 stock options	-	160	-	-	160
Share based compensation	-	622	-	-	622
Net income	-	-	8,234	-	8,234
Cash dividend \$0.25 per share	-	-	(1,247)	-	(1,247)
Other comprehensive income	-	-	-	155	155
Balance, December 31, 2023	79,062	45,623	22,735	(96)	147,324
Exercise of 227,665 stock options	-	1,585	-	-	1,585
Share based compensation	-	1,261	-	-	1,261
Net income	-	-	8,083	-	8,083
Cash dividend - Preferred stock	-	-	(516)	-	(516)
Cash dividend - Common Stock \$0.40 per share	-	-	(2,071)	-	(2,071)
Other comprehensive loss	-	-	-	(41)	(41)
Balance, December 31, 2024	<u>\$ 79,062</u>	<u>\$ 48,469</u>	<u>\$ 28,231</u>	<u>\$ (137)</u>	<u>\$ 155,625</u>

See accompanying notes to consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 8,083	\$ 8,234
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,800	850
Provision for depreciation	386	387
Amortization and provision for servicing assets	807	955
Accretion of discounts on retained SBA loans	(724)	(841)
Net amortization of securities	2	2
Net realized gain on sale of foreclosed assets	(590)	(132)
Accretion of net loan origination fees and costs	(234)	(26)
Deferred tax expense	(502)	(276)
Loans originated for sale	(18,509)	(16,663)
Proceeds from sales of loans	16,282	20,225
Gains on sales of loans	(934)	(832)
Stock options expense	1,261	622
(Increase) decrease in accrued interest receivable and other assets	(320)	344
Decrease (increase) in investment security trade receivable	10,131	(10,131)
Decrease in accrued interest payable and other liabilities	(183)	(892)
Net cash provided by operating activities	<u>16,756</u>	<u>1,826</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	-	(917)
Proceeds from calls, maturities of and principal repayments on securities available for sale	60	20,072
Proceeds from calls, maturities of and principal repayments on securities held to maturity	139	189
Purchase of interest earning time deposits	(2,334)	(2,000)
Redemption of interest-earning time deposits	2,350	184
Net increase in loans	(91,119)	(35,453)
Purchase of restricted stock	(59)	(379)
Purchase of premises and equipment	(123)	(228)
Proceeds from sale of foreclosed real estate	952	691
Net cash used for investing activities	<u>(90,134)</u>	<u>(17,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits, net	121,771	2,050
Cash dividends - Preferred stock	(516)	-
Cash dividends - Common stock	(2,071)	(1,247)
Exercise of stock options	1,585	160
Net cash provided by financing activities	<u>120,769</u>	<u>963</u>
Increase (decrease) in cash and cash equivalents	47,391	(15,052)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>73,310</u>	<u>88,362</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 120,701</u>	<u>\$ 73,310</u>

See accompanying notes to the consolidated financial statements.

NMB FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(dollars in thousands)

		Year Ended December 31,	
		<u>2024</u>	<u>2023</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Cash paid:			
Interest	\$	26,617	\$ 18,749
Income taxes		3,643	3,915
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING ACTIVITIES			
Other real estate acquired in settlement of loans	\$	225	\$ -
Initial recognition of right-of-use asset		762	-
Initial recognition of lease liability		762	-

See accompanying notes to the consolidated financial statements.

NMB Financial Corporation
Notes to Consolidated Financial Statements

1. Organization and Nature of Operations

NMB Financial Corporation (the “Company”), is a New Jersey corporation and bank holding company whose sole business is the ownership and operation of New Millennium Bank (the “Bank”). The Company is subject to the regulations of the Federal Reserve Bank of New York.

The Bank, incorporated on November 3, 1998, was granted a New Jersey state charter on July 12, 1999, and commenced operations on July 19, 1999. The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers primarily in Bergen, Middlesex, and Somerset Counties, New Jersey and New York City, New York. The Bank’s customers are predominantly small and middle-market businesses and professionals. The Bank is subject to regulation of the New Jersey Department of Banking and Insurance (NJDOBI) and the Federal Deposit Insurance Corporation (FDIC). On May 8, 2009, the Bank formed a real estate holding company, New Millennium Bank Realty Company, to hold foreclosed assets.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of NMB Financial Corporation and its wholly owned subsidiary, New Millennium Bank, and its wholly owned subsidiary, New Millennium Bank Realty Company. All significant intercompany accounts and transactions have been eliminated.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for credit losses, the valuation of foreclosed assets and loan servicing rights, the determination of credit impairment on securities, the fair value of financial instruments, and the valuation of deferred tax assets.

Significant Group Concentrations of Credit Risk

The concentrations of credit by type of loan are set forth in Note 4. Although the Company has a diversified loan portfolio, its debtors’ ability to honor their contracts is influenced by the regional and national economy. Note 3 discusses the types of securities in which the Company invests. The Company does not have any significant concentrations in any one industry or customer.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits with banks, and federal funds sold, all with original maturities of 90 days or less. Generally, federal funds are purchased and sold for one-day periods.

Interest-Earning Time Deposits

Interest-earning time deposits are carried at cost. The Company's time deposits mature within one year and are maintained with major financial institutions in the United States.

Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as available for sale are those debt securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Investment securities classified as held to maturity are those debt securities that the Company has both the intent and ability to hold to maturity, regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by a method that approximates the interest method over their contractual lives.

Allowance for Credit Losses – Held-to-Maturity Securities

The Company measures expected credit losses on held-to-maturity debt securities, which are comprised of U.S. government - sponsored enterprise residential mortgage-backed securities and corporate securities. The Company's residential mortgage-backed security holdings are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses.

Accrued interest receivable on held-to-maturity debt securities totaled \$3,000 and \$4,000 at December 31, 2024 and 2023, respectively, and are included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Held-to-maturity debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Available for Sale Securities

The Company measures expected credit losses on available-for-sale debt securities when the Company does not intend to sell, or when it is not more likely than not that it 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 income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. Economic forecast data is utilized to calculate the present value of expected cash flows. Management evaluates the various scenarios to determine a reasonable and supportable scenario, and utilizes a single scenario in the model. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The allowance for credit losses on available-for-sale debt securities is included within investment securities available-for-sale on the Consolidated Balance Sheet. Changes in the allowance for credit losses are recorded within provision for credit losses on the Consolidated Statements of Income. Losses are charged against the allowance when the Company believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$25,000 and \$25,000 at December 31, 2024 and 2023, respectively, and are included within accrued interest receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Investment in Restricted Stock, at Cost

Investment in restricted stock, at cost, is principally comprised of restricted stock in the Federal Home Loan Bank of New York, which is carried at cost. Federal law requires a member institution of the Federal Home Loan Bank to hold stock according to a predetermined formula. The Federal Home Loan Bank stock was carried at \$814,000 and \$755,000 at December 31, 2024 and 2023, respectively. Restricted stock also includes stock of the Atlantic Community Bankers Bank in the amount of \$37,000 at both December 31, 2024 and 2023. Management reviews for impairment based on the ultimate recoverability of the cost basis in the restricted stock.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value, as determined on an aggregate basis. Gains and losses on sales of loans held for sale are recognized on settlement dates and are determined by the difference between the sale proceeds and the carrying value of loans. All sales are made with limited recourse.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Accrued interest receivable on loan receivable totaled \$3,232,000 and \$2,762,000 at December 31, 2024 and 2023, respectively, and was reported in accrued interest receivable on the Consolidated Balance Sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial and industrial, commercial real estate, and construction. Consumer loans consist of the following classes: residential real estate and other consumer loans.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans is generally either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses – Loans

The allowance for credit losses ("ACL") is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Loans (Continued)

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist.

The Company utilizes a Weighted Average Remaining Life (WARM) method to calculate the expected losses for each portfolio segment. The WARM method is also known as Remaining Life method, is conceptually similar to the previous incurred loss methodology used to calculate the current expected credit losses (“CECL”), and as such, it is also based on historical loss experience. This method is preferable by small to mid-size financial institutions as it does not require historical loan level details, which may not be available or technologically feasible for the smaller financial institutions. WARM methodology calculates an average historical charge-off rate on an average annual asset pool balance over its lifetime. The average historical charge-off rate is applied to estimated annual paydown of the current asset pool portfolio balance, over its lifetime. The forecast of the estimated paydown includes prepayment experience for that asset pool. The accumulation of the forecasted charge-offs is used to calculate unadjusted historical charge-off rate for the asset pool’s actual amortized cost.

After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. To determine its reasonable and supportable forecast, management accesses the level of risk based on certain criteria related to each qualitative factor.

The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, past due, nonaccrual and classified loans, quality of the bank’s loan review system, value of underlying collateral, the existence of and changes in concentrations, economic factors, and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all loans that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) when a loan is classified as a substandard, doubtful or nonperforming loan, 3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan’s original effective interest rate; 2) the loan’s observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company 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 Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the following estimated useful lives of the related assets:

	<u>Years</u>
Leasehold improvements	5–20
Furniture, fixtures, and equipment	3–10
Equipment	3–20

Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Foreclosed Assets

Foreclosed assets are comprised of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure and loans classified as in-substance foreclosure. A loan is classified as in-substance foreclosure when the Company has taken possession of the collateral, regardless of whether formal foreclosure proceedings take place. Foreclosed assets initially are recorded at fair value, net of estimated selling costs, at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of cost or fair value minus estimated costs to sell. Revenues and expenses from operations and changes in the valuation allowance are included in other expenses. Any gain or loss upon the sale of foreclosed assets is charged to operations as incurred.

Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loan Servicing Rights

When loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in net gain on sales of loans. Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Loan Servicing Rights (Continued)

The Company subsequently measures servicing rights using the amortization method. It evaluates servicing rights for impairment at each reporting date and reports impairment charges and subsequent recoveries in earnings. Such changes are included with loan servicing fees on the income statement.

Servicing fee income, which is reported on the income statement as loan servicing fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recorded as income when earned. Servicing fees totaled approximately \$1,571,000 and \$1,748,000 for the years ended December 31, 2024 and 2023, respectively. Late fees and ancillary fees related to loan servicing are not material.

Advertising Costs

The Company follows the policy of charging the costs of advertising to expense as incurred.

Income Taxes

Deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating losses and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and net operating loss carryforwards and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company follows the accounting guidance related to the accounting for uncertainty in income taxes. Under the “more likely than not” threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of December 31, 2024 and 2023, the Company had no material unrecognized tax benefits or accrued interest and penalties. The Company’s policy is to account for interest as a component of interest expense and penalties as a component of other expense. The Company is no longer subject to examination by taxing authorities for the years before January 1, 2021.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the Consolidated Balance Sheets when they are funded.

Earnings Per Share

Basic earnings per share represents the net income by the weighted-average number of common shares outstanding during the period. Diluted income 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 Company relate solely to outstanding stock options and are determined using the treasury stock method.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

The following table presents the potential common shares related solely to the Company's outstanding stock options.

	2024	2023
Net income available to common shareholders (in thousands)	\$ 7,567	\$ 8,234
Weighted-average shares outstanding	5,110,609	4,988,875
Dilutive effect of potential common shares, stock options	420,429	69,871
Diluted weighted-average common shares outstanding	5,531,038	5,058,746
Basic net income per common share	\$ 1.48	\$ 1.65
Diluted net income per common share	\$ 1.37	\$ 1.63

For the years ended December 31, 2024 and 2023, 0 and 612,500 stock options were anti-dilutive, respectively, and not included in diluted earnings per share.

Stock Compensation Plans

The Company has stock option plans in place for employees and directors. The Company recognizes the cost of services received in exchange for stock option awards based on the grant date fair value of the award. A Black-Scholes model is used to estimate the fair value of stock options. The model requires the use of subjective assumptions that can materially affect fair value estimates. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the option and each vesting date. The fair value of each stock option granted was estimated using the following weighted-average assumptions for grants on April 1, 2024 (1) risk-free interest rate of 4.33 percent; (2) expected volatility of 21.30 percent; and (3) expected lives of options of 7.0 years. The fair value of each stock option granted was estimated using the following weighted-average assumptions for grants on July 1, 2024; (1) risk-free interest rate of 4.45 percent; (2) expected volatility of 11.50 percent; and (3) expected lives of options of 7.0 years. There were no stock options granted in 2023.

Revenue Recognition

ASC Topic 606 implements a common revenue standard that clarifies the principles for recognizing revenue from contracts. The majority of the Company's revenues come from interest income and other sources, including loans and securities that are outside the scope of Topic 606. The Company's services that fall within the scope of Topic 606 are presented within other income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits, and interchange income. The Company generally acts in a principal capacity, on its own behalf, in most of its contracts with customers. In such transactions, revenue is recognized and the related costs to provide services is recognized on a gross basis in the financial statements.

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year classifications. Such reclassifications had no effect on stockholders' equity or net income.

NMB Financial Corporation
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' and provide additional information about a segment's significance expenses on an interim and annual basis. An operating segment is defined as a component of an enterprise that engages in business activities that generate revenue and incurs expense, and the operating results of which are reviewed by the chief operating decision maker in the determination of resource allocation and performance. The Company's primary revenue sources are community bank lending and deposit services. As the chief operation decision maker uses financial information solely related to these services, the Company does not meet the quantitative threshold under GAAP required for reportable segments. Accordingly, all of the operations of the Company are aggregated and reported as a single operation segment. The adoption of ASU 2023-07 did not have a material impact on the Company's consolidated financial statement.

3. Investment Securities

The amortized cost, gross unrealized gains and losses, approximate fair value, and allowance for credit losses of investment securities are summarized as follows (in thousands):

		December 31, 2024			
		Amortized Cost ⁽²⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale					
Corporate securities	\$	1,000	\$ -	\$ (165)	\$ 835
U.S. government-sponsored enterprises, residential mortgage- backed securities		1,084	-	(31)	1,053
Total	\$	<u>2,084</u>	<u>-</u>	<u>(196)</u>	<u>1,888</u>
		December 31, 2024			
		Amortized Cost, net ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to Maturity					
Corporate securities	\$	247	\$ -	\$ (3)	\$ 244
U.S. government-sponsored enterprises, residential mortgage- backed securities		290	2	(7)	285
Total	\$	<u>537</u>	<u>2</u>	<u>(10)</u>	<u>529</u>

⁽¹⁾ Amortized cost is reported net of ACL of \$2 at December 31, 2024.

⁽²⁾ At December 31, 2024, there was no allowance for credit losses on available for sale securities.

NMB Financial Corporation
Notes to Consolidated Financial Statements

3. Investment Securities (Continued)

December 31, 2023				
	Amortized Cost ⁽²⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale				
Corporate securities	\$ 1,000	\$ -	\$ (126)	\$ 874
U.S. government-sponsored enterprises, residential mortgage- backed securities	1,144	1	(13)	1,132
Total	<u>\$ 2,144</u>	<u>\$ 1</u>	<u>\$ (139)</u>	<u>\$ 2,006</u>

December 31, 2023				
	Amortized Cost, net ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to Maturity				
Corporate securities	\$ 247	\$ -	\$ (11)	\$ 236
U.S. government-sponsored enterprises, residential mortgage- backed securities	430	6	(18)	418
Total	<u>\$ 677</u>	<u>\$ 6</u>	<u>\$ (29)</u>	<u>\$ 654</u>

⁽¹⁾ Amortized cost is reported net of ACL of \$2 at December 31, 2023.

⁽²⁾ At December 31, 2023, there was no allowance for credit losses on available for sale securities.

NMB Financial Corporation
Notes to Consolidated Financial Statements

3. Investment Securities (Continued)

The following tables show the Company's investments' gross unrealized losses and fair value, for which no allowance for credit losses has been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

		2024					
		Less than Twelve Months		Twelve Months or Greater		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:							
Corporate securities	\$	-	\$ -	\$ 835	\$ (165)	\$ 835	\$ (165)
U.S. government-sponsored enterprises, residential mortgage-backed securities		5	-	1,020	(31)	1,025	(31)
	\$	<u>5</u>	<u>\$ -</u>	<u>\$ 1,855</u>	<u>\$ (196)</u>	<u>\$ 1,860</u>	<u>\$ (196)</u>
		2023					
		Less than Twelve Months		Twelve Months or Greater		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:							
Corporate securities	\$	-	\$ -	\$ 874	\$ (126)	\$ 874	\$ (126)
U.S. government-sponsored enterprises, residential mortgage-backed securities		1,002	(11)	89	(2)	1,091	(13)
	\$	<u>1,002</u>	<u>\$ (11)</u>	<u>\$ 963</u>	<u>\$ (128)</u>	<u>\$ 1,965</u>	<u>\$ (139)</u>

NMB Financial Corporation
Notes to Consolidated Financial Statements

3. Investment Securities (Continued)

The Company had 1 security and 6 securities in a gross unrealized loss position for less than 12 months with 0.22% and 35.5% at December 31, 2024 and 2023, respectively. The Company had 8 securities and 5 securities in a gross unrealized loss position for 12 months or more with 76.49% and 34.1% at December 31, 2024 and 2023, respectively.

The unrealized losses on the Company's available-for-sale debt securities have not been recognized into income because management does not intend to sell and it is not more-likely-than-not it will be required to sell any of the available-for-sale debt securities before recovery of its amortized cost basis. Furthermore, the unrealized losses are due to changing interest rates and other market condition, were not reflective of credit events and the issuers continue to make timely principal and interest payments on the bonds. Agency-backed and government-sponsored enterprise securities have a long history with no credit losses, including during times of severe stress. The principal and interest payments on agency-guaranteed debt is backed by the U.S. government. Government-sponsored enterprises similarly guarantee principal and interest payments and carry an implicit guarantee from the U.S. Department of the Treasury. Additionally, government-sponsored enterprise securities are exceptionally liquid, readily marketable, and provide a substantial amount of price transparency and price parity, indicating a perception of zero credit losses.

Unrealized losses on the Company's available-for-sale corporate securities have not been recognized into income because management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.

The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity by major security type for the year ended December 31, 2024 and 2023:

2024					
	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:					
Corporate securities	\$ 2	\$ -	\$ -	\$ -	\$ 2
U.S.government-soponsored enterprises, residential mortgage-backed securities	-	-	-	-	-
	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
2023					
	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Allowance for credit losses:					
Corporate securities	\$ -	\$ -	\$ -	\$ 2	\$ 2
U.S.government-soponsored enterprises, residential mortgage-backed securities	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

NMB Financial Corporation
Notes to Consolidated Financial Statements

3. Investment Securities (Continued)

The Company monitors the credit quality of debt securities held-to-maturity primarily through utilizing credit rating. The Bank monitors the credit rating on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2024 and 2023, aggregated by credit quality indicator:

	2024		2023	
	U.S. government-sponsored enterprises, residential mortgage-backed securities	Corporate Securities ⁽¹⁾	U.S. government-sponsored enterprises, residential mortgage-backed securities	Corporate Securities ⁽¹⁾
Held to Maturity				
Credit Rating				
AAA/AA/A	\$ 290	\$ -	\$ 430	\$ -
BBB/BB/B	-	247	-	247
Lower than B	-	-	-	-
Total	<u>\$ 290</u>	<u>\$ 247</u>	<u>\$ 430</u>	<u>\$ 247</u>

⁽¹⁾Amortized cost is reported net of ACL of \$2 at December 31, 2024 and 2023.

The amortized cost and carrying value of securities are shown below by contractual maturity at December 31, 2024. Actual maturities may differ from contractual maturities, as issuers may have to call or prepay obligations with or without call or prepayment penalties (in thousands).

	Held to Maturity		Available for Sale	
	Amortized Cost, net ⁽¹⁾	Fair Value	Amortized Cost	Fair Value
Due one year or less	\$ -	\$ -	\$ -	\$ -
Due after one year through five years	345	339	-	-
Due after five years through ten years	-	-	1,000	835
Due after ten years	-	-	-	-
U.S. government-sponsored enterprises, residential mortgage-backed securities	<u>192</u>	<u>190</u>	<u>1,084</u>	<u>1,053</u>
Total	<u>\$ 537</u>	<u>\$ 529</u>	<u>\$ 2,084</u>	<u>\$ 1,888</u>

⁽¹⁾Amortized cost is reported net of ACL of \$2 at December 31, 2024.

There were no sales of securities in 2024 and 2023.

Investment securities with a carrying value of approximately \$468,000 and \$660,000 at December 31, 2024 and 2023, respectively, were pledged to secure public deposits and for other purposes required or permitted by applicable laws and regulations.

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses

The components of loans receivable are as follows (in thousands):

	2024	2023
Commercial and industrial	\$ 48,987	\$ 48,887
Commercial real estate	382,755	329,712
Construction	6,345	2,782
Residential real estate	344,441	309,999
Consumer, other	116	240
	<u>782,644</u>	<u>691,620</u>
Allowance for credit losses	(10,112)	(9,064)
Unearned net loan origination fees and costs	<u>(3,728)</u>	<u>(3,804)</u>
Total	<u>\$ 768,804</u>	<u>\$ 678,752</u>

During 2020, the Company participated in the Paycheck Protection Program (PPP), administered directly by the U.S. Small Business Administration (SBA). The PPP provides loans to small businesses that were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities, and interest on existing debt during the COVID-19 emergency. As of December 31, 2024 and 2023, the Company had outstanding principal balances of \$0.8 million and \$1.9 million, respectively. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the commercial and industrial loan category.

In accordance with the SBA terms and conditions on these PPP loans, the Company received approximately \$5.5 million in fees associated with the processing of these loans. Upon funding of the loan, these fees were deferred and accreted over the life of the loan. The Company recognized \$18,000 and \$31,000 in income for 2024 and 2023, respectively.

For purposes of determining the ACL on loans, the Company disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. The Company's loan portfolio segments, as determined based on the unique risk characteristics of each, included the following:

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

Commercial real estate: Loans in this segment are primarily financing commercial properties, either owner-occupied or rental properties. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates or a general slowdown in business which, in turn, will have an effect on the credit quality of this segment. Management obtains rent rolls and business financial statements on an annual basis at least and continually monitors the cash flows of these loans.

Construction: Loans in this segment are a short-term loan used to finance the building of a home or another real estate project. After completion of the project, loans are converted to permanent commercial real estate loans. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

Residential real estate: All loans in this segment are collateralized by owner-occupied 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 have an effect on the credit quality of this segment.

Consumer: Consumer loan products include personal lines of credit and amortizing loans made to qualified individuals for various purposes such as education, auto loans, debt consolidation, personal expenses, or overdraft protection. The Company currently has deposit overdraft in this segment, which mostly recovered the following business day. There is a minimal credit loss risk.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31 (in thousands):

<u>December 31, 2024</u>	Beginning Balance	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	Ending Balance	Ending Balance Individually Evaluated	Ending Balance Collectively Evaluated
Allowance for credit losses:							
Commercial and industrial	\$ 1,692	\$ 1,296	\$ 143	\$ 831	\$ 1,370	\$ 236	\$ 1,134
Commercial real estate	4,027	-	397	938	5,362	-	5,362
Construction	24	-	-	45	69	-	69
Residential real estate	3,308	-	6	(3)	3,311	-	3,311
Consumer, other	1	2	-	1	-	-	-
Unallocated	12	-	-	(12)	-	-	-
Total	<u>\$ 9,064</u>	<u>\$ 1,298</u>	<u>\$ 546</u>	<u>\$ 1,800</u>	<u>\$ 10,112</u>	<u>\$ 236</u>	<u>\$ 9,876</u>

<u>December 31, 2023</u>	Beginning Balance	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	Ending Balance	Ending Balance Individually Evaluated	Ending Balance Collectively Evaluated
Allowance for credit losses							
Commercial and industrial \$	932	\$ 13	\$ 233	\$ 540	\$ 1,692	\$ 190	\$ 1,502
Commercial real estate	3,915	275	65	322	4,027	15	4,012
Construction	57	-	-	(33)	24	-	24
Residential real estate	3,491	-	149	(332)	3,308	-	3,308
Consumer, other	-	3	-	4	1	-	1
Unallocated	95	-	-	(83)	12	-	12
Total	<u>\$ 8,490</u>	<u>\$ 291</u>	<u>\$ 447</u>	<u>\$ 418</u>	<u>\$ 9,064</u>	<u>\$ 205</u>	<u>\$ 8,859</u>

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

The following tables present the loan segments by individually evaluated and collectively evaluated as of December 31:

	Loans Receivable		
	Total	Individually Evaluated	Collectively Evaluated
		For Impairment	For Impairment
<u>December 31, 2024</u>			
Commercial and industrial	\$ 48,987	\$ 419	\$ 48,568
Commercial real estate	382,755	-	382,755
Construction	6,345	-	6,345
Residential real estate	344,441	2,255	342,186
Consumer, other	116	-	116
Total	<u>\$ 782,644</u>	<u>\$ 2,674</u>	<u>\$ 779,970</u>

	Loans Receivable		
	Total	Individually Evaluated	Collectively Evaluated
		For Impairment	For Impairment
<u>December 31, 2023</u>			
Commercial and industrial	\$ 48,887	\$ 396	\$ 48,491
Commercial real estate	329,712	873	328,839
Construction	2,782	-	2,782
Residential real estate	309,999	992	309,007
Consumer, other	240	-	240
Total	<u>\$ 691,620</u>	<u>\$ 2,261</u>	<u>\$ 689,359</u>

The following table present the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing interest (in thousand):

<u>December 31, 2024</u>	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Past Due Over 90 Days and Accruing	Total Nonperforming
Commercial and industrial	\$ 161	\$ 257	\$ 418	\$ -	\$ 418
Commercial real estate	84	-	84	-	84
Residential real estate	2,255	-	2,255	-	2,255
Total	<u>\$ 2,500</u>	<u>\$ 257</u>	<u>\$ 2,757</u>	<u>\$ -</u>	<u>\$ 2,757</u>

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

December 31, 2023	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Past Due Over 90 Days and Accruing	Total Nonperforming
Commercial and industrial	\$ 174	\$ 222	\$ 396	\$ -	\$ 396
Commercial real estate	789	84	873	-	873
Residential real estate	992	-	992	-	992
Total	\$ <u>1,955</u>	\$ <u>306</u>	\$ <u>2,261</u>	\$ <u>-</u>	\$ <u>2,261</u>

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis includes all loans risk rated special mention, substandard or doubtful, or 60 or more days past due. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Based on the most recent analysis performed, the following table presents the recorded investment in non-homogeneous loans by internal risk rating system as of December 31, 2024 and 2023 (in thousands)

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

	Term Loans Amortized Costs Basis by Origination Year						Revolving	Revolving	Total
	2024	2023	2022	2021	2020	Prior	Loans Amortized Cost Basis	Loans Converted to Term	
December 31, 2024									
Commercial and industrial									
Risk Rating									
Pass	\$ 8,588	\$ 9,258	\$ 7,935	\$ 3,699	\$ 985	\$ 4,520	\$ 7,523	\$ -	\$ 42,508
Special Mention	457	2,507	883	430	-	926	-	-	5,203
Substandard	-	-	92	-	-	1,184	-	-	1,276
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 9,045</u>	<u>\$ 11,765</u>	<u>\$ 8,910</u>	<u>\$ 4,129</u>	<u>\$ 985</u>	<u>\$ 6,630</u>	<u>\$ 7,523</u>	<u>\$ -</u>	<u>\$ 48,987</u>
Commercial and industrial									
Current period gross charge-offs	\$ -	\$ -	\$ 1,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,296
Commercial real estate									
Risk Rating									
Pass	\$ 75,406	\$ 51,212	\$ 111,238	\$ 40,019	\$ 20,781	\$ 42,176	\$ -	\$ -	\$ 340,832
Special Mention	-	1,377	9,140	4,255	6,050	4,575	-	-	25,397
Substandard	-	4,948	4,050	1,102	-	6,426	-	-	16,526
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 75,406</u>	<u>\$ 57,537</u>	<u>\$ 124,428</u>	<u>\$ 45,376</u>	<u>\$ 26,831</u>	<u>\$ 53,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,755</u>
Commercial real estate									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction									
Risk Rating									
Pass	\$ 4	\$ 4,231	\$ 748	\$ -	\$ 1,362	\$ -	\$ -	\$ -	\$ 6,345
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 4</u>	<u>\$ 4,231</u>	<u>\$ 748</u>	<u>\$ -</u>	<u>\$ 1,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,345</u>
Construction									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total									
Risk Rating									
Pass	\$ 83,998	\$ 64,701	\$ 119,921	\$ 43,718	\$ 23,128	\$ 46,696	\$ 7,523	\$ -	\$ 389,685
Special Mention	457	3,884	10,023	4,685	6,050	5,501	-	-	30,600
Substandard	-	4,948	4,142	1,102	-	7,610	-	-	17,802
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 84,455</u>	<u>\$ 73,533</u>	<u>\$ 134,086</u>	<u>\$ 49,505</u>	<u>\$ 29,178</u>	<u>\$ 59,807</u>	<u>\$ 7,523</u>	<u>\$ -</u>	<u>\$ 438,087</u>
Current period gross charge-offs	\$ -	\$ -	\$ 1,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,296

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

		Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
December 31, 2023		2023	2022	2021	2020	2019	Prior			
Commercial and industrial		-								
Risk Rating										
Pass	\$	15,395	\$ 10,482	\$ 5,904	\$ 1,624	\$ 2,215	\$ 5,744	\$ 3,879	\$ -	\$ 45,243
Special Mention		-	1,341	-	-	1,045	382	-	460	3,228
Substandard		-	-	-	-	154	262	-	-	416
Doubtful		-	-	-	-	-	-	-	-	-
Total	\$	<u>15,395</u>	<u>\$ 11,823</u>	<u>\$ 5,904</u>	<u>\$ 1,624</u>	<u>\$ 3,414</u>	<u>\$ 6,388</u>	<u>\$ 3,879</u>	<u>\$ 460</u>	<u>\$ 48,887</u>
Commercial and industrial										
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ 13
Commercial real estate										
Risk Rating										
Pass	\$	59,455	\$ 118,667	\$ 44,722	\$ 20,802	\$ 14,722	\$ 42,316	\$ -	\$ -	\$ 300,684
Special Mention		-	10,410	3,934	6,050	2,280	3,703	-	-	26,377
Substandard		-	-	-	-	-	2,651	-	-	2,651
Doubtful		-	-	-	-	-	-	-	-	-
Total	\$	<u>59,455</u>	<u>\$ 129,077</u>	<u>\$ 48,656</u>	<u>\$ 26,852</u>	<u>\$ 17,002</u>	<u>\$ 48,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,712</u>
Commercial real estate										
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 275	\$ -	\$ -	\$ 275
Construction										
Risk Rating										
Pass	\$	1,284	\$ 1,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,782
Special Mention		-	-	-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-	-	-
Doubtful		-	-	-	-	-	-	-	-	-
Total	\$	<u>1,284</u>	<u>\$ 1,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,782</u>
Construction										
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total										
Risk Rating										
Pass	\$	76,134	\$ 130,647	\$ 50,626	\$ 22,426	\$ 16,937	\$ 48,060	\$ 3,879	\$ -	\$ 348,709
Special Mention		-	11,751	3,934	6,050	3,325	4,085	-	460	29,605
Substandard		-	-	-	-	154	2,913	-	-	3,067
Doubtful		-	-	-	-	-	-	-	-	-
Total	\$	<u>76,134</u>	<u>\$ 142,398</u>	<u>\$ 54,560</u>	<u>\$ 28,476</u>	<u>\$ 20,416</u>	<u>\$ 55,058</u>	<u>\$ 3,879</u>	<u>\$ 460</u>	<u>\$ 381,381</u>
Current period gross charge-offs	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 288	\$ -	\$ -	\$ 288

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

The Company monitors the credit risk profile by payment activity for residential and consumer loan classes. Loans past due 90 days or more and loans on nonaccrual status are considered nonperforming. Nonperforming loans are reviewed monthly. The following table presents the amortized cost in residential and consumer loans based on payment activity:

	Term Loans Amortized Costs Basis by Origination Year						Revolving	Revolving	
	2024	2023	2022	2021	2020	Prior	Loans Amortized Cost Basis	Loans Converted to Term	Total
December 31, 2024									
Residential real estate									
Payment Performance									
Performing	\$ 54,098	\$ 44,642	\$ 198,578	\$ 28,124	\$ 7,710	\$ 8,998	\$ 35	\$ -	\$ 342,185
Nonperforming	-	-	876	-	946	429	5	-	2,256
Total	<u>\$ 54,098</u>	<u>\$ 44,642</u>	<u>\$ 199,454</u>	<u>\$ 28,124</u>	<u>\$ 8,656</u>	<u>\$ 9,427</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 344,441</u>
Residential real estate									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer									
Payment Performance						-			
Performing	\$ 116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116
Nonperforming	-	-	-	-	-	-	-	-	-
Total	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116</u>
Consumer									
Current period gross charge-offs	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2
Consumer									
Payment Performance						-			
Performing	\$ 54,214	\$ 44,642	\$ 198,578	\$ 28,124	\$ 7,710	\$ 8,998	\$ 35	\$ -	\$ 342,301
Nonperforming	-	-	876	-	946	429	5	-	2,256
Total	<u>\$ 54,214</u>	<u>\$ 44,642</u>	<u>\$ 199,454</u>	<u>\$ 28,124</u>	<u>\$ 8,656</u>	<u>\$ 9,427</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 344,557</u>
Current period gross charge-offs	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

	Term Loans Amortized Costs Basis by Origination Year						Revolving	Revolving	Total
	2023	2022	2021	2020	2019	Prior	Loans Amortized Cost Basis	Loans Converted to Term	
December 31, 2023									
Residential real estate									
Payment Performance									
Performing	\$ 45,730	\$ 211,699	\$ 31,200	\$ 9,219	\$ 1,914	\$ 9,123	\$ 122	\$ -	\$ 309,007
Nonperforming	-	-	-	554	-	438	-	-	992
Total	<u>\$ 45,730</u>	<u>\$ 211,699</u>	<u>\$ 31,200</u>	<u>\$ 9,773</u>	<u>\$ 1,914</u>	<u>\$ 9,561</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 309,999</u>
Residential real estate									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer									
Payment Performance									
Performing	\$ 240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240
Nonperforming	-	-	-	-	-	-	-	-	-
Total	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240</u>
Consumer									
Current period gross charge-offs	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
Payment Performance									
Performing	\$ 45,970	\$ 211,699	\$ 31,200	\$ 9,219	\$ 1,914	\$ 9,123	\$ 122	\$ -	\$ 309,247
Nonperforming	-	-	-	554	-	438	-	-	992
Total	<u>\$ 45,970</u>	<u>\$ 211,699</u>	<u>\$ 31,200</u>	<u>\$ 9,773</u>	<u>\$ 1,914</u>	<u>\$ 9,561</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 310,239</u>
Current period gross charge-offs	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable, as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past-due status (in thousands):

2024						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Total Loans Receivable
Commercial and industrial \$	48,567	\$ 134	\$ 29	\$ 257	\$ 420	\$ 48,987
Commercial real estate	382,197	116	442	-	558	382,755
Construction	6,345	-	-	-	-	6,345
Residential real estate	343,582	-	-	859	859	344,441
Consumer, other	116	-	-	-	-	116
Total	<u>\$ 780,807</u>	<u>\$ 250</u>	<u>\$ 471</u>	<u>\$ 1,116</u>	<u>\$ 1,837</u>	<u>\$ 782,644</u>

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

2023						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Total Loans Receivable
Commercial and industrial \$	48,088	\$ 536	\$ 5	\$ 258	\$ 799	\$ 48,887
Commercial real estate	328,677	628	-	407	1,035	329,712
Construction	2,782	-	-	-	-	2,782
Residential real estate	309,569	-	430	-	430	309,999
Consumer, other	240	-	-	-	-	240
Total	<u>\$ 689,356</u>	<u>\$ 1,164</u>	<u>\$ 435</u>	<u>\$ 665</u>	<u>\$ 2,264</u>	<u>\$ 691,620</u>

Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress by providing interest rate reductions, extensions of maturity, principal forgiveness, or payment modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted (in thousands):

Loan Modifications Made to Borrowers Experiencing Financial Difficulty				
Payment deferral / modification				
2024		2023		
Amortized Cost Basis	% of Total Class of Loans Receivable	Amortized Cost Basis	% of Total Class of Loans Receivable	
Commercial and industrial \$	240	0.49 %	\$ 237	0.48 %
Commercial real estate	-	-	380	0.12
Residential real estate	876	0.25	-	-
Total	<u>\$ 1,116</u>		<u>\$ 617</u>	

The Company has no additional amounts of commitment to the borrowers included in the previous table.

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

Modifications to Borrowers Experiencing Financial Difficulty (Continued)

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024 and 2023:

Payment deferral / modification	
Loan Type	December 31, 2024
	Financial Effect
Coomercial and industrial	Provided six-month payment deferrals to borrowers through our standard deferral program. Deferred payments were not added to the end of the term of the loans for these borrowers.
Comercial real estate	Provided six-month payment deferrals to borrowers through our standard deferral program. Deferred payments were not added to the end of the term of the loans for these borrowers.
Residential real estate	Provided payment modification to borrowers by entering forbearance agreement. Forbearance agreements were not extended the original term of loans.
Loan Type	December 31, 2023
	Financial Effect
Coomercial and industrial	Provided six-month payment deferrals to borrowers through our standard deferral program. Deferred payments were not added to the end of the term of the loans for these borrowers.
Comercial real estate	Provided six-month payment deferrals to borrowers through our standard deferral program. Deferred payments were not added to the end of the term of the loans for these borrowers.

The Company did not have any modification loans that subsequently defaulted, within 12 months of the original modification, during the year ended December 31, 2024 and 2023.

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

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified during the year ended December 31, 2024 and 2023 (in thousands):

NMB Financial Corporation
Notes to Consolidated Financial Statements

4. Loans Receivable and Allowance for Credit Losses (Continued)

<u>December 31, 2024</u>		31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days Past Due	Total
	Current				
Commercial and industrial	\$ 107	\$ 133	\$ -	\$ -	\$ 240
Commercial real estate	-	-	-	-	-
Residential real estate	876	-	-	-	876
Total	<u>\$ 983</u>	<u>\$ 133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,116</u>

<u>December 31, 2023</u>		31-60 Days Past Due	61-90 Days Past Due	Greater Than 90 Days Past Due	Total
	Current				
Commercial and industrial	\$ 150	\$ -	\$ -	\$ 87	\$ 237
Commercial real estate	380	-	-	-	380
Total	<u>\$ 530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 617</u>

Allowance for Credit Losses on Off-Balance Sheet Commitments

The following table presents the activity in the allowance for credit losses related to off-balance sheet commitments, that is included in Other Liabilities on the Consolidated Balance Sheets for the end of December 31, 2024 and 2023.

	Allowance for Credit Loss
Balance - December 31, 2022	\$ -
Provision for credit loss	<u>430</u>
Balance - December 31, 2023	430
Provision for credit loss	<u>-</u>
Balance - December 31, 2024	<u>\$ 430</u>

NMB Financial Corporation
Notes to Consolidated Financial Statements

5. Loan Servicing Rights

The Company originated and sold loans guaranteed by the SBA. The Company retained the unguaranteed portion of the loans and the servicing on the loans sold and received a fee based upon the principal balance outstanding. Loans serviced totaled \$147,782,000 and \$163,892,000 at December 31, 2024 and 2023, respectively.

Whether sold or not, the guarantee associated with SBA loans is contingent upon the Company following specific policies and procedures set by the SBA. This creates off-balance-sheet risk should the SBA determine the Company is not in compliance with these policies and procedures.

The amortization of loan servicing assets is netted against loan servicing fee income in the Consolidated Statements of Income. The Company obtains updated fair values from an independent third party, and to the extent that the carrying value exceeds fair value, the adjustments to fair value are presented in the loan servicing fees in the Consolidated Statements of Income.

The following table presents changes in the servicing assets, net of valuation allowance (in thousands):

	2024	2023
Balance, beginning of year	\$ 2,398	\$ 2,925
Additions	326	428
Amortization	(807)	(955)
Recovery for valuation allowance of servicing	-	-
Balance, end of year	<u>\$ 1,917</u>	<u>\$ 2,398</u>

For the purposes of measuring impairment, servicing assets were stratified into commercial and industrial and commercial real estate loan categories, and fair value was determined.

6. Premises and Equipment

The components of premises and equipment are as follows (in thousands):

	2024	2023
Leasehold improvements	\$ 1,757	\$ 1,757
Furniture and fixtures	625	638
Equipment	3,199	3,063
	<u>5,581</u>	<u>5,458</u>
Less accumulated depreciation	<u>(4,434)</u>	<u>(4,048)</u>
Total	<u>\$ 1,147</u>	<u>\$ 1,410</u>

Depreciation and amortization expense was \$386,000 and \$387,000 for the years ended December 31, 2024 and 2023, respectively.

NMB Financial Corporation
Notes to Consolidated Financial Statements

7. Deposits

The components of deposits were as follows (in thousands):

	2024	2023
	Amount	Amount
Demand, noninterest bearing	\$ 104,889	\$ 103,149
Demand, interest bearing	12,649	15,391
Savings	59,899	67,106
Time, less than \$250,000	355,494	255,643
Time, over \$250,000	218,254	188,125
	<u>\$ 751,185</u>	<u>\$ 629,414</u>

At December 31, 2024, the scheduled maturities of time deposits are as follows (in thousands):

Year Ending December 31,	Amount
2025	\$ 553,573
2026	19,431
2027	477
2028	237
2029	30
Total	<u>\$ 573,748</u>

8. Borrowings

There were no outstanding borrowings at December 31, 2024 and 2023.

The Company has reserve lines totaling \$29 million at three of our correspondent banks as of December 31, 2024. During 2020, the Company secured a line of credit at FHLBNY, collateralized by residential real estate loans. The Company has a line of credit in the amount of \$124.3 million as of December 31, 2024. During 2024, the Company secured a line of credit at FRBNY, collateralized by commercial real estate loans. The Company has a line of credit in the amount of \$22.3 million as of December 31, 2024. The Company does not have any loans outstanding against the lines as of December 31, 2024 and 2023.

9. Lease Commitments and Total Rental Expense

The Company has historically entered into a number of lease arrangements under which it is the lessee. Specifically, all of our leases for our branches and our corporate headquarters facility are subject to operating leases. In addition, we have elected the short-term lease practical expedient related to leases of various equipment used in our locations. All of our leases include optional renewal periods. Upon opening a new branch location, we typically install brand-specific leasehold improvements with a useful life of ten years. To the extent that the initial lease term of the related lease is less than the useful life of the leasehold improvements, we conclude that it is reasonably certain that a renewal option will be exercised, and thus that renewal period is included in the lease term, and the related payments are reflected in the right-of-use (ROU) asset and lease liability. Generally, we do not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same trade areas for comparable lease rates.

NMB Financial Corporation
Notes to Consolidated Financial Statements

9. Lease Commitments and Total Rental Expense (Continued)

All of our leases are fixed rental payments. While the majority of our leases are gross leases, we also have a number of leases in which we make separate payments to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property. We have elected the practical expedient not to separate lease and non-lease components for all of our building leases.

As of December 31, 2024 and 2023, the weighted-average remaining lease term for all operating leases is 3.97 years and 4.93 years, respectively. Because the rate implicit in the lease is not apparent, we utilize as the discount rate our incremental borrowing rate (FHLB collateralized borrowing rate for similar term) at the later of the adoption date or lease commencement date. The weighted-average discount rate associated with operating leases in 2024 is 2.95 percent and in 2023 is 2.62 percent.

As of December 31, 2024 and 2023, amounts recognized as right-of-use assets related to operating leases of approximately \$3,704,000 and \$4,031,000, respectively, are included in other assets, in the accompanying Consolidated Balance Sheets, while related lease liabilities of approximately \$4,110,000 and \$4,504,000, respectively, are included in other liabilities.

The total rental expense, including common area maintenance changes, included in the Consolidated Statements of Income for the years ended December 31, 2024 and 2023, is approximately \$1,473,000 and \$1,429,000, respectively.

The future payments due under operating leases as of December 31, 2024, are as follows:

Year Ending December 31,	
2025	\$ 1,264
2026	1,175
2027	860
2028	490
2029	418
Thereafter	<u>128</u>
Total future minimum lease payments	4,335
Less: imputed interest	<u>(225)</u>
Total lease liabilities	<u>\$ 4,110</u>

NMB Financial Corporation
Notes to Consolidated Financial Statements

10. Accumulated Other Comprehensive Loss

U.S. GAAP requires that recognized revenue, expenses, gains, and losses be included in net income or loss. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as components of comprehensive income.

The components of accumulated other comprehensive loss and related tax effects are as follows (in thousands):

	2024	2023
Unrealized losses on available for sale securities	\$ (196)	\$ (138)
Tax effect	59	42
Net of tax	\$ <u>(137)</u>	\$ <u>(96)</u>

11. Stockholders' Equity and Stock Option Plans

In 2014, the stockholders approved the 2014 stock option plan – A, which may grant 540,000 options under the plan. Plan A may issue incentive stock options (ISO) to employees of the Bank and 180,000 non-qualified stock options (NQO) to nonemployee directors. The plan was approved by the NJDOBI in 2015. There are 511,000 options granted under the plan, with 29,000 remaining.

In 2014, the stockholders approved the 2014 Stock Option Plan – B, which may grant 180,000 options under the plan. Plan B may issue grants for NQOs to nonemployee directors. This plan was approved by the NJDOBI in 2015. There are 176,917 options granted under the plan with 3,083 remaining.

In June 2022, the NMB Financial Corporation's stockholders approved the 2022 Equity Incentive Plan which authorized 1,250,000 shares under the plan and enabled the Board of Directors to grant stock options or other equity-based awards to employees, directors, or its subsidiaries. Further, this plan was approved by the New Jersey Department of Banking and Insurance in 2022. Also in June 2022, the Board of Directors approved 720,000 stock options to be granted. 360,000 of these were designated to be issued as non-qualified stock options (NQO) to non-employee directors of the Bank while the remaining may be issued as incentive stock options (ISO) to employees of the Bank. In June 2024, the Board of Directors approved the remaining authorized options of 530,000 shares to be granted allowing for the issuance of 420,000 non-qualified stock options (NQO) to non-employee directors while the remaining may be issued as incentive stock options (ISO) to employees of the Bank. There are 1,250,000 options granted under the plan with no options remaining.

The stock option plans are administered by the Compensation Committee. The committee members have the authority to determine (i) the individuals to whom and the time at which options are to be granted; (ii) whether such options are to be ISOs or NQOs (subject to requirements of the Internal Revenue Code); (iii) the terms and conditions of any option granted, including any vesting period; (iv) the exercise price; and (v) the administration of the stock option plans. There are 32,083 options available under the Stock Option Plans as of December 31, 2024.

NMB Financial Corporation
Notes to Consolidated Financial Statements

11. Stockholders' Equity and Stock Option Plans (Continued)

Options granted pursuant to the stock option plans must be exercisable at a price greater than or equal to the par value of the common stock, but in no event may the option price be lower than (i) in the case of the ISO, the fair market value of the shares subject to the ISO on the date of grant; (ii) in the case of a NQO issued to a director as compensation for serving as a director or as a member of the advisory boards of the Bank, the fair market value of the shares subject to the NQO on the date of grant, and (iii) in the case of a NQO issued to a grantee as employment compensation, 85 percent of the fair market value of the shares subject to the NQO on the date of grant. In addition, no ISO may be granted to an employee who owns common stock possessing more than 10 percent of the total combined voting power of the Bank's common stock, unless the price is at least 110 percent of the fair market value (on the date of grant) of the common stock.

Total stock-based compensation related to stock options was \$1,261,000 and \$622,000 for the years ended December 31, 2024 and 2023, respectively.

The following summarizes changes in stock options outstanding under the plans (in thousands):

	2024			2023		
	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In Years)	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In Years)
Outstanding, beginning of year	824,417	\$ 7.47	7.49	944,000	\$ 7.43	8.36
Granted	678,500	9.10	9.50	-	-	-
Exercised	(227,665)	6.96	-	(31,500)	5.07	-
Forfeited	(22,500)	8.00	-	(88,083)	7.92	-
Outstanding, end of year	<u>1,252,752</u>	\$ 8.44	8.29	<u>824,417</u>	\$ 7.47	7.49
Exercisable at year-end	<u>382,587</u>	\$ 7.47	6.44	<u>394,620</u>	\$ 6.98	6.26

Stock options outstanding at December 31, 2024 and 2023, are exercisable between \$9.10 per share and \$5.00 per share. There were 678,500 options granted during the year ended December 31, 2024.

At December 31, 2024 and 2023, options outstanding and exercisable had an intrinsic value of \$2,499,000 and \$1,095,000, respectively.

At December 31, 2024, unrecognized share-based compensation expense related to nonvested options amounted to approximately \$1,331,000. This amount is expected to be recognized over the next 54 months.

12. Employee Benefit Plan

The Company has a 401(k) defined contribution salary deferral plan that covers substantially all full-time employees. The plan provides for contributions by the Company in such amounts as its Board of Directors determines. There were \$108,000 and \$101,000 charged to expense for the years ended December 31, 2024 and 2023, respectively.

NMB Financial Corporation
Notes to Consolidated Financial Statements

13. Income Taxes

The components of income tax expense are as follows (in thousands):

	2024	2023
Current payable:		
Federal	\$ 2,798	\$ 2,697
State	793	1,322
	<u>3,591</u>	<u>4,019</u>
Deferred	<u>(502)</u>	<u>(276)</u>
Total	<u>\$ 3,089</u>	<u>\$ 3,743</u>

A reconciliation of the statutory federal income tax at a rate of 21 percent to the income tax expense included in the Consolidated Statements of Income is as follows (in thousands):

	2024	2023
Federal tax expense at statutory rate	\$ 2,346	\$ 2,515
Meals and entertainment	21	18
State income tax, net of federal income tax effect	626	1,044
Other	96	166
	<u>\$ 3,089</u>	<u>\$ 3,743</u>

Net deferred tax assets consisted of the following components (in thousands):

	2024	2023
Deferred tax assets:		
Allowance for credit losses	\$ 2,865	\$ 2,518
Nonaccrual interest	45	19
Net operating loss carryforwards	469	516
Lease liability	1,105	1,212
Unrealized losses on securities available for sale	59	41
Other	402	203
Total gross deferred tax assets	<u>4,945</u>	<u>4,509</u>
Deferred tax liabilities:		
Prepaid expenses	(82)	(77)
Right-of-use asset	(996)	(1,085)
Total gross deferred tax liabilities	<u>(1,078)</u>	<u>(1,162)</u>
Net deferred tax assets	<u>\$ 3,867</u>	<u>\$ 3,347</u>

Based on the analysis, the Company has determined that a valuation allowance for deferred tax assets was not required at December 31, 2024 and 2023.

NMB Financial Corporation
Notes to Consolidated Financial Statements

13. Income Taxes (Continued)

The net deferred tax assets as of December 31, 2024 and 2023, are included in other assets on the Company's Consolidated Balance Sheets.

The Company has net operating loss carryforwards available for federal income tax purposes of approximately \$2.2 million, which will begin to expire in 2032.

14. Transactions with Officers, Directors, and Principal Stockholders

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, officers, principal stockholders, their immediate families, and affiliated companies (commonly referred to as related parties). At December 31, 2024 and 2023, these persons were indebted to the Company for loans totaling \$53,000 and \$67,000, respectively.

As of December 31, 2024 and 2023, deposits from directors, officers, and their affiliates amounted to approximately 15.8 million and \$20.4 million, respectively.

15. Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to 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 letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

A summary of the Company's financial instrument commitments is as follows (in thousands):

	2024	2023
Commitments to grant loans	\$ 7,695	\$ 27,934
Unfunded commitments under lines of credit	33,652	21,638
Standby letter of credit	751	951
	\$ <u>42,098</u>	\$ <u>50,523</u>

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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include personal or commercial real estate, deposit accounts, accounts receivable, inventory, and equipment.

NMB Financial Corporation
Notes to Consolidated Financial Statements

15. Financial Instruments with Off-Balance-Sheet Risk (Continued)

Outstanding letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next 12 months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2024 and 2023, for guarantees under standby letters of credit issued is not material.

16. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal and state 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 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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total, Tier I capital, and common Tier 1 (as defined in the regulations) to risk-weighted assets and of tier I capital to average assets. To be categorized as well capitalized, the Bank must maintain minimum Total risk-based, Tier 1 risk-based, common Tier 1, and Tier 1 leverage ratios as set forth in the table (dollar amounts in thousands).

	2024			2023	
	Amount	Ratio		Amount	Ratio
Total capital (to risk-weighted assets)					
Actual	\$ 118,787	19.60	% \$	107,274	19.00
For capital adequacy purposes	48,497	8.00		45,173	8.00
To be well capitalized	60,621	10.00		56,466	10.00
Tier 1 capital (to risk-weighted assets)					
Actual	\$ 111,173	18.34	% \$	100,186	17.74
For capital adequacy purposes	36,373	6.00		33,880	6.00
To be well capitalized	48,497	8.00		45,173	8.00
Common equity Tier 1 capital (to risk-weighted assets)					
Actual	\$ 111,173	18.34	% \$	100,186	17.74
For capital adequacy purposes	27,279	4.50		25,410	4.50
To be well capitalized	39,404	6.50		36,703	6.50
Tier 1 capital (to average assets)					
Actual	\$ 111,173	12.48	% \$	100,186	13.13
For capital adequacy purposes	35,623	4.00		30,512	4.00
To be well capitalized	44,529	5.00		38,140	5.00

NMB Financial Corporation
Notes to Consolidated Financial Statements

16. Regulatory Matters (Continued)

At December 31, 2024, the Bank maintained capital levels that met or exceeded the levels required to be considered well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes has changed the Bank's category. The capital position of the Company does not differ significantly from the Bank's capital position.

Federal regulations require the Company and the Bank to maintain minimum amounts of capital. Specifically, each is required to maintain certain minimum dollar amounts and ratios of Total Tier I and Common Equity Tier 1 capital to risk-weighted assets and of Tier I capital to average total assets.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act ("FDICIA") established five capital categories ranging from "well capitalized" to "critically undercapitalized." Should any institution fail to meet the requirements to be considered "adequately capitalized," it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2024 and 2023, the FDIC categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well capitalized financial institution, Total risk-based, Common Equity Tier I, Tier I risk-based, and Tier I leverage capital ratios must be at least 10 percent, 6.50 percent, 8 percent, and 5 percent, respectively.

17. Fair Value Measurements and Disclosures

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with accounting guidance, 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 many instances, there are 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.

Fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is determined at a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its assets and financial liabilities generally 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.

NMB Financial Corporation
Notes to Consolidated Financial Statements

17. Fair Value Measurements and Disclosures (Continued)

Level I - Valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level I assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level II - Valuation is based on inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 asset or liability.

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

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

		December 31, 2024			
		Level I	Level II	Level III	Total
Investment securities available for sale:					
U.S. government-sponsored enterprises, residential mortgage-backed securities	\$	-	\$ 1,053	\$ -	\$ 1,053
Corporate securities		-	835	-	835
Total	\$	-	\$ 1,888	\$ -	\$ 1,888
		December 31, 2023			
		Level I	Level II	Level III	Total
Investment securities available for sale:					
U.S. government-sponsored enterprises, residential mortgage-backed securities	\$	-	\$ 1,132	\$ -	\$ 1,132
Corporate securities		-	874	-	874
Total	\$	-	\$ 2,006	\$ -	\$ 2,006

NMB Financial Corporation
Notes to Consolidated Financial Statements

17. Fair Value Measurements and Disclosures (Continued)

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

		December 31, 2024			
		Level I	Level II	Level III	Total
Collateral dependent loans	\$	-	-	-	-
Total	\$	-	-	-	-

		December 31, 2023			
		Level I	Level II	Level III	Total
Collateral dependent loans	\$	-	-	69	69
Total	\$	-	-	69	69

All collateral dependent individually evaluated loans have an independent third-party full appraisal to determine the NRV based on the fair value of the underlying collateral, less cost to sell (6%) and other costs, such as unpaid real estate taxes, that have been identified. The appraisal will be based on an “as-is” valuation and will follow a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used. Appraisal are updated every 12 months or sooner if we have identified possible further deterioration in value.

For non-financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used are as follows (in thousands):

		December 31, 2024			
		Level I	Level II	Level III	Total
Foreclosed assets	\$	-	-	-	-
Total	\$	-	-	-	-

		December 31, 2023			
		Level I	Level II	Level III	Total
Foreclosed assets	\$	-	-	137	137
Total	\$	-	-	137	137

Real estate properties acquired through, or in lieu of, foreclosure are to be sold and are carried at fair value less estimated cost to sell. Fair value is based upon independent market prices or appraised value of the property. These assets are included in Level III fair value based upon the lowest level of input that is significant to the fair value measurement.

NMB Financial Corporation
Notes to Consolidated Financial Statements

17. Fair Value Measurements and Disclosures (Continued)

Quantitative information about Level III fair value measurements is included in the table below (in thousands):

Quantitative Information About Level III Fair Value Measurements				
	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
December 31, 2024				
Collateral dependent loans	\$ -	Appraisal of collateral	Appraisal adjustments Liquidation expenses	- -
Foreclosed assets	-	Appraisal of collateral	Appraisal adjustments Liquidation expenses	- -

Quantitative Information About Level III Fair Value Measurements				
	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
December 31, 2023				
Collateral dependent loans	\$ 69	Appraisal of collateral	Appraisal adjustments Liquidation expenses	31.50% 6.00%
Foreclosed assets	137	Appraisal of collateral	Appraisal adjustments Liquidation expenses	19.00% 6.00%

Below is management's estimate of the fair value of all financial instruments, whether carried at cost or fair value on the Company's Consolidated Balance Sheets.

Fair values are made at a specific point in time, based on relevant market information and information about the financial instrument. These fair values do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Also, it is the Company's general practice and intention to hold most of its financial instruments to maturity and not to engage in trading or sales activities. Because no market exists for a significant portion of the Company's financial instruments, fair values are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These fair values are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions can significantly affect the fair values. The carrying amounts for cash and cash equivalents, interest-earning time deposits, restricted stock, accrued interest receivable and payable approximate fair value and are considered Level I measurements.

NMB Financial Corporation
Notes to Consolidated Financial Statements

17. Fair Value Measurements and Disclosures (Continued)

Collateral Dependent Individually Evaluated Loans (Generally Carried at Fair Value)

Collateral dependent individually evaluated loans are those for which the Company has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level III fair values, based upon the lowest level of input that is significant to the fair value measurements.

Foreclosed Assets

Foreclosed assets consist of properties acquired as a result of deeds in lieu of foreclosure, foreclosure, or through other means related to collateral on Company loans. Costs relating to the development or improvement of assets are capitalized, and costs relating to holding the property are charged to expense. The Company had \$ 0 and \$137,000 of foreclosed assets as of December 31, 2024 and 2023, respectively. These assets are included as Level III fair values, based upon the highest level of input that is significant to the fair value measurements.

The estimated fair values of the Company's financial instruments were as follows (in thousands):

		2024				
		Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:						
Securities held to maturity	\$	537	\$ 529	-	\$ 529	-
Loans receivable, net of allowance, including loans held for sale		772,485	758,733	-	-	758,733
Loan servicing assets		1,917	3,060	-	3,060	-
Financial liabilities:						
Deposits	\$	751,185	\$ 757,259	-	\$ 757,259	-
		2023				
		Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:						
Securities held to maturity	\$	677	\$ 654	-	\$ 654	-
Loans receivable, net of allowance, including loans held for sale		679,272	661,389	-	-	661,389
Loan servicing assets		2,398	3,202	-	3,202	-
Financial liabilities:						
Deposits	\$	629,414	\$ 637,616	-	\$ 637,616	-

NMB Financial Corporation
Notes to Consolidated Financial Statements

18. Emergency Capital Investment Program

Established by the Consolidated Appropriations Act, 2021, the Emergency Capital Investment Program (ECIP) was created to encourage Community Development Financial Institutions, such as the Bank, and minority depository institutions to augment their efforts to support small and minority-owned businesses and consumers in low-income and underserved communities. The Company issued \$79.1 million of Senior Preferred Stock to the U.S Department of the Treasury (Treasury) pursuant to ECIP on June 7, 2022. The ECIP investment from the Treasury is intended to qualify as Tier 1 capital of the Company for regulatory capital purposes.

The Senior Preferred issued to the Treasury will pay non-cumulative dividends, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year beginning on the first dividend payment date after the two- year anniversary of the date of issuance. The dividend rate to be paid on the Senior Preferred is 2% but may adjust annually based on certain measurements of the Company's extensions of credit to minority, rural, and urban low-income and underserved communities and low- and moderate-income borrowers. The Company is entitled to redeem the Senior Preferred on or after the fifth anniversary of the issuance of Senior Preferred, subject to approval by the Federal Reserve and in accordance with applicable regulatory capital regulations.

19. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the Consolidated Balance Sheet date of December 31, 2024, for items that should potentially be recognized or disclosed in these consolidated financial statements. No other events have occurred that would require adjustment to or disclosure in these consolidated financial statements. The evaluation was conducted through April 30, 2025, the date these consolidated financial statements were available to be issued.

ORGANIZATION

BOARD OF DIRECTORS

Byungkuk Lee

President & CEO
Leeward International Inc.

Dong Hwan Kim

Chairman of the Board
NMB Financial Corporation
President & CEO
Powerline Imports Inc.

Young Kil Kim

Chairman
Bethel Industries, Inc.

Donna Baik

Chairman of the Board
New Millennium Bank
President
Lovely Homes LLC

In Jin Choi

Private Investor

Yeong S. Shim

CEO
DHY Sonamoo, LLC

Jason Chon

CEO
Missha US, Inc.

Hong Sik Hur

President & CEO
NMB Financial Corporation
New Millennium Bank

EXECUTIVE OFFICERS

Hong Sik Hur

President & Chief Executive Officer

James S. Ryu

SVP & Chief Corporate Officer

Frank J. Gleeson

SVP & Chief Financial Officer

Justin Kim

SVP & Chief Credit Officer

Chan Park

SVP & Chief Marketing Officer

Anthony TK Suh

SVP & Chief Branch Banking Officer

RELATIONSHIP OFFICERS

Susan Oh

SVP & Chief Relationship Officer

Kwan Sop Song

SVP & LPO Manager
Seattle Office

Don Bae Lee

SVP & LPO Manager
Los Angeles Office

Pyung Moo Lee

SVP & LPO Manager
Dallas Office

Keun Joo Lee

FVP & NY Regional
Loan Center Manager

Marie Lee

FVP & Senior Marketing Officer

Hitesh Patel

FVP & Relationship Manager
New Brunswick Branch

ADMINISTRATIVE OFFICERS

William Lee

SVP & CCLO
Home Mortgage Department

Bo-Young K. Lee

SVP & Controller

Jessica Kim

SVP & Head of Operations and
Compliance

Hyunjun An

SVP & Chief Accounting Officer

John Ra

SVP & Chief Banking Officer

Steven Chang

SVP & SBA Manager

Hack Chull Kim

SVP & Commercial Loan Manager

Archita Roy

FVP & BSA Officer

Ja Young Choi

VP & Note Manager

ORGANIZATION



OFFICE LOCATIONS

Corporate Headquarters
222 Bridge Plaza South
Suite 400
Fort Lee, NJ 07024
Tel: 201-585-6090

SBA Loan Center
222 Bridge Plaza South
Suite 400
Fort Lee, NJ 07024
Tel: 201-585-6090

Dallas Loan Production Office
2560 Royal Lane
Suite 210
Dallas, TX 75229
Tel: 773-727-3139

Seattle Loan Production Office
1133 164th St. SW
Suite 204
Lynnwood, WA 98087
Tel: 425-478-4136

LA Loan Production Office
2970 W Olympic Blvd., Suite 201
Los Angeles, CA 9006
Tel: 213-216-5184

BRANCH LOCATIONS

New Brunswick Branch
350 Handy Street
New Brunswick, NJ 08901
Tel: 732-729-1100

Fort Lee Branch
1625 Lemoine Avenue
Fort Lee, NJ 07024
Tel: 201-944-1110

Bayside Branch
209-25 Northern Boulevard
Bayside, NY 11361
Tel: 347-836-4914

Fort Lee Corporate Branch
222 Bridge Plaza South
Suite 400
Fort Lee, NJ 07024
Tel: 201-585-6090

Manhattan Branch
312 5th Avenue, 3rd Floor
New York, NY 10001
Tel: 212-239-1023

Palisades Park Branch
136 Broad Avenue
Palisades Park, NJ 07650
Tel: 201-944-1983

Flushing Branch
141-28 Northern Boulevard
Flushing, NY 11354
Tel: 718-888-1895

Closter Branch
570 Piermont Road, A-2
Closter, NJ 07624
Tel: 551-303-5125

Duluth Branch
3350 Steve Reynolds Blvd Unit #106
Duluth, GA 30096
Tel: 678-266-6269

OTHER INFORMATION

Independent Auditors
S.R. Snodgrass, P.C.
2009 Mackenzie Way
Cranberry Township, PA 16066
Tel: 724-934-0344
Fax: 724-934-0345
www.srsnodgrass.com

Legal Counsel
Daniel G. Murray Esq.
Curtin & Heefner LLP
1040 Stony Hill Road, #150,
Yardley, PA 19067

Investor Relations
New Millennium Bank
NMB Financial Corporation

Frank J. Gleeson
Tel: 201-676-3308
fgleeson@nmbonline.com

Bo-Young K. Lee
Tel: 201-676-3472
bylee@nmbonline.com



| We're Your Community
We're Your Community Bank

