



Affinity®

Annual Report



25

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About Affinity

Affinity Federal Credit Union is the largest credit union headquartered in New Jersey, proudly serving members with over 20 branches across the tri-state area. Ranked among the top 2% of all credit unions nationwide,¹ Affinity offers a full range of banking, lending, and financial education resources designed to help members achieve lasting financial security. Guided by a mission to improve financial wellbeing, Affinity is a member-owned, community-focused institution built on the philosophy of people helping people, empowering individuals and families to reach their unique financial goals.

To Our Fellow and Valued Members

For 90 years, Affinity has moved with a simple but powerful belief: that when people come together to help one another, progress follows. ***That spirit is the heart of our mission of “people helping people.”*** We believe it can be captured in two words: ever upward. This phrase reflects momentum, resilience and the shared commitment to continually benefiting the lives of our members. 2025 was, quite arguably, a year marked by uncertainty and rapid change.

In this year, ***“ever upward”*** was not about chasing growth for growth’s sake. It was about lifting one another higher through guidance, stability, education and partnership. It is the essence of our cooperative model, and the reason members can proudly call Affinity their own. Whether we see you at a community event, across a branch desk or through a digital interaction, we are reminded that this credit union belongs to you. We live and work in the same neighborhoods, support the same small businesses and care about the same future. It is this shared perspective that drives what we do and how we support our members.

1. Source: NCUA.gov. Using the “Credit Union and Corporate Call Report Data” found here: <https://www.ncua.gov/analysis/credit-union-corporate-call-report-data>



A Partner Through Every Storm

The broader economic environment has been extraordinarily dynamic. Inflation pressures, shifting labor markets and several other factors created confusion and stress for many households. In times like these, people need clarity. They need stability. They need a partner who can help them navigate complexity with confidence. For 90 years, that has been our role.

As we celebrated Affinity's 90th anniversary in 2025, we did not allow the milestone to pass quietly. Rather, we took the opportunity to celebrate everything that makes Affinity the partner that it is today. Ninety years is more than longevity; it is a testament to the trust you have placed in us across generations and to the strength of our member-owned cooperative model. From our earliest days to our digitally-enabled present, we have weathered recessions, evolving market cycles, and witnessed historic moments that altered the fabric of our society. Through it all, our objective has remained constant: to improve the financial lives of our members. That consistency is what allows us to serve as a port in the storm when uncertainty rises.

This year, that stability was reflected in meaningful growth. Membership increased across our core footprint of New Jersey, New York, and Connecticut. Loans and deposits grew. More individuals and families chose to begin or deepen their relationship with Affinity. Today, we serve more than 242,000 members within a marketplace of more than 23 million consumers. The opportunity ahead of us remains significant, but the growth we experienced in 2025 confirms that our mission and our model are resonating.

Celebrating Four Decades of Membership and Achieving Major Financial Milestones Along the Way

A long-time member wrote to us wishing to express their sincere appreciation for the invaluable assistance provided throughout the mortgage payoff process. They were pleased to announce that their mortgage had been fully satisfied, a milestone that marks the beginning of their retirement years with a deep sense of peace of mind and gratitude. The individual had been proudly affiliated with Affinity Federal Credit Union since 1978, when the office at AT&T operated as a single-room branch staffed by one teller with a typewriter. Looking back on more than four decades of membership, the member recognizes the significant role Affinity has played in supporting their financial goals and helping them achieve many of their life aspirations.

Committed to Members at Every Stage

We are a full-service financial partner, and we strive to provide the solutions, resources and tools our members need to succeed. The cooperative model lends itself to near limitless partnership potential, and when members bring more of their financial lives to Affinity, they position themselves for stronger long-term outcomes. Because we are a cooperative without outside shareholders, we return value directly to you through competitive rates, fair fees and investments in products and services designed to improve your financial wellbeing. In a world where people are increasingly time-starved and managing multiple financial relationships can feel burdensome, having one trusted institution that can meet a wide range of needs matters.

Our member survey data reinforced this impact. We track member wellbeing metrics as a tool to understand you better and inform you of the solutions and resources we bring to bear. In 2025, we recorded the highest level of members indicating they are "thriving" since we began formally surveying members. This is coupled with the lowest reported level of food insecurity among our membership. These are not abstract metrics. They represent real households experiencing greater stability and confidence. While macroeconomic challenges continue, we are encouraged to make measurable progress **together**.

A significant differentiator for Affinity is our holistic approach to wellbeing. Traditional financial institutions focus narrowly on transactions. We believe lasting financial strength requires a broader lens. Throughout 2025, we expanded access to Certified Wellbeing Coaches, adding 30 additional coaches this year and totaling over 100 coaches trained overall. We also added new programs to meet your evolving needs, including our partnership with Greenlight that provides free access to the Greenlight debit card and companion app for kids and teens to help them build their financial story, as well as a partnership with LegalKarma to offer members an easy, affordable, and secure digital platform for creating essential estate planning documents. Our "90 Days of Wellbeing" capstone initiative brought structure and accountability to members seeking meaningful change across all aspects of wellbeing. We delivered more educational programming than ever before and created real opportunities for members to come together.

Member Testimonials



Ashim M.
35-Year Affinity Member

Nearly 35 years ago, Affinity helped me open a checking account when I couldn't meet the minimum balance requirements at other banks. Since that moment, I've remained a proud and loyal member.



Cynthia C.
10-Year Affinity Member

While I was out of work on medical leave, I wasn't behind on my loans but needed to take care of some banking. After speaking with one of Affinity's associates, I learned I could defer my accounts. This helpful option allowed me to stay on track with my other responsibilities. I love Affinity!

Serving the Whole Person

We aim to serve the whole person. That includes financial guidance, educational resources, planning tools and human support when it matters most.

And in 2025, *it mattered.*

During periods of government shutdown and broader economic strain, we saw a significant increase in loan deferrals and modifications. The "K-shaped economy" continues to impact a large percentage of consumers, with some thriving while others struggle. For members facing temporary hardship, we worked to keep families in their homes and individuals in their vehicles. These are not small outcomes. They represent stability, opportunity and dignity preserved.

Through small-dollar loan programs designed to prevent reliance on payday lenders, and through grants distributed by the Affinity Foundation, sometimes as modest as \$500 to help cover rent or prescriptions, we saw firsthand how cooperative values translate into tangible support. We recognize that not every member enters with the same financial starting point. Our commitment is to be a credit union for all, meeting members where they are and walking alongside them toward a better tomorrow.

Technology continues to play an important role in enabling this progress. Throughout 2025, we worked on enhancing digital account opening, lending platforms and our telephone systems, which upon implementation in 2026 will improve responsiveness and accessibility. The pace of technological change is accelerating, and we are committed to embracing innovation responsibly. We will never compromise the safety and security of member data in exchange for innovation or efficiency. Artificial intelligence and advanced personalization tools offer powerful opportunities to better serve members, but always with a clear principle: technology must enhance, not replace, human connection. Our members value accessibility and convenience, but they also value trust, empathy and expertise. We will deliver both.

A Continued Focus on Community

Beyond financial services, our cooperative identity shows up visibly in the communities we serve. In 2025, we delivered training to our members, employees and communities through more than 300 financial education events, including 15 Financial Reality Fairs. These offerings also included a Career Wellbeing webinar series, which became one of our most popular webinar series to date. Altogether, these educational opportunities reached more than 11,500 community members.

Our team's volunteer efforts reflect a grassroots commitment to service. Our community engagement efforts continued with 62 community events and more than 1,375 hours of employee volunteer time, supporting 38 nonprofit organizations. We also held our annual Impact Day, partnering with Table to Table to provide over 5,000 lunch bags to nine different feeding organizations. Our strength lies in authentic relationships. We meet people face-to-face. We listen. We engage.

The Affinity Foundation continued its important work across the tri-state area, raising over \$213,000 through events and over \$21,000 with grassroots fundraising efforts. Through multiple grant programs, the Foundation awarded a combined \$65,000 to 74 individual members and \$190,000 to 23 nonprofits. 2025 also marked the 20-year anniversary of the Affinity Foundation's higher education scholarship program. The Foundation offered individual grants of \$2,500 to six exceptional New Jersey high school students to support their pursuit of two- or four-year degrees. We are also proud to share that the Foundation concluded a three-year pledge to uplift six organizations with \$20,000 annually, totaling \$360,000 given across the years.

The Affinity Foundation will establish the John T. Fenton Scholarship in 2026 to honor the enduring legacy of John Fenton, who served as CEO of Affinity Federal Credit Union for 27 years before retiring in 2022. John's leadership shaped Affinity's growth, strengthened its commitment to the credit union movement and reflected his deep belief in the power of education to create opportunity. This scholarship will support students within our membership and community, extending his impact to future generations and carrying forward the cooperative spirit he so strongly championed.



Our work with members and throughout the community has not gone unnoticed, and we are thrilled to share that Affinity received several notable local and nationally distributed awards and accolades in 2025. We were once again named as a Forbes Best-In-State Credit Union for New Jersey and Best Credit Union by NJBiz's Reader Rankings. We were also once again recognized with a Designation of Savings Excellence by America Saves for promoting savings and financial empowerment. Our SmartStart Savings was also named in The Wall Street Journal Buy Side for the third consecutive year.

Member Relief During a Health Crisis

When a longtime member of Affinity was diagnosed with breast cancer in 2024, her focus understandably shifted to treatment and recovery. A dedicated employee at a New Jersey food bank, she has spent years helping neighbors in need - until she found herself needing support. Through the Affinity Foundation, she was provided a Member Relief Grant to help ease financial pressure during her recovery. She also expressed interest in strengthening her finances, so our team connected her with a Financial Services Counselor and guided her on how to access additional budgeting support.

Supporting Stability for a Young Family

In 2024, a young mother turned to the Affinity Foundation while navigating a difficult separation from an emotionally and financially abusive marriage. Newly responsible for all household expenses and recently laid off while nine months pregnant, she was working hard to keep her family stable. The Foundation provided a grant to support her and her two young children and connected her with a Financial Services Counselor to build a sustainable budget. When she faced another job loss in 2025, we were there again with additional assistance, continuing to walk alongside her as she works to rebuild financial stability for her family.

Compassion in a Moment of Urgency

When an elderly member visited an Affinity branch seeking a cash withdrawal, she shared that she had been locked out of her apartment after reporting a broken furnace and was living in her car with her cat during freezing temperatures. An Affinity team member immediately welcomed her inside to get warm and worked with branch leadership to identify support options. Through coordination with the Affinity Foundation, the member received a Member Relief Grant to secure a hotel room and was connected with local housing resources and nonprofit assistance. Providing both immediate relief and long-term support reflects our ongoing commitment to member wellbeing.

Looking Ahead

As we chart the course for 2026, Affinity Federal Credit Union remains dedicated to keeping our members at the heart of everything we do. We are focused on advancing member wellbeing, driving balanced growth and supporting the prosperity of the communities we serve. Building on the momentum of our 90th anniversary and the strong foundation established in 2025, we move forward with clarity, purpose, and a continued commitment to delivering meaningful value for our members.

Powering the Next Chapter: 2026 will be defined by continued digital enhancement and agility. We will deepen personalization so members receive the right products and services at the right time. We are exploring additional offerings that align with evolving financial landscapes, and we are pursuing AARP BankSafe certification to strengthen protections against elder financial abuse and scams.

Affinity Wellbeing Institute: Building on our decades of financial education and financial wellbeing knowledge and relationships, the Affinity Wellbeing Institute will serve as a trusted source for our communities to better understand and enhance all areas of their wellbeing. This includes connecting our members and neighbors with mission aligned partners in the health, career and education spaces across our marketplace, regardless of membership status.

Building Capability for What's Next: We continue to make substantial investments in our team, prioritizing digital skills enhancement, ongoing professional development and purpose-driven engagement. Every member of the Affinity team contributes to the achievement of our mission and vision. Their commitment enables us to maintain a high level of digital advancement while fostering strong personal connections.

As I reflect on 2025, I am proud that more members are experiencing the Affinity difference. The momentum we have worked diligently to build is evident in our performance and in the daily experiences of our members. The cooperative structure, where members benefit and the institution grows stronger as a result, has never been clearer.

We do not take your trust lightly. Every decision we make is guided by a single question: does this improve the lives of our members? As we move forward into our next chapter, we remain committed to being your port in the storm, your partner in opportunity, and your advocate for long-term wellbeing.

Ninety years ago, this institution was founded on the belief that people helping people could create something enduring. Today, that belief is stronger than ever.

Ever upward,



Kevin Brauer

Kevin Brauer | President & CEO
Affinity Federal Credit Union



Roger B. Tashjian

Roger Tashjian | Board Chair
Affinity Federal Credit Union

Supporting Every Stage of Your Financial Journey

Personal and Business Accounts

We offer a wide variety of checking and savings accounts to meet members' needs. This includes accounts that provide cash back and competitive rates.

Convenient Account Access

Affinity offers over 20 convenient branch locations and nearly 30,000 fee-free ATMs you can use to make an unlimited number of withdrawals in our surcharge-free CO-OP Network.¹ Members can access their accounts 24/7 with free Online and Mobile Banking, including Mobile Deposit, Bill pay, Zelle and Payments to Loans and Credit Cards. With the help of our digital assistant, Wes, members have 24/7 self-service assistance for general inquiries. We are also available Monday through Friday 7AM to 7PM, and Saturday 8AM to 5PM via phone.²

Business Solutions

Affinity offers a full line of products and services to support a member's business – often with better rates and lower fees than a bank. Affinity makes it easy for members to manage their business accounts online with a secure cash management platform, positive pay, online and mobile check deposit, ACH payments, wire transfers and more. We provide commercial loans and lines of credit, commercial real estate loans and small business loans to assist our business members. Affinity's Business Banking Specialists and Commercial Loan Officers take the time to understand a business's goals and provide flexible borrowing options at competitive rates with a commitment to help business members meet cash flow needs and finance growth.

Loans for Every Need

Borrowing from Affinity is always the smart choice. We offer competitive rates, flexible repayment terms and knowledgeable staff to answer members' questions and assist with timely approvals. We offer loans to support a wide range of financial needs.³

- Mortgages
- Home Equity
- Auto Loans & Leases
- Credit Cards
- Debt Consolidation
- Education
- Personal
- Business
- Line of Credit
- And More

Affinity Mortgages

Great Rates. No Surprises.

We provide guidance to help members find the best mortgage for their needs. At Affinity, we value building a long-term, trusted relationship that is created through our mortgages. Whether you are buying a home or looking to refinance, Affinity offers competitive rates on mortgages in all 50 states.

Auto Solutions

Your One-Stop Shop for Buying, Financing & Protecting Your Vehicle

At Affinity, we make the car-buying process easy by offering everything you need in one place—from finding the perfect vehicle to securing financing and protecting your investment.

Flexible Financing & Leasing Options

Affinity provides a full suite of auto financing solutions, including Auto Loans and Leases through our network of 200+ dealership partners to help you drive away with ease. Whether you're looking to buy or lease, we offer competitive rates, flexible payment options and a seamless financing experience—so you can get behind the wheel faster and with less hassle.

Protection Options for the Road Ahead

We go beyond financing by offering valuable protection plans to safeguard your vehicle and your wallet. Our Guaranteed Asset Protection (GAP) helps cover the difference between your loan balance and your vehicle's depreciated value in case of a total loss. Plus, our Mechanical Breakdown Protection ensures you're covered for unexpected repair costs due to mechanical or electrical failures—so you can drive with peace of mind.

Property & Casualty Insurance

Through our affiliate, Members Alliance Insurance, Affinity members can receive competitive insurance policies to protect a home, vehicle, business and more from the unexpected.

Wellbeing & Financial Education

Affinity is committed to working toward a future in which everyone can achieve their financial dreams. We believe all of our members and communities should have the knowledge and resources needed to live their best lives and have thriving financial wellbeing. Strengthening the financial knowledge and wellbeing of our community is a cornerstone of our mission and is brought to life by our impassioned team members. Providing you with personalized advice and guidance helps you build a healthy relationship with your finances, both today and in the future. We continue to expand our support capacity annually, with over 30 new Certified Wellbeing Coaches graduating in 2025. Over 36 percent of Affinity's front-line and support staff have now obtained the certification. These team members are now even better equipped to help you achieve your short- and long-term financial goals.

We continue to improve the wellbeing of our communities, with over 90 wellbeing events held last year. These events supported the financial, physical, career, community, and social wellbeing of our members and communities. Hundreds of members joined last year to learn how to improve their career wellbeing with our newest five-part career wellbeing webinars series.

Our members and the broader community consistently strive to enhance their financial knowledge year after year, participating in our wellbeing and educational programs at record levels. Our network of learners benefited from over 300 financial education events last year, with over 11,500 joining us to boost their financial acumen. Over 2,000 students benefitted from our Financial Reality Fair program at local high schools and colleges. We also saw hundreds of our members newly sign up to join us to learn at their own pace through Enrich, our online education portal. Nearly 7,200 self-service educational sessions were logged, with over 18,000 pieces of content viewed.

Also, many of you improved your financial wellbeing by listening to the Wellbeing and Your Wallet Podcast with over 1,000 hours of listening. Across all of these channels, over 11,000 hours of educational content was delivered, making last year our most educationally impactful year to date.



Community

At Affinity Federal Credit Union, we believe that our strength lies in the communities we serve. As a member-owned, not-for-profit financial institution, we are committed to giving back and making a positive impact where it matters most—right here in our local communities. Our dedication to community service is woven into the fabric of who we are, and we're proud to partner with you in making a difference. Each year, Affinity supports local charities and organizes volunteer events to uplift our communities' needs.

Insurance Services: Life, Property, Casualty, and Medicare

Affinity Investment Advisors are available to assist members with reviewing existing policies to ensure they are performing as intended, review original benefits, premiums and beneficiary elections are still appropriate and provide alternatives when needed.



Wealth Management Services: Investments, Financial, Retirement, and Estate Planning

Affinity Investment Advisors are ready to help credit union members plan for their life goals. Whether preparing for retirement, college tuition, or estate planning and wealth transfer our advisors can help members pursue their goals completing personalized financial plans and practicing a member needs-based wealth management approach.

Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. Affinity Federal Credit Union and Affinity Investment Services are not registered as a broker-dealer or investment advisor. Registered representatives of LPL offer products and services using Affinity Federal Credit Union and may also be employees of Affinity. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, Affinity Federal Credit Union or Affinity Investment Services. Securities and insurance offered through LPL or its affiliates are:

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Not Credit Union Deposits or Obligations	May Lose Value

The LPL Financial registered representatives associated with this website may discuss and/or transact business only with residents of the states in which they are properly registered or licensed. No offers may be made or accepted from any resident of any other state.

1. When you use an ATM not owned by us or part of our network, you may be charged a fee by the ATM operator, or any network used (and you may be charged a fee for a balance inquiry even if you do not complete a fund transfer.)
2. There is no charge from Affinity, but message and data rates may apply from your wireless provider.
3. All loans are subject to credit review and approval.

Transforming Lives Empowering Communities

Founded in 2005, the Affinity Foundation was created to transform and empower the lives of the individuals and communities we serve. It is our core belief that everyone deserves equal access to financial wellbeing, education, and healthcare. We are committed to persevering until we live in a world where everyone can leave poverty behind.

Our Mission

is to provide Affinity's members and our communities with solutions to improve financial wellness, educational programs that enable self-sufficiency, and support that ensures access to essential healthcare services.

Our Vision

is to end the cycle of poverty for those we serve.

Our Impact Since Founding

\$2.8 Million

Awarded through Grants, Scholarships, and Donations

646

Charities and Members Supported

Our Impact in 2025

\$190,000

Community Grants and Donations to 23 Charities

\$40,200

Member Relief Grants to 69 Members

\$15,000

Scholarships to 6 Student Members

Our Donor Giving

\$21,310

Raised by Grassroots Fundraising Events or Direct Donation

\$213,915

Total raised by our Foundation's Programs and Fundraising Events

Our Employees Giving Back

\$26,777

Donated by Credit Union Employees to Support Our Mission

515

Hours to Support Our Foundation's Programs, Fundraising Events, and Community Partners

146

Employees Volunteered

Donate Now

AffinityGives.org
AFCU_Foundation@AffinityFCU.com

Affinity Foundation
PO Box 430, Martinsville, NJ 08836
908.860.3902



Supervisory Committee Report

The Supervisory Committee, composed of members who are non-employees appointed by the Board of Directors, meets periodically with management, internal auditors, and independent auditors to review the manner in which these groups of individuals are performing their responsibilities, as well as to carry out the Supervisory Committee's oversight roles with respect to auditing internal controls and financial reporting. Crowe LLP, an independent certified public accounting firm, has audited the consolidated financial statements of the Credit Union as of December 31, 2025, and for the years then ended. Their opinion is included in this annual report on page 15.

Supervisory Committee

Michael Rec | Chair

G. Christopher Haskell | Committee Member

Deepak Vazirani | Committee Member

INDEPENDENT AUDITOR'S REPORT

Supervisory Committee
Affinity Federal Credit Union and Subsidiaries
Basking Ridge, New Jersey

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

(Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union'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.

Crowe LLP
Crowe LLP

Livingston, New Jersey
March 30, 2026

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2025 and 2024
(dollars in thousands)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash on hand	\$ 16,645	\$ 14,354
Interest-bearing deposits	<u>160,561</u>	<u>209,359</u>
Cash and cash equivalents	177,206	223,713
Investments		
Available for sale	142,961	164,428
FHLB Stock	13,504	10,605
Other	5,330	3,739
Loans, net	3,887,769	3,553,627
Accrued interest receivable	15,575	15,267
Property and equipment, net	10,090	9,539
National Credit Union Share Insurance Fund deposit	32,538	32,197
Credit union-owned life insurance	46,864	45,262
Other assets	<u>87,673</u>	<u>84,817</u>
 Total assets	 <u>\$ 4,419,510</u>	 <u>\$ 4,143,194</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	\$ 3,749,579	\$ 3,564,736
Borrowed funds	230,617	170,430
Allowance for credit losses on off-balance sheet credit exposure	239	120
Accrued expenses and other liabilities	<u>105,235</u>	<u>91,691</u>
Total liabilities	4,085,670	3,826,977
 Commitments and contingent liabilities		
Members' equity		
Retained earnings, substantially restricted	343,391	333,777
Acquired equity from merger	4,622	2,096
Accumulated other comprehensive loss	(18,110)	(23,555)
Non-controlling interest	<u>3,937</u>	<u>3,899</u>
Total equity	<u>333,840</u>	<u>316,217</u>
 Total liabilities and members' equity	 <u>\$ 4,419,510</u>	 <u>\$ 4,143,194</u>

See accompanying notes to consolidated financial statements.

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2025 and 2024
(dollars in thousands)

	<u>2025</u>	<u>2024</u>
Interest income		
Loans	\$ 198,320	\$ 191,766
Investments and other	<u>10,960</u>	<u>10,759</u>
Total interest income	209,280	202,525
Interest expense		
Members' shares	82,670	90,026
Borrowed funds	<u>6,829</u>	<u>7,622</u>
Total interest expense	<u>89,499</u>	<u>97,648</u>
Net interest income	119,781	104,877
Provision for credit losses	<u>14,600</u>	<u>12,527</u>
Net interest income after credit loss expense	105,181	92,350
Noninterest income		
Service charges and other fees	26,603	25,399
Loan servicing and loan production fees	1,512	1,464
Mortgage servicing rights, net	(165)	(135)
Credit union-owned life insurance income	1,602	1,699
Gain (loss) on sale of property and equipment	-	227
Gain (loss) on sale of loans	282	330
Other noninterest income	<u>18,070</u>	<u>14,915</u>
Total noninterest income	47,904	43,899
Noninterest expenses		
Salaries and benefits	72,164	62,369
Occupancy and operations (Note 15)	<u>71,269</u>	<u>68,414</u>
Total noninterest expenses	<u>143,433</u>	<u>130,783</u>
Net income	<u>\$ 9,652</u>	<u>\$ 5,466</u>

See accompanying notes to consolidated financial statements.

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2025 and 2024
(dollars in thousands)

	<u>2025</u>	<u>2024</u>
Net income	\$ 9,652	\$ 5,466
Other comprehensive income:		
Unrealized gains on securities available for sale		
Unrealized holding gains arising during the period	6,481	819
Reclassification adjustment for net gains included in net income	<u>-</u>	<u>-</u>
Net change	6,481	819
Unrealized (losses) gains on cash flow hedge derivatives		
Unrealized holding (losses) gains	(2,128)	(8,475)
Reclassification adjustment for gains included in net income	<u>1,092</u>	<u>5,264</u>
Net change	(1,036)	(3,211)
Total other comprehensive Income (loss)	<u>5,445</u>	<u>(2,392)</u>
Comprehensive income	<u>\$ 15,097</u>	<u>\$ 3,074</u>

See accompanying notes to consolidated financial statements.

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
For the years ended December 31, 2025 and 2024
(dollars in thousands)

	Retained Earnings			Total	Accumulated Other Comprehensive Loss	Non- Controlling Interest	Total Members' Equity
	Regular Reserve	Acquired Equity in Merger	Unappropriated				
Balance, January 1, 2024	\$ 40,374	\$ 2,096	\$ 287,768	\$ 330,238	\$ (21,163)	\$ 4,068	\$ 313,143
Net income	-	-	5,635	5,635	-	(169)	5,466
Other comprehensive loss	-	-	-	-	(2,392)	-	(2,392)
Balance, December 31, 2024	40,374	2,096	293,403	335,873	(23,555)	3,899	316,217
Acquired equity in merger	-	2,526	-	2,526	-	-	2,526
Net income	-	-	9,614	9,614	-	38	9,652
Other comprehensive income	-	-	-	-	5,445	-	5,445
Balance, December 31, 2025	\$ 40,374	\$ 4,622	\$ 303,017	\$ 348,013	\$ (18,110)	\$ 3,937	\$ 333,840

See accompanying notes to consolidated financial statements.

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024
(dollars in thousands)

	2025	2024
Cash flows from operating activities		
Net income	\$ 9,652	\$ 5,466
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,208	2,385
Credit loss expense	14,600	12,527
Originations of loans for sale	(20,716)	(22,868)
Proceeds from sale of loans	20,998	23,198
Net amortization of available-for-sale investments	398	600
Fair value adjustment for equity security	(589)	(680)
Amortization of purchase accounting adjustments	(3)	18
Amortization of intangibles	35	57
Capitalization of mortgage servicing rights	(383)	(400)
Amortization of servicing rights	548	534
Gain on sale of loans	(282)	(330)
Gain on sale of property and equipment	-	(227)
Loss on call of investments	-	5
Increase in carrying value of credit union life insurance	(1,602)	(1,699)
Amortization of lease liability	2,512	2,833
Amortization of right of use asset	3,106	2,122
Net change in		
Accrued interest receivable	(261)	2,139
National Credit Union Administration deposit	(182)	(2,025)
Other assets	(2,767)	696
Accrued expenses and other liabilities	7,306	(10,355)
Net cash provided by operating activities	34,578	13,996
Cash flows from investing activities		
Repayments of available-for-sale investments	30,580	17,467
Purchase of Loans	(111,683)	(56,952)
Purchase of available-for-sale investments	-	(1,250)
Net change in FHLB and other investments	(1,795)	13,206
Net change in loans	(228,280)	273,175
Purchases of property and equipment	(1,990)	(3,366)
Proceeds from credit union life insurance	-	26,581
Proceeds from maturity/sales/calls of AFS investments	-	72
Proceeds from sale of property and equipment	-	480
Net cash provided by (used in) investing activities	(313,168)	269,413
Cash flows from financing activities		
Net increase in members' shares	171,896	161,474
Proceeds from borrowed funds	2,165,187	1,160,000
Repayment of borrowed funds	(2,105,000)	(1,450,069)
Net cash (used in) financing activities	232,083	(128,595)
Change in cash and cash equivalents	<u>(46,507)</u>	<u>154,814</u>
Cash and cash equivalents at beginning of year	223,713	68,899
Cash and cash equivalents at end of year	<u>\$ 177,206</u>	<u>\$ 223,713</u>

See accompanying notes to consolidated financial statements.

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024
(dollars in thousands)

	<u>2025</u>	<u>2024</u>
Supplemental cash flow information		
Dividends paid on members' shares and interest paid on borrowed funds	\$ 90,779	\$ 100,019
Cash paid on leases	5,419	5,011
Supplemental noncash disclosures		
New leases entered into during the year under ASC 842 - Leases	\$ 572	\$ 2,226
Acquisition of M&C Menlo Park FCU	37	-
Acquisition of Entertainment Industries FCU	2,489	-

See accompanying notes to consolidated financial statements.

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Affinity Federal Credit Union (the "Credit Union") is a cooperative association holding a federal charter under the provisions of the Federal Credit Union Act. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Credit Union and its wholly owned subsidiary, Affinity Financial Services, LLC ("AFS"). AFS is the parent company of majority-owned subsidiary, CUMAnet, LLC ("CUMAnet"); and the wholly owned subsidiaries Members Alliance Insurance Agency, LLC ("MAI"), Members Alliance Title Agency, LLC ("MATA"), Real Property Solutions Group, LLC ("RPSG") and Collaborative Commercial Lending Group, LLC ("CCLG"). CUMAnet is engaged in facilitating originations and servicing mortgages to members of the Credit Union as well as members of other participating entities. CUMAnet is consolidated into AFS, as AFS owns more than 80% of CUMAnet. Minority interest, representing the remaining ownership interest of CUMAnet's partners, is shown as non-controlling interest. MAI is engaged in selling insurance products. MATA provides title insurance products. RPSG is engaged in buying collateral that has been repossessed by the Credit Union for the purpose of maintaining and marketing the collateral for resale. CCLG is engaged in providing business loan services to commercial members.

All significant intercompany balances and transactions have been eliminated in consolidation.

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

Subsequent Events: Management of the Credit Union has evaluated the effects of subsequent events that have occurred subsequent to the period through March 30, 2026, which is the date the financial statements were available to be issued.

Concentrations of Credit Risk: Most of the Credit Union's business activity is with its members who reside in or are employed in New Jersey. The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in New Jersey. A significant concentration of real estate loans are secured by properties located in New Jersey.

Fair Value: Fair value is a market-based measurement, not an entity-specific measurement, and the hierarchy gives the highest priority to quoted prices in active markets. Fair value measurements are disclosed by level within the fair value hierarchy.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Valuation techniques are to be consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In that regard, the fair value hierarchy establishes valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would be used in pricing an asset or liability.

Cash and Cash Equivalents, and Cash Flows: For the purpose of the statements of financial condition and the statements of cash flows, cash and cash equivalents includes cash on hand and amounts due from financial institutions. Net cash flows are reported for member loans, shares, FHLB Stock and other investments.

Investments: Debt securities are classified as available-for-sale and recorded at fair value, with unrealized gains and losses reported in other comprehensive income (loss). Gains and losses on sales are recorded on the trade date and determined using the specific identification method. Changes in fair value of equity securities are reported in other noninterest income on the consolidated statements of operations.

The Credit Union's available-for-sale securities portfolio includes negotiable certificates of deposit issued by financial institutions. These instruments are assigned CUSIP identifiers and are considered debt securities that may be bought and sold in the secondary market prior to maturity. Accordingly, such negotiable certificates of deposit are classified as available-for-sale securities and reported at fair value.

Some of the Credit Union's debt and equity securities are held in a charitable donation account which is a hybrid charitable and investment vehicle that is funded as a means to provide contributions to qualified charities. The value of the charitable donation account cannot exceed 5% of the Credit Union's net worth and the Credit Union is required to distribute a minimum of 51% of the total return on assets no less frequently than every five years or upon termination of the charitable donation account. The charitable donation account is owned by the Credit Union and may be terminated at the sole discretion of the Credit Union. Debt securities are classified as available-for-sale. Equity securities are carried at fair value with change in fair value recognized through other income on the consolidated statements of operations.

Amortization of purchase premiums and discounts on debt securities are recognized in interest income using the level yield method over the terms of the securities without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. For available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or it is 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 debt securities available-for-sale that do not meet the aforementioned criteria, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the collectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Based on the nature of the Securities no allowance for credit losses has been recorded. Accrued interest is included in the evaluation of the allowance for loan losses of available for sale securities.

Federal Home Loan Bank ("FHLB") Stock: The Credit Union, as a member of the FHLB of New York, is required to maintain an investment in capital stock of the FHLB of New York in an amount equal to the sum of a percentage of specific Credit Union assets as designated by the FHLB of New York plus 4.5% of advances from the FHLB of New York. No ready market exists for the FHLB of New York stock, and it has no quoted market value. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans, Net: The Credit Union grants mortgage, commercial and consumer loans. The ability of the members and nonmembers to honor their contracts is dependent upon the general economic conditions of the area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, and deferred loan fees and costs. Accrued interest receivable totaled \$15.0 million as of December 31, 2025 and \$13.7 million as of December 31, 2024, and was reported in Accrued interest receivable on the consolidated statements of financial condition and is included in 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 in interest income using the level-yield method without anticipating repayments.

Interest income on loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Consumer loans are generally charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

From time to time, the Credit Union sells loans from its portfolio as a part of its asset liability management strategy and to manage interest rate risk. When a determination is made to sell loans, such loans are reclassified from held for investment to held for sale.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Credit Union will also originate mortgage loans for sale as a part of its asset liability management strategy and to manage interest rate risk. In 2025 the Credit Union originated mortgage loans for sale totaling \$20.7 million. These loans were sold at a gain of \$282,000 and were sold with servicing retained, compared with \$22.9 million and \$330,000, respectively, in 2024. There were no loans held for sale as of December 31, 2025 or 2024. The value of these loans are included in the originations of loans for sale in the statement of cash flows.

Allowance for Credit Losses - Loans: The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the collectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency trends, or term as well as for changes in environmental conditions.

The reasonable and supportable forecast period is two years followed by an immediate reversion to historical averages. The Credit Union uses various macroeconomic indicators which differ for each segment.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Credit Union has identified the following portfolio segments:

Commercial: Includes commercial loans and commercial real estate loans and represent loans to business enterprises. Commercial loans are business loans and are collateralized by the underlying business assets. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of the loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service.

Residential: Primarily consists of home equities and residential loans to individuals. The portfolio is collateralized by first and/or second mortgages on primary residences. Risk characteristics include loss of income of the individual and significant decline in the fair value of the underlying properties, which may negatively impact the loan-to-value ratios.

Consumer: Primarily consists of auto loans, auto leases, credit cards and student loans and represent loans to individuals. Risk characteristics include loss of income, market conditions, and changes in value of autos which may negatively impact the individual ability to repay and result in additional losses to the Credit Union. Certain auto loans include private insurance taken by the Credit Union. Premium for such private insurance is recorded as a reduction of interest income. Recoveries from the private insurance are recognized as recoveries when received.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The methodology used to measure the allowance for credit losses varies based on the portfolio segment. The Credit Union utilizes Discounted Cash Flow ("DCF"), Life Cycle Probability of Dollar Default ("PD") / Loss Given Default ("LGD") and Weighted Average Remaining Maturity ("WARM"). The following table illustrates the methodologies utilized by Segment as of December 31, 2025:

<u>Portfolio Segment</u>	<u>Methodology</u>	<u>Forecast Variables</u>
Commercial:	PD/LGD	Inflation Other macroeconomic indicators
Residential:	WARM	Inflation Regional employment National housing prices Other macroeconomic indicators
Consumer: Indirect Auto	PD/LGD (Segregated by credit score)	Regional unemployment National employment Inflation Other macroeconomic indicators
Direct Auto	DCF	Inflation National unemployment Other macroeconomic indicators
Auto Leasing	PD/LGD	Inflation Other macroeconomic indicators
Student loan and other	DCF	Regional and national employment Inflation Treasury yield
Credit Cards	PD/LGD (Segregated by credit score)	National employment Regional and national unemployment Other macroeconomic indicators

The PD/LGD approach is determined using loan level and macroeconomic variables, and calculates the allowance based on the current amortized cost basis or a future cashflow stream. The PD risk parameter is used to estimate the likelihood that a borrower will cease making payments as agreed. The PD definition of default includes loans that are 90 days past due. The LGD component calculates the loss severity for defaulted accounts relative to their exposure at the time of default and is based on cumulative historical loss activity. For PD/LGD models the current amortized cost basis calculates the allowance based on the historical reversion rate for the periods selected. The current future cash flow stream calculates the reserve using the highest forecasted rate, regardless of whether it is the historical reversion rate, or the forecasted rate calculated using a 24 month reasonable and supportable forecast rate.

The WARM approach utilizes average historical loss rates and prepayment speeds to calculate an overall historical loss rate which is applied to current loan balances to arrive at the quantitative baseline portion of the allowance.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The DCF method is determined using a cohort method. This method pools loans into groups or “cohorts” sharing similar risk characteristics and tracks each cohort’s historical net charge offs to calculate a historical loss rate. The historical loss rates are then averaged to calculate an overall historical loss rate which is applied to current loan balances to arrive at the quantitative baseline portion of the allowance.

Credit card receivables do not have stated maturities. In determining the estimated life of a credit card receivable, management first estimates the future cash flows expected to be received and then applies those expected future cash flows to the credit card balance. Expected credit losses for credit cards are determined by estimating the amount and timing of principal payments expected to be received as payment for the balance outstanding as of the reporting period and applying those principal payments against the balance outstanding as of the reporting period until the expected payments have been fully allocated. The allowance for credit loss is recorded for the excess of the balance outstanding as of the reporting period over the expected principal payments.

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

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

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union (as such credit cards). 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.

Loan Servicing: Mortgage servicing rights assets are initially recorded at fair value for loans on which servicing is contractually retained. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are amortized against mortgage servicing rights income over the estimated lives of the mortgages adjusted for actual prepayments. Mortgage servicing rights are included in other assets on the consolidated statements of financial condition.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported separately on the consolidated statements of operations.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan servicing fees represent fees earned for servicing mortgage loans owned by the Federal Home Loan Mortgage Corporation (“FHLMC”), the Federal National Mortgage Association (“FNMA”), and other financial institutions. The fees are generally calculated on the outstanding principal balances of the loans serviced and are recorded as income when earned. Related servicing expenses are recognized as incurred.

Loan production fees are recognized when the investors make the commitment to fund the loan and are obligated to pay the production fee to the Credit Union.

Transfers of Financial Assets: Transfers of financial assets 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 Credit Union, (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 Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Premises and Equipment: Land is carried at cost. Land improvements, buildings, building improvements, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation, and amortization. Land improvements, buildings, building improvements, and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over lesser of the useful life of the assets or the expected terms of the related leases.

Other Real Estate Owned (“OREO”): OREO, acquired through foreclosure on loans secured by real estate, is initially recorded at fair value less costs to sell. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The assets are subsequently accounted for at the lower of cost or fair value, as established by a current appraisal, less estimated costs to sell, and are included in other assets. Any write-downs at the date of foreclosure are charged to the allowance for loan losses. Expenses incurred to maintain these properties, losses resulting from write-downs after the date of foreclosure, and realized gains and losses upon sale of the properties are included in other noninterest expense and other noninterest income, as appropriate.

At December 31, 2025 and 2024, there was no balance of OREO. At December 31, 2025 and 2024, the recorded investment of mortgage loans secured by residential real estate properties for which formal foreclosure proceeds are in process is \$2,581,037 and \$1,858,447, respectively.

Credit Union-Owned Life Insurance: The Credit Union owns credit union-owned life insurance to help offset the cost of employee benefits. Credit union-owned life insurance is recorded at its net realizable value, which is the cash surrender value adjusted for other charges or amounts due that are probable at settlement. The change in the cash surrender value is included as a component of non-interest income. In 2024, the Credit Union made the decision to surrender \$22.6 million in policies. No gain or loss has been recorded as a result of the decision to surrender the policies. During 2025, no policies were surrendered. During the year ended December 31, 2024, the Credit Union received a death benefit payment of \$6.6 million due to the death of a former executive.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Financial Instruments and Hedging Activities: At the inception of a derivative contract, the Credit Union designates the derivative as one of three types based on the Credit Union's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("stand-alone derivative"). All derivatives are recorded on the consolidated statements of financial condition at fair value as other assets or liabilities as appropriate.

If a derivative is designated and qualified as a cash flow hedge, the effective portion of the gain or loss on the derivative is recorded in other comprehensive income. Amounts recorded in other comprehensive income are subsequently reclassified into earnings during the same period in which the hedged item affects earnings.

If a derivative is designated as a fair value hedge, then changes in the fair value of the derivative are recorded in earnings and are offset by changes in the fair value of the hedged item attributable to the hedged risk. Any portion of the changes in the fair value of derivatives designated as a hedge that is deemed not highly effective is recorded in earnings. For cash flow hedges, the net settlement (upon close out or termination) that offsets changes in the value of the hedged debt is deferred and amortized into net interest income over the life of the hedged debt.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in noninterest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

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

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as noninterest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods that the hedged transactions will affect earnings.

National Credit Union Share Insurance Fund ("NCUSIF") Deposit and Insurance Premium: The deposit in the NCUSIF is in accordance with National Credit Union Administration ("NCUA") regulations, which require the maintenance of a deposit by each federally insured Credit Union in an amount equal to 1% of its insured members' shares. The contributions for the NCUSIF were \$182,000 and \$2.025 million in 2025 and 2024, respectively. For 2025 and 2024, the NCUA determined that Credit Unions did not have to pay a premium.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Marketing Costs: Marketing costs are expensed as incurred.

Comprehensive Income: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and unrealized gains and losses on derivatives, are reported as a separate component of the members' equity section of the statements of financial condition.

Goodwill and Other Intangible Assets: Goodwill is generally determined as the excess of the fair value assigned to the equity of the acquired institution, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. The Credit Union has selected December 31 as the date to perform the annual impairment test. The core deposit intangible arising from the merger is amortized using an accelerated method over the estimated useful life of ten years. The goodwill totaled \$5,765,000 and \$5,760,000 as of December 31, 2025 and 2024. The Core deposit intangible totaled \$43,000 and \$78,000 as of December 31, 2025 and 2024. Both goodwill and core deposit intangible are included with other assets on the consolidated statements of financial condition.

Amortization of the core deposit intangible totaled \$35,000 and \$57,000 for 2025 and 2024 and was included with occupancy and operations on the consolidated statements of operations.

Use of Analogous Accounting Standards – Employee Retention Tax Credit: Under U.S. GAAP, there is no specific authoritative guidance addressing the accounting for government assistance received by business entities that is not in the form of a loan or within the scope of other existing guidance. Accordingly, the Credit Union applies judgment and analogizes to other accounting standards when determining the appropriate recognition and presentation of such assistance.

The Credit Union accounted for the Employee Retention Tax Credit ("ERTC"), a refundable payroll tax credit established under the CARES Act and subsequent legislation, by analogy to ASC 958-605, *Revenue Recognition for Not-for-Profit Entities*. ASC 958-605-20 provides guidance on accounting for conditional contributions, which the Credit Union determined to be the most appropriate model for recognition of the ERTC. Under this model, the ERTC is considered a conditional contribution, as eligibility is dependent upon meeting specified program requirements and subject to potential examination by the Internal Revenue Service. Accordingly, the Credit Union recognizes the ERTC when the applicable conditions are substantially met and the amount is reasonably estimable. The Credit Union determined that the relevant conditions were satisfied upon filing the amended payroll tax returns and concluding that it had met the eligibility requirements of the program. The Credit Union recognized \$7.0 million related to the ERTC in noninterest income during the year ended 2025. Cash proceeds are recorded as a receivable until received. Management has evaluated the recognition of the ERTC and believes it has complied with the applicable program requirements; however, the amount recognized remains subject to potential review and examination by the Internal Revenue Service.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards

Purchased Financial Assets: During the year ended 2025, the Credit Union early adopted ASU 2025-08, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which includes guidance applicable to certain purchased financial assets, including seasoned loan purchases. The amendments require entities to recognize an allowance for credit losses at acquisition through a gross-up approach, rather than recognizing provision for credit losses immediately following acquisition.

The Credit Union applied the guidance retrospectively to loan purchases occurring on or after January 1, 2025. As a result, for applicable purchased loan pools, the Credit Union records an allowance for credit losses at acquisition with a corresponding increase to the amortized cost basis of the loans, rather than recognizing provision expense in the period of purchase.

The adoption of this guidance resulted in a reduction in provision for credit losses associated with purchased loan pools during the year ended 2025. The cumulative effect of initially applying the guidance as of January 1, 2025 was not material to the Credit Union's financial position, and the impact of adoption was not material to its results of operations or cash flows.

NOTE 2 - INVESTMENTS

Investments classified as available-for-sale as of December 31, 2025 and 2024, consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>December 31, 2025</u>				
U.S. Government - sponsored agency securities	\$ 5,026	\$ 1	\$ (96)	\$ 4,931
Mortgage-backed securities - residential	65,120	19	(6,237)	58,902
Collateralized mortgage obligations ("CMOs")	75,804	-	(11,557)	64,247
Municipal Bonds	4,916	-	(133)	4,783
Negotiable CDs	2,992	11	(12)	2,991
Charitable Donation Account - Corp Bonds	7,213	77	(183)	7,107
Total available-for-sale investments	<u>\$ 161,071</u>	<u>\$ 108</u>	<u>\$ (18,218)</u>	<u>\$ 142,961</u>
<u>December 31, 2024</u>				
U.S. Government - sponsored agency securities	\$ 4,994	\$ -	\$ (274)	\$ 4,720
Mortgage-backed securities - residential	73,289	21	(8,942)	64,368
Collateralized mortgage obligations ("CMOs")	84,630	-	(14,565)	70,065
Municipal Bonds	4,880	-	(306)	4,574
Corporate Bonds	10,006	-	(29)	9,977
Charitable Donation Account - Corp Bonds	11,220	17	(513)	10,724
Total available-for-sale investments	<u>\$ 189,019</u>	<u>\$ 38</u>	<u>\$ (24,629)</u>	<u>\$ 164,428</u>

(Continued)

NOTE 2 – INVESTMENTS (Continued)

The amortized cost and fair value of the investment securities portfolio are shown by expected maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Available-for-sale investments		
Less than one year	\$ 5,554	\$ 5,460
One to five years	7,356	7,221
Five to ten years	24	24
Over ten years	-	-
Mortgage-backed securities - residential CMOs	65,120	58,902
Charitable Donation Account - Corp Bonds	75,804	64,247
	<u>7,213</u>	<u>7,107</u>
Total	<u>\$ 161,071</u>	<u>\$ 142,961</u>

The following tables summarize securities with unrealized losses greater than 12 months at December 31, 2025 and 2024, aggregated by major security type in a continuous unrealized loss position:

	Unrealized Losses	Fair Value
<u>December 31, 2025</u>		
U.S. Government - sponsored agency securities	\$ (96)	\$ 4,901
Mortgage-backed securities - residential CMOs	(6,234)	51,869
Municipal Bonds	(11,557)	64,246
Negotiable CDs	(133)	4,784
Charitable Donation Account - Corp Bonds	-	-
	<u>(183)</u>	<u>4,751</u>
Total available-for-sale investments	<u>\$ (18,203)</u>	<u>\$ 130,551</u>
<u>December 31, 2024</u>		
U.S. Government - sponsored agency securities	\$ (274)	\$ 4,720
Mortgage-backed securities - residential CMOs	(8,942)	57,131
Municipal Bonds	(14,565)	70,065
Corporate Bonds	(306)	4,574
Charitable Donation Account - Corp Bonds	(29)	9,977
	<u>(513)</u>	<u>9,750</u>
Total available-for-sale investments	<u>\$ (24,629)</u>	<u>\$ 156,217</u>

(Continued)

NOTE 2 – INVESTMENTS (Continued)

The following tables summarize securities with unrealized losses less than 12 months at December 31, 2025. There were no securities in an unrealized loss position for less than 12 months at December 31, 2024.

<u>December 31, 2025</u>	Unrealized Losses	Fair Value
U.S. Government - sponsored agency securities	\$ -	\$ -
Mortgage-backed securities - residential CMOs	(3)	2,058
Municipal Bonds	-	-
Negotiable CDs	(12)	998
Charitable Donation Account - Corp Bonds	-	-
Total available-for-sale investments	\$ (15)	\$ 3,056

At December 31, 2025 and 2024, the debt securities in unrealized loss position primarily included securities issued by U.S. Government-sponsored entities and agencies, primarily Fannie Mae and Freddie Mac, institutions that the government has affirmed its commitment to support. There is no credit deterioration in the issuers of the corporate or municipal bonds owned by the Credit Union.

Since the decrease in fair value is due to fluctuations in interest rates rather than credit quality, and because the Credit Union neither intends to sell these securities nor is likely to be required to sell them before they recover, the Credit Union has determined that a CECL evaluation is not necessary for these securities as of December 31, 2025 and 2024.

As of December 31, 2025, there was no allowance of credit losses on securities available for sale. In addition, all securities were performing and there were no securities available for sale on non-accrual status.

Other investments consist of the following:

	<u>2025</u>	<u>2024</u>
FHLB of New York stock	\$ 13,504	\$ 10,605
Certificates of deposit in financial institutions	154	148
Charitable Donation Account Equity Security, at fair value	<u>4,180</u>	<u>3,591</u>
	\$ 17,838	\$ 14,344

Securities pledged for borrowings had a fair value of \$113 million and \$116 million at December 31, 2025 and 2024, respectively.

(Continued)

NOTE 3 - LOANS

The composition of the loan portfolio at December 31:

	<u>2025</u>	<u>2024</u>
Commercial:		
Commercial	\$ 53,726	\$ 43,267
Commercial real estate	255,001	270,781
Residential:		
Residential real estate	2,056,908	1,902,708
Residential home equity	384,439	300,536
Consumer:		
Auto	470,691	552,317
Auto leasing	475,390	277,453
Credit card	151,567	158,590
Student loan and other	<u>74,647</u>	<u>85,553</u>
	3,922,369	3,591,205
Net deferred loan costs	5,243	7,547
Allowance for credit losses	<u>(39,843)</u>	<u>(45,125)</u>
Loans, net	\$ 3,887,769	\$ 3,553,627

Included with commercial loans above are Payroll Payment Protection ("PPP") loans totaling \$44 thousand and \$122 thousand as of December 31, 2025 and 2024, respectively.

Residential mortgage loans totaling \$1.4 billion as of December 31, 2025 and \$1.5 billion as of December 31, 2024 were pledged under a blanket collateral agreement for the Credit Union's line of credit with the FHLBNY.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2025:

	<u>Commercial</u>	<u>Residential</u>	<u>Consumer</u>	<u>Total</u>
<u>December 31, 2025</u>				
Allowance for loan losses:				
Beginning balance	\$ 2,888	\$ 12,568	\$ 29,669	\$ 45,125
Provision (credit) for loan losses	711	1,001	12,771	14,483
ASU 2025-08 PSL Allowance	-	-	500	500
Loans charged off	(722)	-	(33,185)	(33,907)
Recoveries	<u>148</u>	<u>182</u>	<u>13,312</u>	<u>13,642</u>
Total ending allowance balance	\$ 3,025	\$ 13,751	\$ 23,067	\$ 39,843

The provision for loan losses reflected in the table above of \$15.0 million includes a \$0.5 million allowance established in connection with the adoption of ASU 2025-08 related to purchased seasoned loans, which was recorded as a balance sheet adjustment and not through provision expense. Excluding this amount, provision for loan losses recognized in earnings was approximately \$14.5 million. Total provision for credit losses reported in the consolidated statements of operations was \$14.6 million for the year ended December 31, 2025, which includes \$117,000 of provision related to off-balance sheet credit exposures for 2025 and \$120,000 for 2024.

(Continued)

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2025 and 2024

NOTE 3 – LOANS (Continued)

The difference in Provision for loan losses from the income statement is due to the provision allocated to Off-Balance Sheet credit exposures which was \$117,000 and \$120,000 for the years ended December 2025 and 2024, respectively.

	<u>Commercial</u>	<u>Residential</u>	<u>Consumer</u>	<u>Total</u>
<u>December 31, 2024</u>				
Allowance for loan losses:				
Beginning balance	\$ 3,691	\$ 13,893	\$ 41,206	\$ 58,790
Provision (credit) for loan losses	(318)	(1,323)	14,048	12,407
Loans charged off	(502)	(64)	(46,293)	(46,859)
Recoveries	17	62	20,708	20,787
Total ending allowance balance	<u>\$ 2,888</u>	<u>\$ 12,568</u>	<u>\$ 29,669</u>	<u>\$ 45,125</u>

The following tables present the amortized cost in nonaccrual status as of December 31, 2025. There were no loans past due over 89 days that were still accruing:

	<u>Nonaccrual With No Allowance for Credit Loss</u>	<u>Nonaccrual With Allowance for Credit Loss</u>	<u>Total Nonaccrual</u>
Commercial:			
Commercial	\$ -	\$ 557	\$ 557
Commercial real estate	1,346	2,520	3,866
Residential:			
Residential real estate	1,057	16,698	17,755
Residential home equity	61	2,972	3,033
Consumer:			
Auto	-	18,441	18,441
Auto leasing	2	551	553
Credit card	-	2,539	2,539
Student loan and other	-	1,617	1,617
Total	<u>\$ 2,466</u>	<u>\$ 45,895</u>	<u>\$ 48,361</u>

Interest income recognized on nonaccrual loans during the year ended December 31, 2025 was not material. The nonaccrual loans with no allowance for loan losses were collateral dependent loans secured by real estate. These loans were individually evaluated for impairment.

(Continued)

AFFINITY FEDERAL CREDIT UNION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2025 and 2024

NOTE 3 - LOANS (Continued)

The following tables present the amortized cost in nonaccrual status as of December 31, 2024. There were no loans past due over 89 days that were still accruing:

	<u>Nonaccrual With No Allowance for Credit Loss</u>	<u>Nonaccrual With Allowance for Credit Loss</u>	<u>Total Nonaccrual</u>
Commercial:			
Commercial	\$ -	\$ 309	\$ 309
Commercial real estate	8,981	2,591	11,572
Residential:			
Residential real estate	1,546	12,660	14,206
Residential home equity	99	1,994	2,093
Consumer:			
Auto	-	33,634	33,634
Auto leasing	-	279	279
Credit card	-	3,481	3,481
Student loan and other	1	2,455	2,456
Total	<u>\$ 10,627</u>	<u>\$ 57,403</u>	<u>\$ 68,030</u>

NOTE 3 - LOANS (Continued)

The following tables present the aging of the amortized cost in past due loans by class of loans as of December 31, 2025 and 2024. The past dues are shown based on contractual payment status (ignoring non-accrual status).

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2025						
Commercial:						
Commercial	\$ 407	\$ 264	\$ 348	\$ 1,019	\$ 52,707	\$ 53,726
Commercial real estate	877	3,164	-	4,041	250,960	255,001
Residential:						
Residential real estate	30,633	3,746	6,940	41,319	2,015,589	2,056,908
Residential home equity	3,474	583	1,553	5,610	378,829	384,439
Consumer:						
Auto	15,933	3,285	9,328	28,546	442,145	470,691
Auto leasing	1,495	245	287	2,027	473,363	475,390
Credit card	2,588	1,317	2,539	6,444	145,123	151,567
Student loan and other	1,062	477	1,293	2,832	71,815	74,647
Total	<u>\$ 56,469</u>	<u>\$ 13,081</u>	<u>\$ 22,288</u>	<u>\$ 91,838</u>	<u>\$ 3,830,531</u>	<u>\$ 3,922,369</u>
December 31, 2024						
Commercial:						
Commercial	\$ 472	\$ 182	\$ 281	\$ 935	\$ 42,332	\$ 43,267
Commercial real estate	715	1,875	1,354	3,944	266,837	270,781
Residential:						
Residential real estate	24,591	2,557	5,041	32,189	1,870,519	1,902,708
Residential home equity	2,889	855	1,183	4,927	295,609	300,536
Consumer:						
Auto	28,333	6,036	15,473	49,842	502,475	552,317
Auto leasing	1,112	196	207	1,515	275,938	277,453
Credit card	2,383	1,111	3,481	6,975	151,615	158,590
Student loan and other	1,196	618	1,767	3,581	81,972	85,553
Total	<u>\$ 61,691</u>	<u>\$ 13,430</u>	<u>\$ 28,787</u>	<u>\$ 103,908</u>	<u>\$ 3,487,297</u>	<u>\$ 3,591,205</u>

(Continued)

NOTE 3 - LOANS (Continued)

Occasionally, the Credit Union modifies loans to borrowers in financial distress by providing a term extension, an other-than-insignificant payment delay or interest rate reduction.

In some cases, the Credit Union 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 may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension, an other-than-insignificant payment delay and/or an interest rate reduction.

The following table presents the amortized cost basis of loans during the years ended December 31, 2025 and 2024 that were both experiencing financial difficulty and were modified, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Term Extension	Interest Rate Reduction	Combination Term Extension Interest Rate Reduction	Total Class of Financing Receivable
December 31, 2025				
Commercial				
Commercial	\$ 147	\$ 78	\$ 25	0.08%
Consumer:				
Auto	116	24	466	0.11%
Student Loan and other	18	168	216	0.54%
Total	<u>\$ 281</u>	<u>\$ 270</u>	<u>\$ 707</u>	<u>0.03%</u>
December 31, 2024				
Commercial				
Commercial	\$ 4	\$ -	\$ -	0.01%
Consumer:				
Auto	68	99	163	0.06%
Student Loan and other	51	369	103	0.61%
Total	<u>\$ 123</u>	<u>\$ 468</u>	<u>\$ 266</u>	<u>0.02%</u>

(Continued)

NOTE 3 - LOANS (Continued)

The Credit Union has not committed to lend additional amounts to the borrowers included in the previous table.

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

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
<u>December 31, 2025</u>						
Commercial:						
Commercial	\$ 129	\$ -	\$ 43	\$ 172	\$ 78	\$ 250
Consumer:						
Auto	16	-	11	27	578	605
Student loan and other	-	56	-	56	247	403
Total	<u>\$ 145</u>	<u>\$ 56</u>	<u>\$ 54</u>	<u>\$ 255</u>	<u>\$ 1,033</u>	<u>\$ 1,258</u>
	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
<u>December 31, 2024</u>						
Commercial:						
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4
Consumer:						
Auto	34	-	-	34	296	330
Student loan and other	-	69	-	69	454	523
Total	<u>\$ 34</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ 754</u>	<u>\$ 857</u>

(Continued)

NOTE 3 - LOANS (Continued)

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2025 and 2024:

	Weighted- Average Interest Rate Reduction	Weighted- Average Term Extension
<u>December 31, 2025</u>		
Commercial:		
Commercial	3.98%	19
Consumer:		
Auto	4.32%	29
Student loan and other	4.29%	49
Total	<u>4.27%</u>	<u>32 months</u>
<u>December 31, 2024</u>		
Commercial:		
Commercial	0.00%	29
Consumer:		
Auto	5.90%	22
Student loan and other	5.33%	54
Total	<u>5.53%</u>	<u>35 months</u>

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Credit Union's internal underwriting policy.

Upon the Credit Union'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.

Credit Quality Indicators

The Credit Union analyzes the commercial and commercial real estate loans individually by classifying them as to credit risk 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. This analysis is performed on a quarterly basis. The Credit Union 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.

(Continued)

NOTE 3 - LOANS (Continued)

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.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

Based on the most recent analysis performed, the risk category of loans by class is as follows:

	<u>Pass</u>	<u>Criticized and Classified</u>
<u>December 31, 2025</u>		
Commercial	\$ 43,450	\$ 10,276
Commercial real estate	<u>228,510</u>	<u>26,491</u>
Total	<u>\$ 271,960</u>	<u>\$ 36,767</u>
<u>December 31, 2024</u>		
Commercial	\$ 32,962	\$ 10,305
Commercial real estate	<u>248,698</u>	<u>22,083</u>
Total	<u>\$ 281,660</u>	<u>\$ 32,388</u>

For residential and consumer loan classes, the Credit Union also evaluates credit quality based on the delinquency status of the loan, which was previously presented.

NOTE 4 - LOAN SERVICING

Mortgage loans serviced for others by CUMAnet that are not included in the accompanying consolidated statements of financial condition are summarized as follows as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
FNMA	\$ 198,326	\$ 198,294
FHLMC	15,104	17,644
Credit Union of New Jersey	82,573	90,707
Greater Alliance Federal Credit Union	75,706	71,445
Others	<u>79,762</u>	<u>78,007</u>
	<u>\$ 451,471</u>	<u>\$ 456,097</u>

(Continued)

NOTE 4 - LOAN SERVICING (Continued)

Custodial escrow accounts maintained in connection with the foregoing loan servicing are summarized as follows as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
FNMA	\$ 2,542	\$ 2,442
FHLMC	314	330
Credit Union of New Jersey	888	947
Greater Alliance Federal Credit Union	731	691
Others	<u>580</u>	<u>683</u>
	<u>\$ 5,055</u>	<u>\$ 5,093</u>

A summary of the changes in the balance of mortgage servicing rights for first mortgages in 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 1,657	\$ 1,791
Servicing assets recognized during the year	383	400
Amortization of servicing assets	<u>(548)</u>	<u>(534)</u>
Balance at end of year	<u>\$ 1,492</u>	<u>\$ 1,657</u>
Fair value of mortgage servicing rights	<u>\$ 5,418</u>	<u>\$ 5,554</u>

There was no valuation allowance on the servicing rights asset as of December 31, 2025 and 2024.

Fair value at year-end 2025 and 2024 was determined using discount rates at 15% and 15%, respectively, and prepayment speeds ranging from 5% to 20% in 2025 and 4.50% to 20% in 2024, depending on the stratification of the specific pool.

The weighted average market assumption used in determining the fair value of mortgage servicing rights of first mortgages were as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Prepayment speed per year	9.09%	8.40%
Weighted average life	7 years	7 years
Weighted average discount rate	15%	15%

(Continued)

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows for December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land	\$ 2,276	\$ 1,936
Buildings	5,012	4,550
Leasehold improvements	12,981	11,988
Furniture and equipment	<u>33,754</u>	<u>33,134</u>
	54,023	51,608
Accumulated depreciation and amortization	<u>(43,933)</u>	<u>(42,069)</u>
	<u>\$ 10,090</u>	<u>\$ 9,539</u>

Depreciation expense for the years ended 2025 and 2024 was \$2.2 million and \$2.4 million, respectively.

Lessee Arrangements

The Credit Union enters into leases in the normal course of business primarily for financial centers, back-office operations locations, business development offices, information technology data centers, and information technology equipment. The Credit Union's leases have remaining terms ranging from 1 to 20 years, some of which include renewal or termination options to extend the lease for up to 15 years. Renewal options are generally not included in determining lease term unless the Credit Union is reasonably certain that the renewal option will be exercised. In addition, non-lease component cost such as common area maintenance, real estate taxes etc. are not included in the determination of the lease liability and are expenses as incurred. As of December 31, 2025, the weighted average remaining lease terms was 15 years and the weighted average discount rate was 5.77%

As of December 31, 2025, the right of use assets totaled approximately \$48.0 million and was included with other assets on the consolidated statements of condition compared to \$49.9 million as of December 31, 2024. The lease liability totaled approximately \$51.2 million compared to \$52.5 million as of December 31, 2024 and was included with accrued expenses and other liabilities on the consolidated statements of financial condition.

Future undiscounted lease payments on the Credit Union's finance and operating leases are as follows:

2026	\$ 5,399
2027	5,404
2028	5,458
2029	5,045
2030	4,481
Subsequent years	<u>54,107</u>
Total undiscounted lease payments	79,894
Less: imputed interest	<u>(28,658)</u>
Net lease liabilities	<u>\$ 51,236</u>

Rental expense for all facilities leased under operating leases totaled \$6.1 million and \$6.0 million for the years ended December 31, 2025 and 2024, respectively, and was included with occupancy and operations expense on the consolidated statements of operations.

(Continued)

NOTE 6 - RELATED PARTY TRANSACTIONS

The Credit Union extends credit to directors, supervisory committee members and executive officers. The aggregate loans to related parties at December 31, 2025 and 2024, are approximately \$3.3 million and \$4.4 million, respectively. Deposits from related parties at December 31, 2025 and 2024, amounted to approximately \$2.6 million and \$2.1 million, respectively.

Included in other assets are loans to both current and former executives under a split dollar collateral assignment life insurance arrangement between the Credit Union and the executives. Under the arrangement, certain executives own the life insurance policy, and the Credit Union provides a loan to the executive to fund the premiums on the policy. The loans are interest-bearing at a market rate and are secured by the lesser of the premiums paid or cash surrender value. In accordance with Accounting Standard Codification ("ASC") 715-60, the loans are recorded at lower of cash surrender value of the policies or the cumulative premium paid. Interest earned on the loans is recorded either monthly or annually as other income with a corresponding increase to the asset. The balance of the loans to the executives under these arrangements was approximately \$13.9 million and \$13.6 million at December 31, 2025 and 2024, respectively, and are included with other assets on the statements of financial condition.

NOTE 7 - MEMBERS' SHARES

Members' shares are summarized as follows:

	<u>2025</u>	<u>2024</u>
Regular shares	\$ 1,614,313	\$ 1,527,722
Share draft accounts	716,250	674,420
Money market accounts	144,708	174,179
Individual retirement shares and money market accounts	14,437	16,720
Individual retirement certificates	93,135	91,130
Share certificates	<u>1,166,736</u>	<u>1,080,565</u>
	<u>\$ 3,749,579</u>	<u>\$ 3,564,736</u>

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

No contractual maturity	\$ 2,489,708
0 - 1 year maturity	1,193,914
1 - 2 years maturity	58,088
2 - 3 years maturity	4,164
3 - 4 years maturity	2,572
4 - 5 years maturity	1,108
Over 5 years maturity	<u>25</u>
	<u>\$ 3,749,579</u>

Regular shares, share draft accounts, money market accounts, and individual retirement account shares have no contractual maturity. Certificate accounts have contractual maturity.

The aggregate amount of certificates in denominations of \$250,000 or more at December 31, 2025 and 2024, is approximately \$288.3 million and \$237.9 million, respectively.

Brokered deposits included in members' shares above were \$997 thousand and \$0 as of December 31, 2025 and 2024, respectively.

(Continued)

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 9 - BORROWED FUNDS

The Credit Union has a collateralized borrowing arrangement with the FHLB of New York secured by first mortgage loans on residential properties, FHLB of New York stock for Fixed Term and Floating Rate advances, and pledged securities for Repo advances. The total outstanding advances as of December 31, 2025 and 2024, were \$230.4 million and \$170.4 million, respectively. The weighted average rate of outstanding borrowings at December 31, 2025 and 2024, were 3.83% and 4.80%, respectively. Rates range from 1.65% to 3.84% in 2025 and 1.65% to 4.81% in 2024.

There were no borrowings tied to the variable SOFR rate advances as of December 31, 2025.

There are prepayment penalties associated with these borrowings.

The Credit Union can borrow up to the adjusted amount of pledged assets at FHLB of New York. At December 31, 2025 the FHLB NY total borrowing capacity was \$1.129 billion. Outstanding borrowings were \$230 million leaving a \$899 million remaining borrowing capacity through FHLB. There were no outstanding overnight borrowings as of December 31, 2025 and 2024.

The Credit Union has the ability to borrow from the FRB discount window. This borrowing capacity is updated monthly at the FRBNY depending on collateral updates. As of December 31, 2025, the Credit Union had a borrowing capacity of \$285 million. Credit Cards and auto loans are pledged as collateral for this borrowing capacity. There were no outstanding borrowings through the FRB discount window as of December 31, 2025 and 2024.

The Credit Union has the ability to borrow from Alloya Corporate Credit Union in the amount of \$1.1 million. There was one outstanding borrowing through Alloya in the amount of \$187,319 and \$0 as of December 31, 2025 and 2024, respectively.

The outstanding FHLB borrowings by maturity on December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Less than 1 year maturity	\$ 230,430	\$ 170,000
1 - 2 years maturity	-	430
2 - 3 years maturity	-	-
	<u>\$ 230,430</u>	<u>\$ 170,430</u>

NOTE 10 - OFF-BALANCE-SHEET ACTIVITIES

The Credit Union is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit, which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

(Continued)

NOTE 10 - OFF-BALANCE-SHEET ACTIVITIES (Continued)

The Credit Union's exposure to credit loss is represented by the contractual amount of these commitments. The Credit Union follows the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

Outstanding mortgage loan commitments at December 31, 2025 and 2024, total approximately \$5.5 million and \$1.5 million, respectively.

Unfunded loan commitments under lines of credit are summarized as follows:

	<u>2025</u>	<u>2024</u>
Home equity	\$ 450,205	\$ 369,964
Credit card	570,978	561,641
Other	45,089	45,527
Commercial	<u>16,746</u>	<u>22,971</u>
	<u>\$ 1,083,018</u>	<u>\$ 1,000,103</u>

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member.

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

At December 31, 2025 and 2024, the Credit Union had one and two interest rate swap agreements, respectively. As part of its program to manage interest rate risk, the Credit Union entered into the derivative instrument agreements to modify the repricing characteristics of certain portions of the Credit Union's portfolios of interest-bearing assets and liabilities. In February 2024, the Credit Union terminated a cash flow swap tied to FHLB advances with a notional of \$250 million and recorded a gain of \$2.6 million. This gain is included in the income statement other non-interest income line. Simultaneously, the Credit Union executed a fair value swap tied to fixed rate mortgages with a notional of \$250 million and a maturity date of February 8, 2028. In April 2025, a cash flow swap tied to FHLB advances with a notional of \$170 million matured.

The \$250 million derivative agreement was entered into with Goldman Sachs. The Credit Union is exposed to credit risk on derivative instruments if the counterparty should fail to perform under the terms of the contract. The Credit Union manages credit risk through the use of comprehensive credit-approval processes, the selection of only creditworthy counterparties, and effective collateral administration. In addition, the Credit Union requires legally enforceable netting arrangements, which permit netting of transactions with the same counterparty. The amount of credit exposure is limited to the interest

(Continued)

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

receivable and the fair market value of the derivative contracts in gain positions reduced by the value of any collateral pledged by the counterparty.

Under the terms of the agreements, the Credit Union receives settlement amounts at a contractually determined variable rate and pays settlement amounts at a contractually determined fixed rate. The interest rate swap agreements specify that the Credit Union will receive interest payments equal to the daily SOFR (Secured Overnight Financing Rate), from the contract inception date to maturity date.

Summary information about the interest rate swaps as of year-end is as follows:

	<u>2025</u>	<u>2024</u>
Notional amounts	\$ 250,000	\$ 420,000
Weighted average pay rates	3.88%	3.38%
Weighted average receive rates	3.87%	4.37%
Weighted average remaining maturity	2.11 years	3.42 years

The following table presents the amounts recorded on the balance sheet related to cumulative balance adjustments for fair value hedges as of December 31:

Line Item in Balance Sheet Which the Hedged Item is Included	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	Fixed Rate Loans	\$ 250,000	\$ 250,000	\$ 3,199

The Company presents derivative position gross on the balance sheet. The following table reflects the derivatives designated as hedging instruments recorded on the balance sheet as of December 31:

	<u>2025</u>		<u>2024</u>	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Included in other assets:				
Interest rate swaps related to FHLB Advances	\$ -	\$ -	\$ 170,000	\$ 1,036
Interest rate swaps related to Fixed Rate Loans	-	-	250,000	692
Total included in other assets		<u>\$ -</u>		<u>\$ 2,053</u>
Included in other liabilities:				
Interest rate swaps related to FHLB Advances	\$ -	\$ -	\$ -	\$ -
Interest rate swaps related to Fixed Rate Loans	250,000	<u>3,181</u>	-	-
Total included in other liabilities		<u>\$ 3,181</u>		<u>\$ -</u>

(Continued)

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

The effect of cash flow hedge accounting on accumulated other comprehensive income for the years ended December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Amount of (loss)/gain recognized in OCI (effective portion)	\$ -	\$ 1,036
Amount of (loss)/gain reclassified from OCI to interest expense	-	5,265
Amount of loss recognized in interest expense (ineffective portion)	-	-

NOTE 12 - EMPLOYEE BENEFITS

The Credit Union has a 401(k) qualified plan, which allows for pretax employee deferrals, an employer match of those deferrals, and a discretionary employer-defined contribution allocation. Participation is limited to employees that meet the eligibility guidelines set forth in the Summary Plan Document. There was no employer-defined contribution in 2025 or 2024.

The Credit Union contributed approximately \$2.4 million and \$2.2 million, respectively, to the plan for the years ended December 31, 2025 and 2024, related to the discretionary employer match of employee deferrals. The employer match is accrued and funded on a current basis.

The Credit Union sponsors defined contribution plans (the "Plans") which qualify under Section 457(b) of the Internal Revenue Code. The Plans cover certain members of the executive management team. Contributions for each plan are defined by individual contracts, with specified amount and dates of contributions. Likewise, vesting amounts and vesting periods are also established by contract.

The fair value of assets in the plan as of December 31, 2025 and 2024, were approximately \$125,000 and \$125,000, respectively, and are included in Other Assets. There was no expense associated with this plan in 2025 and 2024. The total liability, which represents vested amounts, as of December 31, 2025 and 2024, under the plan was \$125,000 and \$125,000, respectively, and is included with accrued expenses and other liabilities.

NOTE 13 - MEMBERS' EQUITY

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and 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 Credit Union to maintain minimum amounts and ratios, set forth in the table below, of net worth to total assets.

(Continued)

NOTE 13 - MEMBERS' EQUITY (Continued)

On December 17, 2019, the NCUA published final changes to their capital adequacy regulations. These changes became effective for the Credit Union on January 1, 2022. The final rule restructured the NCUA's capital adequacy regulations and made various revisions, including amending the agency's risk-based net worth requirement by replacing a credit union's risk-based net worth ratio with a risk-based capital ratio. A credit union is defined as "complex" if its total assets exceed \$500,000,000. A complex credit union must calculate its capital adequacy by evaluating its net worth ratio and by using either the risk-based capital ratio or the complex credit union leverage ratio, a simplified framework that is calculated in the same manner as the net worth ratio if certain minimum qualifying criteria are met. The Credit Union has elected to use the risk-based capital ratio. For the risk-based capital ratio, the required for well capitalized are 10% or greater and adequately capitalized are 8% or greater.

To be categorized as well-capitalized, the Credit Union must maintain a minimum net worth ratio of 7% of assets and risk-based capital ratio of 10% of risk-weighted assets.

As of December 31, 2025 and 2024, the most recent call reporting period, the NCUA categorized the Credit Union as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category. The Credit Union's risk-based capital ratio as of December 31, 2025 and 2024 was 11.32% and 12.04%.

The Credit Union's capital amounts and ratios for net worth are presented in the following table:

	2025		2024	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Amount needed to be classified as adequately capitalized	\$ 265,171	6.00%	\$ 248,718	6.00%
Amount needed to be classified as well-capitalized	309,366	7.00%	290,171	7.00%
Actual net worth	349,554	8.17%	339,522	8.19%

NOTE 14 - FAIR VALUE

The Credit Union used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

Derivatives: The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2).

Individually Evaluated Loans: The fair value of individually evaluated loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals completed by certified appraisers.

(Continued)

NOTE 14 - FAIR VALUE (Continued)

Generally, the appraisals on commercial properties may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. When obtained, non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification.

For residential properties, the appraisals generally utilize a single valuation approach, sales comparison approach. For collateral-dependent residential loans, the Credit Union process to determine fair value of the collateral involves considering the appraised value based on the sales comparison approach and then adjusting the appraised value for other factors to arrive at the fair value of the collateral. These factors include the additional discount necessary for aging of the appraisals, and for location and condition of the property. To determine the discount, industry wide statistics and other market indicators are considered.

OREO: Nonrecurring adjustments to certain commercial and residential real estate properties classified as OREO are measured at fair value, less costs to sell. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Fair Value on a Recurring Basis: The tables below present the balances of assets measured and presented in the consolidated statement of condition at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
<u>December 31, 2025</u>				
Securities Available for Sale				
U.S. Government-sponsored agency securities	\$ 4,931	\$ -	\$ 4,931	\$ -
Mortgage-backed securities - residential	58,902	-	58,902	-
CMOs	64,247	-	64,247	-
Municipal bonds	4,783	-	4,783	-
Negotiable CDs	2,991	-	2,991	-
Charitable Donation Account-Corp Bonds	7,107	-	7,107	-
Total securities available for sale	142,961	-	142,961	-
Charitable Donation Acct.-Equity Security	4,180	-	4,180	-
Total investment securities	\$ 147,141	\$ -	\$ 147,141	\$ -

(Continued)

NOTE 14 - FAIR VALUE (Continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2024</u>				
Securities Available for Sale				
U.S. Government-sponsored agency securities	\$ 4,720	\$ -	\$ 4,720	\$ -
Mortgage-backed securities - residential CMOs	64,368	-	64,368	-
Municipal bonds	70,065	-	70,065	-
Corporate Bonds	4,574	-	4,574	-
Charitable Donation Account-Corp Bonds	9,977	-	9,977	-
	<u>10,724</u>	<u>-</u>	<u>10,724</u>	<u>-</u>
Total securities available for sale	164,428	-	164,428	-
Charitable Donation Acct.-Equity Security	<u>3,591</u>	<u>-</u>	<u>3,591</u>	<u>-</u>
Total investment securities	\$ <u>168,019</u>	\$ <u>-</u>	\$ <u>168,019</u>	\$ <u>-</u>
<u>December 31, 2025</u>				
Derivative asset	\$ -	\$ -	\$ -	\$ -
Derivative liability	\$ <u>3,181</u>	\$ <u>-</u>	\$ <u>3,181</u>	\$ <u>-</u>
<u>December 31, 2024</u>				
Derivative asset	\$ <u>1,017</u>	\$ <u>-</u>	\$ <u>1,017</u>	\$ <u>-</u>
Derivative liability	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

At December 31, 2025 and 2024, there were no individually evaluated loans reported at fair value.

NOTE 15 - OCCUPANCY AND OPERATIONS

The following table presents the major components of occupancy and operations expenses for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Professional services	\$ 28,107	\$ 27,930
Depreciation & office operations	17,084	15,587
Marketing	3,065	3,521
Office occupancy	8,915	8,512
Loan fulfillment & servicing	7,238	7,506
Other operating expenses	<u>6,860</u>	<u>5,358</u>
	\$ <u>71,269</u>	\$ <u>68,414</u>



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