

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2025

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-39090

Provident Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

84-4132422

(I.R.S. Employer
Identification Number)

5 Market Street, Amesbury, Massachusetts

(Address of Principal Executive Offices)

01913

Zip Code

(877) 487-2977

(Registrant's telephone number)

N/A

(Former name, former address, and former fiscal year if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	PVBC	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☒	Smaller Reporting Company	☒
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 08, 2025, there were 17,784,048 shares of the Registrant's common stock, \$0.01 par value per share, outstanding.

Provident Bancorp, Inc.
Form 10-Q

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Part I. Financial Information
Item 1. Financial Statements

PROVIDENT BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

<i>(Dollars in thousands)</i>	At June 30, 2025 (unaudited)	At December 31, 2024
Assets		
Cash and due from banks	\$ 21,700	\$ 27,536
Short-term investments	107,209	141,606
Cash and cash equivalents	128,909	169,142
Debt securities available-for-sale (at fair value)	24,534	25,693
Federal Home Loan Bank stock, at cost	2,242	2,697
Total loans	1,314,265	1,326,595
Allowance for credit losses for loans	(20,796)	(21,087)
Net loans	1,293,469	1,305,508
Bank owned life insurance	46,679	46,017
Premises and equipment, net	10,127	10,188
Accrued interest receivable	4,877	5,296
Right-of-use assets	5,488	3,429
Deferred tax asset, net	12,631	13,808
Other assets	11,925	11,392
Total assets	\$ 1,540,881	\$ 1,593,170
Deposits:		
Noninterest-bearing	\$ 287,927	\$ 351,528
Interest-bearing	970,051	957,432
Total deposits	1,257,978	1,308,960
Borrowings:		
Short-term borrowings	25,000	35,000
Long-term borrowings	9,495	9,563
Total borrowings	34,495	44,563
Operating lease liabilities	5,939	3,862
Commitments and contingencies	350	—
Other liabilities	4,748	4,698
Total liabilities	1,303,510	1,362,083
Shareholders' equity:		
Preferred stock, \$0.01 par value, 50,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; 17,785,538 and 17,788,543 shares issued and outstanding at June 30, 2025 and December 31, 2024	178	178
Additional paid-in capital	126,329	125,446
Retained earnings	118,555	113,561
Accumulated other comprehensive loss	(1,578)	(1,625)
Unearned compensation - ESOP	(6,113)	(6,473)
Total shareholders' equity	237,371	231,087
Total liabilities and shareholders' equity	\$ 1,540,881	\$ 1,593,170

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

PROVIDENT BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<i>(Dollars in thousands, except per share data)</i>				
Interest and dividend income:				
Interest and fees on loans	\$ 20,085	\$ 20,311	\$ 39,392	\$ 40,380
Interest and dividends on debt securities available-for-sale	231	243	491	480
Interest on short-term investments	984	1,318	1,997	3,047
Total interest and dividend income	21,300	21,872	41,880	43,907
Interest expense:				
Interest on deposits	7,261	9,607	14,630	18,947
Interest on short-term borrowings	482	281	788	459
Interest on long-term borrowings	30	31	60	62
Total interest expense	7,773	9,919	15,478	19,468
Net interest and dividend income	13,527	11,953	26,402	24,439
Credit loss (benefit) expense - loans	(384)	6,467	(314)	924
Credit loss expense (benefit) - off-balance sheet credit exposures	6	(9)	(76)	(47)
Total credit loss (benefit) expense	(378)	6,458	(390)	877
Net interest and dividend income after credit loss (benefit) expense	13,905	5,495	26,792	23,562
Noninterest income:				
Customer service fees on deposit accounts	690	665	1,405	1,339
Service charges and fees - other	442	349	718	658
Bank owned life insurance income	335	319	662	621
Other income	764	190	826	261
Total noninterest income	2,231	1,523	3,611	2,879
Noninterest expense:				
Salaries and employee benefits	7,338	7,293	14,914	15,438
Occupancy expense	376	407	824	850
Equipment expense	120	160	264	312
Deposit insurance	294	321	626	654
Data processing	410	402	831	815
Marketing expense	62	76	107	94
Professional fees	1,124	984	1,693	2,298
Directors' compensation	197	177	392	351
Software depreciation and implementation	532	584	1,085	1,127
Insurance expense	224	303	445	604
Service fees	371	234	689	476
Other	1,043	653	1,653	1,310
Total noninterest expense	12,091	11,594	23,523	24,329
Income (loss) before income tax expense	4,045	(4,576)	6,880	2,112
Income tax expense (benefit)	1,221	(1,268)	1,886	439
Net income (loss)	\$ 2,824	\$ (3,308)	\$ 4,994	\$ 1,673
Earnings (loss) per share:				
Basic	\$ 0.17	\$ (0.20)	\$ 0.30	\$ 0.10
Diluted	0.17	(0.20)	0.29	0.10
Weighted Average Shares:				
Basic	16,860,744	16,706,793	16,841,577	16,688,122
Diluted	16,954,078	16,706,793	16,938,788	16,723,763

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

PROVIDENT BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<i>(In thousands)</i>				
Net income (loss)	\$ 2,824	\$ (3,308)	\$ 4,994	\$ 1,673
Other comprehensive (loss) income:				
Unrealized holding (losses) gains arising during the period on debt securities available-for-sale	(131)	(43)	67	(182)
Unrealized (loss) gain	(131)	(43)	67	(182)
Income tax effect	29	8	(20)	41
Total other comprehensive (loss) gain	(102)	(35)	47	(141)
Comprehensive income (loss)	\$ 2,722	\$ (3,343)	\$ 5,041	\$ 1,532

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

PROVIDENT BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	For the three months ended June 30, 2025 and 2024						
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Unearned Compensation ESOP	Total
<i>(In thousands, except share data)</i>							
Balance, March 31, 2025	17,788,543	\$ 178	\$ 125,895	\$ 115,731	\$ (1,476)	\$ (6,293)	\$ 234,035
Net income	—	—	—	2,824	—	—	2,824
Other comprehensive loss	—	—	—	—	(102)	—	(102)
Stock-based compensation expense, net of forfeitures	—	—	364	—	—	—	364
Restricted stock forfeitures	(2,500)	—	—	—	—	—	—
Shares surrendered related to tax withholdings on restricted stock awards	(505)	—	(5)	—	—	—	(5)
ESOP shares earned	—	—	75	—	—	180	255
Balance, June 30, 2025	<u>17,785,538</u>	<u>\$ 178</u>	<u>\$ 126,329</u>	<u>\$ 118,555</u>	<u>\$ (1,578)</u>	<u>\$ (6,113)</u>	<u>\$ 237,371</u>
Balance, March 31, 2024	17,659,146	\$ 177	\$ 124,415	\$ 111,266	\$ (1,602)	\$ (7,013)	\$ 227,243
Net loss	—	—	—	(3,308)	—	—	(3,308)
Dividends forfeited	—	—	—	5	—	—	5
Other comprehensive loss	—	—	—	—	(35)	—	(35)
Stock-based compensation expense, net of forfeitures	—	—	262	—	—	—	262
Restricted stock award grants, net	(4,734)	—	(22)	—	—	—	(22)
Stock options exercised, net	12,915	—	(18)	—	—	—	(18)
ESOP shares earned	—	—	28	—	—	180	208
Balance, June 30, 2024	<u>17,667,327</u>	<u>\$ 177</u>	<u>\$ 124,665</u>	<u>\$ 107,963</u>	<u>\$ (1,637)</u>	<u>\$ (6,833)</u>	<u>\$ 224,335</u>

PROVIDENT BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
(Unaudited)

	For the six months ended June 30, 2025 and 2024						
	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Unearned Compensation ESOP	Total
<i>(In thousands, except share data)</i>							
Balance, December 31, 2024	17,788,543	\$ 178	\$ 125,446	\$ 113,561	\$ (1,625)	\$ (6,473)	\$ 231,087
Net income	—	—	—	4,994	—	—	4,994
Other comprehensive income	—	—	—	—	47	—	47
Stock-based compensation expense, net of forfeitures	—	—	730	—	—	—	730
Restricted stock forfeitures	(2,500)	—	—	—	—	—	—
Shares surrendered related to tax withholdings on restricted stock awards	(505)	—	(5)	—	—	—	(5)
ESOP shares earned	—	—	158	—	—	360	518
Balance, June 30, 2025	<u>17,785,538</u>	<u>\$ 178</u>	<u>\$ 126,329</u>	<u>\$ 118,555</u>	<u>\$ (1,578)</u>	<u>\$ (6,113)</u>	<u>\$ 237,371</u>
Balance, December 31, 2023	17,677,479	\$ 177	\$ 124,129	\$ 106,285	\$ (1,496)	\$ (7,193)	\$ 221,902
Net income	—	—	—	1,673	—	—	1,673
Dividends forfeited	—	—	—	5	—	—	5
Other comprehensive loss	—	—	—	—	(141)	—	(141)
Stock-based compensation expense, net of forfeitures	—	—	523	—	—	—	523
Restricted stock award grants, net	(23,067)	—	(42)	—	—	—	(42)
Stock options exercised, net	12,915	—	(18)	—	—	—	(18)
ESOP shares earned	—	—	73	—	—	360	433
Balance, June 30, 2024	<u>17,667,327</u>	<u>\$ 177</u>	<u>\$ 124,665</u>	<u>\$ 107,963</u>	<u>\$ (1,637)</u>	<u>\$ (6,833)</u>	<u>\$ 224,335</u>

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

PROVIDENT BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2025	2024
<i>(In thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 4,994	\$ 1,673
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of securities premiums, net of accretion	49	65
ESOP expense	518	433
Change in deferred loan fees, net	(563)	(578)
(Benefit) provision for credit losses	(390)	877
Depreciation and amortization	428	558
Decrease (increase) in accrued interest receivable	419	(306)
Deferred tax expense	1,156	40
Share-based compensation expense	730	523
Bank-owned life insurance income	(662)	(621)
Principal repayments of operating lease obligations	(59)	(53)
Net (increase) decrease in other assets	(533)	3,391
Net increase (decrease) in other liabilities	476	(2,206)
Net cash provided by operating activities	6,563	3,796
Cash flows from investing activities:		
Proceeds from pay downs, maturities and calls of debt securities available-for-sale	1,177	996
Redemption (purchase) of Federal Home Loan Bank stock	455	(1,065)
Loan principal collections, net of (loan originations)	12,916	(28,544)
Additions to premises and equipment	(289)	(209)
Net cash provided by (used in) investing activities	14,259	(28,822)
Cash flows from financing activities:		
Net (decrease) increase in noninterest-bearing accounts	(63,601)	3,045
Net increase (decrease) in interest-bearing accounts	12,619	(69,612)
Net cash dividends forfeited on common stock	—	5
Payments from exercise of stock options, net	—	(18)
Net change in short-term borrowings	(10,000)	43,000
Repayments on long-term borrowings	(68)	(67)
Shares surrendered related to tax withholdings on restricted stock awards	(5)	(42)
Net cash used in financing activities	(61,055)	(23,689)
Net decrease in cash and cash equivalents	(40,233)	(48,715)
Cash and cash equivalents at beginning of period	169,142	220,332
Cash and cash equivalents at end of period	\$ 128,909	\$ 171,617
Supplemental disclosures:		
Interest paid	\$ 15,477	\$ 19,458
Income taxes paid	232	244
Recognition of operating lease liabilities	2,136	—
Receivable for sale of main office branch included in other assets	3,000	—

PROVIDENT BANCORP, INC.
Notes to Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited financial statements of Provident Bancorp, Inc. (the “Company”) were prepared in accordance with the instructions for Form 10-Q and with Regulation S-X and do not include information or footnotes necessary for a complete presentation of the financial condition, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles (“GAAP”). However, in the opinion of management, all adjustments (consisting only of normal and recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the three and six months ended June 30, 2025 are not necessarily indicative of the results that may be expected for future periods, including the entire fiscal year. These financial statements should be read in conjunction with the annual financial statements and notes thereto included in the annual report on Form 10-K the Company filed with the Securities and Exchange Commission (the “SEC”) on March 31, 2025.

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiary BankProv (the “Bank”), and the Bank’s wholly owned subsidiaries, Provident Security Corporation, and 5 Market Street Security Corporation. Provident Security Corporation and 5 Market Street Security Corporation were established to buy, sell, and hold investments for their own account.

(2) Merger

On June 5, 2025, NB Bancorp, Inc. (the “Buyer”), Needham Bank, a wholly-owned subsidiary of the Buyer, 1828 MS, Inc., a wholly owned subsidiary of the Buyer formed solely to facilitate the transaction (the “Merger Sub” and together with the Buyer and Needham Bank, “Needham”), the Company and the Bank, entered into an Agreement and Plan of Merger (the “Merger Agreement”). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Needham will acquire the Company and the Bank through the merger of the Merger Sub with and into the Company (the “Merger”) followed as soon as reasonably practicable by the merger of the Company with and into the Buyer, with the Buyer as the surviving entity (the “Holdco Merger”). After the Holdco Merger, at a time selected by Buyer, the Bank will merge with and into Needham Bank, with Needham Bank as the surviving entity.

Prior to the effective time of the Merger, shareholders of the Company will have the right to elect to receive for each share of the Company’s common stock either (i) 0.691 shares of the Buyer’s common stock (the “Stock Consideration”) or (ii) \$13.00 in cash, subject to proration procedures to ensure that holders of 50% of the shares of the Company’s common stock receive the Stock Consideration.

The completion of the Merger is subject to various closing conditions, including the receipt of shareholder and regulatory approvals.

(3) Corporate Structure

The Company is a Maryland corporation whose primary purpose is to act as the holding company for BankProv. The Bank’s headquarters and main office are located in Amesbury, Massachusetts, and it operates two branch offices in Northeastern Massachusetts, three branch offices in Southeastern New Hampshire and one branch in Bedford, New Hampshire. The Bank also has a loan production office in Ponte Vedra, Florida. BankProv is a Massachusetts-chartered stock savings bank that offers both traditional and innovative banking solutions to its consumer and commercial customers. The Bank’s primary deposit products are checking, savings, and term certificate accounts and its primary lending products are commercial real estate, commercial, and mortgage warehouse loans.

(4) Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures* ("ASU 2023-09"), to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 requires annual disclosure of specific categories in the rate reconciliation table and separate disclosure for reconciling items that exceed a quantitative threshold. ASU 2023-09 also requires annual disclosure of the amount of income taxes paid disaggregated by federal, state, and foreign taxes, and separately, the amount of income taxes paid disaggregated by individual taxing jurisdictions in which income taxes paid exceed a quantitative threshold. ASU 2023-09 is effective for the Company for fiscal years beginning after December 15, 2024 with early adoption permitted. The Company is currently evaluating the impact of this Accounting Standard Update with respect to its consolidated financial statements.

(5) Debt Securities

Debt securities are classified as available-for-sale when they might be sold before maturity. Debt securities available-for-sale are valued at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

The following table summarizes the amortized cost, allowance for credit losses, and fair value of debt securities available-for-sale at June 30, 2025 and December 31, 2024 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income:

<i>(In thousands)</i>	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
June 30, 2025					
State and municipal securities	\$ 11,081	\$ 2	\$ 913	\$ —	\$ 10,170
Asset-backed securities	7,560	13	560	—	7,013
Government mortgage-backed securities	7,931	—	580	—	7,351
Total debt securities available-for-sale	<u>\$ 26,572</u>	<u>\$ 15</u>	<u>\$ 2,053</u>	<u>\$ —</u>	<u>\$ 24,534</u>
December 31, 2024					
State and municipal securities	\$ 11,130	\$ 2	\$ 581	\$ —	\$ 10,551
Asset-backed securities	7,961	—	745	—	7,216
Government mortgage-backed securities	8,707	—	781	—	7,926
Total debt securities available-for-sale	<u>\$ 27,798</u>	<u>\$ 2</u>	<u>\$ 2,107</u>	<u>\$ —</u>	<u>\$ 25,693</u>

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

There were no realized gains or losses on sales or calls of securities during the six months ended June 30, 2025 or June 30, 2024.

Securities with carrying amounts of \$6.0 million and \$6.6 million were pledged to secure available borrowings with the Federal Home Loan Bank at June 30, 2025 and December 31, 2024, respectively.

The scheduled maturities of debt securities at June 30, 2025 are summarized in the table below. Actual maturities of asset and mortgage-backed securities may differ from contractual maturities because the assets and mortgages underlying the securities may be repaid without any penalties. Because asset- and mortgage-backed securities are not due at a single maturity date, they are not included in the maturity categories in the following maturity summary:

<i>(In thousands)</i>	Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year	\$ —	\$ —
Due after one year through five years	599	601
Due after five years through ten years	2,580	2,515
Due after ten years	7,902	7,054
Government mortgage-backed securities	7,931	7,351
Asset-backed securities	7,560	7,013
	<u>\$ 26,572</u>	<u>\$ 24,534</u>

At the time a debt security is placed on non-accrual status, generally when any principal or interest payments become 90 days or more delinquent or if full collection of interest or principal becomes uncertain, interest accrued but not received is reversed against interest income. There were no debt securities on non-accrual status and therefore there was no accrued interest related to debt securities reversed against interest income during the six months ended June 30, 2025 or June 30, 2024.

The aggregate fair value and unrealized losses of securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or longer are as follows at June 30, 2025 and December 31, 2024:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(In thousands)</i>						
June 30, 2025						
Temporarily impaired securities:						
State and municipal securities	\$ 2,892	\$ 57	\$ 6,677	\$ 856	\$ 9,569	\$ 913
Asset-backed securities	—	—	5,368	560	5,368	560
Government mortgage-backed securities	72	1	7,279	579	7,351	580
Total temporarily impaired debt securities	<u>\$ 2,964</u>	<u>\$ 58</u>	<u>\$ 19,324</u>	<u>\$ 1,995</u>	<u>\$ 22,288</u>	<u>\$ 2,053</u>
December 31, 2024						
Temporarily impaired securities:						
State and municipal	\$ 2,935	\$ 21	\$ 7,015	\$ 560	\$ 9,950	\$ 581
Asset-backed securities	1,752	11	5,463	734	7,215	745
Government mortgage-backed securities	—	—	7,848	781	7,848	781
Total temporarily impaired debt securities	<u>\$ 4,687</u>	<u>\$ 32</u>	<u>\$ 20,326</u>	<u>\$ 2,075</u>	<u>\$ 25,013</u>	<u>\$ 2,107</u>

The Company expects to recover its amortized cost basis on all debt securities. Furthermore, the Company does not intend to sell nor does it anticipate that it will be required to sell the securities in an unrealized loss position as of June 30, 2025, prior to their recovery. The Company's ability and intent to hold these securities until recovery is supported by the Company's strong capital and liquidity positions as well as its historically low portfolio turnover.

As a result of the analysis below, which is presented by investment type, we determined that no allowance for credit loss for investment securities was required as of June 30, 2025.

State and municipal securities: At June 30, 2025, 16 of the 18 securities in the Company's portfolio of state and municipal securities were in unrealized loss positions. Aggregate unrealized losses represented 8.7% of the amortized cost of state and municipal securities in unrealized loss positions. The Company continually monitors the state and municipal securities sector of the market carefully and periodically evaluates the appropriate level of exposure to the market. At this time, the Company believes the securities in this portfolio carry minimal risk of default. There were no material underlying downgrades during the quarter. All securities are performing.

Asset-backed securities: At June 30, 2025, four of the five securities in the Company's portfolio of asset-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 9.4% of the amortized cost of asset-backed securities in unrealized loss positions. The U.S. Small Business Administration guarantees the contractual cash flows of all the Company's asset-backed securities. The securities are investment grade and there were no material underlying credit downgrades during the quarter. All securities are performing.

Government mortgage-backed securities: At June 30, 2025, all 29 securities in the Company's portfolio of government mortgage-backed securities were in unrealized loss positions. Aggregate unrealized losses represented 7.3% of the amortized cost of government mortgage-backed securities in unrealized loss positions. The Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association guarantee the contractual cash flows of all the Company's mortgage-backed securities. The securities are investment grade and there were no material underlying credit downgrades during the quarter. All securities are performing.

Allowance for Credit Losses – Available-For-Sale Securities:

For available-for-sale debt securities in an unrealized loss position, the Company 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 a provision for credit losses charged to earnings. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive (loss) income.

Changes in the allowance for credit losses are recorded as credit loss expense (or benefit). Losses are charged against the allowance when management believes an available for sale security is uncollectible, or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$177,000 and \$182,000 at June 30, 2025 and December 31, 2024, respectively, and was included in accrued interest receivable on the Consolidated Balance Sheets and was excluded from the estimate of credit losses.

(6) Loans and Allowance for Credit Losses for Loans

Loans:

A summary of loans is as follows:

<i>(In thousands)</i>	At June 30, 2025	At December 31, 2024
Commercial real estate	\$ 580,750	\$ 559,325
Construction and land development	37,362	28,097
Residential real estate	4,936	6,008
Mortgage warehouse	284,154	259,181
Commercial	160,596	163,927
Enterprise value	246,382	309,786
Consumer	85	271
Total loans	1,314,265	1,326,595
Allowance for credit losses for loans	(20,796)	(21,087)
Net loans	\$ 1,293,469	\$ 1,305,508

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 for loans. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred loan fees and costs. Accrued interest receivable on loans totaled \$4.7 million and \$5.1 million at June 30, 2025 and December 31, 2024, respectively, and was included in accrued interest receivable on the Consolidated Balance Sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using either the level-yield or straight-line method without anticipating prepayments.

At the time a loan is placed on non-accrual status, generally at 90 days past due, or earlier if collection of principal or interest is considered doubtful, all interest accrued but not received is reversed against interest income. Interest received on such loans is accounted for on the cost-recovery or cash-basis method, until qualifying for a return to accrual status. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, 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.

Allowance for Credit Losses for Loans:

The allowance for credit losses for loans (“ACLL”) is a valuation account that is deducted from the amortized cost basis of the loans to present the net amount expected to be collected. Loans are charged off against the allowance when management believes the collectability of a loan balance is no longer probable. Subsequent recoveries, if any, are credited to the allowance and do not exceed the aggregate of amounts previously charged-off. The Company employs a process and methodology to estimate the ACLL that evaluates both quantitative and qualitative factors. The methodology for evaluating quantitative factors involves pooling loans into portfolio segments that share similar risk characteristics.

The ACLL is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments:

Commercial real estate: Loans in this segment are primarily income-producing properties throughout Massachusetts and New Hampshire. The underlying cash flows generated by the properties can be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn can have an effect on the credit quality in this segment. Management periodically obtains rent rolls and continually monitors the cash flows of these loans.

Construction and land development: Loans in this segment primarily include speculative and pre-sold real estate development loans for which payment is derived from sale of the property or a conversion of the construction loans to permanent loans for which payment is then derived from cash flows of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, inaccurate estimates of the value of the completed project, and market conditions.

Residential real estate: All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will affect the credit quality in this segment. We no longer originate residential real estate loans, and previously we did not typically originate loans with a loan-to-value ratio greater than 80% or grant subprime loans.

Mortgage warehouse: Loans in this segment are primarily facility lines to non-bank mortgage origination companies. The underlying collateral of these loans are residential real estate loans. Loans are originated by the mortgage companies for sale into secondary markets, which is typically within 15 days of the loan closing. The primary source of repayment is the cash flows upon the sale of the loans. The credit risk associated with this type of lending is the risk that the mortgage companies are unable to sell the loans.

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

Enterprise value: Loans in this segment are made to small- and medium-size businesses in a senior secured position and are generally secured by the enterprise value of the business. The enterprise value consists of the going concern value of the business and takes into account the value of business assets (both tangible and intangible). Repayment is expected from the cash flows of the business. Economic and industry specific conditions can affect the credit quality of this segment.

Consumer: Loans in this segment are generally unsecured and repayment is dependent on the credit quality of the individual borrower.

Management estimates the ACLL balance using relevant and reliable information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Generally, management considers its forecasts to be reasonable and supportable for a period of up to four quarters and then utilizes a four-quarter straight-line reversion period. 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 portfolio mix, delinquency levels, or term, as well as for changes in economic conditions, such as changes in unemployment rates, property values, gross domestic product (“GDP”), the home pricing index (“HPI”), or other relevant factors. Incorporated in the estimate for the ACLL is consideration of qualitative factors, which include the following for all loan pools:

- Changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices;
- Changes in the experience, depth, and ability of lending management;
- Changes in the quality of the organization's loan review system;
- The existence and effect of any concentrations of credit and changes in the levels of such concentrations;
- The effect of other external factors (i.e., legal and regulatory requirements) on the level of estimated credit losses; and
- Changes in amount and trends in classified loans, delinquencies, and loans on non-accrual status.

In addition to the above, the mortgage warehouse pool includes a qualitative factor for changes in international, national, regional, and local conditions as the ACLL model for this loan pool does not apply an economic regression model in the calculation of the estimated loss rate. The determination of qualitative factors involves significant judgment.

The allowance for unfunded commitments is maintained by the Company at a level determined to be sufficient to absorb current expected lifetime losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit).

The Company measures the ACLL using the following methods:

Portfolio Segment	Measurement Method	Loss Driver
Commercial real estate	Discounted cash flow	National unemployment rate, national GDP
Construction and land development	Discounted cash flow	National unemployment rate, national GDP
Residential real estate	Discounted cash flow	National unemployment rate, national HPI
Mortgage warehouse	Remaining life method	Not applicable
Commercial	Discounted cash flow	National unemployment rate, national GDP
Enterprise value	Discounted cash flow	National unemployment rate, national GDP
Consumer	Discounted cash flow	National unemployment rate, national GDP

When the discounted cash flow method is used to determine the ACLL, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. 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: 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 Company.

When the remaining life method is used to determine the ACLL, a calculated loss rate is applied to the pool of loans based on the remaining life expectancy of the pool. The remaining life expectancy is based on management’s reasonable expectation at the reporting date.

Loans that do not share risk characteristics, whether or not they are performing in accordance with their loan terms, are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. The Company will individually evaluate a loan when, based on current information and events, it is probable that it will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in making this determination include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Insignificant payment delays and payment shortfalls generally are not considered reason enough to individually analyze a loan. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. When management determines that a loan should be individually analyzed, expected credit losses are based on either the present value of expected future cash flows discounted at the loan’s effective interest rate or the fair value of the collateral at the reporting date, adjusted for selling costs, as appropriate.

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The following table presents the activity in the allowance for credit losses for loans by portfolio segment for the three and six months ended June 30, 2025 and 2024:

<i>(In thousands)</i>	Commercial real estate	Construction and land development	Residential real estate	Mortgage warehouse	Commercial	Enterprise value	Digital asset	Consumer	Total
Balance at March 31, 2025	\$ 4,041	\$ 121	\$ 113	\$ 76	\$ 2,215	\$ 14,591	\$ —	\$ 3	\$ 21,160
Charge-offs	—	—	—	—	—	—	—	(14)	(14)
Recoveries	—	—	14	—	20	—	—	—	34
Provision (credit)	(8)	21	(18)	2	(97)	(296)	—	12	(384)
Balance at June 30, 2025	<u>\$ 4,033</u>	<u>\$ 142</u>	<u>\$ 109</u>	<u>\$ 78</u>	<u>\$ 2,138</u>	<u>\$ 14,295</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 20,796</u>
Balance at March 31, 2024	\$ 4,521	\$ 389	\$ 72	\$ 54	\$ 2,278	\$ 6,567	\$ 2,124	\$ 1	\$ 16,006
Charge-offs	—	—	—	—	—	—	(2,124)	(11)	(2,135)
Recoveries	—	—	2	—	—	—	—	1	3
Provision (credit)	322	(117)	(5)	11	(302)	6,548	—	10	6,467
Balance at June 30, 2024	<u>\$ 4,843</u>	<u>\$ 272</u>	<u>\$ 69</u>	<u>\$ 65</u>	<u>\$ 1,976</u>	<u>\$ 13,115</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 20,341</u>
<i>(In thousands)</i>	Commercial real estate	Construction and land development	Residential real estate	Mortgage warehouse	Commercial	Enterprise value	Digital asset	Consumer	Total
Balance at December 31, 2024	\$ 3,715	\$ 104	\$ 120	\$ 71	\$ 2,198	\$ 14,875	\$ —	\$ 4	\$ 21,087
Charge-offs	—	—	—	—	—	—	—	(22)	(22)
Recoveries	—	—	14	—	31	—	—	—	45
Provision (credit)	318	38	(25)	7	(91)	(580)	—	19	(314)
Balance at June 30, 2025	<u>\$ 4,033</u>	<u>\$ 142</u>	<u>\$ 109</u>	<u>\$ 78</u>	<u>\$ 2,138</u>	<u>\$ 14,295</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 20,796</u>
Balance at December 31, 2023	\$ 4,471	\$ 407	\$ 75	\$ 42	\$ 2,493	\$ 8,166	\$ 5,915	\$ 2	\$ 21,571
Charge-offs	—	—	—	—	(5)	—	(2,124)	(29)	(2,158)
Recoveries	—	—	2	—	—	—	—	2	4
(Credit) provision	372	(135)	(8)	23	(512)	4,949	(3,791)	26	924
Balance at June 30, 2024	<u>\$ 4,843</u>	<u>\$ 272</u>	<u>\$ 69</u>	<u>\$ 65</u>	<u>\$ 1,976</u>	<u>\$ 13,115</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 20,341</u>

The following table presents loan delinquencies by portfolio segment at June 30, 2025 and December 31, 2024:

<i>(In thousands)</i>	30 - 59 Days	60 - 89 Days	90 Days or More Past Due	Total Past Due	Total Current	Total Loans
June 30, 2025						
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ 580,750	\$ 580,750
Construction and land development	—	—	—	—	37,362	37,362
Residential real estate	237	—	207	444	4,492	4,936
Mortgage warehouse	—	—	—	—	284,154	284,154
Commercial	18	—	1,536	1,554	159,042	160,596
Enterprise value	—	—	5,316	5,316	241,066	246,382
Consumer	—	—	—	—	85	85
Total	<u>\$ 255</u>	<u>\$ —</u>	<u>\$ 7,059</u>	<u>\$ 7,314</u>	<u>\$ 1,306,951</u>	<u>\$ 1,314,265</u>
December 31, 2024						
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ 559,325	\$ 559,325
Construction and land development	—	—	—	—	28,097	28,097
Residential real estate	285	69	241	595	5,413	6,008
Mortgage warehouse	—	—	—	—	259,181	259,181
Commercial	50	—	1,543	1,593	162,334	163,927
Enterprise value	—	—	—	—	309,786	309,786
Consumer	—	—	1	1	270	271
Total	<u>\$ 335</u>	<u>\$ 69</u>	<u>\$ 1,785</u>	<u>\$ 2,189</u>	<u>\$ 1,324,406</u>	<u>\$ 1,326,595</u>

The following table presents the amortized cost basis of loans on non-accrual with no allowance for credit loss, loans on non-accrual, and loans 90 days or more past due but still accruing as of June 30, 2025 and December 31, 2024:

<i>(In thousands)</i>	Non-accrual With No Allowance for Credit Loss	Non-accrual Loans	90 Days or More Past Due and Accruing
June 30, 2025			
Commercial real estate	\$ 54	\$ 54	\$ —
Residential real estate	—	420	—
Commercial	1,536	1,536	—
Enterprise value	14,850	32,430	—
Total	<u>\$ 16,440</u>	<u>\$ 34,440</u>	<u>\$ —</u>
December 31, 2024			
Commercial real estate	\$ 57	\$ 57	\$ —
Residential real estate	—	366	—
Commercial	1,543	1,543	—
Enterprise value	1,338	18,920	—
Consumer	—	1	—
Total	<u>\$ 2,938</u>	<u>\$ 20,887</u>	<u>\$ —</u>

The Company did not recognize interest income on non-accrual loans during the six months ended June 30, 2025 or 2024.

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The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of June 30, 2025 and December 31, 2024:

<i>(In thousands)</i>	Commercial Real Estate	Business Assets	Business Enterprise Value
June 30, 2025			
Commercial real estate	\$ 54	\$ —	\$ —
Commercial	—	1,536	—
Enterprise value	—	—	36,014
Total	<u>\$ 54</u>	<u>\$ 1,536</u>	<u>\$ 36,014</u>
December 31, 2024			
Commercial real estate	\$ 19,690	\$ —	\$ —
Commercial	—	1,543	—
Enterprise value	—	—	22,567
Total	<u>\$ 19,690</u>	<u>\$ 1,543</u>	<u>\$ 22,567</u>

Occasionally, the Company modifies loans to borrowers experiencing financial difficulty by providing the following types of modifications: principal forgiveness, other-than-insignificant payment delays, term extensions, interest rate reductions, or a combination of these modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses on loans.

The following table presents the amortized cost basis of loans at June 30, 2025 or 2024 that were both experiencing financial difficulty and modified during the three months ended June 30, 2025 and 2024, respectively, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers experiencing financial difficulty as compared to the amortized cost basis of each class of financing receivable is also presented below:

<i>(Dollars in thousands)</i>	Other-Than- Insignificant Payment Delay	Term Extension	Combination Term Extension and Other- Than- Insignificant Payment Delay	Total Class of Financing Receivable \$	Total Class of Financing Receivable %
June 30, 2025					
Commercial	\$ —	\$ 42	\$ —	\$ 42	0.03%
Enterprise value	22,294	—	—	22,294	9.05
Total	<u>\$ 22,294</u>	<u>\$ 42</u>	<u>\$ —</u>	<u>\$ 22,336</u>	<u>1.70%</u>
June 30, 2024					
Commercial real estate	\$ 1,467	\$ —	\$ 18,228	\$ 19,695	3.86%
Enterprise value	21,600	960	—	22,560	5.72
Total	<u>\$ 23,067</u>	<u>\$ 960</u>	<u>\$ 18,228</u>	<u>\$ 42,255</u>	<u>3.08%</u>

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty during the three months ended June 30, 2025 and 2024:

	Weighted- Average Other- Than- Insignificant Payment Delay Months	Weighted- Average Term Extension Months	Weighted-Average Term Extension and Other-Than-Insignificant Payment Delay Months	Weighted-Average Term Extension and Other-Than-Insignificant Payment Delay Months
June 30, 2025				
Commercial	—	3.00	—	—
Enterprise value	5.53	—	—	—
June 30, 2024				
Commercial real estate	3.00	—	3.00	3.00
Enterprise value	4.00	3.00	—	—

The following table presents the amortized cost basis of loans at June 30, 2025 and 2024 that were both experiencing financial difficulty and modified during the six months ended June 30, 2025 and 2024, respectively, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers experiencing financial difficulty as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Other-Than- Insignificant Payment Delay Months	Combination Term Extension and Other- Than- Insignificant Payment Delay Months	Total Class of Financing Receivable \$	Total Class of Financing Receivable %
--	---	--	--	---

<i>(Dollars in thousands)</i>	Insignificant Payment Delay	Term Extension	Insignificant Payment Delay	Financing Receivable \$	Financing Receivable %
June 30, 2025					
Commercial	\$ —	\$ 42	\$ —	\$ 42	0.03%
Enterprise value	27,239	—	—	27,239	11.06
Total	<u>\$ 27,239</u>	<u>\$ 42</u>	<u>\$ —</u>	<u>\$ 27,281</u>	<u>2.08%</u>
June 30, 2024					
Commercial real estate	\$ 1,783	\$ —	\$ 18,228	\$ 20,011	3.92%
Commercial	1,575	—	—	1,575	1.09
Enterprise value	21,600	960	—	22,560	5.72
Total	<u>\$ 24,958</u>	<u>\$ 960</u>	<u>\$ 18,228</u>	<u>\$ 44,146</u>	<u>3.22%</u>

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty during the six months ended June 30, 2025 or 2024:

	Weighted- Average Other- Than- Insignificant Payment Delay Months	Weighted- Average Term Extension Months	Weighted-Average Term Extension and Other-Than-Insignificant Payment Delay Months Months	
June 30, 2025				
Commercial	—	3.00	—	—
Enterprise value	5.52	—	—	—
June 30, 2024				
Commercial real estate	7.94	—	9.00	9.00
Commercial	3.00	—	—	—
Enterprise value	4.00	3.00	—	—

In certain instances, if a borrower continues to experience financial difficulty following a modification, additional concessions may be granted. Of the \$27.3 million in modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2025, \$26.9 million related to loans that had previously received modifications due to financial difficulty during 2024. These included \$17.6 million related to a single enterprise value relationship that previously received four-month payment deferrals in the second, third, and fourth quarters of 2024, a \$3.7 million enterprise value relationship that previously received four-month payment deferrals in the second and fourth quarters of 2024, a \$3.6 million and a \$1.1 million enterprise value relationship that were both previously granted four-month payment deferrals in the fourth quarter of 2024, and a \$922,000 loan that was previously granted a three-month term extension in the second quarter of 2024.

As of June 30, 2025 and June 30, 2024, the Company had no additional commitments to lend to borrowers experiencing financial difficulty whose loan terms were modified during the six months preceding each respective date. The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The table below shows the delinquency status of loans that were modified to borrowers experiencing financial difficulty within the preceding 12 months of June 30, 2025 or 2024:

(In thousands)	30 - 59		60 - 89		90 Days or More	
	Current	Days Past Due	Days Past Due	Days Past Due	Past Due	Total Past Due
June 30, 2025						
Commercial real estate	\$ 19,440	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial	42	—	—	—	—	—
Enterprise value	29,839	—	—	—	1,280	1,280
Total	<u>\$ 49,321</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,280</u>	<u>\$ 1,280</u>
June 30, 2024						
Commercial real estate	\$ 20,011	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial	1,575	—	—	—	—	—
Enterprise value	22,560	—	—	—	—	—
Total	<u>\$ 44,146</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As of June 30, 2025, the \$1.3 million in loans that are 90 days or more past due pertain to a single borrower who received a three-month term extension on a \$922,000 loan in the second quarter of 2024, and then subsequently received a four-month payment delay during the first quarter of 2025 on this loan and another loan for \$358,000.

The following table provides the amortized cost basis of loans that had a payment default during the six months ended June 30, 2025 and were modified within the preceding 12 months from default to borrowers experiencing financial difficulty:

(Dollars in thousands)	Other-Than- Insignificant Payment Delay		Total Class of Financing Receivable	
June 30, 2025				
Enterprise value	\$	1,280	\$	1,280
Total	<u>\$</u>	<u>1,280</u>	<u>\$</u>	<u>1,280</u>

As of June 30, 2024, there were no subsequent defaults related to loans modified to borrowers experiencing financial difficulty within the preceding 12 months.

Credit Quality Information

The Company utilizes a seven-grade internal loan risk rating system for commercial real estate, construction and land development, commercial, and enterprise value loans as follows:

Loans rated 1-3: Loans in these categories are considered “pass” rated loans with low to average risk.

Loans rated 4: Loans in this category are considered “special mention.” These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 5: Loans in this category are considered “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered “doubtful.” Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible “loss” and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial real estate, construction and land development, commercial, and enterprise value loans.

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On an annual basis, or more often if needed, the Company completes a credit recertification on all mortgage warehouse originators.

For residential real estate loans, the Company initially assesses credit quality based upon the borrower's ability to pay and rates such loans as pass. Ongoing monitoring is based upon the borrower's payment activity.

Consumer loans are not formally rated.

Based on the most recent analysis performed, the risk category of loans by class of loans and their corresponding gross write-offs for the six months ended June 30, 2025 is presented below:

	Term Loans at Amortized Cost by Origination Year						Revolving Loans Amortized Cost	Revolving Loans Converted to Term Loans	Total
	2025	2024	2023	2022	2021	Prior			
<i>(In thousands)</i>									
Commercial real estate									
Pass	\$ 36,691	\$ 87,444	\$ 30,268	\$ 73,561	\$ 122,393	\$ 200,051	\$ 21,307	\$ 135	\$ 571,850
Special mention	—	—	—	—	—	5,078	—	—	5,078
Substandard	—	—	—	—	—	3,822	—	—	3,822
Total commercial real estate	36,691	87,444	30,268	73,561	122,393	208,951	21,307	135	580,750
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Construction and land development									
Pass	3,712	12,089	5,016	9,942	115	1,306	5,182	—	37,362
Total construction and land development	3,712	12,089	5,016	9,942	115	1,306	5,182	—	37,362
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Residential real estate									
Pass	—	—	—	—	—	2,975	1,432	206	4,613
Substandard	—	—	—	—	—	260	63	—	323
Total residential real estate	—	—	—	—	—	3,235	1,495	206	4,936
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Mortgage warehouse									
Pass	—	—	—	—	—	—	284,154	—	284,154
Total mortgage warehouse	—	—	—	—	—	—	284,154	—	284,154
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Commercial									
Pass	3,765	12,651	10,925	19,247	41,187	34,287	27,887	994	150,943
Special mention	—	—	—	617	—	826	5,331	—	6,774
Substandard	—	—	—	—	—	2,654	225	—	2,879
Total commercial	3,765	12,651	10,925	19,864	41,187	37,767	33,443	994	160,596
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Enterprise Value									
Pass	3,698	29,301	44,111	45,441	48,222	21,952	6,329	—	199,054
Special mention	—	—	—	2,405	5,139	3,497	272	—	11,313
Substandard	9,510	—	2,429	13,661	4,841	4,149	1,425	—	36,015
Total enterprise value	13,208	29,301	46,540	61,507	58,202	29,598	8,026	—	246,382
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Consumer									
Not formally rated	—	—	—	—	—	39	45	1	85
Total consumer	—	—	—	—	—	39	45	1	85
Current period gross write-offs	20	—	—	—	—	2	—	—	22
Total loans	<u>\$ 57,376</u>	<u>\$ 141,485</u>	<u>\$ 92,749</u>	<u>\$ 164,874</u>	<u>\$ 221,897</u>	<u>\$ 280,896</u>	<u>\$ 353,652</u>	<u>\$ 1,336</u>	<u>\$ 1,314,265</u>
Total current period gross write-offs	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22</u>

The following table presents the risk category of loans by class of loans as of December 31, 2024 and their corresponding gross write-offs for the year then ended:

	Term Loans at Amortized Cost by Origination Year							Revolving Loans Converted to Term Loans	
(In thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost		Total
Commercial real estate									
Pass	\$ 88,884	\$ 34,606	\$ 74,412	\$ 118,094	\$ 23,848	\$ 167,174	\$ 18,916	\$ 569	\$ 526,503
Special mention	—	—	—	—	1,045	27,872	—	—	28,917
Substandard	—	—	—	—	—	3,905	—	—	3,905
Total commercial real estate	88,884	34,606	74,412	118,094	24,893	198,951	18,916	569	559,325
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Construction and land development									
Pass	9,072	5,220	9,941	42	—	1,315	2,507	—	28,097
Total construction and land development	9,072	5,220	9,941	42	—	1,315	2,507	—	28,097
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Residential real estate									
Pass	—	—	—	—	4	3,452	1,842	376	5,674
Substandard	—	—	—	—	—	269	65	—	334
Total residential real estate	—	—	—	—	4	3,721	1,907	376	6,008
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Mortgage warehouse									
Pass	—	—	—	—	—	—	259,181	—	259,181
Total mortgage warehouse	—	—	—	—	—	—	259,181	—	259,181
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Commercial									
Pass	8,319	5,092	20,697	51,004	7,922	33,221	28,325	154	154,734
Special mention	—	—	869	24	—	993	4,209	—	6,095
Substandard	—	—	—	—	—	2,873	225	—	3,098
Total commercial	8,319	5,092	21,566	51,028	7,922	37,087	32,759	154	163,927
Current period gross write-offs	—	—	—	96	—	5	—	—	101
Enterprise Value									
Pass	31,684	55,609	60,965	69,599	30,421	6,949	7,621	—	262,848
Special mention	—	—	2,591	5,528	1,862	2,224	705	—	12,910
Substandard	—	—	13,199	5,308	4,954	1,123	8,522	922	34,028
Total enterprise value	31,684	55,609	76,755	80,435	37,237	10,296	16,848	922	309,786
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Digital asset									
Current period gross write-offs	—	—	2,124	—	—	—	—	—	2,124
Consumer									
Not formally rated	—	—	—	—	—	225	46	—	271
Total consumer	—	—	—	—	—	225	46	—	271
Current period gross write-offs	43	—	—	—	—	7	—	—	50
Total loans	\$ 137,959	\$ 100,527	\$ 182,674	\$ 249,599	\$ 70,056	\$ 251,595	\$ 332,164	\$ 2,021	\$ 1,326,595
Total current period gross write-offs	\$ 43	\$ —	\$ 2,124	\$ 96	\$ —	\$ 12	\$ —	\$ —	\$ 2,275

(7) Deposits

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

<i>(In thousands)</i>	At June 30, 2025	At December 31, 2024
Noninterest-bearing:		
Demand	\$ 287,927	\$ 351,528
Interest-bearing:		
NOW	103,115	83,270
Regular savings	105,123	132,198
Money market deposits	463,100	463,687
Certificates of deposit:		
Certificate accounts of \$250,000 or more	60,163	67,009
Certificate accounts less than \$250,000	238,550	211,268
Total interest-bearing	970,051	957,432
Total deposits	\$ 1,257,978	\$ 1,308,960

At June 30, 2025 and December 31, 2024, the aggregate amount of brokered certificates of deposit was \$165.0 million and \$150.2 million, respectively. All brokered certificates of deposit are in denominations less than \$250,000 listed above. Listing service deposits were primarily included in savings accounts shown in the table above and totaled \$24.1 million and \$47.6 million at June 30, 2025 and December 31, 2024, respectively.

(8) Borrowings

Advances consist of funds borrowed from the Federal Home Loan Bank (the “FHLB”). Maturities of advances from the FHLB as of June 30, 2025 are summarized as follows:

<i>(In thousands)</i>	
<i>Fiscal Year-End</i>	
2025	\$ 30,068
2026	138
2027	139
2028	141
2029	143
Thereafter	3,866
Total	\$ 34,495

Advances from the FHLB are secured by qualified collateral, consisting primarily of certain commercial real estate loans, qualified mortgage-backed government securities and certain loans with mortgages secured by one- to four-family properties. At June 30, 2025, advances from the FHLB consisted of one short-term advance of \$25.0 million and long-term advances with original maturities more than one year of \$9.5 million. The interest rate on the short-term advance from the FHLB was 4.24% at June 30, 2025. The interest rates on FHLB long-term advances ranged from 1.21% to 1.32%, with a weighted average interest rate of 1.26% at June 30, 2025. At June 30, 2025, the Company had the ability to borrow \$154.1 million from the FHLB, of which \$34.5 million was outstanding as of that date.

Borrowings from the FRB Borrower-in-Custody program are secured by a Uniform Commercial Code financing statement on qualified collateral, consisting of certain commercial loans. The Company had the ability to borrow \$319.8 million from the FRB at June 30, 2025. There were no outstanding advances from the FRB at June 30, 2025.

(9) Fair Value Measurements

The Company reports certain assets at fair value in accordance with GAAP, which defines fair value and establishes a framework for measuring fair value in accordance with generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

Basis of Fair Value Measurements

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

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

Fair Values of Assets Measured on a Recurring Basis

The Company's investments in state and municipal, asset-backed and government mortgage-backed debt securities available-for-sale are generally classified within Level 2 of the fair value hierarchy. For these investments, the Company obtains fair value measurements from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

The following summarizes financial instruments measured at fair value on a recurring basis at June 30, 2025 and December 31, 2024:

	Fair Value Measurements at Reporting Date Using			
			Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
(In thousands)	Total	Level 1		
June 30, 2025				
State and municipal securities	\$ 10,170	\$ —	\$ 10,170	\$ —
Asset-backed securities	7,013	—	7,013	—
Government mortgage-backed securities	7,351	—	7,351	—
Total	\$ 24,534	\$ —	\$ 24,534	\$ —
December 31, 2024				
State and municipal securities	\$ 10,551	\$ —	\$ 10,551	\$ —
Asset-backed securities	7,216	—	7,216	—
Government mortgage-backed securities	7,926	—	7,926	—
Total	\$ 25,693	\$ —	\$ 25,693	\$ —

Fair Values of Assets Measured on a Non-Recurring Basis

The Company may also be required, from time to time, to measure certain other assets at fair value on a non-recurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of lower-of-cost-or market accounting or write-downs of individual assets.

Certain loans were adjusted to fair value, less cost to sell, of the underlying collateral securing these loans resulting in losses. The loss is not recorded directly as an adjustment to current earnings, but rather as a component in determining the allowance for credit losses for loans. Fair value was measured using appraised values of collateral and adjusted as necessary by management based on unobservable inputs for specific properties.

The following summarizes assets measured at fair value on a nonrecurring basis at June 30, 2025 and December 31, 2024:

	Fair Value Measurements at Reporting Date Using:			
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<i>(In thousands)</i>	Total			
June 30, 2025				
Loans				
Enterprise value	\$ 6,806	\$ —	\$ —	\$ 6,806
Total	<u>\$ 6,806</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,806</u>
December 31, 2024				
Loans				
Enterprise value	\$ 7,471	\$ —	\$ —	\$ 7,471
Total	<u>\$ 7,471</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,471</u>

The following is a summary of the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a nonrecurring basis at June 30, 2025 and December 31, 2024:

<i>(In thousands)</i>	Fair Value	Valuation Technique	Unobservable Input	Range
June 30, 2025				
Loans				
Enterprise value	\$ 6,806	Business valuation	Market assumptions	0% - 5%
December 31, 2024				
Loans				
Enterprise value	\$ 7,471	Business valuation	Market assumptions	0% - 5%

At June 30, 2025, the contractual balance of enterprise value loans measured at fair value on a nonrecurring basis was \$17.7 million, net of reserves of \$10.8 million and deferred fees and costs of \$129,000. At December 31, 2024, the contractual balance of loans measured at fair value on a nonrecurring basis was \$17.7 million, net of reserves of \$10.1 million and deferred fees and costs of \$126,000 for the enterprise value segment.

Fair Values of Financial Instruments

GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments and all nonfinancial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The carrying amounts and estimated fair values of the Company's financial instruments, all of which are held or issued for purposes other than trading, are as follows at June 30, 2025 and December 31, 2024:

(In thousands)	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
June 30, 2025					
Financial assets:					
Cash and cash equivalents	\$ 128,909	\$ 128,909	\$ —	\$ —	\$ 128,909
Available-for-sale debt securities	24,534	—	24,534	—	24,534
Federal Home Loan Bank of Boston stock	2,242	N/A	N/A	N/A	N/A
Loans, net	1,293,469	—	—	1,269,988	1,269,988
Accrued interest receivable	4,877	—	4,877	—	4,877
Financial liabilities:					
Deposits	1,257,978	—	1,258,464	—	1,258,464
Borrowings	34,495	—	33,560	—	33,560
December 31, 2024					
Financial assets:					
Cash and cash equivalents	\$ 169,142	\$ 169,142	\$ —	\$ —	\$ 169,142
Available-for-sale debt securities	25,693	—	25,693	—	25,693
Federal Home Loan Bank of Boston stock	2,697	N/A	N/A	N/A	N/A
Loans, net	1,305,508	—	—	1,272,387	1,272,387
Accrued interest receivable	5,296	—	5,296	—	5,296
Assets held for sale	2,256	—	2,950	—	2,950
Financial liabilities:					
Deposits	1,308,960	—	1,309,492	—	1,309,492
Borrowings	44,563	—	43,492	—	43,492

The carrying amounts of financial instruments shown above are included in the consolidated balance sheets under the indicated captions.

(10) Regulatory Capital

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

The Bank is subject to capital regulations that require a Common Equity Tier 1 ("CET1") capital ratio of 4.5%, a minimum Tier 1 capital to risk-weighted assets ratio of 6.0%, a minimum total capital to risk-weighted assets ratio of 8.0% and a minimum Tier 1 leverage ratio of 4.0%. CET1 generally consists of common stock and retained earnings, subject to applicable adjustments and deductions. To be considered "well capitalized," the Bank must maintain a CET1 capital ratio of 6.5% and a Tier 1 ratio of 8.0%, a total risk-based capital ratio of 10% and a Tier 1 leverage ratio of 5.0%.

Federal banking agencies have established a community bank leverage ratio ("CBLR") framework for community banking organizations having total consolidated assets of less than \$10 billion, having a leverage ratio of greater than 9%, and satisfying other criteria, such as limitations on the amount of off-balance sheet exposures and on trading assets and liabilities. A community banking organization that qualifies for and elects to use the CBLR framework and that maintains a leverage ratio, calculated as Tier 1 capital to average total consolidated assets, greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the banking agencies' generally applicable capital rules and, if applicable, will be considered to have met the well-capitalized ratio requirements for federal law. As of June 30, 2025 and December 31, 2024, the Bank elected to be subject to the CBLR framework and was categorized by the FDIC as well capitalized under the regulatory framework for prompt corrective action.

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The Bank's actual capital amounts and ratios at June 30, 2025 and December 31, 2024 are summarized as follows:

(Dollars in thousands)	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
June 30, 2025				
Community Bank Leverage Ratio	\$ 212,286	13.91%	\$ 137,306	≥ 9.0%
December 31, 2024				
Community Bank Leverage Ratio	\$ 204,059	12.74%	\$ 144,099	≥ 9.0%

Liquidation Accounts

Upon the completion of the Company's initial stock offering in 2015 and the second step offering in 2019, liquidation accounts were established for the benefit of certain depositors of the Bank in amounts equal to:

1. The product of (i) the percentage of the stock issued in the initial stock offering in 2015 to persons other than Provident Bancorp, the top tier mutual holding company ("MHC") of the Company and (ii) the net worth of the mid-tier holding company as of the date of the latest balance sheet contained in the prospectus utilized in connection with the offering; and
2. The MHC's ownership interest in the retained earnings of the Company as of the date of the latest balance sheet contained in the 2019 prospectus plus the MHC's net assets (excluding its ownership of the Company).

The Company and the Bank are not permitted to pay dividends on their capital stock if the shareholders' equity of the Company, or the shareholder's equity of the Bank, would be reduced below the amount of the respective liquidation accounts. The liquidation accounts will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation accounts.

Other Restrictions

The Company's principal source of funds for dividend payments is dividends received from the Bank. Federal and state banking regulations restrict the amount of dividends that may be paid in a year, without prior approval of regulatory agencies, to the net income of the Bank for the year plus the retained net income of the previous two years. For the six months ended June 30, 2025, the Bank reported net income of \$5.8 million. For the years ended December 31, 2024 and 2023, the Bank reported net income of \$7.1 million and \$10.7 million, respectively. There were no dividends paid during the six months ended June 30, 2025.

The Company may, at times, repurchase its own shares in the open market. Such transactions are subject to the notice provisions for stock repurchases of the Board of Governors of the Federal Reserve System. In December 2024, the Company announced its receipt of non-objection from the FRB to repurchase 883,366 shares of its common stock. The Company did not repurchase any common stock under this program during the six months ended June 30, 2025, and following its entry into the Merger Agreement on June 5, 2025, the Company suspended the repurchase program.

(11) Employee Stock Ownership Plan

The Bank maintains an employee stock ownership plan (the "ESOP") to provide eligible employees the opportunity to own Company stock. The plan is a tax-qualified plan for the benefit of all eligible Bank employees. Contributions are allocated to eligible participants on the basis of compensation, subject to federal tax law limits. The ESOP acquired 1,538,868 shares between the initial and second-step stock offerings with the proceeds of a loan totaling \$11.8 million. The loan is payable over 15 years at a rate per annum equal to 5.00%. Shares used as collateral to secure the loan are released and available for allocation to eligible employees as the principal and interest on the loan is paid. The number of shares committed to be released per year through 2033 is 89,758.

Shares held by the ESOP include the following:

	June 30, 2025	December 31, 2024
Allocated	731,046	641,288
Committed to be allocated	44,879	89,758
Unallocated	762,943	807,822
Total	1,538,868	1,538,868

The fair value of unallocated shares was approximately \$9.5 million at June 30, 2025.

Total compensation expense recognized in connection with the ESOP for the three months ended June 30, 2025 and 2024 was \$255,000 and \$208,000, respectively. Total compensation expense recognized for the six months ended June 30, 2025 and 2024 was \$518,000 and \$433,000.

(12) Earnings (Loss) Per Common Share

Basic earnings (loss) per share represents income (loss) available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury method) that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period. For periods in which the Company has reported net loss, diluted loss per share attributable to common shareholders is the same as basic net loss per share attributable to common shareholders, because dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. Unallocated ESOP shares, treasury stock, and unvested restricted stock are not deemed outstanding for earnings (loss) per share calculations.

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<i>(Dollars in thousands, except per share amounts)</i>				
Net income (loss) attributable to common shareholders	\$ 2,824	\$ (3,308)	\$ 4,994	\$ 1,673
Average number of common shares issued	17,785,538	17,663,303	17,787,032	17,664,347
Less:				
Average unallocated ESOP shares	(770,423)	(860,183)	(781,580)	(871,403)
Average unvested restricted stock	(154,371)	(96,327)	(163,875)	(104,822)
Average number of common shares outstanding to calculate basic earnings per common share	16,860,744	16,706,793	16,841,577	16,688,122
Effect of dilutive unvested restricted stock and stock option awards	93,334	—	97,211	35,641
Average number of common shares outstanding to calculate diluted earnings per common share	16,954,078	16,706,793	16,938,788	16,723,763
Earnings (loss) per common share:				
Basic	\$ 0.17	\$ (0.20)	\$ 0.30	\$ 0.10
Diluted	\$ 0.17	\$ (0.20)	\$ 0.29	\$ 0.10

Stock options for 672,713 shares of common stock were not considered in computing diluted earnings per common share for the three months ended June 30, 2025 because they were anti-dilutive, meaning the exercise price for such options was higher than the average market price for the Company for such period. For the six months ended June 30, 2025 and 2024, stock options for 675,686 and 817,070 shares, respectively, were not considered in computing diluted earnings per common share because they were anti-dilutive.

(13) Share-Based Compensation

The Company maintains the Provident Bancorp, Inc. 2020 Equity Incentive Plan (the “2020 Equity Plan”) and the Provident Bancorp, Inc. 2016 Equity Incentive Plan (the “2016 Equity Plan”, and collectively with the 2020 Equity Plan, the “Equity Plans”). Under the Equity Plans, the Company may grant options, restricted stock, restricted units or performance awards to its directors, officers, and employees. Both incentive stock options and non-qualified stock options may be granted under the Equity Plans, with 902,344 and 1,021,239 shares reserved for options under the 2016 Equity Plan and 2020 Equity Plan, respectively. The exercise price of each option equals the market price of the Company’s stock on the date of grant and the maximum term of each option is ten years. The total number of shares reserved for restricted stock or restricted units is 360,935 and 408,495 under the 2016 Equity Plan and 2020 Equity Plan, respectively. The value of restricted stock grants is based on the market price of the stock on grant date. Options and awards vest ratably over three to five years. The Company has elected to recognize forfeitures of awards as they occur.

Expense related to options and restricted stock granted to directors is recognized in directors’ compensation within non-interest expense.

Stock Options

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

- Expected volatility is based on historical volatility of the Company’s common stock price;
- Expected life represents the period of time that the option is expected to be outstanding, taking into account the contractual term, and the vesting period;
- The dividend yield assumption is based on the Company’s expectation of dividend payouts; and
- The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period equivalent to the expected life of the option.

There were no options granted during the six months ended June 30, 2025.

A summary of the status of the Company's stock options for the six months ended June 30, 2025 is presented in the table below:

	Stock Option Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2024	1,116,092	\$ 11.17		
Granted	—	—		
Forfeited	(5,000)	11.64		
Expired	(3,000)	15.00		
Exercised	—	—		
Outstanding at June 30, 2025	1,108,092	\$ 11.16	5.66	\$ 1,944,000
Outstanding and expected to vest at June 30, 2025	1,108,092	\$ 11.16	5.66	\$ 1,944,000
Vested and Exercisable at June 30, 2025	728,829	\$ 11.02	4.50	\$ 1,396,000
Unrecognized compensation cost	\$ 1,432,000			
Weighted average remaining recognition period (years)	3.20			

For the three months ended June 30, 2025 and 2024, expense for the stock options was \$173,000 and \$131,000, respectively. For the six months ended June 30, 2025 and 2024, expense for the stock options was \$347,000 and \$261,000, respectively. There were no stock options exercised during the three or six months ended June 30, 2025. There were 124,346 stock options exercised during the three and six months ended June 30, 2024 with an intrinsic value of \$144,000.

Restricted Stock

Shares issued upon the granting of restricted stock may be either authorized but unissued shares or reacquired shares held by the Company. Any shares forfeited because vesting requirements are not met will be available for issuance under the Equity Plans. The fair market value of shares awarded, based on the market prices at the date of grant, is recorded as unearned compensation and amortized over the applicable vesting period.

The following table presents the activity in restricted stock awards under the Equity Plans for the six months ended June 30, 2025:

	Unvested Restricted Stock Awards	Weighted Average Grant Date Price
Unvested restricted stock awards at December 31, 2024	206,594	\$ 11.40
Granted	—	—
Forfeited	(2,500)	11.64
Vested	(24,329)	12.29
Unvested restricted stock awards at June 30, 2025	179,765	\$ 11.28
Unrecognized compensation cost	\$ 1,632,000	
Weighted average remaining recognition period (years)	3.33	

For the three months ended June 30, 2025 and 2024, expense for the restricted stock awards was \$191,000 and \$131,000, respectively. For the six months ended June 30, 2025 and 2024 expense for the restricted stock awards was \$383,000 and \$262,000, respectively. The tax benefit from restricted awards was \$53,000 and \$37,000 for the three months ended June 30, 2025 and 2024, respectively. The tax benefit from restricted awards was \$107,000 and \$77,000 for the six months ended June 30, 2025 and 2024, respectively. The total fair value of shares vested during the three months ended June 30, 2025 and 2024 was \$120,000 and \$79,000, respectively. The total fair value of shares vested during the six months ended June 30, 2025 and 2024 was \$282,000 and \$163,000, respectively.

(14) Leases

The Company has committed to rent premises used in business operations under non-cancelable operating leases and determines if an arrangement meets the definition of a lease upon inception. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities on the Company’s balance sheet.

During the second quarter of 2025, the Bank executed on a sale and leaseback transaction for its main office building located in Amesbury, Massachusetts. This transaction resulted in a \$745,000 gain related to the sale of the building, reported as other income on the Consolidated Statements of Operations, and a \$2.1 million ROU asset and operating lease liability on the Company’s balance sheet.

Operating lease ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For the leases that do not provide an implicit rate, the Company used its incremental collateralized borrowing rates commensurate with the underlying lease terms to determine present value of operating lease liabilities. The Company’s lease terms may include lease extension and termination options when it is reasonably certain that the Company will exercise the option. The Company recognized ROU assets totaling \$5.5 million and \$3.4 million at June 30, 2025 and December 31, 2024, respectively, and operating lease liabilities totaling \$5.9 million and \$3.9 million at June 30, 2025 and December 31, 2024, respectively. The lease liabilities recognized by the Company represent three leased branch locations and one loan production office.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease components, such as fair market value adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. For the three months ended June 30, 2025 and 2024, rent expense, including variable lease components, for the operating leases totaled \$95,000 and \$86,000, respectively. For the six months ended June 30, 2025 and 2024, rent expense, including variable lease components, for the operating leases totaled \$191,000 and \$173,000, respectively.

The following table presents information regarding the Company’s operating leases:

	June 30, 2025	December 31, 2024
Weighted-average discount rate	5.54%	5.83%
Range of lease expiration dates (in years)	3 - 10 years	3 - 11 years
Range of lease renewal options (in years)	0 - 30 years	0 - 30 years
Weighted-average remaining lease term (in years)	22.5 years	24.1 years

The following table presents the undiscounted annual lease payments under the terms of the Company’s operating leases at June 30, 2025 and December 31, 2024, including a reconciliation to the present value of operating lease liabilities recognized in the Consolidated Balance Sheets:

Fiscal Year-End	June 30, 2025	December 31, 2024
<i>(In thousands)</i>		
2025	\$ 243	\$ 346
2026	496	357
2027	502	359
2028	419	272
2029	411	261
Thereafter	8,362	5,499
Total lease payments	10,433	7,094
Less imputed interest	(4,494)	(3,232)
Total lease liabilities	\$ 5,939	\$ 3,862

The lease liabilities recognized include certain lease extensions as it is expected that the Company will use substantially all lease renewal options.

(15) Revenue Recognition

Revenue from contracts with customers in the scope of Accounting Standards Codification (“ASC Topic 606”) is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue from contracts with customers when it satisfies its performance obligations.

The Company’s performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. Unsatisfied performance obligations at the report date are not material to our consolidated financial statements.

The Company recognizes revenue that is transactional in nature and such revenue is earned at a point in time. Revenue that is recognized at a point in time includes card interchange fees (fee income related to debit card transactions), ATM fees, wire transfer fees, overdraft charge fees, and stop-payment and returned check fees. Additionally, revenue is collected from loan fees, such as letters of credit, line renewal fees and application fees. Such revenue is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer’s transaction.

(16) Qualified Affordable Housing Project Investments

The Bank invests in qualified affordable housing projects. At June 30, 2025 and December 31, 2024, the balance of the investment for qualified affordable housing projects was \$5.0 million and \$5.4 million, respectively. These balances are reflected in the other assets line on the Consolidated Balance Sheets. Under the proportional amortization method, the Company recognized amortization expense of \$179,000 and tax credits of \$208,000 for the three months ended June 30, 2025. For the three months ended June 30, 2024, the Company recognized amortization expense of \$178,000 and tax credits of \$218,000. The Company recognized amortization expense of \$358,000 and tax credits of \$415,000 for the six months ended June 30, 2025. The Company recognized amortization expense of \$356,000 and tax credits of \$437,000 for the six months ended June 30, 2024.

(17) Segment Information

The Company's sole reportable segment is determined by the Chief Financial Officer, who is the designated chief operating decision maker, based upon information provided to him regarding the Company's banking products and services offered. Please refer to the consolidated statements of operations and the consolidated balance sheets included herein.

The Company only has one reportable segment, distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the Company, which are then aggregated since operating performance, products and service, and customers are similar. The chief operating decision maker assesses the financial performance of the Company's business components by evaluating revenue streams and significant expenses in determining the Company's segment and the allocation of resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. Consolidated net income is used by the chief operating decision maker to benchmark the Company against its competitors. The benchmarking analysis is used in assessing performance and establishing compensation.

(18) Commitments and Contingencies

On October 24, 2024, the Company received a letter from the staff of the Boston Regional Office of the SEC informing the Company that the staff had made a preliminary determination to recommend that the SEC file an action against the Company for violating certain sections of the federal securities laws (the "Wells Notice"). The staff has indicated that the Wells Notice relates to the Company's disclosures regarding loans that the Company made to companies engaged in the mining of cryptocurrency – a line of business the Company ceased originating new loans in as of October 2022. The Wells Notice indicates that the staff's recommendation to the SEC may involve a civil injunction action or other action allowed by law, and may seek remedies that include an injunction, disgorgement, pre-judgment interest, civil money penalties, and such other relief as may be available.

The Company is pursuing the Wells Notice process and continues to explore a potential resolution with the SEC staff. As of June 30, 2025, the Bank has recorded a contingency of \$350,000 in connection with this matter. However, the ultimate outcome, including the results, timing, costs, and other potential consequences, remains uncertain and could differ significantly from current estimates. Associated legal costs are expensed as incurred.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations at June 30, 2025 and December 31, 2024 and for the three and six months ended June 30, 2025 and 2024 is intended to assist in understanding our financial condition and results of operations. Operating results for the three- and six-month periods ended June 30, 2025 may not be indicative of results for all of 2025 or any other period. The information contained in this section should be read in conjunction with the Unaudited Consolidated Financial Statements and the notes thereto, appearing in Part 1, Item 1 of this report.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- failure to complete the proposed merger with NB Bancorp, Inc. ("NB Bancorp") or unexpected delays related to the merger or either party's inability to satisfy closing conditions required to complete the merger;
- failure to obtain necessary regulatory approvals (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the proposed merger);
- certain restrictions during the pendency of the proposed merger with NB Bancorp that may impact the Company's ability to pursue certain business opportunities or strategic transactions;
- the diversion of management's attention from ongoing business operations and opportunities;
- general economic conditions, either nationally or in our market areas, that are worse than expected, including potential recessionary conditions or slowed economic growth caused by tariffs, inflation, supply chain disruptions or otherwise;
- any concentration risk within our lending and deposit portfolio;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of or methodology for the calculation of the allowance for credit losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- changes in monetary or fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board;
- negative impact from unfavorable regulatory penalties and/or settlements;
- cyber attacks, computer viruses and other technological risks that may breach the security of our websites or other systems, or those of third parties upon which we rely, to obtain unauthorized access to confidential information and destroy data or disable our systems;
- technological changes that may be more difficult or expensive than expected;
- the ability of third-party providers to perform their obligations to us;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, reduce the fair value of financial instruments or reduce the origination levels in our lending business, or increase the level of defaults, losses and prepayments on loans we have made and make whether held in portfolio or sold in the secondary markets;
- adverse changes in the securities markets;
- changes in and impacts of laws or government regulations or policies affecting financial institutions, including changes in regulatory fees, tax policy and rates, and capital requirements, and our ability to comply with such laws and regulations;
- our ability to address any issues raised in regulatory examinations;
- our ability to manage market risk, credit risk and operational risk;
- changes in investor sentiment and consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- the effect of potential future supervisory action against us or BankProv and our ability to address any issues raised in our regulatory exams;
- our ability to retain key employees;
- effects of natural disasters and global pandemics;
- the effects of domestic and international hostilities, including terrorism;
- the implementation of tariffs, and the potential for retaliatory trade measures from other nations, which could raise the cost of goods and services;
- our ability to control costs and expenses, particularly in relation to the non-discretionary costs associated with operating as a publicly traded company;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Critical Accounting Policies

Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Management believes that the most critical accounting policy, which involves the most complex or subjective decisions or assessments, is as follows:

Allowance for Credit Losses for Loans. The allowance for credit losses for loans (“ACL”) represents management’s estimate of expected credit losses over the expected contractual life of our loan portfolio. Determining the appropriateness of the ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the ACL in those future periods.

The appropriateness of the ACL could change significantly because current economic conditions and forecasts can change and future events are inherently difficult to predict. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall allowance because a wide variety of factors and inputs are considered in estimating the allowance and changes in those factors and inputs considered may not occur at the same rate and may not be consistent across all product types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others. One of the most significant judgments used in determining the allowance for credit losses is the macroeconomic forecast provided by a third party. Changes in the macroeconomic forecast, especially for the national unemployment rate, could significantly impact the calculated estimated credit losses.

While management utilizes its best judgment and information available, the ultimate adequacy of our ACL is dependent upon a variety of factors beyond our control, including the performance of our loan portfolios, the economy, and changes in interest rates. For more information regarding the Allowance for Credit Losses for Loans refer to Note 6 - Loans and Allowance for Credit Losses for Loans of the Notes to the Unaudited Consolidated Financial Statements.

Recent Events

On June 5, 2025, NB Bancorp, Inc. (the “Buyer”), Needham Bank, a wholly-owned subsidiary of the Buyer, 1828 MS, Inc., a wholly owned subsidiary of the Buyer formed solely to facilitate the transaction (the “Merger Sub” and together with the Buyer and Needham Bank, “Needham”), the Company and the Bank, entered into an Agreement and Plan of Merger (the “Merger Agreement”). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Needham will acquire the Company and the Bank through the merger of the Merger Sub with and into the Company (the “Merger”) followed as soon as reasonably practicable by the merger of the Company with and into the Buyer, with the Buyer as the surviving entity (the “Holdco Merger”). After the Holdco Merger, at a time selected by Buyer, the Bank will merge with and into Needham Bank, with Needham Bank as the surviving entity.

Prior to the effective time of the Merger, shareholders of the Company will have the right to elect to receive for each share of the Company’s common stock either (i) 0.691 shares of the Buyer’s common stock (the “Stock Consideration”) or (ii) \$13.00 in cash, subject to proration procedures to ensure that the holders of 50% of the shares of the Company’s common stock receive the Stock Consideration.

The completion of the Merger is subject to various closing conditions, including the receipt of shareholder and regulatory approvals.

On July 4, 2025, President Trump signed into law the legislation formally titled “An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14” and commonly referred to as the One Big Beautiful Bill (“the Act”). The Company is currently evaluating income tax implications of the Act. The Company does not expect the Act to have a material impact on the Company’s financial statements.

Balance Sheet Analysis

Assets. Total assets were \$1.54 billion at June 30, 2025, a decrease of \$52.3 million, or 3.3%, from \$1.59 billion at December 31, 2024.

Cash and Cash Equivalents. Cash and cash equivalents decreased \$40.2 million, or 23.8%, to \$128.9 million at June 30, 2025, compared to \$169.1 million at December 31, 2024, primarily due to a decrease in deposits. For more information on cash sources and uses please refer to “– Liquidity and Capital Resources”.

Loan Portfolio Analysis. Net loans were \$1.29 billion at June 30, 2025, a decrease of \$12.0 million, or 0.9%, from December 31, 2024. The decrease in net loans was primarily driven by a decrease in enterprise value loans of \$63.4 million, or 20.5%. Since December 31, 2024, the decrease in the loan portfolio, caused by strategic runoff in the enterprise value portfolio, has been partially offset by targeted growth in the commercial real estate portfolio of \$21.4 million, the construction and land development portfolio of \$9.3 million, and the mortgage warehouse portfolio of \$25.0 million.

Loan Portfolio Concentrations. The following table provides information with respect to our loan portfolio concentrations at June 30, 2025 and December 31, 2024:

	At June 30, 2025		At December 31, 2024	
	Amount	Percent of total loans	Amount	Percent of total loans
<i>(Dollars in thousands)</i>				
Commercial real estate	\$ 580,750	44.19%	\$ 559,325	42.16%
Construction and land development	37,362	2.84	28,097	2.12
Residential real estate	4,936	0.37	6,008	0.45
Mortgage warehouse	284,154	21.62	259,181	19.54
Commercial	160,596	12.22	163,927	12.36

Enterprise value	246,382	18.75	309,786	23.35
Consumer	85	0.01	271	0.02
Total loans	1,314,265	100.00%	1,326,595	100.00%
Allowance for credit losses for loans	(20,796)		(21,087)	
Net loans	\$ 1,293,469		\$ 1,305,508	

Commercial Real Estate Concentrations. The following table provides information with respect to our commercial real estate concentrations at June 30, 2025 and December 31, 2024:

	At June 30, 2025			At December 31, 2024		
	Amortized cost	Percent of commercial real estate	Percent of total loans	Amortized cost	Percent of commercial real estate	Percent of total loans
<i>(Dollars in thousands)</i>						
Industrial/manufacturing/warehouse	\$ 91,848	15.81%	6.99%	\$ 93,551	16.73%	7.05%
Self-storage facility	79,364	13.67	6.04	80,301	14.36	6.05
Multifamily	72,510	12.49	5.52	67,068	11.99	5.06
Office	61,151	10.53	4.65	62,228	11.13	4.69
Mixed use	43,459	7.48	3.31	44,322	7.92	3.34
Mobile home park	40,770	7.02	3.10	32,124	5.74	2.42
Hotel/motel/inn	36,521	6.29	2.78	40,118	7.17	3.02
Campground/RV park	34,469	5.93	2.62	22,176	3.96	1.67
Retail	28,721	4.95	2.18	20,621	3.69	1.55
Residential one-to-four family	27,448	4.73	2.09	27,699	4.95	2.09
Other commercial real estate	64,489	11.10	4.91	69,117	12.36	5.22
Total	\$ 580,750	100.00%	44.19%	\$ 559,325	100.00%	42.16%

Enterprise Value Concentrations. The Bank has focused on reducing the risk exposure in this portfolio, which has included building our credit management practices with improved analytics that provide for enhanced monitoring of early warning risk indicators. This effort has resulted in more detailed industry information, as noted in the table below where loans previously classified as *Other* were re-classified during the first quarter of 2025 to improve the reporting of our concentrations and industry diversification. The following table provides information with respect to our enterprise value concentrations at June 30, 2025 and December 31, 2024:

	As of June 30, 2025			At December 31, 2024		
	Amortized cost	Percent of enterprise value	Percent of total loans	Amortized cost	Percent of enterprise value	Percent of total loans
<i>(Dollars in thousands)</i>						
Consulting services	\$ 50,104	20.34%	3.81%	\$ 61,840	19.96%	4.66%
Healthcare and social assistance	35,192	14.28	2.68	33,352	10.77	2.51
Professional services	32,467	13.18	2.47	37,898	12.23	2.86
Advertising	27,201	11.04	2.07	36,464	11.77	2.75
Construction	24,846	10.08	1.89	13,895	4.49	1.05
Personal services	23,751	9.64	1.81	26,035	8.40	1.96
Industrial/manufacturing/warehouse	19,724	8.00	1.50	24,697	7.97	1.86
Real estate services	17,732	7.20	1.35	27,935	9.02	2.11
Other	15,365	6.24	1.17	47,670	15.39	3.59
Total	\$ 246,382	100.00%	18.75%	\$ 309,786	100.00%	23.35%

Credit Risk Management. Our strategy for credit risk management focuses on having well-defined credit policies, uniform underwriting criteria, and providing prompt attention to potential problem loans. Management of asset quality is accomplished through strong internal controls, monitoring and reporting of key risk indicators, and both internal and independent third-party loan reviews. The primary objective of our loan review process is to measure borrower performance and assess risk to identify loan weakness in order to minimize loan loss exposure. From the time of loan origination through final repayment, commercial real estate, enterprise value, construction and land development and commercial loans are assigned a risk rating. We use an internal loan grading system and formally review the ratings annually for most loans, in addition to independent third-party review.

Internal and independent third-party loan reviews vary by loan type and, depending on the size and complexity of the loan, some loans may warrant detailed individual review, while other loans may have less risk, based upon size, or inclusion in a homogeneous pool, reducing the need for detailed individual analysis. Assets with these characteristics, such as consumer loans and residential mortgages, may be reviewed based on risk indicators such as delinquency or credit rating. In cases of significant concern, a total re-evaluation of a loan and its associated risks are documented. We may re-evaluate the fair market value or net realizable value to determine the likelihood of potential loss exposure and, consequently, the adequacy of specific and general credit loss reserves.

When a borrower fails to make a required loan payment, we take steps to have the borrower cure the delinquency and restore the loan to current status, including contacting the borrower at regular intervals. When the borrower is in default, we may commence collection proceedings. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the property securing the loan generally is sold at foreclosure. On a monthly and/or quarterly basis, management provides the Board of Directors delinquency reports and analysis, including information on any foreclosures, if applicable.

Delinquencies. Total past due loans increased \$5.1 million to \$7.3 million at June 30, 2025 from \$2.2 million at December 31, 2024. The increase was primarily driven by a \$5.6 million enterprise value relationship that went on non-accrual status after becoming 90+ days past due during the second quarter of 2025. This relationship was individually analyzed for reserves as of June 30, 2025 and, based on a third-party valuation which indicated sufficient collateral, the Bank has not taken a reserve against this relationship as of that date.

Non-performing Assets. Non-performing assets include loans that are 90 or more days past due or on non-accrual status and real estate and other loan collateral acquired through foreclosure and repossession. All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Real estate that we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as foreclosed real estate until it is sold. When property is acquired, it is initially recorded at fair value less costs to sell, establishing a new cost basis. Declines in fair value subsequent to foreclosure will result in charges against income, while operating costs after acquisition are expensed.

The following table sets forth information regarding our non-performing assets at the dates indicated:

<i>(Dollars in thousands)</i>	At June 30, 2025	At December 31, 2024
Non-accrual loans:		
Commercial real estate	\$ 54	\$ 57
Residential real estate	420	366
Commercial	1,536	1,543
Enterprise value	32,430	18,920
Consumer	—	1
Total non-accrual loans	34,440	20,887
Total non-performing assets	\$ 34,440	\$ 20,887
Allowance for credit losses for loans as a percent of non-performing loans	60.38%	100.96%
Non-performing loans as a percent of total loans (1)	2.62%	1.57%
Non-performing loans as a percent of total assets	2.24%	1.31%

(1) Loans are presented at amortized cost.

Non-accrual loans increased \$13.6 million, or 64.9%, to \$34.4 million, or 2.62% of total loans outstanding at June 30, 2025, from \$20.9 million, or 1.57% of total loans outstanding at December 31, 2024. The increase in non-accrual loans as of June 30, 2025 was primarily driven by a \$10.5 million enterprise value relationship that was placed on non-accrual status and individually analyzed for reserves during the first quarter of 2025. The enterprise value relationship is with a behavioral health company with multiple mental health and addiction treatment facilities located in Massachusetts. During the second quarter of 2025, the Bank executed a workout transaction that included a \$1.0 million paydown and a \$9.5 million extension of credit to a new operator. This relationship will remain on nonaccrual status until consistent performance is demonstrated. Also, contributing to the increase in non-accrual loans was the \$5.6 million enterprise value relationship that was placed on non-accrual status after becoming 90 days past due during the second quarter of 2025.

Repayment of non-performing loans is largely dependent on the return of such loans to performing status or the liquidation of the underlying collateral. The Company pursues the resolution of all non-performing loans through collections, modifications, voluntary liquidation of collateral by the borrower and, where necessary, legal action. When attempts to work with a customer to return a loan to performing status, including restructuring the loan, are unsuccessful, the Company will initiate appropriate legal action seeking to acquire property by deed in lieu of foreclosure or through foreclosure, or to liquidate business assets.

Activity in the Allowance for Credit Losses for Loans. The following table sets forth activity in our allowance for credit losses for the periods indicated:

(Dollars in thousands)	Six Months Ended June 30,	
	2025	2024
Allowance at beginning of period	\$ 21,087	\$ 21,571
Credit loss (benefit) expense for loans	(314)	924
Charge-offs:		
Commercial	—	5
Digital asset	—	2,124
Consumer	22	29
Total charge-offs	22	2,158
Recoveries:		
Residential real estate	14	2
Commercial	31	—
Consumer	—	2
Total recoveries	45	4
Net (recoveries) charge-offs	(23)	2,154
Allowance at end of period	\$ 20,796	\$ 20,341
Allowance to total loans outstanding at end of period	1.58%	1.49%
Net charge-offs to average loans outstanding during the period (annualized)	—%	0.32%

The increase in the allowance between June 30, 2025 and June 30, 2024 was primarily due to one enterprise value relationship with an amortized cost of \$17.6 million, which incurred an additional \$3.7 million in individually analyzed reserves since June 30, 2024. The increase in the allowance for credit losses for loans was partially offset by an \$880,000 recovery and reductions in the general allowance due to updated loss rates resulting from the annual refresh of our current expected credit loss model in the fourth quarter of 2024, and changes in the loan portfolio mix since June 30, 2024.

Deposits. Total deposits were \$1.26 billion at June 30, 2025, a decrease of \$51.0 million, or 3.9%, from \$1.31 billion at December 31, 2024. This decrease was primarily due to a \$42.3 million decrease in retail deposits and a \$23.5 million decrease in listing service deposits, partially offset by a \$14.8 million increase in brokered deposits. The \$42.3 million decrease in retail deposits since December 31, 2024, was primarily attributable to a \$37.5 million decrease in deposits related to areas where the Bank has intentionally scaled back its strategic focus.

The following table sets forth the distribution of total deposits by account type at the dates indicated:

(Dollars in thousands)	At June 30, 2025		At December 31, 2024	
	Amount	Percent	Amount	Percent
Noninterest-bearing:				
Retail deposits				
Demand	\$ 287,927	22.89%	\$ 351,528	26.86%
Interest-bearing:				
Retail deposits				
NOW	103,115	8.20%	83,270	6.36%
Regular savings	81,020	6.44%	87,340	6.67%
Money market deposits	463,099	36.81%	463,686	35.42%
Certificates of deposit	133,713	10.63%	125,365	9.58%
Brokered deposits				
Money market deposits	1	—%	1	—%
Certificates of deposit	165,000	13.12%	150,189	11.47%
Listing service deposits				
Regular savings	24,103	1.91%	44,858	3.43%
Certificates of deposit	—	—%	2,723	0.21%
Total	\$ 1,257,978	100.00%	\$ 1,308,960	100.00%

Borrowings. Total borrowings were \$34.5 million at June 30, 2025, a decrease of \$10.1 million, or 22.6%, from December 31, 2024, due to the maturity of a short-term advance from the FHLB.

Shareholders' Equity. As of June 30, 2025, shareholders' equity totaled \$237.4 million, an increase of \$6.3 million, or 2.7%, from December 31, 2024. The increase includes the Company's net income, which totaled \$5.0 million for the six months ended June 30, 2025. Shareholders' equity to total assets was 15.4% at June 30, 2025, compared to 14.5% at December 31, 2024. Book value per share was \$13.35 at June 30, 2025, an increase from \$12.99 at December 31, 2024. As of June 30, 2025, the Bank was categorized as well capitalized under the Federal Deposit Insurance Corporation regulatory framework for prompt corrective action.

Results of Operations for the Three Months Ended June 30, 2025 and 2024

General. The Company reported net income for the quarter ended June 30, 2025 of \$2.8 million, or \$0.17 per diluted share, compared to a net loss of \$3.3 million, or \$0.20 per diluted share, for the quarter ended June 30, 2024. The Company's return on average assets was 0.74% for the quarter ended June 30, 2025, compared to a loss on average assets of 0.85% for the quarter ended June 30, 2024. The Company's return on average equity was 4.77% for the quarter ended June 30, 2025, compared to a loss on average equity of 5.80% for the quarter ended June 30, 2024.

Net Interest and Dividend Income. Net interest and dividend income was \$13.5 million, an increase of \$1.6 million, or 13.2%, compared to the quarter ended June 30, 2024. The interest rate spread and net interest margin were 2.79% and 3.77%, respectively, for the quarter ended June 30, 2025, compared to 2.10% and 3.27%, respectively, for the quarter ended June 30, 2024.

Average Balance Sheet and Related Yields and Rates. The following table sets forth the average balance sheets, annualized average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the amount of tax-free interest-earning assets was immaterial. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended					
	June 30, 2025			June 30, 2024		
	Average Balance	Interest Earned/ Paid	Yield/ Rate (5)	Average Balance	Interest Earned/ Paid	Yield/ Rate (5)
<i>(Dollars in thousands)</i>						
Assets:						
Interest-earning assets:						
Loans (1)	\$ 1,320,244	\$ 20,085	6.09%	\$ 1,328,650	\$ 20,311	6.11%
Short-term investments	87,843	984	4.48%	102,395	1,318	5.15%
Debt securities available-for-sale	24,786	182	2.94%	27,485	206	3.00%
Federal Home Loan Bank stock	2,596	49	7.55%	1,865	37	7.94%
Total interest-earning assets	1,435,469	21,300	5.94%	1,460,395	21,872	5.99%
Noninterest earning assets	87,489			104,388		
Total assets	\$ 1,522,958			\$ 1,564,783		
Liabilities and shareholders' equity:						
Interest-bearing liabilities:						
Savings accounts	\$ 106,622	\$ 215	0.81%	\$ 215,344	\$ 1,646	3.06%
Money market accounts	446,440	3,733	3.34%	456,566	4,499	3.94%
NOW accounts	92,260	395	1.71%	69,737	225	1.29%
Certificates of deposit	287,166	2,918	4.06%	251,361	3,237	5.15%
Total interest-bearing deposits	932,488	7,261	3.11%	993,008	9,607	3.87%
Borrowings						
Short-term borrowings	43,989	482	4.38%	17,439	281	6.45%
Long-term borrowings	9,507	30	1.26%	9,642	31	1.29%
Total borrowings	53,496	512	3.83%	27,081	312	4.61%
Total interest-bearing liabilities	985,984	7,773	3.15%	1,020,089	9,919	3.89%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	292,421			306,081		
Other noninterest-bearing liabilities	7,920			10,519		
Total liabilities	1,286,325			1,336,689		
Total equity	236,633			228,094		
Total liabilities and equity	\$ 1,522,958			\$ 1,564,783		
Net interest income		\$ 13,527			\$ 11,953	
Interest rate spread (2)			2.79 %			2.10%
Net interest-earning assets (3)	\$ 449,485			\$ 440,306		
Net interest margin (4)			3.77 %			3.27%
Average interest-earning assets to interest-bearing liabilities	145.59%			143.16%		

- (1) Interest earned/paid on loans includes \$659,000 and \$660,000 in loan fee income for the three months ended June 30, 2025 and June 30, 2024, respectively.
- (2) Interest rate spread represents the difference between the weighted average yield on interest-bearing assets and the weighted average of interest-bearing liabilities.
- (3) Net interest-earning assets represent total interest earning assets less total interest-bearing liabilities.
- (4) Net interest margin represents net interest income divided by average total interest-earning assets.
- (5) Annualized.

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effect attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

(In thousands)	For the Three Months Ended June 30, 2025 Compared to the Three Months Ended June 30, 2024		
	Increase (Decrease) Due to		Total
	Rate	Volume	Increase (Decrease)
Interest-earning assets:			
Loans	\$ (98)	\$ (128)	\$ (226)
Short-term investments	(159)	(175)	(334)
Debt securities available-for-sale	(4)	(20)	(24)
Federal Home Loan Bank stock	(2)	14	12
Total interest-earning assets	(263)	(309)	(572)
Interest-bearing liabilities:			
Savings accounts	(849)	(582)	(1,431)
Money market accounts	(668)	(98)	(766)
NOW accounts	86	84	170
Certificates of deposit	(741)	422	(319)
Total interest-bearing deposits	(2,172)	(174)	(2,346)
Borrowings			
Short-term borrowings	(114)	315	201
Long-term borrowings	(1)	—	(1)
Total borrowings	(115)	315	200
Total interest-bearing liabilities	(2,287)	141	(2,146)
Change in net interest income	\$ 2,024	\$ (450)	\$ 1,574

Interest and Dividend Income. Total interest and dividend income was \$21.3 million for the quarter ended June 30, 2025, a decrease of \$572,000, or 2.6%, from the quarter ended June 30, 2024. The Company's yield on interest-earning assets was 5.94% for the quarter ended June 30, 2025, down five basis from the quarter ended June 30, 2024. Interest on short-term investments decreased \$334,000, or 25.3%, from the quarter ended June 30, 2024. This decrease was primarily driven by a decrease in the average balance of short-term investments of \$14.6 million, or 14.2%, from June 30, 2024 and a decrease in the yield on short-term investments to 4.48% for the quarter, which represents a decrease of 67 basis points from the quarter ended June 30, 2024. Interest and fees on loans decreased \$226,000, or 1.1%, from the quarter ended June 30, 2024. This decrease was primarily driven by a decrease in the average balance of loans of \$8.4 million, or 0.6%, from June 30, 2024 and a decrease in the yield on loans to 6.09% for the quarter, which represents a decrease of two basis points from the quarter ended June 30, 2024.

Interest Expense. Total interest expense was \$7.8 million for the quarter ended June 30, 2025, a decrease of \$2.1 million, or 21.6%, from the quarter ended June 30, 2024. This decrease was primarily due to a \$2.3 million, or 24.4%, decrease in interest on deposits, primarily driven by a 76 basis point reduction in the cost of interest-bearing deposits to 3.11% for the quarter ended June 30, 2025, compared to 3.87% for the quarter ended June 30, 2024. The Company's total cost of interest-bearing liabilities was 3.15% for the quarter ended June 30, 2025, a decrease of 74 basis points from the quarter ended June 30, 2024.

Provision for Credit Losses. The Company recognized a \$378,000 credit loss benefit for the quarter ended June 30, 2025, compared to a \$6.5 million provision for the quarter ended June 30, 2024. The benefit for the quarter ended June 30, 2025 was primarily driven by a reduction in pooled reserves, largely reflecting a decline in total loans, specifically within the enterprise value portfolio, which typically carries a higher reserve rate than other loan categories. The \$6.5 million provision for the quarter ended June 30, 2024 was primarily due to a \$7.1 million individually analyzed reserve on a \$17.6 million enterprise value relationship.

Noninterest Income. Noninterest income was \$2.2 million for the quarter ended June 30, 2025 an increase of \$708,000, or 46.5%, from the quarter ended June 30, 2024. During the second quarter of 2025, noninterest income included a \$745,000 gain on a sale/leaseback transaction for the Bank's main office building.

Noninterest Expense. Noninterest expense was \$12.1 million for the quarter ended June 30, 2025, compared to \$11.6 million for the quarter ended June 30, 2024. The \$497,000, or 4.3%, increase was primarily attributable to \$543,000 of merger-related expenses included in professional fees for the second quarter of 2025, and a contingency included in other expenses related to the previously-disclosed Wells Notice received from the SEC. Merger-related fees included in noninterest expenses were more than offset by improvements in organizational efficiency and the successful reduction of operating costs.

Income Tax Expense. The Company recorded an income tax provision of \$1.2 million for the quarter ended June 30, 2025, reflecting an effective tax rate of 30.2%, compared to a benefit of \$1.3 million, or an effective tax rate of 27.7%, for the quarter ended June 30, 2024. The increase in the effective tax rate for the current quarter was primarily attributable to non-deductible merger-related expenses and higher pre-tax income.

Results of Operations for the Six Months Ended June 30, 2025 and 2024

General. The Company reported net income for the six months ended June 30, 2025 of \$5.0 million, or \$0.29 per diluted share, compared to \$1.7 million, or \$0.10 per diluted share, for the six months ended June 30, 2024. The Company's return on average assets was 0.66% for the six months ended June 30, 2025, compared to 0.21% for the six months ended June 30, 2024. The Company's return on average equity was 4.25% for the six months ended June 30, 2025, compared to 1.48% for the six months ended June 30, 2024.

Net Interest and Dividend Income. Net interest and dividend income was \$26.4 million, an increase of \$2.0 million, or 8.0%, compared to \$24.4 million for the six months ended June 30, 2024. The interest rate spread and net interest margin were 2.70% and 3.71%, respectively, for the six months ended June 30, 2025, compared to 2.19% and 3.33%, respectively, for the six months ended June 30, 2024.

Average Balance Sheet and Related Yields and Rates. The following table sets forth the average balance sheets, annualized average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the amount of tax-free interest-earning assets was immaterial. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Six Months Ended					
	June 30, 2025			June 30, 2024		
	Average Balance	Interest Earned/ Paid	Yield/ Rate (5)	Average Balance	Interest Earned/ Paid	Yield/ Rate (5)
<i>(Dollars in thousands)</i>						
Assets:						
Interest-earning assets:						
Loans (1)	\$ 1,305,993	\$ 39,392	6.03%	\$ 1,325,955	\$ 40,380	6.09%
Short-term investments	89,014	1,997	4.49%	112,971	3,047	5.39%
Debt securities available-for-sale	25,187	371	2.95%	27,859	411	2.95%
Federal Home Loan Bank stock	2,646	120	9.07%	1,824	69	7.57%
Total interest-earning assets	1,422,840	41,880	5.89%	1,468,609	43,907	5.98%
Noninterest earning assets	89,870			101,639		
Total assets	<u>\$ 1,512,710</u>			<u>\$ 1,570,248</u>		
Liabilities and shareholders' equity:						
Interest-bearing liabilities:						
Savings accounts	\$ 112,635	\$ 479	0.85%	\$ 229,746	\$ 3,607	3.14%
Money market accounts	447,112	7,489	3.35%	455,724	8,737	3.83%
NOW accounts	82,630	652	1.58%	76,284	408	1.07%
Certificates of deposit	278,073	6,010	4.32%	240,989	6,195	5.14%
Total interest-bearing deposits	920,450	14,630	3.18%	1,002,743	18,947	3.78%
Borrowings						
Short-term borrowings	40,972	788	3.85%	14,811	459	6.20%
Long-term borrowings	9,524	60	1.26%	9,658	62	1.28%
Total borrowings	50,496	848	3.36%	24,469	521	4.26%
Total interest-bearing liabilities	970,946	15,478	3.19%	1,027,212	19,468	3.79%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	298,477			306,215		
Other noninterest-bearing liabilities	8,097			11,280		
Total liabilities	1,277,520			1,344,707		
Total equity	235,190			225,541		
Total liabilities and equity	<u>\$ 1,512,710</u>			<u>\$ 1,570,248</u>		
Net interest income		<u>\$ 26,402</u>			<u>\$ 24,439</u>	
Interest rate spread (2)			<u>2.70%</u>			<u>2.19%</u>
Net interest-earning assets (3)	<u>\$ 451,894</u>			<u>\$ 441,397</u>		
Net interest margin (4)			<u>3.71%</u>			<u>3.33%</u>
Average interest-earning assets to interest-bearing liabilities	146.54%			142.97%		

(1) Interest earned/paid on loans includes \$1.4 million in loan fee income for the six months ended June 30, 2025 and June 30, 2024.

(2) Interest rate spread represents the difference between the weighted average yield on interest-bearing assets and the weighted average of interest-bearing liabilities.

(3) Net interest-earning assets represent total interest earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

(5) Annualized.

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effect attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

(In thousands)	For the Six Months Ended June 30, 2025 Compared to the Six Months Ended June 30, 2024		
	Increase (Decrease) Due to		Total
	Rate	Volume	Increase (Decrease)
Interest-earning assets:			
Loans	\$ (384)	\$ (604)	\$ (988)
Short-term investments	(464)	(586)	(1,050)
Debt securities available-for-sale	(1)	(39)	(40)
Federal Home Loan Bank stock	16	35	51
Total interest-earning assets	(833)	(1,194)	(2,027)
Interest-bearing liabilities:			
Savings accounts	(1,841)	(1,287)	(3,128)
Money Market accounts	(1,086)	(162)	(1,248)
NOW accounts	208	36	244
Certificates of deposit	(1,064)	879	(185)
Total interest-bearing deposits	(3,783)	(534)	(4,317)
Borrowings			
Short-term borrowings	(229)	558	329
Long-term borrowings	(1)	(1)	(2)
Total borrowings	(230)	557	327
Total interest-bearing liabilities	(4,013)	23	(3,990)
Change in net interest income	\$ 3,180	\$ (1,217)	\$ 1,963

Interest and Dividend Income. Total interest and dividend income was \$41.9 million for the six months ended June 30, 2025, a decrease of \$2.0 million, or 4.6%, from the six months ended June 30, 2024. The Company's yield on interest-earning assets was 5.89% for the six months ended June 30, 2025, down nine basis points from the six months ended June 30, 2024. Interest on short-term investments decreased \$1.1 million, or 34.5%, from the six months ended June 30, 2024. This decrease was primarily driven by decreases in the average balance of short-term investments of \$24.0 million, or 21.2%, from the six months ended June 30, 2024 and in the yield on short-term investments to 4.49% for the six months ended June 30, 2025, which represents a decrease of 90 basis points from the six months ended June 30, 2024. Interest and fees on loans decreased \$988,000, or 2.4%, from the six months ended June 30, 2024. This decrease was primarily driven by decreases in the average balance of loans of \$20.0 million, or 1.5%, from June 30, 2024 and in the yield on loans to 6.03% for the six months ended June 30, 2025, which represents a decrease of six basis points from the six months ended June 30, 2024.

Interest Expense. Total interest expense was \$15.5 million for the six months ended June 30, 2025, a decrease of \$4.0 million, or 20.5%, from the six months ended June 30, 2024. The decrease in interest expense was primarily driven by a decrease in the cost and, to a lesser extent, average balance of interest-bearing deposits. Interest expense on deposits was \$14.6 million for the six months ended June 30, 2025, a decrease of \$4.3 million, or 22.8%, from \$18.9 million for the six months ended June 30, 2024. This decrease was primarily driven by a 60 basis point decrease in the average cost of interest-bearing deposits, from 3.78% to 3.18% and a decrease in the average balance of deposits, primarily due to a decrease in higher-cost savings accounts obtained through listing services. For the six months ended June 30, 2025, interest expense on borrowings increased \$327,000, or 62.8%, primarily due to a \$26.0 million, or 106.4%, increase in the average balance of borrowings, partially offset by a 90 basis point decrease in the average cost of borrowings. The Company's total cost of interest-bearing liabilities was 3.19% for the six months ended June 30, 2025, a decrease of 60 basis points from 3.79% for the six months ended June 30, 2024. The significant decrease in interest expense compared to the prior year is a reflection of the Bank's strategic re-balancing of its funding sources.

Provision for Credit Losses. The Company recognized a \$390,000 credit loss benefit for the six months ended June 30, 2025, compared to a provision of \$877,000 for the six months ended June 30, 2024. The credit loss benefit for the six months ended June 30, 2025 was primarily driven by a reduction in pooled reserves, largely reflecting a decline in total loans, specifically within the enterprise value portfolio, which typically carries a higher reserve rate than other loan categories. This benefit was partially offset by a year-to-date increase of \$662,000 in individually analyzed reserves, primarily recorded in the first quarter of 2025.

Noninterest Income. Noninterest income was \$3.6 million for the six months ended June 30, 2025, an increase of \$732,000, or 25.4%, from the six months ended June 30, 2024. During the second quarter of 2025, noninterest income included a \$745,000 gain on a sale/leaseback transaction for the Bank's main office building.

Noninterest Expense. Noninterest expense was \$23.5 million for the six months ended June 30, 2025, compared to \$24.3 million for the six months ended June 30, 2024. The \$806,000, or 3.3%, decrease was primarily due to decreases in professional fees of \$605,000, or 26.3%, and salaries and employee benefits of \$524,000, or 3.4%, partially offset by a \$343,000, or 26.2%, increase in other expenses which include a contingency related to the previously-disclosed Wells Notice received from the SEC. Merger-related expenses of \$543,000, included in professional fees, were more than offset by improvements in organizational efficiency and the successful reduction of operating costs.

Income Tax Expense. The Company recorded an income tax provision of \$1.9 million for the six months ended June 30, 2025, reflecting an effective tax rate

of 27.4%, compared to \$439,000, or an effective tax rate of 20.8%, for the six months ended June 30, 2024. The increase in effective tax rate is primarily attributable to non-deductible merger-related expenses and higher pre-tax income.

Management of Market Risk

Net Interest Income Simulation. We analyze our sensitivity to changes in interest rates through a net interest income simulation model. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a 12-month period in the current interest rate environment. We then calculate what the net interest income would be for the same period under the assumption that interest rates increase or decrease by 100, 200, and 300 basis points from current market rates, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve.

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The following table presents the estimated changes in net interest income of the Company that would result from changes in market interest rates over the twelve-month period beginning June 30, 2025:

		At June 30, 2025	
		Estimated Net Interest Income Over Next 12 Months	Change
<i>(Dollars in thousands)</i>			
Changes in Interest Rates (Basis Points)			
	300	\$ 53,642	(6.90)%
	200	55,041	(4.40)%
	100	56,371	(2.10)%
	0	57,601	—
	(100)	57,508	(0.20)%
	(200)	56,947	(1.10)%
	(300)	55,771	(3.20)%

Economic Value of Equity Simulation. We also analyze the sensitivity of our financial condition to changes in interest rates through an economic value of equity (“EVE”) model. EVE represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities adjusted for the value of off-balance sheet contracts. The EVE ratio represents the dollar amount of our EVE divided by the present value of our total assets for a given interest rate scenario. EVE attempts to quantify our economic value using a discounted cash flow methodology while the EVE ratio reflects that value as a form of capital ratio. We estimate what our EVE would be as of a specific date. We then calculate what EVE would be as of the same date throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve. We currently calculate EVE under the assumptions that interest rates increase or decrease by 100, 200, and 300 basis points from current market rates.

The following table presents the estimated changes in EVE of the Company that would result from changes in market interest rates as of June 30, 2025:

		At June 30, 2025	
		Economic Value of Equity	Change
<i>(Dollars in thousands)</i>			
Changes in Interest Rates (Basis Points)			
	300	\$ 276,050	(6.20)%
	200	281,544	(4.30)%
	100	288,365	(2.00)%
	0	294,284	—
	(100)	292,863	(0.50)%
	(200)	287,313	(2.40)%
	(300)	275,524	(6.40)%

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the tables presented above assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assume that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the tables provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, borrowings, and loan repayments and maturities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows, mortgage prepayments and sales of securities are greatly influenced by general interest rates, economic conditions and competition.

We regularly review the need to adjust our investments in liquid assets based upon our assessment of: (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities, and (4) the objectives of our asset/liability management program. Excess liquid assets are generally invested in interest-earning deposits and short- and intermediate-term securities.

Our most liquid assets are cash and cash equivalents. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At June 30, 2025, cash and cash equivalents totaled \$128.9 million. Debt securities classified as available-for-sale, which provide additional sources of liquidity, totaled \$24.5 million at June 30, 2025. Warehouse loans, which have a short-term duration, totaled \$251.0 million as of June 30, 2025, also provide an additional source of liquidity.

At June 30, 2025, we had a borrowing capacity of \$154.1 million with the Federal Home Loan Bank of Boston, of which \$25.0 million in short-term advances and \$9.5 million in advances with original maturities greater than one year were outstanding. At June 30, 2025, we also had an available line of credit with the Federal Reserve Bank of Boston's borrower-in-custody program of \$319.8 million, none of which was outstanding.

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, which involve elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. At June 30, 2025 and December 31, 2024, we had \$21.2 million and \$15.0 million in loan commitments outstanding, respectively. In addition to commitments to originate loans, at June 30, 2025 and December 31, 2024, we had \$133.6 million and \$156.5 million in unadvanced funds to borrowers, respectively. We also had \$1.6 million and \$1.5 million in outstanding letters of credit at June 30, 2025 and December 31, 2024, respectively.

We have no material commitments or demands that are likely to affect our liquidity other than as set forth below. In the event unforeseen loan demand or commitment utilization were to occur, or we experienced unexpected deposit outflows, we could access our borrowing capacity with the Federal Home Loan Bank of Boston or the Federal Reserve Bank of Boston, or obtain additional funds through brokered deposit markets.

A significant decrease in deposits could result in the Company having to seek other sources of funds, including brokered deposits, listing service deposits, Federal Home Loan Bank of Boston advances, and borrowings through the borrower-in-custody program with the Federal Reserve Bank of Boston. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay. We believe, however, based on past experience that a significant portion of our deposits will remain with us and we are confident in our ability to attract and retain deposits by adjusting the interest rates offered to meet customer expectations.

The Company maintains access to multiple sources of liquidity. If funding costs are elevated for an extended period of time, it could have an adverse effect on the Company's net interest margin. If economic conditions cause large numbers of the Company's deposit customers to withdraw their funds, the Company might become more reliant on volatile or more expensive sources of funding.

BankProv is subject to various regulatory capital requirements administered by Massachusetts Commissioner of Banks and the FDIC. At June 30, 2025, BankProv exceeded all applicable regulatory capital requirements, and was considered "well capitalized" under regulatory guidelines. See Note 10 – Regulatory Capital of the Notes to the Unaudited Consolidated Financial Statements for additional information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Management Market Risk".

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2025. Based on that evaluation, the Company's management, including the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

During the quarter ended June 30, 2025, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

On October 24, 2024, the Company received a letter from the staff of the Boston Regional Office of the SEC informing the Company that the staff had made a preliminary determination to recommend that the SEC file an action against the Company for violating certain sections of the federal securities laws (the “Wells Notice”). The staff has indicated that the Wells Notice relates to the Company’s disclosures regarding loans that the Company made to companies engaged in the mining of cryptocurrency – a line of business the Company ceased originating new loans in as of October 2022. The Wells Notice indicates that the staff’s recommendation to the SEC may involve a civil injunction action or other action allowed by law, and may seek remedies that include an injunction, disgorgement, pre-judgment interest, civil money penalties, and such other relief as may be available.

The Company is pursuing the Wells Notice process and continues to explore a potential resolution with the SEC staff. As of June 30, 2025, the Bank has recorded a contingency of \$350,000 in connection with this matter. However, the ultimate outcome, including the results, timing, costs, and other potential consequences, remains uncertain and could differ significantly from current estimates. Associated legal costs are expensed as incurred.

Item 1A. Risk Factors

There have been no material changes in risk factors applicable to the Company from those disclosed in “Risk Factors” in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2024 and the “Risk Factors” section contained in the Proxy Statement/Prospectus for the Company’s Special Meeting of Stockholders as filed with the SEC by NB Bancorp, Inc. on July 30, 2025.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

- (a) Not applicable.
- (b) Not applicable.
- (c) The Company may, at times, repurchase its own shares in the open market. Such transactions are subject to the notice provisions for stock repurchases of the Board of Governors of the Federal Reserve System. In December 2024, the Company announced its receipt of non-objection from the FRB to repurchase 883,366 shares of its common stock. The Company did not repurchase any common stock under this program during the six months ended June 30, 2025, and following its entry into the Merger Agreement on June 5, 2025, the Company suspended the repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Director and Section 16 Officer Rule 10b5-1 Trading Arrangements

During the three months ended June 30, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

2.1	Agreement and Plan of Merger by and among NB Bancorp, Inc., Needham Bank, 1828 MS, Inc., Provident Bancorp, Inc., and BankProv, dated as of June 5, 2025 (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K file with the Securities and Exchange Commission on June 5, 2025)
3.1	Articles of Incorporation of Provident Bancorp, Inc. (1)
3.2	Bylaws of Provident Bancorp, Inc. (1)
3.3	Amendment to Bylaws of Provident Bancorp, Inc. (2)
3.4	Amendment to Bylaws of Provident Bancorp, Inc. (3)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Provident Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets at June 30, 2025 and December 31, 2024; (ii) Consolidated Statements of Operations for the three and six months ended June 30, 2025 and 2024; (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2025 and 2024; (iv) Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended June 30, 2025 and 2024; (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2025 and 2024; and (vi) Notes to Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as iXBRL and contained in exhibit 101).

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- (1) Incorporated by reference to the Company's Registration Statement on Form S-1 (file no. 333-232018), initially filed with the Securities and Exchange Commission on June 7, 2019.
- (2) Incorporated by reference to the Company's Current Report on Form 8-K (file no. 001-39090), filed with the Securities and Exchange Commission on March 29, 2021.
- (3) Incorporated by reference to the Company's Current Report on Form 8-K (file no. 001-39090), filed with the Securities and Exchange Commission on January 26, 2024.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 14, 2025

PROVIDENT BANCORP, INC.

/s/ Joseph B. Reilly

Joseph B. Reilly

President and Chief Executive Officer

Date: August 14, 2025

/s/ Kenneth R. Fisher

Kenneth R. Fisher

Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph B. Reilly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Provident Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2025

/s/ Joseph B. Reilly

Joseph B. Reilly

President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kenneth R. Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Provident Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2025

/s/ Kenneth R. Fisher

Kenneth R. Fisher

Executive Vice President and Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Joseph B. Reilly, President and Chief Executive Officer of Provident Bancorp, Inc. (the “Company”), and Kenneth R. Fisher, Executive Vice President and Chief Financial Officer of the Company, each certify in his capacity as an officer of the Company that they have reviewed the quarterly report on Form 10-Q for the quarter ended June 30, 2025 (the “Report”) and that to the best of their knowledge:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2025

/s/ Joseph B. Reilly
Joseph B. Reilly
President and Chief Executive Officer

Date: August 14, 2025

/s/ Kenneth R. Fisher
Kenneth R. Fisher
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.