

Board of Governors of the Federal Reserve System



## Annual Report of Holding Companies—FR Y-6

### Report at the close of business as of the end of fiscal year

This report is required by law: Section 5(c)(1) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)); section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2)); sections 102 (a)(1), 165, and 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. §§ 5311(a)(1), 5365, and 1850a(c)(1)); and sections 8(a) and 13(a) of the International Banking Act of 1978 (12 U.S.C. §§ 3106(a) and 3108(a)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chair of the board must sign the report. If the holding company is an Employee Stock Ownership Plan/Employee Stock Ownership Trust (ESOP/ESOT) formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, A. Bruce Cleveland

Name of the Holding Company Director and Official (FDHC C490)

President

Title of the Holding Company Director and Official (FDHC C491)

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

*With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.*

A. Bruce Cleveland

Signature of Holding Company Director and Official (FDHC H321)

06/30/2025

Date of Signature (FDHC J196)

#### For Federal Reserve Bank Use Only

RSSD ID 3917006

C.I. \_\_\_\_\_

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the General Instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

Date of Report (top-tier holding company's fiscal year-end):

03/31/2025

Month / Day / Year (FDHC 9999)

Reporter's Name, Street, and Mailing Address

PRESIDENTIAL HOLDINGS, INC.

Legal Title of Holding Company (FDHC 9017)

4600 EAST WEST HIGHWAY, SUITE 400

(Mailing Address of the Holding Company) Street / P.O. Box (FDHC 9110)

BETHESDA

City (FDHC F206)

MD

State (FDHC F207)

20814

Zip Code (FDHC F208)

Physical Location (if different from mailing address) Street / P.O. Box (FDHC 9028)

City (FDHC 9130)

State (FDHC 9200)

Zip Code (FDHC 9220)

Person to whom questions about this report should be directed:

DAWN RANTI

Name (FDHC 8901)

COMPTROLLER

Title (FDHC C496)

(301)951-8257 ext:

Area Code / Phone Number / Extension (FDHC 8902)

None

Area Code / FAX Number (FDHC 9116)

DAWN.RANTI@PRESIDENTIAL.COM

E-mail Address (FDHC 4086)

None

Address (URL) for the Holding Company's web page (FDHC 4087)

Is confidential treatment requested for any portion of this report submission? .....

0=No	FDHC
1=Yes	C447 1

In accordance with the General Instructions for this report (check only one),

- a letter justifying this request is being provided along with the report (FDHC KY38) ..... ☒
- a letter justifying this request has been provided separately (FDHC KY38) ..... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

### Report Item 1: Annual Report to Shareholders

For holding companies not registered with the U.S. Securities and Exchange Commission (SEC), **indicate the status of Annual Report to Shareholders:**

- ☒ is included with the FR Y-6 report (FDHC PV65)
- ☐ will be sent under separate cover (FDHC PV65)
- ☐ is not prepared (FDHC PV65)

## Checklist

The checklist below is provided to assist the holding company in filing all the necessary responses and verifying changes from the prior year to the various report items. The completed checklist should be submitted with the report. Please see section A of the General Instructions for additional guidance.

### Verification of Changes

**All Reporters must respond to the following questions by checking the Yes or No box below, as appropriate.**

Did the holding company have changes to any reportable FR Y-6 items (2a, 2b, 3, or 4) from the prior year? (Reporters must verify their item 2a, organization chart and 2b, domestic branch listing in Structure Central).

- ☒ Yes ☐ No (FDHC PV66)

Complete the remaining checklist for Report Items 2a, 2b, 3, and 4. See section A of the General Instructions for additional information.

#### Report Item 2a: Organization Chart

- ☐ Yes ☒ No (FDHC PV67)

If checked Yes, the Reporter must report any changes to their organization chart as specified in Report Item 2a instructions.

#### Report Item 2b: Domestic Branch Listing

- ☐ Yes ☒ No (FDHC PV68)

If checked Yes, the Reporter must report any changes to their domestic branch listing as specified in Report Item 2b instructions.

#### Report Item 3: Securities Holders

- ☒ Yes ☐ No (FDHC PV69)

If checked Yes, the Reporter must submit the information as specified in Report Item 3 instructions.

#### Report Item 4: Insiders

- ☒ Yes ☐ No (FDHC PV70)

If checked Yes, the Reporter must submit the information as specified in Report Item 4 instructions.

**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Financial Statements and Supplemental Schedules

March 31, 2025 and 2024

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 900  
8350 Broad Street  
McLean, VA 22102

## **Independent Auditors' Report**

The Board of Directors  
Presidential Holdings, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Presidential Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial condition as of March 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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



In performing an audit in accordance with GAAS, we:

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

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

McLean, Virginia  
June 27, 2025

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Consolidated Statements of Financial Condition

March 31, 2025 and 2024

Assets	2025	2024
Cash and cash equivalents	\$ 81,686,159	59,130,308
Federal funds sold	803,727	2,655,330
Investment securities held-to-maturity	18,919,079	20,905,652
Investment securities available-for-sale	40,651,149	44,726,592
Mutual funds	1,746,324	1,718,750
Mortgage loans held for sale, at fair value	66,101,147	60,564,092
Loans receivable, net of allowance for loan loss of \$7,676,000 and \$8,619,000 respectively	696,063,806	719,932,191
Accrued interest receivable	4,252,455	4,664,598
Federal Home Loan Bank stock, at cost	682,000	3,654,400
Bank premises and equipment, net	2,855,275	2,838,294
Right of use asset, net	9,862,605	10,327,145
Deferred income taxes, net	5,131,858	5,292,691
Income taxes receivable	487,208	902,997
Bank-owned life insurance	11,601,568	11,324,947
Other assets	15,392,378	14,163,590
Total assets	<u>\$ 956,236,738</u>	<u>962,801,577</u>
<b>Liabilities and Equity</b>		
Deposits	\$ 840,857,777	728,012,805
Mortgage funding and cashiers' checks outstanding	1,558,750	2,107,209
Federal Home Loan Bank & Federal Reserve advances	-	123,200,000
Payable to issuer of trust preferred securities	2,887,000	2,887,000
Advance payments from borrowers for taxes and insurance	3,830,303	4,430,144
Lease liabilities	11,052,846	11,151,915
Income taxes payable	31,570	526,461
Accrued expenses and other liabilities	10,185,422	8,220,064
Total liabilities	<u>870,403,668</u>	<u>880,535,598</u>
Equity:		
Shareholders' equity:		
Common stock, par value \$0.01 per share. Authorized 5,000,000 shares; issued and outstanding 348,611 shares	3,486	3,486
Additional paid-in capital	3,341,348	3,341,348
Retained earnings	85,992,247	83,122,306
Accumulated other comprehensive income	(3,110,359)	(3,807,509)
Treasury stock, at cost (5,590 and 5,590 shares, respectively)	(393,652)	(393,652)
Total shareholders' equity	<u>85,833,070</u>	<u>82,265,979</u>
Total liabilities and equity	<u>\$ 956,236,738</u>	<u>962,801,577</u>

See accompanying notes to consolidated financial statements.

**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended March 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Interest income:		
Loans	\$ 51,735,372	44,899,549
Investments	<u>5,826,982</u>	<u>5,450,140</u>
Total interest income	<u>57,562,354</u>	<u>50,349,689</u>
Interest expense:		
Deposits and escrows	24,240,946	18,308,173
Federal Home Loan Bank & Federal Reserve advances	4,769,313	4,424,521
Trust preferred securities	<u>293,897</u>	<u>293,897</u>
Total interest expense	<u>29,304,156</u>	<u>23,026,591</u>
Net interest income	28,258,198	27,323,098
Provision for credit losses	<u>1,717,174</u>	<u>7,774,949</u>
Net interest income after provision for loan losses	<u>26,541,024</u>	<u>19,548,149</u>
Other income:		
Gain on sale of mortgage loans	21,556,077	10,958,944
Earnings on bank-owned life insurance	276,621	259,925
Credit and appraisal income	1,424,465	843,654
Other income	<u>3,690,218</u>	<u>3,573,401</u>
Total other income	<u>26,947,381</u>	<u>15,635,924</u>
Operating expense:		
Salaries and employee benefits	31,062,860	26,685,331
Occupancy	3,171,470	3,033,482
Data processing	3,883,991	3,428,263
Depreciation and amortization	447,304	604,467
FDIC insurance	802,742	690,564
Credit and appraisal fees	3,356,448	1,361,413
Professional fees	410,442	365,719
Other general and administrative	<u>7,288,150</u>	<u>6,823,929</u>
Total operating expense	<u>50,423,407</u>	<u>42,993,168</u>
Income before income taxes	3,064,998	(7,809,095)
Provision (benefit) for income taxes	<u>195,057</u>	<u>(2,563,938)</u>
Net income attributable to Presidential shareholders	<u>\$ 2,869,941</u>	<u>(5,245,157)</u>

See accompanying notes to consolidated financial statements.

**PRESIDENTIAL HOLDINGS, INC.**  
Consolidated Statements of Comprehensive Income  
Years Ended March 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net income (loss) attributable to Presidential shareholders	\$ 2,869,941	(5,245,157)
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale investment securities:		
Unrealized holding loss arising during the period, net of tax (benefit) of \$244,002 and (\$241,963), respectively	<u>697,150</u>	<u>(698,064)</u>
Comprehensive income	<u>\$ 3,567,091</u>	<u>(5,943,221)</u>

See accompanying notes to consolidated financial statements.



**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Changes in Equity

Years ended March 31, 2025 and 2024

	<b>Common stock</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Treasury stock</b>	<b>Total equity</b>
Balance at March 31, 2023	\$ 3,486	3,341,348	88,458,463	(3,109,445)	(393,652)	88,300,200
Other comprehensive income	-	-	-	(698,064)	-	(698,064)
Net loss attributable to Presidential shareholders	-	-	(5,245,157)	-	-	(5,245,157)
CECL Adoption	-	-	(91,000)	-	-	(91,000)
Balance at March 31, 2024	3,486	3,341,348	83,122,306	(3,807,509)	(393,652)	82,265,979
Other comprehensive income	-	-	-	697,150	-	697,150
Net income attributable to Presidential shareholders	-	-	2,869,941	-	-	2,869,941
Balance at March 31, 2025	<u>\$ 3,486</u>	<u>3,341,348</u>	<u>85,992,247</u>	<u>(3,110,359)</u>	<u>(393,652)</u>	<u>85,833,070</u>

See accompanying notes to consolidated financial statements.

**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended March 31, 2025 and 2024

	<b>2025</b>	<b>2024</b>
Cash flows from operating activities:		
Net income attributable to Presidential shareholders	\$ 2,869,941	(5,245,157)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit loss	1,717,174	7,774,949
Depreciation and amortization	447,304	604,467
Deferred income taxes	(80,813)	(2,192,709)
Accretion of purchase loan discounts	504,576	(277,497)
Other (accretion) amortization	(552,494)	208,359
Gain on sale of mortgage loans	(21,556,077)	(10,958,944)
(Income) loss on investment in mutual funds	(27,574)	22,059
(Loss) income on equity method investments	75,872	(135,701)
Impairment and realized gains on other real estate owned	(61,606)	-
Realized (gain) loss on repossessed assets	(234,178)	475,198
Increase in value of bank-owned life insurance	(276,621)	(259,925)
Origination of mortgage loans held for sale	(927,596,121)	(570,696,314)
Proceeds from the sale of mortgage loans held for sale	943,615,143	559,555,406
Changes in:		
Accrued interest receivable	412,143	(1,421,601)
Income taxes receivable/payable	(79,102)	(683,943)
Mortgage funding and cashiers' checks outstanding	(548,459)	(727,887)
Advance payments from borrowers for taxes and insurance	(599,841)	968,152
Net lease liability	365,471	538,123
Other assets	(2,483,638)	(268,362)
Other liabilities	1,923,358	3,695,949
Net cash provided (used) in operating activities	<u>(2,165,542)</u>	<u>(19,025,378)</u>
Cash flows from investing activities:		
Net investment in equity method investments	337,416	(322,903)
Net (decrease) increase in loans receivable	22,708,259	(113,765,139)
Principal reductions of investment securities held to maturity	1,000,000	-
Proceeds from sale of investment securities held to maturity	1,000,000	-
(Loss) proceeds from sale of repossessed assets	(420,554)	705,260
Proceeds from sale of Other Real Estate Owned	1,080,905	-
Principal reductions of investment securities available-for-sale	5,010,678	4,808,997
Purchase of investment securities held-to-maturity	-	(5,000,000)
Redemption of bank owned life insurance	-	792,448
Purchase of bank premises and equipment	(464,286)	(255,085)
Net (purchase) redemption of Federal Home Loan Bank stock	2,972,400	(1,979,200)
Net cash used in investing activities	<u>33,224,818</u>	<u>(115,015,622)</u>
Cash flows from financing activities:		
Net increase (decrease) in deposits	112,844,972	79,872,444
Federal Home Loan Bank & Federal Reserve advances	1,339,550,000	1,486,000,000
Federal Home Loan Bank & Federal Reserve advance repayments	(1,462,750,000)	(1,422,800,000)
Net cash provided (used) by financing activities	<u>(10,355,028)</u>	<u>143,072,444</u>
Net increase (decrease) in cash and cash equivalents	20,704,248	9,031,444
Cash and cash equivalents, including federal funds sold, at beginning of year	61,785,638	52,754,194
Cash and cash equivalents, including federal funds sold, at end of year	<u>\$ 82,489,886</u>	<u>61,785,638</u>
Supplemental information:		
Interest paid on deposits and FHLB & FRB advances	\$ 30,099,469	20,054,649
Interest paid on trust preferred securities	293,897	293,897
Income taxes paid	20,955	1,175
Noncash investing activities:		
Investment in equity method investments	337,416	307,168
ROU assets obtained in exchange for lease liabilities	(1,500,536)	5,261,300
Transfer of loans to repossessed assets	476,994	2,568,890

See accompanying notes to consolidated financial statements.

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

#### (1) Summary of Significant Accounting Policies

##### (a) *Description of the Business*

The primary business of Presidential Holdings, Inc. and subsidiaries (the Company) is to attract deposits from individual and corporate customers and to originate loans secured primarily by commercial and residential real estate properties. The Company operates banking branches in Maryland, Northern Virginia and Washington, D.C. and mortgage banking loan origination offices in Maryland, Virginia, Pennsylvania, North Carolina, South Carolina, Georgia, Florida and North Dakota. The Company is subject to competition from other financial and mortgage organizations in attracting and retaining deposits and in making loans. The Company is subject to the regulations of certain agencies of the federal government and undergoes periodic examinations by those agencies.

A substantial portion of the Company's loan portfolio is comprised of commercial mortgage loans secured by income-producing properties. A significant portion of these properties are located in the Washington, D.C. metropolitan area; accordingly, the Company's loan portfolio could be vulnerable to deterioration in the market for such properties.

##### (b) *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Presidential Holdings, Inc. and subsidiaries. The direct wholly-owned subsidiaries of Presidential Holdings, Inc. include Presidential Bank, FSB (the Bank).

Presidential Service Corporation (PSC) and Painter Bay Company, LLC (Painter Bay) are direct wholly-owned subsidiaries of the Bank. PSC owns 100% of the outstanding stock of Seneca Mortgage Corp. (Seneca). PSC also owns 100% of the membership interests in Homebuilders Mortgage Co., LLC (Homebuilders) and Realty Home Mortgage Co., LLC (Realty). Painter Bay owns 100% of Painter Bay Trust, a statutory Virginia business trust of which it is Trustee.

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation. The Company's fiscal year is from April 1 to March 31. References to 2025 and 2024 mean the fiscal year ended March 31, 2025 and 2024, respectively.

The Company consolidates a variable interest entity when it has both the power to direct the activities that most significantly impact the entity's economic performance and an obligation to absorb losses or a right to receive benefits from the entity that could be potentially significant.

The consolidated financial statements of the Company do not include the assets, liabilities, or results of operations of Presidential Capital Trust I, a statutory trust formed by the Company in connection with the issuance of trust preferred securities, as the Company has determined it is not the primary beneficiary.

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

**(c) Fair Value Measurements**

The Company categorizes its financial instruments based on the priority of inputs to the valuation technique used to determine the fair value into a three-level hierarchy, defined as follows:

- Level 1      Quoted prices in active markets for identical assets or liabilities;
- Level 2      Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include the Company's available-for-sale investment securities, mortgage loans held for sale, Federal Home Loan Bank stock and its derivative instruments; and
- Level 3      Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using internally developed pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include impaired loans, other real estate owned and repossessed assets valued on a nonrecurring basis.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new, whether the product is traded on an active exchange or in the secondary market, and the current market condition. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that management believes market participants would use in pricing the asset or liability at the measurement date.

**(d) Cash and Cash Equivalents and Federal Funds Sold**

Cash and cash equivalents and Federal funds sold at March 31, 2025 and 2024 consist principally of vault cash, cash balances held at the Federal Reserve Bank of Richmond and the Federal Home Loan Bank of Atlanta and other correspondent accounts.

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

The Company considers all highly liquid investments with original maturities of less than 13 weeks to be cash equivalents. The table below reconciles the listed captions in the Consolidated Statement of Condition to the Consolidated Statement of Cash Flows at March 31:

	2025	2024
Cash and cash equivalents	\$ 81,686,159	\$ 59,130,308
Federal funds sold	803,727	2,655,330
Cash and cash equivalents, including federal funds sold	<u>\$ 82,489,886</u>	<u>\$ 61,785,638</u>

#### (e) *Investment Securities*

The Company initially designates each investment as a trading security, an available-for-sale security, or a held-to-maturity security based on management's intent at the time of acquisition.

Investments in corporate debt securities are classified as held-to-maturity as the Company has the intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at cost, adjusted for amortization of premiums, and accretion of discounts that are recognized in interest income using a method that approximates the effective yield method. The Company's other investment securities are designated as available-for-sale securities and are recorded at fair value on a recurring basis. Investments in mutual funds are held at fair value with gains and losses recorded in Other income on the Consolidated Statement of Operation.

The Company evaluates each investment security in an unrealized loss position at least on an annual basis, or as conditions with respect to certain assets warrant such review. The Company also considers its intent and ability to hold the security, or whether it is more likely than not that the Company would be required to sell an impaired security before the expected recovery of the amortized cost basis.

If impairment is due to credit loss it is recognized in its entirety in net income if the Company has the intent to sell the security or if it is more likely than not that the Company will be required to sell the security, then the security is written down to fair value and the entire loss is recorded in earnings. If, however, the Company does not intend to sell the security and it is not more-likely-than-not that the Company will be required to sell the security before recovery, the Company must determine what portion of the impairment is attributable to a credit loss, which occurs when the amortized cost basis of the security exceeds the present value of the cash flows expected to be collected from the security. If there is no credit loss, there is no impairment. If there is a credit loss, impairment exists, and the credit loss must be recognized in net income and the remaining portion of impairment must be recognized in other comprehensive income.

The Company reviews its investments for impairment considering the occurrence of events that would indicate that the carrying amount of the investment exceeds its fair value basis. Events include a decline in distributable cash flows from the investment, a change in the expected life or other significant events which would decrease the fair value of the investment. The process of evaluating securities for impairment is subject to risks and uncertainties and is intended to determine whether declines in the fair value of investments should be recognized in current period earnings. The risks and uncertainties include changes in general economic conditions and future changes in the assessments

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

of the aforementioned factors. It is at least reasonably possible that such factors could change in the future, which may result in impairments.

ASU 2016-13 applies to all financial instruments carried at amortized cost, including held-to-maturity (HTM) debt securities. As CECL requires institutions to measure expected credit losses on a collective or pool basis when similar risk characteristics exist, HTM securities that share similar risk characteristics will need to be collectively assessed for credit losses. The Company obtains and reviews current financial information necessary to accurately and timely identify, classify and report any changes to the investment on a semi-annual basis. In addition, for the corporate debt securities classified as HTM, bond rating changes will be used to determine if a reserve will be required for potential loss. The bond ratings will be tracked and evaluated from the original issuance, the rating at the time of purchase, and will be reviewed on a quarterly basis for changes. These corporate debt securities are also reviewed semi-annually for financial stability. If the reviews indicate credit risk, management will then assign a reserve to the security.

**(f) *Mortgage Loans Held for Sale***

The Company originates mortgage loans for sale in the secondary market. The Company records, and subsequently measures, all originated mortgage loans held for sale at fair value. Unrealized gains and losses on mortgage loans held for sale for which the fair value option has been elected are included in earnings. Loan origination costs associated with these loans are recognized in noninterest expense as incurred. Loan origination fees are recognized in noninterest income when earned. When loans and related servicing rights are sold, the gain or loss is recognized in the consolidated statements of operations as the proceeds less the carrying value of the loan.

**(g) *Loans Receivable***

Loans receivable are carried at the principal amount outstanding net of associated loan origination fees, direct loan origination costs, and premiums/discounts on purchased loans. Loan origination fees and direct costs are deferred and the net amount is amortized as an adjustment of the loan yield to interest income. Interest income is recognized as earned using methods that approximate level yields. For loans with unearned discounts or premiums, such amounts are amortized to income over the contractual life of the loans and included in interest income in the accompanying consolidated statements of operations.

Management monitors the credit quality of its loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each note. For all loan classes, past due loans are reviewed on an ongoing basis to identify loans for nonaccrual status. Generally, when collection in full of the principal and interest is at risk, the loan is placed on nonaccrual. The accrual of interest income is generally discontinued when a loan becomes 90 days past due. The Company's method of income recognition for loans that are classified as nonaccrual is to apply the cash receipts to principal. Nonaccrual loans may be considered for accrual status if the loan is current and the borrower has demonstrated a sustained period of payment performance and the ability to meet the contractual provisions of the note.

Prior to the adoption of ASC 326-20, loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

accordance with the loan contract is in doubt. Typically, the Company does not consider loans for impairment unless a sustained period of delinquency is noted or the bank becomes aware of other events that may impact repayment probability (i.e., negative financial trends, bankruptcy filings, eminent foreclosure proceedings, etc.). The Company recognizes interest income for impaired loans consistent with its normal method. Specifically, interest payments reduce the net book value of the loan while the loan is classified as nonaccrual. An impaired loan is measured at the present value of its expected future cash flows discounted at the loan's original effective interest rate, or at the loan's observable market price or fair value of the collateral less cost to sell if the loan is collateral dependent. Impaired loans, or portions thereof, are charged off when deemed uncollectible. For commercial mortgage loans that are collateral dependent, charge-off occurs when the loss is confirmed, generally at 150 days past due unless there is a clear workout strategy that is likely to produce a favorable outcome in the near future. The amount of the charge-off is calculated by taking the difference between the outstanding balance on the note and the fair value of the collateral, less costs to sell. Closed-end and open-end retail loans secured by one-to four-family real estate loans are charged-off at 180 days. The amount of the charge-off is equal to the outstanding balance on the note less the fair value of the collateral, less costs to sell. Retail credit not secured by real estate is charged-off at 120 days. In lieu of charging off the entire retail loan balance, loans with non-real estate collateral may be written down to the value of the collateral, less cost to sell, if repossession of collateral is assured and in process.

Upon the adoption of ASC 326-20, individually assessed loans are loans where default is likely and potential loss can reasonably be estimated, and other loans where risk characteristics are not similar to any larger pool/segment. All problem assets and modified loans not performing to terms are evaluated for impairment on a quarterly basis used to project into the future for each individual loan in the impairment analysis.

#### **(h) Allowance for Credit Losses on Loans and Leases and Unfunded Lending Commitments**

On April 1, 2023, the Company adopted Accounting Standards Codification (ASC) 326, "Financial Instruments – Credit Losses", more commonly referred to as CECL. Under CECL, the allowance for credit losses (ACL) is a valuation account, measured as the difference between the Company's amortized cost basis and the net amount expected to be collected on the financial assets (i.e., lifetime credit losses).

The CECL methodology described in FASB Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326), applies to financial assets measured at amortized cost, and off-balance-sheet credit exposures (collectively, financial assets).

In general, the Company uses a broad range of data to estimate expected credit losses under CECL, including information about past events, current conditions, and reasonable and supportable forecasts relevant to assessing the collectability of the cash flows of financial assets.

CECL requires the Company to measure expected credit losses on financial assets carried at amortized cost on a collective or pool basis when similar risk characteristics exist. The Company has determined that Call Report categories will be utilized, and Management will maintain the option to further segment the portfolio if it is deemed beneficial to the analysis.

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

Estimating an appropriate ACL involves a high degree of Management judgment. As such, it is Management's responsibility to record the Company's best estimate of expected credit losses and provide it to the Board of Directors. The analysis is prepared and reported to the Board of Directors on a quarterly basis. The option and decision to prepare the analysis more frequently will remain with Management.

The Company's most critical accounting policy relates to its allowance for credit losses on loans and leases and unfunded lending commitments, which reflects the estimated losses resulting from the inability of its borrowers to make loan payments. The allowance for credit losses on loans and leases and unfunded lending commitments is established and maintained at an amount sufficient to absorb losses on loans and leases held for investment. Credit losses arise not only from credit risk, but also from other risks inherent in the lending process including, but not limited to, collateral risk, operation risk, concentration risk and economic risk. As such, all related risks of lending are considered when assessing the adequacy of the allowance for credit losses on loans and leases and unfunded commitments.

The calculation of the allowance for credit losses under CECL is performed using two primary approaches: a collective approach for pools of loans that have similar risk characteristics using a loss rate analysis, and a specific reserve analysis for credits individually evaluated.

Management considers qualitative and environmental factors in estimating the required level of allowance. These factors include (a) changes in loan policy or credit administration procedures; (b) national economic data such as the national GDP growth; (c) the national unemployment rate; (d) the ten-year treasury yield; (e) loan portfolio growth; (f) the level of lending experience and expertise of management and staff; (g) the level of nonaccrual loans; (h) the ability to accurately grade credit risk within the portfolio; (i) changes in commercial and residential property values; (j) changes in loan concentrations within the portfolio; (k) the level of regulatory oversight of the allowance for credit loss process; (l) the Conference Board Leading Economic Index® (LEI).

Management believes that the allowance for credit losses on loans and unfunded lending commitments is adequate and appropriate for all periods presented in these financial statements.

**(i) Other Real Estate Owned (OREO), Net**

Other real estate owned is comprised of real estate acquired in satisfaction of loans. Real estate acquired by foreclosure or deeds in lieu of foreclosure is transferred to other real estate owned and is recorded at fair value less estimated costs to sell, at the date of transfer of the real estate. If the carrying value exceeds the fair value at the time of the transfer, the difference is charged to the allowance for credit losses. The fair value of other real estate owned is based upon a current appraisal or evaluation. Losses that result from the subsequent periodic valuation of the real estate and gains (losses) on the disposition of OREO are recorded as impairment and other losses on real estate owned in the period in which they are identified. The Company had no other real estate owned at March 31, 2025. The Company had \$1.0 million in other real estate owned at March 31, 2024. Other real estate owned is included Other assets in the Consolidated Statement of Financial Condition.



## **PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

March 31, 2025 and 2024

**(j) *Reposessed Assets***

Reposessed assets primarily consist of vehicles and business equipment reposessed by the Company due to the borrowers' payment defaults. The repossession process is generally initiated when the loan becomes 90 days delinquent. Most customers have an opportunity to redeem their reposessed asset by paying amounts owed. If not redeemed in the prescribed waiting period following repossession, the asset is reclassified from a loan to a reposessed asset at its fair value less estimated costs to sell. The difference between the carrying amount of the loan and the fair value of the asset is charged against the allowance for credit loss. At March 31, 2025 and March 31, 2024, the Company had reposessed assets totaling \$1,441,360 and \$1,619,369, respectively. Reposessed assets are included in Other assets in the Consolidated Statement of Financial Condition.

**(k) *Bank Premises and Equipment, Net***

Premises and equipment are stated at cost, net of accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the useful life or the term of the lease. The useful life used to compute depreciation is generally forty years for buildings, five years for furniture and equipment, and three years for computer equipment and software. Land is not depreciated and is evaluated annually for impairment.

**(l) *Bank-Owned Life Insurance***

The Company has purchased life insurance policies on certain officers and directors. Bank-owned life insurance is recorded at its currently realizable cash surrender value. Changes in cash surrender value are recorded as earnings on bank-owned life insurance in the accompanying consolidated statements of operations.

**(m) *Equity Method Investments***

The Company has invested in Pharos Capital Partners III-A, L.P, a Small Business Investment Company (SBIC). As an SBIC, the fund works with the SBA to provide funds to small business concerns. The core focus of the fund is in the healthcare sector. Investment in the fund also provides the Company with Community Reinvestment Act (CRA) credit. The Company's initial commitment to the fund was \$2.5 million, with \$75 thousand remaining to be called. The investment is currently valued at \$3.4 million and is recorded in Other assets along with a deferred tax liability of \$53 thousand recorded in Deferred income taxes, net, on the Consolidated Statements of Financial Condition. Income or loss on the investment is recorded in Other Income on the Consolidated Statements of Operations. Ownership percentage in the fund is 1.4%.

The Company has committed to invest \$4.0 million in R4 Housing Partners XV LP, a Low-Income Housing Tax Credit (LIHTC) investment program. The purpose of the fund is to encourage and assist with participation in the investment of low-income multifamily properties. The investment provides LIHTC credits to investors and allocates tax losses and other possible tax benefits. Investment in the fund also provides the Company with CRA credit. The Company currently has a net investment of \$2.6 million in R4 Housing Partners, with a \$3.0 million investment commitment recorded in Other assets, a \$494 thousand deferred liability recorded in Accrued expenses and other liabilities, and a

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

deferred tax liability of \$289 thousand recorded in Deferred income taxes, net on the Consolidated Statements of Financial Condition. The Company utilizes the proportional amortization method of accounting for this investment. Ownership percentage in the fund is 2.12%.

#### **(n) *Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Management considers all available evidence, both positive and negative, in determining whether a valuation allowance is necessary or should be adjusted to reduce or increase the deferred tax asset to an amount that is more likely than not to be realized. The Company records interest related to unrecognized tax benefits in interest expense and penalties in other general and administrative expenses.

#### **(o) *Derivatives and Economic Hedging Activities***

In the normal course of business, the Company enters into commitments to originate residential mortgage loans whereby the interest rate on the loan is determined prior to funding (i.e., rate lock commitments). The Company utilizes (i) best efforts forward loan sale commitments, (ii) mandatory delivery forward loan sale commitments, and (iii) sales of To Be Announced (TBA) securities, to approved counterparties, to mitigate the risks of potential changes in the values of its rate lock commitments and closed loans held for sale. Rate lock commitments for loans that will be held for sale upon funding and forward commitments for the future delivery of mortgage loans or securities to third party investors, including TBA securities and best efforts and mandatory forward loan sales commitments, are considered derivatives. The Company economically hedges substantially all of its rate lock commitments and closed loans held for sale (together, the “hedged items”) with forward sales agreements like those described above, significantly mitigating the risks of changes in interest rates on the fair value of these hedged items.

Under a “best efforts” forward loan sale contract, the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor and the investor commits to a price at which it will purchase that loan from the Company, if the loan to the underlying borrower closes.

Under a “mandatory delivery” forward loan sale contract, the Company commits to deliver a certain principal amount of closed mortgage loans to an investor at a specified price on or before a specified date. If the Company fails to deliver the full amount of closed mortgages necessary to fulfill the mandatory delivery commitment by the specified date, it may be obligated to pay the investor a “pair-off” fee, based on then-current market prices, to compensate the investor for the shortfall.

## **PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

March 31, 2025 and 2024

TBA sales are contracts under which the Company agrees to sell, for future delivery, U.S. government agency residential mortgage-backed securities (RMBS) with certain principal and interest terms and certain types of collateral, but the particular agency RMBS to be delivered are not identified until shortly before the TBA settlement date.

The Company's mortgage banking derivatives are not designated in hedge relationships, but are accounted for at fair value, with changes in fair value recorded in net gains (or losses) on sales of loans and as other mortgage banking income on the statements of operations.

**(p) Leases**

The Company's leases are primarily operating leases of real estate offices in which the Company is the lessee. The Company recognizes a lease liability and a right-of-use asset in connection with leases in which it is a lessee, except for leases with a term of twelve months or less. A lease liability represents the Company's obligation to make future payments under lease contracts, and a right-of-use asset represents the Company's right to control the use of the underlying property during the lease term. Lease liabilities and right-of-use assets are recognized upon commencement of a lease and measured as the present value of lease payments over the lease term, discounted at the incremental borrowing rate of the lessee. The Company has elected to separate lease and nonlease components within the same contract.

**(q) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, including the allowance for credit losses, the reserve for indemnifications, and valuation of other real estate owned and repossessed assets, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(r) Recent Accounting Standards**

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments in this Accounting Standards Update ("ASU") require an entity to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, which is greater than five percent of the amount computed by multiplying pretax income by the entity's applicable statutory rate, on an annual basis. Additionally, the amendments in this ASU require an entity to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions that are equal to or greater than five percent of total income taxes paid (net of refunds received). Lastly, the amendments in this ASU require an entity to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign. This ASU is effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The amendments should be applied on a prospective

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

basis; however, retrospective application is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its consolidated financial statements.

**(s) Accounting Standards Update (ASU)**

On April 1, 2023, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). For securities classified as available-for-sale, the Company does not record an ACL because the decline in fair value below amortized cost is not related to credit losses.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recognized a decrease in the allowance for credit losses on loans totaling \$585 thousand and an increase to the reserve for unfunded commitments of \$676 thousand with a corresponding decrease in retained earnings, of \$91 thousand as of April 1, 2023 for the cumulative effect of adopting ASC 326. Below is a summary of the changes related to the adoption. The Company evaluated HTM securities which resulted in a zero balance reserve as of March 31, 2024.

Accrued interest receivable for loans and HTM securities which are deemed impaired is reversed at the time non-accrual is recorded. The Company does not measure accrued interest receivable as part of the allowance.

	Pre Adoption	The effect of adoption	Post Adoption
	(Dollars in thousands)		
Real Estate, Residential	\$ 1,194	432	1,626
Real Estate, Multifamily	345	(238)	107
Real Estate, Construction	637	(341)	296
Real Estate, Nonresidential	3,284	(430)	2,854
Commercial and Industrial	1,105	(82)	1,023
Consumer	2,402	223	2,625
Leases	179	(149)	30
Loan Total	<u>9,146</u>	<u>(585)</u>	<u>8,561</u>
Unfunded Commitments	<u>-</u>	<u>676</u>	<u>676</u>
Total	<u>\$ 9,146</u>	<u>91</u>	<u>9,237</u>

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

The Company also adopted ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures upon the adoption of ASU 2016-13 as of April 1, 2023 on a prospective basis. The amendments in this update eliminated the accounting guidance for troubled debt restructurings (TDRs) by creditors in Subtopic 310-40, Receivables-Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. The adoption modified the Company's disclosures but did not have a material impact on its financial position or results of operations.

## (2) Regulatory Matters

### (a) *Regulatory Capital Requirements*

The Company is subject to oversight by regulatory banking agencies in the United States. The Office of the Comptroller of the Currency (OCC) provides oversight to the Bank, and the Board of Governors of the Federal Reserve (FRB), oversees the Company. The OCC and the FRB, together with the Federal Deposit Insurance Corporation (FDIC), jointly establish regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action (PCA). Under these guidelines and the PCA framework, the Company must meet specific minimum risk-based capital and leverage ratios, determined by measuring assets, liabilities, and certain off-balance-sheet items in accordance with regulatory guidance. Under the regulatory guidelines, the Company must meet minimum required ratios at all times. In contrast, the PCA framework designates an institution in one of five categories, with "well capitalized" being the highest category, based on the bank's risk-based capital (Common equity Tier 1 capital, Tier 1 capital and Total capital) and leverage ratio. For a bank to meet the definition of "well capitalized" under the PCA framework, it must meet or exceed the ratio thresholds of 6.5% Common equity Tier 1 capital, 8% Tier 1 capital, 10% Total capital and 5% leverage ratio; and it must not be subject to any formal written agreement, order or directive that requires the bank to meet and maintain a specific capital level. The Company must also meet regulatory expectations of qualitative factors, primarily related to its operating, risk management and compliance practices.

The community bank leverage ratio (CBLR) removed the requirement for qualifying organizations to calculate and report risk-weighted assets and the related ratios, provided their Tier 1 to average assets (leverage) ratio exceed the 9% threshold. Under the provisions of the CARES Act (March 2020), the minimum requirement was reduced to 8% for 2020, 8.5% for calendar year 2021, and will reset to 9% for calendar year 2022 and beyond. An eligible bank may opt out of the CBLR framework and revert back to the risk-weighting framework and ratios without restriction. As of March 31, 2025, the Bank was a qualifying community banking organization, but elected not to measure capital adequacy under the CBLR framework.

The table below presents the Company's actual and minimum required ratios of Risk-based capital, Tier 1 capital, and Common equity tier 1 capital to risk-weighted assets and Tier 1 leverage to average assets. The required regulatory minimum ratios in the table below do not reflect the Capital Conservation Buffer (CCB) of 250 basis points which, if not met, restrict the Company's ability to

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

make capital distributions or discretionary bonus payments to certain executives without explicit OCC approval. If any one of the Company's actual regulatory capital ratios is less than the corresponding regulatory minimum capital ratio, plus the CCB, then capital distributions or discretionary bonus payments to certain executives will be subject to partial or full limitations. As of March 31, 2025, the Company believes it met all capital adequacy requirements to which it is subject and is considered "well capitalized" under the PCA framework.

	Amount	Current Ratio	Regulatory Minimum Ratio	PCA Well Capitalized Ratio
	(Dollars in thousands)			
March 31, 2025:				
Risk-based capital	\$ 98,090	13.8%	8.0%	10.0%
Tier 1 capital	89,269	12.5%	6.0%	8.0%
Common equity tier 1 capital	89,269	12.5%	4.5%	6.5%
Total risk-weighted assets	712,370			
 Tier 1 leverage	 89,269	 9.6%	 4.0%	 5.0%
Average total assets for the period	932,581			
 March 31, 2024:				
Risk-based capital	\$ 95,378	12.7%	8.0%	10.0%
Tier 1 capital	86,001	11.5%	6.0%	8.0%
Common equity tier 1 capital	86,001	11.5%	4.5%	6.5%
Total risk-weighted assets	749,817			
 Tier 1 leverage	 86,001	 9.1%	 4.0%	 5.0%
Average total assets for the period	946,789			

#### **(b) FDIC Insurance**

Presidential Bank is required to pay the FDIC premiums for deposit insurance according to base deposit insurance assessment rate schedules, which remain elevated following a uniform increase of 2 basis points ("bps") by the FDIC that began in the first quarterly assessment period of 2023. The FDIC increased the base deposit insurance assessments rates following growth in insured deposits during the first and second quarters of 2020 that caused the Deposit Insurance Fund of the FDIC ("DIF") reserve ratio to decline below the statutory minimum of 1.35%. The increased assessment rate schedules are expected to remain in effect until the reserve ratio meets or exceeds 2%, absent further action by the FDIC.

The Bank is subject to deposit insurance assessments to maintain the DIF. Deposit insurance pricing is based on CAMELS composite ratings and certain other financial ratios to determine assessment rates for small-established institutions with less than \$10 billion in assets. The CAMELS rating system is a supervisory rating system designed to take into account and reflect all financial and operational risks that a bank may face, including capital adequacy, asset quality, management capability, earnings, liquidity, and sensitivity to market risk ("CAMELS"). CAMELS composite ratings set a maximum insurance assessment for CAMELS 1 and 2 rated banks and set minimum assessments for lower rated institutions. For the years ended March 31, 2025 and 2024, the Company expensed \$802,742 and

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

\$690,564 respectively, in FDIC deposit insurance premiums and the assessment base was 2.33 basis points (bps) and 1.92 basis points (bps), respectively.

### (3) Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, and fair value related to investment securities were as follows at March 31:

#### Investment Securities

	2025			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Investment securities held-to-maturity:				
Corporate debt	\$ 18,947,362	50,700	(664,775)	18,333,287
Less: Allowance for credit loss - HTM	(28,283)			
	<u>\$ 18,919,079</u>	<u>50,700</u>	<u>(664,775)</u>	<u>18,333,287</u>
Investment securities available-for-sale:				
Agency mortgage-backed securities	\$ 2,053,031	-	(182,636)	1,870,395
Agency collateralized mortgage obligations	42,786,591	-	(4,005,837)	38,780,754
	<u>\$ 44,839,622</u>	<u>-</u>	<u>(4,188,473)</u>	<u>40,651,149</u>
Mutual Funds	\$ 1,746,324	-	-	1,746,324
	2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Investment securities held-to-maturity:				
Corporate debt	\$ 20,905,652	88,385	(973,897)	20,020,140
Investment securities available-for-sale:				
Agency mortgage-backed securities	\$ 2,230,557	1,018	(210,565)	2,021,010
Agency collateralized mortgage obligations	47,623,304	-	(4,917,722)	42,705,582
	<u>\$ 49,853,861</u>	<u>1,018</u>	<u>5,128,287</u>	<u>44,726,592</u>
Mutual Funds	\$ 1,718,750	-	-	1,718,750

The net unamortized premium (discounts) on investment securities were \$12,209 and (\$25,938) as of March 31, 2025 and 2024, respectively. Expected maturities may differ from contractual maturities because the

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

securities may be called. The amortized cost and fair value of available-for-sale investment securities by contractual maturity were as follows at March 31, 2025:

	<b>Held-to-Maturity</b>		<b>Available-for-Sale</b>	
	Amortized		Amortized	
	cost	Fair value	cost	Fair value
Due after one year through five years	\$ 18,947,362	18,333,287	-	-
Due after five years through ten years	-	-	99,374	98,108
Due after ten years	-	-	44,740,248	40,553,041
	<u>\$ 18,947,362</u>	<u>18,333,287</u>	<u>44,839,622</u>	<u>40,651,149</u>

During the year ended March 31, 2025, the Company did not purchase any corporate bonds. For the year ended March 31, 2024, there were purchases of two corporate bonds.

Gross unrealized loss and fair value of investment securities as follows at March 31:

	<b>2025</b>			
	Unrealized loss position			
	for less than 12 months		for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment securities held-to-maturity:				
Corporate debt	\$ 2,499,625	375	13,282,962	664,400
	<u>\$ 2,499,625</u>	<u>375</u>	<u>13,282,962</u>	<u>664,400</u>
Investment securities available-for-sale:				
Agency mortgage-backed securities	\$ 85,760	921	1,784,636	181,715
Agency collateralized mortgage obligations	-	-	38,780,753	4,005,837
	<u>\$ 85,760</u>	<u>921</u>	<u>40,565,389</u>	<u>4,187,552</u>

	<b>2024</b>			
	Unrealized loss position			
	for less than 12 months		for more than 12 months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Investment securities held-to-maturity:				
Corporate debt	\$ 2,452,225	47,775	12,979,530	926,122
	<u>\$ 2,452,225</u>	<u>47,775</u>	<u>12,979,530</u>	<u>926,122</u>
Investment securities available-for-sale:				
Agency mortgage-backed securities	\$ 530	1	1,925,649	210,564
Agency collateralized mortgage obligations	-	-	42,705,582	4,917,722
	<u>\$ 530</u>	<u>1</u>	<u>44,631,231</u>	<u>5,128,286</u>



## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

There were 13 individual available-for-sale securities that had been in a loss position for more than twelve months totaling \$40.6 million at March 31, 2025. The Company has the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses. As of March 31, 2025, no allowance for credit loss was required because the unrealized losses are due to fluctuations in rates rather than a change in the underlying credit risk of the instrument for the available-for-sale investment securities. There were 15 individual available-for-sale securities that had been in a loss position for more than twelve months totaling \$44.6 million at March 31, 2024.

For the corporate debt securities classified as HTM, the bond ratings are tracked and evaluated from the original issuance, the rating at the time of purchase, and are reviewed on a quarterly basis for potential bond rating changes. Using the current bond rating, an analysis of reserve is calculated using Moody's probability of default rates along with a loss given default rate to calculate a reserve for the HTM debt securities. The Company evaluated HTM securities which resulted in a \$28.3 thousand balance reserve as of March 31, 2025. The Company evaluated HTM securities which resulted in a zero balance reserve as of March 31, 2024.

<b>Held-to-maturity investments</b>	<b>2025</b>
Beginning balance	\$ -
Impact of adoption of ASU 2016-13	-
Provision for credit losses	28,283
(Charge-offs) and recoveries	-
Ending Balance:	<u>\$ 28,283</u>

The Bank monitors the credit quality of the HTM debt securities utilizing the most current credit ratings from external rating agencies. The Company's portfolio of HTM debt securities generally consists of corporate debt for which the ratings ranged from A to BBB+ as of March 31, 2025. The following table summarizes the amortized cost of HTM debt securities by external credit rating at March 31, 2025 and 2024.

	<b>2025</b>	<b>2024</b>
Investment securities held-to-maturity:		
AAA/AA/A Rated	\$ 14,000,000	\$ 19,405,652
BBB Rated	4,947,362	1,500,000
	<u>\$ 18,947,362</u>	<u>\$ 20,905,652</u>

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

#### (4) Loans Receivable

Loans receivable are summarized as follows:

	March 31,	
	2025	2024
Residential mortgage	\$ 191,692,424	166,341,565
Multifamily mortgage	36,779,738	38,614,718
Commercial real estate	264,273,775	277,424,182
Construction	51,112,619	58,885,934
Land	2,786,992	3,263,027
Home equity lines of credit	74,500,333	62,645,753
Commercial & industrial	37,517,285	67,794,834
Consumer	43,694,895	50,682,012
Leases	2,997,461	4,932,500
	<u>705,355,522</u>	<u>730,584,525</u>
Less:		
Unearned discounts/premium and deferred fees/costs	(1,615,716)	(2,033,334)
Allowance for loan losses	<u>(7,676,000)</u>	<u>(8,619,000)</u>
	<u>\$ 696,063,806</u>	<u>719,932,191</u>

At March 31, 2025 and 2024, Consumer loans were \$43.7 million and \$50.7 million, respectively. These primarily consisted of \$11.1 million of unsecured credit and \$32.6 million of secured auto loans at March 31, 2025 and \$23.5 million of unsecured credit and \$27.2 million of secured auto loans at March 31, 2024.

#### *Credit Quality*

The Company assigns credit quality indicators of pass, pass/watch, special mention, substandard and doubtful to its loans. The Company internally assigns a grade based primarily upon an individual loan's expected repayment capacity. These grades are updated on a monthly basis, or sooner if circumstances warrant an update.

Pass and pass/watch loans have borrowers with an acceptable financial condition, appropriate collateral margins, appropriate cash flow to service the existing loan, and an appropriate leverage ratio. The borrower has generally paid all obligations as agreed and it is expected that the borrower will maintain this type of payment performance. When necessary, acceptable personal guarantors support the loan.

Special mention loans have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in credit deterioration. Borrowers may be experiencing adverse operating trends (declining revenues or margins) or a poorly constructed balance sheet (e.g., increasing inventory without an increase in sales, high leverage, tight liquidity). Adverse economic or market conditions, such as interest rate increases or the entry of a new competitor, may also support a special mention rating. Nonfinancial reasons for rating a credit exposure special mention include management problems, pending litigation, an ineffective loan agreement or other material structural weakness, and any other

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

significant deviation from prudent lending practices. Loans that are past due 30-89 days are typically considered for special mention.

Loans are designated substandard when a distinct possibility exists that the Company will sustain a loss arising from a well-defined weakness, or weaknesses, which, if uncorrected, jeopardize the repayment or satisfaction of the debt in full by the borrower. Substandard loans require greater supervision and monitoring by management. They are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants. The Company may place a substandard loan on nonaccrual if full collection of interest and principal are in doubt. Loans that are 90 days or more past due or that have been placed on nonaccrual are also considered substandard and impaired.

A non-residential loan is classified as doubtful if collection in full is highly questionable or improbable based on current facts, conditions and values, and the loan otherwise would be designated substandard. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the loan, recognition of the charge-off or loss is deferred. Pending events that can preclude a charge-off include mergers, acquisitions, liquidations, capital injections, perfection of liens on additional collateral, and refinancing. Loans classified as doubtful are also considered impaired.

The following table represents the credit quality of the class of loans receivable as of March 31:

	2025					
	Pass	Watch	Special mention	Substandard	Doubtful	Total
Residential mortgage	\$ 188,357,820	1,924,597	-	1,410,007	-	191,692,424
Multifamily mortgage	35,088,605	633,443	1,057,690	-	-	36,779,738
Commercial mortgage	243,515,152	10,113,886	7,802,575	2,842,162	-	264,273,775
Construction	51,112,619	-	-	-	-	51,112,619
Land	2,786,992	-	-	-	-	2,786,992
Home equity lines of credit	74,087,780	41,431	-	371,122	-	74,500,333
Commercial and industrial	22,141,909	6,929,080	4,572,380	3,873,916	-	37,517,285
Consumer	42,869,042	-	545,794	280,059	-	43,694,895
Leases	1,272,379	1,070,650	-	654,432	-	2,997,461
	<u>\$ 661,232,298</u>	<u>20,713,087</u>	<u>13,978,439</u>	<u>9,431,698</u>	<u>-</u>	<u>705,355,522</u>

	2024					
	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Residential mortgage	\$ 163,253,590	1,454,807	-	1,633,168	-	166,341,565
Multifamily mortgage	36,893,633	643,868	1,077,217	-	-	38,614,718
Commercial mortgage	256,013,341	10,574,903	7,993,776	2,842,162	-	277,424,182
Construction	56,752,808	2,133,126	-	-	-	58,885,934
Land	2,963,250	-	299,777	-	-	3,263,027
Home equity lines of credit	60,747,830	1,869,931	-	27,992	-	62,645,753
Commercial and industrial	51,792,119	756,485	13,826,434	1,419,796	-	67,794,834
Consumer	49,711,317	-	637,038	333,657	-	50,682,012
Leases	1,822,214	3,110,286	-	-	-	4,932,500
	<u>\$ 679,950,102</u>	<u>20,543,406</u>	<u>23,834,242</u>	<u>6,256,775</u>	<u>-</u>	<u>730,584,525</u>

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

### *Loan Delinquency and Non-accrual*

When payments are 90 days or more in arrears or when the Company determines that it is no longer prudent to recognize current interest income on a loan, the Company classifies the loan as nonaccrual. From time to time, a loan may be past due 90 days or more, but it is in the process of collection and thus warrants remaining on accrual status. The Company had no such loans at March 31, 2025 and 2024.

The following table sets forth aging of the loan portfolio by class as of March 31:

	2025						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	90 Days Past Due Still Accruing	Nonaccrual Loans
Residential mortgage	\$ 375,054	\$ 808,444	\$ 456,992	\$ 1,640,490	\$ 190,051,934	\$ -	\$ 1,410,007
Multifamily mortgage	\$ -	\$ -	\$ -	\$ -	\$ 36,779,738	\$ -	\$ -
Commercial mortgage	\$ -		\$ 2,842,162	\$ 2,842,162	\$ 261,431,613	\$ -	\$ 2,842,162
Construction	\$ -	\$ -	\$ -	\$ -	\$ 51,112,619	\$ -	\$ -
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,786,992	\$ -	\$ -
Home equity lines of credit	\$ 573,612	\$ 305,872	\$ 65,250	\$ 944,734	\$ 73,555,599	\$ -	\$ 371,122
Commercial & industrial	\$ 691,025	\$ 972,710	\$ 2,316,824	\$ 3,980,559	\$ 33,536,726	\$ -	\$ 3,873,916
Consumer	\$ 704,611	\$ 388,584	\$ 122,902	\$ 1,216,097	\$ 42,478,798	\$ -	\$ 280,059
Leases	\$ -	\$ -	\$ -	\$ -	\$ 2,997,461	\$ -	\$ 654,432
	<u>\$ 2,344,302</u>	<u>\$ 2,475,610</u>	<u>\$ 5,804,130</u>	<u>\$ 10,624,042</u>	<u>\$ 694,731,480</u>	<u>\$ -</u>	<u>\$ 9,431,698</u>

	2024						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	90 Days Past Due Still Accruing	Nonaccrual Loans
Residential mortgage	\$ 357,220	-	\$ 672,748	1,029,968	165,311,597	-	1,633,168
Multifamily mortgage	-	-	-	-	38,614,718	-	-
Commercial mortgage	-	-	2,842,162	2,842,162	274,582,020	-	2,842,162
Construction	-	-	-	-	58,885,934	-	-
Land	-	-	-	-	3,263,027	-	-
Home equity lines of credit	99,445	208	-	99,653	62,546,100	-	27,992
Commercial & industrial	3,635,977	127,785	468,382	4,232,144	63,562,690	-	1,419,795
Consumer	562,422	604,950	187,668	1,355,040	49,326,972	-	333,658
Leases	-	-	-	-	4,932,500	-	-
	<u>\$ 4,655,064</u>	<u>732,943</u>	<u>4,170,960</u>	<u>9,558,967</u>	<u>721,025,558</u>	<u>-</u>	<u>6,256,775</u>

Total nonaccrual loans were \$9.4 million and \$6.2 million at March 31, 2025 and 2024. Nonaccrual loans for which there was no related ACL totaled \$6.4 million at March 31, 2025 and \$5.4 million at March 31, 2024.

The interest income, which would have been recognized for the years ended March 31, 2025 and 2024 under the original terms of loans in impaired status was approximately \$1,023 thousand and \$299 thousand, respectively. The actual interest income recognized on these loans for the years ended March 31, 2025 and 2024 was approximately \$440 thousand and \$86 thousand, respectively.

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

### *Loan Modifications*

The adoption of ASU-2022-02 eliminated the previous recognition and measurement guidance for TDRs and required new disclosures for loan modifications when a borrower is experiencing financial difficulty and impaired loans. As part of the ongoing credit risk management practices, the Bank attempts to work with borrowers when necessary to extend or modify loan terms to better align with the borrowers' current ability to repay. The following modification types must be disclosed: principal forgiveness, interest rate reductions, other-than-insignificant payment delays, term extensions, or a combination thereof.

At March 31, 2025, there was \$2.9 million in loan modifications of which \$2.6 million were compliant with the terms of the modification. The Company had one loan modification to a borrower experiencing financial difficulty during the year ended March 31, 2025. The Company did not make any loan modifications to borrowers experiencing financial difficulty during the year ended March 31, 2024. At March 31, 2025, the Company did not have any modified loans that also had unfunded commitments available.

The following tables present the amortized cost of loan modifications made to debtors experiencing difficulties during the year ended March 31, 2025.

Amortized Cost of Loans Modified	Term Extension	Payment Delay	Interest Rate Reduction	Term Extension and Interest Rate Reduction	Term Extension and Payment Delay	Other Combinations	Total	Percentage of Total Loan Class
Commercial & industrial loans	\$ -	67,798	-	-	-	-	\$ 67,798	0.18%

Modified Loan Payment Status	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total
Commercial & industrial loans	\$ -	-	-	67,798	\$ 67,798

Financial Effects of Loan Modifications	Weighted Average Term Extension (in Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in Months)	Amount of Principal Forgiven
Commercial & industrial loans	\$ -	-	18	-

### *Allowance for Credit Losses*

The following is a summary of the activity in the allowance for credit losses during the years ended March 31:

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

<b>Loan portfolio</b>	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 8,619,000	\$ 9,146,761
Impact of adoption of ASU 2016-13	-	(585,000)
Provision for credit losses	1,646,891	7,933,949
(Charge-offs) and recoveries	(2,589,891)	(7,876,710)
Ending Balance:	<u>\$ 7,676,000</u>	<u>\$ 8,619,000</u>

<b>Unfunded commitments</b>	<b>2025</b>	<b>2024</b>
Beginning balance	\$ 517,000	\$ -
Impact of adoption of ASU 2016-13	-	676,000
Provision for credit losses	42,000	(159,000)
(Charge-offs) and recoveries	-	-
Ending Balance:	<u>\$ 559,000</u>	<u>\$ 517,000</u>

The allowance for credit losses on loans and leases as a percentage of loans was 1.09% and 1.18% at March 31, 2025 and 2024, respectively. The Company believes that its allowance of credit losses on loans and leases is appropriate as of March 31, 2025.

The following tables show activity in the allowance for credit losses by portfolio class for the years ended March 31, 2025 and 2024. The following table summarizes the activity related to the allowance for credit losses on loans and leases and unfunded commitments for the year ended March 31, 2025 and 2024, respectively, are as follows:

		<b>2025</b>									
		<b>Residential mortgage</b>	<b>Real estate, multifamily</b>	<b>Real estate, construction</b>	<b>Real estate, nonresidential</b>	<b>Commercial and industrial</b>	<b>Consumer</b>	<b>Leases</b>	<b>Total</b>		
(Dollars in thousands)											
Balance at March 31, 2024	\$	1,098	173	255	1,440	2,631	3,007	15	8,619	\$	517
Provision for credit losses		18	(62)	(93)	425	276	1,087	(4)	1,647		42
Charge-offs		-	-	-	-	(1,141)	(2,309)	-	(3,450)		-
Recoveries		14	-	-	-	256	590	-	860		-
Balance at March 31, 2025	\$	1,130	111	162	1,865	2,022	2,375	11	7,676	\$	559

		<b>2024</b>									
		<b>Residential mortgage</b>	<b>Real estate, multifamily</b>	<b>Real estate, construction</b>	<b>Real estate, nonresidential</b>	<b>Commercial and industrial</b>	<b>Consumer</b>	<b>Leases</b>	<b>Total</b>		
(Dollars in thousands)											
Balance at March 31, 2023	\$	1,194	345	637	3,284	1,105	2,402	179	9,146	\$	-
Impact of ASC 326 Adoption		432	(238)	(341)	(430)	(82)	223	(149)	(585)		676
Provision for credit losses		(512)	66	(41)	(1,414)	6,824	3,026	(15)	7,934		(159)
Charge-offs		(28)	-	-	-	(5,498)	(2,975)	-	(8,501)		-
Recoveries		12	-	-	-	282	331	-	625		-
Balance at March 31, 2024	\$	1,098	173	255	1,440	2,631	3,007	15	8,619	\$	517

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

### (5) Bank Premises and Equipment, Net

A summary of bank premises and equipment is as follows at March 31:

	2025	2024
Land	\$ 410,000	\$ 410,000
Building	1,412,996	1,412,996
Leaseholds improvements	2,939,402	3,101,875
Furniture, equipment and computer software	5,567,411	5,749,251
	\$ 10,329,809	\$ 10,674,122
Less accumulated depreciation and amortization	(7,474,534)	(7,835,828)
	<u>\$ 2,855,275</u>	<u>\$ 2,838,294</u>

### (6) Deposits

Deposits and related interest expense at March 31, 2025 and 2024 and for the years then ended are summarized as follows:

	2025		
Type	Amount	Interest Payable	Interest Expense
Savings accounts	\$ 309,569,760	-	8,180,590
Noninterest checking	23,813,726	-	-
Interest checking	226,100,852	-	3,993,948
Certificates of deposit	281,373,439	1,735,800	12,015,162
	<u>\$ 840,857,777</u>	<u>1,735,800</u>	<u>24,189,700</u>

	2024		
Type	Amount	Interest Payable	Interest Expense
Savings accounts	\$ 240,918,268	-	6,213,504
Noninterest checking	22,799,518	-	-
Interest checking	225,523,061	14	4,512,444
Certificates of deposit	238,771,958	2,549,988	7,533,518
	<u>\$ 728,012,805</u>	<u>2,550,002</u>	<u>18,259,466</u>

Certificates of deposit had remaining maturities as follows at March 31, 2025:

#### Matures in fiscal year

2026	\$ 257,025,252
2027	1,724,030
2028	20,749,984
2029	527,368
2030 and thereafter	1,346,805
	<u>\$ 281,373,439</u>

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

Deposits with balances over \$250,000 were \$265,628,331 and \$277,411,831 at March 31, 2025 and 2024, respectively.

The Company paid \$30,099,469 and \$20,054,649 in interest on deposits and other borrowings during the years ended March 31, 2025 and 2024, respectively.

At March 31, 2025 and 2024, the weighted average interest rate on deposits was 3.019% and 3.147%, respectively.

#### (7) Federal Home Loan Bank & Federal Reserve Advances

Federal Home Loan Bank (FHLB) advances are collateralized by all FHLB stock owned by the Company, certain investment securities, and a blanket pledge of commercial real estate and multi-family mortgage loans and home equity lines of credit with unpaid principal balances at least equal to, when discounted at 75% of the unpaid principal balances, 100% of the outstanding advances. The Company has \$133.7 million of pledged assets at FHLB, consisting of \$96.0 million in loans and \$37.7 million in investment securities. The Company has \$232.8 million in pledged loans at the Federal Reserve. Federal Reserve advances are collateralized by single family mortgages, construction loans and land loans. At March 31, 2025, there were no outstanding advances from the FHLB or the Federal Reserve. At March 31, 2024, there were \$63.2 million in outstanding advances from the FHLB with a daily maturity date and \$60.0 million in outstanding advances from the Federal Reserve with a maturity date of April 24, 2024. Additional borrowing capacity at the FHLB and Federal Reserve was \$146.7 million at March 31, 2024.

The table below presents selected information on FHLB and Federal Reserve advances:

	2025	2024
Balance outstanding at year end	\$ -	\$ 123,200,000
Maximum balance at any month end during the year	189,550,000	123,200,000
Average balance for the year	90,310,829	85,641,667
Weighted average rate for the year	5.28%	5.17%
Weighted average rate on borrowings at year end	0.00%	5.54%

#### (8) Trust Preferred Securities

In March 2001, the Company issued \$7.5 million of preferred securities (the Trust Preferred securities) through a wholly owned subsidiary grantor trust, Presidential Capital Trust I (the Trust).

The Trust Preferred securities accrue dividends at an annual rate of 10.18%. The Trust used the net proceeds from the offering to purchase a like amount of Junior Subordinated Deferrable Interest Debentures (the Debentures) of the Company with an interest rate of 10.18%. The Debentures are the sole assets of the Trust.



## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

The Company's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guaranty by the Company of the obligation of the Trust. The guaranty covers the distributions and payments on liquidation or redemption of the Trust Preferred securities, but only to the extent of funds held by the Trust. The Trust Preferred securities are mandatorily redeemable upon the maturity of the Debentures, June 8, 2031, or upon earlier redemption as provided in the indenture. The debentures are recorded on the consolidated statements of financial condition as Payable to issuer of trust preferred securities.

The Company redeemed \$4.3 million of the Trust Preferred securities during the year ended March 31, 2022 and \$350,000 during the year ended March 31, 2023. As of March 31, 2025 and 2024, the Trust Preferred securities balance was \$2.9 million.

Accrued but unpaid Trust Preferred interest is recorded in Accrued expenses and other liabilities in the consolidated statements of financial condition and amounted to \$92,251 at March 31, 2025 and 2024, respectively.

#### (9) Leases

Lease liabilities represent the Company's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted at the Company's incremental borrowing rate in effect at the commencement date of the lease. Right-of-use assets represent the Company's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, any incentives received from the lessor.

The Company's long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term but the Company has not included such extensions in its calculation of the lease liabilities as they are not reasonably certain of being exercised.

The following table presents an overview of the Company's leases at March 31, 2025:

Lease liabilities	\$ 11,052,846
Right of use assets	9,862,605
Weighted-average remaining term (in years)	5.18
Weighted-average discount rate	3.32%

The following table presents a composition of the Company's lease expense for the year ended March 31, 2025:

Operating lease expense	
Amortization of ROU assets	\$ 2,343,924
Interest on lease liabilities	364,160
Total lease expense	<u>\$ 2,708,084</u>

The following table is a maturity schedule of the Company's future lease payments and reconciles the undiscounted total obligation to the total recorded lease liabilities as of March 31, 2025:

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

2026	\$ 2,769,111
2027	2,416,072
2028	1,962,298
2029	1,792,636
2030	1,457,267
Thereafter	1,704,298
Total undiscounted cash flows	<u>\$ 12,101,682</u>
Discount	<u>(1,048,836)</u>
Lease Liability	<u>\$ 11,052,846</u>

Total rent expense, including building expenses and real estate taxes amounted to \$3.2 million and \$3.0 million for the years ended March 31, 2025 and 2024, respectively. Rent expense is classified as Occupancy on the Consolidated Statements of Operations.

### (10) Income Taxes

Significant components of the provision for income taxes were as follows for the years ended March 31:

	<b>March 31</b>	
	<b>2025</b>	<b>2024</b>
Current:		
Federal	\$ 921,495	\$ (111,813)
State	(645,625)	(17,453)
Total current expense (benefit)	<u>\$ 275,870</u>	<u>\$ (129,266)</u>
Deferred:		
Federal	\$ (482,319)	\$ (1,847,040)
State	401,506	(587,632)
Total deferred benefit	<u>(80,813)</u>	<u>(2,434,672)</u>
Provision (benefit) for income taxes	<u>\$ 195,057</u>	<u>\$ (2,563,938)</u>

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as a result of the following differences:

	<b>March 31</b>	
	<b>2025</b>	<b>2024</b>
Statutory U.S. tax rate	643,649	\$ (1,639,910)
State and local taxes	(190,344)	(478,017)
Other adjustments	(258,248)	(446,011)
Provision (benefit) for income taxes	<u>195,057</u>	<u>\$ (2,563,938)</u>

The Company and its subsidiaries paid net tax of \$20,955 and \$1,175 for the years ended March 31, 2025 and 2024, respectively.

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

Significant components of the Company's deferred tax assets and liabilities were as follows as of March 31:

	<u>2025</u>	<u>2024</u>
Allowance for loan losses	\$ 1,880,020	2,218,531
Nonaccrued & deferred interest	379,371	308,405
Allowance for other real estate owned losses	5,878	-
Lease liabilities	2,707,083	2,870,503
Unrealized loss on investments	1,305,637	1,319,759
Tax loss carryforward - Federal	1,233,855	1,657,063
Tax loss carryforward - State	221,747	529,888
Other	296,172	293,664
Deferred tax assets	<u>8,029,763</u>	<u>9,197,813</u>
Less valuation allowance	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>8,029,763</u>	<u>9,197,813</u>
Allowance for other real estate owned losses	-	(61,585)
Interest rate lock commitments	(182,492)	(135,642)
Unrealized gain on investments	-	(690,542)
Bank premises and equipment	(299,846)	(359,146)
Right of use assets	<u>(2,415,567)</u>	<u>(2,658,207)</u>
Gross deferred tax liabilities	<u>(2,897,905)</u>	<u>(3,905,122)</u>
Net deferred tax asset	<u><u>\$ 5,131,858</u></u>	<u><u>5,292,691</u></u>

As of each reporting date, management considers all available evidence, both positive and negative, in determining whether a valuation allowance is necessary or should be adjusted to reduce or increase the deferred tax asset to an amount that is more likely than not to be realized. Management believes that it is more likely than not that the future operations of the Company will generate sufficient taxable income to realize the net deferred tax assets. The open tax years still subject to an audit by federal and states would include the fiscal years ending March 31, 2025, 2024, 2023 and 2022.

The Company does not have any material uncertain tax positions as of March 31, 2025.

#### **(11) Financial Instruments with Off-Balance Sheet Risk**

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. Off-balance-sheet financial instruments include standby letters of credit and commitments to extend credit for loans that will be held by the Company and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of these commitments. The total commitment amounts do not necessarily represent future cash requirements, as they generally have fixed expiration dates or termination clauses. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Commitments and contractual obligations were as follows at March 31:

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

	<b>2025</b>		<b>2024</b>	
Interest rate lock commitments	\$ 111,619,811	50.1%	\$ 78,533,254	44.7%
Unfunded loan commitments & lines of credit	110,085,913	49.4%	91,738,458	52.2%
Other commitments	75,000	0.0%	162,500	0.1%
Letters of credit	988,960	0.5%	5,380,894	3.0%
	<u>\$ 222,769,684</u>	<u>100.0%</u>	<u>\$ 175,815,106</u>	<u>100.0%</u>

The Company reserves amounts that could result in loss arising from the repurchase or indemnification on loans previously sold to investors. Claims for such transactions can arise from an investor's determination that the underwriting criteria were not adhered to in accordance with program-specific underwriting conditions or that the borrower committed fraud. The Company estimates its reserve based on actual and expected claims received and considers the historical amounts paid to settle such claims. Given the steps that have been taken to limit the exposure coupled with the passage of time for loans originated in prior years, the Company's current expectation is that future repurchase claims will be limited. The Company evaluates the individual merits of each claim, and charges the reserve when settlement is considered probable and the amount of loss is estimable.

During the years ended March 31, 2025, the Company had \$581,523 indemnified with investor amounts. During the years ended March 31, 2024, the Company had no repurchased or indemnified with investor amounts. The reserve for repurchase or indemnification related to such loans was \$530,053 as of March 31, 2025 and was \$557,500 as of March 31, 2024. Expenses of (\$27,447) were recognized to establish a repurchase or indemnification reserve against future claims as of March 31, 2025.

#### **(12) Related-Party Transactions**

Certain employees, officers, and directors, and affiliated companies were depositors of, and had deposit account transactions with, the Company in the ordinary course of business. Management believes that all such transactions were made on substantially the same terms, including interest rates, as those prevailing at the time for comparable transactions with unrelated parties. Such deposits on account with the Company were \$5,512,969 and \$5,612,210 at March 31, 2025 and 2024, respectively. In addition, as of March 31, 2025 and 2024, outstanding balances of loans made by the Company to related parties were \$459,715 and \$604,767, respectively. There were no loans to related parties made by any subsidiaries of the Company.

#### **(13) Employee Benefit Plans**

All eligible employees of the Company and its subsidiaries participate in an affiliated organization's noncontributory, defined contribution plan. In 2025 and 2024, the Company contributed an amount equal to 4% of each eligible participant's compensation up to \$125,000. The contributions were approximately \$968,384 and \$842,037 in 2025 and 2024, respectively.

The Company and its subsidiaries also participate in a defined contribution 401(k) plan of an affiliated organization. All full-time employees are eligible to participate in the plan and may elect to contribute an amount of their annual salary not to exceed the maximum allowable contribution for each calendar year. The Company will match any contribution made up to 4% of the participants' annual salary up to \$100,000,

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

subject to certain limitations for higher paid employees. The contributions in 2025 and 2024 amounted to approximately \$767,087 and \$644,690, respectively.

### (14) Fair Value Measurements and the Fair Value Option

#### (a) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2025 and 2024 (balances in thousands):

(in thousands)	2025		Fair value measurements using		
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and cash equivalents	82,490	82,490	82,490	-	-
Investment securities held-to-maturity	18,919	18,333	-	18,333	-
Investment securities available-for-sale	40,651	40,651	-	40,651	-
Mutual funds	1,746	1,746	1,746	-	-
Mortgage loans held for sale	66,101	66,101	-	66,101	-
Loans receivable, net	696,064	697,176	-	-	697,176
Accrued Interest Receivable	4,252	4,252	4,252	-	-
FHLB stock	682	682	-	682	-
Bank-owned life insurance	11,602	11,602	-	11,602	-
Mortgage banking derivatives	2,267	2,267	-	2,267	-
Total financial assets	924,774	925,300	88,488	139,636	697,176
Financial Liabilities:					
Deposits	840,858	819,894	559,485	260,409	-
Federal Reserve & FHLB advances	-	-	-	-	-
Accrued Interest Payable	1,840	1,840	1,840	-	-
Mortgage funding and cashiers checks	1,559	1,559	1,559	-	-
Payable to issuer of trust preferred securities	2,887	2,887	-	-	2,887
Mortgage banking derivatives	371	371	-	371	-
Total financial liabilities	847,515	826,551	562,884	260,780	2,887

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

(in thousands)	2024		Fair value measurements using		
	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
<b>Financial Assets:</b>					
Cash and cash equivalents	61,786	61,786	61,786	-	-
Investment securities held-to-maturity	20,906	20,020	-	20,020	-
Investment securities available-for-sale	44,727	44,727	-	44,727	-
Mutual funds	1,719	1,719	1,719	-	-
Mortgage loans held for sale	60,564	60,564	-	60,564	-
Loans receivable, net	719,932	703,041	-	-	703,041
Accrued Interest Receivable	4,665	4,665	4,665	-	-
FHLB stock	3,654	3,654	-	3,654	-
Bank-owned life insurance	11,327	11,327	-	11,327	-
Mortgage banking derivatives	1,786	1,786	-	1,786	-
<b>Total financial assets</b>	<b>931,066</b>	<b>913,289</b>	<b>68,170</b>	<b>142,078</b>	<b>703,041</b>
<b>Financial Liabilities:</b>					
Deposits	728,013	692,111	489,241	202,870	-
Federal Reserve & FHLB advances	123,200	123,302		123,302	-
Accrued Interest Payable	2,929	2,929	2,929	-	-
Mortgage funding and cashiers checks	2,107	2,107	2,107	-	-
Payable to issuer of trust preferred securities	2,887	2,887	-	-	2,887
Mortgage banking derivatives	331	331	-	331	-
<b>Total financial liabilities</b>	<b>859,467</b>	<b>823,667</b>	<b>494,277</b>	<b>326,503</b>	<b>2,887</b>

The carrying amounts shown in the table are included in the consolidated statements of financial condition under the indicated captions, except for derivative assets which are included in other assets, and accrued interest payable and derivative liabilities, which are included in accrued expenses and other liabilities, respectively.

The fair values of the financial instruments shown in the above table as of March 31, 2025 and 2024, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

*Cash and Cash Equivalents, Including Federal Funds Sold* – The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

*Investment Securities, Mutual Funds and Federal Home Loan Bank Stock* – Fair values are based on quoted market prices or broker quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Given that there is no active trading market for Federal Home Loan Bank stock, the carrying amount approximates its fair value.

*Mortgage Loans Held for Sale* – The fair value of LHFS is based on observable market prices for similar instruments traded in the secondary mortgage loan markets in which the Company conducts business. The Company's portfolio of LHFS is classified as Level 2.

*Loans Receivable* – For certain homogeneous categories of loans, such as some residential mortgages and other consumer loans, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

*Bank-owned Life Insurance* – The fair value of bank-owned life insurance is the current cash surrender value, which is the carrying value.

#### *Mortgage Banking Derivatives*

- *Best efforts interest rate-lock commitments and best effort forward sale agreements* – These instruments are valued using discounted cash flow models developed based on changes in the U.S. Treasury rate and other observable market data. Where applicable, the value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Company. These instruments are classified as Level 2.
- *Mandatory delivery commitments and TBA securities* - The Company relies on a third-party pricing service to value these mortgage banking derivative financial assets and liabilities, which the Company classifies as a Level 2 valuation. The external valuation model to estimate the fair value of its interest rate lock commitments to originate residential mortgage loans held for sale includes grouping the interest rate lock commitments by interest rate and terms, applying an estimated pull-through rate based on historical experience, and then multiplying by quoted investor prices determined to be reasonably applicable to the loan commitments with similar terms. The Company also relies on an external valuation model to estimate the fair value of its forward commitments to sell residential mortgage loans (i.e., an estimate of what the Company would receive or pay to terminate the forward delivery contract based on market prices for similar financial instruments), which includes matching specific terms and maturities of the forward commitments against applicable similar terms.

*Deposits* – The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date, which the Company classifies as a Level 1 valuation. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently

# PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

March 31, 2025 and 2024

offered for deposits of similar remaining maturities. These certificates of deposit are classified as Level 2.

*Mortgage Funding and Cashiers' Checks* – The carrying amount of mortgage funding and cashiers' checks approximates its fair value.

*Payable to Issuer of Trust Preferred Securities* – The carrying amount of payable to Issuer of Trust Preferred Securities approximates its fair value based on the discounted value of future cash flows using interest rates being offered for debt with similar terms and characteristics.

*Accrued Interest Receivable and Accrued Interest Payable* – The carrying amount of accrued interest receivable and accrued interest payable approximates its fair value.

### (b) Fair Value Hierarchy

The following table presents assets and liabilities that are measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at March 31, 2025 and 2024 (in thousands):

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of March 31, 2025
Assets:				
Investment securities available-for-sale	\$ -	40,651	-	40,651
Mutual funds	1,746	-	-	1,746
Mortgage loans held for sale	-	66,101	-	66,101
Mortgage banking derivatives	-	2,267	-	2,267
Total	<u>\$ 1,746</u>	<u>109,019</u>	<u>-</u>	<u>110,765</u>
Liabilities:				
Mortgage banking derivatives	\$ -	371	-	371
Total	<u>\$ -</u>	<u>371</u>	<u>-</u>	<u>371</u>

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of March 31, 2024
Assets:				
Investment securities available-for-sale	\$ -	44,727	-	44,727
Mutual funds	1,719	-	-	1,719
Mortgage loans held for sale	-	60,564	-	60,564
Mortgage banking derivatives	-	1,786	-	1,786
Total	<u>\$ 1,719</u>	<u>107,077</u>	<u>-</u>	<u>108,796</u>
Liabilities:				
Mortgage banking derivatives	\$ -	331	-	331
Total	<u>\$ -</u>	<u>331</u>	<u>-</u>	<u>331</u>

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis. That is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value



## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

adjustments in certain circumstances (for example, when there is evidence of impairment). The following financial assets are measured at fair value on a nonrecurring basis:

*Individually evaluated loans* – The Company does not record loans receivable at fair value with the exception of impaired loans, which are measured for impairment on a loan-by-loan basis by valuing the underlying collateral less estimated cost to sell or by the present values of expected future cash flows discounted at the loan’s effective interest rate. Impaired loans are classified in Level 3 of the fair value hierarchy. At March 31, 2025 and 2024, the Company held \$9,408,069 and \$6,201,821 of impaired loans carried at fair value, respectively.

*Other real estate owned* – Other real estate owned measured at the estimated fair value less costs to sell is based on the fair value of the underlying collateral (i.e., real estate secured-loans). These fair value measurements are classified as Level 3. At March 31, 2025, the Company held no other real estate owned. At March 31, 2024, the Company has \$1,019,300 in other real estate owned.

*Repossessed assets* – Repossessed assets measured at the estimated fair value less costs to sell is based on the fair value of the underlying collateral. These fair value measurements are classified as Level 3. At March 31, 2025 and 2024, the Company has \$1,441,360 and \$1,619,387, respectively.

#### (c) *Mortgage Banking Derivatives*

The following table presents the notional amounts and fair values of outstanding mortgage banking derivatives as of March 31, 2025 and 2024 (dollars in thousands):

	<u>Fair value components</u>		<u>Balance sheet location</u>	
	<u>Notional or principal amount</u>	<u>Total fair value</u>	<u>Other assets</u>	<u>Other liabilities</u>
March 31 2025				
Derivative loan commitments				
Commitments hedged with best efforts	\$ 52,126	879	956	(77)
Commitments hedged with TBA securities	59,494	1,208	1,208	-
Total derivative loan commitments	<u>\$ 111,620</u>	<u>2,087</u>	<u>2,164</u>	<u>(77)</u>
Forward loan sales commitments				
Best efforts forward sales	\$ 72,075	(54)	77	(131)
Mandatory delivery commitments	6,524	26	26	-
TBA securities	73,000	(131)	-	(131)
Total forward loan sales commitments	<u>\$ 151,599</u>	<u>(159)</u>	<u>103</u>	<u>(262)</u>

## PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

March 31, 2025 and 2024

	<u>Fair value components</u>		<u>Balance sheet location</u>	
	<u>Notional or principal amount</u>	<u>Total fair value</u>	<u>Other assets</u>	<u>Other liabilities</u>
March 31 2024				
Derivative loan commitments				
Commitments hedged with best efforts	\$ 32,692	704	767	(63)
Commitments hedged with TBA securities	45,841	897	897	-
Total derivative loan commitments	<u>\$ 78,533</u>	<u>1,601</u>	<u>1,664</u>	<u>(63)</u>
Forward loan sales commitments				
Best efforts forward sales	\$ 49,822	(56)	63	(119)
Mandatory delivery commitments	23,686	59	59	-
TBA securities	52,500	(70)	-	(70)
Total forward loan sales commitments	<u>\$ 126,008</u>	<u>(67)</u>	<u>122</u>	<u>(189)</u>

At March 31, 2025 and 2024, the Company had no derivatives designated as fair value or cash flow hedging instruments. Undesignated derivative instruments are recorded in earnings as a component of the gain on sale of mortgage loans.

As of March 31, 2025 and 2024, the net gain recognized for the estimated fair value of the loan servicing associated with interest rate lock commitments to borrowers for loans that have not closed, or closed and have not been delivered to third party investors was \$745 thousand and \$527 thousand, respectively.

#### (15) Legal Matters

The Corporation and its subsidiaries may be involved in certain litigation matters arising in the ordinary course of business. Although the ultimate outcome of these matters cannot be ascertained at this time, and the results of legal proceedings cannot be predicted with certainty, we believe, based on current knowledge, that the resolution of any such matters arising in the ordinary course of business will not have a material adverse effect on the Company.

#### (16) Subsequent Events

The Company has evaluated subsequent events through June 27, 2025, the date at which the consolidated financial statements were available to be issued and determined there were no other items to disclose.

**Schedule I**

**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidating Schedule – Statement of Financial Condition Information

March 31, 2025

<b>Assets</b>	<b>Presidential Bank, FSB(I)</b>	<b>Presidential Holdings, Inc.</b>	<b>Eliminations</b>	<b>Presidential Holdings, Inc. Consolidated</b>
Cash and cash equivalents	\$ 81,686,159	1,476,293	(1,476,293)	81,686,159
Federal funds sold	803,727	-	-	803,727
Investment securities – held-to-maturity	18,919,079	-	-	18,919,079
Investment securities – available-for-sale	40,651,149	-	-	40,651,149
Mutual funds	1,746,324	-	-	1,746,324
Mortgage loans held for sale	66,101,147	-	-	66,101,147
Loans receivable, net	696,042,396	21,410	-	696,063,806
Accrued interest receivable	4,252,455	-	-	4,252,455
Federal Home Loan Bank stock, at cost	682,000	-	-	682,000
Bank premises and equipment, net	2,855,275	-	-	2,855,275
Right of use asset, net	9,862,605	-	-	9,862,605
Deferred income taxes	5,063,140	68,718	-	5,131,858
Income taxes receivable	492,650	(36,783)	31,341	487,208
Bank-owned life insurance	11,601,568	-	-	11,601,568
Other assets	15,371,929	20,449	-	15,392,378
Investment in affiliate	-	87,355,322	(87,355,322)	-
Total assets	<u>\$ 956,131,603</u>	<u>88,905,409</u>	<u>(88,800,274)</u>	<u>956,236,738</u>

**Schedule I**

**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidating Schedule – Statement of Financial Condition Information

March 31, 2025

<b>Liabilities and Equity</b>	<b>Presidential Bank, FSB(I)</b>	<b>Presidential Holdings, Inc.</b>	<b>Eliminations</b>	<b>Presidential Holdings, Inc. Consolidated</b>
Deposits	\$ 842,334,070	-	(1,476,293)	840,857,777
Mortgage funding and cashiers' checks outstanding	1,558,750	-	-	1,558,750
Federal Home Loan Bank & Federal Reserve advances	-	-	-	-
Payable to issuer of trust preferred securities	-	2,887,000	-	2,887,000
Advance payments from borrowers for taxes and insurance	3,830,303	-	-	3,830,303
Lease liabilities	11,052,846	-	-	11,052,846
Income taxes payable	229	-	31,341	31,570
Accrued expenses and other liabilities	10,091,083	94,339	-	10,185,422
Total liabilities	868,867,281	2,981,339	(1,444,952)	870,403,668
Shareholders' equity:				
Common stock	428,829	3,486	(428,829)	3,486
Additional paid-in capital	6,381,193	3,341,348	(6,381,193)	3,341,348
Retained earnings	83,564,659	85,992,247	(83,564,659)	85,992,247
Accumulated other comprehensive loss	(3,110,359)	(3,110,359)	3,110,359	(3,110,359)
Treasury stock, at cost	-	(393,652)	-	(393,652)
Total shareholders' equity	87,264,322	85,833,070	(87,264,322)	85,833,070
Total liabilities and equity	\$ 956,131,603	88,814,409	(88,709,274)	956,236,738

<sup>(1)</sup> Includes Presidential Service Corporation, Realty Home Mortgage Co., LLC, Homebuilders Mortgage Co., LLC, Seneca Mortgage Corp. and Painter Bay Company, LLC

See accompanying independent auditors' report.

**Schedule II**

**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidating Schedule – Statement of Operations Information

Year ended March 31, 2025

	<b>Presidential Bank, FSB(I)</b>	<b>Presidential Holdings, Inc.</b>	<b>Eliminations</b>	<b>Presidential Holdings, Inc. Consolidated</b>
Interest income:				
Loans	\$ 51,732,861	2,511	-	51,735,372
Investments	5,826,982	4,206	(4,206)	5,826,982
Total interest income	57,559,843	6,717	(4,206)	57,562,354
Interest expense:				
Deposits	24,245,152	-	(4,206)	24,240,946
Federal Home Loan Bank & Federal Reserve advances	4,769,313	-	-	4,769,313
Trust preferred securities	-	293,897	-	293,897
Total interest expense	29,014,465	293,897	(4,206)	29,304,156
Net interest income (loss)	28,545,378	(287,180)	-	28,258,198
Provision for loan losses	1,717,174	-	-	1,717,174
Net interest income (loss) after provision for loan losses	26,828,204	(287,180)	-	26,541,024
Other income:				
Gain on sale of mortgage loans	21,556,077	-	-	21,556,077
Earnings on bank-owned life insurance	276,621	-	-	276,621
Credit and appraisal income	1,424,465	-	-	1,424,465
Other income	3,690,218	-	-	3,690,218
Total other income	26,947,381	-	-	26,947,381

**Schedule II**

**PRESIDENTIAL HOLDINGS, INC. AND SUBSIDIARIES**

Consolidating Schedule – Statement of Operations Information

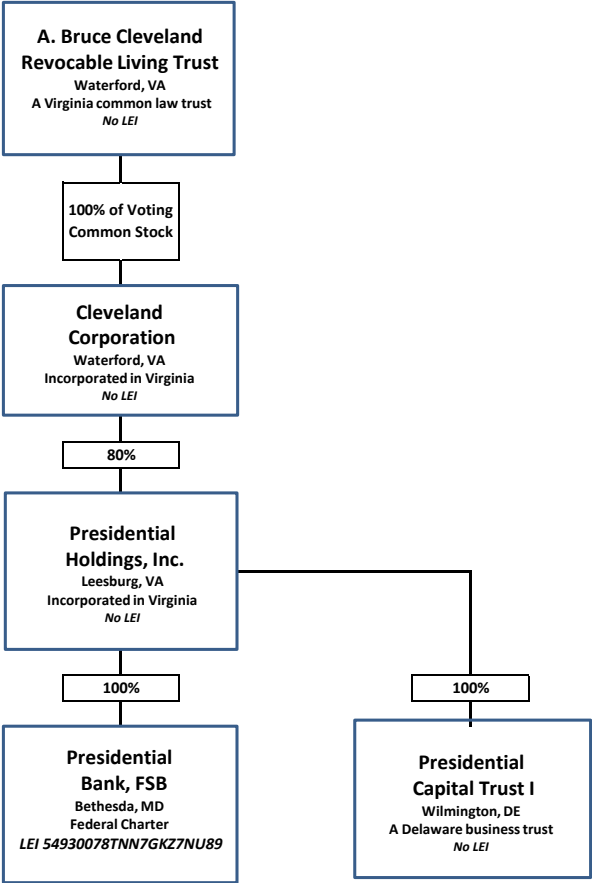
Year ended March 31, 2025

	<b>Presidential Bank, FSB(I)</b>	<b>Presidential Holdings, Inc.</b>	<b>Eliminations</b>	<b>Presidential Holdings, Inc. Consolidated</b>
Operating expense:				
Salaries and employee benefits	\$ 31,062,860	-	-	31,062,860
Occupancy	3,171,470	-	-	3,171,470
Data processing	3,883,991	-	-	3,883,991
Depreciation and amortization	447,304	-	-	447,304
FDIC insurance	802,742	-	-	802,742
Credit and appraisal fees	3,356,448	-	-	3,356,448
Professional fees	410,442	-	-	410,442
Other general and administrative	7,272,602	15,548	-	7,288,150
Total operating expense	50,407,859	15,548	-	50,423,407
Income (loss) before equity in net income of subsidiaries and income taxes	3,367,726	(302,728)	-	3,064,998
Equity in earnings of subsidiaries	-	3,115,396	(3,115,396)	-
Income before income taxes	3,367,726	2,812,668	(3,115,396)	3,064,998
Provision (benefit) for income taxes	252,330	(57,273)	-	195,057
Net income (loss) attributable to Presidential shareholders	\$ 3,115,396	2,869,941	(3,115,396)	2,869,941

<sup>(1)</sup> Includes Presidential Service Corporation, Realty Home Mortgage Co., LLC, Homebuilders Mortgage Co., LLC, Seneca Mortgage Corp. and Painter Bay Company, LLC

See accompanying independent auditor's report.

Corporate Structure



Legal Name of Holding      Presidential  
Company:                      Holdings, Inc.  
FDHCPV71

Item 3(1)(a)	Item 3(1)(b)	Item 3(1)(c)	Item 3(1)(d)	Item 3(1)(e)	Item 3(1)(f)	Item 3(1)(g)	Item 3(1)(h)	Item 3(1)(i)	Item 3(1)(j)	Item 3(1)(k)	Item 3(1)(l)	Item 3(1)(m)
Name	City	State	Country	Country of Citizenship or Incorporation	Describe the provisions of the trust or plan	For individuals Acting in Concert, Identify Name of	For Trusts, Identify each trustee or designated	Number of Securities - Common Stock	Number of Securities - Warrants	Number of Securities - Options	Number of Securities - Other	Percent of each class of voting securities owned, controlled, or
FDHCPV72	FDHCPV73	FDHCPV74	FDHCPV75	FDHCPV76	FDHCPV77	FDHCPV78	FDHCPV79	FDHCPV80	FDHCPV81	FDHCPV82	FDHCPV83	FDHCPV84
Cleveland Corporation	Bethesda	MD	USA	USA	N/A	N/A	N/A	277729	N/A	N/A	N/A	80.97%
Michael D. Goth	Medfield	MA	USA	USA	N/A	N/A	N/A	33075	N/A	N/A	N/A	9.65%



**Legal Name of Holding Company:** Presidential Holdings, Inc.  
**FDHCPV71**

[illegible]

Legal Name of Holding    Cleveland  
Company:                    Corporation  
FDHCPV71

Item 3(1)(a)	Item 3(1)(b)	Item 3(1)(c)	Item 3(1)(d)	Item 3(1)(e)	Item 3(1)(f)	Item 3(1)(g)	Item 3(1)(h)	Item 3(1)(i)	Item 3(1)(j)	Item 3(1)(k)	Item 3(1)(l)	Item 3(1)(m)
Name	City	State	Country	Country of Citizenship or Incorporation	Describe the provisions of the trust or plan	For individuals Acting in Concert, Identify Name of	For Trusts, Identify each trustee or designated	Number of Securities - Common Stock	Number of Securities - Warrants	Number of Securities - Options	Number of Securities - Other	Percent of each class of voting securities owned, controlled, or
FDHCPV72	FDHCPV73	FDHCPV74	FDHCPV75	FDHCPV76	FDHCPV77	FDHCPV78	FDHCPV79	FDHCPV80	FDHCPV81	FDHCPV82	FDHCPV83	FDHCPV84
A. Bruce Cleveland Revocable Living Trust	Waterford	VA	USA	USA	N/A	N/A	N/A	1396	N/A	N/A	N/A	100.00%

**Legal Name of Holding Company:** Cleveland Corporation  
**FDHCPV71**

[illegible]

**Legal Name of Holding Company:** A. Bruce Cleveland  
Revocable Living  
Trust

FDHCPV71

[illegible]

**Legal Name of Holding Company:** A. Bruce Cleveland Revocable Living Trust  
**FDHCPV71**

[illegible]

Legal Name of Holding Company: A. Bruce Cleveland Revocable Living Trust  
FDHCPV98

Item 4(1)(a)	Item 4(5)(a)	Item 4(5)(b)	Item 4(5)(c)
Name	Title or Position with any other company in which the person is a director, trustee, partner, or executive officer.	Name of any other company in which the person is a director, trustee, partner, or executive officer, or owns, controls, or holds with power to vote 25% or more of its outstanding voting securities or proportionate in a partnership.	Percentage of each class of voting securities owned, controlled, or held with power to vote in any other company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities), or proportionate interest held in a partnership, if 25% or more
FDHCPV99	FDHCPW09	FDHCPW10	FDHCPW11
A. Bruce Cleveland Revocable Living Tr	President & Director	Cleveland Corporation	100%
A. Bruce Cleveland Revocable Living Tr	President	Bankers Finance Capital Corp.	100%
A. Bruce Cleveland Revocable Living Tr	President	GIT Investment Services, Inc.	100%

Legal Name of Holding Company:   Presidential Holdings, Inc.  
FDHCPV98

Item 4(1)(a)	Item 4(1)(b)	Item 4(1)(c)	Item 4(1)(d)	Item 4(2)	Item 4(3)(a)	Item 4(3)(b)
Name	City	State	Country	Principal Occupation if other than with holding company	Title or Position with the Holding Company	Percentage of each class of voting securities owned, controlled, or held with power to vote in the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities)
FDHCPV99	FDHCPW00	FDHCPW01	FDHCPW02	FDHCPW03	FDHCPW04	FDHCPW05
A. Bruce Cleveland	Arlington	VA	USA	N/A	President & Chairman of the Board & Director	80%

**Legal Name of Holding Company:** Presidential Holdings, Inc.

**FDHCPV98**

Item 4(1)(a)	Item 4(4)(a)	Item 4(4)(b)	Item 4(4)(c)
Name	Title or Position with direct and indirect subsidiaries	Name of direct and indirect subsidiaries in which Insider has a title or position or ownership in	Percentage of each class of voting securities owned, controlled, or held with power to vote in subsidiaries of the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities)
FDHCPV99	FDHCPW06	FDHCPW07	FDHCPW08
A. Bruce Cleveland	President	Presidential Bank, FSB	80%
A. Bruce Cleveland	President	Presidential Service Corporation	80%
A. Bruce Cleveland	Manager	Painter Bay Company, LLC	80%



Legal Name of Holding Company: Presidential Holdings, Inc.  
FDHCPV98

Item 4(1)(a)	Item 4(5)(a)	Item 4(5)(b)	Item 4(5)(c)
Name	Title or Position with any other company in which the person is a director, trustee, partner, or executive officer.	Name of any other company in which the person is a director, trustee, partner, or executive officer, or owns, controls, or holds with power to vote 25% or more or its outstanding voting securities or proportionate in a partnership.	Percentage of each class of voting securities owned, controlled, or held with power to vote in any other company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities), or proportionate interest held in a partnership, if 25% or more
FDHCPV99	FDHCPW09	FDHCPW10	FDHCPW11
A. Bruce Cleveland	President	Bankers Finance Capital Corp.	100%
A. Bruce Cleveland	President	GIT Investment Services, Inc.	100%
A. Bruce Cleveland	President	Chesapeake Transport, Inc.	100%

Legal Name of Holding Company: Cleveland Corporation  
FDHCPV98

Item 4(1)(a)	Item 4(1)(b)	Item 4(1)(c)	Item 4(1)(d)	Item 4(2)	Item 4(3)(a)	Item 4(3)(b)
Name	City	State	Country	Principal Occupation if other than with holding company	Title or Position with the Holding Company	Percentage of each class of voting securities owned, controlled, or held with power to vote in the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities)
FDHCPV99	FDHCPW00	FDHCPW01	FDHCPW02	FDHCPW03	FDHCPW04	FDHCPW05
A. Bruce Cleveland Revocable Living Trust	Waterford	VA	USA	Virginia common law trust	N/A	100%
A. Bruce Cleveland	Arlington	VA	USA	CEO, Presidential Bank	President & Director	100%

**Legal Name of Holding Company:** Cleveland Corporation

**FDHCPV98**

Item 4(1)(a)	Item 4(4)(a)	Item 4(4)(b)	Item 4(4)(c)
Name	Title or Position with direct and indirect subsidiaries	Name of direct and indirect subsidiaries in which Insider has a title or position or ownership in	Percentage of each class of voting securities owned, controlled, or held with power to vote in subsidiaries of the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities)
FDHCPV99	FDHCPW06	FDHCPW07	FDHCPW08
A. Bruce Cleveland Revocable Living Tr	N/A	Presidential Holdings, Inc.	80%
A. Bruce Cleveland Revocable Living Tr	N/A	Presidential Bank, FSB	80%
A. Bruce Cleveland Revocable Living Tr	N/A	Presidential Service Corporation	80%

Legal Name of Holding Company: Cleveland Corporation  
FDHCPV98

Item 4(1)(a)	Item 4(5)(a)	Item 4(5)(b)	Item 4(5)(c)
Name	Title or Position with any other company in which the person is a director, trustee, partner, or executive officer.	Name of any other company in which the person is a director, trustee, partner, or executive officer, or owns, controls, or holds with power to vote 25% or more of its outstanding voting securities or proportionate in a partnership.	Percentage of each class of voting securities owned, controlled, or held with power to vote in any other company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities), or proportionate interest held in a partnership, if 25% or more
FDHCPV99	FDHCPW09	FDHCPW10	FDHCPW11
A. Bruce Cleveland Revocable Living Tr	N/A	Bankers Finance Capital Corp.	100%
A. Bruce Cleveland Revocable Living Tr	N/A	GIT Investment Services, Inc. (indirect)	100%
A. Bruce Cleveland Revocable Living Tr	N/A	Chesapeake Transport, Inc.	100%

Legal Name of Holding Company: A. Bruce Cleveland Revocable Living Trust  
FDHCPV98

Item 4(1)(a)	Item 4(1)(b)	Item 4(1)(c)	Item 4(1)(d)	Item 4(2)	Item 4(3)(a)	Item 4(3)(b)
Name	City	State	Country	Principal Occupation if other than with holding company	Title or Position with the Holding Company	Percentage of each class of voting securities owned, controlled, or held with power to vote in the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities)
FDHCPV99	FDHCPW00	FDHCPW01	FDHCPW02	FDHCPW03	FDHCPW04	FDHCPW05
A. Bruce Cleveland Revocable Living Trust	Arlington	VA	USA	CEO, Presidential Bank	Grantor & Trustee	N/A

Legal Name of Holding Company: A. Bruce Cleveland Revocable Living Trust

FDHCPV98

Item 4(1)(a)	Item 4(4)(a)	Item 4(4)(b)	Item 4(4)(c)
Name	Title or Position with direct and indirect subsidiaries	Name of direct and indirect subsidiaries in which Insider has a title or position or ownership in	Percentage of each class of voting securities owned, controlled, or held with power to vote in subsidiaries of the holding company (including options, warrants or other securities or rights that can be converted into or exercised for voting securities)
FDHCPV99	FDHCPW06	FDHCPW07	FDHCPW08
A. Bruce Cleveland Revocable Living Trust	President & Director	Presidential Holdings, Inc.	80%
A. Bruce Cleveland Revocable Living Trust	President & Director	Presidential Bank, FSB	80%
A. Bruce Cleveland Revocable Living Trust	President & Director	Presidential Service Corporation	80%