



Third Quarter 2025
Earnings Call Transcript

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C O R P O R A T E P A R T I C I P A N T S

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Priscilla Sims Brown, *President and Chief Executive Officer*

Sam Brown, *Chief Banking Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Mark Fitzgibbon, *Piper Sandler*

Mark Shutley, *KBW*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Amalgamated Financial Corporation Third Quarter 2025 Earnings Conference Call.

During today's presentation all parties will be in a listen-only mode. Following the presentation, the conference will be open for questions with instructions to follow at that time. A telephonic replay of this call and the presentation slides to complement today's discussion is available on the Investors section of our website. Please also refer to the disclaimers on Slide 2 of our presentation concerning forward statements and non-GAAP financial measures.

As a reminder, this conference call is being recorded.

I would now like to turn the call over to your host, Mr. Jason Darby, Chief Financial Officer. Please go ahead, sir.

Jason Darby

Thank you, Operator, and good morning, everyone. We appreciate your participation in our earnings call. With me today is Priscilla Sims Brown, our President and Chief Executive Officer. Additionally, Sam Brown, our Chief Banking Officer, is here for the Q&A portion of today's call.

First, I want to note that we are introducing shorter prepared comments this quarter. By condensing this section of the call, we hope to transition to your questions faster and avoid repeating details you've already reviewed in the earnings materials.

Let me now turn the call over to Priscilla.

Priscilla Sims Brown

Good morning, everyone, and thank you for joining us. Well, it was another good quarter. Amalgamated delivered core earnings per share of \$0.91 in the third quarter, and we experienced strength on both sides of our balance sheet, highlighted by across-the-board share gain in our deposit franchise, coupled with accelerating loan growth as our new lenders are already having an impact. Amalgamated has now delivered \$2.66 year-to-date core earnings per share, which is about 3% growth, making our case for an implied value of our stock well above where we have been trading recently. One thing I'd like to remind us is that we are coming off of a 2024 year where we grew core EPS by over 18%, far exceeding most banks. What we're doing in 2025 is just that much more remarkable, comparatively speaking.

For Q3, what stands out to me, mainly that we keep delivering great results. The quality and sustainability of our earnings allows us to handle problem situations with ease. Last quarter, Jason discussed a \$10.8 million syndicated commercial and industrial business loan to an originator of consumer loans for renewable energy efficiency improvements that was under stress. I'm happy to report the quick, successful and final resolution of this loan during this quarter with the final impact all absorbed within our core earnings. I use the word successful to reflect on the decisive action we took to exit a problem credit, negotiate what we felt to be the best near-term recovery value and put the problem behind us so that our investors can see our overall credit portfolio quality with clarity.

While, of course, we're not happy to absorb a loan loss every quarter charge-off, the flip side to that is a nice improvement to our nonperforming assets and overall credit quality metrics. Nonperforming assets decreased \$12.2 million or 34.6% to \$23 million or 0.26% of total assets and credit quality improved nearly \$19 million to \$79.2 million or 1.67% of total loans, which is our best ratio since I've been here. All that said, we recognize that the credit cycle is still in process, and we are acutely aware of some of the big reserves

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and charge-offs taken by some super regional banks recently. The best thing I can say is that you can be sure Amalgamated will be early in disclosure and decisive in our resolution.

Now let's move on to some more fun stuff. Back in the first quarter with the change in administration, we said we were built for this moment, built to thrive. Nothing has changed there. We still are. Our mission, brand and values resonate with our customers, which can be seen in how our production team performed this quarter. Loans grew by \$99 million across our growth mode portfolios of multifamily, CRE and C&I, about 3.3% growth, a nice acceleration from the second quarter's growth rate of 2.1%. This was in line with our quarterly targets and benefited from the addition of some C&I experts that added to our origination team in the second quarter. Our PACE portfolio also saw an acceleration as total assessments grew \$27.4 million. The strength came from over 8% growth in C-PACE, where there is a rapidly growing range of opportunity and to capitalize on our new originator partnership.

Then there's our deposit franchise. Wow, these folks are amazing. We just keep taking market share in our deposit gathering as all of our segments saw growth during the quarter, driving over \$415 million of new deposit generation. Very few banks our size can do what we do. Looking at our segments, political was a standout with deposits increasing \$235 million, or 19%, to \$1.4 billion as fundraising begins to accelerate looking to the midterm elections, which are now only a year away.

Our Climate and Sustainability segment was also a standout as deposits increased \$86 million, or 21%. Not-for-profit also grew \$42 million. Labor grew \$26 million. Overall, it was just another great quarter for our deposit gathering team. For the most part, I like what we see. We still have some work to do, no doubt, but the bank is firing on most cylinders, which provides real optimism as we look to the future.

To support our growth and to ensure we efficiently scale our operations, we have been investing in a fully integrated digital modernization program, which will drive improved productivity, provide a holistic view of our customers to better understand their needs, provide more customized solutions and ultimately deliver more revenue growth. This platform went live in the third quarter, and we're already seeing the benefits across our organization as we continue to manage the business to key metrics.

To close, I could not be more excited with what the future holds for Amalgamated. Our ability to deliver balanced and predictable contribution from our lending channels is starting to show, and I'm happy that we have geographic diversity, which will help us manage future loan growth targets. We are keeping a close eye on the policy debate playing out in New York City. But regardless, we feel very good about our current rent stabilization exposure. We've added some more disclosure for you this quarter in the presentation on Slide 14, and we're happy to take your questions on that.

There's also more I could talk about, but we want to get to your questions sooner this time. Let me turn the call over to Jason.

Jason Darby

Thanks, Priscilla. Starting off with some key highlights on Slide 3. Net income was \$26.8 million, or \$0.88 per diluted share, while core net income, a non-GAAP measure, was \$27.6 million, or \$0.91 per diluted share. Our net interest income grew by 4.9% to \$76.4 million, which exceeded the high end of our guidance range, bolstered a bit by the recapture of some loan interest income from the payoff of one of our legacy problem assets.

Additionally, our net interest margin increased 5 basis points to 3.6%. Margin expansion was partially offset by a 5 basis point rise in our cost of funds as we carried a higher average balance of interest-bearing deposits in the quarter. It's worth noting that our average spot rate paid on deposits declined 8 basis points after we repriced our deposits following the Fed's 25 basis point rate cut in September.

Deposits were strong. Excluding \$112.3 million of temporary pension funding deposits, total on-balance sheet deposits increased \$149 million, or 1.9%, to \$7.6 billion. We also held \$265 million of deposits off balance sheet at the end of the quarter.

Continuing to Slide 4, we look at some of our key performance metrics during the third quarter. Starting on the left, our tangible book value per share increased \$0.98, or 4%, to \$25.31 and has grown over 46% since September '21, which was Priscilla's first full quarter as CEO. Tangible book value is a key component of management's long-term equity incentives, which tightly aligns management with our shareholders.

Our leverage ratio was managed well at 9.18%. During the quarter, we used capital to improve our TCE ratio to 8.79%, absorbed \$4.5 million of losses to improve our credit quality metrics, returned capital to shareholders through approximately \$10.4 million in share repurchases and to pay our \$0.14 quarterly dividend. Looking forward, we expect to continue our buybacks over the coming quarters until our share price rises to a level that we feel realistically reflects our forward earnings projection.

Our core revenue per diluted share was \$2.84, a \$0.17 increase from the prior quarter. This increase was due to a combination of higher net interest income and the effect of our share repurchases. Importantly, this metric shows our balance sheet optimization and commitment to positive operating leverage. We're laser-focused on driving this message to the top of the broader industry peer group.

Jumping ahead to Slide 9. Core noninterest expense was \$43.4 million, an increase of \$2.9 million from the linked quarter. This was mainly driven by a \$2.2 million increase in employee compensation expense as well as an expected \$0.5 million increase in technology spend due to continued investment in digital transformation development. Overall, we were pretty much right where we want to be with expense management, and we're able to add some additional compensation accruals for full year performance that is starting to look pretty promising.

I'm also really happy with our core efficiency ratio of 50.17%, which places Amalgamated on average at the top of the pack from banks in the \$5 billion to \$10 billion range as well as banks in the \$10 billion to \$100 billion range. We'll continue to keep our target of approximately \$170 million for annual OpEx, though there may be some upside to that number.

Hopping to Slide 10. Net charge-offs were 0.81% of total loans. Obviously, this is an elevated number, but there is some good news within this metric. First, as Priscilla mentioned, was the final resolution of the problem C&I credit we talked about in the second quarter. That resulted in a \$5.4 million charge-off, but the P&L impact this quarter was only \$3.1 million due to prior period reserves. This credit situation is done. Thankfully, we don't have to speculate about it any further.

Another bit of good news was the note sale of a legacy nonperforming leveraged loan. This resulted in a \$1.5 million charge-off, but also a small recovery of \$0.6 million that flowed through our net provision expense during the quarter. The remainder of the charge-offs related to normal activity from our consumer solar and business banking portfolios, although each showed some modest improvement from the prior quarter. One thing we thought would be interesting to note is the bank received a revised outlook to positive from KBRA during our annual credit rating surveillance report completed during the quarter as well.

Turning to Slide 11. The allowance for credit losses on loans decreased \$2.5 million to \$56.5 million. The ratio of allowance to total loans was 1.18%, a decrease of 7 basis points from 1.25% in the prior quarter. The decrease was primarily the result of a \$2.3 million net reserve release related to the resolution of the loan I just discussed and also by a \$2.1 million reserve release related to the resolution of a legacy leverage loan credit. This was partially offset by a \$1.6 million increase in reserves related to one \$2.8 million multifamily loan that went nonaccrual in the quarter and a \$0.2 million reserve increase for a nonperforming construction loan.

Finishing on Slide 16, turning to our outlook. Today, we are raising our full year 2025 core pretax pre-provision earnings guidance to \$164 million to \$165 million and tightening our 2025 net interest income

guidance to \$295 million to \$296 million, which considers the effect of the forward rate curve of 2025. Additionally, we estimate an approximate \$2.2 million decrease in annual net interest income for a parallel 25 basis point decrease in interest rates beyond what the forward curve currently suggests.

Briefly looking at the fourth quarter of 2025, we target average balance sheet size at approximately \$8.65 billion and our net interest income to range between \$75 million and \$76 million. We expect our net interest margin to stay near flat relative to our Q3 mark as we believe our loan yields will drop due to repricing as we model the Fed to cut rates again by a total of 50 basis points in Q4. Based on these targets, we've gone ahead and done the implied full year math on the guidance page, so you can easily compare it to our 2024 results as well as our baseline 2025 performance targets.

We're now happy to take your questions. Operator, please open up the line for Q&A.

Operator

Thank you. At this time, we'll be conducting a question-and-answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Our first question comes from Mark Fitzgibbon with Piper Sandler. Please proceed with your question.

Mark Fitzgibbon

Good morning. First question I had, I was curious in the slide deck on Page 11, you mentioned that there was a \$1.9 million specific reserve. What is that against?

Jason Darby

Hey, Mark, this is Jason. The specific reserve that was built is related to one of our multifamily properties that we had an appraisal put against. It's one of the properties that we had already been through a refinance or a renewal about a year ago. It had a little bit of an equity infusion. We did a modification of terms. It had been paying and then we received an updated appraisal as part of our normal process for evaluating substandard credits that are real estate oriented and the valuation didn't look appropriate for the value of the property that we had originally been carrying on the books. The reserve was put in place to effectively account for a change in the LTV.

As of right now, the credit is moving to a nonaccrual status, and we're trying to figure out a path forward with that particular deal. But the clear value is pretty good at the moment. We just felt the reserve was appropriate. As we've said before, when we see problems in the portfolio, you'll see our coverage ratios move, and that has been reflected also in the overall coverage for the portfolio moving up to 30 basis points from the 20 we had it at previously.

Mark Fitzgibbon

Okay. Then, Priscilla, you had mentioned before your comments about changes to the rent-regulated multifamily market in New York and you guys feeling comfortable with that. I'm curious, in the event that we do have a Mayor Mamdani and he freezes rents through the rent guidelines board, would that change your outlook for that rent-regulated multifamily business? Is it likely that you'd slow down growth in it or maybe exit and sell some of the portfolio?

Priscilla Sims Brown

No. Thank you, Mark, for the question. I'm sure it's on the minds of a number of people, certainly those watching New York politics. By the way, this is why we're giving more disclosure. You see it on Page 13 and 14, and we'll continue to monitor the situation closely and update you as we learn more. But we don't expect that we're going to see impact in the next 18 months to 24 months, certainly based on those changes. I do think it's important to think about the fact that, that's one tool, and it's one that's talked about quite a lot, this notion of rent freezes or stabilization. But there are other tools as well, zoning reform, public-private partnerships, community land trust, which Mamdani has spoken about, and certainly, office to residential conversion, social housing, all those things. Keep in mind that there's real potential upside if a balanced approach leads to creation of more housing in New York, and that's one of the things we're looking at as well.

Mark Fitzgibbon

Okay. Then unrelated, it seems like we read every day that the Department of Energy is canceling or pulling funding from green energy projects. I think the Department of Energy has canceled something like \$8 billion worth of projects and pulled funds back. I know in the past, you guys have said the funds were allocated, so you weren't concerned. But now that the Administration is pulling those dollars back, I'm wondering if you're concerned about any of your various projects related to that and how those are likely to play out if federal funding evaporates.

Sam Brown

Hey, Mark, it's Sam. I'll jump in on that one. In the existing portfolio, we feel totally great about where we are. Those projects are already in the ground. As we've talked about in the past, their funding streams, including their tax credit provisions, including any federal contribution is locked in. The other thing I'll mention is we talked about back in the second quarter call, the acceleration of projects and transactions in order to hit that deadline that will happen in 18 months and 24 months. You certainly saw some of that pull-through happen in our C&I growth for the quarter, which we are very pleased about. We're also seeing that in pipeline as well.

The other thing I'll add just on the broader market spectrum, as you mentioned, about what does that mean kind of in general, as things change, you've heard us talk a lot about growing energy demand, citing a bunch of stats and figures from various well-respected authorities. The best thing I would throw out is this, there is a new base case assumption about what renewable energy deployment looks like being only 4% less than what it was before the budget was passed last year. Again, we feel good about that.

When you couple that with how energy demand is expected to continue to rise between 2.5% and 3.5% per year, getting up to 25% by 2030, 78% by 2050, the demand here dictates that there is going to be a need to finance these projects. While, yes, federal capital contribution might change, the reality is this industry is alive and well and is going to have a lot of participants in the financing these projects for years to come.

Mark Fitzgibbon

It's hard to believe, Sam, that none of the projects you're involved in the federal funds have been pulled back from. It's hard to believe that if you don't have federal funding, the projects still pencil out financially. I'm curious, just from the outside looking in, reading the media every day with money evaporating, it just seems a stretch to understand that.

Sam Brown

Yes. I think a lot of what is out there, Mark, is funds being pulled back for projects that haven't started yet. For example, I know that there was the largest project in Nevada was certainly a big headline recently. In our portfolio, everything we financed is already underway, in an operating state, those projects are not in jeopardy because they are underway. Where there are projects that are still in pre-dev, I think that is a

completely valid concern. That is not something we have present on our balance sheet and not an area we focused on as we've built out our portfolio.

Mark Fitzgibbon

Okay. Last question I had. I'm curious, we're in unusual times with what's going on in Washington and all this conversation around debanking. I know you guys have been written about in some articles in the journal and elsewhere. I'm curious, how can you best position Amalgamated so that you don't become a target for the regulators given their aggressive debanking efforts?

Priscilla Sims Brown

Thank you, Mark. Yes, there's a lot of noise in the news, and we certainly see it all as well, and we know you do. The best way I can address that is to say we continue to be a bank that just follows all laws and regulations, and we always will. We focus on risk management, and we focus on solid, consistent performance. Organizations that manage with appropriate KYC and BSA requirements, they know we're open for business. You've seen that on both sides of the balance sheet consistently since these concerns started to be manifested in this year, certainly. If you look at the core deposit growth, it's phenomenal. We continue to see growth across all of our segments, not just some. Those solid returns and strong profitability is really our best answer to what you're hearing. We don't expect to see any material risk to our business model or our customer base based on the fact that we are a bank first and foremost.

Mark Fitzgibbon

Thank you.

Operator

Our next question comes from Mark Shutley with KBW. Please proceed with your question.

Mark Shutley

Hey, guys. Good morning.

Jason Darby

Good morning.

Sam Brown

Good morning.

Mark Shutley

On expenses, you mentioned you still target the \$170 million a year, I think, but expenses came in a little higher than we were expecting in the third quarter. I know you've got the digital transformation underway. It sounds like a better run rate for quarterly expenses is probably somewhere in between this quarter and last quarter. Just trying to think about the moving pieces of the PPNR guide. Thanks.

Jason Darby

Yes. Sure, Mark. I'll take it. This is Jason. On expenses, I think this quarter came in very much what we were expecting in terms of our overall progression towards our \$170 million annual OpEx guidance. We have been talking about for a couple of quarters, the ramping in expenses that was going to happen as we got to the back half of the year. We were in a better spot than I was really expecting at the end of the second

quarter. Here in the third quarter, we also did very, very well on the expense side. Now we were able to book a little bit of accrual in this quarter for some compensation-related expense that would be tied to year-end performance as it's becoming clearer and clearer that we're going to have a pretty strong year. That really was the top off on maybe the expense expectation you had versus where we came in at about \$43.3 million for the quarter. But if you look at it year-to-date, we're \$125 million versus an average target of \$127.5 million. We're doing better there. The core efficiency is still really, really strong.

To your comment about what the fourth quarter ought to look like, I would expect it to look very similar to Q3. Now we've said that \$170 million is still the target, but there's some potential upside there. If we hit expenses that looked a lot like Q3, we'd probably have some upside beat on our \$170 million target. But we leave that out there as a conservative marker because in the fourth quarter, occasionally, things pop up that require some additional expense to cure year-end processes relative to audits or other types of things that pop up towards the end of the year. All things equal, I like a run rate of very similar to what we had for the third quarter as the projection for the fourth quarter. In theory, if we hit that, there's some upside potential to the \$170 million overall target.

Mark Shutley

Okay. Thanks. That's helpful. Then maybe switching gears. You mentioned the loan yields. I think you expect that to come down next quarter. Obviously, those saw a nice increase this quarter and drove the NIM. But with a couple of rate cuts expected, I totally get that. But I was just wanting to dig in a little bit more and see maybe what new originations were coming on at in the quarter and any additional color you have there? Thanks.

Jason Darby

Yes. Perfect. Great question. Let me start off with the loan yield and the decline. I think, obviously, picked up on our projection of the 50 basis points of the total rate cuts, and that's obviously going to have an impact on some of the variable pricing we have in the C&I portfolio. Also, I did make a comment there was a bit of a one-timer that flowed through with the recapture of some interest income for a very long-dated problem credit that we have had on our books that we were able to get a full payoff from recovery on. That accounted for about 9 basis points of loan yield in this quarter. Most of the drop will probably be just tied to the resetting of net interest income for the quarter, absent that onetime effect for the current period.

Now in terms of the bring on, we had a pretty decent quarter in terms of overall bring on. I think where we were on the C&I side was in the high 6s, maybe even crossing to low 7s in certain places for the quarter. The real estate portfolio came in just above 6%, which are pretty strong yields given the credit quality that we're seeking. Then going forward for the fourth quarter, we're pretty much saying it's going to be about 30 basis points to 50 basis points lower just as a result of the repricing. Figure somewhere in the 6.50% to maybe 6.75% range on your C&I deals and maybe close to 6%, maybe 5.75%—I'm getting a little bit wrong there, probably about 25 basis point decline in the bring on yields from the current quarter. Then the only other thing to point out is that we still have a very strong origination on the PACE side, which drives a yield of about 7%. Now we'll see probably a little bit of erosion there, but those coupons are pretty strong, and they really help the margin from a rollover perspective on the yield side.

Mark Shutley

Thanks for all the detail there. That's it for me. Appreciate it.

Jason Darby

Thank you.

Operator

We have reached the end of the question-and-answer session. I would like to turn the call back over to Priscilla Sims Brown for closing comments.

Priscilla Sims Brown

Thank you, and thank you for those very good questions. I'm sure they will continue as we follow up today and in the future around the quarter. But I want to just take a second again, as we do every quarter, to thank our employees for their hard work and the dedication to the bank and our customers. We know our success would not be possible without the commitment and the determination of our talented team of bankers.

To conclude, I'm very pleased with our third quarter results, which demonstrates our leading deposit franchise, which is unique in the industry and when you combine that with our lending platform, which I also believe is unique, we are at an important inflection point. Taken together, we're poised to deliver continued organic growth as we further build the earnings power of the bank and as we focus on delivering long-term value for shareholders. I look forward to updating you on our progress on the fourth quarter call and taking your calls in the meantime. Thank you.

Operator

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation. Enjoy the rest of your day.