



**First Quarter 2025  
Earnings Call Transcript**

*April 24, 2025*

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

**Jason Darby**, *Chief Financial Officer*

**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*

**Christopher O'Connell**, *KBW*

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

### **Operator**

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

During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be opened for questions with instructions to follow at that time. As a reminder, this conference call is being recorded.

I would now like to turn the call over to 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 also here for the Q&A portion of today's call.

As a reminder, telephonic replay of this call will be available in the Investor's section of our website for an extended period of time. Additionally, a slide deck to complement today's discussion is also available on the Investor section of our website.

Before we begin, let me remind everyone that this call may contain certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution investors that actual results may differ from the expectations indicated or implied by any such forward-looking statements or information.

Investors should refer to Slide 2 of our earnings slide deck as well as our 2024 10-K filed on March 6, 2025 for a list of risk factors that could cause actual results to differ materially from those indicated or implied by such statements.

We'll also discuss certain non-GAAP measures during today's call, which we believe are useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results paired in accordance with U.S. GAAP. A reconciliation of these non-GAAP measures to the most comparable GAAP measure can be found in our earnings release as well as on our website.

Let me now turn the call over to Priscilla.

### **Priscilla Sims Brown**

Good morning, everyone, and thank you for joining us. Over the quarter, we saw increased turbulence and uncertainty in the markets. A dynamic that rarely brings comfort to the industry or our investors. However, our longstanding approach has not been to predict the future, but rather to remain vigilant and adaptable. We closely monitor emerging trends and are prepared to adjust our tactics swiftly in response to changing conditions.

This disciplined approach has enabled us to build a resilient institution, one that is well positioned to thrive in challenging and unpredictable environments. For the past year or so, I've been talking about the strength of our balance sheet as a key driver of valuation and the strength of our capital position to support growth initiatives. But it's important to remember that these strengths also insulate us from adverse scenarios.

As I speak to you today, our balance sheet boasts a low risk asset profile including low commercial real estate lending concentration, high levels of immediate and two day liquidity, and return metrics at the top of our peer stack. Of course, none of this is new as we have been managing the bank this way for quite some time. As you would expect, Amalgamated runs multiple risk based scenarios, to test our ability to respond.

Ordinarily, I would not be leading my comments with these observations. But not to do so given the recent macroeconomic and social environment, would seem like a miss. Let's dig in a bit further. To me, the most important aspect of a healthy bank is the quality of its earnings streams. Well, our Q1 results really do speak for themselves. Let me just share a few highlights with you. Most notably, all of our key earnings metrics came in strong and as expected, showing again that at Amalgamated we do what we say we will do.

Core earnings per share was \$0.88, supported by net interest income of \$70.6 million, which was right within the guidance of \$70 million to \$71 million that we gave during our fourth quarter call. We reported a strong net interest margin of 3.55% within one basis point of our guidance. While our core earnings and revenue declined modestly from the fourth quarter, this was expected as rate cuts from the previous quarter were fully recognized and we remixed the liability side of our balance sheet in the fourth quarter to support the 2024 election cycle conclusion.

We also remind you that Q1 was expected to be the quarter with the most earnings pressure for the full year. Based on how we performed, we are confident in our projections for revenue growth and margin expansion throughout the remainder of the year, and our full year earnings guidance remains unchanged. The main driver of our confidence starts with deposits. We experienced \$446 million of total deposit growth through the first quarter, which were broad based across our customer segments. These inflows allowed us to pay off \$245 million of short-term borrowings that we utilized in the fourth quarter. Our

political deposits increased \$103 million or 11% to \$1.1 billion in the quarter. Following nicely, our historical pattern of rebuilding deposits after an election cycle. While we think our deposit gathering performance was remarkable, it is also encouraging to see our market segments are active.

Our confidence continues with our balance sheet structure. As we have carefully managed our balance sheet to a generally neutral position regarding interest rate sensitivity, we continue to see reliable revenue streams. Our quarterly earnings contribute significant organic capital each quarter, allowing our Tier 1 leverage ratio to soar. Even as we have established 9% of our Tier 1 leverage threshold, this quarter, we were delighted to return more capital than ever to our shareholders.

We paid our dividend at \$0.14 per share and we repurchased around \$3.5 million worth of stock, bringing our combined payout ratio to over 30% of earnings. While there are several other bright spots for the quarter, the highlights I just mentioned really best illustrate the strength and stability of Amalgamated. Strength that has been built over many years. Even though we are quite happy with these results, we nevertheless are taking a conservative approach given the uncertain environment that we're working through.

As the federal government reduces funding to organizations across the country, as well as head count at federal agencies, we expect some of our clients could be impacted. That said, we feel very good about our credit profile and will be keeping higher levels of liquidity on balance sheet until we better understand the ultimate impact of these actions.

Looking to the balance of the year, we expect CNI loan growth to remain somewhat muted in the second quarter with re-acceleration, more likely in the back half of the year, consistent with prior years. Importantly, we have many levers that we can utilize as we remain nimble and meet our asset generation goals. One lever is our commercial PACE franchise, where we are working on new slow partnerships, which will deliver lower face value originations, allowing us to better diversify volume.

As we consummate new partnerships, we expect our C-PACE originations to ramp up to an average of \$15 million to \$20 million of new originations per quarter in the back half of the year. C-PACE is an area where we see a large growth potential and are working to expand given this strong credit profile and attractive yield of the product.

Before turning it over to Jason, I want to take a moment and mention our recent exciting news of our planned move to a new New York City headquarters location in the mid 2026, a long-term investment that will position Amalgamated to continue attracting and retaining top tier talent. I'm so grateful we've earned the ability to deliver a state-of-the-art facility with best of breed amenities to our employees and our customers. I'll have plenty more updates on our move as the year progresses.

As I wrap up my comments, I'm comforted by the knowledge, wisdom and expertise that we have in both our Board and our Executive Management team to manage through these current times. While we know political challenges exist, you can expect calm and steady to be the key tenets of our ongoing strategy.

With that, let me turn the call back over to Jason.

### **Jason Darby**

Good morning. We had another solid quarter. Starting off on Slide 3, net income was \$25 million or \$0.81 per diluted share. Core net income, a non-GAAP measure was \$27.1 million or \$0.88 per diluted share, reflecting the power and sustainability of our earnings. Overall, we're quite pleased as our results largely came in as we expected. Our net interest income was right in the middle of our guidance range and our margin was strong. Additionally, we delivered healthy deposit growth and coordinated income nicely built

capital once again this quarter, which allows us to be more aggressive returning capital to our shareholders.

Continuing to Slide 4, we look at some of our key performance metrics during the first quarter. Starting on the left, our tangible book value per share increased \$0.91 or 4% to \$23.51, and our core revenue per diluted share was \$2.57 for the first quarter, a \$0.10 decrease in the prior quarter. Now, this decrease was due to an expected \$2.5 million decrease in net interest income resulting from the full effect of interest rate resets from the prior quarter, as well as interest-bearing deposits moving back on balance sheet towards the end of the fourth quarter to replace the largely non-interest-bearing outflow related to the election cycle conclusion.

Moving across to our returns, core return on average was 15.23%, a modest decline that was expected as we've continued to build organic capital through earnings generation. That said, we remain near the top of the pack and are well positioned to continue returning more capital to shareholders. Our core return and average assets held steady at a very strong 1.33% demonstrating our earnings optimization at our current asset size.

Regarding capital, our CET-1 ratio remains at an industry leading level having improved 43 basis points to 14.32%, demonstrating the strength of our balance sheet and the conservative risk-based allocation of our capital while still generating top level earnings.

Tier 1 leverage improved another 22 basis points to 9.22%, keeping momentum as Amalgamated continues to build capital. It's notable that we still built capital during a quarter that also saw our largest ever return of capital to shareholders, as Priscilla mentioned earlier. Also during the quarter, our Board of Directors authorized a new \$40 million share repurchase program in March, with which we plan to be aggressive given what we believe is a currently very undervalued share price.

As per normal process, our Board authorized \$0.14 per common share dividend this week to be paid in May. Going forward with a continued to target a quarterly payout ratio of at least 20% to 25%, which includes both share repurchases and dividends. However, we may opportunistically choose to exceed that target. Our tangible common equity to tangible assets was 8.73%, representing a 10th consecutive quarter of improvement as we have now sold \$851.8 million of underwater securities since March of 2022.

Turning to Slide 5. Total deposits at March 31, 2025 were \$7.6 billion, an increase of \$446 million from the length quarter. On balance sheet deposits increased by \$231 million or 3.2% to \$7.4 billion. We also moved \$215 million of deposits off balance sheet. Importantly, our broad based deposit strength in the first quarter positioned us to pay down all short-term borrowings that were utilized to meet political outflows at the end of the election cycle.

Political deposits were a significant bright spot growing by 11%. Our non-interest-bearing deposits decreased to approximately 39% of average and ending deposits. Our average cost deposits increased seven basis points to 159 basis points driven by the remix to interest-bearing deposits post-election cycle conclusion. Conversely, interest sparing deposit costs dropped by nine basis points to 2.62% as rate cuts from the prior quarter were fully realized. That said, there are also some exception price upward adjustments toward the end of the quarter for some of our long-term customer relationships, which pushed our average rate paid on money market deposits up six basis points from the prior quarter.

Moving to Slide 6. We have added a slide this quarter highlighting our not-for-profit deposit segment to provide some enhanced disclosure for our investor community. The goal of the slide is to show our deposit exposure to 501(c)(3) entities focused on charitable programs across sectors like climate, healthcare and immigration, given the current new cycle. In terms of relative risk, we have identified our

not-for-profit segment as having business characteristics that might be affected by potential executive orders. We do not believe our philanthropic or social advocacy segments share the same characteristics, although some clients in these two segments do maintain 501(c)(3) status. At \$1.37 billion the not-for-profit segment represents 18.5% of on balance sheet deposits at quarter-end. Similar to our political deposits, this share of our deposit base is reflective of Amalgamated very well diversified deposit franchise.

We remind investors that our not-for-profit segment is highly valuable. Deposits have increased from \$285 million at year-end, 2020 to \$1.4 billion at the end of the first quarter of 2025, and has been one of our best growth segments. This segment growth has accelerated over the last four quarters as deposits have increased approximately 29% in the last 12 months. On Slide 10 in the deck, I'll also discuss related lending relationships.

Turning to Slide 9, net loans receivable at March 31, 2025 were \$4.6 billion, an increase of \$7 million or 0.2% compared to the linked quarter. Our loan growth in the quarter is primarily driven by a \$20.3 million increase in multifamily loans and a \$7.8 million increase in commercial and industrial loans. Offset by a \$2.4 million decrease in commercial real estate loans, an \$8.9 million decrease in consumer solar loans and a \$9.8 million decrease in residential loans.

These three portfolios showing decreases this quarter are primarily in runoff mode and we did not expect to add any asset growth in the near future. Net loans and growth mode, commercial, industrial, commercial real estate and multifamily increased \$25.8 million or 0.9%. The yield in our total loan portfolio remains steady at 5% during the quarter.

Moving to Slide 10. We have added another new slide to highlight the benign exposure profile of our not-for-profit loan portfolio. There are \$131 million of total not-for-profit loan balances, which predominantly fall into our community empowerment impact segment with the largest concentration being shelters for the homeless. Overall, these loans make up a very small portion of our total assets and show favorable risk exposure and performance metrics. Underwriting standards for these loans are strict with an emphasis on experienced borrowers with material cash equity and conservative fallback LTVs. Additionally, not-for-profit customers that hold loans with Amalgamated constitutes \$58.9 million of our deposit accounts, a relatively small percentage of our core deposit book.

Turning to Slide 11. As has been discussed, we experienced an expected decline in our net interest income to \$70.6 million in the first quarter. Overall, this led to the four basis point contraction in our net interest margin. Looking forward, we expect our NIM to increase modestly through the remainder of the year.

Turning to Slide 12. Core non-interest income was \$9.1 million compared to \$9.5 million in the linked quarter. A decrease was primarily related to lower commercial banking fees, a natural result of decreased transaction activity from political organizations following the election cycle conclusion. This is offset by modestly higher income from our trust business. As we have discussed in prior calls, we remain focused on improving our trust business' performance, which will take time, and we did not expect meaningful improvement until 2026.

Core non-interest expense was \$41.5 million in the first quarter, an increase of \$0.4 million from the linked quarter. This was mainly driven by a \$2.1 million increase in professional fees related to expected increases in digital transformation deployment and partnership costs to evaluate growth requirements and provide other advisory services. This increase was partially offset by a \$1.4 million decrease in compensation and employee benefits expense. I'll point out that this quarter illustrates our prudent approach to managing expenditures to ensure we maintain our core efficiency ratio at an outer band of approximately 52%.

Moving to Slide 13. Non-performing assets totaled \$33.9 million or 0.41% of period-end total assets at March 31, 2025, representing an increase of \$8 million on a linked quarter basis. The increase was primarily driven by an \$11.9 million increase in commercial industrial non-accrual loans, including one \$8.3 million loan that was placed on non-accrual in the quarter. This was offset by the sale of \$3.9 million in non-performing residential loans in the quarter.

Our criticized assets decreased \$12 million to \$83.9 million on a linked quarter basis. Net charge offs in the quarter were 0.22% of total loans and consisted of \$1.7 million in charge offs on our consumer seller loans and \$0.8 million in charge offs for small business C&I loans. Our criticized and classified loans declined by \$12 million, largely due to payoffs of three delinquent commercial and industrial loans totaling \$10.1 million and the upgrade of one \$1.4 million commercial and industrial loan. We did have a downgrade of one \$4.2 million commercial and industrial loan to special mention and additional downgrade of small business loans totaling \$1.1 million.

Turning to Slide 14. The allowance for credit losses on loans decreased by \$2.4 million to \$57.7 million. The ratio of allowance total loans was 1.23% at the end of the first quarter, a decrease of six basis points from 1.29% in the prior quarter. The decrease is primarily the result of improvements in the macroeconomic forecast used in the CECL model that mainly benefited our consumer solar portfolio. Excluding these consumer portfolios coverage ratios were either flat or increased.

We have also provided an allowance waterfall to bridge the change from the fourth quarter of 2024 to the first quarter of 2025, as well as our ACL coverage ratio by loan type to provide more granularity and insight to our conservative approach to managing credit.

Finishing on Slide 15. We are maintaining our full year 2025 guidance of core pre-tax pre-provision earnings of \$159 million to \$163 million, a net interest income of \$293 million to \$297 million, which considers the effect of the forward rate curve of 2025. Additionally, we estimate an approximate \$1.8 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 second quarter of 2025, we're reasonably optimistic our net interest margin can expand two to four basis points from our Q1 mark as we anticipate modest balance sheet growth to a target of approximately \$8.4 billion dependent upon projected deposit balances. As a result, we expect our net interest income to range between \$72 million and \$74 million in the second quarter.

Wrapping up, we're delighted to deliver another solid quarter of results for our shareholders, and we thank you for believing in us. We'll see you all again for our second quarter readout in July. Now, Operator, please open up the line for any questions. Operator?

**Operator**

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

**Mark Fitzgibbon**

Good morning. First question I had, Jason, any color you could share with us on that \$8.3 million loan that went on non-accrual this quarter?

**Jason Darby**

That was one that we've had in our classified and criticized bucket for a while. It's the first time that it's moved into a non-accrual position in this quarter, although we've been watching it for quite some time. I think in this case, we had a situation where we got some good news post the quarter close. One being in the form of a payment relative to accrued interest, and there's a little bit of cash that came into the deal. We're keeping a close eye on it. But the more important thing that we like to look at is in the evaluation of the credit from a non-accrual perspective during the quarter, there is very sufficient collateral value to the credit, which allowed us to maintain no increase in our reserve coverage for that loan.

It's been something to keep a close eye on as we go forward and we think there is a good opportunity for a safe resolution to the credit. But for the time being, it's going to remain in non-accrual status until we get a little bit more clarity on the final take out of this particular structure.

**Mark Fitzgibbon**

You mentioned it was a C&I credit, but...

**Jason Darby**

Yeah.

**Mark Fitzgibbon**

What industry is it in?

**Jason Darby**

It's going to be in the solar section for now. Not for now—it's in our solar book and it's one of the credits that we've had for quite a while now. I'd say it's a good 3-year-old or 4-year-old credit at this point.

**Mark Fitzgibbon**

Okay. I heard, Priscilla, your comments earlier about the challenges out there that exist, and I was curious, are you seeing funding dry up at all for any of the clean energy or climate related projects that you all are involved with?

**Priscilla Sims Brown**

No, we're not at all. We continue to have a pipeline there and we don't see the impact. Sam, I don't know if you have any additional comments to make on that?

**Sam Brown**

Sure. Hey, Mark. Good morning. It's Sam.

**Mark Fitzgibbon**

Hey.

**Sam Brown**

Priscilla's exactly right. I'll just add that, on the market level, the demand for electricity continues to increase quite dramatically. Report after report continues to come out and we're seeing that capital is

flowing into these markets just to meet that investment need for that generation. Last thing I'll add is there was a great report that just came out from the National Electrical Manufacturers Association showing a 2% annual increase in energy demand up to 50% by 2050. We are still seeing that that investment cut come in.

**Priscilla Sims Brown**

Mark, the only other thing I'll add to that is that we continue to see that growth occurring across red and blue states. We don't think that this is—if you're suggesting that maybe there'd be something that's going on in the political environment that would affect it, we're not seeing that.

**Mark Fitzgibbon**

Well, I mean, Priscilla, I am. As I watch how the Administration's dealing with institutions in a lot of different areas that have a different agenda, like for example, Harvard. It just begs the question, what can you do or should you do to protect Amalgamated from being in the line of fire?

**Priscilla Sims Brown**

My response to that would be that we continue to operate as a bank. What you saw today and as you think about it over the last four years really, our growth is really in core businesses that are pretty—have a lot of tailwinds when you think about market forces around them. That's our priority. We just continue to operate very well as a bank and then we do all the things that we talked about today. The idea that you maintain strong capital, strong liquidity and you prepare yourself in that way for any downside that could occur, serves us well through other markets when the bank failures occurred and we think that that's the right approach to take now.

**Mark Fitzgibbon**

Okay. Then last question. I'm sorry.

**Priscilla Sims Brown**

That's fine. Go ahead.

**Mark Fitzgibbon**

Okay. I was just going to say last question, Jason. I heard your comments about being aggressive with the buyback program. Where are you willing to take the capital ratios down to? Just curious, it seemed like the first quarter was an opportune time to buy back a lot of stock, but you didn't really buy that much back. I guess, any comments around that would be great.

**Jason Darby**

Yes. Thanks for that comment. I think it's an important observation. Couple things just on the quarter. I think at \$3.5 million, we were more aggressive than we've been in quite some time. There's opportunity to do more, but you probably noticed, in the quarter—towards the end of the quarter we made a new authorization for \$40 million, which we think gives us a lot of runway to be aggressive into Q2, Q3, Q4, and beyond.

While we may not have got as much done as we could have or would've liked to in the first quarter, we have a lot of capacity here coming up, and that's why we gave a little bit of an indication of what we've been doing for the first 20 odd days or so of April, around 70,000 shares at this point in time.

To answer your question about where I would like to go with capital ratios, I think it's a really great spot for us to be in. We've actually modeled a fairly aggressive repurchase program for this year, and actually it could be done over a shorter period of time. We've yet to decide how we're going to do that. But in doing that, we still see capital ratios not really getting below a 9.20 level. I still am very comfortable with my 9% threshold from a Tier 1 perspective. But at the rate we grow capital, we can be very aggressive with our buyback scenario and still maintain a very strong Tier 1 leverage ratio. I think you'll see us be opportunistic, especially with where we're trading in the more recent period and I hope to be able to share more information with you through results when we get out into the second quarter.

**Mark Fitzgibbon**

Great. Thank you.

**Jason Darby**

You're welcome.

**Operator**

Once again, ladies and gentlemen, to ask a question, please press star, one on your telephone keypad.

Our next question comes from Chris O'Connell with KBW. Please proceed.

**Christopher O'Connell**

Hey, good morning.

**Priscilla Sims Brown**

Good morning.

**Christopher O'Connell**

Just hoping to get an update on the pipeline and outlook for the political deposit franchise. I know there is a pretty solid start to the year here and there is a little bit of speculation that with losing the election, that there could be an accelerated process from the Democratic side in terms of fundraising into the midterms. Have you seen any of that start to materialize yet in the pipeline? Just any update on the outlook there.

**Sam Brown**

Yes. Hey, Chris. Good morning. It's Sam. Look, we are very encouraged about what we saw in deposit performance for the quarter. Particularly, exactly as you said with that political number being 11% growth. Certainly, doing what we projected would happen, right? We've always said that the fourth quarter after an election is always the low point. Certainly, that replenishment period has started and we expect that we will see that moving forward. Again, consistent with the trends we've seen before.

Also, just mention on pipelines, particularly on the deposit side, that pipeline or I should say that performance from the quarters was very well diversified across all of our sectors—strong double digit

growth in all the categories. I think that while we're very excited that political is certainly showing \$103 million growth quarter-over-quarter, looking at both existing customer and new customer growth both contributing to that \$446 million all in number both well for us going forward.

**Christopher O'Connell**

Great. Thanks, Sam. Then just on the overall deposits, it looked like—while the growth is really strong in the quarter that you guys have already had another \$300 million of growth in the deposits in the first 17 days of Q2, just any color around—that strength and where that's coming from.

**Sam Brown**

I think it is certainly a bit consistent with where we were in the first quarter. Some of that is early moves that we'll move into our trust business. I would stick to the guide we've put out for the year on where that will all go and not try to extrapolate a couple of early days of the quarter to mean something different than that guide.

**Christopher O'Connell**

All right. Thanks then.

**Sam Brown**

Yes.

**Christopher O'Connell**

Just I noticed you guys, starting to use a little bit of the off balance sheet strategy. Again here in the first quarter, just hoping to get any color around, how you guys think that you will be utilizing that strategy, between now and the end of 2026 of the midterms? What are the pros and cons to using that near term versus just earning some spread on the balance sheet in--versus using that later on closer to election peak?

**Jason Darby**

Yes, Chris. I'll jump in, its Jason. The off balance strategy is a really good lever for us to enact whenever we think it's appropriate because there's still a really good market from a pricing/fee perspective for us to access. As long as that remains in the place that it is, because I see that it will for quite some time, then we should be able to use that. But that said, I think we're going to be more prescriptive, and we tried to do that for you this quarter in terms of how we're going to manage that relative to the balance sheet size.

We set out our target for the second quarter balance sheet to be about \$8.4 billion and we expect that to come through funding. You can think of the first line of defense, the first line of flow for growing our balance sheet to that size from the period end of Q1 by using any excess deposits that we currently have off balance sheet. That will drive our NII and that will help us maintain our trajectory towards our target and our guidance. That's the overriding theme that we're deploying to be able to determine whether we use the off balance sheet or not. Once we reach that \$8.4 billion level, if we're still generating excess deposits to what Sam was just referring to with his pipeline projections, we probably will use the off balance sheet strategy, and I think that will be the way you'll see us look towards the mix between balance sheet and off balance sheet, not just for the second quarter, but all the way through to we get to the midterms, and we'll do our best to give you a balance sheet target number like we did this quarter during our quarterly updates.

**Christopher O’Connell**

Okay. Understood. I know the overall guidance was unchanged. Was not too much movement really in the expenses in the first quarter, does that still ramp up to the 170 level over the course of the year? Any color around the professional fees, came in a bit higher to what looks to be some kind of digital enhancement projects? Just any color around those projects would be great.

**Jason Darby**

Absolutely. On the guidance, we still feel very good and that's why we left everything unchanged. Now that said, we're probably trending towards the lower end of the range, just to make sure that that's clear for you relative to our unchanged position. Now with the expenses, yeah, we did pretty well on the management of the expenses and came in pretty much where we thought we'd be from a budget perspective, and yes, we are expecting expenses to continue to ramp throughout the year, and that 170 target is still what we're shooting for, and that is still what is driving our keep on the pre-tax pre-provision guidance.

That said, what you saw in the first quarter, and part of our commentary was the digital transformation implementation, you will see expenses continue to build throughout the year as we projected. Because the capitalization of implementation costs relative to our transformation strategy around our CRM platform in particular, they'll start to come online from a deployment perspective and start to depreciate through the P&L.

That's going to be a driver of the ramp of expenses as we get throughout the year. The other will be our hiring plans. We still have some deferred hires that we pushed out to the second half of the year, and you'll start to see some of that salary expense come online as well. All things equal, we like where we ended up with the first quarter, it was tight on our 52% outer band for core efficiency, but we knew that was going to be the case because the NII was going to be at its lowest level. As we see the ramp throughout the year, we're also expecting the NII to grow to be able to be in line with our core efficiency targets. We'll keep you posted if there's going to be any slippage on expenses, but right now we feel pretty good about where we're at and that's why we're able to leave guidance as is.

**Christopher O’Connell**

Great. I know it's been a little bit covered already, but just with the new administration and some of the changes, that's been discussed and that's been seen so far, have you guys seen any tangible impact on either your lending customers or any of your deposit verticals? Where do you see there being the biggest risks, if any, of a future impact if nothing tangible has been seen yet on either of those segments in any of the various verticals?

**Priscilla Sims Brown**

Thanks for that question. I do recognize that this period of uncertainty creates for people one of these, what do you not know, kinds of things. We look at every one of our segments very, very carefully. We've looked at the exposure those segments have to proposed executive orders and actual executive orders, and we play those scenarios through. We believe that what you've seen in terms of our financial performance as well as non-financial metrics are important to maintain is our greatest defense against anything like that.

In terms of what we've actually seen with customers, there's uncertainty with some of them just as they're reading what you're reading. However, we see what we reported, the deposit strength is great across all

segments, not limited to political, but we think the political fundraising will continue to be strong. It's also strong in every other segment. Including our non-core segments, where we have good coverage.

Then on the lending side as we said, we have not seen a decline in the pipeline, although we certainly are being prudent in the way we think about that going forward. Given really more around the economic uncertainties than the political uncertainties. Just making sure that we're adhering to very strict credit standards even in this environment. Not bringing on loans that we don't feel completely good about. I would say that on both sides, we're feeling pretty good about the future. Although looking very carefully at every potential risk among our clients. Sam, do you have any specific other thoughts on clients?

**Sam Brown**

Sure. I think that's a good overview, Priscilla. Chris, I would just say a couple specific things to I think get to what you're asking about. One is obviously on the deposit side, the diversification makes us feel very good about any potential risks there. Then I would just spend two seconds on the loan portfolio and really point out that, as we disclose in the deck this time, the total not-for-profit loan portfolio is well managed. The largest names in that portfolio, really benefit from very experienced borrowers with material cash equity and conservative fallback LTVs, a lot of that in the largest names are in the shelters for the homeless and other hard assets.

Our non-for-profit exposure, we analyzed all of it and really did a deep look at who benefits from grants, from different government sources. A minority of our portfolio are relying on grants. Even within that small minority, a tiny minority really engaged with any federal grant. We feel like it's very well protected and benefits from a lot of the structure that I just mentioned.

**Christopher O'Connell**

Okay. Great. Makes sense. That's all I have. Appreciate the time.

**Priscilla Sims Brown**

Thank you.

**Operator**

Thank you. At this time, I would like to turn the floor back over to Priscilla Sims Brown, for concluding remarks.

**Priscilla Sims Brown**

Thank you. I would conclude by saying that the bank's unique sticky deposit base that you just heard about, the superior profitability and our robust capital and liquidity and high quality credit portfolio, we believe make it a standout among midsize peers. We're offering both a defensive and a growth strategy here, and we think those attributes make a difference.

With that, I'd like to thank you for taking the time to listen today and to participate. Also, like to say a special thank you to all of our employees and our Board for the intense amount of work that you do each and every day to enable this bank to continue to perform well among peers. We're happy to take your calls as always after this and look forward to hearing from you. Thank you.

**Operator**

Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a great day.