amalgamated FINANCIAL CORP.

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Earnings Call Transcript

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CORPORATE PARTICIPANTS

Jason Darby, *Chief Financial Officer and Senior Executive Vice President*

Priscilla Sims Brown, *President, Chief Executive Officer and Director*

CONFERENCE CALL PARTICIPANTS

Alexander Twerdahl, *Piper Sandler*

Christopher O'Connell, *KBW*

Janet Lee, *JPMorgan*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Amalgamated Financial Corporation First Quarter 2023 Earnings Conference Call.

During today's presentation all parties will be on a listen-only mode.

As a reminder, this conference call is being recorded.

I would now like to turn the conference 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 first quarter 2023 earnings call.

With me today is Priscilla Sims Brown, President and Chief Executive Officer.

As a reminder, a telephonic replay of this call will be available on the Investors section of our website for an extended period of time. Additionally, a slide deck to complement today's discussion is also available on the Investors 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 information or statements. Investors should refer to Slide 2 of our earnings deck as well as our 2022 10-K filed on March 9, 2023, for a list of risk factors that could cause actual results to differ materially from those indicated or implied by such statements.

Additionally, during today's call, we will discuss certain non-GAAP measures, which we believe are useful in evaluating our performance. Presentation of this additional information should not be considered in isolation or as a substitute for results prepared 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

Thank you, Jason. Good morning, everyone. We appreciate your time and your interest today.

Well, certainly, a lot has happened since our last earnings release and conversation. The market turmoil that has ensued following the collapse of Silicon Valley Bank and Signature Bank in early March has been all consuming for markets the last 30 to 45 days. We are engaging employees, customers and investors to help them understand the financial stability of their bank of choice. This time investment was actually invaluable as a means for reinforcing the already strong connection with each of our stakeholders. I've been so impressed by our entire bank's ability to rise to this occasion.

As I've mentioned before, I truly believe we have the right team in place to manage through difficult situations and position us for continued success. Amalgamated Bank is unique in that, at just under $8 billion of total assets, we rank high among the 200 top publicly traded U.S. banks in total asset size, yet we are also able to have our executive management team engage directly with our customers and our partners to reaffirm trust and confidence. Our customers were able to see executive management as an extension of their relationship banker and also witnessed the value they themselves directly bring to the bank, which only served to strengthen the long-standing ties we have with them.

We are quite fond of reminding our stakeholders that we are the same bank that we were before the closures, a conservatively run financial institution that's a good steward of our customers' money. It's also not lost on us or our stakeholders that we turned 100 years old on March 16, 2023. In a strange bit of irony, our centennial birthday comes at a time when history and stability are at the forefront of the banking discussion. Happy 100-year-old birthday to us, our employees, to all of our friends and partners, there are very few banks that are in that 100 club.

We just celebrated our centennial anniversary this past week by ringing the bell at NASDAQ with our employees who have been here for over 25 years. During this celebration, I was reminded that Amalgamated Bank has seen many turbulent periods over the last century, and we've come out stronger every time. We were founded in New York City in 1923 by immigrant textile workers in order to provide basic banking services to their families while in search of a better life for themselves. For 100 years, we have demonstrated that successful banking means doing what's right for our customers and doing what's right for the communities we serve. We have been committed to using our voice to advocate for responsible public policy, increased access to the financial system as it creates the kind of community change that positively impacts our customers and our employees. Ultimately, it's our belief that our mission and values resonate with our existing customers, while continuing to attract new customers who share the vision.

Our first quarter results, again, validate that mission. In fact, our results demonstrate the resiliency of our Growth for Good strategy as well as the strength of our customer relationships.

We were able to deliver GAAP earnings of $0.69 per diluted share and core earnings of $0.74 per diluted share. We selectively grew loans by $92.2 million or 2.2%. Also, our PACE portfolio grew by $84.5 million or 9.3%. Additionally, we delivered net interest income of $67.3 million, which exceeded our expectations of $63 million to $65 million and a 21-basis point expansion in our loan yields that led to a 5-basis point increase in our net interest margin to 3.59%.

While we expect earnings headwinds in the upcoming quarter that Jason will discuss in a bit, our mission-based banking model continues to prove that we can do well by doing good. Simply put, our first quarter results clearly demonstrate that the financial strength of this bank is still there and the competitive advantage that we hold in the market is still strong.

Recently, there's been much talk about deposit granularity and susceptibility to runs on the bank. The conversation is understandable in the industry because it was a primary driver for the bank failures that occurred in early March. While we believe those failures can be attributed to other factors or business strategy decisions, nevertheless, I'd like to address our deposit granularity and share some key insights to help you better understand our primary funding composition.

Our deposit franchise is a true differentiator for us, and it has experienced strong organic growth since segmenting our customer base in 2015 and recruiting constituent focused bankers to gather deposits. We have grown our mission aligned core deposit base from $2.7 billion then to $6.6 billion today, a compound annual growth rate of 12.8%.

Our customers are change makers. They are the individuals, organizations and businesses in our 6 key segments of labor, sustainability, philanthropy, social efficacy, not-for-profit and political. What they all have in common is that they care about what their money does in the world. Our deposit franchise is comprised of customers that have banked with us for decades, given our shared values and our union heritage. In fact, $3 billion of our core deposits are from labor union-related customers.

To further illustrate our deposit granularity, we are introducing a designation of super-core deposits. Those are deposits that are in our core segments with account duration in excess of 5 years. Our super-core deposits totaled $3.5 billion or 53.6% of our total core deposits. Most significantly, the weighted average life of these deposits is 17.2 years. I'll say again, 17.2 years. This is the type of stickiness that defines our deposit base and contributes to our top 20 ranking in terms of deposit quality.

When thinking about susceptibility to runs on deposits, we believe Amalgamated is as insulated as any bank in the country, this is something a 100-year-old bank can say with confidence and pride, having been tested repeatedly throughout history.

Stating the obvious, our customers' money is safeguarded by our liquidity and our capital. We have long been carefully managing our balance sheet, having maintained our asset sensitivity while rates were low, resisting to urge to chase yield and sacrifice liquidity. Our discipline with our securities portfolio proved to be a real tailwind when rates rose quickly, and I was delighted to return much of that benefit to shareholders in the form of substantially improved performance metrics.

Over the past few quarters, we have significantly reduced our asset sensitivity, and we've also been selectively reducing our securities portfolio as we have grown our loan portfolio. Importantly, our available for sale securities portfolio had an effective duration of only 1.8 years at quarter end.

We ended the first quarter with cash and immediate borrowing capacity of $2.6 billion and another $868 million of 2-day capacity from unpledged securities, resulting in $3.4 billion of 2-day total liquidity. Our 2-day total liquidity covered 79% of our total uninsured deposits. Perhaps more importantly, our immediate liquidity covers 137% of those deposits that don't fit into the super-core category that I spoke about earlier.

Amalgamated has a differentiated position in the market as a values-based bank that has been run conservatively with long tenured client relationships. We have never wavered from our mission of being America's socially responsible bank and are seeing the benefits of this as individuals and organizations increasingly care how their money is invested. This societal change is still in the early innings and Amalgamated is positioned to benefit as we pursue the next leg of our Growth For Good strategy.

We recognize the headwinds presently facing the industry, and our strategy is able to pivot and to adapt as needed. We will continue to explore a digital transformation, given the opportunity we see to tie our commercial business into a re-imagined consumer business and also accommodate the needs of our customers to maintain pace with ease of transaction technology.

We are carefully managing our expense base and are closely watching the economy. Investments still need to be made, but as was the case with our lending strategy, we will make disciplined choices funded through profitability with a requirement for timely returns.

I will now turn the call over to Jason to provide a review of our first quarter financial results.

Jason Darby

Thank you, Priscilla.

Net income for the first quarter of 2023 was $21.3 million or $0.69 per diluted share compared to $24.8 million or $0.80 per diluted share for the fourth quarter of 2022. The $3.5 million decrease for the first quarter of 2023 was primarily a result of a $0.6 million loss related to the sale of a portion of the Silicon Valley Bank senior note we held, a $0.5 million increase in provision expense, a $3.0 million increase in non-interest expense and a $0.8 million increase in income tax expense, offset by a $1.6 million increase in non-interest income, which excludes the loss related to the Silicon Valley Bank senior note sale.

Beginning on Slide 5, there were no exclusions related to solar tax equity investments for the first quarter of 2023. Because of the income statement volatility associated with the accounting for these investments, we believe metrics, excluding the timing impact of tax credits or accelerated depreciation, is a helpful way to evaluate our current and historical performance.

Core net income excluding the impact of solar tax equity investments, a non-GAAP measure for the first quarter of 2023 was $23.0 million, or $0.74 per diluted share, compared to $27.2 million, or $0.87 per diluted share, for the fourth quarter of 2022.

Turning to Slide 7. Deposits at March 31, 2023 were $7.0 billion, an increase of $446.4 million from the fourth quarter of 2022, while core deposits declined 1% to $6.6 billion, primarily related to pension customer timing, client diversification for yield or insurance and slowed new customer acquisition. Through April 21, 2023, total deposits decreased by approximately $206 million to $6.8 billion. Total deposits, excluding brokered CDs, decreased by a modest $5 million and core deposits decreased by $12 million.

Non-interest-bearing deposits represent 48% of average deposits and 43% of ending deposits for the quarter ended March 31, 2023, contributing to an average cost of deposits of 81 basis points in the first quarter of 2023, a 47-basis point increase from the previous quarter as numbers were negatively impacted by the shift of borrowings to broker deposits. Our cost of funds, excluding brokered CDs, was 61 basis points, up 29 basis points from the previous quarter.

Moving to Slide 8, at a more granular level, our high-quality deposit base is comprised of long-tenured relationships with mission aligned commercial and consumer customers, totaling $3.5 billion of deposits.

As Priscilla mentioned, we view this as our super-core deposit base, which uniquely displays important insight to our impact customer segments. At quarter end, the total uninsured deposits were $4.4 billion or 62% of total deposits. Excluding uninsured super-core deposits of approximately $2.5 billion, remaining uninsured deposits were approximately 25% to 28% of total deposits with immediate liquidity coverage of 137%.

As Priscilla mentioned and consistent with prior quarters, we have maintained significant liquidity with cash and immediate borrowing capacity of $2.6 billion and $868 million of 2-day capacity from unpledged securities, resulting in $3.4 billion of total 2-day liquidity. We believe our core deposit base has demonstrated stability and resiliency in the early innings of post bank seizures.

Looking at our core deposits by impact segment on Page 9, all segment showed consistent balances for the past several quarters with the noted exception of political balances, which were expected to run off in the fourth quarter of 2022 with the conclusion of the congressional elections.

Turning to Slide 10, deposits held by politically active customers were $678.1 million as of March 31, an increase of $34.5 million on a linked-quarter basis. As noted on our previous call, we expect political deposit flows to rebuild in the first quarter of 2023 following the typical pattern of seasonality. Additionally, we've experienced $26.9 million of incremental political deposit inflows through April 21, 2023. We expect political deposit inflows to increase throughout 2023 and into 2024 in anticipation of the next presidential election.

Jumping ahead to Slides 13 and 14, the book value of our investment securities portfolio decreased $110 million during the quarter, primarily as a result of $148.4 million in strategic sales and $49.2 million in traditional securities paydowns, offset by $84.5 million in net PACE assessment growth.

Floating rate represented 47% of total securities, excluding PACE assessments at quarter end as we have continually reduced that ratio over the past several quarters to reduce our asset sensitivity and protect our earnings streams.

Our unrealized loss positions in our available for sale securities portfolio was $117 million or 6.6% of the total portfolio balance. Importantly, our AFS portfolio duration was only 1.8 years, reflecting our conservative investment decisions.

Turning to Slide 15. Total loans receivable, net of deferred fees and costs at March 31, 2023, were $4.2 billion, an increase of $92.2 million or 2.2% compared to December 31, 2022. The increase in loans was primarily driven by a $95.3 million increase in multifamily loans and an $18.4 million increase in residential loans, offset by a $7.9 million decrease in our consumer loan portfolio and a $7.7 million decrease in the commercial real estate portfolio as we continue to reduce our exposure.

During the quarter, we had $5.6 million of payoffs of criticized or classified loans as we continue to focus on improving the credit quality of the bank's commercial portfolio. The yield on our total loans was 4.40% compared to 4.19% in the fourth quarter of 2022.

As noted, a moment ago, our commercial real estate portfolio has been a portfolio we have been de-risking for the past several quarters. At quarter end, we had $70.8 million in office-only exposure across eight credits with an average LTV of approximately 38%. Of the eight credits, all are past grade with the exception of two special mentions.

On Slide 16, net interest margin was 3.59% for the first quarter of 2023, an increase of 5 basis points from 3.54% in the fourth quarter of 2022. The margin increase was driven by continued loan growth with increases in yields and higher average balances of interest-earning assets, offset by increased rates and average balances of interest-bearing liabilities, particularly in interest-bearing brokered certificates of deposits amid our focus to retain deposits. No prepayment penalties were earned in loan income in the first quarter of 2023 compared to 1 basis point contribution to net interest margin in the fourth quarter of 2022.

Core non-interest income, excluding the impact of solar tax equity investments, a non-GAAP measure, was $7.5 million for the first quarter of 2023 compared to $7.3 million in the fourth quarter of 2022. The increase of $0.2 million was primarily related to losses on the sale of non-performing held for sale loans during the fourth quarter of 2022.

Core non-interest expense, a non-GAAP measure, for the first quarter of 2023 was $38.6 million, an increase of $3.1 million from the fourth quarter of 2022. This was primarily due to a $2.4 million increase in compensation and employee benefits comprised mainly of an expected increase in payroll taxes, given timing of corporate incentive payments, temporary personnel costs and benefit insurance costs incurred during the quarter. Additionally, professional services increased from carryover costs related to year-end audit work and data processing increased mainly as a result of sales tax refunds collected in the fourth quarter of 2022. As noted on last quarter's call, we anticipated our non-interest expense to rise to approximately $36.75 million to $37 million to counter the effect of certain accrual releases and refunds recognized in the fourth quarter.

Moving to Slide 19. Non-performing assets totaled $38.7 million or 0.49% of period end total assets at March 31, 2023, an increase of $10.1 million compared with $28.6 million or 0.44% on a linked quarter basis. The increase in non-performing assets was a result of the Silicon Valley Bank senior note and one construction loan placed on non-accrual in the first quarter of 2023, offset by a $1.1 million charge-off of a multifamily loan. Our criticized assets increased $3.4 million or 3% to $110.3 million on a linked-quarter basis.

On January 1, 2023, the current expected credit loss CECL methodology for establishing the allowance for credit losses was adopted, which increased the allowance for credit losses on loans and securities for on and off-balance sheet credit exposures. During the quarter, the allowance for credit losses on loans increased $22.3 million to $67.3 million at March 31, 2023, from $45 million at December 31, 2022. The initial adoption of the CECL standard increased the allowance for credit losses on loans by $21.2 million to recognize the day one cumulative effect, primarily attributed to our consumer solar portfolio.

The allowance for credit losses on held-to-maturity securities was $0.7 million to recognize the day one cumulative effect primarily attributed to commercial and residential paid securities. Additionally, the allowance for expected credit losses on off-balance sheet loan exposures was increased by $2.6 million to recognize the day one cumulative impact of adopting the CECL standard. The ratio of allowance to total loans was 1.61% at March 31, 2023, and 1.10% at December 31, 2022. The ratio of allowance to non-accrual loans was 224.74% at March 31, 2023.

Provision for credit losses totaled $5 million for the first quarter of 2023 compared to $4.4 million in the fourth quarter of 2022. During the quarter, the bank recognized a $1.2 million impairment charge on the SIVB senior note and an additional $1.1 million of provision expense related to the charge-off of a multifamily loan. Adjusted for these items, our provision for credit losses was $2.7 million under the new CECL standard, primarily driven by solar charge-offs, portfolio growth and changes in economic forecast used to calculate the allowance.

Continuing to Slide 21, our core return on average equity and core return on average tangible common equity, excluding the impact of solar tax equity were 18.6% and 19.2%, respectively, for the first quarter of 2023. We repurchased $2.4 million of our common stock during the first quarter and have $25.6 million of remaining capacity under our $40 million share repurchase program. Additionally, we have declared our quarterly dividend of $0.10 per share. As previously noted, we are judiciously managing our capital position based on the state of the current economic and banking sector volatility.

Our capital position held steady at 7.50%, and our common equity Tier 1 ratio is stronger than that of our peers given our lower risk weightings, which we believe is noteworthy considering the capital impact of our adoption of the CECL standard.

Slide 23 shows a reconciliation of the change in tangible common equity and related tangible book value. As expected, the Federal Reserve Board continued its cycle of interest rate increases in the first quarter of 2023, though the committee reduced its pace of increases by declaring a 25-basis point increase at each of the February and March meetings. Currently, we anticipate further rate increase to occur in May with potential interest rate reductions to occur by the end of 2023 or early 2024.

As a result of our $21.3 million quarterly earnings and an $11.4 million improvement in accumulated other comprehensive loss due to the tax effective mark-to-market on our securities portfolio, our tangible book value per share, a non-GAAP measure, improved to $16.42 as of March 31, 2023, as compared to $16.05 in the prior quarter.

We also remain pleased with our tangible common equity to tangible assets of 6.43% for the quarter in comparison to 6.30% from the previous quarter, reflecting our continued practice of safeguarding our conservative balance sheet. We remind investors that we publicly set a general tangible common equity minimum of 6% back in the second quarter of 2022.

On the fourth quarter call, we provided our anticipated outlook for net loan growth to moderate to approximately 2% to 3% sequential growth in 2023, led mainly by our commercial portfolios. During the first quarter, we met our 2% target and expect net loan growth to remain unchanged at an approximately 2% to 3% run rate for the remainder of 2023. Growth in loans and PACE are generally expected to be funded with reductions in securities.

Turning to Slide 24. In consideration of recent events, we have updated our full year 2023 guidance as follows: Core pre-tax pre-provision earnings, excluding the impact of solar of $133 million to $140 million and net interest income of $248 million to $255 million, which considers the effect of reduced deposit growth and the forward rate curve for the remainder of 2023.

Going forward, we estimate an approximately $0.5 million decrease in annual net interest income for a parallel 25 basis point increase in interest rates, reflecting higher beta assumptions and changes in deposit mix.

To conclude, we remain focused on growing our capital position, minimizing potential borrowings and balance sheet leverage, and managing expenses. We do expect our net interest margin to compress by 15 to 20 basis points in the near-term as pressure on deposit costs continues. As a result, we anticipate our net interest income to decline to approximately $62 million to $63 million in the second quarter of 2023.

Looking forward, we will continue to remain competitive in order to maintain and attract deposits as we work to reduce our borrowings while providing liquidity to support our Growth For Good strategy. Our results this quarter demonstrate the strength of the bank as well as the mission-based differentiation that we share with our customers and communities.

With that, I'd like to ask the Operator to open up the line for any questions. Operator?

Operator

Our first question comes from Alex Twerdahl with Piper Sandler. Please proceed.

Alexander Twerdahl

First off, I was hoping you could give us a little bit more color on the moving parts in deposits and specifically what you saw during the quarter with respect to the non-interest-bearing decline and the re-shifting. If that's something that accelerated in March and the wake of what happened at some other banks, or if that's something you saw over the course of the quarter. Then hoping you could give us the updated thoughts on deposit betas, just given all the changes we saw over the last couple of months.

Jason Darby

I'm happy to take that question for you. The shift in non-interest-bearing to interest-bearing, we had seen that starting to accelerate even in the fourth quarter of 2022, and we had been modeling in a shift in DDA to interest-bearing as part of our 2023 guidance when we last spoke to you. We did see a little bit more acceleration post the discussion around the bank seizures that occurred in early March.

The Bank, meaning us, has a reciprocal product that we've offered for quite some time, and we were sort of standing at the ready to make that product available to our customers in that moment when they were looking for insurance on some of their demand deposit bases. The acceleration there, we think, was a fair amount of contribution that related to some insurance seeking. But at the same time, that's something that we have been modeling into our business, and we think that it's really important to be able to accommodate customers in that way.

To your question on beta, I think we've been consistently saying that betas are increasing, our assumptions anyway, are increasing with each Fed increase, and we haven't changed that mode of thinking. I think for any upcoming rate increases that might occur; we're thinking of interest-bearing betas as being in the mid-50% range at this point. What we saw last quarter was, excluding some of our consumer CD re-pricings, a beta of around 45% to 50% in the fourth quarter on interest-bearing as well. This is, of course, not factoring any deposit re-pricing that we've done on certain deposits either in this quarter or prior.

But I think the important thing for us is, really to focus on customer need and making sure that we're in tune with what customers are thinking and really being defensive with our deposit portfolio for now and for the foreseeable future.

Alexander Twerdahl

Then just stepping back, just thinking about some of the constituencies that you bank and some relying on donations and contributions and things like that, that maybe if we go into a recession people are less eager to donate to various causes. I'm just curious, how you think about managing the bank and how the business model needs to shift if we do go into a recession, if you see that sort of thing happen, and what you're thinking about to prepare for it?

Priscilla Sims Brown

That's a good question. I think maybe what we could do in future quarters is help you understand more specifically some of those segments. You will see that some are more affected than others. You will also see that we are not only talking about charitable organizations that receive money, but also organizations that contribute that are donor-based organizations.

There certainly is a cyclical nature to a lot of the deposits. They complement one another in the way they do that typically. We've tried to give you a pretty good sense for those which are dependent, for example on campaigns, elections and the like. If we look back to the period of recessions in the past, what we will see is that these deposits actually have grown over time. We don't find ourselves feeling extremely vulnerable to a specific segment and a specific event that way.

Alexander Twerdahl

Then just final question for me, I was hoping you could give us just a little bit more color on that construction loan that went into non-performing this quarter and if that was already included in criticized?

Jason Darby

Yes. We had been thinking about that loan as a special mention. It did not make its way to special mention at the end of the previous quarter. It's actually structured in two parts. There's an A part and a B part. The A part is still performing. That's about $5.5 million. The B, we had to move that into non-accrual for this quarter. It is a partnership deal with a government entity. A little bit of this in our view is timing related, the financial reporting requirements versus maybe the funding cycle, don't always line up with one another.

Ultimately, over time, and it probably will take a little bit of time, we feel pretty good about our opportunities for full repayment. There are some problems with the deal that we're still working through. But we feel pretty good about the overall collectability at this point, although it may take a little time, Alex, to realize that.

Operator

Our next question comes from Janet Lee with J.P. Morgan. Please proceed.

Janet Lee

Congrats on your 100th year anniversary. I have a few questions. I just want to start with deposits. As part of the factors that you pointed to for decline in core deposits, excluding brokered CDs, you mentioned slow new customer acquisition. Was this driven by some of the recent events in March? Or is it more weighted towards customers looking for higher yields elsewhere outside of the bank? What led to that slower pace of client acquisition?

Jason Darby

I think, really, that slowed new customer acquisitions is more centered around post SIVB and Signature announcements. We had seen some new deposit wins during the quarter. A lot of our pipeline obviously took a little pause in terms of moving banking relationships as the events unfolded. We feel reasonably good about what our pipeline still looks like, although it's going to take probably a little bit longer than we originally thought at the beginning of the year to get those conversations back going and see those customers start to move in our direction.

But we did have some wins in the quarter, we felt pretty good about. A little bit of that was offset by some folks seeking yield, and we feel like we had a good treasury alternative. Deposits come off the balance sheet that way, but it remains with the bank through our investment management arm, and we get a little bit of a pickup probably in future quarters in non-interest income there.

But in terms of people seeking yield, that really wasn't a reason for slowing of new customer growth. In fact, I think we did whatever we thought was necessary on certain exception pricing for key customers and anybody that was coming into the bank that was new. We think we found competitive pricing for them that matched up with what their fiduciary needs were.

Priscilla Sims Brown

The only thing I'll add to that is that the fact that we had new commercial customers coming into the bank at a rate that's comparable to prior years. As we look at our pipeline, albeit a paused one, we do expect that over the course of the year, the projections we've given are sound and good.

Janet Lee

In terms of your NII outlook, it says, it incorporates reduced outlook for deposit growth. Last quarter, I believe the guidance was average deposit balances up about 5% on a conservative side. Like how should we think about the updated outlook for deposit growth, excluding brokered CDs?

Jason Darby

Yes, we're thinking about that the same way, excluding brokered CDs. I'd probably say, it's somewhere in the range of about 2% versus the 5% that we talked about earlier. We still think there'll be an opportunity for average deposit growth over the course of the year. There's been some announcements in the political space that hopefully will start to jumpstart some of the fundraising that would occur for the presidential.

There is, as Priscilla mentioned, still a pipeline for us to be working through with regard to new customer attraction, and we feel okay about. But certainly, the pause, as I mentioned and Priscilla mentioned as well, has given us reason to reforecast on the deposit growth, and we think that 2% is probably a better number for the end of the year.

Janet Lee

That 2% is excluding brokered CDs, I know that you guys have reduced brokered CDs by $200 million already in April. Is it your plan to lower brokered CD balances as you get more customer deposits in the next couple of quarters? Or do you want to maintain those broker CD balances a little bit elevated for a little longer to maintain that liquidity? How should we think about the balance of brokered CDs over the near term?

Jason Darby

Yes, to clarify, the growth number I quoted to you was based on ex-brokered deposit balances. In terms of the brokered CD, we are down a couple of hundred million, but I think that's just a timing related moment. We do think that the brokered market is a really good source of liquidity for us. I do think that we'll try to maintain brokered CD balances appropriate with our balance sheet and limit our need to use short-term borrowings, unless, of course, the pricing changes in some way that the brokers become a little bit more expensive.

I think you can think of the March 31st results as a benchmark for how we'd like to see our funding mix relative to total deposits with brokered and any short-term borrowings.

I think our idea also, as we pointed out in the revised guidance is to keep our balance sheet from a total assets point of view, neutral to where we finished the quarter, which basically is neutral from where we finished last year. That ought to give you a good indication of how we'll try to manage the total liability side of the balance sheet in terms of our funding composition.

Janet Lee

On your CECL reserve build in the quarter for day one effect, which is $21 million. Can you walk through what reserve coverage ratio was assumed for your consumer solar loan portfolio and the dollar amount of reserves specific to that segment out of that $21 million?

Jason Darby

I think the best way to characterize it is the majority of that CECL build was attached to the consumer solar portfolio. We had spoken a bit about this in the previous quarters. We knew that we were going to be adopting CECL at the end of the year, and we had filled up our consumer solar basket within the 2022 year, so we don't really expect to be doing too much more of the consumer solar in 2023. But the primary portion of that CECL build really relates to the consumer solar side. I think when we look at the charge-off ratios that we've seen throughout 2022, and the average life of that particular portfolio, it indicates a need to have a further build. What we're hopeful for is the charge-offs, and we've talked about this before, we have protections that have been built into some of these structures. We're starting to meet those, and we're starting to see some of the benefits from those.

We're hopeful that the charge-off rates over time will actually come down a bit and therefore, have a little bit of benefit from the reserve that we put forth in the CECL model. I think that's the way I would best characterize the CECL impact relative to consumer solar.

Janet Lee

Basically, can we assume that the total CECL reserve specific to consumer solar was the net charge-off ratio that you guys have experienced in the recent quarters, but then obviously multiply that by however, long the duration of that portfolio. Is that the right way to think about it?

Jason Darby

I think so. If it helps from a consumer solar point of view, we think of those from a duration point of view as being similar or sharing similar characteristics to our residential one to four portfolio. Hopefully, that gives you a sense. Yes, the charge-off rate, but I wouldn't look at is just the charge-off rates we've seen in the more recent quarters, we've taken them over a longer life, which has a little bit of a lower implied rate.

But again, if you take that charge-off rate history and take that against a duration that looks like a one to four family style property or style duration, that could give you a good indication of how we think of the modeling.

Operator

The next question is from Chris O'Connell with KBW. Please proceed.

Christopher O'Connell

I was hoping to start off on the expenses. I think if I heard you're right they should be trending down towards $36.75 million to $37 million run rate for the remainder of the year. Is that correct?

Jason Darby

Yes. What I've been referring to in my commentary was that we had thought we'd be in that $36.75 million to $37 million on a quarterly run rate going forward. I was also making a comparison to the previous quarter. I think our expenses were a little bit lower optically as a result of some accrual releases and some sales tax refunds that we were able to recognize in the fourth quarter. It kind of normalized last quarter to about $37 million. I think $37 million is still a good quarterly run rate going forward on an average basis.

We saw a little bit of an uptick in this particular quarter because of some timing. There was a third payroll that occurred in March, which saw some of our payroll tax expense and some other related compensation items, a little bit elevated from what it would probably look like on a quarter with one less payroll on a normal basis. I think we also had a little bit of temporary personnel expense that flowed through as we needed to support a couple of areas in the business that have now have permanent hires and then some benefit increases that we saw in terms of premium expense in the quarter.

But we think those are largely temporary and can be brought back to a more normalized number in coming quarters going forward. But we are seeing expense pressure. There's no question about it. Holding that $37 million will be a challenge, but that's something that Priscilla and I are focused on.

Priscilla Sims Brown

I think you said it well. We certainly think that there are key areas to invest in across the business. These will not be surprising to you the things we've been talking about for as long as we've introduced the Growth for Good strategy. But as you've heard us say before, we will build into those investments in the business. You won't see discrete incremental increases in expenses, you'll see offsets. You'll see the net of offsets occurring in other parts of the business.

Christopher O'Connell

Then on the office portfolio, can you just go over the LTVs and what the reserves are held for the two on special mention? Then maybe how much of the office portfolio is coming due during 2023?

Jason Darby

I think we put some additional information in our deck to help everybody understand a little bit better. On the two special mention, there isn't a specific reserve on those particular properties, mainly because of the strong LTVs that are still there and the fact that they are still paying. I think the overall reserve coverage, and I don't have an exact quote for you I can get back to you on that, it's pretty solid relative to our reserve coverage in total that we carry. If you strip out the CECL impact, we're somewhere around 110% or 115% in total reserve coverage and I think everything is appropriately distributed across the asset classes.

What I think is important to pick up in the CRE portfolio is that we report a GAAP number of $327 million. But when you disaggregate it, we're down to about $70 million of office only investment-related credits that hopefully can take a little bit of the risk profile down for the overall portfolio. The LTV on that total group is about 38%. We feel pretty good about the collateral that's associated with that portion of the portfolio.

Then in terms of maturity, generally speaking, about 20% of the portfolio matures each year. I'd have to look specifically at the office portfolio itself, but I think 20% is the number that's reasonable to assume.

Christopher O'Connell

Do you know if either of the two special mentions mature this year?

Jason Darby

Neither do, I know that, but they're not long in the maturity table.

Christopher O'Connell

Then as far as loan growth for the remainder of the year, I know it's supposed to be relatively subdued on a net basis. But if you could go over what areas you are looking to add and that you see good demand and good risk reward relationships on versus some of the areas that might be pulling back on or declining to offset that?

Jason Darby

I think high level, we have said that we expect our loan growth to be led by our commercial portfolios, mainly multifamily real estate and C&I, particularly in our sustainability segment for C&I. We'll probably do less in residential lending. We'll do less in consumer solar, as I mentioned before with Janet, we've filled up our basket there, and we also have a really terrific alternatives for solar-based consumer lending with our residential PACE product, which we do expect to see some decent growth throughout the rest of this year.

With regard to the C&I and the multifamily, we didn't really show much growth in C&I, but I think that's a little misleading. We did about $47 million in originations during the quarter. Almost all of that were impact-related loans and a lot of it was climate-related particularly. We had a couple of pay downs that occurred late in the quarter, and we also had one payoff, which wasn't a regrettable loss. I think that that business is going to continue to be able to generate and contribute to our 2% to 3% sequential growth target for the upcoming quarters.

On the multifamily side, I think the team that we've built out is really strong, is really generating a lot of relationship-based business. We're hopeful that not only will we continue to see some origination on the multifamily side to bolster our lending for the year within New York but also start to see some development in the Boston market and hopefully in the San Francisco market as we place some new real estate bankers, respectively, in those areas.

Christopher O'Connell

Great and if you have what the current origination yields are on loans, that would be great too.

Jason Darby

The bring on right now in the C&I, we're up in the mid-6s, 6.75% range. CRE, it's around 5%. Well, CRE, we want to think about total real estate around 5.75%, somewhere in that range. Then in PACE, it's again, it's in that probably 6.6%, 6.7% range as well.

Christopher O'Connell

I know you guys are going to be lowering the pure securities book over the course of the year to help fund loans, but it sounds like there will be some resi-PACE growth. On a net-net basis, how do you see those combined factors growing or declining over the course of the rest of the year?

Jason Darby

I think target-wise, let's just go through R-PACE first. I think we've got about $85 million of capacity left on our flow arrangement with PFG. I think about $25 million a quarter in origination is probably an appropriate number, maybe a little bit more, but probably about $25 million per quarter in R-PACE. That will be offset by some pay downs. The pay downs are running about $15 million a quarter, somewhere in there, sometimes it's higher, sometimes it's lower depending on the timing of the payments. We'll probably do a little bit less in C-PACE mainly because of the duration associated with some of those deals. I don't see a lot of growth in C-PACE but probably some.

Then from there, I think we'll continue to let the securities portfolio amortize. It's amortizing at about $50 million a month on the traditional securities portfolio between AFS and HTM. Then we'll also continue to sell pools of securities to reduce our exposure, but also to do some funding. What that ultimately ends up with net-net, I think it will be still a decline overall in the total securities portfolio when you factor in PACE. But I don't have an exact number for you at that point. I think the way I more look at this is, we're really looking to keep the balance sheet from a total assets point of view level and how we manage that mix will be a little bit of art and a little bit of science throughout the year.

Christopher O'Connell

For the brokered CDs, what are you guys seeing for the rates there relative to the alternative funding from borrowings?

Jason Darby

I think earlier on, we were seeing some really attractive rate spreads. We started getting into the brokered market towards the end of 2022 and then really accelerated our pace in early 2023. We saw about a 40-basis point spread earlier on. I think that spread has been tightening a bit. I think really, at the end of the day, we're just taking a very close look at where the rates are on those brokered CDs.

We're doing a little bit of mixing between shorter-term brokers and longer-term. We've done some 5 years as well. I don't really have a great empirical answer for you between how we're looking at the pricing between the short-term FHLBs and the brokerage, but we do take a close eye on the pick on interest. Obviously, we want to make sure that we're able to deliver a good funding composition, but also maintain some level of NII benefit throughout the whole process.

Christopher O'Connell

Are you guys considering or thinking about at all utilizing share repurchases going forward as TCE builds on a fairly tepid balance sheet growth?

Jason Darby

Yes, we are, and we did a little bit in the first quarter. We did about $2.4 million worth or somewhere around 80,000 shares. We have still $25 million or so, $26 million, of availability under our previously announced program. It's certainly an option for us. Obviously, with where the stock is trading it becomes more and more of an attractive buy, at least in our opinion. We think the stock is quite a bit undervalued at this point. As is probably a number of other banks as well.

I think the balance here is capital. I'm very, very focused on capital. I do want to see our overall capital ratio continuing to improve throughout the year. It will always be a bit of a balance between earnings, whatever is flowing through the mark and what we can afford through dividend and capital repurchases to make sure that we're continuing to maintain our TCE levels and continuing to maintain a growing leverage level.

Operator

Thank you. At this time, I would like to turn the call over to Priscilla Sims Brown for closing comments.

Priscilla Sims Brown

Thank you. Thank you, all, for your questions, and thank you for your time and interest today. We appreciate all of that, and we know that we'll be continuing the conversation offline with some of you as well. We also feel that we hold an important place in the market by providing capital and services to our mission-aligned customers. That's not only the right thing to do, but it also is something that is good for business, and we're grateful that you're understanding that as well. I could not be more excited with what the future holds for the Bank, for Amalgamated, our shareholders and our customers.

I also want to just mention that in this era of focus on the short-term headwinds, the cycle that we're currently in. We feel it's our responsibility. We hope you have seen that we have for several quarters now, we've talked about TCE and conservative credit alignment and other things that we think are really important for the defense of our book and the protection of our shareholders as well as other stakeholders. But we continue to be really focused on the longer term as well and growing the business so that as we come out of this cycle, we continue to benefit from the tailwinds that come from the continued focus on net zero among many in the asset management and investment community and corporations more generally. We stand ready to benefit from the return to a focus on these longer-term goals that businesses and communities have.

Thanks again for your time today. We look forward to talking to you in the future as well.