

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023
OR

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

For transition period from _____ to _____

Commission File Number: 001-40136

Amalgamated Financial Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

85-2757101

(I.R.S. Employer Identification No.)

275 Seventh Avenue, New York, NY 10001
(Address of principal executive offices) (Zip Code)

(212) 255-6200
(Registrant's telephone number, including area code)

Not Applicable

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	AMAL	The Nasdaq Global Market

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company Emerging growth company

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

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

As of November 3, 2023, the registrant had 30,393,605 shares of common stock outstanding at \$0.01 par value per share.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Unless the context indicates otherwise, references to “we,” “us,” “our” and the “Company” refer to Amalgamated Financial Corp. and Amalgamated Bank. References to the “Bank” refer to Amalgamated Bank.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are not statements of historical or current fact nor are they assurances of future performance and generally can be identified by the use of forward-looking terminology, such as “may,” “will,” “anticipate,” “aspire,” “intend,” “could,” “should,” “would,” “believe,” “project,” “plan,” “goal,” “target,” “potential,” “pro-forma,” “seek,” “contemplate,” “expect,” “estimate,” and “continue,” or the negative thereof as well as other similar words and expressions of the future. These forward-looking statements include, but are not limited to, statements related to our projected growth, anticipated future financial performance, and management’s long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, or business and growth strategies, including anticipated internal growth.

Forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict as to timing, extent, likelihood and degree of occurrence, which could cause our actual results to differ materially from those anticipated in or by such statements. Potential risks and uncertainties include, but are not limited to, the following:

- uncertain conditions in the banking industry and in national, regional and local economies in our core markets, which may have an adverse impact on our business, operations and financial performance;
- deterioration in the financial condition of borrowers resulting in significant increases in credit losses on loans and provisions for those losses;
- deposit outflows and subsequent declines in liquidity caused by factors that could include lack of confidence in the banking system, a deterioration in market conditions or the financial condition of depositors;
- changes in our deposits, including an increase in uninsured deposits;
- unfavorable conditions in the capital markets, which may cause declines in our stock price and the value of our investments;
- continued fluctuation of the interest rate environment, including changes in net interest margin or changes that affect the yield curve on investments;
- fiscal challenges facing the U.S. government which may impact the government entities which we do business with, and the value of our investments in GSEs;
- potential deterioration in real estate collateral values;
- changes in legislation, regulation, public policies, or administrative practices impacting the banking industry, including increased regulation and FDIC assessments in the aftermath of recent bank failures;
- the outcome of legal or regulatory proceedings that may be instituted against us;
- our inability to maintain the historical growth rate of the loan portfolio;
- changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments;
- the impact of competition with other financial institutions, including pricing pressures and the resulting impact on our results, including as a result of compression to net interest margin;
- any matter that would cause us to conclude that there was impairment of any asset, including intangible assets;
- increased competition for experienced members of the workforce including executives in the banking industry;
- a failure in or breach of our operational or security systems or infrastructure, or those of third party vendors or other service providers, including as a result of unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches;
- downgrade in our credit rating;
- increased political opposition to Environmental, Social and Governance practices;
- recessionary conditions;
- physical and transitional risks related to climate change as they impact our business and the businesses that we finance; and
- descriptions of assumptions underlying or relating to any of the foregoing.

We caution readers that the foregoing list of factors is not exclusive, is not necessarily in order of importance and readers should not place undue reliance on any forward-looking statements, which should be read in conjunction with the other cautionary statements that are included elsewhere in this report. Additional factors that may cause actual results to differ materially from those contemplated by any forward-looking statements may be found in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC and available at the SEC's website at <https://sec.gov>. Further, any forward-looking statement speaks only as of the date on which it is made and we do not intend to and, except as required by law, disclaim any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, unless required to do so under the federal securities laws.

Part I
Item 1. – Financial Statements
Consolidated Statements of Financial Condition
(Dollars in thousands except for per share amounts)

	September 30, 2023	December 31, 2022
Assets	(unaudited)	
Cash and due from banks	\$ 5,494	\$ 5,110
Interest-bearing deposits in banks	134,725	58,430
Total cash and cash equivalents	140,219	63,540
Securities:		
Available for sale, at fair value	1,491,450	1,812,476
Held-to-maturity, at amortized cost:		
Traditional securities, net of allowance for credit losses of \$55 at September 30, 2023	612,026	629,424
Property Assessed Clean Energy ("PACE") assessments, net of allowance for credit losses of \$670 at September 30, 2023	1,069,834	911,877
	1,681,860	1,541,301
Loans held for sale	2,189	7,943
Loans receivable, net of deferred loan origination costs	4,364,745	4,106,002
Allowance for credit losses	(67,815)	(45,031)
Loans receivable, net	4,296,930	4,060,971
Resell agreements	—	25,754
Federal Home Loan Bank of New York ("FHLBNY") stock, at cost	4,389	29,607
Accrued interest and dividends receivable	47,745	41,441
Premises and equipment, net	8,428	9,856
Bank-owned life insurance	105,708	105,624
Right-of-use lease asset	22,907	28,236
Deferred tax asset, net	63,322	62,507
Goodwill	12,936	12,936
Intangible assets, net	2,439	3,105
Equity method investments	11,813	8,305
Other assets	17,397	29,522
Total assets	\$ 7,909,732	\$ 7,843,124
Liabilities		
Deposits	\$ 6,990,854	\$ 6,595,037
Subordinated debt, net	70,427	77,708
FHLBNY advances	4,381	580,000
Other borrowings	230,000	—
Operating leases	33,242	40,779
Other liabilities	34,537	40,645
Total liabilities	\$ 7,363,441	\$ 7,334,169
Stockholders' equity		
Common stock, par value \$0.01 per share (70,000,000 shares authorized; 30,736,141 and 30,700,198 shares issued, respectively, and 30,458,781 and 30,700,198 shares outstanding, respectively)	\$ 307	\$ 307
Additional paid-in capital	287,579	286,947
Retained earnings	368,420	330,275
Accumulated other comprehensive loss, net of income taxes	(105,294)	(108,707)
Treasury stock, at cost (277,360 and zero shares, respectively)	(4,854)	—
Total Amalgamated Financial Corp. stockholders' equity	546,158	508,822
Noncontrolling interests	133	133
Total stockholders' equity	546,291	508,955
Total liabilities and stockholders' equity	\$ 7,909,732	\$ 7,843,124

See accompanying notes to consolidated financial statements (unaudited)

Consolidated Statements of Income (unaudited)
(Dollars in thousands, except for per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
INTEREST AND DIVIDEND INCOME				
Loans	\$ 49,578	\$ 38,264	\$ 139,744	\$ 103,157
Securities	39,971	31,580	118,989	75,087
Interest-bearing deposits in banks	1,687	971	3,360	1,701
Total interest and dividend income	91,236	70,815	262,093	179,945
INTEREST EXPENSE				
Deposits	23,158	2,491	55,809	5,374
Borrowed funds	4,350	696	12,292	2,077
Total interest expense	27,508	3,187	68,101	7,451
NET INTEREST INCOME				
Provision for credit losses	2,014	5,363	10,913	10,568
Net interest income after provision for credit losses	61,714	62,265	183,079	161,926
NON-INTEREST INCOME				
Trust Department fees	3,678	3,872	11,613	10,842
Service charges on deposit accounts	2,731	2,735	7,897	8,008
Bank-owned life insurance income	727	785	2,054	2,882
Losses on sale of securities	(1,699)	(1,844)	(5,052)	(2,264)
Gains (losses) on sale of loans, net	26	(367)	30	(32)
Equity method investments income (loss)	550	(1,151)	1,261	(1,357)
Other income	767	973	2,127	1,592
Total non-interest income	6,780	5,003	19,930	19,671
NON-INTEREST EXPENSE				
Compensation and employee benefits	21,345	19,527	64,525	55,242
Occupancy and depreciation	3,349	3,481	10,184	10,378
Professional fees	2,222	3,173	7,211	8,733
Data processing	4,545	4,149	13,176	13,660
Office maintenance and depreciation	685	807	2,130	2,316
Amortization of intangible assets	222	262	666	785
Advertising and promotion	816	795	3,431	2,410
Federal deposit insurance premiums	1,200	1,014	3,018	2,440
Other expense	2,955	3,050	9,154	9,037
Total non-interest expense	37,339	36,258	113,495	105,001
Income before income taxes	31,155	31,010	89,514	76,596
Income tax expense	8,847	8,066	24,230	19,874
Net income	\$ 22,308	\$ 22,944	\$ 65,284	\$ 56,722
Earnings per common share - basic	\$ 0.73	\$ 0.75	\$ 2.13	\$ 1.84
Earnings per common share - diluted	\$ 0.73	\$ 0.74	\$ 2.12	\$ 1.82

See accompanying notes to consolidated financial statements (unaudited)

Consolidated Statements of Comprehensive Income (unaudited)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 22,308	\$ 22,944	\$ 65,284	\$ 56,722
Other comprehensive income (loss), net of taxes:				
Change in total obligation for postretirement benefits, prior service credit, and other benefits	49	60	146	178
Net unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on securities available for sale	(2,338)	(43,422)	(1,920)	(159,460)
Reclassification adjustment for losses realized in income	1,699	1,831	5,052	2,248
Accretion of net unrealized loss on securities transferred to held-to-maturity	479	548	1,433	757
Net unrealized gains (losses) on securities	(160)	(41,043)	4,565	(156,455)
Other comprehensive income (loss), before tax	(111)	(40,983)	4,711	(156,277)
Income tax benefit (expense)	31	11,275	(1,298)	42,992
Total other comprehensive income (loss), net of taxes	(80)	(29,708)	3,413	(113,285)
Total comprehensive income (loss), net of taxes	\$ 22,228	\$ (6,764)	\$ 68,697	\$ (56,563)

See accompanying notes to consolidated financial statements (unaudited)

Consolidated Statements of Changes in Stockholders' Equity (unaudited)
(Dollars in thousands)

	Three Months Ended September 30, 2023								
	Number of Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net of income taxes	Treasury Stock, at cost	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at July 1, 2023	30,572,606	\$ 307	\$ 286,877	\$ 349,204	\$ (105,214)	\$ (2,693)	\$ 528,481	\$ 133	\$ 528,614
Net income	—	—	—	22,308	—	—	22,308	—	22,308
Repurchase of common stock	(141,748)	—	—	—	—	(2,647)	(2,647)	—	(2,647)
Common stock issued under Employee Stock Purchase Plan	7,918	—	(2)	—	—	138	136	—	136
Dividends declared on common stock, net, \$0.10 per share	—	—	—	(3,092)	—	—	(3,092)	—	(3,092)
Exercise of stock options, net of repurchases	5,272	—	(91)	—	—	—	(91)	—	(91)
Restricted stock units vesting, net of repurchases	14,733	—	(390)	—	—	348	(42)	—	(42)
Stock-based compensation expense	—	—	1,185	—	—	—	1,185	—	1,185
Other comprehensive loss, net of taxes	—	—	—	—	(80)	—	(80)	—	(80)
Balance at September 30, 2023	<u>30,458,781</u>	<u>\$ 307</u>	<u>\$ 287,579</u>	<u>\$ 368,420</u>	<u>\$ (105,294)</u>	<u>\$ (4,854)</u>	<u>\$ 546,158</u>	<u>\$ 133</u>	<u>\$ 546,291</u>

Nine Months Ended September 30, 2023

	Number of Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net of income taxes	Treasury Stock, at cost	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2023	30,700,198	\$ 307	\$ 286,947	\$ 330,275	\$ (108,707)	\$ —	\$ 508,822	\$ 133	\$ 508,955
Cumulative effect of adoption of ASU No. 2016-13	—	—	—	(17,825)	—	—	(17,825)	—	(17,825)
Balance at January 1, 2023 adjusted for change in accounting principle	30,700,198	307	286,947	312,450	(108,707)	—	490,997	133	491,130
Net income	—	—	—	65,284	—	—	65,284	—	65,284
Repurchase of common stock	(409,513)	—	—	—	—	(7,229)	(7,229)	—	(7,229)
Common stock issued under Employee Stock Purchase Plan	37,672	—	(30)	—	—	680	650	—	650
Dividends declared on common stock, net, \$0.30 per share	—	—	—	(9,314)	—	—	(9,314)	—	(9,314)
Exercise of stock options, net of repurchases	11,903	—	(182)	—	—	—	(182)	—	(182)
Restricted stock units vesting, net of repurchases	118,521	—	(2,581)	—	—	1,695	(886)	—	(886)
Stock-based compensation expense	—	—	3,425	—	—	—	3,425	—	3,425
Other comprehensive income, net of taxes	—	—	—	—	3,413	—	3,413	—	3,413
Balance at September 30, 2023	30,458,781	\$ 307	\$ 287,579	\$ 368,420	\$ (105,294)	\$ (4,854)	\$ 546,158	\$ 133	\$ 546,291

Three Months Ended September 30, 2022

	Number of Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net of income taxes	Treasury Stock, at cost	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at July 1, 2022	30,684,246	\$ 307	\$ 286,901	\$ 288,868	\$ (78,168)	\$ —	\$ 497,908	\$ 133	\$ 498,041
Net income	—	—	—	22,944	—	—	22,944	—	22,944
Repurchase of common stock	(34,656)	(1)	(744)	—	—	—	(745)	—	(745)
Common stock issued under Employee Stock Purchase Plan	7,461	—	168	—	—	—	168	—	168
Dividends declared on common stock, net, \$0.10 per share	—	—	—	(3,069)	—	—	(3,069)	—	(3,069)
Exercise of stock options, net of repurchases	20,220	1	(502)	—	—	—	(501)	—	(501)
Restricted stock units vesting, net of repurchases	(4,968)	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	608	—	—	—	608	—	608
Other comprehensive loss, net of taxes	—	—	—	—	(29,708)	—	(29,708)	—	(29,708)
Balance at September 30, 2022	<u>30,672,303</u>	<u>\$ 307</u>	<u>\$ 286,431</u>	<u>\$ 308,743</u>	<u>\$ (107,876)</u>	<u>\$ —</u>	<u>\$ 487,605</u>	<u>\$ 133</u>	<u>\$ 487,738</u>

Nine Months Ended September 30, 2022

	Number of Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at cost	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at January 1, 2022	31,130,143	\$ 311	\$ 297,975	\$ 260,047	\$ 5,409	\$ —	\$ 563,742	\$ 133	\$ 563,875
Net income	—	—	—	56,722	—	—	56,722	—	56,722
Repurchase of common stock	(669,176)	(7)	(12,471)	—	—	—	(12,478)	—	(12,478)
Common stock issued under Employee Stock Purchase Plan	25,333	—	516	—	—	—	516	—	516
Dividends declared on common stock, net, \$0.26 per share	—	—	—	(8,026)	—	—	(8,026)	—	(8,026)
Exercise of stock options, net of repurchases	81,196	3	(1,541)	—	—	—	(1,538)	—	(1,538)
Restricted stock units vesting, net of repurchases	104,807	—	(2)	—	—	—	(2)	—	(2)
Stock-based compensation expense	—	—	1,954	—	—	—	1,954	—	1,954
Other comprehensive loss, net of taxes	—	—	—	—	(113,285)	—	(113,285)	—	(113,285)
Balance at September 30, 2022	<u>30,672,303</u>	<u>\$ 307</u>	<u>\$ 286,431</u>	<u>\$ 308,743</u>	<u>\$ (107,876)</u>	<u>\$ —</u>	<u>\$ 487,605</u>	<u>\$ 133</u>	<u>\$ 487,738</u>

See accompanying notes to consolidated financial statements (unaudited)

Consolidated Statements of Cash Flows (unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 65,284	\$ 56,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,647	2,683
Amortization of intangible assets	666	785
Deferred income tax expense	5,523	5,665
Provision for credit losses	10,913	10,568
Stock-based compensation expense	3,425	1,954
Net amortization on loan fees, costs, premiums, and discounts	238	1,324
Net amortization on securities premiums, discounts, net unrealized loss on securities transferred to held-to-maturity, and subordinated debt	1,546	3,625
OTTI gain recognized in earnings	—	(16)
Net (income) loss from equity method investments	(1,261)	1,357
Net loss on sale of securities available for sale	5,052	2,264
Net (gain) loss on sale of loans	(30)	32
Net gain on redemption of bank-owned life insurance	(371)	(1,369)
Proceeds from sales of loans held for sale	15,829	17,635
Originations of loans held for sale	(12,962)	(8,276)
Increase in cash surrender value of bank-owned life insurance	(1,683)	(1,513)
Net gain on repurchase of subordinated debt	(1,417)	(617)
Increase in accrued interest and dividends receivable	(6,304)	(5,947)
Decrease in other assets	16,625	13,521
Decrease in accrued expenses and other liabilities	(1,813)	(6,146)
Net cash provided by operating activities	<u>101,907</u>	<u>94,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	(264,555)	(588,730)
Purchase of securities available for sale	(69,382)	(672,142)
Purchase of securities held-to-maturity	(211,211)	(508,097)
Proceeds from sales of securities available for sale	249,971	132,105
Maturities, principal payments and redemptions of securities available for sale	123,175	281,244
Maturities, principal payments and redemptions of securities held-to-maturity	70,100	111,632
Decrease in resell agreements	25,754	36,184
Increase in equity method investments	(2,247)	(2,184)
Decrease (increase) in FHLB NY stock, net	25,218	(3,162)
Purchases of premises and equipment, net	(1,219)	(1,487)
Proceeds from redemption of bank-owned life insurance	1,941	4,233
Net cash used in investing activities	<u>(52,455)</u>	<u>(1,210,404)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	395,817	804,052
Net increase in other borrowings	230,000	—
Net (decrease) increase in FHLB NY advances	(575,619)	75,000
Repurchase of subordinated debt	(6,047)	(5,633)

Common stock issued under Employee Stock Purchase Plan	650	516
Repurchase of shares	(7,229)	(12,478)
Dividends paid	(9,277)	(8,026)
Payments related to repurchase of common stock for equity awards	(1,068)	(1,540)
Net cash provided by financing activities	27,227	851,891
Increase (decrease) in cash, cash equivalents, and restricted cash	76,679	(264,262)
Cash, cash equivalents, and restricted cash at beginning of year	63,540	330,485
Cash, cash equivalents, and restricted cash at end period	<u>\$ 140,219</u>	<u>\$ 66,223</u>
Supplemental disclosures of cash flow information:		
Interest paid during the period	\$ 59,104	\$ 6,909
Income taxes paid during the period	7,381	2,431
Loans transferred from held-for-sale	4,664	—
Loans transferred to held-for-sale	3,581	24,043
Securities available for sale transferred to held-to-maturity	—	260,112

See accompanying notes to consolidated financial statements (unaudited)

Notes to Consolidated Financial Statements (unaudited)

1. BASIS OF PRESENTATION AND CONSOLIDATION

Basis of Accounting and Changes in Significant Accounting Policies

In this discussion, unless the context indicates otherwise, references to “we,” “us,” “our” and the “Company” refer to Amalgamated Financial Corp. and Amalgamated Bank. References to the “Bank” refer to Amalgamated Bank.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America, or GAAP and predominant practices within the banking industry. The Company uses the accrual basis of accounting for financial statement purposes.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The annualized results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results of operations that may be expected for the entire fiscal year. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). All significant inter-company transactions and balances are eliminated in consolidation. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and the results of operations as of the dates and for the interim periods presented have been included. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes appearing in the Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Annual Report”). A more detailed description of our accounting policies is included in the 2022 Annual Report, which remain significantly unchanged except for the Allowance for Credit Losses (“ACL”) policy, resulting from the adoption of the Accounting Standard Update (“ASU”) No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and its amendments, (“ASU No. 2016-13”) as of January 1, 2023, as well as the addition of accounting policies related to treasury stock:

Treasury stock - Treasury stock is carried at cost. Shares issued out of treasury are valued based on the weighted average cost.

There have been no other significant changes to our accounting policies, or the estimates made pursuant to those policies as described in our 2022 Annual Report.

Recently Adopted Accounting Standards

ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments

The Company adopted ASU No. 2016-13 inclusive of subsequent amendments as of January 1, 2023. ASU No. 2016-13 amends guidance on reporting credit losses for assets held on an amortized cost basis and available-for-sale debt securities, as well as off balance sheet credit exposures. For assets held at amortized cost, ASU No. 2016-13 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The amendments in ASU No. 2016-13 replace the incurred loss impairment methodology with a methodology that reflects the measurement of expected credit losses based on relevant information about past events, including historical loss experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses will be presented as an allowance rather than as a write-down. For the Company, the amendments affected loans, debt securities, off-balance sheet credit exposures, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The Company adopted ASU No. 2016-13 on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the adoption date and, accordingly, the Company recorded a net of tax decrease of \$17.8 million to retained earnings as of January 1, 2023. The results for prior period amounts continue to be reported in accordance with previously applicable GAAP.

The below table illustrates the impact of the adoption of ASU 2016-13.

Notes to Consolidated Financial Statements (unaudited)

	January 1, 2023		
	Gross Adjustment	Tax Impact	Net Adjustment to Retained Earnings
Assets:			
Allowance for credit losses on held-to-maturity securities	\$ 668	\$ (184)	\$ 484
Allowance for credit losses on loans	21,229	(5,849)	15,380
Liabilities:			
Allowance for credit losses on off-balance sheet credit exposures	2,705	(744)	1,961
Total Day 1 Adjustment for Adoption of ASU 2016-13	\$ 24,602	\$ (6,777)	\$ 17,825

Allowance for Credit Losses - Available for Sale Securities: Any available for sale security in an unrealized loss position is assessed for Management's intent to sell, or if it is more likely than not that it will be required to sell before the recovery of its amortized cost basis. If either criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. Accrued interest receivable is excluded from the estimate of expected credit losses, as accrued interest receivable is reversed for securities placed on nonaccrual status. Securities issued by U.S. government entities are either explicitly or implicitly guaranteed by the U.S. government, and are highly rated by major ratings agencies and have a long history of no credit losses. For debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from expected credit losses or other factors in making this assessment. Management considers the extent in which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows is expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. There was no allowance for credit losses for available for sale securities as of January 1, 2023.

Allowance for Credit Losses - Held-to-maturity Securities: Management measures expected credit losses on held-to-maturity securities on a collective basis by security type. The Company's methodology to measure the allowance for credit losses incorporates both quantitative and qualitative information to assess lifetime expected credit losses. The calculation is based on projected annual default rates, loss severities, and prepayment rates. Expected credit losses are estimated over the contractual term of the securities, adjusted for forecasted prepayments when appropriate.

Accrued interest receivable is excluded from the estimate of expected credit losses, as accrued interest receivable is reversed for securities placed on nonaccrual status. The Company has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

Mortgage-backed - Certain residential securities held by the Company are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, and are highly rated by major rating agencies and have a long history of no credit losses.

Non-GSE residential and commercial mortgage-backed securities held by the Company are secured by pools of commercial or residential certificates.

Asset-backed securities ("ABS") - ABS held by the Company are secured by pools of consumer products such as student loans, consumer loans, and consumer residential solar loans.

Property assessed clean energy ("PACE assessments") - PACE assessments held by the Company are secured low loan to value long-term funding for energy efficient and renewable energy projects for residential or commercial projects.

Notes to Consolidated Financial Statements (unaudited)

Other securities - Other securities held by the Company include corporate securities, municipal securities and small investments community reinvestment act investments secured by loans.

Allowance for Credit Losses - Loans: The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of a financial asset or a group of financial assets so that the balance sheet reflects the net amount the Company expects to collect. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, and deferred fees and costs. Accrued interest receivable on loans is excluded from the estimate of expected credit losses, as accrued interest receivable is reversed for loans placed on nonaccrual status. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a reversal of credit loss expense. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management calculates the estimation of the allowance for credit losses on loans on a quarterly basis. The Company's methodology to measure the allowance for credit losses incorporates both quantitative and qualitative information to assess lifetime expected credit losses at the portfolio segment level. The quantitative component of the allowance model calculates future loan level balances by considering the loan segment baseline loss rate based on a peer group and severity rate. Expected credit losses are estimated over the contractual term of the loans, adjusted for forecasted prepayments when appropriate. The baseline loss rate is adjusted for relevant macroeconomic variables by loan segment that consider forecasted economic conditions. The adjusted loss rate is calculated for an eight quarter forecast period then reverts to the historical loss rate on a straight-line basis over four quarters. The loan level cash flows are discounted at the effective interest rate to calculate a loan level allowance which is aggregated at the loan segment level to arrive at the estimated allowance.

Economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit experience provides the basis for the estimation of expected credit losses, with qualitative adjustments made to loan segments for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in environmental conditions, such as changes in unemployment rates, property values or other relevant factors.

The allowance for credit losses on loans is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the allowance for credit losses using the methods described above.

Commercial and Industrial Loans - Loans in this classification are made to businesses and include term loans, lines of credit, and senior secured loans to corporations. Generally, these loans are secured by assets of the business and repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer and/or business spending, will have an effect on the credit quality in this loan class.

Multifamily Mortgage Loans - Loans in this classification include income producing residential investment properties of five or more families. Loans are made to established owners with a proven and demonstrable record of strong performance. Repayment is derived generally from the rental income generated from the property and may be supplemented by the owners' personal cash flow. Credit risk arises with an increase in vacancy rates, property mismanagement and the predominance of non-recourse loans that are customary in the industry.

Commercial Real Estate Loans - Loans in this classification include income producing investment properties and owner-occupied real estate used for business purposes. The underlying properties are located largely in the Company's primary market area. The cash flows of the income producing investment properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on credit quality. In the case of owner-occupied real estate used for business purposes, a weakened economy and resultant decreased consumer and/or business spending will have an adverse effect on credit quality.

Construction and Land Development Loans - Loans in this classification primarily include land loans to local individuals, contractors and developers for developing the land for sale or for the purpose of making improvements thereon. Repayment is derived primarily from sale of the lots/units including any pre-sold units. Credit risk is affected by market conditions, time to sell at an adequate price and cost overruns. To a lesser extent, this class includes commercial development projects that the Company finances, which in most cases are interest only during construction, and then convert to permanent

Notes to Consolidated Financial Statements (unaudited)

financing. Construction delays, cost overruns, market conditions and the availability of permanent financing, to the extent such permanent financing is not being provided by the Bank, all affect the credit risk in this loan class.

Residential Real Estate Loans - Loans in this classification are generally secured by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. Loans in this class are secured by both first liens and second liens. The overall health of the economy, including unemployment rates and housing prices, can have an effect on the credit quality in this loan class.

Consumer Solar Loans - Loans in this classification may be either secured or unsecured. This portfolio is comprised of residential solar loans. Repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan. Therefore, the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class.

Consumer and Other Loans - Loans in this classification may be either secured or unsecured. This portfolio is comprised of student loans and other consumer products. Repayment is dependent on the credit quality of the individual borrower and, if applicable, sale of the collateral securing the loan. Therefore, the overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this loan class.

Loans that are determined to have unique risk characteristics are evaluated on an individual basis by Management. Loans evaluated individually are not included in the collective evaluation. Factors that may be considered are borrower delinquency trends and nonaccrual status, probability of foreclosure or note sale, changes in the borrower's circumstances or cash collections, borrower's industry, or other facts and circumstances of the loan or collateral.

Individually Evaluated Loans with an ACL: For collateral-dependent loans where the Company has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and the Company expects repayment of the loan to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral, less the estimated costs to sell, and the amortized cost basis of the loan as of the measurement date. The fair value of real estate collateral is determined based on recent appraised values. The fair value of non-real estate collateral, may be determined based on an appraisal, net book value per the borrower's financial statements, aging reports, or by reference to market activity, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the borrower and its business. For non-collateral dependent loans, ACL is measured based on the difference between the present value of expected cash flows and the amortized cost basis of the loan as of the measurement date.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company for its security and loan portfolios. The allowance for credit losses on off-balance sheet credit exposures is recorded in other liabilities on the consolidated statements of financial condition, and adjusted through the credit loss expense which is recorded in the provision for credit losses on the consolidated statements of income. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which is the same as the expected loss factor as determined based on the corresponding portfolio segment. At January 1, 2023, the Day 1 adjustment to allowance for credit losses on off-balance sheet credit exposures was \$2.7 million, of which \$2.6 million related to obligations on the loans portfolio, and \$0.1 million related to obligations on the securities portfolio.

ASU 2022-02, Financial Instruments - Credit Losses (Topic 326) - Troubled Debt Restructurings and Vintage Disclosures

On March 31, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-02, which eliminates the troubled debt restructuring ("TDR") accounting model for creditors that have adopted Topic 326, "Financial Instruments – Credit Losses." Specifically, rather than applying the recognition and measurement guidance for TDRs, this ASU requires entities to evaluate receivable modifications, consistent with the accounting for other loan modifications, to determine whether a modification made to a borrower results in a new loan or a continuation of the existing loan. In addition, under the new ASU, entities are no longer required to use a discounted cash flow ("DCF") method to measure the ACL as a result of a modification or restructuring with a borrower experiencing financial difficulty. If a DCF method is used, the post-modification-derived effective interest rate is to be used, instead of the original interest rate as stipulated under the current GAAP. This ASU also enhances the disclosure requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This ASU

Notes to Consolidated Financial Statements (unaudited)

amends the guidance on “vintage disclosures” to require the disclosure of current-period gross write-offs by year of origination. The Company adopted ASU 2022-02 on January 1, 2023 on a prospective basis. The adoption of the standard did not have a material impact on the financial statements. Refer to the *Loans receivable, net* footnote for updated disclosures for the three and nine months ended September 30, 2023.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation, however such reclassifications did not change stockholders' equity or net income.

2. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following is a summary of the accumulated comprehensive loss balances, net of income taxes:

	<u>Balance as of January 1, 2023</u>	<u>Current Period Change</u>	<u>Income Tax Effect</u>	<u>Balance as of September 30, 2023</u>
<i>(In thousands)</i>				
Unrealized gains (losses) on benefits plans	\$ (1,652)	\$ 146	\$ (40)	\$ (1,546)
Unrealized gains (losses) on available for sale securities	(95,539)	3,132	(863)	(93,270)
Unaccreted unrealized loss on securities transferred to held-to-maturity	(11,516)	1,433	(395)	(10,478)
Total	<u>\$ (108,707)</u>	<u>\$ 4,711</u>	<u>\$ (1,298)</u>	<u>\$ (105,294)</u>

	<u>Balance as of January 1, 2022</u>	<u>Current Period Change</u>	<u>Income Tax Effect</u>	<u>Balance as of September 30, 2022</u>
<i>(In thousands)</i>				
Unrealized gains (losses) on benefits plans	\$ (2,102)	\$ 178	\$ (49)	\$ (1,973)
Unrealized gains (losses) on available for sale securities	7,511	(140,062)	38,531	(94,020)
Unaccreted unrealized loss on securities transferred to held-to-maturity	—	(16,393)	4,510	(11,883)
Total	<u>\$ 5,409</u>	<u>\$ (156,277)</u>	<u>\$ 42,992</u>	<u>\$ (107,876)</u>

Notes to Consolidated Financial Statements (unaudited)

Other comprehensive income (loss) components and related income tax effects were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Postretirement Benefit Plans				
Change in obligation for postretirement benefits and for prior service credit	\$ 39	\$ 51	\$ 119	\$ 153
Reclassification adjustment for prior service expense included in compensation and employee benefits	7	7	21	21
Change in obligation for other benefits	3	2	6	4
Change in total obligation for postretirement benefits and for prior service credit and for other benefits	49	60	146	178
Income tax expense	(13)	(17)	(40)	(49)
Net change in total obligation for postretirement benefits and prior service credit and for other benefits	36	43	106	129
Securities				
Unrealized holding gains (losses) on available for sale securities	(2,338)	(43,422)	(1,920)	(159,460)
Reclassification adjustment for losses realized in loss on sale of securities	1,699	1,831	5,052	2,248
Accretion of net unrealized loss on securities transferred to held-to-maturity recognized in interest income from securities	479	548	1,433	757
Change in unrealized gains (losses) on available for sale securities	(160)	(41,043)	4,565	(156,455)
Income tax benefit (expense)	44	11,292	(1,258)	43,041
Net change in unrealized gains (losses) on securities	(116)	(29,751)	3,307	(113,414)
Total	\$ (80)	\$ (29,708)	\$ 3,413	\$ (113,285)

Notes to Consolidated Financial Statements (unaudited)

3. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale and held-to-maturity as of September 30, 2023 are as follows:

	September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>				
Available for sale:				
Mortgage-related:				
Government sponsored entities ("GSE") residential CMOs ("collateralized mortgage obligations")	\$ 396,458	\$ 26	\$ (43,313)	\$ 353,171
GSE commercial certificates & CMO	137,912	—	(9,671)	128,241
Non-GSE residential certificates	113,429	—	(16,678)	96,751
Non-GSE commercial certificates	95,269	—	(10,392)	84,877
	<u>743,068</u>	<u>26</u>	<u>(80,054)</u>	<u>663,040</u>
Other debt:				
U.S. Treasury	200	—	(3)	197
ABS	693,922	51	(26,571)	667,402
Trust preferred	9,991	—	(672)	9,319
Corporate	134,054	—	(21,088)	112,966
Residential PACE assessments	38,950	—	(424)	38,526
	<u>877,117</u>	<u>51</u>	<u>(48,758)</u>	<u>828,410</u>
Total available for sale	<u>\$ 1,620,185</u>	<u>\$ 77</u>	<u>\$ (128,812)</u>	<u>\$ 1,491,450</u>
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held-to-maturity:				
Traditional securities:				
GSE residential CMOs	\$ 65,353	\$ —	\$ (6,013)	\$ 59,340
GSE commercial certificates	89,641	—	(15,462)	74,179
GSE residential certificates	416	—	(35)	381
Non-GSE commercial certificates	32,669	—	(3,678)	28,991
Non-GSE residential certificates	47,563	—	(6,364)	41,199
ABS	282,164	81	(11,174)	271,071
Municipal	94,275	—	(22,363)	71,912
	<u>612,081</u>	<u>81</u>	<u>(65,089)</u>	<u>547,073</u>
PACE assessments:				
Commercial PACE assessments	270,020	—	(50,082)	219,938
Residential PACE assessments	800,484	—	(89,689)	710,795
	<u>1,070,504</u>	<u>—</u>	<u>(139,771)</u>	<u>930,733</u>
Allowance for credit losses	<u>(725)</u>			
Total held-to-maturity	<u>\$ 1,681,860</u>	<u>\$ 81</u>	<u>\$ (204,860)</u>	<u>\$ 1,477,806</u>

Notes to Consolidated Financial Statements (unaudited)

There were no transfers to or from securities held-to-maturity during the three or nine months ended September 30, 2023. The Company reassessed the classification of certain investments during the nine months ended September 30, 2022 and transferred securities with a book value of \$277.3 million from available-for-sale to held-to-maturity. The transfer occurred at a fair value totaling \$260.1 million. The related unrealized losses of \$17.1 million were converted to a discount that is being accreted through interest income on a level-yield method over the term of the securities, while the unrealized losses recorded in other comprehensive income are amortized out of other comprehensive income through interest income on a level-yield method over the remaining term of securities, with no net change to interest income. No gain or loss was recorded at the time of transfer. There were no transfers to or from securities held-to-maturity during the three months ended September 30, 2022.

The following table summarizes the amortized cost and fair value of debt securities available for sale and held-to-maturity, exclusive of mortgage-backed securities, by their contractual maturity as of September 30, 2023. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty:

	Available for Sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In thousands)</i>				
Due within one year	\$ 200	\$ 197	\$ —	\$ —
Due after one year through five years	66,288	59,932	9,433	8,904
Due after five years through ten years	360,128	342,393	35,467	34,400
Due after ten years	450,501	425,888	1,402,043	1,230,412
	<u>\$ 877,117</u>	<u>\$ 828,410</u>	<u>\$ 1,446,943</u>	<u>\$ 1,273,716</u>

Proceeds received and gains and losses realized on sales of available for sale securities are summarized below:

	Three Months Ended,		Nine Months Ended,	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<i>(In thousands)</i>				
Proceeds	\$ 75,434	\$ 96,154	\$ 249,971	\$ 132,105
Realized gains	\$ 61	\$ 2	\$ 61	\$ 164
Realized losses	(1,760)	(1,846)	(5,113)	(2,428)
Net realized losses	<u>\$ (1,699)</u>	<u>\$ (1,844)</u>	<u>\$ (5,052)</u>	<u>\$ (2,264)</u>

There were no sales of held-to-maturity securities during the three or nine months ended September 30, 2023 or the three or nine months ended September 30, 2022.

The Company controls and monitors inherent credit risk in its securities portfolio through due diligence, diversification, concentration limits, periodic securities reviews, and by investing in low risk securities. This includes high quality Non Agency Securities, low loan-to-value PACE Bonds and a significant portion of the securities portfolio in U.S. GSE obligations. GSEs include the Federal Home Loan Mortgage Corporation (“FHLMC”), the Federal National Mortgage Association (“FNMA”), the Government National Mortgage Association (“GNMA”) and the Small Business Administration (“SBA”). GNMA is a wholly owned U.S. Government corporation whereas FHLMC and FNMA are private. Mortgage-related securities may include mortgage pass-through certificates, participation certificates and CMOs.

Notes to Consolidated Financial Statements (unaudited)

With respect to the Company's security investments that are temporarily impaired as of September 30, 2023, management does not intend to sell these investments and does not believe it will be necessary to do so before anticipated recovery. If either criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. The Company expects to collect all amounts due according to the contractual terms of these investments. Therefore, the Company does not hold an allowance for credit losses for available for sale securities at September 30, 2023.

Held-to-maturity securities

Management conducts an evaluation of expected credit losses on held-to-maturity securities on a collective basis by security type. Management monitors the credit quality of debt securities held-to-maturity through reasonable and supportable forecasts, reviews of credit trends on underlying assets, credit ratings, and other factors. Holdings of securities issued by GSEs with unrealized losses are either explicitly or implicitly guaranteed by the U.S. government, and are highly rated by major rating agencies and have a long history of no credit losses.

With the exception of PACE assessments, which are generally not rated, our traditional securities were rated investment grade by at least one nationally recognized statistical rating organization with no ratings below investment grade. All issues were current as to their interest payments. We have had insignificant losses on PACE assessments that we have invested in and are not aware of any significant losses in the PACE bonds sector given the low loan-to-value position and the superior lien position on the property. Management considers that the temporary impairment of these investments as of September 30, 2023 is primarily due to an increase in interest rates and spreads since the time these investments were acquired.

Accrued interest receivable on securities totaling \$28.1 million and \$23.2 million at September 30, 2023 and December 31, 2022, respectively, was included in other assets in the consolidated balance sheet and excluded from the amortized cost and estimated fair value totals in the table above.

The following table presents the activity in the allowance for credit losses for securities held-to-maturity for the three months ended September 30, 2023:

<i>(In thousands)</i>	Non-GSE commercial certificates	Commercial PACE	Residential PACE	Total
Allowance for credit losses:				
Beginning balance	\$ 57	\$ 262	\$ 388	\$ 707
Provision for (recovery of) credit losses	(2)	8	12	18
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Ending Balance	<u>\$ 55</u>	<u>\$ 270</u>	<u>\$ 400</u>	<u>\$ 725</u>

The following table presents the activity in the allowance for credit losses for securities held-to-maturity for the nine months ended September 30, 2023:

<i>(In thousands)</i>	Non-GSE commercial certificates	Commercial PACE	Residential PACE	Total
Allowance for credit losses:				
Beginning balance	\$ —	\$ —	\$ —	\$ —
Adoption of ASU No. 2016-13	85	255	328	668
Provision for (recovery of) credit losses	(4)	15	72	83
Charge-offs	(26)	—	—	(26)
Recoveries	—	—	—	—
Ending Balance	<u>\$ 55</u>	<u>\$ 270</u>	<u>\$ 400</u>	<u>\$ 725</u>

Notes to Consolidated Financial Statements (unaudited)

4. LOANS RECEIVABLE, NET

With the adoption of ASU 2016-13 on January 1, 2023, all loan balances in this footnote for the period ended September 30, 2023 are presented at amortized cost, net of deferred loan origination costs. Loan balances for the period ended December 31, 2022 are presented at unpaid principal balance.

Loans receivable are summarized as follows:

	September 30, 2023	December 31, 2022
<i>(In thousands)</i>		
Commercial and industrial	\$ 1,050,355	\$ 925,641
Multifamily	1,094,955	967,521
Commercial real estate	324,139	335,133
Construction and land development	28,326	37,696
Total commercial portfolio	2,497,775	2,265,991
Residential real estate lending	1,409,530	1,371,779
Consumer solar	415,324	416,849
Consumer and other	42,116	47,150
Total retail portfolio	1,866,970	1,835,778
Total loans receivable	4,364,745	4,101,769
Net deferred loan origination costs	—	4,233
Total loans receivable, net of deferred loan origination costs	4,364,745	4,106,002
Allowance for credit losses	(67,815)	(45,031)
Total loans receivable, net	<u>\$ 4,296,930</u>	<u>\$ 4,060,971</u>

Notes to Consolidated Financial Statements (unaudited)

The following table presents information regarding the past due status of the Company's loans as of September 30, 2023:

<i>(In thousands)</i>	30-89 Days Past Due	Non- Accrual	90 Days or More Delinquent and Still Accruing Interest	Total Past Due	Current	Total Loans Receivable
Commercial and industrial	\$ 2,137	\$ 7,575	\$ —	\$ 9,712	\$ 1,040,643	\$ 1,050,355
Multifamily	8,375	—	—	8,375	1,086,580	1,094,955
Commercial real estate	—	4,575	—	4,575	319,564	324,139
Construction and land development	—	15,891	—	15,891	12,435	28,326
Total commercial portfolio	10,512	28,041	—	38,553	2,459,222	2,497,775
Residential real estate lending	3,238	3,009	—	6,247	1,403,283	1,409,530
Consumer solar	4,277	2,817	—	7,094	408,230	415,324
Consumer and other	599	457	—	1,056	41,060	42,116
Total retail portfolio	8,114	6,283	—	14,397	1,852,573	1,866,970
	<u>\$ 18,626</u>	<u>\$ 34,324</u>	<u>\$ —</u>	<u>\$ 52,950</u>	<u>\$ 4,311,795</u>	<u>\$ 4,364,745</u>

The following table presents information regarding the past due status of the Company's loans as of December 31, 2022:

<i>(In thousands)</i>	30-89 Days Past Due	Non- Accrual	90 Days or More Delinquent and Still Accruing Interest	Total Past Due	Current	Total Loans Receivable
Commercial and industrial	\$ 27	\$ 9,629	\$ —	\$ 9,656	\$ 915,985	\$ 925,641
Multifamily	—	3,828	—	3,828	963,693	967,521
Commercial real estate	11,718	4,851	—	16,569	318,564	335,133
Construction and land development	16,426	—	—	16,426	21,270	37,696
Total commercial portfolio	28,171	18,308	—	46,479	2,219,512	2,265,991
Residential real estate lending	1,185	1,807	—	2,992	1,368,787	1,371,779
Consumer solar	3,320	1,584	—	4,904	411,945	416,849
Consumer and other	225	—	—	225	46,925	47,150
Total retail portfolio	4,730	3,391	—	8,121	1,827,657	1,835,778
	<u>\$ 32,901</u>	<u>\$ 21,699</u>	<u>\$ —</u>	<u>\$ 54,600</u>	<u>\$ 4,047,169</u>	<u>\$ 4,101,769</u>

Notes to Consolidated Financial Statements (unaudited)

The following table presents information regarding loan modifications granted to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2023:

<i>(In thousands)</i>	Three Months Ended September 30, 2023			
	Term Extension	Term Extension and Payment Delay	Total	% of Portfolio
Commercial and industrial	\$ 5,225	\$ 6,900	\$ 12,125	1.2 %
Multifamily	2,303	—	2,303	0.2 %
Commercial real estate	1,000	—	1,000	0.3 %
Total	\$ 8,528	\$ 6,900	\$ 15,428	

<i>(In thousands)</i>	Nine Months Ended September 30, 2023			
	Term Extension	Term Extension and Payment Delay	Total	% of Portfolio
Commercial and industrial	\$ 5,921	\$ 6,900	\$ 12,821	1.2 %
Multifamily	2,637	—	2,637	0.2 %
Commercial real estate	3,045	—	3,045	0.9 %
Construction and land development	17,163	—	17,163	60.6 %
Total	\$ 28,766	\$ 6,900	\$ 35,666	

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

	Three Months Ended September 30, 2023	
	Weighted Average Years of Term Extension	Weighted Average Years of Term Extension and Payment Delay
Commercial and industrial	1.2	1.0
Multifamily	1.0	—
Commercial real estate	0.3	—

	Nine Months Ended September 30, 2023	
	Weighted Average Years of Term Extension	Weighted Average Years of Term Extension and Payment Delay
Commercial and industrial	1.2	1.0
Multifamily	1.0	—
Commercial real estate	0.6	—
Construction and land development	0.9	—

Six and twelve loans were permanently modified in the three and nine months ended September 30, 2023, respectively. One loan that was modified had a payment default during the three months ended September 30, 2023, and two loans had a payment default during the nine months ended September 30, 2023.

In order to manage credit quality, we view the Company's loan portfolio by various segments. For commercial loans, we assign individual credit ratings ranging from 1 (lowest risk) to 10 (highest risk) as an indicator of credit quality. These ratings are based on specific risk factors including (i) historical and projected financial results of the borrower, (ii) market conditions of the borrower's industry that may affect the borrower's future financial performance, (iii) business experience of the borrower's management, (iv) nature of the underlying collateral, if any, including the ability of the collateral to generate sources of repayment, and (v) history of the borrower's payment performance. These specific risk factors are then utilized as inputs in our

Notes to Consolidated Financial Statements (unaudited)

credit model to determine the associated allowance for credit loss. Non-rated loans generally include residential mortgages and consumer loans.

The below classifications follow regulatory guidelines and can be generally described as follows:

- pass loans are of satisfactory quality;
- special mention loans have a potential weakness or risk that may result in the deterioration of future repayment;
- substandard loans are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged (these loans have a well-defined weakness, and there is a distinct possibility that the Company will sustain some loss); and
- doubtful loans, based on existing circumstances, have weaknesses that make collection or liquidation in full highly questionable and improbable.

In addition, residential loans are classified utilizing an inter-agency methodology that incorporates the extent of delinquency. Assigned risk rating grades are continuously updated as new information is obtained.

The following tables summarize the Company's loan portfolio by credit quality indicator as of September 30, 2023 and gross charge-offs for the nine months ended September 30, 2023:

(In thousands)	Term Loans by Origination Year					Revolving loans	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019 & Prior			
Commercial and Industrial:								
Pass	\$ 115,434	\$ 212,031	\$ 200,729	\$ 112,444	\$ 166,305	\$ 197,601	\$ —	\$ 1,004,544
Special Mention	—	—	14,060	4,175	948	1,407	—	20,590
Substandard	—	—	—	5,302	17,091	2,828	—	25,221
Doubtful	—	—	—	—	—	—	—	—
Total commercial and industrial	\$ 115,434	\$ 212,031	\$ 214,789	\$ 121,921	\$ 184,344	\$ 201,836	\$ —	\$ 1,050,355
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 1,726	\$ —	\$ —	\$ 1,726
Multifamily:								
Pass	\$ 117,574	\$ 383,293	\$ 45,528	\$ 138,584	\$ 398,600	\$ 3	\$ —	\$ 1,083,582
Special Mention	—	—	—	—	9,065	—	—	9,065
Substandard	—	—	—	—	2,308	—	—	2,308
Doubtful	—	—	—	—	—	—	—	—
Total multifamily	\$ 117,574	\$ 383,293	\$ 45,528	\$ 138,584	\$ 409,973	\$ 3	\$ —	\$ 1,094,955
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 2,355	\$ —	\$ —	\$ 2,355
Commercial real estate:								
Pass	\$ 42,438	\$ 43,099	\$ 48,931	\$ 36,578	\$ 141,382	\$ 3,303	\$ —	\$ 315,731
Special Mention	—	—	—	—	3,833	—	—	3,833
Substandard	—	—	—	1,876	2,699	—	—	4,575
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate	\$ 42,438	\$ 43,099	\$ 48,931	\$ 38,454	\$ 147,914	\$ 3,303	\$ —	\$ 324,139
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Construction and land development:								
Pass	\$ —	\$ —	\$ —	\$ —	\$ 7,237	\$ 5,198	\$ —	\$ 12,435
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	15,891	—	15,891
Doubtful	—	—	—	—	—	—	—	—
Total construction and land development	\$ —	\$ —	\$ —	\$ —	\$ 7,237	\$ 21,089	\$ —	\$ 28,326
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Residential real estate lending:								
Pass	\$ 101,396	\$ 420,423	\$ 334,121	\$ 136,380	\$ 411,739	\$ 2,560	\$ —	\$ 1,406,619

Notes to Consolidated Financial Statements (unaudited)

Special Mention	—	—	—	—	—	—	—	—
Substandard	—	731	154	673	1,353	—	—	2,911
Doubtful	—	—	—	—	—	—	—	—
Total residential real estate lending	\$ 101,396	\$ 421,154	\$ 334,275	\$ 137,053	\$ 413,092	\$ 2,560	\$ —	\$ 1,409,530
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 63	\$ —	\$ —	\$ 63
Consumer solar:								
Pass	\$ 28,515	\$ 106,566	\$ 133,958	\$ 74,809	\$ 68,882	\$ —	\$ —	\$ 412,730
Special Mention	—	—	—	—	—	—	—	—
Substandard	59	876	943	361	355	—	—	2,594
Doubtful	—	—	—	—	—	—	—	—
Total consumer solar	\$ 28,574	\$ 107,442	\$ 134,901	\$ 75,170	\$ 69,237	\$ —	\$ —	\$ 415,324
Current period gross charge-offs	\$ —	\$ 1,302	\$ 2,126	\$ 1,870	\$ 282	\$ —	\$ —	\$ 5,580
Consumer and other:								
Pass	\$ 1,920	\$ 15,345	\$ 12,189	\$ —	\$ 12,205	\$ —	\$ —	\$ 41,659
Special Mention	—	—	—	—	—	—	—	—
Substandard	51	169	237	—	—	—	—	457
Doubtful	—	—	—	—	—	—	—	—
Total consumer and other	\$ 1,971	\$ 15,514	\$ 12,426	\$ —	\$ 12,205	\$ —	\$ —	\$ 42,116
Current period gross charge-offs	\$ 2	\$ —	\$ —	\$ —	\$ 252	\$ —	\$ —	\$ 254
Total Loans:								
Pass	\$ 407,277	\$ 1,180,757	\$ 775,456	\$ 498,795	\$ 1,206,350	\$ 208,665	\$ —	\$ 4,277,300
Special Mention	—	—	14,060	4,175	13,846	1,407	—	33,488
Substandard	110	1,776	1,334	8,212	23,806	18,719	—	53,957
Doubtful	—	—	—	—	—	—	—	—
Total loans	\$ 407,387	\$ 1,182,533	\$ 790,850	\$ 511,182	\$ 1,244,002	\$ 228,791	\$ —	\$ 4,364,745
Current period gross charge-offs	\$ 2	\$ 1,302	\$ 2,126	\$ 1,870	\$ 4,678	\$ —	\$ —	\$ 9,978

The following tables summarize the Company's loan portfolio by credit quality indicator as of December 31, 2022:

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	\$ 893,637	\$ 6,983	\$ 23,275	\$ 1,746	\$ 925,641
Multifamily	947,661	13,696	6,164	—	967,521
Commercial real estate	299,953	24,679	10,501	—	335,133
Construction and land development	21,270	14,002	2,424	—	37,696
Residential real estate lending	1,369,972	—	1,807	—	1,371,779
Consumer and other	462,415	—	1,584	—	463,999
Total loans	\$ 3,994,908	\$ 59,360	\$ 45,755	\$ 1,746	\$ 4,101,769

The activities in the allowance by portfolio for the three months ended September 30, 2023 are as follows:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer Solar	Consumer and Other	Total
Allowance for credit losses:								
Beginning balance	\$ 16,793	\$ 6,397	\$ 2,285	\$ 324	\$ 15,274	\$ 23,218	\$ 3,140	\$ 67,431
Provision for (recovery of) credit losses	137	(446)	(173)	890	135	2,791	(15)	3,319
Charge-offs	—	(1,228)	—	—	(4)	(1,949)	(15)	(3,196)
Recoveries	6	—	—	—	244	—	11	261
Ending balance	\$ 16,936	\$ 4,723	\$ 2,112	\$ 1,214	\$ 15,649	\$ 24,060	\$ 3,121	\$ 67,815

Notes to Consolidated Financial Statements (unaudited)

The activities in the allowance by portfolio for the three months ended September 30, 2022 are as follows:

<i>(In thousands)</i>	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance	\$ 14,617	\$ 4,397	\$ 5,726	\$ 709	\$ 10,304	\$ 3,724	\$ 39,477
Provision for (recovery of) loan losses	(1,916)	2,365	(1,818)	516	2,025	4,191	5,363
Charge-offs	—	—	—	(389)	(1,519)	(1,343)	(3,251)
Recoveries	5	—	—	—	300	228	533
Ending balance	<u>\$ 12,706</u>	<u>\$ 6,762</u>	<u>\$ 3,908</u>	<u>\$ 836</u>	<u>\$ 11,110</u>	<u>\$ 6,800</u>	<u>\$ 42,122</u>

The activities in the allowance by portfolio for the nine months ended September 30, 2023 are as follows:

<i>(In thousands)</i>	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer Solar	Consumer and Other	Total
Allowance for credit losses:								
Beginning balance - ALLL	\$ 12,916	\$ 7,104	\$ 3,627	\$ 825	\$ 11,338	\$ 6,867	\$ 2,354	\$ 45,031
Adoption of ASU No. 2016-13	3,816	(1,183)	(1,321)	(466)	3,068	16,166	1,149	21,229
Beginning balance - ACL	16,732	5,921	2,306	359	14,406	23,033	3,503	66,260
Provision for (recovery of) credit losses	1,882	1,157	(194)	855	735	5,765	(153)	10,047
Charge-offs	(1,726)	(2,355)	—	—	(63)	(5,580)	(254)	(9,978)
Recoveries	48	—	—	—	571	842	25	1,486
Ending balance - ACL	<u>\$ 16,936</u>	<u>\$ 4,723</u>	<u>\$ 2,112</u>	<u>\$ 1,214</u>	<u>\$ 15,649</u>	<u>\$ 24,060</u>	<u>\$ 3,121</u>	<u>\$ 67,815</u>

The activities in the allowance by portfolio for the nine months ended September 30, 2022 are as follows:

<i>(In thousands)</i>	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance	\$ 10,652	\$ 4,760	\$ 7,273	\$ 405	\$ 9,008	\$ 3,768	\$ 35,866
Provision for (recovery of) loan losses	2,037	2,418	(3,365)	818	2,817	5,843	10,568
Charge-offs	—	(416)	—	(389)	(2,340)	(3,206)	(6,351)
Recoveries	17	—	—	2	1,625	395	2,039
Ending balance	<u>\$ 12,706</u>	<u>\$ 6,762</u>	<u>\$ 3,908</u>	<u>\$ 836</u>	<u>\$ 11,110</u>	<u>\$ 6,800</u>	<u>\$ 42,122</u>

Notes to Consolidated Financial Statements (unaudited)

The amortized cost basis of loans on nonaccrual status and the specific allowance as of September 30, 2023 are as follows:

<i>(In thousands)</i>	<u>Nonaccrual with No Allowance</u>	<u>Nonaccrual with Allowance</u>	<u>Reserve</u>
Commercial and industrial	\$ 654	\$ 6,921	\$ 4,544
Multifamily	—	—	—
Commercial real estate	4,575	—	—
Construction and land development	11,227	4,664	1,095
Total commercial portfolio	16,456	11,585	5,639
Residential real estate lending	3,009	—	—
Consumer solar	2,817	—	—
Consumer and other	457	—	—
Total retail portfolio	6,283	—	—
	<u>\$ 22,739</u>	<u>\$ 11,585</u>	<u>\$ 5,639</u>

The below table summarizes collateral dependent loans which were individually evaluated to determine expected credit losses as of September 30, 2023:

<i>(In thousands)</i>	<u>Real Estate Collateral Dependent</u>	<u>Associated Allowance for Credit Losses</u>
Commercial real estate	4,575	—
Construction and land development	21,090	1,095
	<u>\$ 25,665</u>	<u>\$ 1,095</u>

As of September 30, 2023 and December 31, 2022, mortgage loans with an unpaid principal balance of \$2.15 billion and \$819.4 million, respectively, were pledged to the FHLBNY to secure outstanding advances, letters of credit and to provide additional borrowing potential.

There were \$1.6 million in related party loans outstanding as of September 30, 2023 compared to \$1.6 million related party loans as of December 31, 2022.

Notes to Consolidated Financial Statements (unaudited)

Impaired Loans (prior to the adoption of ASU 2016-13)

The following table provides information regarding the methods used to evaluate the Company's loans for impairment by portfolio prior to the adoption of ASU 2016-13, and the Company's allowance by portfolio based upon the method of evaluating loan impairment as of as of December 31, 2022.

<i>(In thousands)</i>	<u>Commercial and Industrial</u>	<u>Multifamily</u>	<u>Commercial Real Estate</u>	<u>Construction and Land Development</u>	<u>Residential Real Estate Lending</u>	<u>Consumer and Other</u>	<u>Total</u>
Loans:							
Individually evaluated for impairment	\$ 14,716	\$ 3,828	\$ 4,851	\$ 2,424	\$ 1,982	\$ —	\$ 27,801
Collectively evaluated for impairment	910,925	963,693	330,282	35,272	1,369,797	463,999	4,073,968
Total loans	\$ 925,641	\$ 967,521	\$ 335,133	\$ 37,696	\$ 1,371,779	\$ 463,999	\$ 4,101,769
Allowance for loan losses:							
Individually evaluated for impairment	\$ 5,433	\$ 180	\$ —	\$ —	\$ 55	\$ —	\$ 5,668
Collectively evaluated for impairment	7,483	6,924	3,627	825	11,283	9,221	39,363
Total allowance for loan losses	\$ 12,916	\$ 7,104	\$ 3,627	\$ 825	\$ 11,338	\$ 9,221	\$ 45,031

The following is additional information regarding the Company's impaired loans and the allowance related to such loans prior to the adoption of ASU 2016-13, as of and for the year ended December 31, 2022.

<i>(In thousands)</i>	December 31, 2022			
	<u>Recorded Investment</u>	<u>Average Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>
Loans without a related allowance:				
Residential real estate lending	\$ 764	\$ 5,636	\$ 1,761	\$ —
Multifamily	334	167	334	—
Construction and land development	2,424	4,950	7,476	—
Commercial real estate	4,851	4,453	5,023	—
Commercial and industrial	3,791	1,896	3,881	—
	<u>12,164</u>	<u>17,102</u>	<u>18,475</u>	<u>—</u>
Loans with a related allowance:				
Residential real estate lending	1,218	8,352	1,278	55
Multifamily	3,494	3,201	3,494	180
Commercial and industrial	10,925	11,855	11,975	5,433
	<u>15,637</u>	<u>23,408</u>	<u>16,747</u>	<u>5,668</u>
Total individually impaired loans:				
Residential real estate lending	1,982	13,988	3,039	55
Multifamily	3,828	3,368	3,828	180
Construction and land development	2,424	4,950	7,476	—
Commercial real estate	4,851	4,453	5,023	—
Commercial and industrial	14,716	13,751	15,856	5,433
	<u>\$ 27,801</u>	<u>\$ 40,510</u>	<u>\$ 35,222</u>	<u>\$ 5,668</u>

Notes to Consolidated Financial Statements (unaudited)

5. DEPOSITS

Deposits are summarized as follows:

	September 30, 2023		December 31, 2022	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
<i>(In thousands)</i>				
Non-interest-bearing demand deposit accounts	\$ 2,808,300	0.00 %	\$ 3,331,067	0.00 %
NOW accounts	192,654	0.95 %	206,434	0.73 %
Money market deposit accounts	3,059,982	2.31 %	2,445,396	0.94 %
Savings accounts	357,470	1.16 %	386,190	0.75 %
Time deposits	180,529	2.88 %	151,699	2.57 %
Brokered CDs	391,919	5.14 %	74,251	3.84 %
Total deposits	\$ 6,990,854	1.46 %	\$ 6,595,037	0.52 %

The scheduled maturities of time deposits and brokered CDs as of September 30, 2023 are as follows:

<i>(In thousands)</i>	Balance
2023	\$ 216,926
2024	186,788
2025	49,605
2026	46,025
2027	38,400
Thereafter	34,704
Total	\$ 572,448

Time deposits of greater than \$250,000 totaled \$32.1 million as of September 30, 2023 and \$36.2 million as of December 31, 2022.

The Bank offers time deposits through the Certificate of Deposit Account Registry Service (“CDARS”) for the purpose of providing FDIC insurance to bank customers with balances in excess of FDIC insurance limits. CDARS deposits totaled approximately \$65.6 million and \$28.3 million as of September 30, 2023 and December 31, 2022, respectively, and are included in time deposits above.

Our total deposits included deposits from Workers United and its related entities, a related party, in the amounts of \$55.0 million as of September 30, 2023 and \$52.2 million as of December 31, 2022.

Included in total deposits are state and municipal deposits totaling \$36.0 million and \$88.3 million as of September 30, 2023 and December 31, 2022, respectively. Such deposits are secured by letters of credit issued by the FHLBNY or by securities pledged with the FHLBNY.

Notes to Consolidated Financial Statements (unaudited)

6. BORROWED FUNDS

FHLBNY advances are collateralized by the FHLBNY stock owned by the Bank plus a pledge of other eligible assets comprised of securities and mortgage loans. Assets are pledged to collateral capacity. As of September 30, 2023, the value of the other eligible assets had an estimated market value net of haircut totaling \$1.88 billion (comprised of securities of \$367.2 million and mortgage loans of \$1.52 billion). The fair value of assets pledged to the FHLBNY is required to exceed outstanding advances. There were \$4.4 million outstanding FHLBNY advances as of September 30, 2023 and \$580.0 million in outstanding FHLBNY advances as of December 31, 2022. For the three months ended September 30, 2023, and 2022, interest expense on FHLBNY advances was \$1.0 million and \$24.8 thousand, respectively. For the nine months ended September 30, 2023, and 2022, interest expense on FHLBNY advances was \$5.4 million and \$24.8 thousand, respectively.

In addition to FHLBNY advances, the Company uses other borrowings for short-term borrowing needs. Federal funds lines of credit are extended to the Company by non-affiliated banks with which a correspondent banking relationship exists. At September 30, 2023, and December 31, 2022 there was no outstanding balance related to federal funds purchased. In addition, following the recent bank failures, the Federal Reserve created a new Bank Term Funding Program ("BTFP") as an additional source of liquidity against high-quality securities, offering loans of up to one year to eligible institutions pledging qualifying assets as collateral. At September 30, 2023, there was an outstanding balance of \$230.0 million related to the BTFP, and no outstanding balance at December 31, 2022. For the three months ended September 30, 2023, and 2022, interest expense on other borrowings was \$2.6 million and zero, respectively. For the nine months ended September 30, 2023, and 2022, interest expense on other borrowings was \$4.9 million and zero, respectively.

Notes to Consolidated Financial Statements (unaudited)

7. SUBORDINATED DEBT

On November 8, 2021, the Company completed a public offering of \$85.0 million of aggregated principal amount of 3.250% Fixed-to-Floating Rate subordinated notes due 2031 (the "Notes"). The fixed rate period is defined from and including November 8, 2021 to, but excluding, November 15, 2026, or the date of earlier redemption. The floating rate period is defined from and including November 15, 2026 to, but excluding, November 15, 2031, or the date of earlier redemption. The floating rate per annum is equal to three-month term SOFR (the "benchmark rate") plus a spread of 230 basis points for each quarterly interest period during the floating rate period, provided however, that if the benchmark rate is less than zero, the benchmark rate shall be deemed to be zero. The subordinated notes will mature on November 15, 2031.

The Company may, at its option, beginning with the interest payment date of November 15, 2026, and on any interest payment date thereafter, redeem the Notes, in whole or in part, from time to time, subject to obtaining prior approval of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to the extent such approval is then required under the capital adequacy rules of the Federal Reserve Board, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest to, but excluding, the date of redemption.

Interest expense on subordinated debt for the three months ended September 30, 2023 and 2022 was \$0.7 million and \$0.7 million, respectively. Interest expense on subordinated debt for the nine months ended September 30, 2023 and 2022 was \$2.0 million and \$2.1 million, respectively.

During the three months ended September 30, 2023 and 2022, the Company repurchased subordinated notes with a par value of \$3.5 million and \$6.3 million, for cash paid of \$2.8 million and \$5.6 million, respectively. During the nine months ended September 30, 2023 and 2022, subordinated notes with a par value of \$7.5 million and \$6.3 million were repurchased, for cash paid of \$6.0 million and \$5.6 million, respectively.

Gains on repurchases of subordinated debt for the three months ended September 30, 2023 and 2022 were \$0.6 million and \$0.6 million, respectively. Gains on repurchases of subordinated debt for the nine months ended September 30, 2023 and 2022 were \$1.4 million and \$0.6 million, respectively, and are recorded in Non-interest income - other on the consolidated statements of income.

Notes to Consolidated Financial Statements (unaudited)

8. EARNINGS PER SHARE

Under the two-class method, earnings available to common stockholders for the period are allocated between common stockholders and participating securities according to participation rights in undistributed earnings. Our time-based and performance-based restricted stock units are not considered participating securities as they do not receive dividend distributions until satisfaction of the related vesting requirements. For the three months ended September 30, 2023 and September 30, 2022, we had 13 thousand and 38 thousand anti-dilutive shares, respectively. For the nine months ended September 30, 2023 and September 30, 2022, we had 49 thousand and 72 thousand anti-dilutive shares, respectively.

Following is a table setting forth the factors used in the earnings per share computation follow:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(In thousands, except per share amounts)</i>				
Income attributable to common stock	\$ 22,308	\$ 22,944	\$ 65,284	\$ 56,722
Weighted average common shares outstanding, basic	30,481	30,673	30,601	30,864
Basic earnings per common share	<u>\$ 0.73</u>	<u>\$ 0.75</u>	<u>\$ 2.13</u>	<u>\$ 1.84</u>
Income attributable to common stock	\$ 22,308	\$ 22,944	\$ 65,284	\$ 56,722
Weighted average common shares outstanding, basic	30,481	30,673	30,601	30,864
Incremental shares from assumed conversion of options and RSUs	109	359	137	359
Weighted average common shares outstanding, diluted	30,590	31,032	30,738	31,223
Diluted earnings per common share	<u>\$ 0.73</u>	<u>\$ 0.74</u>	<u>\$ 2.12</u>	<u>\$ 1.82</u>

Notes to Consolidated Financial Statements (unaudited)

9. EMPLOYEE BENEFIT PLANS

Long Term Incentive Plans

Stock Options:

The Company does not currently maintain an active stock option plan that is available for issuing new options. As of December 31, 2020, all options are fully vested and the Company will not incur any further expense related to options.

A summary of the status of the Company's options as of September 30, 2023 follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Intrinsic Value <i>(in thousands)</i>
Outstanding, January 1, 2023	426,880	\$ 13.09	3.3 years	
Granted	—	—	—	
Forfeited/ Expired	—	—	—	
Exercised	(42,840)	13.75	—	
Outstanding, September 30, 2023	384,040	13.02	2.6 years	\$ 1,694
Vested and Exercisable, September 30, 2023	384,040	\$ 13.02	2.6 years	\$ 1,694

The range of exercise prices is \$11.00 to \$14.65 per share.

As noted above, there was no compensation cost attributable to the options for the three and nine months ended September 30, 2023 or for the three and nine months ended September 30, 2022 as all options had been fully expensed as of December 31, 2020. The fair value of all awards outstanding as of September 30, 2023 and December 31, 2022 was \$1.7 million and \$4.2 million, respectively. No cash was received for options exercised in the three and nine months ended September 30, 2023 or for the three and nine months ended September 30, 2022.

The Company repurchased 30,937 shares and 280,604 shares for options exercised in the nine months ended September 30, 2023 and September 30, 2022, respectively.

Restricted Stock Units:

The Amalgamated Financial Corp. 2023 Equity Incentive Plan (the "Equity Plan") provides for the grant of stock-based incentive awards to employees and directors of the Company. The number of shares of common stock of the Company available for stock-based awards in the Equity Plan is 1,300,000 of which 1,265,610 shares were available for issuance as of September 30, 2023.

Restricted stock units ("RSUs") represent an obligation to deliver shares to an employee or director at a future date if certain vesting conditions are met. RSUs are subject to a time-based vesting schedule, the satisfaction of performance conditions, or the satisfaction of market conditions, and are settled in shares of the Company's common stock. RSUs do not provide dividend equivalent rights from the date of grant and do not provide voting rights. RSUs accrue dividends based on dividends paid on common shares, but those dividends are paid in cash upon satisfaction of the specified vesting requirements on the underlying RSU.

Notes to Consolidated Financial Statements (unaudited)

A summary of the status of the Company's time-based vesting RSUs for the nine months ended September 30, 2023 follows:

	Shares	Grant Date Fair Value
Unvested, January 1, 2023	331,023	\$ 17.72
Awarded	135,837	20.95
Forfeited/Expired	(13,758)	18.15
Vested	(147,288)	17.50
Unvested, September 30, 2023	305,814	\$ 19.24

A summary of the status of the Company's performance-based vesting RSUs for the nine months ended September 30, 2023 follows:

	Shares	Grant Date Fair Value
Unvested, January 1, 2023	96,970	\$ 16.37
Awarded	62,945	23.12
Forfeited/Expired	(10,004)	18.47
Vested	(23,948)	14.82
Unvested, September 30, 2023	125,963	\$ 19.87

During the nine months ended September 30, 2023, the Company granted 29,923 performance-based RSUs at a fair value of \$23.42 per share, respectively which vest subject to the achievement of the Company's corporate goal for the three-year period from January 1, 2023 to December 31, 2025. The corporate goal is based on the Company achieving a target increase in Tangible Book Value, adjusted for certain factors. The minimum and maximum awards that are achievable are 0 and 44,885 shares, respectively.

During the nine months ended September 30, 2023, the Company granted 29,747 market-based RSUs at a fair value of \$23.56 per share which vest subject to the Bank's relative total shareholder return compared to a group of peer banks over a three-year period from February 15, 2023 to February 14, 2026. The minimum and maximum awards that are achievable are 0 and 44,621 shares, respectively.

During the nine months ended September 30, 2023, the Company granted 619 and 2,656 shares at a fair value of \$14.45 and \$15.23 per share, respectively, related to the vesting of performance-based RSUs to satisfy the achievement of corporate goals above target.

As of September 30, 2023, the Company reserved 188,945 shares for issuance upon vesting of performance-based RSUs assuming the Company's employees achieve the maximum share payout.

The Company repurchased 52,715 shares and 49,875 shares for RSUs vested in the nine months ended September 30, 2023 and 2022, respectively.

Of the 431,777 unvested RSUs and PSUs on September 30, 2023, the minimum units that will vest, solely due to a service test, are 305,814. The maximum units that will vest, assuming the highest payout on performance and market-based units, are 494,759.

Compensation expense attributable to RSUs and PSUs was \$1.1 million and \$3.1 million for the three and nine months ended September 30, 2023, and \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2022. Other expenses for directors were \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2023, and \$0.1 million and \$0.4 million for the three and nine months ended September 30, 2022. As of September 30, 2023, there was \$7.4 million of total unrecognized compensation cost related to the non-vested RSUs and PSUs granted. This expense may increase or decrease depending on the expected number of performance-based shares to be issued. This expense is expected to be recognized over 1.8 years.

Notes to Consolidated Financial Statements (unaudited)

Employee Stock Purchase Plan

On April 28, 2021, the Company's stockholders approved the Amalgamated Financial Corp. Employee Stock Purchase Plan (the "ESPP") which was implemented on March 2, 2022. The aggregate number of shares of common stock that may be purchased and issued under the ESPP will not exceed 500,000 of previously authorized shares. Under the terms of the ESPP, employees may authorize the withholding of up to 15% of their eligible compensation to purchase the Company's shares of common stock, not to exceed \$25,000 of the fair market value of such common stock for any calendar year. The purchase price per share acquired under the ESPP will never be less than 85% of the fair market value of the Company's common stock on the last day of the offering period. The Company's Board of Directors in its discretion may terminate the ESPP at any time with respect to any shares for which options have not been granted.

The Compensation Committee of the Board of Directors (the "Committee") has the right to amend the ESPP without the approval of our stockholders; provided, that no such change may impair the rights of a participant with respect to any outstanding offering period without the consent of such participant, other than a change determined by the Committee to be necessary to comply with applicable law. A participant may not dispose of shares acquired under the ESPP until six months following the grant date of such shares, or any earlier date as of which the Committee has determined that the participant would qualify for a hardship distribution from the Company's 401(k) Plan. Accordingly, the fair value award associated with their discounted purchase price is expensed at the time of purchase. The below following summarizes the shares purchased under the ESPP since the inception of the plan:

	Number of Shares
Shares available for purchase at December 31, 2022	478,081
Purchases during the three months ended:	
March 31, 2023	(21,919)
June 30, 2023	(7,835)
September 30, 2023	(7,918)
Year-to-date purchases	(37,672)
Remaining shares available for purchase at September 30, 2023	440,409

The expense related to the discount on purchased shares for the three months ended September 30, 2023 and September 30, 2022 was \$20.4 thousand and \$25.2 thousand, respectively, and is recorded within compensation and employee benefits expense on the Consolidated Statements of Income. The expense for the nine months ended September 30, 2023 and September 30, 2022 was \$97.4 thousand and \$77.3 thousand, respectively.

Notes to Consolidated Financial Statements (unaudited)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. A description of the disclosure hierarchy and the types of financial instruments recorded at fair value that management believes would generally qualify for each category are as follows:

Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities. Accordingly, valuation of these assets and liabilities does not entail a significant degree of judgment. Examples include most U.S. Government securities and exchange-traded equity securities.

Level 2 - Valuations are based on either quoted prices in markets that are not considered to be active or significant inputs to the methodology that are observable, either directly or indirectly. Financial instruments in this level would generally include mortgage-related securities and other debt issued by GSEs, non-GSE mortgage-related securities, corporate debt, certain redeemable fund investments and certain trust preferred securities.

Level 3 - Valuations are based on inputs to the methodology that are unobservable and significant to the fair value measurement. These inputs reflect management's own judgments about the assumptions that market participants would use in pricing the assets and liabilities.

Assets Measured at Fair Value on a Recurring Basis

Available for sale securities

The Company's available for sale securities are reported at fair value. Investments in fixed income securities are generally valued based on evaluations provided by an independent pricing service. These evaluations represent an exit price or their opinion as to what a buyer would pay for a security, typically in an institutional round lot position, in a current sale. The pricing service utilizes evaluated pricing techniques that vary by asset class and incorporate available market information and, because many fixed income securities do not trade on a daily basis, applies available information through processes such as benchmark curves, benchmarking of available securities, sector groupings and matrix pricing. Model processes, such as option adjusted spread models, are used to value securities that have prepayment features. In those limited cases where pricing service evaluations are not available for a fixed income security, management will typically value those instruments using observable market inputs in a discounted cash flow analysis.

The following summarizes those financial instruments measured at fair value on a recurring basis in the Consolidated Statements of Financial Condition as of the dates indicated, categorized by the relevant class of investment and level of the fair value hierarchy:

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
Available for sale securities:				
Mortgage-related:				
GSE residential CMOs	\$ —	\$ 353,171	\$ —	\$ 353,171
GSE commercial certificates & CMO	—	128,241	—	128,241
Non-GSE residential certificates	—	96,751	—	96,751
Non-GSE commercial certificates	—	84,877	—	84,877
Other debt:				
U.S. Treasury	197	—	—	197
ABS	—	667,402	—	667,402
Trust preferred	—	9,319	—	9,319
Corporate	—	112,966	—	112,966
Residential PACE assessments	—	—	38,526	38,526
Total assets carried at fair value	\$ 197	\$ 1,452,727	\$ 38,526	\$ 1,491,450

Notes to Consolidated Financial Statements (unaudited)

<i>(In thousands)</i>	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Mortgage-related:				
GSE residential CMOs	\$ —	\$ 389,260	\$ —	\$ 389,260
GSE commercial certificates & CMO	—	213,786	—	213,786
Non-GSE residential certificates	—	107,080	—	107,080
Non-GSE commercial certificates	—	97,482	—	97,482
Other debt:				
U.S. Treasury	192	—	—	192
ABS	—	862,163	—	862,163
Trust preferred	—	10,143	—	10,143
Corporate	—	132,370	—	132,370
Total assets carried at fair value	\$ 192	\$ 1,812,284	\$ —	\$ 1,812,476

Assets Measured at Fair Value on a Non-recurring Basis

Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis. That is, they are subject to fair value adjustments in certain circumstances. Financial assets measured at fair value on a non-recurring basis include certain individually evaluated loans (or impaired loans prior to the adoption of ASU 2016-13) reported at the fair value of the underlying collateral if repayment is expected solely from the collateral.

The following tables summarize assets measured at fair value on a non-recurring basis in the Consolidated Statements of Financial Condition as of the dates indicated, categorized by the relevant class of investment and level of the fair value hierarchy:

<i>(In thousands)</i>	September 30, 2023				Estimated Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Fair Value Measurements:					
Individually analyzed loans	\$ 3,569	\$ —	\$ —	\$ 3,569	\$ 3,569

<i>(In thousands)</i>	December 31, 2022				Estimated Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Fair Value Measurements:					
Impaired loans	\$ 3,315	\$ —	\$ —	\$ 3,315	\$ 3,315

Notes to Consolidated Financial Statements (unaudited)

Financial Instruments Not Measured at Fair Value

For those financial instruments that are not recorded at fair value in the consolidated statements of financial condition, but are measured at fair value for disclosure purposes, management follows the same fair value measurement principles and guidance as for instruments recorded at fair value. For a description of the methods, factors and significant assumptions utilized in estimating the fair values for significant categories of financial instruments not measured at fair value, refer to footnote 14, *Fair Value of Financial Instruments*, included in the Annual Report on Form 10-K for the year ended December 31, 2022. An additional category of financial instrument not measured at fair value that was not previously included in the Annual Report on Form 10-K is summarized below:

- Other borrowings - Other borrowings are valued using a present value technique that incorporates current rates offered on borrowings of comparable remaining maturity. Other borrowings are categorized as Level 2.

There are significant limitations in estimating the fair value of financial instruments for which an active market does not exist. Due to the degree of management judgment that is often required, such estimates tend to be subjective, sensitive to changes in assumptions and imprecise. Such estimates are made as of a point in time and are impacted by then-current observable market conditions; also such estimates do not give consideration to transaction costs or tax effects if estimated unrealized gains or losses were to become realized in the future. Because of inherent uncertainties of valuation, the estimated fair value may differ significantly from the value that would have been used had a ready market for the investment existed and the difference could be material. Lastly, consideration is not given to nonfinancial instruments, including various intangible assets, which could represent substantial value. Fair value estimates are not necessarily representative of the Company's total enterprise value.

The following table summarizes the financial statement basis and estimated fair values for significant categories of financial instruments:

(In thousands)	September 30, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	\$ 140,219	\$ 140,219	\$ —	\$ —	\$ 140,219
Held-to-maturity securities	1,681,860	—	547,072	930,734	1,477,806
Loans held for sale	2,189	—	—	2,189	2,189
Loans receivable, net	4,296,930	—	—	3,868,176	3,868,176
Accrued interest receivable	47,745	276	12,675	34,794	47,745
Financial liabilities:					
Deposits payable on demand	\$ 6,418,406	\$ —	\$ 6,418,406	\$ —	\$ 6,418,406
Time deposits and brokered CDs	572,448	—	567,275	—	567,275
FHLBNY advances	4,381	—	4,381	—	4,381
Other borrowings	230,000	—	228,658	—	228,658
Subordinated debt, net	70,427	—	57,045	—	57,045
Accrued interest payable	10,215	—	10,215	—	10,215

Notes to Consolidated Financial Statements (unaudited)

(In thousands)	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	\$ 63,540	\$ 63,540	\$ —	\$ —	\$ 63,540
Held-to-maturity securities	1,541,301	—	574,609	840,262	1,414,871
Loans held for sale	7,943	—	—	7,943	7,943
Loans receivable, net	4,060,971	—	—	3,718,308	3,718,308
Resell agreements	25,754	—	—	25,754	25,754
Accrued interest and dividends receivable	41,441	17	12,197	29,227	41,441
Financial liabilities:					
Deposits payable on demand	\$ 6,369,087	\$ —	\$ 6,369,087	\$ —	\$ 6,369,087
Time deposits and brokered CDs	225,950	—	225,805	—	225,805
FHLBNY advances	580,000	—	580,000	—	580,000
Subordinated debt, net	77,708	—	68,966	—	68,966
Accrued interest payable	1,218	—	1,218	—	1,218

Notes to Consolidated Financial Statements (unaudited)

11. COMMITMENTS, CONTINGENCIES AND OFF BALANCE SHEET RISK

Credit Commitments

The Company is party to various credit related financial instruments with off balance sheet risk. The Company, in the normal course of business, issues such financial instruments in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition.

The following financial instruments were outstanding whose contract amounts represent credit risk as of the related periods:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<i>(In thousands)</i>		
Commitments to extend credit	\$ 532,259	\$ 723,902
Standby letters of credit	30,601	29,568
Total	<u>\$ 562,860</u>	<u>\$ 753,470</u>

Commitments to extend credit are contracts to lend to a customer as long as there is no violation of any condition established in the contract. These commitments have fixed expiration dates and other termination clauses and generally require the payment of nonrefundable fees. Since a portion of the commitments are expected to expire without being drawn upon, the contractual principal amounts do not necessarily represent future cash requirements. The Company's maximum exposure to credit risk is represented by the contractual amount of these instruments. These instruments represent ultimate exposure to credit risk only to the extent they are subsequently drawn upon by customers.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the financial performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The balance sheet carrying value of standby letters of credit approximates any nonrefundable fees received but not yet recorded as income. The Company considers this carrying value, which is not material, to approximate the estimated fair value of these financial instruments.

The Company reserves for the credit risk inherent in off balance sheet credit commitments. Upon adoption of ASU 2016-13 on January 1, 2023, the Day 1 adjustment to allowance for credit losses on off-balance sheet credit exposures was \$2.7 million. This allowance, which is included in other liabilities, amounted to approximately \$3.8 million as of September 30, 2023, compared to a reserve of \$1.6 million as of December 31, 2022. The provision for credit losses related to off balance sheet credit commitments was a recovery of \$1.3 million and \$0.4 million for the three and nine months ended September 30, 2023, and the expense related to off balance sheet credit commitments in other non-interest expense was a recovery of \$0.2 million and an expense of \$0.2 million for the three and nine months ended September 30, 2022.

Investment Obligations

The Company is a party to agreements with Pace Funding Group LLC, which operates Home Run Financing, for the purchase of PACE assessment securities until December 2023. As of September 30, 2023, the Company had purchased \$662.4 million of these obligations and had an estimated remaining commitment of \$69.3 million. The PACE assessments have equal-lien priority with property taxes and generally rank senior to first lien mortgages. These investments are currently held in the Company's held-to-maturity investment portfolio. The Company evaluates these obligations for credit risk and the recorded reserve is immaterial.

Other Commitments and Contingencies

In the ordinary course of business, there are various legal proceedings pending against the Company. Based on the opinion of counsel, management believes that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the consolidated financial position or results of operations of the Company. As part of the Company's ongoing investments in variable interest entity ("VIE") projects, we also have commitments to provide financing, which are included in Note 14.

Notes to Consolidated Financial Statements (unaudited)

12. LEASES

The Bank as a lessee has operating leases primarily consisting of real estate arrangements where the Company operates its headquarters, branches and business production offices. All leases identified as in scope are accounted for as operating leases as of September 30, 2023. These leases are typically long-term leases and generally are not complicated arrangements or structures. Several of the leases contain renewal options at a rate comparable to the fair market value based on comparable analysis to similar properties in the Bank's geographies.

Real estate operating leases are presented as a right-of-use ("ROU") asset and a related operating lease liability on the Consolidated Statements of Financial Condition. The ROU asset represents the Company's right to use the underlying asset for the lease term and the operating lease liabilities represent the obligation to make lease payments arising from the lease. The Company applied its incremental borrowing rate ("IBR") as the discount rate to the remaining lease payments to derive a present value calculation for initial measurement of the operating lease liability. The IBR reflects the interest rate the Company would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments. Lease expense is recognized on a straight-line basis over the lease term.

The following table summarizes our lease cost and other operating lease information:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(In thousands)</i>				
Operating lease cost	\$ 1,814	\$ 2,257	\$ 5,386	\$ 6,765
Cash paid for amounts included in the measurement of operating leases liability	\$ 2,823	\$ 2,714	\$ 8,452	\$ 7,976
Note: Sublease income and variable income or expense considered immaterial				

The weighted average remaining lease term on operating leases at September 30, 2023 and September 30, 2022 was 3.2 years and 4.2 years, respectively.

The weighted average discount rate used for the operating lease liability was 3.26% and 3.25% at September 30, 2023 and September 30, 2022, respectively.

The following table presents the remaining commitments for operating lease payments for the next five years and thereafter, as well as a reconciliation to the discounted operating leases liability recorded in the Consolidated Statements of Financial Condition as of September 30, 2023:

<i>(In thousands)</i>	As of September 30, 2023
2023	\$ 2,842
2024	11,324
2025	10,593
2026	9,200
2027	959
Thereafter	—
Total undiscounted operating lease payments	34,918
Less: present value adjustment	1,676
Total Operating leases liability	\$ 33,242

Notes to Consolidated Financial Statements (unaudited)

13. GOODWILL AND INTANGIBLE ASSETS

Goodwill

In accordance with GAAP, the Company performs an annual test as of June 30 to identify potential impairment of goodwill, or more frequently if events or circumstances indicate a potential impairment may exist. If the carrying amount of the Company, as a sole reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to that excess up to the amount of the recorded goodwill.

The Company performed its annual test based upon market data as of June 30, 2023 and estimates and assumptions that the Company believes most appropriate for the analysis. Based on the qualitative analysis performed in accordance with ASC 350, the Company determined it is more likely than not that goodwill was not impaired as of June 30, 2023. During the three and nine months ended September 30, 2023, there were no events or circumstances that would indicate that a potential impairment exists. Changes in certain assumptions used in the Company's assessment could result in significant differences in the results of the impairment test. Should market conditions or management's assumptions change significantly in the future, an impairment to goodwill is possible.

At September 30, 2023 and December 31, 2022, the carrying amount of goodwill was \$12.9 million.

Intangible Assets

The following table reflects the estimated amortization expense, comprised entirely by the Company's core deposit intangible asset, for the next five years and thereafter:

<i>(In thousands)</i>	Total
2023	\$ 222
2024	730
2025	574
2026	419
2027	265
Thereafter	229
Total	\$ 2,439

Accumulated amortization of the core deposit intangible was \$6.6 million as of September 30, 2023.

Amortization expense recognized on the core deposit intangible was \$0.2 million and \$0.3 million for the three months ended September 30, 2023 and September 30, 2022, respectively, and \$0.7 million and \$0.8 million for the nine months ended September 30, 2023 and September 30, 2022, respectively.

Notes to Consolidated Financial Statements (unaudited)

14. VARIABLE INTEREST ENTITIES

Tax Credit Investments

The Company makes investments in unconsolidated entities that construct, own and operate solar generation facilities. An unrelated third party is the managing member and has control over the significant activities of the variable interest entities. The Company generates a return through the receipt of tax credits allocated to the projects, as well as operational distributions. The primary risk of loss is generally mitigated by policies requiring that the project qualify for the expected tax credits prior to the Company making its investment. Any loans to the VIE are secured. As of September 30, 2023, the Company's maximum exposure to loss is \$67.0 million.

<i>(In thousands)</i>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Unconsolidated Variable Interest Entities		
Tax credit investments included in equity investments	\$ 6,813	\$ 3,299
Loans and letters of credit commitments	60,142	60,857
Funded portion of loans and letters of credit commitments	54,318	47,683

The following table summarizes the tax benefits conveyed by the Company's solar generation VIE investments:

<i>(In thousands)</i>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Tax credits and other tax benefits recognized	\$ 790	\$ 668	\$ 2,390	\$ 2,004

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

General

In this discussion, unless the context indicates otherwise, references to “we,” “us,” “our” and the “Company” refer to Amalgamated Financial Corp. and Amalgamated Bank. References to the “Bank” refer to Amalgamated Bank.

The following is a discussion of our consolidated financial condition as of September 30, 2023, as compared to December 31, 2022, and our results of operations for the three and nine month periods ended September 30, 2023 and September 30, 2022. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from our consolidated financial statements and is intended to provide insight into our results of operations and financial condition. This discussion and analysis is best read in conjunction with our unaudited consolidated financial statements and related notes as well as the financial and statistical data appearing elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Annual Report”), filed with the Securities and Exchange Commission on March 9, 2023. Historical results of operations and the percentage relationships among any amounts included, and any trends that may appear, may not indicate results of operations for any future periods.

In addition to historical information, this discussion includes certain forward-looking statements regarding business matters and events and trends that may affect our future results. For additional information regarding forward-looking statements and our related cautionary disclosures, see the “*Cautionary Note Regarding Forward-Looking Statements*” beginning on page ii of this report.

Overview

Our business

The Company was formed on August 25, 2020 to serve as the holding company for the Bank, effective March 1, 2021 when the Company acquired the common stock of the Bank. The Bank was formed in 1923 as Amalgamated Bank of New York by the Amalgamated Clothing Workers of America, one of the country’s oldest labor unions. Although we are no longer majority union-owned, The Amalgamated Clothing Workers of America’s successor, Workers United, an affiliate of the Service Employees International Union that represents workers in the textile, distribution, food service and gaming industries, remains a significant stockholder, holding approximately 42% of our equity as of September 30, 2023. As of September 30, 2023, our total assets were \$7.91 billion, our total loans, net of deferred fees and allowance were \$4.30 billion, our total deposits were \$6.99 billion, and our stockholders' equity was \$546.3 million. As of September 30, 2023, our trust business held \$39.60 billion in assets under custody and \$13.90 billion in assets under management.

We offer a complete suite of commercial and retail banking, investment management and trust and custody services. Our commercial banking and trust businesses are national in scope and we also offer a full range of products and services to both commercial and retail customers through our three branch offices across New York City, one branch office in Washington, D.C., one branch office in San Francisco, one commercial office in Boston and our digital banking platform. Our corporate divisions include Commercial Banking, Trust and Investment Management and Consumer Banking. Our product line includes residential mortgage loans, commercial and industrial (“C&I”) loans, commercial real estate (“CRE”) loans, multifamily mortgages, consumer loans (predominantly consumer residential solar) and a variety of commercial and consumer deposit products, including non-interest-bearing accounts, interest-bearing demand products, savings accounts, money market accounts and certificates of deposit. We also offer online banking and bill payment services, online cash management, safe deposit box rentals, debit card and ATM card services and the availability of a nationwide network of ATMs for our customers.

We currently offer a wide range of trust, custody and investment management services, including asset safekeeping, corporate actions, income collections, proxy services, account transition, asset transfers, and conversion management. We also offer a broad range of investment products, including both index and actively-managed funds spanning equity, fixed-income, real estate and alternative investment strategies to meet the needs of our clients. Our products and services are tailored to our target customer base that prefers a financial partner that is socially responsible, values-oriented and committed to creating positive change in the world. These customers include advocacy-based non-profits, social welfare organizations, national labor unions, political organizations, foundations, socially responsible businesses, and other for-profit companies that seek to balance their profit-making activities with activities that benefit their other stakeholders, as well as the members and stakeholders of these commercial customers. In 2021, we introduced ResponsiFunds which are Environmental, Social and Governance (“ESG”) impact products designed to align our clients' investment growth goals with their organizational values.

Our goal is to be the go-to financial partner for people and organizations who strive to make a meaningful impact in our society and who care about their communities, the environment, and social justice. The growth of our business is fundamental to our social mission and how we deliver impact and value for our stakeholders. The Company has obtained B CorporationTM certification, a distinction earned after being evaluated under rigorous standards of social and environmental performance, accountability, and transparency. The Company is also the largest of twelve commercial financial institutions in the United States that are members of the Global Alliance for Banking on Values ("GABV"), a network of banking leaders from around the world committed to advancing positive change in the banking sector. Earlier this year, the Company hosted the annual GABV conference in New York alongside its centennial celebrations. Along with fellow GABV members, the Company has worked to launch the Partnership for Carbon Accounting Financials ("PCAF"). This is the third year the Company has reported its financed emissions across its portfolio of loans, investments and assets under management through PCAF. The Company was the first U.S. bank to set full portfolio targets under the guidelines of the UN Net Zero Banking Alliance. The Company has targets verified by the Science-Based Targets Initiative, with a goal to achieve net-zero emissions across all of its activities by 2045.

Recent Developments

In March 2023, the failures of Santa Clara, California-based Silicon Valley Bank ("SIVB") and New York, New York-based Signature Bank have generated concerns regarding the overall health and liquidity of the banking sector. SIVB was placed into receivership on March 10, 2023, and Signature Bank was placed into receivership on March 12, 2023, with the Federal Deposit Insurance Corporation ("FDIC") being appointed receiver for both failed banks. On March 12, 2023, the Board of Governors of the Federal Reserve System, Department of Treasury and the FDIC issued a joint statement concerning actions they had taken in response to the SIVB and Signature Bank failures. The Federal Reserve Board announced that it would make available additional funding to eligible depository institutions through the creation of a new Bank Term Funding Program. Subsequently, on May 1, 2023, First Republic Bank was also placed into FDIC receivership. These failures represented the second, third, and fourth largest bank failures in U.S. history. As a result, there is increased scrutiny on the banking industry, particularly in the area of liquidity monitoring. In response, we have taken numerous precautionary actions to monitor and limit liquidity risk, including increased deposit monitoring and reporting, proactive customer outreach, increased pledging of loans and securities to the Federal Home Loan Bank of New York ("FHLBNY") and increased pledging of securities at the Federal Reserve Bank discount window to increase our borrowing capacity, pledging of securities to the Bank Term Funding Program, increased issuance of brokered certificates of deposit, and increasing our target cash balances.

Critical and Significant Accounting Policies and Estimates

Our consolidated financial statements are prepared based on the application of accounting policies generally accepted in the United States, or GAAP, and conform to general practices within the banking industry. Our significant accounting policies are more fully described in Note 1 of our audited consolidated financial statements included in our 2022 Annual Report. The allowance for credit losses is a critical accounting policy, which has changed due to the adoption of ASU 2016-13 effective January 1, 2023. Our Current Expected Credit Losses ("CECL") policy is described under "Recently Adopted Accounting Standards" in Note 1 to the Consolidated Financial Statements in Item 1 of this Form 10-Q, in addition to our accounting policy related to treasury stock.

Apart from the aforementioned additions, there have been no other significant changes to our significant accounting policies, or the estimates made pursuant to those policies as described in our 2022 Annual Report.

Uncertainties Regarding the Allowance for Credit Loss Estimate

Estimating the timing and amounts of future losses is subject to significant management judgment as these projected cash flows rely upon the estimates discussed within the CECL policy and factors that are reflective of current or future expected conditions. These estimates depend on the duration of current overall economic conditions, industry, borrower, or portfolio specific conditions. Volatility in certain credit metrics and differences between expected and actual outcomes are to be expected. Customers may not repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. Bank regulators periodically review our allowance for credit losses and may require us to increase our provision for credit losses or loan charge-offs.

Impact on Financial Condition and Results of Operations

If our assumptions prove to be incorrect, the allowance for credit losses may not be sufficient to cover expected losses in the loan portfolio, resulting in additions to the allowance. Future additions or reductions to the allowance may be necessary based on changes in economic, market or other conditions. Changes in estimates could result in a material change in the allowance through

charges to earnings and would materially decrease our net income. We may experience significant credit losses if borrowers experience financial difficulties, which could have a material adverse effect on our operating results. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the allowance for credit losses. Such agencies may require the Bank to recognize adjustments to the allowance based on their judgments of the information available to them at the time of their examination.

Recent Accounting Pronouncements

Accounting Standards Effective in 2023 and onward

On January 7, 2021, the FASB has issued Accounting Standards Update No. 2021-01, Reference Rate Reform (Topic 848): Scope. The new guidance amends the scope of ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which was aimed at easing the potential accounting burden expected when global capital markets move away from the London Interbank Offered Rate ("LIBOR") (the benchmark interest rate banks use to make short-term loans to each other) and provided temporary, optional expedients and exceptions for applying accounting guidance to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. As the majority of our securities tied to LIBOR transitioned to the Secured Overnight Financing Rate ("SOFR") or were paid off before the transition date and given that we did not have a substantial amount of commercial loans or any derivative transactions tied to LIBOR, the Adoption of ASU 2021-01 is not expected to have a material impact on our operating results or financial condition.

Results of Operations

General

Our results of operations depend substantially on net interest income, which is the difference between interest income on interest-earning assets, consisting primarily of interest income on loans, investment securities and other short-term investments and interest expense on interest-bearing liabilities, consisting primarily of interest expense on deposits and borrowings. Our results of operations are also dependent on non-interest income, consisting primarily of income from Trust Department fees, service charges on deposit accounts, net gains on sales of investment securities and income from bank-owned life insurance ("BOLI"). Other factors contributing to our results of operations include our provisions for credit losses, income taxes, and non-interest expenses, such as salaries and employee benefits, occupancy and depreciation expenses, professional fees, data processing fees and other miscellaneous operating costs.

Net income for the third quarter of 2023 was \$22.3 million, or \$0.73 per diluted share, compared to \$22.9 million, or \$0.74 per diluted share, for the third quarter of 2022. The \$0.6 million decrease was primarily due to an increase in interest expense of \$24.3 million primarily related to deposits, a \$1.0 million increase in non-interest expense, and a \$0.7 million increase in income tax expense, offset by \$11.3 million increase in interest income on loans, an \$8.4 million increase in interest income on securities, a \$3.4 million decrease in the provision for credit losses, and a \$1.8 million increase in non-interest income.

Net income for the nine months ended September 30, 2023 was \$65.3 million, or \$2.12 per diluted share, compared to \$56.7 million, or \$1.82 per diluted share, for the same period in 2022. The \$8.6 million increase was primarily due to a \$82.2 million increase in interest income, offset by a \$60.6 million increase in interest expense, a \$8.5 million increase in non-interest expense, a \$4.3 million increase in income tax expense.

Net Interest Income

Net interest income, representing interest income less interest expense, is a significant contributor to our revenues and earnings. We generate interest income from interest, dividends and prepayment fees on interest-earning assets, including loans, investment securities and other short-term investments. We incur interest expense from interest paid on interest-bearing liabilities, including interest-bearing deposits, FHLB/BNY advances, federal funds purchased and other borrowings. To evaluate net interest income, we measure and monitor (i) yields on our loans and other interest-earning assets, (ii) the costs of our deposits and other funding sources, (iii) our net interest spread and (iv) our net interest margin. Net interest spread is equal to the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is equal to the annualized net interest income divided by average interest-earning assets. Because non-interest-bearing sources of funds, such as non-interest-

bearing deposits and stockholders' equity, also fund interest-earning assets, net interest margin includes the benefit of these non-interest-bearing sources.

Changes in the market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and non-interest-bearing liabilities, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income.

Three Months Ended September 30, 2023 and 2022

The following table sets forth information related to our average balance sheet, average yields on assets, and average costs of liabilities for the periods indicated:

(In thousands)	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Interest-earning assets:						
Interest-bearing deposits in banks	\$ 170,830	\$ 1,687	3.92 %	\$ 222,071	\$ 971	1.73 %
Securities ⁽¹⁾	3,208,334	39,971	4.94 %	3,522,863	29,735	3.35 %
Resell agreements	—	—	0.00 %	232,956	1,845	3.14 %
Total loans, net ⁽²⁾⁽³⁾	4,314,767	49,578	4.56 %	3,732,976	38,264	4.07 %
Total interest-earning assets	7,693,931	91,236	4.70 %	7,710,866	70,815	3.64 %
Non-interest-earning assets:						
Cash and due from banks	6,129			4,783		
Other assets	204,506			226,448		
Total assets	\$ 7,904,566			\$ 7,942,097		
Interest-bearing liabilities:						
Savings, NOW and money market deposits	\$ 3,446,027	\$ 17,157	1.98 %	\$ 3,031,402	\$ 2,329	0.30 %
Time deposits	176,171	1,122	2.53 %	184,476	162	0.35 %
Brokered CDs	371,329	4,879	5.21 %	—	—	0.00 %
Total interest-bearing deposits	3,993,527	23,158	2.30 %	3,215,878	2,491	0.31 %
FHLBNY advances	74,534	982	5.23 %	3,314	25	2.99 %
Other Borrowings	302,051	3,368	4.42 %	82,009	671	3.25 %
Total borrowings	376,585	4,350	4.58 %	85,323	696	3.24 %
Total interest-bearing liabilities	4,370,112	27,508	2.50 %	3,301,201	3,187	0.38 %
Non-interest-bearing liabilities:						
Demand and transaction deposits	2,920,737			4,053,953		
Other liabilities	74,964			75,143		
Total liabilities	7,365,813			7,430,297		
Stockholders' equity	538,753			511,800		
Total liabilities and stockholders' equity	\$ 7,904,566			\$ 7,942,097		
Net interest income / interest rate spread		\$ 63,728	2.20 %		\$ 67,628	3.26 %
Net interest-earning assets / net interest margin	\$ 3,323,819		3.29 %	\$ 4,409,665		3.48 %
Total deposits / total cost of deposits	\$ 6,914,264		1.33 %	\$ 7,269,831		0.14 %
Total funding / total cost of funds	\$ 7,290,849		1.50 %	\$ 7,355,154		0.17 %

⁽¹⁾ Includes FHLBNY stock in the average balance, and dividend income on FHLBNY stock in interest income

⁽²⁾ Amounts are net of deferred origination costs. With the adoption of the CECL standard on January 1, 2023, the average balance of the allowance for credit losses on loans was reclassified for all presented periods to other assets to allow for comparability.

⁽³⁾ Includes prepayment penalty income in 3Q2023 and 3Q2022 of \$0 and \$800 thousand, respectively

Net interest income was \$63.7 million for the third quarter of 2023, compared to \$67.6 million for the third quarter of 2022. The \$3.9 million, or 5.8%, decrease from the third quarter of 2022 was primarily attributable to higher average balances and costs on interest-bearing liabilities, partially offset by higher yields on interest-earning assets.

Our net interest spread was 2.20% for the three months ended September 30, 2023, compared to 3.26% for the same period in 2022, a decrease of 106 basis points. Our net interest margin was 3.29% for the third quarter of 2023, a decrease of 19 basis points from 3.48% in the third quarter of 2022. No prepayment penalties were earned in loan income in the third quarter of 2023, compared to a four basis point contribution to net interest margin in the third quarter of 2022.

The yield on average earning assets was 4.70% for the three months ended September 30, 2023, compared to 3.64% for the same period in 2022, an increase of 106 basis points. This increase was driven primarily by the rising rate environment.

The average rate on interest-bearing liabilities was 2.50% for the three months ended September 30, 2023, an increase of 212 basis points from the same period in 2022, which was primarily due to the rising rate environment that led to an increase in interest expense paid for deposits, as well as the utilization of brokered CDs and other borrowings. Non-interest-bearing deposits represented 42% of average deposits for the three months ended September 30, 2023, compared to 56% for the three months ended September 30, 2022.

Nine Months Ended September 30, 2023 and 2022

The following table sets forth information related to our average balance sheet, average yields on assets, and average costs of liabilities for the periods indicated:

(In thousands)	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Interest-earning assets:						
Interest-bearing deposits in banks	\$ 125,560	\$ 3,360	3.58 %	\$ 316,288	\$ 1,701	0.72 %
Securities ⁽¹⁾	3,276,065	118,557	4.84 %	3,387,707	71,477	2.82 %
Resell agreements	8,003	432	7.22 %	227,932	3,610	2.12 %
Total loans, net ⁽²⁾⁽³⁾	4,216,391	139,744	4.43 %	3,493,405	103,157	3.95 %
Total interest-earning assets	7,626,019	262,093	4.60 %	7,425,332	179,945	3.24 %
Non-interest-earning assets:						
Cash and due from banks	5,067			7,752		
Other assets	210,112			267,315		
Total assets	\$ 7,841,198			\$ 7,700,399		
Interest-bearing liabilities:						
Savings, NOW and money market deposits	\$ 3,248,278	\$ 40,010	1.65 %	\$ 2,986,588	\$ 4,908	0.22 %
Time deposits	161,756	2,030	1.68 %	191,944	466	0.32 %
Brokered CDs	383,521	13,769	4.80 %	—	—	0.00 %
Total interest-bearing deposits	3,793,555	55,809	1.97 %	3,178,532	5,374	0.23 %
FHLBNY advances	143,873	5,355	4.98 %	1,117	25	2.99 %
Other Borrowings	221,389	6,937	4.19 %	83,487	2,052	3.29 %
Total borrowings	365,262	12,292	4.50 %	84,604	2,077	3.28 %
Total interest-bearing liabilities	4,158,817	68,101	2.19 %	3,263,136	7,451	0.31 %
Non-interest-bearing liabilities:						
Demand and transaction deposits	3,086,482			3,821,571		
Other liabilities	72,821			85,996		
Total liabilities	7,318,120			7,170,703		
Stockholders' equity	523,078			529,696		
Total liabilities and stockholders' equity	\$ 7,841,198			\$ 7,700,399		
Net interest income / interest rate spread		\$ 193,992	2.41 %		\$ 172,494	2.93 %
Net interest-earning assets / net interest margin	\$ 3,467,202		3.40 %	\$ 4,162,196		3.11 %
Total deposits / total cost of deposits	\$ 6,880,037		1.08 %	\$ 7,000,103		0.10 %
Total funding / total cost of funds	\$ 7,245,299		1.26 %	\$ 7,084,707		0.14 %

(1) Includes FHLBNY stock in the average balance, and dividend income on FHLBNY stock in interest income.

(2) Amounts are net of deferred origination costs. With the adoption of the CECL standard on January 1, 2023, the average balance of the allowance for credit losses on loans was reclassified for all presented periods to other assets to allow for comparability.

(3) Includes prepayment penalty interest income in September YTD 2023 and September YTD 2022 of \$0 million and \$1.6 million, respectively

Net interest income was \$194.0 million for the nine months ended September 30, 2023, compared to \$172.5 million for the same period in 2022. The year-over-year increase of \$21.5 million, or 12.5%, was primarily attributable to higher yields and average balances on interest-earning assets, partially offset by higher costs and average balances on interest-bearing liabilities.

Our net interest spread was 2.41% for the nine months ended September 30, 2023, compared to 2.93% for the same period in 2022, a decrease of 52 basis points. Our net interest margin was 3.40% for the nine months ended September 30, 2023, an increase of 29 basis points from 3.11% in the same period of 2022. No prepayment penalties were earned in loan income in the nine months ended September 30, 2023, compared to a 3 basis point contribution to net interest margin in the same period of 2022.

The yield on average earning assets was 4.60% for the nine months ended September 30, 2023, compared to 3.24% for the same period in 2022, an increase of 136 basis points. This increase was driven primarily by the rising rate environment.

The average rate on interest-bearing liabilities was 2.19% for the nine months ended September 30, 2023, an increase of 188 basis points from the same period in 2022, which was primarily due to the increase in interest expense on borrowings with the increase in the average balance other borrowings, brokered CDs utilization, and the rising rate environment that led to an increase in interest expense paid for deposits. Non-interest-bearing deposits represented 45% of average deposits for the nine months ended September 30, 2023, compared to 55% for the nine months ended September 30, 2022.

Rate-Volume Analysis

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in weighted average interest rates. The table below presents the effect of volume and rate changes on interest income and expense. Changes in volume are changes in the average balance multiplied by the previous period's average rate. Changes in rate are changes in the average rate multiplied by the average balance from the previous period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate:

(In thousands)	Three Months Ended September 30, 2023 over September 30, 2022			Nine Months Ended September 30, 2023 over September 30, 2022		
	Volume	Changes Due To Rate	Net Change	Volume	Changes Due To Rate	Net Change
Interest-earning assets:						
Interest-bearing deposits in banks	\$ (402)	\$ 1,118	\$ 716	\$ (2,433)	\$ 4,092	\$ 1,659
Securities and FHLBNY stock	(3,549)	13,785	10,236	(3,919)	50,999	47,080
Resell Agreements	(1,845)	0	(1,845)	(3,693)	515	(3,178)
Total loans, net	6,296	5,018	11,314	22,420	14,167	36,587
Total interest income	500	19,921	20,421	12,375	69,773	82,148
Interest-bearing liabilities:						
Savings, NOW and money market deposits	1,842	12,986	14,828	2,986	32,116	35,102
Time deposits	(49)	1,009	960	(323)	1,887	1,564
Brokered CDs	4,879	—	4,879	13,769	—	13,769
Total deposits	6,672	13,995	20,667	16,432	34,003	50,435
FHLBNY advances	661	296	957	3,800	1,530	5,330
Other borrowings	1,978	719	2,697	3,633	1,252	4,885
Total borrowings	2,639	1,015	3,654	7,433	2,782	10,215
Total interest expense	9,311	15,010	24,321	23,865	36,785	60,650
Change in net interest income	\$ (8,811)	\$ 4,911	\$ (3,900)	\$ (11,490)	\$ 32,988	\$ 21,498

Provision for Credit Losses

We establish an allowance for credit losses through a provision for credit losses charged as an expense in our Consolidated Statements of Income. On January 1, 2023, we adopted the CECL standard for calculating the allowance for credit losses and the provision for credit losses. For further discussion of the adoption of and methodology under the CECL standard, refer to Note 1 to the Consolidated Financial Statements in Item 1 of this Form 10-Q.

Three Months Ended September 30, 2023 and 2022

Our provision for credit losses totaled an expense of \$2.0 million for the third quarter of 2023 compared to an expense of \$5.4 million for the same period in 2022. The provision for credit losses on loans totaled \$3.3 million, the provision for credit losses on securities totaled \$18.0 thousand, and the provision for credit losses on off-balance sheet credit exposures was a release of reserves of \$1.3 million. Overall, the expense in the third quarter of 2023 was primarily driven by portfolio growth, certain individual reserves, and \$2.0 million of solar charge-offs, offset by improvements in macro-economic forecasts used in the CECL model and releases of reserves for lower unfunded exposures.

Nine Months Ended September 30, 2023 and 2022

Our provision for credit losses totaled an expense of \$10.9 million for the nine months ended September 30, 2023 compared to an expense of \$10.6 million for the same period in 2022. The provision for credit losses on loans totaled \$10.0 million, the provision for credit losses on securities totaled \$83.0 thousand, and the provision for credit losses on off-balance sheet credit exposures was a release of reserves of \$0.4 million. Overall, provision expense was primarily driven by portfolio growth, certain individual reserves, offset by improvements in macro-economic forecasts used in the CECL model and releases of reserves for lower unfunded exposures.

For a further discussion of the allowance, see "Allowance for Credit Losses" below.

Non-Interest Income

Our non-interest income includes Trust Department fees, which consist of fees received in connection with investment advisory and custodial management services of investment accounts, service fees charged on deposit accounts, income on BOLI, gain or loss on sales of securities, sales of loans, income from equity method investments, and other income.

The following table presents our non-interest income for the periods indicated:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Trust Department fees	\$ 3,678	\$ 3,872	\$ 11,613	\$ 10,842
Service charges on deposit accounts	2,731	2,735	7,897	8,008
Bank-owned life insurance income	727	785	2,054	2,882
Losses on sale of securities	(1,699)	(1,844)	(5,052)	(2,264)
Gains (losses) on sale of loans, net	26	(367)	30	(32)
Equity method investments income (loss)	550	(1,151)	1,261	(1,357)
Other income	767	973	2,127	1,592
Total non-interest income	<u>\$ 6,780</u>	<u>\$ 5,003</u>	<u>\$ 19,930</u>	<u>\$ 19,671</u>

Three Months Ended September 30, 2023 and 2022

Non-interest income was \$6.8 million for the third quarter of 2023, compared to \$5.0 million for the third quarter in 2022. The increase of \$1.8 million in the third quarter of 2023 compared to the corresponding quarter in 2022, was primarily due to a \$1.8 million increase in income from equity method investments.

Trust Department fees consist of fees we receive in connection with our investment advisory and custodial management services of investment accounts. Our Trust Department fees were \$3.7 million in the third quarter of 2023, a decrease of \$0.2 million, or 5.0%, from same period in 2022.

Equity method investments income consists of income from solar tax equity investments. Due to the recognition of tax credits upon initial investment, income from these investments is volatile before achieving steady state. In the early stages of the investment, accelerated depreciation of the value of the investment creates net losses, after which steady state income is achieved, generally within four quarters of the initial investment. Equity method investments income was \$0.6 million for the third quarter of 2023, compared to a loss of \$1.2 million in the third quarter of 2022.

Nine Months Ended September 30, 2023 and 2022

Non-interest income was \$19.9 million for the nine months ended September 30, 2023, compared to \$19.7 million for the nine months ended September 30, 2022. The increase of \$0.2 million was primarily due to a \$2.7 million increase in income from equity investments, and an increase in other income of \$0.5 million primarily attributed to increased gains on the repurchase of subordinated debt. This was partially offset by \$2.8 million in increased losses on the sale of securities, \$0.6 million of which relates to the loss on the sale of a portion of a SIVB Corporate bond, and the remainder as part of strategic sales in order to reinvest in higher yielding securities.

Trust Department fees consist of fees we receive in connection with our investment advisory and custodial management services of investment accounts. Our Trust Department fees were \$11.6 million in the third quarter of 2023, an increase of \$0.8 million, or 7.1%, from same period in 2022.

Equity method investments income consists of income from solar tax equity investments. Due to the recognition of tax credits upon initial investment, income from these investments is volatile before achieving steady state. In the early stages of the investment, accelerated depreciation of the value of the investment creates net losses, after which steady state income is achieved, generally within four quarters of the initial investment. Equity method investments income was \$1.3 million in the nine months ended September 30, 2023, compared to a loss of \$1.4 million for the same period in 2022.

Non-Interest Expense

Non-interest expense includes compensation and employee benefits, occupancy and depreciation expense, professional fees (including legal, accounting and other professional services), data processing, office maintenance and depreciation, amortization of intangible assets, advertising and promotion, federal deposit insurance premiums, and other expenses. The following table presents non-interest expense for the periods indicated:

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Compensation and employee benefits	\$ 21,345	\$ 19,527	\$ 64,525	\$ 55,242
Occupancy and depreciation	3,349	3,481	10,184	10,378
Professional fees	2,222	3,173	7,211	8,733
Data processing	4,545	4,149	13,176	13,660
Office maintenance and depreciation	685	807	2,130	2,316
Amortization of intangible assets	222	262	666	785
Advertising and promotion	816	795	3,431	2,410
Federal deposit insurance premiums	1,200	1,014	3,018	2,440
Other expense	2,955	3,050	9,154	9,037
Total non-interest expense	<u>\$ 37,339</u>	<u>\$ 36,258</u>	<u>\$ 113,495</u>	<u>\$ 105,001</u>

Three Months Ended September 30, 2023 and 2022

Non-interest expense for the third quarter of 2023 was \$37.3 million, an increase of \$1.0 million from the third quarter of 2022. The increase of \$1.0 million from the third quarter of 2022 was primarily driven by a \$1.8 million increase in compensation and benefits expense related to an expected increase in compensation due to increased headcount, offset by a decrease in professional fees of \$1.0 million.

Nine Months Ended September 30, 2023 and 2022

Non-interest expense for the nine months ended September 30, 2023 was \$113.5 million, an increase of \$8.5 million from \$105.0 million for nine months ended September 30, 2022. The increase was driven by a \$9.3 million increase in compensation and benefits expense related to an expected increase in compensation due to increased headcount, corporate incentive payments, and temporary personnel costs, offset by a decrease in professional fees of \$1.5 million.

Income Taxes

Three Months Ended September 30, 2023 and 2022

We had a provision for income tax expense of \$8.8 million for the third quarter of 2023, compared to \$8.1 million for the third quarter of 2022. Our effective tax rate for the third quarter of 2023 was 28.4%, compared to 26.0% for the third quarter of 2022, which reflects a higher effective tax rate for the year.

Nine Months Ended September 30, 2023 and 2022

We had a provision for income tax expense of \$24.2 million for the nine months ended September 30, 2023, compared to \$19.9 million for same period in 2022. Our effective tax rate for the nine months ended September 30, 2023 was 27.1%, compared to 25.9% for the same period in 2022.

Financial Condition

Balance Sheet

Our total assets were \$7.91 billion at September 30, 2023, compared to \$7.84 billion at December 31, 2022. Notable changes within individual balance sheet line items include a \$235.9 million increase in loans receivable, net, a \$180.5 million decrease in investment securities, a \$395.8 million increase in deposits, and a \$345.6 million decrease in FHLB advances and other borrowings.

Investment Securities

The primary goal of our securities portfolio is to maintain an available source of liquidity and an efficient investment return on excess capital, while maintaining a low-risk profile. We also use our securities portfolio to manage interest rate risk, meet Community Reinvestment Act ("CRA") goals, support the Company's mission, and to provide collateral for certain types of deposits or borrowings. An Investment Committee chaired by our Chief Financial Officer manages our investment securities portfolio according to written investment policies approved by our Board of Directors. Investments in our securities portfolio may change over time based on management's objectives and market conditions.

We seek to minimize credit risk in our securities portfolio through diversification, concentration limits, restrictions on high risk investments (such as subordinated positions), comprehensive pre-purchase analysis and stress testing, ongoing monitoring and by investing a significant portion of our securities portfolio in U.S. Government sponsored entity ("GSE") obligations. GSEs include the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Small Business Administration ("SBA"). GNMA is a wholly-owned U.S. Government corporation whereas FHLMC and FNMA are private. Mortgage-related securities may include mortgage pass-through certificates, participation certificates and collateralized mortgage obligations ("CMOs"). We invest in non-GSE securities, including property assessed clean energy, or Property Assessed Clean Energy ("PACE") assessments, bonds, in order to generate higher returns, improve portfolio diversification and reduce interest rate and prepayment risk. With the exception of small legacy CRA investments, Trust Preferred securities, and certain corporate bonds, all of our non-GSE securities are senior positions that are the top of the capital structure.

Our investment securities portfolio consists of securities classified as available for sale and held-to-maturity. There were no trading securities in our investment portfolio at September 30, 2023 or at December 31, 2022. As of September 30, 2023, while the Company has the intent and ability to hold securities until maturity, if a strategic opportunity presents itself, the Company may sell available for sale securities in order to reposition into higher yielding loans and securities.

At September 30, 2023 and December 31, 2022, we had available for sale securities of \$1.49 billion and \$1.81 billion, respectively.

At September 30, 2023, our held-to-maturity securities portfolio primarily consisted of PACE assessments, tax-exempt municipal securities, GSE commercial and residential certificates and other debt. We carry these securities at amortized cost. We had held-to-maturity securities of \$1.68 billion at September 30, 2023, and \$1.54 billion at December 31, 2022.

With the adoption of the CECL standard as of January 1, 2023, management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities totaled \$18.7 million at September 30, 2023 and is excluded from the estimate of credit losses, as accrued interest receivable is reversed for securities placed on nonaccrual status. The allowance for credit losses for held-to-maturity securities at January 1, 2023 was \$0.7 million. The provision for credit losses for held-to-maturity securities for the three months ended September 30, 2023 was \$18.0 thousand, and \$83.0 thousand for the nine months ended September 30, 2023.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before the recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that an expected credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. There was no allowance for credit losses for available for sale securities at January 1, 2023.

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

Accrued interest receivable on available-for-sale debt securities totaled \$9.4 million at September 30, 2023 and is excluded from the estimate of credit losses, as accrued interest receivable is reversed for securities placed on nonaccrual status.

The following table is a summary of our investment portfolio, using market value for available for sale securities and amortized cost excluding the allowance for credit losses for held-to-maturity securities, as of the dates indicated.

<i>(In thousands)</i>	September 30, 2023		December 31, 2022	
	Amount	% of Portfolio	Amount	% of Portfolio
Available for sale:				
<i>Mortgage-related:</i>				
GSE residential CMOs	\$ 353,171	11.1 %	\$ 389,260	11.6 %
GSE commercial certificates & CMO	128,241	4.0 %	213,786	6.4 %
Non-GSE residential certificates	96,751	3.1 %	107,080	3.2 %
Non-GSE commercial certificates	84,877	2.7 %	97,482	2.9 %
<i>Other debt:</i>				
U.S. Treasury	197	0.0 %	192	0.0 %
ABS	667,402	21.0 %	862,163	25.7 %
Trust preferred	9,319	0.3 %	10,143	0.3 %
Corporate	112,966	3.6 %	132,370	3.9 %
Residential PACE assessments	38,526	1.2 %	—	0.0 %
Total available for sale	1,491,450	47.0 %	1,812,476	54.0 %
Held-to-maturity:				
<i>Traditional securities:</i>				
GSE residential CMOs	\$ 65,353	2.1 %	\$ 69,391	2.1 %
GSE commercial certificates	89,641	2.8 %	90,335	2.7 %
GSE residential certificates	416	0.0 %	428	0.0 %
Non GSE commercial certificates	32,669	1.0 %	32,635	1.0 %
Non GSE residential certificates	47,563	1.5 %	50,468	1.5 %
ABS	282,164	8.9 %	288,682	8.6 %
Municipal	94,275	3.0 %	95,485	2.8 %
Other	—	0.0 %	2,000	0.1 %
<i>PACE assessments:</i>				
Commercial PACE assessments	270,020	8.5 %	255,424	7.6 %
Residential PACE assessments	800,484	25.2 %	656,453	19.6 %
Total held-to-maturity	1,682,585	53.0 %	1,541,301	46.0 %
Total securities	\$ 3,174,035	100.0 %	\$ 3,353,777	100.0 %

The following table shows contractual maturities and yields for the available-for sale and held-to-maturity securities portfolios:

	Contractual Maturity as of September 30, 2023							
	One Year or Less		One to Five Years		Five to Ten Years		Due after Ten Years	
	Amortized Cost	Weighted Average Yield ⁽¹⁾	Amortized Cost	Weighted Average Yield ⁽¹⁾	Amortized Cost	Weighted Average Yield ⁽¹⁾	Amortized Cost	Weighted Average Yield ⁽¹⁾
<i>(In thousands)</i>								
Available for sale:								
<i>Mortgage-related:</i>								
GSE residential CMOs	\$ —	0.0 %	\$ —	0.0 %	\$ 46,137	2.0 %	\$ 350,322	3.6 %
GSE commercial certificates & CMO	—	0.0 %	17,359	2.8 %	82,363	5.4 %	38,189	2.6 %
Non-GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	113,429	2.8 %
Non-GSE commercial certificates	—	0.0 %	—	0.0 %	—	0.0 %	95,270	3.8 %
<i>Other debt:</i>								
U.S. Treasury	200	1.3 %	—	0.0 %	—	0.0 %	—	0.0 %
ABS	—	0.0 %	2,250	2.4 %	280,119	7.0 %	411,553	5.7 %
Trust preferred	—	0.0 %	9,991	6.2 %	—	0.0 %	—	0.0 %
Corporate	—	0.0 %	54,047	4.1 %	80,008	3.8 %	—	0.0 %
Residential PACE assessments	—	0.0 %	—	0.0 %	—	0.0 %	38,950	0.0 %
Held-to-maturity:								
<i>Traditional securities:</i>								
GSE residential CMOs	—	0.0 %	—	0.0 %	—	0.0 %	65,353	2.9 %
GSE commercial certificates	—	0.0 %	15,020	3.1 %	16,146	2.1 %	58,475	2.8 %
GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	416	3.9 %
Non GSE commercial certificates	—	0.0 %	—	0.0 %	—	0.0 %	32,669	2.1 %
Non GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	47,563	3.1 %
ABS	—	0.0 %	—	0.0 %	31,917	6.9 %	250,247	5.8 %
Municipal	—	0.0 %	9,433	3.7 %	3,551	2.2 %	81,291	2.6 %
<i>PACE assessments:</i>								
Commercial PACE assessments	—	0.0 %	—	0.0 %	—	0.0 %	270,020	4.9 %
Residential PACE assessments	—	0.0 %	—	0.0 %	—	0.0 %	800,484	5.1 %
Total securities	\$ 200	1.3 %	\$ 108,100	3.9 %	\$ 540,241	5.7 %	\$ 2,654,231	4.5 %

⁽¹⁾ Estimated yield based on book price (amortized cost divided by par) using estimated prepayments and no change in interest rates.

The following table shows a breakdown of our asset-backed securities by sector and ratings as of September 30, 2023:

(In thousands)	Amount	%	Expected Avg. Life in Years	% Floating	Credit Ratings					Total
					Highest Rating if split rated					
					% AAA	% AA	% A	% BBB	% Not Rated	
CLO Commercial & Industrial	\$ 535,790	56 %	2.8	100 %	98 %	2 %	0 %	0 %	0 %	100 %
Consumer	172,401	18 %	5.5	0 %	96 %	0 %	0 %	4 %	0 %	100 %
Mortgage	169,883	18 %	1.7	83 %	100 %	0 %	0 %	0 %	0 %	100 %
Student	71,492	8 %	4.3	70 %	79 %	21 %	0 %	0 %	0 %	100 %
Total Securities:	\$ 949,566	100 %	3.2	77 %	96 %	3 %	0 %	1 %	0 %	100 %

Our securities portfolio primarily consists of high quality investments in mortgage-backed securities to government sponsored entities and other asset-backed securities and PACE investments. All non-agency securities, composed of non-agency commercial mortgage-backed securities, collateralized loan obligations, non-agency mortgage-backed securities, and asset-backed securities, are senior tranche and approximately 96% carry AAA credit ratings and 3% carry A credit ratings or higher. Approximately 70% of this portfolio is classified as “available for sale.”

Loans

Lending-related income is the most important component of our net interest income and is the main driver of our results of operations. Total loans, net of deferred origination fees and allowance for credit losses, were \$4.30 billion as of September 30, 2023 compared to \$4.06 billion as of December 31, 2022. Within our commercial loan portfolio, our primary focus has been on C&I, multifamily and CRE lending. Within our retail loan portfolio, our primary focus has been on residential 1-4 family (1st lien) mortgages. We intend to focus any organic growth in our loan portfolio on these lending areas as part of our strategic plan.

The following table sets forth the composition of our loan portfolio, as of September 30, 2023 and December 31, 2022:

(In thousands)	September 30, 2023		December 31, 2022	
	Amount	% of total loans	Amount	% of total loans
<i>Commercial portfolio:</i>				
Commercial and industrial	\$ 1,050,355	24.1 %	\$ 925,641	22.5 %
Multifamily mortgages	1,094,955	25.1 %	967,521	23.6 %
Commercial real estate mortgages	324,139	7.4 %	335,133	8.2 %
Construction and land development mortgages	28,326	0.6 %	37,696	0.9 %
Total commercial portfolio	2,497,775	57.2 %	2,265,991	55.2 %
<i>Retail portfolio:</i>				
Residential real estate lending	1,409,530	32.3 %	1,371,779	33.5 %
Consumer solar ⁽¹⁾	415,324	9.5 %	416,849	10.2 %
Consumer and other ⁽¹⁾	42,116	1.0 %	47,150	1.1 %
Total retail portfolio	1,866,970	42.8 %	1,835,778	44.8 %
Total loans	4,364,745	100.0 %	4,101,769	100.0 %
Net deferred loan origination costs ⁽²⁾	—		4,233	
Allowance for credit losses ⁽³⁾	(67,815)		(45,031)	
Total loans, net	\$ 4,296,930		\$ 4,060,971	

(1) The Company adopted the CECL standard on January 1, 2023. As a result, the classification of loan segments was updated, and all loan balances for presented periods have been reclassified.

(2) With the adoption of the CECL standard, loans balances as of September 30, 2023 are presented at amortized cost, net of deferred loan origination costs.

(3) With the adoption of the CECL standard, the allowance for credit losses on both loans and securities as of September 30, 2023 is calculated under the current expected credit losses model. For December 31, 2022, no allowance was calculated on securities, and the allowance on loans presented is the allowance for loan losses calculated using the incurred loss model.

Commercial loan portfolio

Our commercial loan portfolio comprised 57.2% of our total loan portfolio at September 30, 2023 and 55.2% of our total loan portfolio at December 31, 2022. The major categories of our commercial loan portfolio are discussed below:

C&I. Our C&I loans are generally made to small and medium-sized manufacturers and wholesale, retail and service-based businesses to provide either working capital or to finance major capital expenditures. In addition, our C&I portfolio includes commercial solar financings; for many of these we are the sole lender, while for some others we are a participant in a syndicated credit facility led by another institution. The primary source of repayment for C&I loans is generally operating cash flows of the business or project. We also seek to minimize risks related to these loans by requiring such loans to be collateralized by various business assets (including inventory, equipment, accounts receivable, and the assignment of contracts that generate cash flow). The average size of our C&I loans at September 30, 2023 by exposure was \$4.0 million with a median size of \$0.9 million. We have shifted our lending strategy to focus on developing full customer relationships including deposits, cash management, and lending. The businesses that we focus on are generally mission-aligned with our core values, including organic and natural products, sustainable companies, clean energy, nonprofits, and B Corporations™.

Our C&I loans totaled \$1.05 billion at September 30, 2023, which comprised 24.1% of our total loan portfolio. During the nine months ended September 30, 2023, the C&I loan portfolio increased by 13.5% from \$925.6 million at December 31, 2022.

Multifamily. Our multifamily loans are generally used to purchase or refinance apartment buildings of five units or more, which collateralize the loan, in major metropolitan areas within our markets. Multifamily loans have 70% of their exposure in New York City - our largest geographic concentration. Our multifamily loans have been underwritten under stringent guidelines on loan-to-value and debt service coverage ratios that are designed to mitigate credit and concentration risk in this loan category.

Our multifamily loans totaled \$1.09 billion at September 30, 2023, which comprised 25.1% of our total loan portfolio. During the nine months ended September 30, 2023, the multifamily loan portfolio increased by 13.2% from \$967.5 million at December 31, 2022.

CRE. Our CRE loans are used to purchase or refinance office buildings, retail centers, industrial facilities, medical facilities and mixed-used buildings. Our CRE loans totaled \$324.1 million at September 30, 2023, which comprised 7.4% of our total loan portfolio. During the nine months ended September 30, 2023, the CRE loan portfolio decreased by 3.3% from \$335.1 million at December 31, 2022.

Retail loan portfolio

Our retail loan portfolio comprised 42.8% of our total loan portfolio at September 30, 2023 and 44.8% of our loan portfolio at December 31, 2022. The major categories of our retail loan portfolio are discussed below.

Residential real estate lending. Our residential 1-4 family mortgage loans are residential mortgages that are primarily secured by single-family homes, which can be owner occupied or investor owned. These loans are either originated by our loan officers or purchased from other originators with the servicing generally retained by such originators. Our residential real estate lending portfolio is 99% first mortgage loans and 1% second mortgage loans. As of September 30, 2023, 82% of our residential 1-4 family mortgage loans were either originated by our loan officers since 2012 or were acquired in our acquisition of New Resource Bank, 16% were purchased from two third parties on or after July 2014, and 2% were purchased by us from other originators before 2010. Our residential real estate lending loans totaled \$1.41 billion at September 30, 2023, which comprised 75.5% of our retail loan portfolio and 32.3% of our total loan portfolio. As of September 30, 2023, our residential real estate lending loans increased by 2.8% from \$1.37 billion at December 31, 2022.

Consumer solar. Our consumer solar portfolio is comprised of purchased residential solar loans, secured by Uniform Commercial Code (UCC) financing statements. Our consumer solar loans totaled \$415.3 million at September 30, 2023, which comprised 9.5% of our total loan portfolio, compared to \$416.8 million, or 10.2%, of our total loan portfolio at December 31, 2022.

Consumer and other. Our consumer and other portfolio is comprised of purchased student loans, unsecured consumer loans and overdraft lines. Our consumer and other loans totaled \$42.1 million at September 30, 2023, which comprised 1.0% of our total loan portfolio, compared to \$47.2 million, or 1.1% of our total loan portfolio, at December 31, 2022.

Maturities of Loans

The information in the following table is based on the contractual maturities of individual loans, including loans that may be subject to renewal at their contractual maturity. Renewal of these loans is subject to review and credit approval, as well as modification of terms upon maturity. Actual repayments of loans may differ from the maturities reflected below because borrowers have the right to prepay obligations with or without prepayment penalties. The following tables summarize the loan maturity distribution by type and related interest rate characteristics excluding deferred loan origination costs at September 30, 2023:

<i>(In thousands)</i>	<u>One year or less</u>	<u>After one but within five years</u>	<u>After five years but within 15 years</u>	<u>After 15 years</u>	<u>Total</u>
September 30, 2023:					
<i>Commercial Portfolio:</i>					
Commercial and industrial	\$ 156,838	\$ 309,018	\$ 374,695	\$ 209,804	\$ 1,050,355
Multifamily	173,553	550,491	364,740	6,171	1,094,955
Commercial real estate	42,718	204,263	70,545	6,613	324,139
Construction and land development	26,717	1,609	—	—	28,326
<i>Retail Portfolio:</i>					
Residential real estate lending	11	2,861	153,121	1,253,537	1,409,530
Consumer solar	43	2,425	54,810	358,046	415,324
Consumer and other	476	2,764	28,887	9,989	42,116
Total Loans	<u>\$ 400,356</u>	<u>\$ 1,073,431</u>	<u>\$ 1,046,798</u>	<u>\$ 1,844,160</u>	<u>\$ 4,364,745</u>

<i>(In thousands)</i>	<u>One year or less</u>	<u>After one but within five years</u>	<u>After 5 years but within 15 years</u>	<u>More than 15 years</u>	<u>Total</u>
Gross loan maturing after one year with:					
Fixed interest rates	\$ 240,539	\$ 803,738	\$ 925,970	\$ 1,201,761	\$ 3,172,008
Floating or adjustable interest rates	159,817	269,693	120,828	642,399	1,192,737
Total Loans	<u>\$ 400,356</u>	<u>\$ 1,073,431</u>	<u>\$ 1,046,798</u>	<u>\$ 1,844,160</u>	<u>\$ 4,364,745</u>

Allowance for Credit Losses

We maintain the allowance at a level we believe is sufficient to absorb current expected credit losses in our loan portfolio. For further discussion of the adoption of and methodology under the CECL standard, refer to Note 1 to the Consolidated Financial Statements in Item 1 of this Form 10-Q.

The following tables presents, by loan type, the changes in the allowance for credit losses at September 30, 2023 under the CECL standard, and the allowance for loans losses at September 30, 2022 under the incurred loss methodology:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	\$ 67,431	\$ 39,477	\$ 45,031	\$ 35,866
Adoption of ASU 2016-13	—	—	21,229	—
Loan charge-offs:				
<i>Commercial portfolio:</i>				
Commercial and industrial	—	—	1,726	—
Multifamily	1,228	—	2,355	416
Commercial real estate	—	—	—	—
Construction and land development	—	389	—	389
<i>Retail portfolio:</i>				
Residential real estate lending	4	1,519	63	2,340
Consumer solar	1,949	1,223	5,580	3,019
Consumer and other	15	120	254	187
Total loan charge-offs	3,196	3,251	9,978	6,351
Recoveries of loans previously charged-off:				
<i>Commercial portfolio:</i>				
Commercial and industrial	6	5	48	17
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Construction and land development	—	—	—	2
<i>Retail portfolio:</i>				
Residential real estate lending	244	300	571	1,625
Consumer solar	—	219	842	343
Consumer and other	11	9	25	52
Total loan recoveries	261	533	1,486	2,039
Net charge-offs	2,935	2,718	8,492	4,312
Provision for credit losses	3,319	5,363	10,047	10,568
Balance at end of period	\$ 67,815	\$ 42,122	\$ 67,815	\$ 42,122

During the quarter, the allowance for credit losses on loans increased \$0.4 million to \$67.8 million at September 30, 2023 from \$67.4 million at June 30, 2023. The ratio of allowance to total loans was 1.55%, a decrease of 4 basis points from 1.59% in the second quarter of 2023.

The allowance for credit losses on loans increased \$22.8 million to \$67.8 million at September 30, 2023 from \$45.0 million at December 31, 2022. On January 1, 2023, the adoption of the CECL standard increased the allowance for credit losses on loans by \$21.2 million to recognize the Day 1 cumulative effect, primarily attributed to our consumer solar portfolio. The ratio of allowance to total loans was 1.55% at September 30, 2023 and 1.10% at December 31, 2022. Considering the Day 1 cumulative effect, the ratio of allowance to total loans at January 1, 2023 was 1.61%.

At September 30, 2023, the allowance for credit losses on held-to-maturity securities was \$0.7 million, compared to \$0.7 million at June 30, 2023. On January 1, 2023, an allowance of \$0.7 million was recorded to recognize the Day 1 cumulative effect, primarily attributed to commercial and residential PACE assessments. Additionally, the allowance for expected credit losses on

off-balance sheet loan exposures was increased by \$2.7 million to recognize the Day 1 cumulative impact of adopting the CECL standard.

Allocation of Allowance for Credit Losses

The following table presents the allocation of the allowance and the percentage of the total amount of loans in each loan category listed as of the dates indicated:

<i>(In thousands)</i>	At September 30, 2023		At December 31, 2022	
	Amount	% of total loans	Amount	% of total loans
<i>Commercial Portfolio:</i>				
Commercial and industrial	\$ 16,936	24.1 %	\$ 12,916	22.5 %
Multifamily	4,723	25.1 %	7,104	23.6 %
Commercial real estate	2,112	7.4 %	3,627	8.2 %
Construction and land development	1,214	0.6 %	825	0.9 %
Total commercial portfolio	\$ 24,985	57.2 %	\$ 24,472	55.2 %
<i>Retail Portfolio:</i>				
Residential real estate lending	\$ 15,649	32.3 %	\$ 11,338	33.5 %
Consumer solar	24,060	9.5 %	6,867	10.2 %
Consumer and other	3,121	1.0 %	2,354	1.1 %
Total retail portfolio	\$ 42,830	42.8 %	\$ 20,559	44.8 %
Total allowance for credit losses	\$ 67,815		\$ 45,031	

Nonperforming Assets

Nonperforming assets include all loans categorized as nonaccrual, other real estate owned and other repossessed assets. The accrual of interest on loans is discontinued, or the loan is placed on nonaccrual, when the full collection of principal and interest is in doubt. Interest on loans is generally recognized on the accrual basis. Interest is not accrued on loans that are more than 90 days delinquent on payments, and any interest that was accrued but unpaid on such loans is reversed from interest income at that time, or when deemed to be uncollectible. Interest subsequently received on such loans is recorded as interest income or alternatively as a reduction in the amortized cost of the loan if there is significant doubt as to the collectability of the unpaid principal balance. Loans are returned to accrual status when principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following table sets forth our nonperforming assets as of September 30, 2023 and December 31, 2022:

<i>(In thousands)</i>	September 30, 2023	December 31, 2022
Loans 90 days past due and accruing	\$ —	\$ —
Nonaccrual loans held for sale	2,189	6,914
Nonaccrual loans - Commercial	28,041	18,308
Nonaccrual loans - Retail	6,283	3,391
Nonaccrual securities	31	36
Total nonperforming assets	<u>\$ 36,544</u>	<u>\$ 28,649</u>
Nonaccrual loans:		
Commercial and industrial	\$ 7,575	\$ 9,629
Multifamily	—	3,828
Commercial real estate	4,575	4,851
Construction and land development	15,891	—
Total commercial portfolio	<u>28,041</u>	<u>18,308</u>
Residential real estate lending	3,009	1,807
Consumer solar	2,817	1,584
Consumer and other	457	—
Total retail portfolio	<u>6,283</u>	<u>3,391</u>
Total nonaccrual loans	<u>\$ 34,324</u>	<u>\$ 21,699</u>
Nonperforming assets to total assets	0.46 %	0.44 %
Nonaccrual assets to total assets	0.43 %	0.36 %
Nonaccrual loans to total loans	0.79 %	0.53 %
Allowance for credit losses on loans to nonaccrual loans	197.58 %	207.53 %
Allowance for credit losses on loans to total loans	1.55 %	1.10 %
Annualized net charge-offs (recoveries) to average loans	0.27 %	0.16 %

Nonperforming assets totaled \$36.5 million, or 0.46% of period-end total assets at September 30, 2023, an increase of \$7.9 million, compared with \$28.6 million, or 0.44% of period-end total assets at December 31, 2022. The increase in non-performing assets at September 30, 2023 compared to December 31, 2022 assets was primarily driven by \$8.8 million in construction loans that were placed on nonaccrual status in the third quarter. In addition, a \$4.7 million construction loan was transferred from held for sale to held for investment in the second quarter.

Potential problem loans are loans which management has doubts as to the ability of the borrowers to comply with the present loan repayment terms. Potential problem loans are performing loans and include our special mention and substandard-accruing commercial loans and/or loans 30-89 days past due. Potential problem loans are not included in the nonperforming assets table above and totaled \$62.9 million, or 0.8% of total assets, at September 30, 2023, as follows: \$54.8 million are commercial loans currently in workout that management expects will be rehabilitated; \$8.1 million are residential 1-4 family or retail loans at 30-89 days delinquent.

Resell Agreements

As of September 30, 2023, we have not entered into any short term investments of resell agreements. As of December 31, 2022, we had entered into \$25.8 million of short term investments of resell agreements backed by residential first-lien mortgage loans, with a weighted interest rate of 6.86%.

Deferred Tax Asset

We had a deferred tax asset, net of deferred tax liabilities, of \$63.3 million at September 30, 2023 and \$62.5 million at December 31, 2022. As of September 30, 2023, our deferred tax assets were fully realizable with no valuation allowance held against the balance. Our management concluded that it was more likely than not that the entire amount will be realized.

We will evaluate the recoverability of our net deferred tax asset on a periodic basis and record decreases (increases) as a deferred tax provision (benefit) in the Consolidated Statements of Income as appropriate.

Deposits

Deposits represent our primary source of funds. We are focused on growing our core deposits through relationship-based banking with our business and consumer clients. Total deposits were \$6.99 billion at September 30, 2023, compared to \$6.60 billion at December 31, 2022. We believe that our strong deposit franchise is attributable to our mission-based strategy of developing and maintaining relationships with our clients who share similar values and through maintaining a high level of service.

We gather deposits through each of our three branch locations across New York City, our one branch in Washington, D.C., our one branch in San Francisco and through the efforts of our commercial banking team including our Boston group which focuses nationally on business growth. Through our branch network, online, mobile and direct banking channels, we offer a variety of deposit products including demand deposit accounts, money market deposits, NOW accounts, savings and certificates of deposit, Insured Cash Sweep accounts, Certificate of Deposit Account Registry Service accounts, and brokered certificates of deposit. We bank politically active customers, such as campaigns, political action committees ("PACs"), and state and national party committees, which we refer to as political deposits. These deposits exhibit seasonality based on election cycles. As of September 30, 2023 and December 31, 2022, we had approximately \$951.2 million and \$643.6 million, respectively, in political deposits which are primarily in demand deposits.

Total estimated uninsured deposits at September 30, 2023 and December 31, 2022 were \$3.76 billion and \$4.52 billion, respectively.

Maturities of time certificates of deposit and other time deposits of more than \$250,000 outstanding at September 30, 2023 are summarized as follows:

Maturities as of September 30, 2023

<i>(In thousands)</i>	Balance
Within three months	\$ 22,026
After three but within six months	1,865
After six months but within twelve months	7,463
After twelve months	750
Total	\$ 32,104

Evaluation of Interest Rate Risk

Our simulation models incorporate various assumptions, which we believe are reasonable but which may have a significant impact on results such as: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) loan and securities prepayment speeds for different interest rate scenarios, (4) interest rates and balances of indeterminate-maturity deposits for different scenarios, and (5) new volume and yield assumptions for loans, securities and deposits. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but rather to better plan and execute appropriate asset-liability management strategies and manage our interest rate risk.

Potential changes to our net interest income and economic value of equity in hypothetical rising and declining rate scenarios calculated as of September 30, 2023 are presented in the following table. The projections assume immediate, parallel shifts downward of the yield curve of 100 and 200 basis points and immediate, parallel shifts upward of the yield curve of 100, 200, 300, and 400 basis points.

The results of this simulation analysis are hypothetical and should not be relied on as indicative of expected operating results. A variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from those projected, our net interest income might vary significantly. Non-parallel yield curve shifts such as a flattening or steepening of the yield curve or changes in interest rate spreads, would also cause our net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities re-price faster than expected or faster than our assets re-price. Actual results could differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities or if our mix of assets and liabilities otherwise changes. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Finally, these simulation results do not contemplate all the actions that we may undertake in response to potential or actual changes in interest rates, such as changes to our loan, investment, deposit, funding or hedging strategies.

Change in Market Interest Rates as of September 30, 2023

Immediate Shift	Estimated Increase (Decrease) in:			
	Economic Value of Equity	Economic Value of Equity (\$)	Year 1 Net Interest Income	Year 1 Net Interest Income (\$)
+400 basis points	-28.5%	(405,626)	-18.8%	(48,463)
+300 basis points	-19.6%	(279,661)	-11.1%	(28,780)
+200 basis points	-11.7%	(167,007)	-5.4%	(13,926)
+100 basis points	-4.5%	(63,638)	-1.8%	(4,538)
-100 basis points	-2.1%	(29,334)	-1.2%	(3,103)
-200 basis points	-8.1%	(116,146)	-3.2%	(8,187)

Liquidity

Liquidity refers to our ability to maintain cash flow that is adequate to fund our operations, support asset growth, maintain reserve requirements and meet present and future obligations of deposit withdrawals, lending obligations and other contractual obligations through either the sale or maturity of existing assets or by obtaining additional funding through liability management. Our liquidity risk management policy provides the framework that we use to maintain adequate liquidity and sources of available liquidity at levels that enable us to meet all reasonably foreseeable short-term, long-term and strategic liquidity demands. The Asset and Liability Management Committee is responsible for oversight of liquidity risk management activities in accordance with the provisions of our liquidity risk policy and applicable bank regulatory capital and liquidity laws and regulations. Our liquidity risk management process includes (i) ongoing analysis and monitoring of our funding requirements under various balance sheet and economic scenarios, (ii) review and monitoring of lenders, depositors, brokers and other liability holders to ensure appropriate diversification of funding sources and (iii) liquidity contingency planning to address liquidity needs in the event of unforeseen market disruption impacting a wide range of variables. We continuously monitor our liquidity position in order for our assets and liabilities to be managed in a manner that will meet our immediate and long-term funding requirements. We manage our liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our stockholders. We also monitor our liquidity requirements in light of interest rate trends, changes in the economy, and the scheduled maturity and interest rate sensitivity of our securities and loan portfolios and deposits. Liquidity management is made more complicated because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of our investment portfolio is fairly predictable and subject to a high degree of control when we make investment decisions. Net deposit inflows and outflows, however, are far less predictable and are not subject to the same degree of certainty.

In addition to assessing liquidity risk on a consolidated basis, we monitor the parent company's liquidity. The parent company's routine funding requirements consist primarily of operating expenses, dividends paid to shareholders, debt service, repurchases of common stock and funds used for acquisitions. The parent company obtains funding to meet its obligations from dividends collected from its subsidiaries and the issuance of debt and capital securities. Dividend payments to the parent company by its subsidiary bank are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. The Company maintains sufficient funding to meet expected capital and debt service obligations for 24 months without the support of dividends from subsidiaries and assuming access to the wholesale markets is maintained. The Company maintains sufficient

liquidity to meet its capital and debt service obligations for 12 months under adverse conditions without the support of dividends from subsidiaries or access to the wholesale markets.

Our liquidity position is supported by management of our liquid assets and liabilities and access to alternative sources of funds. Our short-term and long-term liquidity requirements are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit to borrowers and capital expenditures. These liquidity requirements are met primarily through our deposits, FHLBNY advances and other borrowings and the principal and interest payments we receive on loans and investment securities. Cash, interest-bearing deposits in third-party banks, securities available for sale and maturing or prepaying balances in our investment and loan portfolios are our most liquid assets. Other sources of liquidity that are available to us include the sale of loans we hold for investment, the ability to acquire additional national market non-core deposits, borrowings through the Federal Reserve's discount window, federal fund purchases and the issuance of debt or equity securities. In addition, following the failures of SIVB and Signature Bank, the Federal Reserve created a new Bank Term Funding Program ("BTFP") as an additional source of liquidity against high-quality securities, offering loans of up to one year to eligible institutions pledging qualifying assets as collateral. We believe that the sources of available liquidity are adequate to meet our current and reasonably foreseeable future liquidity needs.

At September 30, 2023, our cash and equivalents, which consist of cash and amounts due from banks and interest-bearing deposits in other financial institutions, amounted to \$140.2 million, or 1.8% of total assets, compared to \$63.5 million, or 0.8% of total assets at December 31, 2022. The \$76.7 million, or 120.7%, increase is due to strategic investment securities sales and borrowings. Our available for sale securities at September 30, 2023 were \$1.49 billion, or 18.9% of total assets, compared to \$1.81 billion, or 23.1% of total assets at December 31, 2022. Investment securities with an aggregate fair value of \$116.2 million at September 30, 2023 were pledged to secure public deposits and repurchase agreements.

The liability portion of the balance sheet serves as our primary source of liquidity. Customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. We are also a member of the FHLBNY, from which we can borrow for leverage or liquidity purposes. The FHLBNY requires that securities and qualifying loans be pledged to secure any advances. At September 30, 2023, we had \$4.4 million advances from the FHLBNY and a remaining credit availability of \$1.88 billion. In addition, we maintain borrowing capacity of approximately \$588.1 million with the Federal Reserve's discount window or BTFP that is secured by certain securities from our portfolio which are not pledged for other purposes. Our cash and borrowing capacity totaled \$2.6 billion of immediately available funds, in addition to unpledged securities with two-day availability of \$576.0 million for total liquidity within two-days of \$3.2 billion, which provided coverage for 85% of total uninsured deposits.

The outstanding balance related to borrowings from the BTFP at September 30, 2023 was \$230.0 million, and is recorded in Other borrowings on the consolidated statements of financial condition.

Capital Resources

Total stockholders' equity at September 30, 2023 was \$546.3 million, compared to \$509.0 million at December 31, 2022, an increase of \$37.3 million. The increase was primarily driven by \$65.3 million of net income and a \$3.4 million improvement in accumulated other comprehensive loss due to the tax effected mark-to-market on our securities portfolio, offset by \$9.3 million of dividends, \$7.2 million in stock repurchases, and a \$17.8 million tax effected charge to retained earnings related to the adoption of the CECL standard. We did not elect to utilize the optional three-year phase-in period for the Day 1 adverse regulatory capital effects upon adopting the CECL standard.

On October 5, 2021, we filed a shelf registration statement with the SEC under which we may offer for sale, from time to time, either separately or together in any combination, equity, debt or other securities described in the shelf registration statement. The registration statement expires on October 5, 2024.

We are subject to various regulatory capital requirements administered by federal banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by federal banking regulators that, if undertaken, could have a direct material effect on our financial statements.

Regulatory capital rules adopted in July 2013 and fully phased in as of January 1, 2019, which are referred to as the Basel III rules, impose minimum capital requirements for bank holding companies and banks. The Basel III rules apply to all national and state banks and savings associations regardless of size and bank holding companies and savings and loan holding companies with consolidated assets of more than \$3 billion. In order to avoid restrictions on capital distributions or discretionary bonus payments to executives, a covered banking organization must maintain the fully phased in "capital conservation buffer" of 2.5% on top of its minimum risk-based capital requirements. This buffer must consist solely of common equity Tier 1 risk-based capital, but the buffer applies to all three measurements (common equity Tier 1 risk-based capital, Tier 1 capital and total capital). The capital conservation is equal to 2.5% of risk-weighted assets.

The following table shows the regulatory capital ratios for the Bank and the Company at the dates indicated:

	Actual		For Capital Adequacy Purposes ⁽¹⁾		To Be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(In thousands)</i>						
September 30, 2023						
Consolidated:						
Total capital to risk weighted assets	\$ 766,401	15.28 %	\$ 401,208	8.00 %	N/A	N/A
Tier 1 capital to risk weighted assets	633,166	12.63 %	300,906	6.00 %	N/A	N/A
Tier 1 capital to average assets	633,166	7.89 %	321,014	4.00 %	N/A	N/A
Common equity tier 1 to risk weighted assets	633,166	12.63 %	225,680	4.50 %	N/A	N/A
Bank:						
Total capital to risk weighted assets	\$ 751,113	14.98 %	\$ 401,196	8.00 %	\$ 501,495	10.00 %
Tier I capital to risk weighted assets	688,306	13.73 %	300,897	6.00 %	401,196	8.00 %
Tier I capital to average assets	688,306	8.58 %	321,011	4.00 %	401,264	5.00 %
Common equity tier 1 to risk weighted assets	688,306	13.73 %	225,673	4.50 %	325,972	6.50 %
December 31, 2022						
Consolidated:						
Total capital to risk weighted assets	\$ 721,324	14.87 %	\$ 387,957	8.00 %	N/A	N/A
Tier 1 capital to risk weighted assets	597,022	12.31 %	290,967	6.00 %	N/A	N/A
Tier 1 capital to average assets	597,022	7.52 %	317,738	4.00 %	N/A	N/A
Common equity tier 1 to risk weighted assets	597,022	12.31 %	218,226	4.50 %	N/A	N/A
Bank:						
Total capital to risk weighted assets	\$ 715,458	14.75 %	\$ 388,107	8.00 %	\$ 485,134	10.00 %
Tier 1 capital to risk weighted assets	668,864	13.79 %	291,080	6.00 %	388,107	8.00 %
Tier 1 capital to average assets	668,864	8.44 %	317,111	4.00 %	396,389	5.00 %
Common equity tier 1 to risk weighted assets	668,864	13.79 %	218,310	4.50 %	315,337	6.50 %

(1) Amounts are shown exclusive of the capital conservation buffer of 2.50%.

As of September 30, 2023, the Bank was categorized as “well capitalized” under the prompt corrective action measures and met the capital conservation buffer requirements.

Contractual Obligations

We have entered into contractual obligations in the normal course of business that involve elements of credit risk, interest rate risk and liquidity risk. The following table summarizes these relations as of September 30, 2023:

September 30, 2023	More than 5				
	Total	Less than 1 year	1-3 years	3-5 years	years
<i>(In thousands)</i>					
<i>Subordinated Debt</i>	\$ 70,427	\$ —	\$ —	\$ —	\$ 70,427
<i>Operating Leases</i>	34,918	2,842	31,117	959	—
<i>Purchase Obligations</i>	21,734	4,612	8,672	3,900	4,550
<i>Certificates of Deposit</i>	572,448	216,926	282,418	38,400	34,704
	\$ 699,527	\$ 224,380	\$ 322,207	\$ 43,259	\$ 109,681

Investment Obligations

We are a party to agreements with Pace Funding Group LLC, which operates Home Run Financing, for the purchase of PACE, assessment securities until December 2023. As of September 30, 2023, we had purchased \$662.4 million of these obligations and had an estimated remaining commitment of \$69.3 million. The PACE assessments have equal-lien priority with property taxes and generally rank senior to first lien mortgages. The PACE assessments held in the Company's available for sale and held-to-maturity investment portfolios at September 30, 2023 were \$38.5 million and \$1.07 billion, respectively.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Material changes in our market risk as of September 30, 2023 from that presented in the 2022 Annual Report are described in Part II, Item 1A of this Form 10-Q below. Our interest rate sensitivity position at September 30, 2023 is set forth in the table labeled "Evaluation of Interest Rate Risk" in Management's Discussion and Analysis of Financial Condition and Results of Operation of this Quarterly Report on Form 10-Q and incorporated herein by this reference.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e), as of September 30, 2023. Based on such evaluations, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended September 30, 2023 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

We are subject to certain pending and threatened legal proceedings that arise out of the ordinary course of business. Additionally, we, like all banking organizations, are subject to regulatory examinations and investigations. Based upon management's current knowledge, following consultation with legal counsel, in the opinion of management, there is no pending or threatened legal matter that would result in a material adverse effect on our consolidated financial condition or results of operation, either individually or in the aggregate.

Item 1A. Risk Factors.

Investing in shares of our common stock involves certain risks, including those identified and described in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the SEC on March 9, 2023, as well as cautionary statements contained in this report, including those under the caption "*Cautionary Note Regarding Forward-Looking Statements,*" risks and matters described elsewhere in this report and in our other filings with the SEC.

Material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 are listed below:

Our business may be affected by stress and volatility in the banking sector related to recent bank failures.

The March 10, 2023 failure of Santa Clara, California-based Silicon Valley Bank, and subsequent bank failures in 2023, have generated concerns regarding the overall health and liquidity of the banking sector. The Board of Governors of the Federal Reserve System, Department of Treasury and the FDIC issued a joint statement concerning actions they had taken in response to the bank failures. The Federal Reserve Board announced that it would make available additional funding to eligible depository institutions through the creation of a new Bank Term Funding Program. Despite these actions, concern about the banking sector could continue into the future, which could lead to difficulties in attracting and maintaining deposits and customers. In addition, the FDIC is likely to increase the costs of insurance assessments and impose special assessments on some or all banks in order to replenish the Deposit Insurance Fund, the amounts of which are outside of our control. Any of these events could materially and adversely affect our business, results of operations or financial condition.

We could see increased credit risk due to recent bank failures.

Our net income for the first quarter of 2023 reflected a \$1.2 million impairment charge to provision expense on a SIVB Corporate bond and a \$0.6 million loss related to the sale of a portion of the SIVB Corporate bond. Because the financial system contains many interdependencies, the failures of additional banks and financial institutions that are counterparties to commercial agreements with us could lead to additional credit losses, threaten our investments, and adversely affect our ability to meet our own contractual obligations, originate new loans, invest in securities, or fulfill obligations to customers and depositors. If any of our customers are unable to access deposits or lending arrangements with other financial institutions, they could experience a downgrade in their credit quality or lose their ability to repay their obligations to us. These negative events may cause us to incur losses and may adversely affect our capital, liquidity and financial condition.

We are subject to liquidity risk.

We require liquidity to meet our deposit and debt obligations as they come due. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans are concentrated, difficult credit markets, adverse regulatory or judicial actions against labor unions, political organizations or not-for profits, adverse regulatory actions against us, declines in the value of our investments, and ongoing instability and concerns in the banking sector following recent high-profile bank failures.

Liquidity constraints may require that we sell investment securities at a loss, negatively impacting our net income, earnings, and capital. As of September 30, 2023, our net unrealized losses on available for sale securities totaled \$128.7 million, and our net unrecognized losses on held-to-maturity securities totaled \$204.8 million. Our access to deposits may also be affected by the liquidity needs of our depositors, particularly in an inflationary environment where they may be compelled to withdraw deposits in order to cover rising expenses. As a part of our liquidity management, we must ensure we can respond effectively to potential volatility in our customers' deposit balances. For instance, our political campaigns, PACs, and state and national party committee clients totaled \$951.2 million in deposits as of September 30, 2023 and may increase or decrease their deposit balances

significantly as we approach an election campaign, resulting in short-term volatility in their deposit balances held with us through election cycles. Although we have been able to replace maturing or withdrawn deposits and advances historically as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors or those depositors with a high concentration of deposits sought to withdraw their accounts. We could encounter difficulty meeting a significant deposit outflow which could negatively impact our profitability or reputation. Any long-term decline in deposit funding would adversely affect our liquidity. While we believe our funding sources are adequate to meet any significant unanticipated deposit withdrawal, we may not be able to manage the risk of deposit volatility effectively. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

The recent bank failures caused substantial market disruption that has not yet stabilized, leading to ongoing concerns about the liquidity of the financial services industry. Ongoing destabilization could exacerbate deposit outflows due to concerns that deposits held at the Bank exceed the amount of insurance provided by the FDIC, which provides basic deposit coverage with limits up to \$250,000 per customer. In particular, continuing negative media attention and the rapid spread of rumors, concerns and misinformation on social media could cause panic among investors, depositors, customers and the general public. Deposit outflows could increase if customers with uninsured deposits look for alternative placements for their funds to weather banking sector volatility and instability. Our total estimated uninsured deposits at September 30, 2023 was \$3.8 billion. Our cash and borrowing capacity totaled \$2.6 billion of immediately available funds, in addition to unpledged securities with two-day availability of \$576.0 million for total liquidity within two-days of \$3.2 billion, which provided coverage for 85% of total uninsured deposits. An increase in deposit outflows could require us to seek alternate sources of liquidity to fund our operations and meet withdrawal demands. These alternate sources of liquidity could include higher-cost borrowings (as a result of competition for liquidity and rising interest rates), which could negatively affect our financial performance. Regulators could impose new requirements on banks, which could limit future growth. These changes may be more difficult or expensive than we anticipate.

Shares of our common stock could face volatility due to banking sector uncertainty.

The recent bank failures have negatively impacted the price of securities issued by financial institutions, which underscores the sensitivity of bank holding company public trading prices to generalized concerns about the health of the banking industry as a whole, regardless of the health of a particular institution. Ongoing stress in the banking sector could adversely impact the market price of our common stock and our business, financial condition and results of operations. We cannot predict if investors will find our common stock less attractive as a result of these market stresses. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Fiscal challenges facing the U.S. government could negatively impact the value of investments in GSEs and the financial markets, which in turn could have an adverse effect on our financial position or results of operations.

Fiscal challenges facing the U.S. government, such as the recent downgrade of the sovereign credit ratings of the U.S. by Fitch Ratings, could have an adverse impact on value of investments in GSEs and on the financial markets, interest rates and economic conditions in the U.S. and worldwide. Federal budget deficit concerns and the potential for political conflict over legislation to fund U.S. government operations and raise the U.S. government's debt limit may increase the possibility of a default by the U.S. government on its debt obligations, additional related credit-rating downgrades, or an economic recession in the U.S. A significant portion of our securities portfolio is invested in GSE securities. As a result of uncertain domestic political conditions, including potential future federal government shutdowns or the possibility of the federal government defaulting on its obligations for a period of time, investments in financial instruments issued or guaranteed by the federal government pose liquidity and credit risks.

A debt default or further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could also adversely affect the ability of the U.S. government to support the financial stability of Fannie Mae, Freddie Mac and the FHLB/BNY, with which we do business and in whose securities we invest.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table contains information regarding purchases of our common stock during the three months ended September 30, 2023 by or on behalf of the Company or any “affiliate purchaser” as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period (Settlement Date)	Issuer Purchases of Equity Securities			
	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value that may yet be purchased under plans or programs ⁽²⁾
July 1 through July 31, 2023	120,710	\$ 18.80	112,158	\$ 21,413,458
August 1 through August 31, 2023	26,871	18.56	19,590	\$ 21,042,899
September 1 through September 30, 2023	10,000	17.56	10,000	\$ 20,867,261
Total	157,581	\$ 18.68	141,748	

(1) Includes shares withheld by the Company to pay the costs associated with tax withholdings related to the exercise of stock options and RSU and PSU vesting. There were 7,585 shares withheld for taxes during the quarter.

(2) Effective February 25, 2022, the Company’s Board of Directors approved an increase to the share repurchase program authorizing the repurchase of an aggregate amount up to \$40 million of the Company’s outstanding common stock. The authorization did not require the Company to acquire any specified number of shares and can be suspended or discontinued without prior notice. Under this authorization, \$2.6 million of common stock was purchased during the third quarter of 2023.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

On July 31, 2023, Sean Searby, Executive Vice President, Chief Operations Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 5,500 shares of the Company's common stock, net of shares to be withheld for taxes upon the exercise or vesting of underlying stock awards, with such transactions to occur during sale periods beginning on or after November 6, 2023 and ending on the earlier of October 31, 2024 or the date on which all shares authorized for sale have been sold in conformance with the terms of the arrangement.

On August 14, 2023, Mandy Tenner, Executive Vice President and General Counsel, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 12,155 shares of the Company's common stock, net of shares to be withheld for taxes upon the exercise or vesting of underlying stock awards, with such transactions to occur during sale periods beginning on or after November 13, 2023 and ending on the earlier of November 12, 2024 or the date on which all shares authorized for sale have been sold in conformance with the terms of the arrangement.

Item 6. Exhibits.

Exhibit No.	Description of Exhibit
3.1	<u>Certificate of Incorporation of Amalgamated Financial Corp. (incorporated by reference to Exhibit 3.1 to Amalgamated Financial Corp.'s Current Report on Form 8-K filed with the SEC on March 1, 2021).</u>
3.2	<u>Bylaws of Amalgamated Financial Corp. (incorporated by reference to Exhibit 3.2 to Amalgamated Financial Corp.'s Current Report on Form 8-K filed with the SEC on March 1, 2021).</u>
4.1	Pursuant to Item 601(b)(4)(iii)(A), other instruments that define the rights of holders of the long-term indebtedness of Amalgamated Financial Corp. and its subsidiaries that does not exceed 10% of its consolidated assets have not been filed; however, Amalgamated Financial Corp. agrees to furnish a copy of any such agreement to the SEC upon request.
10.1	<u>Amalgamated Financial Corp. Equity Incentive Plan (incorporated by reference to Annex A of the Amalgamated Financial Corp.'s Definitive Proxy Statement on form DEF 14A filed with the SEC on April 14, 2023).</u>
31.1	<u>Rule 13a-14(a) Certification of the Chief Executive Officer</u>
31.2	<u>Rule 13a-14(a) Certification of the Chief Financial Officer</u>
32.1	<u>Section 1350 Certifications</u>
101	Interactive data files for the Quarterly Report on Form 10-Q of Amalgamated Financial Corp. for the quarter ended September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Financial Condition at September 30, 2023 and December 31, 2022, (ii) Consolidated Statements of Income for the quarters ended September 30, 2023 and 2022, (iii) Consolidated Statements of Comprehensive Income for the quarters ended September 30, 2023 and 2022, (iv) Consolidated Statements of Changes in Shareholders' Equity for the quarters ended September 30, 2023 and 2022, (v) Consolidated Statements of Cash Flows for the quarters ended September 30, 2023 and 2022 and (vi) Notes to Consolidated Financial Statements (unaudited).
104	The cover page of Amalgamated Financial Corp.'s Form 10-Q Report for the quarter ended September 30, 2023, formatted in iXBRL (included with the Exhibit 101 attachments).

SIGNATURES

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

AMALGAMATED FINANCIAL CORP.

November 3, 2023	By: <u>/s/ Priscilla Sims Brown</u> Priscilla Sims Brown President and Chief Executive Officer (Principal Executive Officer)
November 3, 2023	By: <u>/s/ Jason Darby</u> Jason Darby Chief Financial Officer (Principal Financial Officer)
November 3, 2023	By: <u>/s/ Leslie Veluswamy</u> Leslie Veluswamy Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

Rule 13a-14(a) Certification of the Chief Executive Officer

I, Priscilla Sims Brown, certify that:

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

Date: November 3, 2023

/s/ Priscilla Sims Brown

Priscilla Sims Brown, President and Chief Executive Officer

Exhibit 31.2

Rule 13a-14(a) Certification of the Chief Financial Officer

I, Jason Darby, certify that:

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

Date: November 3, 2023

/s/ Jason Darby

Jason Darby, Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amalgamated Financial Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2023 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officers each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to his knowledge:

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

/s/ Priscilla Sims Brown

Priscilla Brown

President and Chief Executive Officer

November 3, 2023

/s/ Jason Darby

Jason Darby

Chief Financial Officer

November 3, 2023