

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 June 30, 2022  
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

85-2757101

(State or other jurisdiction of incorporation or organization)

(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 August 5, 2022, the registrant had 30,688,522 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,” “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:

- our ability to maintain our reputation;
- our ability to attract customers based on shared values or mission alignment;
- inaccuracy of the assumptions and estimates we make and policies that we implement in establishing our allowance for loan losses, including future changes in the allowance for loan losses resulting from the future adoption and implementation of the Current Expected Credit Loss (“CECL”) methodology;
- potential deterioration in the financial condition of borrowers resulting in significant increases in loan losses, provisions for those losses that exceed our current allowance for loan losses and higher loan charge-offs;
- time and effort necessary to resolve nonperforming assets;
- any matter that could cause us to conclude that there was impairment of any asset, including intangible assets;
- limitations on our ability to declare and pay dividends;
- the availability of and access to capital, and our ability to allocate capital prudently, effectively and profitably;
- restrictions or conditions imposed by our regulators on our operations or the operations of banks we acquire may make it more difficult for us to achieve our goals;
- legislative or regulatory changes, including changes in tax laws, accounting standards and compliance requirements, whether of general applicability or specific to us and our subsidiaries;
- the costs, effects and outcomes of litigation, regulatory proceedings, examinations, investigations, or similar matters, or adverse facts and developments related thereto;
- our ability to attract and retain key personnel considering, among other things, competition for experienced employees and executives in the banking industry;
- adverse effects of failures by our vendors to provide agreed upon services in the manner and at the cost agreed, particularly our information technology vendors and those vendors performing a service on our behalf;
- cybersecurity risks and the vulnerability of our network and online banking portals, and the systems of parties with whom we contract, to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches that could adversely affect or disrupt our business and financial performance or reputation;
- the continuing impact of COVID-19 and its variants, on our business, including the impact of the actions taken by governmental authorities to address the impact of the virus on the United States economy and the resulting effect on our operations, liquidity and capital position, and on the financial condition of our borrowers and other customers;
- the composition of our loan portfolio, including any concentration in industries or sectors that may experience unanticipated or anticipated adverse conditions greater than other industries or sectors in the national or local economies in which we operate;
- general economic conditions may be less favorable than expected, including a potential economic recession in the United States as a result of inflation, which could result in, among other things, fluctuations in the values of our assets and liabilities and off-balance sheet exposures, a deterioration in credit quality, a reduction in demand for credit, and a decline in real estate values;

- the general decline in the real estate and lending markets, particularly in our market areas, including the effects of the enactment of or changes to rent-control and other similar regulations on multi-family housing;
- interest rate volatility resulting in fluctuating net interest margins and/or the volumes or values of the loans made or held as well as the value of other financial assets;
- any unanticipated or greater than anticipated adverse conditions (including the possibility of earthquakes, wildfires, and other natural disasters) affecting the markets in which we operate;
- economic, governmental or other factors may affect the projected population, residential and commercial growth in the markets in which we operate;
- war or terrorist activities causing further deterioration in the economy or causing instability in credit markets;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- competitive pressures among depository and other financial institutions, including non-bank financial technology providers, and our ability to attract customers from other financial institutions;
- the outcome of any legal proceedings that may be instituted against us in connection with the termination of the Merger Agreement with Amalgamated Investments Company (“AIC”) and Amalgamated Bank of Chicago (“ABOC”);
- the adverse effects of events beyond our control that may have a destabilizing effect on financial markets and the economy, such as epidemics and pandemics, war or terrorist activities, essential utility outages, deterioration in the global economy, instability in the credit markets, disruptions in our customers’ supply chains or disruption in transportation; 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)

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>	<b>(unaudited)</b>	
Cash and due from banks	\$ 6,075	\$ 8,622
Interest-bearing deposits in banks	326,463	321,863
Total cash and cash equivalents	332,538	330,485
Securities:		
Available for sale, at fair value (amortized cost of \$2,193,657 and 2,103,049, respectively)	2,105,547	2,113,410
Held-to-maturity (fair value of \$1,317,058 and \$849,704, respectively)	1,375,666	843,569
Loans held for sale	5,657	3,279
Loans receivable, net of deferred loan origination costs (fees)	3,648,404	3,312,224
Allowance for loan losses	(39,477)	(35,866)
Loans receivable, net	3,608,927	3,276,358
Resell agreements	225,926	229,018
Accrued interest and dividends receivable	31,001	28,820
Premises and equipment, net	10,870	11,735
Bank-owned life insurance	106,163	107,266
Right-of-use lease asset	31,728	33,115
Deferred tax asset	56,194	26,719
Goodwill	12,936	12,936
Other intangible assets	3,628	4,151
Equity investments	6,271	6,856
Other assets	30,205	50,159
Total assets	<u>\$ 7,943,257</u>	<u>\$ 7,077,876</u>
<b>Liabilities</b>		
Deposits	\$ 7,291,167	\$ 6,356,255
Subordinated debt	83,899	83,831
Operating leases	45,605	48,160
Other liabilities	24,545	25,755
Total liabilities	<u>7,445,216</u>	<u>6,514,001</u>
<b>Stockholders' equity</b>		
Common stock, par value \$0.01 per share (70,000,000 shares authorized; 30,684,246 and 31,130,143 shares issued and outstanding, respectively)	307	311
Additional paid-in capital	286,901	297,975
Retained earnings	288,868	260,047
Accumulated other comprehensive income (loss), net of income taxes	(78,168)	5,409
Total Amalgamated Financial Corp. stockholders' equity	497,908	563,742
Noncontrolling interests	133	133
Total stockholders' equity	<u>498,041</u>	<u>563,875</u>
Total liabilities and stockholders' equity	<u>\$ 7,943,257</u>	<u>\$ 7,077,876</u>

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>INTEREST AND DIVIDEND INCOME</b>				
Loans	\$ 33,766	\$ 30,156	\$ 64,893	\$ 61,265
Securities	24,307	13,094	43,422	25,264
Federal Home Loan Bank of New York stock	45	41	85	89
Interest-bearing deposits in banks	551	131	730	221
Total interest and dividend income	58,669	43,422	109,130	86,839
<b>INTEREST EXPENSE</b>				
Deposits	1,481	1,431	2,883	3,003
Borrowed funds	690	—	1,381	—
Total interest expense	2,171	1,431	4,264	3,003
<b>NET INTEREST INCOME</b>				
Provision for (recovery of) loan losses	2,912	1,682	5,205	(1,579)
Net interest income after provision for loan losses	53,586	40,309	99,661	85,415
<b>NON-INTEREST INCOME</b>				
Trust Department fees	3,479	3,292	6,970	7,118
Service charges on deposit accounts	2,826	2,296	5,273	4,475
Bank-owned life insurance	1,283	531	2,097	1,319
Gain (loss) on sale of securities	(582)	321	(420)	342
Gain (loss) on sale of loans, net	492	720	335	1,426
Gain (loss) on other real estate owned, net	—	(407)	—	(407)
Equity method investments	(638)	(1,555)	(206)	(5,237)
Other	386	129	619	290
Total non-interest income	7,246	5,327	14,668	9,326
<b>NON-INTEREST EXPENSE</b>				
Compensation and employee benefits	18,046	16,964	35,715	35,003
Occupancy and depreciation	3,457	3,352	6,897	6,853
Professional fees	2,745	3,211	5,560	6,871
Data processing	4,327	3,322	9,511	6,327
Office maintenance and depreciation	784	820	1,509	1,475
Amortization of intangible assets	261	302	523	604
Advertising and promotion	761	628	1,615	1,225
Other	3,965	2,796	7,413	5,831
Total non-interest expense	34,346	31,395	68,743	64,189
Income before income taxes	26,486	14,241	45,586	30,552
Income tax expense (benefit)	6,873	3,833	11,808	7,955
Net income	\$ 19,613	\$ 10,408	\$ 33,778	\$ 22,597
Earnings per common share - basic	\$ 0.64	\$ 0.33	\$ 1.09	\$ 0.73
Earnings per common share - diluted	\$ 0.63	\$ 0.33	\$ 1.08	\$ 0.72

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 19,613	\$ 10,408	\$ 33,778	\$ 22,597
<b>Other comprehensive income (loss), net of taxes:</b>				
Change in total obligation for postretirement benefits, prior service credit, and other benefits	59	92	118	(265)
Net unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on securities available for sale	(52,334)	4,055	(116,038)	(1,381)
Reclassification adjustment for losses (gains) realized in income	582	(321)	417	(339)
Accretion of net unrealized loss on securities transferred to held to maturity	209	—	209	—
Net unrealized gains (losses) on securities	(51,543)	3,734	(115,412)	(1,720)
Other comprehensive income (loss), before tax	(51,484)	3,826	(115,294)	(1,985)
Income tax benefit (expense)	14,162	(922)	31,717	524
Total other comprehensive income (loss), net of taxes	(37,322)	2,904	(83,577)	(1,461)
Total comprehensive income (loss), net of taxes	\$ (17,709)	\$ 13,312	\$ (49,799)	\$ 21,136

See accompanying notes to consolidated financial statements (unaudited)

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

**Three Months Ended June 30, 2022**

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>	<b>Noncontrolling Interest</b>	<b>Total Equity</b>
<b>Balance at March 31, 2022</b>	\$ 310	\$ 295,443	\$ 271,722	\$ (40,846)	\$ 526,629	\$ 133	\$ 526,762
Net income	—	—	19,613	—	19,613	—	19,613
Common stock issued	—	296	—	—	296	—	296
Dividends, \$0.08 per share	—	—	(2,467)	—	(2,467)	—	(2,467)
Repurchase of common stock	(5)	(8,787)	—	—	(8,792)	—	(8,792)
Exercise of stock options, net of repurchases	2	(734)	—	—	(732)	—	(732)
Restricted stock unit vesting, net of repurchases	—	(2)	—	—	(2)	—	(2)
Stock-based compensation expense	—	685	—	—	685	—	685
Other comprehensive income (loss), net of taxes	—	—	—	(37,322)	(37,322)	—	(37,322)
<b>Balance at June 30, 2022</b>	<u>\$ 307</u>	<u>\$ 286,901</u>	<u>\$ 288,868</u>	<u>\$ (78,168)</u>	<u>\$ 497,908</u>	<u>\$ 133</u>	<u>\$ 498,041</u>

**Six Months Ended June 30, 2022**

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>	<b>Noncontrolling Interest</b>	<b>Total Equity</b>
<b>Balance at December 31, 2021</b>	\$ 311	\$ 297,975	\$ 260,047	\$ 5,409	\$ 563,742	\$ 133	\$ 563,875
Net income	—	—	33,778	—	33,778	—	33,778
Common stock issued	—	348	—	—	348	—	348
Dividends, \$0.16 per share	—	—	(4,957)	—	(4,957)	—	(4,957)
Repurchase of common stock	(6)	(11,727)	—	—	(11,733)	—	(11,733)
Exercise of stock options, net of repurchases	2	(1,039)	—	—	(1,037)	—	(1,037)
Restricted stock unit vesting, net of repurchases	—	(2)	—	—	(2)	—	(2)
Stock-based compensation expense	—	1,346	—	—	1,346	—	1,346
Other comprehensive income (loss), net of taxes	—	—	—	(83,577)	(83,577)	—	(83,577)
<b>Balance at June 30, 2022</b>	<u>\$ 307</u>	<u>\$ 286,901</u>	<u>\$ 288,868</u>	<u>\$ (78,168)</u>	<u>\$ 497,908</u>	<u>\$ 133</u>	<u>\$ 498,041</u>

See accompanying notes to consolidated financial statements (unaudited)



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

**Three Months Ended June 30, 2021**

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>	<b>Noncontrolling Interest</b>	<b>Total Equity</b>
<b>Balance at March 31, 2021</b>	\$ 312	\$ 300,079	\$ 226,887	\$ 12,811	\$ 540,089	\$ 133	\$ 540,222
Net income	—	—	10,408	—	10,408	—	10,408
Dividends, \$0.08 per share	—	—	(2,526)	—	(2,526)	—	(2,526)
Repurchase of shares	(1)	(2,499)	—	—	(2,500)	—	(2,500)
Exercise of stock options, net of repurchases	—	(463)	—	—	(463)	—	(463)
Stock-based compensation expense	—	166	—	—	166	—	166
Other comprehensive income (loss), net of taxes	—	—	—	2,904	2,904	—	2,904
<b>Balance at June 30, 2021</b>	<u>\$ 311</u>	<u>\$ 297,283</u>	<u>\$ 234,769</u>	<u>\$ 15,715</u>	<u>\$ 548,078</u>	<u>\$ 133</u>	<u>\$ 548,211</u>

**Six Months Ended June 30, 2021**

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>	<b>Noncontrolling Interest</b>	<b>Total Equity</b>
<b>Balance at December 31, 2020</b>	\$ 310	\$ 300,989	\$ 217,213	\$ 17,176	\$ 535,688	\$ 133	\$ 535,821
Net income	—	—	22,597	—	22,597	—	22,597
Dividends, \$0.16 per share	—	—	(5,041)	—	(5,041)	—	(5,041)
Repurchase of shares	(1)	(2,919)	—	—	(2,920)	—	(2,920)
Exercise of stock options, net of repurchases	2	(1,451)	—	—	(1,449)	—	(1,449)
Restricted stock unit vesting, net of repurchases	—	(90)	—	—	(90)	—	(90)
Stock-based compensation expense	—	754	—	—	754	—	754
Other comprehensive income (loss), net of taxes	—	—	—	(1,461)	(1,461)	—	(1,461)
<b>Balance at June 30, 2021</b>	<u>\$ 311</u>	<u>\$ 297,283</u>	<u>\$ 234,769</u>	<u>\$ 15,715</u>	<u>\$ 548,078</u>	<u>\$ 133</u>	<u>\$ 548,211</u>

See accompanying notes to consolidated financial statements (unaudited)

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

	Six Months Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 33,778	\$ 22,597
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,790	1,825
Amortization of intangible assets	523	604
Deferred income tax expense (benefit)	2,242	4,089
Provision for (recovery of) loan losses	5,205	(1,579)
Stock-based compensation expense	1,346	754
Net amortization (accretion) on loan fees, costs, premiums, and discounts	1,025	1,198
Net amortization on securities	2,537	1,779
OTTI loss (gain) recognized in earnings	(3)	3
Net loss (income) from equity method investments	206	5,237
Net loss (gain) on sale of securities available for sale	420	(342)
Net loss (gain) on sale of loans	(335)	(1,426)
Net loss (gain) on sale of other real estate owned	—	407
Net (gain) on redemption of bank-owned life insurance	(1,094)	(266)
Proceeds from sales of loans held for sale	10,919	81,870
Originations of loans held for sale	(4,831)	(77,526)
Decrease (increase) in cash surrender value of bank-owned life insurance	(1,003)	(1,053)
Decrease (increase) in accrued interest and dividends receivable	(2,181)	1,322
Decrease (increase) in other assets <sup>(1)</sup>	21,128	(720)
Increase (decrease) in accrued expenses and other liabilities <sup>(2)</sup>	(3,579)	(14,057)
Net cash provided by operating activities	<u>68,093</u>	<u>24,716</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease (increase) in loans	(346,930)	310,268
Purchase of securities available for sale	(623,371)	(563,204)
Purchase of securities held to maturity	(358,776)	(176,669)
Proceeds from sales of securities available for sale	35,951	62,883
Maturities, principal payments and redemptions of securities available for sale	224,026	228,905
Maturities, principal payments and redemptions of securities held to maturity	79,570	44,604
Decrease (increase) in resell agreements	3,092	13,128
Decrease (increase) in equity method investments	379	427
Decrease (increase) of FHLBNY stock, net	213	214
Purchases of premises and equipment	(925)	(1,724)
Proceeds from redemption of bank-owned life insurance	3,200	1,010
Proceeds from sale of other real estate owned	—	2,275
Net cash (used in) provided by investing activities	<u>(983,571)</u>	<u>(77,883)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in deposits	934,912	571,281
Issuance of common stock	348	—
Repurchase of shares	(11,733)	(2,920)
Dividends paid	(4,957)	(4,979)

Exercise of stock options, net of repurchases	(1,037)	(1,449)
Restricted stock unit vesting, net of repurchases	(2)	(90)
Net cash provided by financing activities	<u>917,531</u>	<u>561,843</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	2,053	508,676
Cash, cash equivalents, and restricted cash at beginning of year	<u>330,485</u>	<u>38,769</u>
Cash, cash equivalents, and restricted cash at end period	<u>\$ 332,538</u>	<u>\$ 547,445</u>
Supplemental disclosures of cash flow information:		
Interest paid during the period	\$ 4,278	\$ 3,113
Income taxes paid during the period	602	2,285
Supplemental non-cash investing activities:		
Loans transferred to held-for-sale	8,140	—
Loans transferred to other real estate owned	—	2,682
Purchase (sale) of securities available for sale, net not settled	—	27,000
Securities available-for-sale transferred to held-to-maturity	260,112	—

(1) Includes \$1.4 million and \$1.0 million of right of use asset amortization for the respective periods

(2) Includes \$1.8 million and \$0.7 million accretion of operating lease liabilities for the respective periods

See accompanying notes to consolidated financial statements (unaudited)

## **Notes to Consolidated Financial Statements (unaudited)**

**June 30, 2022 and 2021 and December 31, 2021**

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### **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 include the accounts of the Company, its wholly-owned subsidiaries and its majority-owned subsidiaries and have been prepared in accordance with instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with GAAP. 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. A more detailed description of our accounting policies is included in the Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Annual Report”). There have been no significant changes to our accounting policies, or the estimates made pursuant to those policies as described in our 2021 Annual Report. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes appearing in the 2021 Annual Report.

#### **Reclassifications**

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

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 2. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The Company records unrealized gains and losses, net of taxes, on securities available for sale in other comprehensive income (loss) in the Consolidated Statements of Changes in Stockholders' Equity. Gains and losses on securities available for sale are reclassified to operations as the gains or losses are recognized. Other-than-temporary impairment ("OTTI") losses on debt securities are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income (loss). The Company also recognizes as a component of other comprehensive income (loss) the actuarial gains or losses as well as the prior service costs or credits that arise during the period from post-retirement benefit plans.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<i>(In thousands)</i>				
Change in obligation for postretirement benefits and for prior service credit	\$ 51	\$ 52	\$ 102	\$ 106
Change in obligation for other benefits	8	40	16	(371)
Change in total obligation for postretirement benefits and for prior service credit and for other benefits	59	92	118	(265)
Income tax effect	(16)	98	(32)	55
Net change in total obligation for postretirement benefits and prior service credit and for other benefits	43	190	86	(210)
Unrealized holding gains (losses) on available for sale securities	(52,334)	\$ 4,055	(116,038)	\$ (1,381)
Reclassification adjustment for losses (gains) realized in income	582	(321)	417	(339)
Change in unrealized gains (losses) on available for sale securities	(51,752)	3,734	(115,621)	(1,720)
Accretion of net unrealized loss on securities transferred to held to maturity	209	—	209	—
Income tax effect	14,178	(1,020)	31,749	469
Net change in unrealized gains (losses) on securities	(37,365)	2,714	(83,663)	(1,251)
<b>Total</b>	<b>\$ (37,322)</b>	<b>\$ 2,904</b>	<b>\$ (83,577)</b>	<b>\$ (1,461)</b>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

The following represents the reclassifications out of accumulated other comprehensive income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,		Affected Line Item in the Consolidated Statements of Income
	2022	2021	2022	2021	
<i>(In thousands)</i>					
Realized gains (losses) on sale of available for sale securities	\$ (582)	\$ 321	\$ (420)	\$ 342	Gain (loss) on sale of securities
Recognized gains (losses) on OTTI securities	—	—	3	(3)	Non-Interest Income - other
Accretion of net unrealized loss on securities transferred to held to maturity	209	—	209	—	Interest and dividend income - securities
Income tax expense (benefit)	(100)	88	(54)	93	Income tax expense (benefit)
Total reclassifications, net of income tax	<u>\$ (273)</u>	<u>\$ 233</u>	<u>\$ (154)</u>	<u>\$ 246</u>	
Prior service credit on pension plans and other postretirement benefits	\$ 7	\$ 7	\$ 14	\$ 14	Compensation and employee benefits
Income tax expense (benefit)	(2)	(2)	(4)	(4)	Income tax expense (benefit)
Total reclassifications, net of income tax	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 10</u>	<u>\$ 10</u>	
Total reclassifications, net of income tax	<u>\$ (268)</u>	<u>\$ 238</u>	<u>\$ (144)</u>	<u>\$ 256</u>	

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 3. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale and held to maturity as of June 30, 2022 are as follows:

	June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>				
<b>Available for sale:</b>				
Mortgage-related:				
GSE residential certificates	\$ 3,260	\$ —	\$ (123)	\$ 3,137
GSE residential CMOs	498,508	477	(22,748)	476,237
GSE commercial certificates & CMO	314,249	145	(4,360)	310,034
Non-GSE residential certificates	130,690	—	(10,548)	120,142
Non-GSE commercial certificates	115,068	—	(7,228)	107,840
	<u>1,061,775</u>	<u>622</u>	<u>(45,007)</u>	<u>1,017,390</u>
Other debt:				
U.S. Treasury	199	—	(5)	194
ABS	958,114	23	(31,184)	926,953
Trust preferred	14,634	—	(1,133)	13,501
Corporate	158,935	—	(11,426)	147,509
	<u>1,131,882</u>	<u>23</u>	<u>(43,748)</u>	<u>1,088,157</u>
Total available for sale	<u>\$ 2,193,657</u>	<u>\$ 645</u>	<u>\$ (88,755)</u>	<u>\$ 2,105,547</u>
<b>Held to maturity:</b>				
Mortgage-related:				
GSE CMOs	\$ 73,842	\$ 29	\$ (89)	\$ 73,782
GSE commercial certificates	80,742	141	(5,445)	75,438
GSE residential certificates	435	—	(7)	428
Non GSE commercial certificates	32,601	—	(1,784)	30,817
Non GSE residential certificates	52,892	—	(2,824)	50,068
	<u>240,512</u>	<u>170</u>	<u>(10,149)</u>	<u>230,533</u>
Other debt:				
ABS	294,596	73	(6,786)	287,883
Commercial PACE	212,180	—	(8,528)	203,652
Residential PACE	529,966	—	(21,414)	508,552
Municipal	96,412	233	(12,201)	84,444
Other	2,000	—	(6)	1,994
	<u>1,135,154</u>	<u>306</u>	<u>(48,935)</u>	<u>1,086,525</u>
Total held to maturity	<u>\$ 1,375,666</u>	<u>\$ 476</u>	<u>\$ (59,084)</u>	<u>\$ 1,317,058</u>

As of June 30, 2022, available for sale securities with a fair value of \$830.6 million were pledged with \$319.7 million held-to-maturity securities being pledged. The majority of the securities were pledged to the Federal Home Loan Bank of New York

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

("FHLB") to secure outstanding advances, letters of credit and to provide additional borrowing potential. In addition, securities were pledged to provide capacity to borrow from the Federal Reserve Bank and to collateralize municipal deposits.

The amortized cost and fair value of investment securities available for sale and held to maturity as of December 31, 2021 are as follows:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>				
<b>Available for sale:</b>				
Mortgage-related:				
GSE residential certificates	\$ 3,838	\$ 129	\$ —	\$ 3,967
GSE residential CMOs	460,571	5,697	(2,385)	463,883
GSE commercial certificates & CMO	364,274	6,855	(765)	370,364
Non-GSE residential certificates	66,756	29	(646)	66,139
Non-GSE commercial certificates	81,705	12	(616)	81,101
	<u>977,144</u>	<u>12,722</u>	<u>(4,412)</u>	<u>985,454</u>
Other debt:				
U.S. Treasury	200	—	—	200
ABS	988,061	3,351	(2,224)	989,188
Trust preferred	14,631	—	(484)	14,147
Corporate	123,013	1,681	(273)	124,421
	<u>1,125,905</u>	<u>5,032</u>	<u>(2,981)</u>	<u>1,127,956</u>
Total available for sale	<u>\$ 2,103,049</u>	<u>\$ 17,754</u>	<u>\$ (7,393)</u>	<u>\$ 2,113,410</u>
<b>Held to maturity:</b>				
Mortgage-related:				
GSE commercial certificates	\$ 30,742	\$ —	\$ (489)	\$ 30,253
GSE residential certificates	442	19	—	461
Non GSE commercial certificates	10,333	13	(288)	10,058
Non GSE residential certificates	10,796	5	—	10,801
	<u>52,313</u>	<u>37</u>	<u>(777)</u>	<u>51,573</u>
Other debt:				
ABS	75,800	1	(50)	75,751
PACE	627,394	5,933	—	633,327
Municipal	84,962	2,045	(1,056)	85,951
Other	3,100	2	—	3,102
	<u>791,256</u>	<u>7,981</u>	<u>(1,106)</u>	<u>798,131</u>
Total held to maturity	<u>\$ 843,569</u>	<u>\$ 8,018</u>	<u>\$ (1,883)</u>	<u>\$ 849,704</u>

The Company reassessed the classification of certain investments during the three months ended June 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 or six months ended June 30, 2021.



## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

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 June 30, 2022. 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	\$ —	\$ —	\$ 2,000	\$ 1,994
Due after one year through five years	104,445	97,688	9,410	9,283
Due after five years through ten years	456,022	443,596	6,997	6,952
Due after ten years	571,415	546,873	1,116,747	1,068,296
	<u>\$ 1,131,882</u>	<u>\$ 1,088,157</u>	<u>\$ 1,135,154</u>	<u>\$ 1,086,525</u>

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

	Three Months Ended,		Six Months Ended,	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<i>(In thousands)</i>				
Proceeds	<u>\$ 35,789</u>	<u>\$ 48,345</u>	<u>\$ 35,951</u>	<u>\$ 62,883</u>
Realized gains	\$ —	\$ 490	\$ 162	\$ 562
Realized losses	(582)	(169)	(582)	(220)
Net realized gains (losses)	<u>\$ (582)</u>	<u>\$ 321</u>	<u>\$ (420)</u>	<u>\$ 342</u>

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 LTV PACE Bonds and a significant portion of the 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”).

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

The following summarizes the fair value and unrealized losses for those available for sale and held to maturity securities as of June 30, 2022 and December 31, 2021, respectively, segregated between securities that have been in an unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve months or longer at the respective dates:

	June 30, 2022					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(In thousands)</i>						
<b>Available for sale:</b>						
Mortgage-related:						
GSE residential certificates	\$ 3,137	\$ (123)	\$ —	\$ —	\$ 3,137	\$ (123)
GSE residential CMOs	288,774	(12,940)	113,695	(9,808)	402,469	(22,748)
GSE commercial certificates & CMO	96,499	(2,981)	86,999	(1,379)	183,498	(4,360)
Non-GSE residential certificates	94,796	(7,471)	25,346	(3,077)	120,142	(10,548)
Non-GSE commercial certificates	92,746	(6,259)	15,017	(969)	107,763	(7,228)
Other debt:						
US Treasury	194	(5)	—	—	194	(5)
ABS	771,008	(23,367)	148,131	(7,817)	919,139	(31,184)
Trust preferred	—	—	13,501	(1,133)	13,501	(1,133)
Corporate	137,539	(10,396)	9,970	(1,030)	147,509	(11,426)
Total available for sale	<u>\$ 1,484,693</u>	<u>\$ (63,542)</u>	<u>\$ 412,659</u>	<u>\$ (25,213)</u>	<u>\$ 1,897,352</u>	<u>\$ (88,755)</u>
<b>Held to maturity:</b>						
Mortgage-related:						
GSE CMOs	\$ 52,217	\$ (89)	\$ —	\$ —	\$ 52,217	\$ (89)
GSE commercial certificates	30,340	(3,124)	17,688	(2,321)	48,028	(5,445)
GSE residential certificates	428	(7)	—	—	428	(7)
Non GSE commercial certificates	11,489	(181)	19,166	(1,603)	30,655	(1,784)
Non GSE residential certificates	50,068	(2,824)	—	—	50,068	(2,824)
Other debt:						
ABS	257,471	(6,398)	15,523	(388)	272,994	(6,786)
Commercial PACE	203,652	(8,528)	—	—	203,652	(8,528)
Residential PACE	508,552	(21,414)	—	—	508,552	(21,414)
Municipal	57,602	(8,397)	11,024	(3,804)	68,626	(12,201)
Other	1,994	(6)	—	—	1,994	(6)
Total held to maturity	<u>\$ 1,173,813</u>	<u>\$ (50,968)</u>	<u>\$ 63,401</u>	<u>\$ (8,116)</u>	<u>\$ 1,237,214</u>	<u>\$ (59,084)</u>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

	December 31, 2021					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(In thousands)</i>						
<b>Available for sale:</b>						
Mortgage-related:						
GSE residential CMOs	\$ 222,825	\$ (2,385)	\$ —	\$ —	\$ 222,825	\$ (2,385)
GSE commercial certificates & CMO	28,695	(271)	159,681	(494)	188,376	(765)
Non-GSE residential certificates	55,284	(646)	—	—	55,284	(646)
Non-GSE commercial certificates	42,530	(247)	23,124	(369)	65,654	(616)
Other debt:						
ABS	374,241	(1,903)	71,746	(321)	445,987	(2,224)
Trust preferred	—	—	14,147	(484)	14,147	(484)
Corporate	48,743	(273)	—	—	48,743	(273)
Total available for sale	<u>\$ 772,318</u>	<u>\$ (5,725)</u>	<u>\$ 268,698</u>	<u>\$ (1,668)</u>	<u>\$ 1,041,016</u>	<u>\$ (7,393)</u>
<b>Held to maturity:</b>						
Mortgage-related:						
GSE commercial certificates	\$ 30,253	\$ (489)	\$ —	\$ —	\$ 30,253	\$ (489)
Non GSE commercial certificates	9,857	(288)	—	—	9,857	(288)
Other debt:						
ABS	26,951	(50)	—	—	26,951	(50)
Municipal	38,468	(852)	3,876	(204)	42,344	(1,056)
Total held to maturity	<u>\$ 105,529</u>	<u>\$ (1,679)</u>	<u>\$ 3,876</u>	<u>\$ (204)</u>	<u>\$ 109,405</u>	<u>\$ (1,883)</u>

The temporary impairment of fixed income securities is primarily attributable to changes in overall market interest rates and/or changes in credit spreads since the investments were acquired. In general, as market interest rates rise and/or credit spreads widen, the fair value of fixed rate securities will decrease, as market interest rates fall and/or credit spreads tighten, the fair value of fixed rate securities will increase. Management considers that the temporary impairment of the Company's investments in trust preferred securities ("TruPs") as of June 30, 2022 is primarily due to a widening of credit spreads since the time these investments were acquired, as well as market uncertainty for this class of investments. All of the TruPs were rated investment grade by not less than three nationally recognized statistical rating organization's ("NRSROs"). All of the issues are current as to their dividend payments and management is not aware of a decision of any trust preferred issuer to exercise its option to defer dividend payments.

As of June 30, 2022, excluding GSE and U.S. Treasury securities and TruPs, discussed above, temporarily impaired securities totaled \$2.5 billion with an unrealized loss of \$124.1 million. With the exception of PACE securities, which are generally not rated, these securities were rated investment grade by at least one NRSRO with no ratings below investment grade. All issues were current as to their interest payments. We have had insignificant losses on PACE bonds that we have invested in and are not aware of any significant losses in the sector given the low LTV position and the superior lien position on the property. Management considers that the temporary impairment of these investments as of June 30, 2022 is primarily due to an increase in interest rates since the time these investments were acquired.

With respect to the Company's security investments that are temporarily impaired as of June 30, 2022, management does not intend to sell these investments and does not believe it will be necessary to do so before anticipated recovery. The Company expects to collect all amounts due according to the contractual terms of these investments. Therefore, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2022. None of these positions or other securities held in the portfolio or sold during the year were purchased with the intent of selling them or would otherwise be classified as trading securities under ASC No. 320, Investments – Debt Securities.

During the three months ended June 30, 2022 and June 30, 2021, the Company recaptured no OTTI. For the six months ended

## **Notes to Consolidated Financial Statements (unaudited)**

**June 30, 2022 and 2021 and December 31, 2021**

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June 30, 2022, the Company recorded \$3.1 thousand OTTI, compared to a \$2.7 thousand recapture of OTTI for the same period in 2021.

Events which may cause material declines in the fair value of debt investments may include, but are not limited to, deterioration of credit metrics, higher incidences of default, worsening liquidity, worsening global or domestic economic conditions or adverse regulatory action. Management does not believe that there are any cases of unrecorded OTTI as of June 30, 2022; however, it is possible that the Company may recognize OTTI in future periods.

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 4. LOANS RECEIVABLE, NET

Loans receivable are summarized as follows:

	June 30, 2022	December 31, 2021
<i>(In thousands)</i>		
Commercial and industrial	\$ 743,403	\$ 729,385
Multifamily	853,514	821,801
Commercial real estate	340,987	369,429
Construction and land development	43,212	31,539
Total commercial portfolio	1,981,116	1,952,154
Residential real estate lending	1,236,088	1,063,682
Consumer and other	426,394	291,818
Total retail portfolio	1,662,482	1,355,500
Total loans receivable	3,643,598	3,307,654
Net deferred loan origination costs (fees)	4,806	4,570
Total loans receivable, net of deferred loan origination costs (fees)	3,648,404	3,312,224
Allowance for loan losses	(39,477)	(35,866)
Total loans receivable, net	<u>\$ 3,608,927</u>	<u>\$ 3,276,358</u>

The following table presents information regarding the quality of the Company's loans as of June 30, 2022:

	30-89 Days Past Due	Non- Accrual	90 Days or More Delinquent and Still Accruing Interest	Total Past Due	Current and Not Accruing Interest	Current	Total Loans Receivable
<i>(In thousands)</i>							
Commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ 9,550	\$ 733,853	\$ 743,403
Multifamily	—	3,494	—	3,494	—	850,020	853,514
Commercial real estate	3,987	3,033	—	7,020	898	333,069	340,987
Construction and land development	—	5,053	—	5,053	—	38,159	43,212
Total commercial portfolio	3,987	11,580	—	15,567	10,448	1,955,101	1,981,116
Residential real estate lending	1,664	898	—	2,562	—	1,233,526	1,236,088
Consumer and other	2,656	1,471	—	4,127	—	422,267	426,394
Total retail portfolio	4,320	2,369	—	6,689	—	1,655,793	1,662,482
	<u>\$ 8,307</u>	<u>\$ 13,949</u>	<u>\$ —</u>	<u>\$ 22,256</u>	<u>\$ 10,448</u>	<u>\$3,610,894</u>	<u>\$3,643,598</u>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

The following table presents information regarding the quality of the Company's loans as of December 31, 2021:

	30-89 Days Past Due	Non- Accrual	90 Days or More Delinquent and Still Accruing Interest	Total Past Due	Current and Not Accruing Interest	Current	Total Loans Receivable
<i>(In thousands)</i>							
Commercial and industrial	\$ —	\$ 8,313	\$ —	\$ 8,313	\$ —	\$ 721,072	\$ 729,385
Multifamily	13,537	2,907	—	16,444	—	805,357	821,801
Commercial real estate	21,599	4,054	—	25,653	—	343,776	369,429
Construction and land development	26,482	—	—	26,482	—	5,057	31,539
Total commercial portfolio	61,618	15,274	—	76,892	—	1,875,262	1,952,154
Residential real estate lending	4,811	12,525	—	17,336	—	1,046,346	1,063,682
Consumer and other	1,590	420	—	2,010	—	289,808	291,818
Total retail portfolio	6,401	12,945	—	19,346	—	1,336,154	1,355,500
Total	\$ 68,019	\$ 28,219	\$ —	\$ 96,238	\$ —	\$ 3,211,416	\$ 3,307,654

For a loan modification to be considered a troubled debt restructuring ("TDR") in accordance with ASC 310-40, both of the following conditions must be met: the borrower is experiencing financial difficulty, and the creditor has granted a concession (except for an "insignificant delay in payment", defined as six months or less). Loans modified as TDRs are placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate performance according to the restructured terms for a period of at least six months. The Company's TDRs primarily involve rate reductions, forbearance of arrears or extension of maturity. TDRs are included in total impaired loans as of the respective date.

The following table presents information regarding the Company's TDRs as of June 30, 2022 and December 31, 2021:

	June 30, 2022			December 31, 2021		
	Accruing	Non- Accrual	Total	Accruing	Non- Accrual	Total
<i>(In thousands)</i>						
Commercial and industrial	\$ 10,113	\$ 7,804	\$ 17,917	\$ 4,052	\$ 8,313	\$ 12,365
Multifamily	10,483	—	10,483	—	—	—
Commercial real estate	—	3,033	3,033	—	3,166	3,166
Construction and land development	2,424	5,053	7,477	7,476	—	7,476
Residential real estate lending	12,663	398	13,061	13,469	2,018	15,487
	\$ 35,683	\$ 16,288	\$ 51,971	\$ 24,997	\$ 13,497	\$ 38,494

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

The following tables present loans that were classified as TDRs during the three and six months ended June 30, 2022 and 2021. The pre-modification balances represent the recorded investment immediately prior to the modification, and the post-modification balances represent the recorded investment as of the dates indicated.

	Three Months Ended June 30, 2022			Three Months Ended June 30, 2021		
	Number of Loans	Pre- Modification Balance	Post- Modification Balance	Number of Loans	Pre- Modification Balance	Post- Modification Balance
<i>(In thousands)</i>						
Commercial and industrial	2	\$ 6,435	\$ 6,435	—	\$ —	\$ —
Construction and land development	—	—	—	1	2,779	2,779
Total loans	2	\$ 6,435	\$ 6,435	1	\$ 2,779	\$ 2,779

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	Number of Loans	Pre- Modification Balance	Post- Modification Balance	Number of Loans	Pre- Modification Balance	Post- Modification Balance
<i>(In thousands)</i>						
Commercial and industrial	2	\$ 6,435	\$ 6,435	—	\$ —	\$ —
Commercial real estate	2	10,000	10,483	—	—	—
Construction and land development	—	—	—	1	2,779	2,779
Total loans	4	\$ 16,435	\$ 16,918	1	\$ 2,779	\$ 2,779

The following tables summarize the Company's loan portfolio by credit quality indicator as of June 30, 2022:

<i>(In thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	\$ 710,534	\$ 7,923	\$ 24,946	\$ —	\$ 743,403
Multifamily	800,167	25,433	27,914	—	853,514
Commercial real estate	301,243	20,966	18,778	—	340,987
Construction and land development	35,736	—	7,476	—	43,212
Residential real estate lending	1,235,190	—	898	—	1,236,088
Consumer and other	424,923	—	1,471	—	426,394
Total loans	\$ 3,507,793	\$ 54,322	\$ 81,483	\$ —	\$ 3,643,598

The following tables summarize the Company's loan portfolio by credit quality indicator as of December 31, 2021:

<i>(In thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	\$ 693,312	\$ 10,165	\$ 25,908	\$ —	\$ 729,385
Multifamily	721,869	48,804	51,128	—	821,801
Commercial real estate	295,261	13,947	60,221	—	369,429
Construction and land development	24,063	—	7,476	—	31,539
Residential real estate lending	1,050,865	292	12,525	—	1,063,682
Consumer and other	291,398	—	420	—	291,818
Total loans	\$ 3,076,768	\$ 73,208	\$ 157,678	\$ —	\$ 3,307,654

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

The above 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 table provides information regarding the methods used to evaluate the Company's loans for impairment by portfolio, and the Company's allowance by portfolio based upon the method of evaluating loan impairment as of June 30, 2022:

<i>(In thousands)</i>	<b>Commercial and Industrial</b>	<b>Multifamily</b>	<b>Commercial Real Estate</b>	<b>Construction and Land Development</b>	<b>Residential Real Estate Lending</b>	<b>Consumer and Other</b>	<b>Total</b>
Loans:							
Individually evaluated for impairment	\$ 21,134	\$ 13,977	\$ 3,931	\$ 7,477	\$ 13,561	\$ —	\$ 60,080
Collectively evaluated for impairment	722,269	839,537	337,056	35,735	1,222,527	426,394	3,583,518
Total loans	<u>\$ 743,403</u>	<u>\$ 853,514</u>	<u>\$ 340,987</u>	<u>\$ 43,212</u>	<u>\$ 1,236,088</u>	<u>\$ 426,394</u>	<u>\$ 3,643,598</u>
Allowance for loan losses:							
Individually evaluated for impairment	\$ 5,309	\$ 179	\$ —	\$ —	\$ 590	\$ —	\$ 6,078
Collectively evaluated for impairment	9,308	4,218	5,726	709	9,714	3,724	33,399
Total allowance for loan losses	<u>\$ 14,617</u>	<u>\$ 4,397</u>	<u>\$ 5,726</u>	<u>\$ 709</u>	<u>\$ 10,304</u>	<u>\$ 3,724</u>	<u>\$ 39,477</u>



## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

The following table provides information regarding the methods used to evaluate the Company's loans for impairment by portfolio, and the Company's allowance by portfolio based upon the method of evaluating loan impairment as of December 31, 2021:

<i>(In thousands)</i>	<b>Commercial and Industrial</b>	<b>Multifamily</b>	<b>Commercial Real Estate</b>	<b>Construction and Land Development</b>	<b>Residential Real Estate Lending</b>	<b>Consumer and Other</b>	<b>Total</b>
Loans:							
Individually evaluated for impairment	\$ 12,785	\$ 2,907	\$ 4,054	\$ 7,476	\$ 25,994	\$ —	\$ 53,216
Collectively evaluated for impairment	716,600	818,894	365,375	24,063	1,037,688	291,818	3,254,438
<b>Total loans</b>	<b>\$ 729,385</b>	<b>\$ 821,801</b>	<b>\$ 369,429</b>	<b>\$ 31,539</b>	<b>\$1,063,682</b>	<b>\$ 291,818</b>	<b>\$3,307,654</b>
Allowance for loan losses:							
Individually evaluated for impairment	\$ 4,350	\$ —	\$ —	\$ —	\$ 755	\$ —	\$ 5,105
Collectively evaluated for impairment	6,302	4,760	7,273	405	8,253	3,768	30,761
<b>Total allowance for loan losses</b>	<b>\$ 10,652</b>	<b>\$ 4,760</b>	<b>\$ 7,273</b>	<b>\$ 405</b>	<b>\$ 9,008</b>	<b>\$ 3,768</b>	<b>\$ 35,866</b>

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

<i>(In thousands)</i>	<b>Commercial and Industrial</b>	<b>Multifamily</b>	<b>Commercial Real Estate</b>	<b>Construction and Land Development</b>	<b>Residential Real Estate Lending</b>	<b>Consumer and Other</b>	<b>Total</b>
Allowance for loan losses:							
Beginning balance	\$ 12,169	\$ 4,232	\$ 6,840	\$ 654	\$ 9,336	\$ 4,311	\$ 37,542
Provision for (recovery of) loan losses	2,442	165	(1,114)	54	1,076	289	2,912
Charge-offs	—	—	—	—	(782)	(995)	(1,777)
Recoveries	6	—	—	1	674	119	800
<b>Ending Balance</b>	<b>\$ 14,617</b>	<b>\$ 4,397</b>	<b>\$ 5,726</b>	<b>\$ 709</b>	<b>\$ 10,304</b>	<b>\$ 3,724</b>	<b>\$ 39,477</b>

The activities in the allowance by portfolio for the three months ended June 30, 2021 are as follows:

<i>(In thousands)</i>	<b>Commercial and Industrial</b>	<b>Multifamily</b>	<b>Commercial Real Estate</b>	<b>Construction and Land Development</b>	<b>Residential Real Estate Lending</b>	<b>Consumer and Other</b>	<b>Total</b>
Allowance for loan losses:							
Beginning balance	\$ 8,692	\$ 6,125	\$ 8,464	\$ 1,391	\$ 10,747	\$ 1,243	\$ 36,662
Provision for (recovery of) loan losses	3,397	(453)	(76)	58	(1,446)	202	1,682
Charge-offs	—	—	—	—	(60)	(836)	(896)
Recoveries	3	—	—	—	544	17	564
<b>Ending Balance</b>	<b>\$ 12,092</b>	<b>\$ 5,672</b>	<b>\$ 8,388</b>	<b>\$ 1,449</b>	<b>\$ 9,785</b>	<b>\$ 626</b>	<b>\$ 38,012</b>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

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

<i>(In thousands)</i>	<b>Commercial and Industrial</b>	<b>Multifamily</b>	<b>Commercial Real Estate</b>	<b>Construction and Land Development</b>	<b>Residential Real Estate Lending</b>	<b>Consumer and Other</b>	<b>Total</b>
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	3,953	53	(1,547)	302	792	1,652	5,205
Charge-offs	—	(416)	—	—	(821)	(1,863)	(3,100)
Recoveries	12	—	—	2	1,325	167	1,506
Ending Balance	<u>\$ 14,617</u>	<u>\$ 4,397</u>	<u>\$ 5,726</u>	<u>\$ 709</u>	<u>\$ 10,304</u>	<u>\$ 3,724</u>	<u>\$ 39,477</u>

The activities in the allowance by portfolio for the six months ended June 30, 2021 are as follows:

<i>(In thousands)</i>	<b>Commercial and Industrial</b>	<b>Multifamily</b>	<b>Commercial Real Estate</b>	<b>Construction and Land Development</b>	<b>Residential Real Estate Lending</b>	<b>Consumer and Other</b>	<b>Total</b>
Allowance for loan losses:							
Beginning balance	\$ 9,065	\$ 10,324	\$ 6,213	\$ 2,077	\$ 12,330	\$ 1,580	\$ 41,589
Provision for (recovery of) loan losses	2,820	(2,744)	2,175	(629)	(3,383)	182	(1,579)
Charge-offs	—	(1,908)	—	—	(201)	(1,176)	(3,285)
Recoveries	207	—	—	1	1,039	40	1,287
Ending Balance	<u>\$ 12,092</u>	<u>\$ 5,672</u>	<u>\$ 8,388</u>	<u>\$ 1,449</u>	<u>\$ 9,785</u>	<u>\$ 626</u>	<u>\$ 38,012</u>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

The following is additional information regarding the Company's individually impaired loans and the allowance related to such loans as of and for the year ended June 30, 2022 and December 31, 2021:

	June 30, 2022			
	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
<i>(In thousands)</i>				
Loans without a related allowance:				
Residential real estate lending	\$ 485	\$ 3,018	\$ 2,689	\$ —
Construction and land development	7,477	7,477	7,476	—
Commercial real estate	3,931	3,960	4,997	—
	<u>11,893</u>	<u>14,455</u>	<u>25,809</u>	<u>—</u>
Loans with a related allowance:				
Residential real estate lending	13,076	13,783	15,747	590
Multifamily	13,977	13,999	14,141	179
Commercial and industrial	21,134	16,905	21,834	5,309
	<u>48,187</u>	<u>44,687</u>	<u>51,722</u>	<u>6,078</u>
Total individually impaired loans:				
Residential real estate lending	13,561	16,801	18,436	590
Multifamily	13,977	13,999	24,788	179
Construction and land development	7,477	7,477	7,476	—
Commercial real estate	3,931	3,960	4,997	—
Commercial and industrial	21,134	16,905	21,834	5,309
	<u>\$ 60,080</u>	<u>\$ 59,142</u>	<u>\$ 77,531</u>	<u>\$ 6,078</u>

	December 31, 2021			
	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
<i>(In thousands)</i>				
Loans without a related allowance:				
Residential real estate lending	\$ 10,507	\$ 15,666	\$ 11,896	\$ —
Construction and land development	7,476	9,330	7,476	—
Commercial real estate	4,054	3,744	4,953	—
	<u>22,037</u>	<u>28,740</u>	<u>24,325</u>	<u>—</u>
Loans with a related allowance:				
Residential real estate lending	15,487	18,120	19,306	755
Multifamily	2,907	6,241	8,024	—
Commercial and industrial	12,785	13,746	13,207	4,350
	<u>31,179</u>	<u>38,107</u>	<u>40,537</u>	<u>5,105</u>
Total individually impaired loans:				
Residential real estate lending	25,994	33,786	31,202	755
Multifamily	2,907	6,241	8,024	—
Construction and land development	7,476	9,330	7,476	—
Commercial real estate	4,054	3,744	4,953	—
Commercial and industrial	12,785	13,746	13,207	4,350
	<u>\$ 53,216</u>	<u>\$ 66,847</u>	<u>\$ 64,862</u>	<u>\$ 5,105</u>

## **Notes to Consolidated Financial Statements (unaudited)**

**June 30, 2022 and 2021 and December 31, 2021**

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As of June 30, 2022 and December 31, 2021, mortgage loans with an unpaid principal balance of \$0.8 billion and \$1.1 billion respectively, were pledged to the FHLB to secure outstanding advances and letters of credit.

There were \$1.1 million in related party loans outstanding as of June 30, 2022 compared to \$0.5 million related party loans for December 31, 2021.

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 5. DEPOSITS

Deposits are summarized as follows:

	June 30, 2022		December 31, 2021	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
<i>(In thousands)</i>				
Non-interest bearing demand deposit accounts	\$ 3,965,907	0.00 %	\$ 3,335,005	0.00 %
NOW accounts	208,795	0.13 %	210,844	0.08 %
Money market deposit accounts	2,540,657	0.20 %	2,227,953	0.12 %
Savings accounts	388,185	0.15 %	375,301	0.11 %
Time deposits	187,623	0.30 %	207,152	0.32 %
	<u>\$ 7,291,167</u>	<u>0.09 %</u>	<u>\$ 6,356,255</u>	<u>0.06 %</u>

The scheduled maturities of time deposits as of June 30, 2022 are as follows:

<i>(In thousands)</i>	
2022	\$ 123,728
2023	50,051
2024	7,191
2025	4,646
2026	1,764
Thereafter	243
	<u>\$ 187,623</u>

Time deposits of \$250,000 or more totaled \$47.5 million as of June 30, 2022 and \$43.7 million as of December 31, 2021.

From time to time the Bank will issue 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 \$41.7 million and \$56.0 million as of June 30, 2022 and December 31, 2021, respectively, and are included in Time deposits above.

Our total deposits included deposits from Workers United and its related entities in the amounts of \$95.9 million as of June 30, 2022 and \$99.9 million as of December 31, 2021.

Included in total deposits are state and municipal deposits totaling \$39.3 million and \$65.5 million as of June 30, 2022 and December 31, 2021, respectively. Such deposits are secured by letters of credit issued by the FHLB or by securities pledged with the FHLB.

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

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### 6. BORROWED FUNDS

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.

FHLB advances are collateralized by the FHLB 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 June 30, 2022, the value of the other eligible assets had an estimated market value net of haircut totaling \$1.4 billion (comprised of securities of \$779.3 million and mortgage loans of \$646.7 million). The fair value of assets pledged to the FHLB is required to be not less than 110% of the outstanding advances. There were no outstanding FHLB advances as of June 30, 2022 or December 31, 2021.

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 7. 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. As of June 30, 2022 and June 30, 2021, we had 0.4 million and 0.1 million anti-dilutive shares, respectively.

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<i>(In thousands, except per share amounts)</i>				
Net income attributable to Amalgamated Financial Corp.	\$ 19,613	\$ 10,408	\$ 33,778	\$ 22,597
Dividends paid on preferred stock	—	—	—	—
Income attributable to common stock	\$ 19,613	\$ 10,408	\$ 33,778	\$ 22,597
Weighted average common shares outstanding, basic	30,818	31,136	30,962	31,109
Basic earnings per common share	<b>\$ 0.64</b>	<b>\$ 0.33</b>	<b>\$ 1.09</b>	<b>\$ 0.73</b>
Income attributable to common stock	\$ 19,613	\$ 10,408	\$ 33,778	\$ 22,597
Weighted average common shares outstanding, basic	30,818	31,136	30,962	31,109
Incremental shares from assumed conversion of options and RSUs	371	436	371	436
Weighted average common shares outstanding, diluted	31,189	31,572	31,332	31,545
Diluted earnings per common share	<b>\$ 0.63</b>	<b>\$ 0.33</b>	<b>\$ 1.08</b>	<b>\$ 0.72</b>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 8. 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 January 1, 2021, 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 June 30, 2022 follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Intrinsic Value <i>(in thousands)</i>
Outstanding, December 31, 2021	847,560	\$ 13.19	4.3 years	
Granted	—	—	—	
Forfeited/ Expired	—	—	—	
Exercised	(302,260)	13.24	—	
Outstanding, June 30, 2022	545,300	13.16	3.7 years	\$ 3,609
Vested and Exercisable, June 30, 2022	545,300	\$ 13.16	3.7 years	\$ 3,609

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 six months ended June 30, 2022 or for the six months ended June 30, 2021.

##### Restricted Stock Units:

The Amalgamated Financial Corp. 2022 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 1,250,000 of which 468,207 shares were available for issuance as of June 30, 2022.

During the six months ended June 30, 2022, the Company granted 153,738 restricted stock units ("RSUs") to employees under the Equity Plan and reserved 184,179 shares for issuance upon vesting assuming the Company's employees achieve the maximum share payout.

Of the 153,738 RSUs granted to employees, 92,857 RSUs time-vest ratably over three years and were granted at a fair value of \$17.47 per share and 60,881 RSUs were performance-based and are more fully described below:

- The Company granted 16,536 performance-based RSUs at a fair value of \$17.47 per share and 14,376 performance-based RSUs at a fair value of \$17.39 per share which vest subject to the achievement of the Company's corporate goal for the three-year period from December 31, 2021 to December 31, 2024. 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 46,368 shares, respectively.
- The Company granted 29,969 market-based RSUs at a fair value of \$17.91 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 3, 2021 to February 2, 2024. The minimum and maximum awards that are achievable are 0 and 44,954 shares, respectively.



## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

A summary of the status of the Company's employee RSUs as of June 30, 2022 follows:

	Shares	Grant Date Fair Value
Unvested, December 31, 2021	401,585	\$ 16.50
Awarded	153,738	17.47
Forfeited/Expired	(56,190)	15.83
Vested	(152,146)	16.42
Unvested, June 30, 2022	346,987	\$ 17.07

Of the 346,987 unvested RSUs on June 30, 2022, the minimum units that will vest, solely due to a service test, are 264,933. The maximum units that will vest, assuming the highest payout on performance and market-based units, are 460,278.

Compensation expense attributable to the employee RSUs was \$0.6 million and \$1.1 million for the three and six months ended June 30, 2022, respectively and \$0.3 million and \$0.8 million for the three and six months ended June 30, 2021, respectively. As of June 30, 2022, there was \$3.8 million of total unrecognized compensation cost related to the non-vested RSUs granted to employees. 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 1.9 years.

During the six months ended June 30, 2022, the Company granted 30,217 RSUs to directors under the Equity Plan that vest after one year. The Company recorded an expense of \$0.1 million and \$0.3 million for the three and six months ended June 30, 2022 and 2021. As of June 30, 2022, there was \$0.5 million unrecognized cost related to the non-vested RSUs granted to directors.

### 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 shares 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. There were 2,905 and 14,967 shares purchased under the ESPP on March 31, 2022 and June 30, 2022, respectively.

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 9. 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.

The following summarizes those financial instruments measured at fair value in the Consolidated Statements of Financial Condition categorized by the relevant class of investment and level of the fair value hierarchy:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
<b>Available for sale securities:</b>				
Mortgage-related:				
GSE residential certificates	\$ —	\$ 3,137	\$ —	\$ 3,137
GSE residential CMOs	—	476,237	—	476,237
GSE commercial certificates & CMO	—	310,034	—	310,034
Non-GSE residential certificates	—	120,142	—	120,142
Non-GSE commercial certificates	—	107,840	—	107,840
Other debt:				
U.S. Treasury	194	—	—	194
ABS	—	926,953	—	926,953
Trust preferred	—	13,501	—	13,501
Corporate	—	147,509	—	147,509
<b>Total assets carried at fair value</b>	<b>\$ 194</b>	<b>\$ 2,105,353</b>	<b>\$ —</b>	<b>\$ 2,105,547</b>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

(In thousands)	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Available for sale securities:</b>				
Mortgage-related:				
GSE residential certificates	\$ —	\$ 3,967	\$ —	\$ 3,967
GSE residential CMOs	—	463,883	—	463,883
GSE commercial certificates & CMO	—	370,364	—	370,364
Non-GSE residential certificates	—	66,139	—	66,139
Non-GSE commercial certificates	—	81,101	—	81,101
Other Debt:				
U.S. Treasury	200	—	—	200
ABS	—	989,188	—	989,188
Trust preferred	—	14,147	—	14,147
Corporate	—	124,421	—	124,421
<b>Total assets carried at fair value</b>	<b>\$ 200</b>	<b>\$ 2,113,210</b>	<b>\$ —</b>	<b>\$ 2,113,410</b>

The following tables summarize assets measured at fair value on a non-recurring basis:

(In thousands)	June 30, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
<b>Fair Value Measurements:</b>					
Impaired loans	\$ 54,002	\$ —	\$ —	\$ 54,002	\$ 54,002
	<u>\$ 54,002</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 54,002</u>	<u>\$ 54,002</u>

(In thousands)	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
<b>Fair Value Measurements:</b>					
Impaired loans	\$ 48,111	\$ —	\$ —	\$ 48,111	\$ 48,111
	<u>\$ 48,111</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 48,111</u>	<u>\$ 48,111</u>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

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

		June 30, 2022				
<i>(In thousands)</i>	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value	
<b>Financial assets:</b>						
Cash and cash equivalents	\$ 332,538	\$ 332,538	\$ —	\$ —	\$ 332,538	
Available for sale securities	2,105,547	194	2,105,353	—	2,105,547	
Held to maturity securities	1,375,666	—	604,854	712,204	1,317,058	
Loans held for sale	5,657	—	—	5,657	5,657	
Loans receivable, net	3,608,927	—	—	3,368,110	3,368,110	
Resell agreements	225,926	—	—	225,926	225,926	
Accrued interest and dividends receivable	31,001	—	31,001	—	31,001	
<b>Financial liabilities:</b>						
Deposits payable on demand	7,103,544	—	7,103,544	—	7,103,544	
Time deposits	187,623	—	187,762	—	187,762	
Subordinated Debt	83,899	—	76,684	—	76,684	
Accrued interest payable	555	—	555	—	555	
		December 31, 2021				
<i>(In thousands)</i>	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value	
<b>Financial assets:</b>						
Cash and cash equivalents	\$ 330,485	\$ 330,485	\$ —	\$ —	\$ 330,485	
Available for sale securities	2,113,410	200	2,113,210	—	2,113,410	
Held to maturity securities	843,569	—	216,377	633,327	849,704	
Loans held for sale	3,279	—	—	3,279	3,279	
Loans receivable, net	3,276,358	—	—	3,291,377	3,291,377	
Resell agreements	229,018	—	—	229,018	229,018	
Accrued interest and dividends receivable	28,820	—	28,820	—	28,820	
<b>Financial liabilities:</b>						
Deposits payable on demand	6,149,103	—	6,149,103	—	6,149,103	
Time deposits	207,152	—	207,369	—	207,369	
Subordinated Debt	83,831	—	85,000	—	85,000	
Accrued interest payable	569	—	569	—	569	

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 10. 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>June 30, 2022</u>	<u>December 31, 2021</u>
<i>(In thousands)</i>		
Commitments to extend credit	\$ 1,032,961	\$ 927,428
Standby letters of credit	22,039	18,752
<b>Total</b>	<b>\$ 1,055,000</b>	<b>\$ 946,180</b>

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. This reserve, which is included in other liabilities, amounted to approximately \$1.8 million as of June 30, 2022 and \$1.5 million as of December 31, 2021.

#### 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.

#### Investment Obligations

The Company is a party to agreements with Pace Funding Group LLC, which operates Home Run Financing, for the purchase of property assessed clean energy, or PACE, assessment securities until the end of 2022. These investments are to be held in the Company's held-to-maturity investment portfolio. As of June 30, 2022, the Company had purchased \$373.0 million of these obligations and had an estimated remaining commitment of \$91.6 million. The PACE assessments have equal-lien priority with property taxes and generally rank senior to first lien mortgages. The Company anticipates these commitments will be funded by means of normal cash flows, by a reduction in cash and cash equivalents, or by pay-downs and maturities of loans and other investments.

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 11. 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 June 30, 2022. 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:

	<b>Three Months Ended June 30, 2022</b>	<b>Six Months Ended June 30, 2022</b>
<i>(In thousands)</i>		
Operating lease cost	\$ 2,257	\$ 4,508
Cash paid for amounts included in the measurement of Operating leases liability	\$ 2,632	\$ 5,262
Weighted average remaining lease term on operating leases (in years)	4.4	4.4
Weighted average discount rate used for operating leases liability	3.25 %	3.25 %

Note: Sublease income and variable income or expense considered immaterial

	<b>Three Months Ended June 30, 2021</b>	<b>Six Months Ended June 30, 2021</b>
<i>(In thousands)</i>		
Operating lease cost	\$ 2,184	\$ 2,766
Cash paid for amounts included in the measurement of Operating leases liability	\$ 2,493	\$ 4,423
Weighted average remaining lease term on operating leases (in years)	5.2	6.2
Weighted average discount rate used for operating leases liability	3.25 %	3.26 %

Note: Sublease income and variable income or expense considered immaterial

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

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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 June 30, 2022:

*(In thousands)*

### As of June 30, 2022

2022 remaining	\$	5,481
2023		11,285
2024		11,310
2025		10,574
2026		9,176
Thereafter		955
Total undiscounted operating lease payments		48,781
Less: present value adjustment		3,176
Total Operating leases liability	\$	<u>45,605</u>

## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

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### 12. 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, 2022 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 more likely than not that goodwill was not impaired as of June 30, 2022. 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 June 30, 2022 and December 31, 2021, 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:

*(In thousands)*

2022 remaining	\$	523
2023		888
2024		730
2025		574
2026		419
Thereafter		494
Total	\$	<u>3,628</u>

Accumulated amortization of the core deposit intangible was \$5.4 million as of June 30, 2022.



## Notes to Consolidated Financial Statements (unaudited)

June 30, 2022 and 2021 and December 31, 2021

### 13. 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 ("VIE"). 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 June 30, 2022, the Company's maximum exposure to loss is \$53.5 million.

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
<i>(In thousands)</i>		
<b>Unconsolidated Variable Interest Entities</b>		
Tax credit investments included in equity investments	\$ 1,116	\$ 1,681
Loans and letters of credit commitments	52,350	52,813
Funded portion of loans and letters of credit commitments	15,049	15,512

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<i>(In thousands)</i>				
Tax credits and other tax benefits recognized	\$ 668	\$ 568	\$ 1,336	\$ 911

## **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 June 30, 2022, as compared to December 31, 2021, and our results of operations for the three and six month periods ended June 30, 2022 and June 30, 2021. 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, 2021 (the “2021 Annual Report”), filed with the Securities and Exchange Commission on March 11, 2022. 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 purchased 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 41% of our equity as of June 30, 2022. As of June 30, 2022, our total assets were \$7.9 billion, our total loans, net of deferred fees and allowance were \$3.6 billion, our total deposits were \$7.3 billion, and our stockholders' equity was \$498.0 million. As of June 30, 2022, our trust business held \$38.9 billion in assets under custody and \$12.9 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, C&I loans, CRE loans, multifamily mortgages, 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, treasury management products, 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. 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 Bank has obtained B Corporation™ certification, a distinction earned after being evaluated under rigorous standards of social and environmental performance, accountability, and transparency. The Bank is also the largest of twelve commercial financial institutions in the United States that are members of the Global Alliance for Banking on Values, a network of banking leaders from around the world committed to

advancing positive change in the banking sector. The Company is incorporated as a public benefit corporation under Delaware state law.

### **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 2021 Annual Report and our critical accounting policies are more fully described under “Critical Accounting Policies and Estimates” included in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Annual Report. There have been no significant changes to our critical and significant accounting policies, or the estimates made pursuant to those policies as described in our 2021 Annual Report.

## Recent Accounting Pronouncements

### *Accounting Standards Effective in 2022 and onward*

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model and provides for recording credit losses on available for sale debt securities through an allowance account. ASU 2016-13 also requires certain incremental disclosures. In October 2019, the FASB voted to extend the adoption date for entities eligible to be smaller reporting companies, public business entities (“PBEs”) that are not SEC filers, and entities that are not PBEs from January 1, 2020 to January 1, 2023. Based on our election as an Emerging Growth Company under the Jumpstart Our Business Startups Act to use the extended transition period for complying with any new or revised financial accounting standards, we will adopt the standard on January 1, 2023.

The standard requires a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which it is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The Company established a Management Committee comprised of executives and senior leadership from applicable departments to evaluate the impact of this standard and monitor our progress towards adoption. The Management Committee's focus is to evaluate the impact to the Company, monitor status, as well as to assess and mitigate risks to the implementation of the standard. Currently, management is liaising with its vendors to finalize model development through input testing as well as assessment of the model outputs. In the second quarter, the Company conducted a parallel test with the current and future-state credit loss estimation process. The Company expects to perform multiple additional full production parallel tests in the second half of 2022 to ensure the Company is prepared for adoption of the standard as of January 1, 2023. The Company is also performing an analysis on the PACE securities which make up a majority of the held to maturity securities portfolio to determine the additional impact to the allowance for credit losses upon adoption of the standard.

The CECL model represents a significant departure from current GAAP and may result in significant changes to the Company's accounting for financial instruments. The Company is currently in the process of evaluating the quantitative and qualitative effect of the standard on our estimated credit losses under the standard, and while adoption could have a material impact on the Company's operating results and financial condition depending on the characteristics of our loan portfolio, as well as the current and forecasted economic conditions as of the date of adoption, management currently does not expect it to have a material impact.

On March 31, 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2022-02, which eliminates the troubled debt restructuring (TDR) accounting model for creditors that have adopted Topic 326, “Financial Instruments – Credit Losses.” The Company will continue to apply the current TDR accounting model until the adoption of ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326) on January 1, 2023.

On January 7, 2021, the FASB has issued Accounting Standards Update (“ASU”) 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 are expected to transition to the Secured Overnight Financing Rate (“SOFR”) or pay off before the transition date and given that we do 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 loan 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 second quarter of 2022 was \$19.6 million, or \$0.63 per diluted share, compared to \$10.4 million, or \$0.33 per diluted share, for the second quarter of 2021.

Net income for the six months ended June 30, 2022 was \$33.8 million, or \$1.08 per diluted share, compared to \$22.6 million, or \$0.72 per diluted share, for same period in 2021. The \$11.2 million increase was primarily due to a \$18.1 million increase in interest income on securities, partially offset by a \$4.5 million increase in non-interest 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 advances 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 June 30, 2022 and 2021*

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 June 30, 2022			Three Months Ended June 30, 2021		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Interest earning assets:						
Interest-bearing deposits in banks	\$ 305,134	\$ 551	0.72 %	\$ 510,473	\$ 131	0.10 %
Securities and FHLB stock	3,443,987	23,308	2.71 %	2,298,264	12,651	2.21 %
Resell Agreements	231,468	1,044	1.81 %	148,977	484	1.30 %
Total loans, net <sup>(1)(2)</sup>	3,504,223	33,766	3.86 %	3,162,896	30,156	3.82 %
Total interest earning assets	7,484,812	58,669	3.14 %	6,120,610	43,422	2.85 %
Non-interest earning assets:						
Cash and due from banks	9,296			7,545		
Other assets	266,186			266,613		
Total assets	<u>\$7,760,294</u>			<u>\$6,394,768</u>		
Interest bearing liabilities:						
Savings, NOW and money market deposits	3,030,788	\$ 1,332	0.18 %	2,567,396	\$ 1,174	0.18 %
Time deposits	192,181	149	0.31 %	258,257	257	0.40 %
Total deposits	3,222,969	1,481	0.18 %	2,825,653	1,431	0.20 %
Other Borrowings	83,886	690	3.30 %	—	—	0.00 %
Total interest bearing liabilities	3,306,855	2,171	0.26 %	2,825,653	1,431	0.20 %
Non-interest bearing liabilities:						
Demand and transaction deposits	3,855,735			2,909,555		
Other liabilities	80,274			111,794		
Total liabilities	7,242,864			5,847,002		
Stockholders' equity	517,430			547,766		
Total liabilities and stockholders' equity	<u>\$7,760,294</u>			<u>\$6,394,768</u>		
Net interest income / interest rate spread						
		\$ 56,498	2.88 %		\$ 41,991	2.65 %
Net interest earning assets / net interest margin						
	\$4,177,957		3.03 %	\$3,294,957		2.75 %
Total Cost of Deposits						
			0.08 %			0.10 %

<sup>(1)</sup> Amounts are net of deferred origination costs (fees) and the allowance for loan losses and includes loans held for sale

<sup>(2)</sup> Income and yield includes prepayment penalty income in 2Q2022 and 2Q2021 of \$379 thousand and \$504 thousand, respectively

Net interest income was \$56.5 million for the second quarter of 2022, compared to \$42.0 million for the second quarter of 2021. The \$14.5 million increase from the second quarter of 2021 was primarily attributable to a strategic \$1.1 billion increase in average securities and a 50 basis point increase in securities yield due to the rising rate environment, as well as \$341.3 million increase in average loan balances.

Our net interest spread was 2.88% for the three months ended June 30, 2022, compared to 2.65% for the same period in 2021, an increase of 23 basis points. Our net interest margin was 3.03% for the second quarter of 2022, an increase of 28 basis points from 2.75% in the second quarter of 2021. The accretion of the loan mark from the loans we acquired in our New Resource Bank ("NRB") acquisition contributed zero basis points to our net interest margin in the second quarter of 2022, compared to two basis points in the second quarter of 2021. Prepayment penalties earned through loan income contributed \$0.4 million, or two basis points, to our net interest margin in the second quarter of 2022, compared to three basis points in the second quarter of 2021.

The yield on average earning assets was 3.14% for the three months ended June 30, 2022, compared to 2.85% for the same period in 2021, an increase of 29 basis points. This increase was driven primarily by the rising rate environment and an increase in average loan balances.

The average rate on interest-bearing liabilities was 0.26% for the three months ended June 30, 2022, an increase of six basis points from the same period in 2021, which was primarily due to the increase in other borrowings expense with the issuance of

subordinated debt. Noninterest-bearing deposits represented 54% of average deposits for the three months ended June 30, 2022, contributing to a total cost of deposits of eight basis points in the second quarter of 2022.

*Six Months Ended June 30, 2022 and 2021*

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:

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
<i>(In thousands)</i>						
Interest earning assets:						
Interest-bearing deposits in banks	\$ 364,178	\$ 730	0.40 %	\$ 445,340	\$ 221	0.10 %
Securities and FHLB stock	3,319,009	41,743	2.54 %	2,208,263	24,451	2.23 %
Resell Agreements	225,378	1,764	1.58 %	151,607	902	1.20 %
Total loans, net <sup>(1)(2)</sup>	3,392,788	64,893	3.86 %	3,228,235	61,265	3.83 %
Total interest earning assets	7,301,353	109,130	3.01 %	6,033,445	86,839	2.90 %
Non-interest earning assets:						
Cash and due from banks	9,261			7,432		
Other assets	266,932			272,930		
Total assets	<u>\$7,577,546</u>			<u>\$6,313,807</u>		
Interest bearing liabilities:						
Savings, NOW and money market deposits	2,963,809	\$ 2,579	0.18 %	2,540,277	\$ 2,395	0.19 %
Time deposits	195,741	304	0.31 %	269,063	608	0.46 %
Total deposits	3,159,550	2,883	0.18 %	2,809,340	3,003	0.22 %
Other Borrowings	84,239	1,381	3.31 %	249	—	0.00 %
Total interest bearing liabilities	3,243,789	4,264	0.27 %	2,809,589	3,003	0.22 %
Non-interest bearing liabilities:						
Demand and transaction deposits	3,703,455			2,848,401		
Other liabilities	91,510			110,654		
Total liabilities	7,038,754			5,768,644		
Stockholders' equity	538,792			545,163		
Total liabilities and stockholders' equity	<u>\$7,577,546</u>			<u>\$6,313,807</u>		
Net interest income / interest rate spread		\$ 104,866	2.74 %		\$ 83,836	2.68 %
Net interest earning assets / net interest margin	<u>\$4,057,564</u>		2.90 %	<u>\$3,223,856</u>		2.80 %
Total Cost of Deposits			0.08 %			0.11 %

<sup>(1)</sup> Amounts are net of deferred origination costs (fees) and the allowance for loan losses and includes loans held for sale

<sup>(2)</sup> Income and yield includes prepayment penalty income in June YTD 2022 and June YTD 2021 of \$0.8 million and \$1.1 million, respectively

Our net interest income was \$104.9 million for the six months ended June 30, 2022, compared to \$83.8 million for the same period in 2021. The year-over-year increase of \$21.1 million, or 25.1%, was primarily attributable to an increase in average securities of \$1.1 billion and a 31 basis point increase in securities yield due to the rising interest rate environment as well as a \$164.6 million increase in average loan balances.

Our net interest spread was 2.74% for the six months ended June 30, 2022, compared to 2.68% for the same period in 2021, an increase of six basis points. Our net interest margin was 2.90% for the six months ended June 30, 2022, an increase of 10 basis points from 2.80% in the same period in 2021.

The yield on average earning assets was 3.01% for the six months ended June 30, 2022, compared to 2.90% for the same period in 2021, an increase of 11 basis points. This increase was driven primarily by an increase on yields on both loans and securities due to a rising interest rate environment.

The average rate on interest-bearing liabilities, comprised almost entirely of deposits, was 0.27% for the six months ended June 30, 2022, an increase of five basis points from the same period in 2021, which was primarily due to the increase in other borrowings expense with the issuance of subordinated debt partially offset by the decrease in the rates paid on interest-bearing deposits. Noninterest-bearing deposits represented 54% of average deposits for the six months ended June 30, 2022, contributing to a total cost of deposits of eight basis points in the first six months of 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:

	Three Months Ended June 30, 2022 over June 30, 2021			Six Months Ended June 30, 2022 over June 30, 2021		
	Volume	Changes Due To Rate	Net Change	Volume	Changes Due To Rate	Net Change
<i>(In thousands)</i>						
Interest earning assets:						
Interest-bearing deposits in banks	\$ (225)	\$ 645	\$ 420	\$ (132)	\$ 641	\$ 509
Securities and FHLB stock	6,855	3,802	10,657	12,671	4,621	17,292
Resell Agreements	313	247	560	497	365	862
Total loans, net	3,263	347	3,610	3,127	501	3,628
Total interest income	<u>10,206</u>	<u>5,041</u>	<u>15,247</u>	<u>16,163</u>	<u>6,128</u>	<u>22,291</u>
Interest bearing liabilities:						
Savings, NOW and money market deposits	158	—	158	344	(160)	184
Time deposits	(59)	(49)	(108)	(133)	(171)	(304)
Total deposits	99	(49)	50	211	(331)	(120)
Federal Home Loan Bank advances	(27)	27	—	—	—	—
Other Borrowings	690	—	690	689	692	1,381
Total borrowings	663	27	690	689	692	1,381
Total interest expense	762	(22)	740	900	361	1,261
Change in net interest income	<u>\$ 9,444</u>	<u>\$ 5,063</u>	<u>\$ 14,507</u>	<u>\$ 15,263</u>	<u>\$ 5,767</u>	<u>\$ 21,030</u>

### Provision for Loan Losses

We establish an allowance for loan losses through a provision for loan losses charged as an expense in our Consolidated Statements of Income. The provision for loan losses is the amount of expense that, based on our judgment, is required to maintain the allowance at an adequate level to absorb probable incurred losses inherent in the loan portfolio at the balance sheet date and that, in management's judgment, is appropriate under GAAP. Our determination of the amount of the allowance and corresponding provision for loan losses considers ongoing evaluations of the credit quality and level of credit risk inherent in our loan portfolio, levels of nonperforming loans and charge-offs, statistical trends and economic and other relevant factors. The allowance is increased by provisions charged to expense and decreased by recoveries of provisions released from expense or by actual charge-offs, net of recoveries on prior loan charge-offs. In accordance with accounting guidance for business combinations, we recorded all loans acquired in the NRB acquisition at their estimated fair value at the date of acquisition with no carryover of the related allowance.



### Three Months Ended June 30, 2022 and 2021

Our provision for loan losses totaled an expense of \$2.9 million for the second quarter of 2022 compared to an expense of \$1.7 million for the same period in 2021. The expense increase in the second quarter of 2022 was primarily driven by loan growth.

### Six Months Ended June 30, 2022 and 2021

Our provisions for loan losses totaled an expense of \$5.2 million for the six months ended June 30, 2022, compared to a release of \$1.6 million for the same period in 2021. The provision for the six months ended June 30, 2022 was primarily due to loan growth and an increase in specific reserves on one loan in our CRE portfolio as compared to the release in the prior year due to improvement in loss rates and other qualitative factors, improved credit quality as the economy recovered from the COVID-19 pandemic in addition to lower loan balances.

For a further discussion of the allowance, see “*Allowance for Loan 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, and other real estate owned, 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Trust Department fees	\$ 3,479	\$ 3,292	\$ 6,970	\$ 7,118
Service charges on deposit accounts	2,826	2,296	5,273	4,475
Bank-owned life insurance	1,283	531	2,097	1,319
Gain (loss) on sale of investment securities	(582)	321	(420)	342
Gain (loss) on sale of loans, net	492	720	335	1,426
Gain (loss) on other real estate owned, net	—	(407)	—	(407)
Equity method investments	(638)	(1,555)	(206)	(5,237)
Other	386	129	619	290
Total non-interest income	<u>\$ 7,246</u>	<u>\$ 5,327</u>	<u>\$ 14,668</u>	<u>\$ 9,326</u>

### Three Months Ended June 30, 2022 and 2021

Non-interest income was \$7.2 million for the second quarter of 2022, compared to \$5.3 million for the second quarter in 2021. The increase of \$1.9 million in the second quarter of 2022 compared to the corresponding quarter in 2021 was primarily due to a one-time beneficiary income on BOLI in addition to a loss of \$0.6 million related to equity investments in solar initiatives in the second quarter of 2022 compared to a loss of \$1.6 million in the second quarter in 2021. This is due to the timing of tax credits and subsequent losses generated before reaching a steady flow of income. This was slightly offset by a \$0.9 million decrease in gain on the sale of investment securities as we incurred a \$0.6 million loss on the sale of investment securities during the quarter as compared to a \$0.3 million gain on the sale of investment securities during the second quarter of 2021.

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 \$3.5 million in the second quarter of 2022, an increase of \$0.2 million, or 5.7%, from same period in 2021. The increase is attributed to custody fees.

### Six Months Ended June 30, 2022 and 2021

Non-interest income was \$14.7 million for the six months ended June 30, 2022, compared to \$9.3 million for the same period in 2021, an increase of \$5.4 million. This increase is primarily due to the tax credits on equity investment projects being in a \$0.2 million loss position compared to a \$5.2 million loss position in the prior year.

## ***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, and other expenses. The following table presents non-interest expense for the periods indicated:

<i>(In thousands)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Compensation and employee benefits, net	\$ 18,046	\$ 16,964	\$ 35,715	\$ 35,003
Occupancy and depreciation	3,457	3,352	6,897	6,853
Professional fees	2,745	3,211	5,560	6,871
Data processing	4,327	3,322	9,511	6,327
Office maintenance and depreciation	784	820	1,509	1,475
Amortization of intangible assets	261	302	523	604
Advertising and promotion	761	628	1,615	1,225
Other	3,965	2,796	7,413	5,831
<b>Total non-interest expense</b>	<b>\$ 34,346</b>	<b>\$ 31,395</b>	<b>68,743</b>	<b>64,189</b>

### *Three Months Ended June 30, 2022 and 2021*

Non-interest expense for the second quarter of 2022 was \$34.3 million, an increase of \$2.9 million from the second quarter of 2021. The increase of \$2.9 million from the second quarter of 2021 is driven by an increase in compensation and benefits expense in order to remain competitive with market increases and a \$1.0 million increase in data processing related to the modernization of our Trust Department. This increase was slightly offset by decreases in professional fees mainly related to our holding company formation and chief executive officer search last year. There was also a slight increase in miscellaneous bank expenses and fees related to non-performing loan sales.

### *Six Months Ended June 30, 2022 and 2021*

Non-interest expense for the six months ended June 30, 2022 was \$68.7 million, an increase of \$4.5 million from \$64.2 million for the six months ended June 30, 2021. The increase was primarily due to a \$3.2 million increase in data processing primarily related to the modernization of our Trust Department slightly offset by decreases in professional fees mainly related to our holding company formation and chief executive officer search last year. There was also a slight increase in miscellaneous bank expenses and fees related to non-performing loan sales.

## ***Income Taxes***

### *Three Months Ended June 30, 2022 and 2021*

We had a provision for income tax expense of \$6.9 million for the second quarter of 2022, compared to \$3.8 million for the second quarter of 2021. Our effective tax rate for the second quarter of 2022 was 25.9%, compared to 26.9% for the second quarter of 2021.

### *Six Months Ended June 30, 2022 and 2021*

We had a provision for income tax expense of \$11.8 million for the six months ended June 30, 2022, compared to \$8.0 million for the same period in 2021. Our effective tax rate was 25.9% for the six months ended June 30, 2022, compared to 26.0% for the same period in 2021. The decrease in our effective tax rate was driven by an absence of discrete events that were present in the same period in 2021.

## **Financial Condition**

### ***Balance Sheet***

Our total assets were \$7.9 billion at June 30, 2022, compared to \$7.1 billion at December 31, 2021. The increase of \$0.8 billion was driven primarily by a \$524.2 million increase in investment securities and a \$332.5 million increase in loans receivable, net.

### ***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 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 PACE, 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 June 30, 2022 or at December 31, 2021. All available for sale securities are carried at fair value and may be used for liquidity purposes should management consider it to be in our best interest.

At June 30, 2022 and December 31, 2021, we had available for sale securities of \$2.1 billion and \$2.1 billion, respectively.

At June 30, 2022, our held to maturity securities portfolio primarily consisted of PACE bonds, asset backed securities, tax-exempt municipal securities, GSE residential certificates and other debt. We carry these securities at amortized cost. We had held to maturity securities of \$1.4 billion at June 30, 2022, and \$843.6 million at December 31, 2021.

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. At June 30, 2022, we evaluated those securities which had an unrealized loss for OTTI, and determined all of the decline in value to be temporary. There were \$3.2 billion of investment securities with unrealized losses at June 30, 2022 of which none had a continuous unrealized loss position for 12 consecutive months or longer that was greater than 5% of amortized cost. We anticipate full recovery of amortized cost with respect to these securities by the time that these securities mature, or sooner in the case that a more favorable market interest rate environment causes their fair value to increase. We do not intend to sell these securities and we believe it is more likely than not that we will be required to sell them before full recovery of their amortized cost basis, which may be at the time of their maturity.

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

	June 30, 2022		December 31, 2021	
	Amount	% of Portfolio	Amount	% of Portfolio
<i>(In thousands)</i>				
<b>Available for sale:</b>				
<i>Mortgage-related:</i>				
GSE residential certificates	\$ 3,137	0.1 %	\$ 3,967	0.1 %
GSE residential CMOs	476,237	13.7 %	463,883	15.7 %
GSE commercial certificates & CMO	310,034	8.9 %	370,364	12.5 %
Non-GSE residential certificates	120,142	3.5 %	66,139	2.3 %
Non-GSE commercial certificates	107,840	3.1 %	81,101	2.7 %
<i>Other debt:</i>				
U.S. Treasury	194	0.0 %	200	0.0 %
ABS	926,953	26.6 %	989,188	33.5 %
Trust preferred	13,501	0.4 %	14,147	0.5 %
Corporate	147,509	4.2 %	124,421	4.2 %
Total available for sale	2,105,547	60.5 %	2,113,410	71.5 %
<b>Held to maturity:</b>				
<i>Mortgage-related:</i>				
GSE residential CMOs	\$ 73,842	2.1 %	\$ —	0.0 %
GSE commercial certificates	80,742	2.3 %	30,742	1.0 %
GSE residential certificates	435	0.0 %	442	0.0 %
Non GSE commercial certificates	32,601	0.9 %	10,333	0.3 %
Non GSE residential certificates	52,892	1.5 %	10,796	0.4 %
<i>Other debt:</i>				
ABS	294,596	8.5 %	75,800	2.6 %
Commercial PACE	212,180	6.1 %	175,712	21.2 %
Residential PACE	529,966	15.2 %	451,682	0.0 %
Municipal	96,412	2.8 %	84,962	2.9 %
Other	2,000	0.1 %	3,100	0.1 %
Total held to maturity	1,375,666	39.5 %	843,569	28.5 %
<b>Total securities</b>	<b>\$ 3,481,213</b>	<b>100.0 %</b>	<b>\$ 2,956,979</b>	<b>100.0 %</b>

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

**Contractual Maturity as of June 30, 2022**

	One Year or Less		One to Five Years		Five to Ten Years		Due after Ten Years	
	Amortized Cost	Weighted Average Yield <sup>(1)</sup>	Amortized Cost	Weighted Average Yield <sup>(1)</sup>	Amortized Cost	Weighted Average Yield <sup>(1)</sup>	Amortized Cost	Weighted Average Yield <sup>(1)</sup>
<i>(In thousands)</i>								
<b>Available for sale:</b>								
<i>Mortgage-related:</i>								
GSE residential certificates	\$ —	0.0 %	\$ —	0.0 %	\$ —	0.0 %	\$ 3,260	2.6 %
GSE residential CMOs	—	0.0 %	—	0.0 %	68,193	3.0 %	430,315	2.3 %
GSE commercial certificates & CMO	378	1.6 %	16,731	2.6 %	235,594	2.5 %	61,546	1.9 %
Non-GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	130,690	2.5 %
Non-GSE commercial certificates	—	0.0 %	—	0.0 %	—	0.0 %	115,068	2.7 %
<i>Other debt:</i>								
U.S. Treasury	—	0.0 %	199	1.3 %	—	0.0 %	—	0.0 %
ABS	—	0.0 %	33,629	3.2 %	353,070	3.5 %	571,415	3.2 %
Trust preferred	—	0.0 %	7,990	2.8 %	6,644	2.8 %	—	0.0 %
Corporate	—	0.0 %	62,627	4.1 %	96,308	3.7 %	—	0.0 %
<b>Held to maturity:</b>								
<i>Mortgage-related:</i>								
GSE CMOs	—	0.0 %	—	0.0 %	—	0.0 %	73,842	3.2 %
GSE commercial certificates	—	0.0 %	—	0.0 %	15,347	3.2 %	65,395	2.4 %
GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	435	3.8 %
Non GSE commercial certificates	—	0.0 %	—	0.0 %	—	0.0 %	32,601	2.1 %
Non GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	52,892	3.2 %
<i>Other debt:</i>								
ABS	—	0.0 %	—	0.0 %	6,996	5.1 %	287,600	3.6 %
Commercial PACE	—	0.0 %	—	0.0 %	—	0.0 %	212,180	4.5 %
Residential PACE	—	0.0 %	—	0.0 %	—	0.0 %	529,966	4.0 %
Municipal	—	0.0 %	9,410	3.7 %	—	0.0 %	87,002	2.7 %
Other	2,000	3.3 %	—	0.0 %	—	0.0 %	—	0.0 %
<b>Total securities</b>	<b>\$ 2,378</b>	<b>3.0 %</b>	<b>\$ 130,586</b>	<b>3.6 %</b>	<b>\$ 782,152</b>	<b>3.2 %</b>	<b>\$2,654,207</b>	<b>3.2 %</b>

<sup>(1)</sup> 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 June 30, 2022:

<i>(In thousands)</i>	Amount	%	Expected Avg. Life in Years	% Floating	Credit Ratings <i>Highest Rating if split rated</i>					Total
					% AAA	% AA	% A	% BBB	% Not Rated	
CLO Commercial & Industrial	\$ 675,157	55 %	3.3	100 %	100 %	0 %	0 %	0 %	0 %	100 %
Consumer	224,287	18 %	4.5	0 %	18 %	28 %	52 %	3 %	0 %	100 %
Mortgage	206,685	17 %	2.8	86 %	100 %	0 %	0 %	0 %	0 %	100 %
Student	115,420	10 %	4.0	54 %	100 %	0 %	0 %	0 %	0 %	100 %
<b>Total Securities:</b>	<b>\$1,221,549</b>	<b>100 %</b>	<b>3.5</b>	<b>75 %</b>	<b>85 %</b>	<b>5 %</b>	<b>10 %</b>	<b>0 %</b>	<b>0 %</b>	<b>100 %</b>

## 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 loan losses, were \$3.6 billion as of June 30, 2022 compared to \$3.3 billion as of December 31, 2021. 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.

In the second quarter of 2022, we purchased \$2.6 million of commercial solar loans, \$26.5 million of residential loans, \$5.1 million of home improvement loans, \$46.5 million of consumer solar loans and \$4.2 million of commercial loans that are unconditionally guaranteed by the United States government.

The following table sets forth the composition of our loan portfolio, as of June 30, 2022 and December 31, 2021:

<i>(In thousands)</i>	June 30, 2022		December 31, 2021	
	Amount	% of total loans	Amount	% of total loans
<i>Commercial portfolio:</i>				
Commercial and industrial	\$ 743,403	20.4 %	\$ 729,385	22.0 %
Multifamily mortgages	853,514	23.4 %	821,801	24.8 %
Commercial real estate mortgages	340,987	9.4 %	369,429	11.2 %
Construction and land development mortgages	43,212	1.2 %	31,539	1.0 %
Total commercial portfolio	1,981,116	54.4 %	1,952,154	59.0 %
<i>Retail portfolio:</i>				
Residential real estate lending	1,236,088	33.9 %	1,063,682	32.2 %
Consumer and other	426,394	11.7 %	291,818	8.8 %
Total retail portfolio	1,662,482	45.6 %	1,355,500	41.0 %
Total loans	3,643,598	100.0 %	3,307,654	100.0 %
Net deferred loan origination costs (fees)	4,806		4,570	
Allowance for loan losses	(39,477)		(35,866)	
Total loans, net	<u>\$ 3,608,927</u>		<u>\$ 3,276,358</u>	

### Commercial loan portfolio

Our commercial loan portfolio comprised 54.4% of our total loan portfolio at June 30, 2022 and 59.0% of our total loan portfolio at December 31, 2021. 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. The primary source of repayment for C&I loans is generally operating cash flows of the business. We also seek to minimize risks related to these loans by requiring such

loans to be collateralized by various business assets (including inventory, equipment and accounts receivable). The average size of our C&I loans at June 30, 2022 by exposure was \$4.5 million with a median size of \$1.0 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 \$743.4 million at June 30, 2022, which comprised 20.4% of our total loan portfolio. During the six months ended June 30, 2022, the C&I loan portfolio increased by 1.9% from \$729.4 million at December 31, 2021.

*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 74% 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 \$853.5 million at June 30, 2022, which comprised 23.4% of our total loan portfolio. During the six months ended June 30, 2022, the multifamily loan portfolio increased by 3.9% from \$821.8 million at December 31, 2021.

*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 \$341.0 million at June 30, 2022, which comprised 9.4% of our total loan portfolio. During the six months ended June 30, 2022, the CRE loan portfolio decreased by 7.7% from \$369.4 million at December 31, 2021.

#### *Retail loan portfolio*

Our retail loan portfolio comprised 45.6% of our total loan portfolio at June 30, 2022 and 41.0% of our loan portfolio at December 31, 2021. 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 June 30, 2022, 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 NRB, 14% were purchased from two third parties on or after July 2014, and 4% were purchased by us from other originators before 2010. Our residential real estate lending loans totaled \$1.2 billion at June 30, 2022, which comprised 74.4% of our retail loan portfolio and 33.9% of our total loan portfolio. As of June 30, 2022, our residential real estate lending loans increased by 16.2% from \$1.1 billion at December 31, 2021.

*Consumer and other.* Our consumer and other portfolio is comprised of purchased student loans, residential solar loans, unsecured consumer loans and overdraft lines. Our consumer and other loans totaled \$426.4 million at June 30, 2022, which comprised 11.7% of our total loan portfolio, compared to \$291.8 million, or 8.8% of our total loan portfolio, at December 31, 2021.

#### ***Maturities and Sensitivity of Loans to Changes in Interest Rates***

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 at June 30, 2022 and December 31, 2021:

(In thousands)

	<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>
<b>June 30, 2022:</b>					
<i>Commercial Portfolio:</i>					
Commercial and industrial	\$ 100,426	\$ 218,863	\$ 188,544	\$ 235,570	\$ 743,403
Multifamily	68,312	503,306	270,468	11,428	853,514
Commercial real estate	67,486	211,454	55,348	6,699	340,987
Construction and land development	29,788	13,424	—	—	43,212
<i>Retail Portfolio:</i>					
Residential real estate lending	17	1,957	172,095	1,062,019	1,236,088
Consumer and other	1,030	3,910	61,454	360,000	426,394
<b>Total Loans</b>	<u>\$ 267,059</u>	<u>\$ 952,914</u>	<u>\$ 747,909</u>	<u>\$ 1,675,716</u>	<u>\$ 3,643,598</u>

(In thousands)

	<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	\$ 752,596	\$ 678,232	\$ 1,141,182	\$ 2,572,010
Floating or adjustable interest rates	200,318	69,677	534,534	804,529
<b>Total Loans</b>	<u>\$ 952,914</u>	<u>\$ 747,909</u>	<u>\$ 1,675,716</u>	<u>\$ 3,376,539</u>

(In thousands)

	<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>
<b>December 31, 2021:</b>					
<i>Commercial Portfolio:</i>					
Commercial and industrial	\$ 89,499	\$ 241,432	\$ 178,917	\$ 219,537	\$ 729,385
Multifamily	147,340	429,126	228,851	16,484	821,801
Commercial real estate	88,506	222,843	58,080	—	369,429
Construction and land development	29,264	2,275	—	—	31,539
<i>Retail Portfolio:</i>					
Residential real estate lending	399	1,836	175,193	886,254	1,063,682
Consumer and other	1,327	1,151	45,517	243,823	291,818
<b>Total Loans</b>	<u>\$ 356,335</u>	<u>\$ 898,663</u>	<u>\$ 686,558</u>	<u>\$ 1,366,098</u>	<u>\$ 3,307,654</u>

(In thousands)

	<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	\$ 709,569	\$ 618,748	\$ 835,675	\$ 2,163,992
Floating or adjustable interest rates	189,094	67,810	530,423	787,327
<b>Total Loans</b>	<u>\$ 898,663</u>	<u>\$ 686,558</u>	<u>\$ 1,366,098</u>	<u>\$ 2,951,319</u>



### *Allowance for Loan Losses*

We maintain the allowance at a level we believe is sufficient to absorb probable incurred losses in our loan portfolio given the conditions at the time. Management determines the adequacy of the allowance based on periodic evaluations of the loan portfolio and other factors, including end-of-period loan levels and portfolio composition, observable trends in nonperforming loans, our historical loan losses, known and inherent risks in the portfolio, underwriting practices, adverse situations that may impact a borrower's ability to repay, the estimated value and sufficiency of any underlying collateral, credit risk grade assessments, loan impairment and economic conditions. These evaluations are inherently subjective as they require management to make material estimates, all of which may be susceptible to significant change. The allowance is increased by provisions for loan losses charged to expense and decreased by actual charge-offs, net of recoveries.

The allowance consists of specific allowances for loans that are individually classified as impaired and general components. Impaired loans include loans placed on nonaccrual status and TDRs. Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. When determining if we will be unable to collect all principal and interest payments due in accordance with the original contractual terms of the loan agreement, we consider the borrower's overall financial condition, resources and payment record, support from guarantors, and the realized value of any collateral. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are individually identified and evaluated for impairment based on a combination of internally assigned risk ratings and a defined dollar threshold. If a loan is impaired, a specific reserve is applied to the loan so that the loan is reported, net, at the discounted expected future cash flows or at the fair value of collateral if repayment is collateral dependent. Impaired loans which do not meet the criteria for individual evaluation are evaluated in homogeneous pools of loans with similar risk characteristics.

In accordance with the accounting guidance for business combinations, there was no allowance brought forward on any of the loans we acquired in our acquisition of NRB. For purchased non-credit impaired loans, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value and the discount is accreted to interest income over the life of the loan. Subsequent to the acquisition date, the method used to evaluate the sufficiency of the credit discount is similar to organic loans, and if necessary, additional reserves are recognized in the allowance. At the close of the NRB acquisition, there were no purchase credit impaired loans. As of June 30, 2022, the remaining mark is \$1.1 million. In addition, the allowance includes \$1.5 million on-balance-sheet and \$32 thousand off-balance-sheet reserves for loan downgrades, increases in usage of lines of credit, construction disbursements and reclassifications of product types subsequent to the acquisition.

The following tables presents, by loan type, the changes in the allowance for the periods indicated:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Balance at beginning of period	\$ 37,542	\$ 36,662	\$ 35,866	\$ 41,589
Loan charge-offs:				
<i>Commercial portfolio:</i>				
Commercial and industrial	—	—	—	—
Multifamily	—	—	416	1,908
Commercial real estate	—	—	—	—
Construction and land development	—	—	—	—
<i>Retail portfolio:</i>				
Residential real estate lending	782	60	821	201
Consumer and other	995	836	1,863	1,176
Total loan charge-offs	1,777	896	3,100	3,285
Recoveries of loans previously charged-off:				
<i>Commercial portfolio:</i>				
Commercial and industrial	6	3	12	207
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Construction and land development	1	—	2	1
<i>Retail portfolio:</i>				
Residential real estate lending	674	544	1,325	1,039
Consumer and other	119	17	167	40
Total loan recoveries	800	564	1,506	1,287
Net (recoveries) charge-offs	977	332	1,594	1,998
Provision for (recovery of) loan losses	2,912	1,682	5,205	(1,579)
Balance at end of period	\$ 39,477	\$ 38,012	\$ 39,477	\$ 38,012

The allowance increased \$3.6 million to \$39.5 million at June 30, 2022 from \$35.9 million at December 31, 2021. The increase was primarily due to increases in loan balances. At June 30, 2022, we had \$60.1 million of impaired loans for which a specific allowance of \$6.1 million was made, compared to \$53.2 million of impaired loans at December 31, 2021 for which a specific allowance of \$5.1 million was made. The ratio of allowance to total loans was 1.08% for June 30, 2022 and 1.08% for December 31, 2021.

### Allocation of Allowance for Loan 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:

	At June 30, 2022		At December 31, 2021	
	Amount	% of total loans	Amount	% of total loans
<i>(In thousands)</i>				
<i>Commercial Portfolio:</i>				
Commercial and industrial	\$ 14,617	20.4 %	\$ 10,652	22.0 %
Multifamily	4,397	23.4 %	4,760	24.8 %
Commercial real estate	5,726	9.4 %	7,273	11.2 %
Construction and land development	709	1.2 %	405	1.0 %
Total commercial portfolio	\$ 25,449	54.4 %	\$ 23,090	59.0 %
<i>Retail Portfolio:</i>				
Residential real estate lending	\$ 10,304	33.9 %	\$ 9,008	32.2 %
Consumer and other	3,724	11.7 %	3,768	8.8 %
Total retail portfolio	\$ 14,028	45.6 %	\$ 12,776	41.0 %
<b>Total allowance for loan losses</b>	<b>\$ 39,477</b>		<b>\$ 35,866</b>	

### Nonperforming Assets

Nonperforming assets include all loans categorized as nonaccrual or restructured, 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. We generally do not accrue interest on loans that are 90 days or more past due (unless we are in the process of collection or an extension and determine that the customer is not in financial difficulty). When a loan is placed on nonaccrual, previously accrued but unpaid interest is reversed and charged against interest income and future accruals of interest are discontinued. Payments by borrowers for loans on nonaccrual are applied to loan principal. Loans are returned to accrual status when, in our judgment, the borrower's ability to satisfy principal and interest obligations under the loan agreement has improved sufficiently to reasonably assure recovery of principal and the borrower has demonstrated a sustained period of repayment performance.

A loan is identified as a troubled debt restructuring, or TDR, when we, for economic or legal reasons related to the borrower's financial difficulties, grant a concession to the borrower. The concessions may be granted in various forms, including interest rate reductions, principal forgiveness, extension of maturity date, waiver or deferral of payments and other actions intended to minimize potential losses. A loan that has been restructured as a TDR may not be disclosed as a TDR in years subsequent to the restructuring if certain conditions are met. Generally, a nonaccrual loan that is restructured remains on nonaccrual status for a period no less than six months to demonstrate that the borrower can meet the restructured terms. However, the borrower's performance prior to the restructuring or other significant events at the time of restructuring may be considered in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status after a shorter performance period. If the borrower's performance under the new terms is not reasonably assured, the loan remains classified as a nonaccrual loan.

As a result of the COVID-19 pandemic, we have experienced a significant increase in the number of requests for temporary loan modifications. As of June 30, 2022, we had COVID-19 related loan payment deferrals or deferral requests in process totaling \$16.7 million, of which 60% were in our commercial portfolio. We have granted these borrowers short-term concessions of three to six months in the form of payment deferrals. According to the interagency guidance and the CARES Act, loans modified during the COVID-19 pandemic are not considered TDRs as long as the borrower was not experiencing financial difficulty before the pandemic and the reason for the deferral is temporary in nature and the loans are expected to continue performing after the COVID-19 pandemic.

The following table sets forth our nonperforming assets as of June 30, 2022 and December 31, 2021:

<i>(In thousands)</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Loans 90 days past due and accruing	\$ —	\$ —
Nonaccrual loans held for sale	4,841	1,000
Nonaccrual loans excluding held for sale loans and restructured loans	8,109	14,722
Troubled debt restructured loans - nonaccrual	16,288	13,497
Troubled debt restructured loans - accruing	35,683	24,997
Other real estate owned	307	307
Impaired securities	56	63
Total nonperforming assets	<u>\$ 65,284</u>	<u>\$ 54,586</u>
<b>Nonaccrual loans:</b>		
Commercial and industrial	\$ 9,550	\$ 8,313
Multifamily	3,494	2,907
Commercial real estate	3,931	4,054
Construction and land development	5,053	—
Total commercial portfolio	<u>22,028</u>	<u>15,274</u>
Residential real estate lending	898	12,525
Consumer and other	1,471	420
Total retail portfolio	<u>2,369</u>	<u>12,945</u>
Total nonaccrual loans	<u>\$ 24,397</u>	<u>\$ 28,219</u>
Nonperforming assets to total assets	0.82 %	0.77 %
Nonaccrual assets to total assets	0.37 %	0.42 %
Nonaccrual loans to total loans	0.67 %	0.85 %
Allowance for loan losses to nonaccrual loans	161.81 %	127.10 %
Allowance for loan losses to total loans	1.08 %	1.08 %
Annualized net charge-offs (recoveries) to average loans	0.11 %	0.44 %

Nonperforming assets totaled \$65.3 million, or 0.82% of period-end total assets at June 30, 2022, an increase of \$10.7 million, compared with \$54.6 million, or 0.77% of period-end total assets at December 31, 2021. The increase in non-performing assets at June 30, 2022 compared to December 31, 2021 assets was primarily driven by the restructuring of \$6.5 million in loans that are part of one borrower relationship, as well as two loans totaling \$5.2 million that were moved to nonaccrual in the second quarter of 2022, partially offset by one \$3.5 million nonaccrual multifamily loan that was paid off.

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 \$93.0 million, or 1.2% of total assets, at June 30, 2022, as follows: \$90.9 million are commercial loans currently in workout that management expects will be rehabilitated; \$2.1 million are residential 1-4 family or retail loans, with \$280 thousand at 30 days delinquent, and \$1.8 million at 60 days delinquent.

### Resell Agreements

As of June 30, 2022, we have entered into \$225.9 million of short term investments of resell agreements backed by residential first-lien mortgage loans, with a weighted interest rate of 2.48%. As of December 31, 2021, we have entered into \$229.0 million of short term investments of resell agreements backed by residential first-lien mortgage loans, with a weighted interest rate of 1.21%.

## Deferred Tax Asset

We had a deferred tax asset, net of deferred tax liabilities, of \$56.2 million at June 30, 2022 and \$26.7 million at December 31, 2021. As of June 30, 2022, 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 \$7.3 billion at June 30, 2022, compared to \$6.4 billion at December 31, 2021. 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. We bank politically active customers, such as campaigns, PACs, and state and national party committees, which we refer to as political deposits. These deposits exhibit seasonality based on election cycles. As of June 30, 2022 and December 31, 2021, we had approximately \$1.3 billion and \$989.6 million, respectively, in political deposits which are primarily in demand deposits.

Maturities of time certificates of deposit and other time deposits of \$100,000 or more outstanding at June 30, 2022 are summarized as follows:

### Maturities as of June 30, 2022

*(In thousands)*

Within three months	\$	67,499
After three but within six months		56,205
After six months but within twelve months		43,852
After twelve months		20,067
	\$	<u>187,623</u>

## 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 June 30, 2022 are presented in the following table. The projections assume immediate, parallel shifts downward of the yield curve of 100 basis points and immediate, parallel shifts upward of the yield curve of 100, 200, 300 and 400 basis points. In the current interest rate environment, a downward shift of the yield curve of 200, 300 and 400 basis points does not provide us with meaningful results and, therefore, is not shown.

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 June 30, 2022**

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	-16.3%	(260,476)	3.7%	10,328
+300 basis points	-9.4%	(149,955)	6.5%	18,066
+200 basis points	-4.1%	(65,163)	6.9%	19,142
+100 basis points	-0.3%	(4,092)	4.6%	12,854
-100 basis points	-5.9%	(94,520)	-6.6%	(18,405)

**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.

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, FHLB advances 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 and the issuance of debt or equity securities. We believe that the sources of available liquidity are adequate to meet our current and reasonably foreseeable future liquidity needs.

At June 30, 2022, our cash and equivalents, which consist of cash and amounts due from banks and interest-bearing deposits in other financial institutions, amounted to \$332.5 million, or 4.2% of total assets, compared to \$330.5 million, or 4.7% of total assets at December 31, 2021. Our available for sale securities at June 30, 2022 were \$2.1 billion, or 26.5% of total assets, compared to \$2.1 billion, or 29.9% of total assets at December 31, 2021. Investment securities with an aggregate fair value of \$84.9 million at June 30, 2022 were pledged to secure public deposits and repurchase agreements.

The liability portion of the balance sheet serves as our primary source of liquidity. We plan to meet our future cash needs through the generation of deposits. Customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. We are also a member of the FHLB, from which we can borrow for leverage or liquidity purposes. The FHLB requires that securities and qualifying loans be pledged to secure any advances. At June 30, 2022, we had no advances from the FHLB and a remaining credit availability of \$1.4 billion. In addition, we maintain borrowing capacity of approximately \$65.8 million with the Federal Reserve's discount window that is secured by certain securities from our portfolio which are not pledged for other purposes.

### **Capital Resources**

Total stockholders' equity at June 30, 2022 was \$498.0 million, compared to \$563.9 million at December 31, 2021, a decrease of \$65.9 million. The decrease was primarily driven by a \$83.6 million decrease in accumulated other comprehensive income due to the mark to market on our securities portfolio and was partially offset by \$33.8 million of net income. Also attributing to the decrease in total stockholders' equity was an \$11.1 million decrease in additional paid-in capital, which was primarily driven by \$11.7 million of common stock that was purchased as part of our share repurchase program in the first half of 2022. Further attributing to this decrease was \$5.0 million of dividends paid.

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 <sup>(1)</sup>		To Be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(In thousands)</i>						
<b>June 30, 2022</b>						
<b>Consolidated:</b>						
Total capital to risk weighted assets	\$ 679,026	14.41 %	\$ 377,036	8.00 %	\$ 471,295	10.00 %
Tier 1 capital to risk weighted assets	553,834	11.75 %	282,777	6.00 %	377,036	8.00 %
Tier 1 capital to average assets	553,834	7.08 %	312,908	4.00 %	391,135	5.00 %
Common equity tier 1 to risk weighted assets	553,834	11.75 %	212,083	4.50 %	306,342	6.50 %
<b>Bank:</b>						
Total capital to risk weighted assets	\$ 654,652	13.89 %	\$ 377,029	8.00 %	\$ 471,286	10.00 %
Tier I capital to risk weighted assets	613,359	13.01 %	282,772	6.00 %	377,029	8.00 %
Tier I capital to average assets	613,359	7.84 %	312,905	4.00 %	391,131	5.00 %
Common equity tier 1 to risk weighted assets	613,359	13.01 %	212,079	4.50 %	306,336	6.50 %
<b>December 31, 2021</b>						
<b>Bank:</b>						
Total capital to risk weighted assets	\$ 656,719	15.95 %	\$ 329,471	8.00 %	\$ 411,839	10.00 %
Tier 1 capital to risk weighted assets	534,381	12.98 %	247,103	6.00 %	329,471	8.00 %
Tier 1 capital to average assets	534,381	7.62 %	280,454	4.00 %	350,567	5.00 %
Common equity tier 1 to risk weighted assets	534,381	12.98 %	185,327	4.50 %	267,695	6.50 %

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

As of June 30, 2022, the Company and the Bank were 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 June 30, 2022 and December 31, 2021:

	Total	June 30, 2022			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
<i>(In thousands)</i>					
<b>June 30, 2022</b>					
<i>Subordinated Debt</i>	\$ 83,899	\$ —	\$ —	\$ —	\$ 83,899
<i>Operating Leases</i>	48,781	5,481	33,169	10,131	—
<i>Purchase Obligations</i>	29,016	4,612	9,224	7,380	7,800
<i>Certificates of Deposit</i>	187,623	123,728	61,888	1,764	243
	<u>\$ 349,319</u>	<u>\$ 133,821</u>	<u>\$ 104,281</u>	<u>\$ 19,275</u>	<u>\$ 91,942</u>
<b>December 31, 2021</b>					
<i>Subordinated Debt</i>	\$ 83,831	\$ —	\$ —	\$ —	\$ 83,831
<i>Operating Leases</i>	51,824	10,955	21,420	18,923	526
<i>Purchase Obligations</i>	31,322	4,612	9,224	8,386	9,100
<i>Certificates of Deposit</i>	207,152	182,654	18,784	5,714	—
	<u>\$ 374,129</u>	<u>\$ 198,221</u>	<u>\$ 49,428</u>	<u>\$ 33,023</u>	<u>\$ 93,457</u>



### ***Investment Obligations***

We are a party to agreements with Pace Funding Group LLC, which operates Home Run Financing, for the purchase of property assessed clean energy, or PACE, assessment securities until the end of 2022. These investments are to be held in our held-to-maturity investment portfolio. As of June 30, 2022, we had purchased \$373.0 million of these obligations and had an estimated remaining commitment of \$91.6 million. The PACE assessments have equal-lien priority with property taxes and generally rank senior to first lien mortgages. We anticipate these commitments will be funded by means of normal cash flows, by a reduction in cash and cash equivalents, or by pay-downs and maturities of loans and other investments.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

There have been no material changes in our market risk as of June 30, 2022 from that presented in the 2021 Annual Report. Our interest rate sensitivity position at June 30, 2022 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 June 30, 2022. 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 June 30, 2022 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, 2021, as filed with the SEC on March 11, 2022, 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.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### 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 June 30, 2022 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 <sup>(1)</sup>	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 <sup>(2)</sup>
April 1 through April 30, 2022	137,770	\$ 17.81	137,770	\$ 35,174,868
May 1 through May 31, 2022	279,666	19.29	254,528	\$ 30,258,598
June 1 through June 30, 2022	74,081	19.78	71,650	\$ 28,842,581
Total	<u>491,517</u>	<u>\$ 18.95</u>	<u>463,948</u>	

(1) Includes shares withheld by the Company to pay the taxes associated with the vesting of stock options. There were 27,569 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, \$8.8 million of common stock was purchased during the second quarter of 2022.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
3.1	<a href="#"><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></a>
3.2	<a href="#"><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></a>
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.
31.1	<a href="#"><u>Rule 13a-14(a) Certification of the Chief Executive Officer</u></a>
31.2	<a href="#"><u>Rule 13a-14(a) Certification of the Chief Financial Officer</u></a>
32.1	<a href="#"><u>Section 1350 Certifications</u></a>
101	Interactive data files for the Quarterly Report on Form 10-Q of Amalgamated Financial Corp. for the quarter ended June 30, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Financial Condition at June 30, 2022 and December 31, 2021, (ii) Consolidated Statements of Income for the quarters ended June 30, 2022 and 2021, (iii) Consolidated Statements of Comprehensive Income for the quarters ended June 30, 2022 and 2021, (iv) Consolidated Statements of Changes in Shareholders' Equity for the quarters ended June 30, 2022 and 2021, (v) Consolidated Statements of Cash Flows for the quarters ended June 30, 2022 and 2021 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 June 30, 2022, 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.

August 5, 2022	By: <u>/s/ Priscilla Sims Brown</u> Priscilla Sims Brown President and Chief Executive Officer <i>(Principal Executive Officer)</i>
August 5, 2022	By: <u>/s/ Jason Darby</u> Jason Darby Chief Financial Officer <i>(Principal Financial Officer)</i>
August 5, 2022	By: <u>/s/ Frank DeMaria</u> Frank DeMaria Chief Accounting Officer <i>(Principal Accounting Officer)</i>