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

FORM 10-Q

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

For the quarterly period ended September 30, 2021
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 November 9, 2021, the Registrant had 31,096,896 shares of common stock outstanding at $0.01 par value per share.

TABLE OF CONTENTS

		Page
Cautionary Note Regarding Forward-Looking Statements		ii
PART I – FINANCIAL INFORMATION		
ITEM 1.	**Financial Statements**	
	Consolidated Statements of Financial Condition as of September 30, 2021 and December 31, 2020	1
	Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2021 and 2020	2
	Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2021 and 2020	3
	Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2021 and 2020	4
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020	6
	Notes to Consolidated Statements	8
ITEM 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**	37
ITEM 3.	**Quantitative and Qualitative Disclosures About Market Risk**	60
ITEM 4.	**Controls and Procedures**	60
PART II - OTHER INFORMATION		
ITEM 1.	**Legal Proceedings**	61
ITEM 1A.	**Risk Factors**	61
ITEM 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	62
ITEM 6.	**Exhibits**	63
Signatures		64

EXPLANATORY NOTE

On March 1, 2021 (the "Effective Date"), Amalgamated Financial Corp., a Delaware public benefit corporation (the "Company") acquired all of the outstanding stock of Amalgamated Bank, a New York state-chartered bank (the "Bank"), in a statutory share exchange transaction (the "Reorganization") effected under New York law and in accordance with the terms of a Plan of Acquisition dated September 4, 2020 (the "Agreement"). Pursuant to the Reorganization, the Bank became the sole subsidiary of the Company, the Company became the holding company for the Bank and the stockholders of the Bank became stockholders of the Company.

Before the Effective Date, the Bank's Class A common stock was registered under Section 12(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), and the Bank was subject to the information requirements of the Exchange Act and, in accordance with Section 12(i) thereof, filed quarterly reports, proxy statements and other information with the Federal Deposit Insurance Corporation ("FDIC"). As of the Effective Date, pursuant to Rule 12g-3 under the Exchange Act, the Company is the successor registrant to the Bank, the Company's common stock is deemed to be registered under Section 12(b) of the Exchange Act, and the Company has become subject to the information requirements of the Exchange Act and files reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the "SEC").

In this report, unless the context indicates otherwise, references to "we," "us," and "our" refer to the Company and the Bank. However, if the discussion relates to a period before the Effective Date, the terms refer only to the Bank.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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 statements related to (i) our plans, objectives, strategies, projected growth, anticipated future financial performance (including underlying assumptions), and management's long-term performance goals, (ii) the anticipated effects or consequences of various transactions or events on our results of operations and financial condition, including, but not limited to, statements regarding our outlook and expectations with respect to our planned merger with Amalgamated Investments Company ("AIC") (the "merger"), the strategic and financial benefits of the merger, including the expected impact of the merger on the combined company's scale, deposit franchise, growth and future financial performance, and the timing of the closing of the merger and (iii) our future performance, operations, products and services.

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 try and contain the virus or address the impact of the virus on the United States economy and the resulting effect of these items 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, 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;
- continuation of historically low interest rates may reduce net interest margins and/or the volumes or values of the loans made or held as well as the value of other financial assets;
- our lack of geographic diversification and 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;
- our ability to identify and effectively acquire potential acquisition or merger targets, including our ability to be seen as an acquirer of choice and our ability to obtain regulatory approval for any acquisition or merger and thereafter to successfully integrate any acquisition or merger target;
- the failure to obtain necessary regulatory approvals with respect to the merger when expected or at all (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the transaction);
- the failure of either company to satisfy any of the other closing conditions to the merger on a timely basis or at all;
- the occurrence of any event, change or other circumstances that could give rise to the right of one or both of the parties to terminate the merger agreement;
- the possibility that the anticipated benefits of the merger, including anticipated cost savings and strategic gains, are not realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies or as a result of the strength of the economy, competitive factors in the areas where we and AIC do business, or as a result of other unexpected factors or events;
- the impact of purchase accounting with respect to the merger, or any change in the assumptions used regarding the assets purchased and liabilities assumed to determine their fair value;
- diversion of management's attention from ongoing business operations and opportunities;
- potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the merger;
- the outcome of any legal proceedings that may be instituted against us and/or AIC in connection with the merger;
- the integration of our business and operations with AIC, which may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to our existing business or the existing business of AIC;
- business disruptions following the merger;
- other factors that may affect future results of the combined company including changes in asset quality and credit risk; the inability to sustain revenue and earnings growth; changes in interest rates and capital markets; inflation; customer borrowing, repayment, investment and deposit practices; changes in general economic conditions, including due to the COVID-19 pandemic; the impact, extent and timing of technological changes; capital management activities; and other actions of the Federal Reserve Board and legislative and regulatory actions and reforms; and
- descriptions of assumptions underlying or relating to any of the foregoing.

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

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

	September 30, 2021	December 31, 2020
Assets	(unaudited)	
Cash and due from banks	$ 8,488	$ 7,736
Interest-bearing deposits in banks	681,758	31,033
Total cash and cash equivalents	690,246	38,769
Securities:		
Available for sale, at fair value (amortized cost of $1,936,830 and $1,513,409, respectively)	1,955,502	1,539,862
Held-to-maturity (fair value of $727,161 and $502,425, respectively)	725,076	494,449
Loans held for sale	6,156	11,178
Loans receivable, net of deferred loan origination costs (fees)	3,123,329	3,488,895
Allowance for loan losses	(35,863)	(41,589)
Loans receivable, net	3,087,466	3,447,306
Resell agreements	130,434	154,779
Accrued interest and dividends receivable	23,337	23,970
Premises and equipment, net	12,447	12,977
Bank-owned life insurance	106,736	105,888
Right-of-use lease asset	34,819	36,104
Deferred tax asset	24,672	36,079
Goodwill	12,936	12,936
Other intangible assets	4,453	5,359
Equity investments	5,614	11,735
Other assets	39,871	47,240
Total assets	$ 6,859,765	$ 5,978,631
Liabilities		
Deposits	$ 6,224,506	$ 5,338,711
Operating leases	50,416	53,173
Other liabilities	28,453	50,926
Total liabilities	6,303,375	5,442,810
Commitments and contingencies	—	—
Stockholders’ equity		
Common stock, par value $0.01 per share (70,000,000 shares authorized; 31,096,896 and 31,049,525 shares issued and outstanding, respectively)	311	310
Additional paid-in capital	297,904	300,989
Retained earnings	246,665	217,213
Accumulated other comprehensive income (loss), net of income taxes	11,377	17,176
Total Amalgamated Financial Corp. stockholders' equity	556,257	535,688
Noncontrolling interests	133	133
Total stockholders' equity	556,390	535,821
Total liabilities and stockholders’ equity	$ 6,859,765	$ 5,978,631

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
INTEREST AND DIVIDEND INCOME				
Loans	$ 29,915	$ 35,602	$ 91,180	$ 106,440
Securities	14,612	11,473	39,876	35,772
Federal Home Loan Bank of New York stock	43	56	132	190
Interest-bearing deposits in banks	230	152	451	631
Total interest and dividend income	44,800	47,283	131,639	143,033
INTEREST EXPENSE				
Deposits	1,413	2,049	4,416	8,645
Borrowed funds	—	—	—	27
Total interest expense	1,413	2,049	4,416	8,672
NET INTEREST INCOME	43,387	45,234	127,223	134,361
Provision for (recovery of) loan losses	(2,276)	3,394	(3,855)	20,202
Net interest income after provision for loan losses	45,663	41,840	131,078	114,159
NON-INTEREST INCOME				
Trust Department fees	3,353	3,622	10,471	11,688
Service charges on deposit accounts	2,466	2,130	6,941	6,391
Bank-owned life insurance	539	1,227	1,858	2,722
Gain (loss) on sale of securities	413	619	755	1,605
Gain (loss) on sale of loans, net	280	903	1,706	1,200
Gain (loss) on other real estate owned, net	—	(176)	(407)	(482)
Equity method investments	(483)	4,297	(5,720)	5,586
Other	134	154	424	1,855
Total non-interest income	6,702	12,776	16,028	30,565
NON-INTEREST EXPENSE				
Compensation and employee benefits	17,482	17,547	52,485	52,338
Occupancy and depreciation	3,440	9,908	10,293	19,655
Professional fees	2,348	2,202	9,219	7,173
Data processing	4,521	2,916	10,848	8,157
Office maintenance and depreciation	887	863	2,362	2,538
Amortization of intangible assets	301	342	905	1,027
Advertising and promotion	1,023	1,172	2,248	2,511
Other	3,032	2,927	8,863	7,817
Total non-interest expense	33,034	37,877	97,223	101,216
Income before income taxes	19,331	16,739	49,883	43,508
Income tax expense (benefit)	4,915	4,259	12,870	11,109
Net income	14,416	12,480	37,013	32,399
Net income attributable to Amalgamated Financial Corp.	$ 14,416	$ 12,480	$ 37,013	$ 32,399
Earnings per common share - basic	$ 0.46	$ 0.40	$ 1.19	$ 1.04
Earnings per common share - diluted	$ 0.46	$ 0.40	$ 1.17	$ 1.04

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income	$ 14,416	$ 12,480	$ 37,013	$ 32,399
Other comprehensive income (loss), net of taxes:				
Change in total obligation for postretirement benefits, prior service credit, and other benefits	94	73	(171)	220
Net unrealized gains (losses) on securities available for sale:				
Unrealized holding gains (losses)	(5,640)	11,706	(7,021)	18,149
Reclassification adjustment for losses (gains) realized in income	(421)	(620)	(760)	(1,604)
Net unrealized gains (losses) on securities available for sale	(6,061)	11,086	(7,781)	16,545
Other comprehensive income (loss), before tax	(5,967)	11,159	(7,952)	16,765
Income tax benefit (expense)	1,629	(3,106)	2,153	(4,667)
Total other comprehensive income (loss), net of taxes	(4,338)	8,053	(5,799)	12,098
Total comprehensive income (loss), net of taxes	$ 10,078	$ 20,533	$ 31,214	$ 44,497

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30, 2021						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at June 30, 2021	$ 311	$ 297,283	$ 234,769	$ 15,715	$ 548,078	$ 133	$ 548,211
Net income	—	—	14,416	—	14,416	—	14,416
Cash dividend, $0.08 per share	—	—	(2,520)	—	(2,520)	—	(2,520)
Exercise of stock options	—	(2)	—	—	(2)	—	(2)
Stock-based compensation expense	—	623	—	—	623	—	623
Other comprehensive income (loss), net of taxes	—	—	—	(4,338)	(4,338)	—	(4,338)
Balance at September 30, 2021	$ 311	$ 297,904	$ 246,665	$ 11,377	$ 556,257	$ 133	$ 556,390

	Nine Months Ended September 30, 2021						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2020	$ 310	$ 300,989	$ 217,213	$ 17,176	$ 535,688	$ 133	$ 535,821
Net income	—	—	37,013	—	37,013	—	37,013
Cash dividends, $0.24 per share	—	—	(7,561)	—	(7,561)	—	(7,561)
Repurchase of shares	(1)	(2,919)	—	—	(2,920)	—	(2,920)
Exercise of stock options, net of repurchases	2	(1,453)	—	—	(1,451)	—	(1,451)
Restricted stock unit vesting, net of repurchases	—	(90)	—	—	(90)	—	(90)
Stock-based compensation expense	—	1,377	—	—	1,377	—	1,377
Other comprehensive income (loss), net of taxes	—	—	—	(5,799)	(5,799)	—	(5,799)
Balance at September 30, 2021	$ 311	$ 297,904	$ 246,665	$ 11,377	$ 556,257	$ 133	$ 556,390

See accompanying notes to consolidated financial statements (unaudited)

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

	Three Months Ended September 30, 2020						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at June 30, 2020	$ 310	$ 299,997	$ 195,991	$ 7,270	$ 503,568	$ 134	$ 503,702
Net income	—	—	12,480	—	12,480	—	12,480
Cash dividend, $0.08 per share	—	—	(2,515)	—	(2,515)	—	(2,515)
Redemption of AREMCO class B shares	—	—	(4)	—	(4)	(1)	(5)
Stock-based compensation expense	—	782	—	—	782	—	782
Other comprehensive income (loss), net of taxes	—	—	—	8,053	8,053	—	8,053
Balance at September 30, 2020	$ 310	$ 300,779	$ 205,952	$ 15,323	$ 522,364	$ 133	$ 522,497

	Nine Months Ended September 30, 2020						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2019	$ 315	$ 305,738	$ 181,132	$ 3,225	$ 490,410	$ 134	$ 490,544
Net income	—	—	32,399	—	32,399	—	32,399
Cash dividend, $0.24 per share	—	—	(7,575)	—	(7,575)	—	(7,575)
Redemption of AREMCO class B shares	—	—	(4)	—	(4)	(1)	(5)
Shares issued under stock-based incentive plan	—	16	—	—	16	—	16
Repurchase of shares	(5)	(6,996)	—	—	(7,001)	—	(7,001)
Exercise of stock options	—	(155)	—	—	(155)	—	(155)
Stock-based compensation expense	—	2,176	—	—	2,176	—	2,176
Other comprehensive income (loss), net of taxes	—	—	—	12,098	12,098	—	12,098
Balance at September 30, 2020	$ 310	$ 300,779	$ 205,952	$ 15,323	$ 522,364	$ 133	$ 522,497

See accompanying notes to consolidated financial statements (unaudited)

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

	Nine Months Ended September 30,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 37,013	$ 32,399
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,746	5,330
Amortization of intangible assets	905	1,027
Deferred income tax expense (benefit)	5,373	(405)
Provision for (recovery of) loan losses	(3,855)	20,202
Stock-based compensation expense	1,377	2,176
Net amortization (accretion) on loan fees, costs, premiums, and discounts	2,407	1,906
Net amortization on securities	2,984	1,144
OTTI loss (gain) recognized in earnings	(5)	1
Net loss (income) from equity method investments	5,720	(5,586)
Net loss (gain) on sale of securities available for sale	(755)	(1,605)
Net loss (gain) on sale of loans	(1,706)	(1,200)
Net loss (gain) on sale of other real estate owned	407	482
Net loss (gain) on owned property held for sale	—	(1,394)
Net (gain) on redemption of bank-owned life insurance	(266)	(1,594)
Proceeds from sales of loans held for sale	103,186	80,553
Originations of loans held for sale	(96,478)	(105,450)
Decrease (increase) in cash surrender value of bank-owned life insurance	(1,592)	(1,128)
Decrease (increase) in accrued interest and dividends receivable	633	(3,650)
Decrease (increase) in other assets [1]	6,499	5,064
Increase (decrease) in accrued expenses and other liabilities [2]	(11,193)	(8,896)
Net cash provided by operating activities	53,400	19,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Originations or purchase of loans, net of principal repayments	361,309	(137,972)
Purchase of securities available for sale	(874,116)	(587,991)
Purchase of securities held to maturity	(315,969)	(184,840)
Proceeds from sales of securities available for sale	94,899	94,698
Maturities, principal payments and redemptions of securities available for sale	349,328	201,541
Maturities, principal payments and redemptions of securities held to maturity	82,505	35,662
Decrease (increase) in resell agreements	24,345	(103,222)
Purchase of equity method investments	626	(13,770)
Decrease (increase) of FHLBNY stock, net	214	3,105
Purchases of premises and equipment	(2,216)	(1,023)
Proceeds from redemption of bank-owned life insurance	1,010	2,934
Proceeds from sale of owned assets	—	1,613
Proceeds from sale of other real estate owned	2,275	20
Net cash (used in) provided by investing activities	(275,790)	(689,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	885,795	1,380,018
Net increase (decrease) in FHLB advances	—	(75,000)

Issuance of common stock	—	16
Redemption of AREMCO class B shares	—	(5)
Repurchase of shares	(2,920)	(7,001)
Dividends paid	(7,467)	(7,481)
Exercise of stock options, net	(1,451)	(155)
Restricted stock unit vesting, net	(90)	—
Net cash provided by financing activities	873,867	1,290,392
Increase (decrease) in cash, cash equivalents, and restricted cash	651,477	620,523
Cash, cash equivalents, and restricted cash at beginning of year	38,769	122,538
Cash, cash equivalents, and restricted cash at end period	$ 690,246	$ 743,061
Supplemental disclosures of cash flow information:		
Interest paid during the period	$ 4,626	$ 9,600
Income taxes paid during the period	5,335	9,688
Supplemental non-cash investing activities:		
Loans transferred to other real estate owned	2,682	—
Purchase (sale) of securities available for sale, net not settled	4,999	(27,560)

(1) Includes $1.3 million and $10.4 million of right of use asset amortization for the respective periods
(2) Includes $0.9 million and $1.5 million accretion of operating lease liabilities for the respective periods

See accompanying notes to consolidated financial statements (unaudited)

1. BASIS OF PRESENTATION AND CONSOLIDATION

Holding Company Reorganization

On March 1, 2021 (the "Effective Date"), Amalgamated Financial Corp., a Delaware public benefit corporation (the "Company") acquired all of the outstanding stock of Amalgamated Bank, a New York state-chartered bank (the "Bank"), in a statutory share exchange transaction (the "Reorganization") effected under New York law and in accordance with the terms of a Plan of Acquisition dated September 4, 2020 (the "Agreement"). Pursuant to the Reorganization, the Bank became the sole subsidiary of the Company, the Company became the holding company for the Bank and the stockholders of the Bank became stockholders of the Company. Prior to the Effective Date of the Reorganization, the Company conducted no operations other than obtaining regulatory approval for the Reorganization. Accordingly, there has been no significant financial activity at the parent company level as of September 30, 2021.

In this discussion, unless the context indicates otherwise, references to "we," "us," and "our" refer to the Company and the Bank. However, if the discussion relates to a period before the Effective Date, the terms refer only to the Bank.

Pending Acquisition

On September 22, 2021, the Company announced it has entered into a definitive agreement to acquire Amalgamated Investments Company ("AIC"), the holding company for Amalgamated Bank of Chicago ("ABOC") in an all-cash transaction for approximately $98.1 million, which includes an earnout of up to $1.1 million. The acquisition, which is expected to close late in the fourth quarter of 2021, is subject to customary closing conditions, including regulatory approval and the approval of AIC's shareholders. Approval of the acquisition by the Company's stockholders is not required for the transaction.

Segment Information

Public companies are required to report certain financial information about significant revenue-producing segments of the business for which such information is available and utilized by the chief operating decision maker. Substantially all of our operations occur through the Bank and involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of its banking operation, which constitutes our only operating segment for financial reporting purposes. We do not consider our trust and investment management business as a separate segment.

Basis of Accounting and Changes in Significant Accounting Policies

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, 2020 (the "2020 Annual Report"). There have been no significant changes to our accounting policies, or the estimates made pursuant to those policies as described in our 2020 Annual Report. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes appearing in the 2020 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.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Effective in 2021 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 currently anticipate a January 1, 2023 adoption date. In preparation, we have performed work in assessing and enhancing the technology environment and related data needs and availability. Additionally, a Management Committee comprised of members from multiple departments has been established to monitor our progress towards adoption. As adoption will require the implementation of significant changes to the existing credit loss estimation model and is dependent on the economic forecast, and given the length of time before our adoption date, evaluating the overall impact of the ASU on our Consolidated Financial Statements is not yet determinable.

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.

3. 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 September 30,		Nine Months Ended September 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Change in obligation for postretirement benefits and for prior service credit	$ 53	$ 55	$ 159	$ 165
Change in obligation for other benefits	41	18	(330)	55
Change in total obligation for postretirement benefits and for prior service credit and for other benefits	$ 94	$ 73	$ (171)	$ 220
Income tax effect	(26)	(20)	29	(61)
Net change in total obligation for postretirement benefits and prior service credit and for other benefits	68	53	(142)	159
Unrealized holding gains (losses) on available for sale securities	$ (5,640)	$ 11,706	$ (7,021)	$ 18,149
Reclassification adjustment for losses (gains) realized in income	(421)	(620)	(760)	(1,604)
Change in unrealized gains (losses) on available for sale securities	(6,061)	11,086	(7,781)	16,545
Income tax effect	1,655	(3,086)	2,124	(4,606)
Net change in unrealized gains (losses) on available for sale securities	(4,406)	8,000	(5,657)	11,939
Total	$ (4,338)	$ 8,053	$ (5,799)	$ 12,098

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

(In thousands)	**Balance as of January 1, 2021**	**Current Period Change**	**Income Tax Effect**	**Balance as of September 30, 2021**
Unrealized gains (losses) on benefits plans	$ (2,056)	$ (171)	$ 29	$ (2,198)
Unrealized gains (losses) on available for sale securities	19,232	(7,781)	2,124	13,575
Total	$ 17,176	$ (7,952)	$ 2,153	$ 11,377

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Consolidated Statements of Income
(In thousands)	2021	2020	2021	2020	
Realized gains (losses) on sale of available for sale securities	$ 413	$ 619	$ 755	$ 1,605	Gain (loss) on sale of investment securities available for sale, net
Recognized gains (losses) on OTTI securities	8	—	5	(1)	Non-Interest Income - other
Income tax expense (benefit)	114	173	207	447	Income tax expense (benefit)
Total reclassifications, net of income tax	$ 307	$ 446	$ 553	$ 1,157	
Prior service credit on pension plans and other postretirement benefits	$ 7	$ 7	$ 21	$ 21	Compensation and employee benefits
Income tax expense (benefit)	(2)	(2)	(6)	(6)	Income tax expense (benefit)
Total reclassifications, net of income tax	$ 5	$ 5	$ 15	$ 15	
Total reclassifications, net of income tax	$ 312	$ 451	$ 568	$ 1,172	

4. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale and held to maturity as of September 30, 2021 are as follows:

	September 30, 2021			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 4,205	$ 197	$ —	$ 4,402
GSE residential CMOs	419,019	7,769	(994)	425,794
GSE commercial certificates & CMO	384,271	7,600	(670)	391,201
Non-GSE residential certificates	39,785	55	(104)	39,736
Non-GSE commercial certificates	57,285	79	(304)	57,060
	904,565	15,700	(2,072)	918,193
Other debt:				
U.S. Treasury	200	1	—	201
ABS	944,426	4,820	(896)	948,350
Trust preferred	14,630	—	(440)	14,190
Corporate	73,009	1,636	(77)	74,568
	1,032,265	6,457	(1,413)	1,037,309
Total available for sale	$ 1,936,830	$ 22,157	$ (3,485)	$ 1,955,502
Held to maturity:				
Mortgage-related:				
GSE commercial certificates	$ 12,467	$ —	$ (413)	$ 12,054
GSE residential certificates	446	24	—	470
Non GSE commercial certificates	10,346	—	(182)	10,164
	23,259	24	(595)	22,688
Other debt:				
PACE Assessments	627,195	1,098	—	628,293
Municipal	71,522	2,158	(599)	73,081
Other	3,100	—	(1)	3,099
	701,817	3,256	(600)	704,473
Total held to maturity	$ 725,076	$ 3,280	$ (1,195)	$ 727,161

As of September 30, 2021, available for sale securities with a fair value of $917.4 million were pledged with $22.0 million held-to-maturity securities being pledged. The majority of the securities were pledged to the Federal Home Loan Bank of New York (“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, 2020 are as follows:

	December 31, 2020			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 12,977	$ 322	$ —	$ 13,299
GSE residential CMOs	353,783	12,690	(52)	366,421
GSE commercial certificates & CMO	421,488	11,548	(422)	432,614
Non-GSE residential certificates	33,120	281	(17)	33,384
Non-GSE commercial certificates	45,179	112	(323)	44,968
	866,547	24,953	(814)	890,686
Other debt:				
U.S. Treasury	200	3	—	203
ABS	595,062	4,356	(1,872)	597,546
Trust preferred	14,627	—	(854)	13,773
Corporate	36,973	683	(2)	37,654
Other	—	—	—	—
	646,862	5,042	(2,728)	649,176
Total available for sale	1,513,409	29,995	(3,542)	1,539,862
Held to maturity:				
Mortgage-related:				
GSE residential certificates	$ 611	$ 38	$ —	$ 649
Non GSE commercial certificates	212	15	—	227
	823	53	—	876
Other debt:				
PACE Assessments	421,036	4,870	—	425,906
Municipal	67,490	3,019	—	70,509
Other	5,100	34	—	5,134
	493,626	7,923	—	501,549
Total held to maturity	$ 494,449	$ 7,976	$ —	$ 502,425

The following table summarizes the amortized cost and fair value of debt securities available for sale and held to maturity, exclusive of mortgage-backed securities, by their contractual maturity as of September 30, 2021. 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	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 200	$ 201	$ 1,100	$ 1,100
Due after one year through five years	21,000	21,352	2,000	1,999
Due after five years through ten years	364,701	365,646	—	—
Due after ten years	646,364	650,110	698,717	701,374
	$ 1,032,265	$ 1,037,309	$ 701,817	$ 704,473

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

	Three Months Ended,		Nine Months Ended,	
(In thousands)	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Proceeds	$ 31,603	$ 42,277	$ 94,899	$ 94,698
Realized gains	$ 477	$ 856	$ 1,040	$ 2,111
Realized losses	(64)	(237)	(285)	(506)
Net realized gains (losses)	$ 413	$ 619	$ 755	$ 1,605

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”).

The following summarizes the fair value and unrealized losses for those available for sale and held to maturity securities as of September 30, 2021 and December 31, 2020, 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:

	September 30, 2021					
	Less Than Twelve Months		Twelve Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale:						
Mortgage-related:						
GSE residential CMOs	$ 140,726	$ (994)	$ —	$ —	$ 140,726	$ (994)
GSE commercial certificates & CMO	63,645	(567)	170,426	(103)	234,071	(670)
Non-GSE residential certificates	35,547	(104)	—	—	35,547	(104)
Non-GSE commercial certificates	24,721	(294)	10,966	(10)	35,687	(304)
Other debt:						
ABS	183,785	(623)	74,047	(273)	257,832	(896)
Trust preferred	—	—	14,190	(440)	14,190	(440)
Corporate	16,923	(77)	—	—	16,923	(77)
Total available for sale	$ 465,347	$ (2,659)	$ 269,629	$ (826)	$ 734,976	$ (3,485)
Held to maturity:						
Mortgage-related:						
GSE commercial certificates	$ 12,054	$ (413)	$ — $—	$ —	$ 12,054	$ (413)
Non GSE commercial certificates	9,970	(182)	— —	—	9,970	(182)
Other debt:						
Municipal	20,164	(599)	—	—	20,164	(599)
Other	3,099	(1)	—	—	3,099	(1)
Total held to maturity	$ 45,287	$ (1,195)	$ —	$ —	$ 45,287	$ (1,195)

	December 31, 2020					
	Less Than Twelve Months		Twelve Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-related:						
GSE residential CMOs	$ 31,106	$ (35)	$ 12,910	$ (17)	$ 44,016	$ (52)
GSE commercial certificates & CMO	116,667	(287)	75,126	(135)	191,793	(422)
Non-GSE residential certificates	2,138	(9)	3,077	(8)	5,215	(17)
Non-GSE commercial certificates	47	—	29,207	(323)	29,254	(323)
Other debt:						
ABS	3,010	(1)	298,410	(1,871)	301,420	(1,872)
Trust preferred	—	—	13,773	(854)	13,773	(854)
Corporate	6,998	(2)	—	—	6,998	(2)
	$ 159,966	$ (334)	$ 432,503	$ (3,208)	$ 592,469	$ (3,542)

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 September 30, 2021 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 September 30, 2021, excluding GSE and U.S. Treasury securities and TruPs, discussed above, temporarily impaired securities totaled $380.0 million with an unrealized loss of $2.1 million. 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 no losses on any PACE bonds and are not aware of any losses in the sector given the low LTV position. Management considers that the temporary impairment of these investments as of September 30, 2021 is primarily due to an increase in market spreads since the time these investments were acquired.

With respect to the Company's security investments that are temporarily impaired as of September 30, 2021, 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 September 30, 2021. 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 September 30, 2021, the Company recorded $7.5 thousand OTTI, compared to a $0.3 thousand OTTI for the same period in 2020. For the nine months ended September 30, 2021, the Company recorded $4.8 thousand OTTI, compared to a $0.9 thousand OTTI for the same period in 2020.

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 September 30, 2021; however, it is possible that the Company may recognize OTTI in future periods.

5. LOANS RECEIVABLE, NET

Loans receivable are summarized as follows:

(In thousands)	September 30, 2021	December 31, 2020
Commercial and industrial	$ 628,388	$ 677,192
Multifamily	826,143	947,177
Commercial real estate	346,996	372,736
Construction and land development	34,863	56,087
Total commercial portfolio	1,836,390	2,053,192
Residential real estate lending	1,032,947	1,238,697
Consumer and other	249,050	190,676
Total retail portfolio	1,281,997	1,429,373
Total loans receivable	3,118,387	3,482,565
Net deferred loan origination costs (fees)	4,942	6,330
Total loans receivable, net of deferred loan origination costs (fees)	3,123,329	3,488,895
Allowance for loan losses	(35,863)	(41,589)
Total loans receivable, net	$ 3,087,466	$ 3,447,306

The following table presents information regarding the quality of the Company's loans as of September 30, 2021:

(In thousands)	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
Commercial and industrial	$ 7,710	$ 13,709	$ —	$ 21,419	$ —	$ 606,969	$ 628,388
Multifamily	3,689	6,079	—	9,768	—	816,375	826,143
Commercial real estate	20,000	4,023	—	24,023	—	322,973	346,996
Construction and land development	—	—	—	—	—	34,863	34,863
Total commercial portfolio	31,399	23,811	—	55,210	—	1,781,180	1,836,390
Residential real estate lending	2,011	20,797	—	22,808	—	1,010,139	1,032,947
Consumer and other	1,971	886	—	2,857	—	246,193	249,050
Total retail portfolio	3,982	21,683	—	25,665	—	1,256,332	1,281,997
	$ 35,381	$ 45,494	$ —	$ 80,875	$ —	$ 3,037,512	$ 3,118,387

The following table presents information regarding the quality of the Company's loans as of December 31, 2020:

(In thousands)	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
Commercial and industrial	$ —	$ 12,444	$ 1,404	$ 13,848	$ —	$ 663,344	$ 677,192
Multifamily	3,590	9,575	—	13,165	—	934,012	947,177
Commercial real estate	10,574	3,433	—	14,007	—	358,729	372,736
Construction and land development	9,974	11,184	—	21,158	—	34,929	56,087
Total commercial portfolio	24,138	36,636	1,404	62,178	—	1,991,014	2,053,192
Residential real estate lending	19,526	23,280	—	42,806	376	1,195,515	1,238,697
Consumer and other	1,015	632	—	1,647	—	189,029	190,676
Total retail portfolio	20,541	23,912	—	44,453	376	1,384,544	1,429,373
	$ 44,679	$ 60,548	$ 1,404	$ 106,631	$ 376	$ 3,375,558	$ 3,482,565

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.

On March 22, 2020, federal banking regulators issued an interagency statement that included guidance on their approach for the accounting of loan modifications in light of the economic impact of the COVID-19 pandemic. The guidance interprets current accounting standards and indicates that a lender can conclude that a borrower is not experiencing financial difficulty if short-term modifications are made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to the loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented. The agencies confirmed in working with the staff of the FASB that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted to help the nation's economy recover from the COVID-19 pandemic. The CARES Act provided $2.2 trillion of economy-wide financial stimulus in the form of financial aid to individuals, businesses, nonprofit entities, states, and municipalities. Under Section 4022 of the CARES Act, a borrower with a federally backed mortgage loan that was experiencing a financial hardship due to COVID-19 may request a forbearance (i.e., payment deferral), regardless of delinquency status, for up to 180 days, which may be extended for an additional 180 days at the borrower's request. Before this relief was set to expire on December 31, 2020, the Consolidated Appropriations Act was signed into law, which extended the relief granted under the CARES act to the earlier of January 1, 2022 or 60 days after the national emergency is terminated. During this relief period, no fees, penalties, or interest beyond those scheduled or calculated as if the borrower had made all contractual payments on time and in full will accrue. In addition, Section 4013 of the CARES Act provides temporary relief from the accounting and reporting requirements for TDRs regarding certain loan modifications related to COVID-19. Specifically, the CARES Act provides that a financial institution may elect to suspend the requirements under GAAP for certain loan modifications that would otherwise be categorized as a TDR. Modifications that qualify for this exception include a forbearance arrangement, an interest rate modification, a repayment plan, or any other similar arrangement that defers or delays the payment of principal or interest, that occurs for a loan that was not more than 30 days past due as of December 31, 2019. In accordance with interagency guidance and the CARES Act, short term deferrals granted due to

the COVID-19 pandemic are not considered TDRs unless the borrower was experiencing financial difficulty prior to the pandemic.

As of September 30, 2021, the Company had $16.7 million in loans remaining on a payment deferral program and still accruing interest, the majority of which represent two performing commercial loans requesting additional deferrals.

The following table presents information regarding the Company's TDRs as of September 30, 2021 and December 31, 2020:

	September 30, 2021			December 31, 2020		
(In thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Commercial and industrial	$ 1,553	$ 11,149	$ 12,702	$ 1,648	$ 12,116	$ 13,764
Commercial real estate	—	3,233	3,233	—	3,433	3,433
Construction and land development	7,476	—	7,476	—	2,682	2,682
Residential real estate lending	12,929	6,152	19,081	17,905	2,654	20,559
	$ 21,958	$ 20,534	$ 42,492	$ 19,553	$ 20,885	$ 40,438

The following tables summarize the Company's loan portfolio by credit quality indicator as of September 30, 2021:

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$ 579,429	$ 22,655	$ 25,850	$ 454	$ 628,388
Multifamily	696,898	83,851	42,221	3,173	826,143
Commercial real estate	243,903	26,815	76,278	—	346,996
Construction and land development	27,387	—	7,476	—	34,863
Residential real estate lending	1,011,856	294	20,797	—	1,032,947
Consumer and other	248,164	—	886	—	249,050
Total loans	$ 2,807,637	$ 133,615	$ 173,508	$ 3,627	$ 3,118,387

The following tables summarize the Company's loan portfolio by credit quality indicator as of December 31, 2020:

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$ 627,553	$ 16,407	$ 32,770	$ 462	$ 677,192
Multifamily	775,605	138,090	33,482	—	947,177
Commercial real estate	276,712	41,420	54,604	—	372,736
Construction and land development	28,967	15,936	11,184	—	56,087
Residential real estate lending	1,215,417	—	23,280	—	1,238,697
Consumer and other	190,044	—	632	—	190,676
Total loans	$ 3,114,298	$ 211,853	$ 155,952	$ 462	$ 3,482,565

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 September 30, 2021:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Loans:							
Individually evaluated for impairment	$ 16,148	$ 6,079	$ 4,023	$ 7,476	$ 33,726	$ —	$ 67,452
Collectively evaluated for impairment	612,240	820,064	342,973	27,387	999,221	249,050	3,050,935
Total loans	$ 628,388	$ 826,143	$ 346,996	$ 34,863	$ 1,032,947	$ 249,050	$ 3,118,387
Allowance for loan losses:							
Individually evaluated for impairment	$ 5,309	$ 250	$ —	$ —	$ 935	$ —	$ 6,494
Collectively evaluated for impairment	8,170	4,878	7,604	487	8,002	228	29,369
Total allowance for loan losses	$ 13,479	$ 5,128	$ 7,604	$ 487	$ 8,937	$ 228	$ 35,863

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, 2020:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Loans:							
Individually evaluated for impairment	$ 14,706	$ 9,575	$ 3,433	$ 11,184	$ 41,579	$ —	$ 80,477
Collectively evaluated for impairment	662,486	937,602	369,303	44,903	1,197,118	190,676	3,402,088
Total loans	$ 677,192	$ 947,177	$ 372,736	$ 56,087	$ 1,238,697	$ 190,676	$ 3,482,565
Allowance for loan losses:							
Individually evaluated for impairment	$ 3,118	$ 1,933	$ —	$ —	$ 1,187	$ —	$ 6,238
Collectively evaluated for impairment	5,947	8,391	6,213	2,077	11,143	1,580	35,351
Total allowance for loan losses	$ 9,065	$ 10,324	$ 6,213	$ 2,077	$ 12,330	$ 1,580	$ 41,589

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

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance	$ 12,092	$ 5,672	$ 8,388	$ 1,449	$ 9,785	$ 626	$ 38,012
Provision for (recovery of) loan losses	1,385	(544)	(470)	(963)	(1,677)	(7)	(2,276)
Charge-offs	—	—	(314)	—	(29)	(420)	(763)
Recoveries	2	—	—	1	858	29	890
Ending Balance	$ 13,479	$ 5,128	$ 7,604	$ 487	$ 8,937	$ 228	$ 35,863

The activities in the allowance by portfolio for the three months ended September 30, 2020 are as follows:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance	$ 15,444	$ 7,063	$ 5,977	$ 3,276	$ 16,440	$ 1,810	$ 50,010
Provision for (recovery of) loan losses	1,322	1,382	2,161	(590)	(1,134)	253	3,394
Charge-offs	(78)	—	(3,787)	(970)	(188)	(515)	(5,538)
Recoveries	1	—	—	1	119	85	206
Ending Balance	$ 16,689	$ 8,445	$ 4,351	$ 1,717	$ 15,237	$ 1,633	$ 48,072

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

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance	$ 9,065	$ 10,324	$ 6,213	$ 2,077	$ 12,330	$ 1,580	$ 41,589
Provision for (recovery of) loan losses	4,205	(3,288)	1,705	(1,592)	(5,060)	175	(3,855)
Charge-offs	—	(1,908)	(314)	—	(230)	(1,596)	(4,048)
Recoveries	209	—	—	2	1,897	69	2,177
Ending Balance	$ 13,479	$ 5,128	$ 7,604	$ 487	$ 8,937	$ 228	$ 35,863

The activities in the allowance by portfolio for the nine months ended September 30, 2020 are as follows:

(In thousands)	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Residential Real Estate Lending	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance	$ 11,126	$ 5,210	$ 2,492	$ 808	$ 14,149	$ 62	$ 33,847
Provision for (recovery of) loan losses	5,638	3,235	5,646	1,878	1,058	2,747	20,202
Charge-offs	(79)	—	(3,787)	(970)	(452)	(1,306)	(6,594)
Recoveries	4	—	—	1	482	130	617
Ending Balance	$ 16,689	$ 8,445	$ 4,351	$ 1,717	$ 15,237	$ 1,633	$ 48,072

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 September 30, 2021 and December 31, 2020:

	September 30, 2021			
(In thousands)	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans without a related allowance:				
Residential real estate lending	$ 14,564	$ 17,695	$ 19,593	$ —
Construction and land development	7,476	9,330	7,476	—
Commercial real estate	4,023	3,728	4,846	—
	26,063	30,753	31,915	—
Loans with a related allowance:				
Residential real estate lending	19,162	19,958	23,949	935
Multifamily	6,079	7,827	8,024	250
Commercial and industrial	16,148	15,427	33,719	5,309
	41,389	43,212	65,692	6,494
Total individually impaired loans:				
Residential real estate lending	33,726	37,653	43,542	935
Multifamily	6,079	7,827	8,024	250
Construction and land development	7,476	9,330	7,476	—
Commercial real estate	4,023	3,728	4,846	—
Commercial and industrial	16,148	15,427	33,719	5,309
	$ 67,452	$ 73,965	$ 97,607	$ 6,494

	December 31, 2020			
(In thousands)	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans without a related allowance:				
Residential real estate lending	$ 20,824	$ 12,660	$ 20,898	$ —
Construction and land development	11,184	7,418	12,204	—
Commercial real estate	3,433	6,120	4,023	—
	35,441	26,198	37,125	—
Loans with a related allowance:				
Residential real estate lending	20,755	22,151	24,680	1,187
Multifamily	9,575	4,788	9,589	1,933
Commercial and industrial	14,706	19,788	27,210	3,118
	45,036	46,727	61,479	6,238
Total individually impaired loans:				
Residential real estate lending	41,579	34,811	45,578	1,187
Multifamily	9,575	4,788	9,589	1,933
Construction and land development	11,184	7,418	12,204	—
Commercial real estate	3,433	6,120	4,023	—
Commercial and industrial	14,706	19,788	27,210	3,118
	$ 80,477	$ 72,925	$ 98,604	$ 6,238

As of September 30, 2021 and December 31, 2020, mortgage loans with an unpaid principal balance of $0.9 billion and $1.2 billion respectively, are pledged to the FHLB to secure outstanding advances and letters of credit.

There were $463,000 in related party loans outstanding as of September 30, 2021 compared to no related party loans for December 31, 2020.

6. DEPOSITS

Deposits are summarized as follows:

	September 30, 2021		December 31, 2020	
(In thousands)	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Non-interest bearing demand deposit accounts	$ 3,189,155	0.00 %	$ 2,603,274	0.00 %
NOW accounts	206,610	0.08 %	205,653	0.06 %
Money market deposit accounts	2,241,914	0.12 %	1,914,391	0.13 %
Savings accounts	364,568	0.11 %	343,368	0.12 %
Time deposits	222,259	0.32 %	272,025	0.86 %
	$ 6,224,506	0.06 %	$ 5,338,711	0.10 %

The scheduled maturities of time deposits as of September 30, 2021 are as follows:

(In thousands)	
2021	$ 83,321
2022	115,523
2023	11,667
2024	6,194
2025	3,932
Thereafter	1,622
	$ 222,259

Time deposits of $250,000 or more totaled $44.2 million as of September 30, 2021 and $31.2 million as of December 31, 2020.

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 $66.7 million and $123.8 million as of September 30, 2021 and December 31, 2020, respectively, and are included in Time deposits above.

Our total deposits included deposits from Workers United and its related entities in the amounts of $94.7 million as of September 30, 2021 and $95.8 million as of December 31, 2020.

Included in total deposits are state and municipal deposits totaling $47.9 million and $15.2 million as of September 30, 2021 and December 31, 2020, respectively. Such deposits are secured by letters of credit issued by the FHLB or by securities pledged with the FHLB.

7. BORROWED FUNDS

There were no borrowed funds as of September 30, 2021 or December 31, 2020.

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 September 30, 2021, the value of the other eligible assets had an estimated market value net of haircut totaling $1.4 billion (comprised of securities of $671.6 million and mortgage loans of $698.0 million). The fair value of assets pledged to the FHLB is required to be not less than 110% of the outstanding advances.

8. EARNINGS PER SHARE

Under the two-class method, earnings available to common stockholders for the period are allocated between common stockholders and participating securities according to participation rights in undistributed earnings. Our time-based and performance-based restricted stock units are not considered participating securities as they do not receive dividend distributions until satisfaction of the related vesting requirements. As of September 30, 2021 and September 30, 2020, we had 368,000 and 79,000 anti-dilutive shares, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
(In thousands, except per share amounts)				
Net income attributable to Amalgamated Financial Corp.	$ 14,416	$ 12,480	$ 37,013	$ 32,399
Dividends paid on preferred stock	—	—	—	—
Income attributable to common stock	$ 14,416	$ 12,480	$ 37,013	$ 32,399
Weighted average common shares outstanding, basic	31,094	31,050	31,216	31,161
Basic earnings per common share	**$ 0.46**	**$ 0.40**	**$ 1.19**	**$ 1.04**
Income attributable to common stock	$ 14,416	$ 12,480	$ 37,013	$ 32,399
Weighted average common shares outstanding, basic	31,094	31,050	31,216	31,161
Incremental shares from assumed conversion of options and RSUs	368	25	368	79
Weighted average common shares outstanding, diluted	31,462	31,075	31,584	31,240
Diluted earnings per common share	**$ 0.46**	**$ 0.40**	**$ 1.17**	**$ 1.04**

9. EMPLOYEE BENEFIT PLANS

Long Term Incentive Plans

Stock Options:

The Company does not currently maintain an active stock option plan that is available for issuing new options. As of 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 September 30, 2021 follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Intrinsic Value *(in thousands)*
Outstanding, December 31, 2020	1,978,560	$ 13.03	4.2 years	
Granted	—	—	—	
Forfeited/ Expired	(36,520)	12.69	—	
Exercised	(988,320)	12.88	—	
Outstanding, September 30, 2021	953,720	13.20	5 years	$ 2,496
Vested and Exercisable, September 30, 2021	953,720	$ 13.20	5 years	$ 2,496

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 for the nine months ended September 30, 2021 and $0.5 million for the nine months ended September 30, 2020, which is recorded within the Consolidated Statement of Income.

Restricted Stock Units:

The Amalgamated Financial Corp. 2021 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 619,154 shares were available for issuance as of September 30, 2021.

During the nine months ended September 30, 2021, the Company granted 260,355 restricted stock units ("RSUs") to employees under the Equity Plan and reserved 125,445 shares for issuance upon vesting assuming the Company's employees achieve the maximum share payout.

Of the 260,355 RSUs granted to employees, 213,348 RSUs time-vest ratably over three years and were granted at a fair value of $15.81 per share and 47,007 RSUs were performance-based and are more fully described below:

- The Company granted 23,464 performance-based RSUs at a fair value of $15.81 per share which vest subject to the achievement of the Company's corporate goal for the three-year period from December 31, 2020 to December 31, 2023. 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 35,196 shares, respectively.

- The Company granted 23,543 market-based RSUs at a fair value of $14.95 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 35,315 shares, respectively.

A summary of the status of the Company's employee RSUs as of September 30, 2021 follows:

	Shares	Grant Date Fair Value
Unvested, December 31, 2020	290,637	$ 15.99
Awarded	260,355	15.81
Forfeited	(69,410)	12.88
Vested	(62,955)	14.45
Unvested, September 30, 2021	418,627	$ 15.56

Of the 418,627 unvested RSUs on September 30, 2021, the minimum units that will vest, solely due to a service test, are 356,335. The maximum units that will vest, assuming the highest payout on performance and market-based units, are 481,780.

Compensation expense attributable to the employee RSUs was $0.5 million and $0.5 million for the three months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, there was $4.6 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 2.2 years.

During the nine months ended September 30, 2021, the Company granted 28,710 RSUs to directors under the Equity Plan that vest after one year. The Company recorded an expense of $0.1 million and $0.1 million for the three months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, there was no unrecognized cost related to the non-vested RSUs granted to directors.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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:

	September 30, 2021			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale securities:				
Mortgage-related:				
GSE residential certificates	$ —	$ 4,402	$ —	$ 4,402
GSE residential CMOs	—	425,794	—	425,794
GSE commercial certificates & CMO	—	391,201	—	391,201
Non-GSE residential certificates	—	39,736	—	39,736
Non-GSE commercial certificates	—	57,060	—	57,060
Other debt:				
U.S. Treasury	201	—	—	201
ABS	—	948,350	—	948,350
Trust preferred	—	14,190	—	14,190
Corporate	—	74,568	—	74,568
Total assets carried at fair value	$ 201	$ 1,955,301	$ —	$ 1,955,502

(In thousands)	December 31, 2020 Level 1	Level 2	Level 3	Total
Available for sale securities:				
Mortgage-related:				
GSE residential certificates	$ —	$ 13,299	$ —	$ 13,299
GSE residential CMOs	—	366,421	—	366,421
GSE commercial certificates & CMO	—	432,614	—	432,614
Non-GSE residential certificates	—	33,384	—	33,384
Non-GSE commercial certificates	—	44,968	—	44,968
Other Debt:				
U.S. Treasury	203	—	—	203
ABS	—	597,546	—	597,546
Trust preferred	—	13,773	—	13,773
Corporate	—	37,654	—	37,654
Total assets carried at fair value	$ 203	$ 1,539,659	$ —	$ 1,539,862

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

(In thousands)	September 30, 2021 Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
Fair Value Measurements:					
Impaired loans	$ 60,958	$ —	$ —	$ 60,958	$ 60,958
Other real estate owned	307	—	—	335	335
	$ 61,265	$ —	$ —	$ 61,293	$ 61,293

(In thousands)	December 31, 2020 Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
Fair Value Measurements:					
Impaired loans	$ 67,433	$ —	$ —	$ 67,433	$ 67,433
Other real estate owned	307	—	—	303	303
	$ 67,740	$ —	$ —	$ 67,736	$ 67,736

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

	September 30, 2021				
(In thousands)	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Estimated Fair Value**
Financial assets:					
Cash and cash equivalents	$ 690,246	$ 690,246	$ —	$ —	$ 690,246
Available for sale securities	1,955,502	201	1,955,301	—	1,955,502
Held to maturity securities	725,076	—	98,868	628,293	727,161
Loans held for sale	6,156	—	—	6,156	6,156
Loans receivable, net	3,087,466	—	—	3,142,776	3,142,776
Resell agreements	130,434	—	—	130,434	130,434
Accrued interest and dividends receivable	23,337	—	23,337	—	23,337
Financial liabilities:					
Deposits payable on demand	6,002,247	—	6,002,247	—	6,002,247
Time deposits	222,259	—	222,513	—	222,513
Accrued interest payable	176	—	176	—	176

	December 31, 2020				
(In thousands)	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Estimated Fair Value**
Financial assets:					
Cash and cash equivalents	$ 38,769	$ 38,769	$ —	$ —	$ 38,769
Available for sale securities	1,513,409	203	1,539,659	—	1,539,862
Held to maturity securities	494,449	—	76,519	425,906	502,425
Loans held for sale	11,178	—	—	11,178	11,178
Loans receivable, net	3,447,306	—	—	3,566,742	3,566,742
Resell agreements	154,779	—	—	154,779	154,779
Accrued interest and dividends receivable	23,970	—	23,970	—	23,970
Financial liabilities:					
Deposits payable on demand	5,066,687	—	5,066,687	—	5,066,687
Time deposits	272,025	—	272,451	—	272,451
Accrued interest payable	386		386		386

11. COMMITMENTS, CONTINGENCIES AND OFF BALANCE SHEET RISK

Credit Commitments

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

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

(In thousands)	September 30, 2021	December 31, 2020
Commitments to extend credit	$ 706,497	$ 455,541
Standby letters of credit	17,259	17,910
Total	$ 723,756	$ 473,451

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 $1.5 million as of September 30, 2021 and $1.2 million as of December 31, 2020.

Investment Obligations

The Bank is party to agreements with Pace Funding Group LLC, or PFG, for the purchase of up to $399 million of property assessed clean energy, or PACE, assessment securities by the end of the first quarter of 2022. Additionally, the Bank has an additional obligation up to $100 million for other PACE related purchases. These investments are to be held in the Company's held-to-maturity investment portfolio. As of September 30, 2021, we had fulfilled $315.7 million of these obligations. The PACE assessments have equal-lien priority with property taxes and generally rank senior to first lien mortgages.

12. LEASES

The Bank as a lessee has operating leases primarily consisting of real estate arrangements where the Company operates its headquarters, branches and business production offices. All leases identified as in scope are accounted for as operating leases as of September 30, 2021. 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:

(In thousands)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Operating lease cost	$ 2,258	$ 6,679
Cash paid for amounts included in the measurement of Operating leases liability	$ 2,566	$ 7,573
Weighted average remaining lease term on operating leases (in years)	5	5
Weighted average discount rate used for operating leases liability	3.25 %	3.26 %

Note: Sublease income and variable income or expense considered immaterial

The following table presents the remaining commitments for operating lease payments for the next five years and thereafter, as well as a reconciliation to the discounted operating leases liability recorded in the Consolidated Statements of Financial Condition as of September 30, 2021:

(In thousands) **As of September 30, 2021**	
2021 remaining	$ 2,621
2022	10,955
2023	10,895
2024	10,525
2025	10,165
Thereafter	9,284
Total undiscounted operating lease payments	54,445
Less: present value adjustment	4,029
Total Operating leases liability	$ 50,416

13. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

The Company performed its annual test based upon market data as of June 30, 2021 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, 2021. Changes in certain assumptions used in the Company's assessment could result in significant differences in the results of the impairment test. Should market conditions or management’s assumptions change significantly in the future, an impairment to goodwill is possible.

At September 30, 2021 and December 31, 2020, 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)		
2021 remaining	$	301
2022		1,047
2023		888
2024		730
2025		574
Thereafter		913
Total	$	4,453

Accumulated amortization of the core deposit intangible was $4.6 million as of September 30, 2021.

14. VARIABLE INTEREST ENTITIES

Tax Credit Investments

The Company makes investments in unconsolidated entities that construct, own and operate solar generation facilities. An unrelated third party is the managing member and has control over the significant activities of the variable interest entities ("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 September 30, 2021, the Company's maximum exposure to loss is $16.2 million.

(In thousands)	September 30, 2021	December 31, 2020
Unconsolidated Variable Interest Entities		
Tax credit investments included in equity investments	$ 525	$ 6,735
Loans and letters of credit commitments	15,636	11,097
Funded portion of loans and letters of credit commitments	15,636	11,097

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

(In thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Tax credits and other tax benefits recognized	$ 343	$ 10,786	$ 1,479	$ 12,646

15. SUBSEQUENT EVENTS

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 subordinated notes will mature on November 15, 2031. We intend to use the net proceeds from this offering for general business purposes, including for funding the cash consideration to be paid in the Company's pending acquisition of AIC and for ongoing working capital needs.

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

Holding Company Reorganization

Amalgamated Financial Corp., a Delaware public benefit corporation, was formed on August 25, 2020 to serve as the holding company for Amalgamated Bank and is a bank holding company registered with the Federal Reserve. On March 1, 2021 (the “Effective Date”), the Company acquired all of the outstanding stock of Amalgamated Bank, a New York state-chartered commercial bank in a statutory share exchange transaction (the “Reorganization”) effected under New York law and in accordance with the terms of a Plan of Acquisition dated September 4, 2020 (the “Agreement”). Pursuant to the Reorganization, the Bank became the sole subsidiary of the Company, the Company became the holding company for the Bank and the stockholders of the Bank became stockholders of the Company.

In this discussion, unless the context indicates otherwise, references to “we,” “us,” and “our” refer to the Company and the Bank.
However, if the discussion relates to a period before the Effective Date, the terms refer only to the Bank.

General

The following is a discussion of our consolidated financial condition as of September 30, 2021, as compared to December 31, 2020, and our results of operations for the three and nine month periods ended September 30, 2021 and September 30, 2020. 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, 2020 (the “2020 Annual Report”), filed with the Securities and Exchange Commission on March 15, 2021. 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, which 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 40% of our equity as of September 30, 2021. As of September 30, 2021, our total assets were $6.9 billion, our total loans, net of deferred fees and allowance were $3.1 billion, our total deposits were $6.2 billion, and our stockholders' equity was $556.4 million. As of September 30, 2021, our trust business held $39.5 billion in assets under custody and $16.1 billion in assets under management.

On September 22, 2021, the Company announced it has entered into a definitive agreement to acquire Amalgamated Investments Company (“AIC”), the holding company for Amalgamated Bank of Chicago (“ABOC”), in an all-cash transaction for approximately $98.1 million, which includes an earnout of up to $1.1 million. ABOC was founded in Chicago in 1922 by the Amalgamated Clothing Workers of America, the same union that founded the Bank. ABOC has an attractive, mission compatible customer base and the acquisition will allow us to expand our geographic presence and better serve clients with expanded capacity. The acquisition, which we expect to close late in the fourth quarter of 2021, is subject to customary closing conditions, including regulatory approval and the approval of AIC's shareholders. Approval of the acquisition by the Company's shareholders is not required for the transaction.

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, online cash management, safe deposit box rentals, debit card and ATM card services and the availability of a nationwide network of ATMs for our customers.

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

Subordinated Debt Issuance

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 subordinated notes will mature on November 15, 2031. We intend to use the net proceeds from this offering for general business purposes, including for funding the cash consideration to be paid in the Company's pending acquisition of AIC and for ongoing working capital needs.

Continued impact of the COVID-19 pandemic on our business

The COVID-19 pandemic continues to create disruptions to the global economy and financial markets and to businesses and the lives of individuals throughout the world. The impact of the COVID-19 pandemic and its related variants is fluid and continues to evolve, adversely affecting many of our clients. Our business, financial condition and results of operations generally rely upon the ability of our borrowers to repay their loans, the value of collateral underlying our secured loans, and demand for loans and other products and services we offer, which are highly dependent on the business environment in our primary markets where we operate and in the United States as a whole. The unprecedented and rapid spread of COVID-19 and its variants and their associated impacts on trade (including supply chains and export levels), travel, employee productivity, unemployment, consumer spending, and other economic activities have resulted in, and continue to result in, less economic activity, and volatility and disruption in financial markets, and has had an adverse effect on our business, financial condition and results of operations. In addition, due to the COVID-19 pandemic, market interest rates have declined to and remain at historic lows, despite the increase in market interest rates that the economy is beginning to experience. These reductions in interest rates and the other effects of the COVID-19 pandemic have had, and are expected to continue to have, material adverse effects on our business, financial condition and results of operations. The ultimate extent of the impact of the COVID-19 pandemic on our business, financial condition and results of operations is currently uncertain and will depend on various developments and other factors, including the effect of governmental and private sector initiatives, the effect of the rollout of vaccinations for the virus and its variants, whether such vaccinations will be effective against another resurgence of the virus, including any new strains, and the ability for customers and businesses to return to their pre-pandemic routines. In addition, it is reasonably possible that certain significant estimates made in our financial statements could be materially and adversely affected in the near term as a result of these conditions.

As a result of these events, we have seen the following continuing impacts to our business since the start of the pandemic:

Impacts on our operations

Our primary geographic markets include the metropolitan areas of New York City, Washington, D.C., San Francisco and Boston. New York City was one of the areas in the United States initially hardest hit by the COVID-19 pandemic. Accordingly, we had to close or reduce hours at our branches in several locations due to the risk of transmission of COVID-19. In response to the pandemic, we took a wide range of actions to help protect our employees and customers and to ensure the operational continuity of our business, while continuing to provide core banking services to our consumer and commercial clients. The majority of our employees continue to work remotely with the exception of essential branch and facility staff.

As a result of the temporary closures or reduced hours at several of our branches, we reassessed our branch network and permanently closed six branches due to low traffic. We expect to fully serve these affected customers through our remaining branch network and through our digital platform. We took a charge of $8.3 million related to these branch closures in 2020. However, we expect these closures to benefit our non-interest expenses by approximately $4.0 million annually once fully phased in over time.

As the pandemic subsides, we expect more of our employees to return to the office. There may be risks inherent in providing safe, effective working environments for our staff, including transport, building logistics, and working conditions.

Impacts on our loan portfolio

The disruption in economic activity across the United States, and particularly in New York, caused stress in the financial condition of both our consumer and commercial clients. As a result, we established programs offering payment deferrals for customers that needed assistance. In accordance with interagency guidance and the CARES Act, short term deferrals granted due to the COVID-19 pandemic are not considered troubled debt restructurings (“TDRs”) unless the borrower was experiencing financial difficulty prior to the pandemic. The CARES Act provided temporary relief from the accounting and reporting requirements for TDRs regarding certain loan modifications related to COVID-19. In addition, under the terms of these deferral agreements, the loans will not be reported as past due or as non-accrual for the agreed upon term of the deferral, unless additional information becomes available that indicates the loan will not perform as expected when the deferral is complete. Interest will continue to accrue during the deferral period. In general, the interest and principal originally due during the deferral period will be due at the contractual end of the loan. If the loan does not exit deferral and does not continue to pay according to contractual terms, the loan will then be considered as any other loan that is past due or not in agreement with contractual terms, and additional allowance and reversal of related accrued interest will likely be required for these loans.

As of September 30, 2021, we had $16.7 million in loans on payment deferral and still accruing interest, the majority of which represent two performing commercial loans requesting additional deferrals.

No COVID-19 related loan deferrals were graded as criticized by our internal grading system solely on the basis of the deferral request, nor was any related additional allowance recorded. We continue to accrue interest on all COVID-19 related loan deferrals for up to six months. As of September 30, 2021, the accrued interest balance on loans where balances were still on a COVID-19 related deferral was $4.4 million.

Other impacts on our results of operation and financial condition

In addition to the factors above, we believe the following factors may impact our earnings, though we are unable to quantify the impacts at this time:

- Increased allowance related to loans that continue to be impacted by the economy after the payment deferral periods end
- Lower net interest margin due to the Federal Reserve’s decision to hold rate targets “near zero”; and
- Lower loan originations as the credit worthiness of borrowers may be impacted by the current economic environment

As of September 30, 2021, we had $12.9 million of goodwill. During the second quarter of 2021, we performed our annual impairment analysis and determined no goodwill impairment was required. However, we will continue to monitor the COVID-19 pandemic and the related economic fallout, including changes in our stock price, the Federal Reserve’s significant reduction in interest rates and other business and market considerations, which may require us to reevaluate our goodwill impairment analysis. Any goodwill impairment charges we incur could have a material adverse effect on our earnings for one reporting period, but would not impact our cash flow or regulatory capital levels.

These factors, together or in combination with other events or occurrences that may not yet be known or anticipated, may materially and adversely affect our business, financial condition and results of operations.

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 2020 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 2020 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 2020 Annual Report.

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 third quarter of 2021 was $14.4 million, or $0.46 per diluted share, compared to $12.5 million, or $0.40 per diluted share, for the third quarter of 2020.

Net income for the nine months ended September 30, 2021 was $37.0 million, or $1.17 per diluted share, compared to $32.4 million, or $1.04 per diluted share, for same period in 2020. The $4.6 million increase was primarily due to a $3.9 million recovery of provision for loan loss compared to a $20.2 million provision for loan loss for the same period in 2020, as well as a $4.0 million decrease in non-interest expense. This recovery of provision was partially offset by a $14.6 million decrease in non-interest income and a $7.2 million decrease in net interest income.

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 September 30, 2021 and 2020

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

(In thousands)	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Interest earning assets:						
Interest-bearing deposits in banks	$ 632,526	$ 230	0.14 %	$ 632,268	$ 152	0.10 %
Securities and FHLB stock [(1)]	2,659,803	14,655	2.19 %	2,045,231	11,529	2.24 %
Total loans, net [(2)(3)]	3,087,744	29,915	3.84 %	3,569,313	35,602	3.97 %
Total interest earning assets	6,380,073	44,800	2.79 %	6,246,812	47,283	3.01 %
Non-interest earning assets:						
Cash and due from banks	8,464			9,239		
Other assets	243,969			234,248		
Total assets	$ 6,632,506			$ 6,490,299		
Interest bearing liabilities:						
Savings, NOW and money market deposits	2,641,719	$ 1,173	0.18 %	2,376,701	$ 1,427	0.24 %
Time deposits	241,009	240	0.40 %	321,696	622	0.77 %
Total interest bearing liabilities	2,882,728	1,413	0.19 %	2,698,397	2,049	0.30 %
Non-interest bearing liabilities:						
Demand and transaction deposits	3,077,231			3,191,858		
Other liabilities	116,790			84,138		
Total liabilities	6,076,749			5,974,393		
Stockholders' equity	555,757			515,906		
Total liabilities and stockholders' equity	$ 6,632,506			$ 6,490,299		
Net interest income / interest rate spread		$ 43,387	2.60 %		$ 45,234	2.71 %
Net interest earning assets / net interest margin	$ 3,497,345		2.70 %	$ 3,548,415		2.88 %
Total Cost of Deposits			0.09 %			0.14 %

(1) Amounts include resell agreements
(2) Amounts are net of deferred origination costs (fees) and the allowance for loan losses and includes loans held for sale
(3)Income and yield includes prepayment penalty income in 3Q2021 and 3Q2020 of $169 thousand and $1,110 thousand, respectively

Net interest income was $43.4 million for the third quarter of 2021, compared to $42.0 million for the second quarter of 2021 and $45.2 million for the third quarter of 2020. The $1.4 million increase from the preceding quarter reflected higher income on securities and lower interest expense on deposits, almost wholly offset by a decrease in interest income as average loans decreased $75.2 million from the prepayment and paydowns of residential and commercial loans. The $1.8 million decrease from the third quarter of 2020 was primarily attributable to a decrease in average loans of $354.2 million from the prepayment of residential and commercial loans and a 13 basis point decrease in loan yields, partially offset by higher income on securities and lower interest expense on deposits.

Our net interest spread was 2.60% for the three months ended September 30, 2021, compared to 2.71% for the same period in 2020, a decrease of 11 basis points. Our net interest margin was 2.70% for the third quarter of 2021, a decrease of 18 basis points from 2.88% in the third quarter of 2020. The accretion of the loan mark from the loans we acquired in our New Resource Bank ("NRB") acquisition contributed one basis point to our net interest margin in the third quarter of 2021, compared to two basis points in the third quarter of 2020. Prepayment penalties earned through loan income contributed $0.2 million, or one basis point, to our net interest margin in the third quarter of 2021, compared to seven basis points in the third quarter of 2020.

The yield on average earning assets was 2.79% for the three months ended September 30, 2021, compared to 3.01% for the same period in 2020, a decrease of 22 basis points. This decrease was driven primarily by a decrease in yields on loans and securities due to a decrease in the Federal Funds rate.

The average rate on interest-bearing liabilities was 0.19% for the three months ended September 30, 2021, a decrease of 11 basis points from the same period in 2020, which was primarily due to a decrease in the rates paid on interest-bearing deposits. Noninterest-bearing deposits represented 51% of average deposits for the three months ended September 30, 2021, contributing to a total cost of deposits of nine basis points in the third quarter of 2021.

Nine Months Ended September 30, 2021 and 2020

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:

	Nine Months Ended September 30, 2021			**Nine Months Ended September 30, 2020**		
(In thousands)	**Average Balance**	**Income / Expense**	**Yield / Rate**	**Average Balance**	**Income / Expense**	**Yield / Rate**
Interest earning assets:						
Interest-bearing deposits in banks	$ 508,421	$ 451	0.12 %	$ 395,029	$ 631	0.21 %
Securities and FHLB stock [1]	2,460,946	40,008	2.17 %	1,809,188	35,962	2.66 %
Total loans, net [2][3]	3,180,890	91,180	3.83 %	3,535,096	106,440	4.02 %
Total interest earning assets	6,150,257	131,639	2.86 %	5,739,313	143,033	3.33 %
Non-interest earning assets:						
Cash and due from banks	7,780			31,138		
Other assets	263,170			227,205		
Total assets	$ 6,421,207			$ 5,997,656		
Interest bearing liabilities:						
Savings, NOW and money market deposits	2,574,463	$ 3,568	0.19 %	2,278,267	$ 5,919	0.35 %
Time deposits	259,609	848	0.44 %	357,774	2,726	1.02 %
Total deposits	2,834,072	4,416	0.21 %	2,636,041	8,645	0.44 %
Federal Home Loan Bank advances	165	—	0.00 %	2,117	27	1.70 %
Total interest bearing liabilities	2,834,237	4,416	0.21 %	2,638,158	8,672	0.44 %
Non-interest bearing liabilities:						
Demand and transaction deposits	2,925,516			2,748,088		
Other liabilities	112,721			109,586		
Total liabilities	5,872,474			5,495,832		
Stockholders' equity	548,733			501,824		
Total liabilities and stockholders' equity	$ 6,421,207			$ 5,997,656		
Net interest income / interest rate spread		$ 127,223	2.65 %		$ 134,361	2.89 %
Net interest earning assets / net interest margin	$ 3,316,020		2.77 %	$ 3,101,155		3.13 %
Total Cost of Deposits			0.10 %			0.21 %

[1] Amounts include resell agreements
[2] Amounts are net of deferred origination costs (fees) and the allowance for loan losses and includes loans held for sale
[3] Income and yield includes prepayment penalty income in September YTD 2021 and September YTD 2020 of $1.3 million and $2.1 million, respectively

Our net interest income was $127.2 million for the nine months ended September 30, 2021, compared to $134.4 million for the same period in 2020. The year-over-year decrease of $7.1 million, or 5.3%, was primarily attributable to a decrease in average loans of $354.2 million and lower yields earned on interest bearing assets. These impacts are partially offset by an increase in average securities of $651.8 million, and a decrease in average rates paid on deposits.

Our net interest spread was 2.65% for the nine months ended September 30, 2021, compared to 2.89% for the same period in 2020, a decrease of 24 basis points. Our net interest margin was 2.77% for the nine months ended September 30, 2021, a decrease of 36 basis points from 3.13% in the same period in 2020.

The yield on average earning assets was 2.86% for the nine months ended September 30, 2021, compared to 3.33% for the same period in 2020, a decrease of 47 basis points. This decrease was driven primarily by a decrease in yields on loans and securities due to a decrease in the Federal Funds rate.

The average rate on interest-bearing liabilities, comprised almost entirely of deposits, was 0.21% for the nine months ended September 30, 2021, a decrease of 23 basis points from the same period in 2020, which was primarily due to the mix of deposits shifting from higher cost CDs to lower cost money market deposits and a decrease in rates paid on interest-bearing deposits. Noninterest-bearing deposits represented 51% of average deposits for the nine months ended September 30, 2021, contributing to a total cost of deposits of 10 basis points in the first nine months of 2021.

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 September 30, 2021 over September 30, 2020			Nine Months Ended September 30, 2021 over September 30, 2020		
		Changes Due To			Changes Due To	
(In thousands)	Volume	Rate	Net Change	Volume	Rate	Net Change
Interest earning assets:						
Interest-bearing deposits in banks	$ —	$ 78	$ 78	$ 116	$ (296)	$ (180)
Securities and FHLB stock	3,449	(323)	3,126	11,920	(7,874)	4,046
Total loans, net	(4,672)	(1,015)	(5,687)	(10,557)	(4,703)	(15,260)
Total interest income	(1,223)	(1,260)	(2,483)	1,479	(12,873)	(11,394)
Interest bearing liabilities:						
Savings, NOW and money market deposits	124	(378)	(254)	458	(2,809)	(2,351)
Time deposits	(101)	(281)	(382)	(419)	(1,459)	(1,878)
Total deposits	23	(659)	(636)	39	(4,268)	(4,229)
Federal Home Loan Bank advances	(27)	27	—	—	(27)	(27)
Total borrowings	(27)	27	—	—	(27)	(27)
Total interest expense	(4)	(632)	(636)	39	(4,295)	(4,256)
Change in net interest income	$ (1,219)	$ (628)	$ (1,847)	$ 1,440	$ (8,578)	$ (7,138)

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 September 30, 2021 and 2020

Our provision for loan losses totaled a release of $2.3 million for the third quarter of 2021 compared to an expense of $3.4 million for the same period in 2020. The release in the third quarter of 2021 was primarily driven by an improvement in loss rates and other qualitative factors, improved credit quality and lower loan balances.

Nine Months Ended September 30, 2021 and 2020

Our provisions for loan losses totaled a release of $3.9 million for the nine months ended September 30, 2021, compared to an expense of $20.2 million for the same period in 2020. The release for the nine months ended September 30, 2021 was primarily driven by a release of allowance for loan loss due to improvement in loss rates and other qualitative factors, improved credit quality and 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:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In thousands)	2021	2020	2021	2020
Trust Department fees	$ 3,353	$ 3,622	$ 10,471	$ 11,688
Service charges on deposit accounts	2,466	2,130	6,941	6,391
Bank-owned life insurance	539	1,227	1,858	2,722
Gain (loss) on sale of investment securities available for sale, net	413	619	755	1,605
Gain (loss) on sale of loans, net	280	903	1,706	1,200
Gain (loss) on other real estate owned, net	—	(176)	(407)	(482)
Equity method investments	(483)	4,297	(5,720)	5,586
Other income	134	154	424	1,855
Total non-interest income	$ 6,702	$ 12,776	$ 16,028	$ 30,565

Three Months Ended September 30, 2021 and 2020

Non-interest income was $6.7 million for the third quarter of 2021, compared to $12.8 million for the third quarter in 2020. The decrease of $6.1 million in the third quarter of 2021 compared to the corresponding quarter in 2020 was primarily due to a loss of $0.5 million related to equity investments in solar initiatives in the third quarter of 2021 compared to a $4.3 million gain in the third quarter in 2020. We primarily recognized the benefit of the tax credits in 2020, the initial year of the equity investment. We expect minimal losses in equity method investments during the remainder of 2021. These impacts do not include any benefits of new solar equity investments that we may make in the future.

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 $3.4 million in the third quarter of 2021, a decrease of $0.3 million, or 7.4%, from same period in 2020. The decrease is attributed to the fact that our investment management business historically earned fees from a real estate fund that we have been winding down since 2018 and from which we no longer earn fees.

Nine Months Ended September 30, 2021 and 2020

Non-interest income was $16.0 million for the nine months ended September 30, 2021, compared to $30.6 million for the same period in 2020, a decrease of $14.6 million. This decrease is primarily due to the tax credits on equity investment projects being in a $5.7 million loss position compared to a $5.6 million gain position in the prior year, as well as a $1.4 million gain on the sale of

a branch reported in other non-interest income in the prior year, and a $1.2 million decrease in Trust Department fees primarily attributed to a real estate fund that we have been winding down since 2018 and from which we no longer earn fees.

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:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In thousands)	2021	2020	2021	2020
Compensation and employee benefits, net	$ 17,482	$ 17,547	$ 52,485	$ 52,338
Occupancy and depreciation	3,440	9,908	10,293	19,655
Professional fees	2,348	2,202	9,219	7,173
Data processing	4,521	2,916	10,848	8,157
Office maintenance and depreciation	887	863	2,362	2,538
Amortization of intangible assets	301	342	905	1,027
Advertising and promotion	1,023	1,172	2,248	2,511
Other	3,032	2,927	8,863	7,817
Total non-interest expense	$ 33,034	$ 37,877	97,223	101,216

Three Months Ended September 30, 2021 and 2020

Non-interest expense for the third quarter of 2021 was $33.0 million, a decrease of $4.9 million from the third quarter of 2020. The decrease of $4.9 million from the third quarter of 2020 is due to a $6.5 million decrease in occupancy and depreciation expenses related to branch closures in 2020.

Nine Months Ended September 30, 2021 and 2020

Non-interest expense for the nine months ended September 30, 2021 was $97.2 million, a decrease of $4.0 million from $101.2 million for the nine months ended September 30, 2020. The decrease was primarily due to a $9.4 million decrease in occupancy and depreciation expense due to the branch closures in the prior year and lower rent expense in the current year, offset by a $2.0 million increase in professional fees mainly related to our holding company formation and chief executive officer search, and a $2.7 million increase in data processing mainly related to the modernization of our Trust Department and increased transaction processing post COVID-19.

Income Taxes

Three Months Ended September 30, 2021 and 2020

We had a provision for income tax expense of $4.9 million for the third quarter of 2021, compared to $4.3 million for the third quarter of 2020. Our effective tax rate for the third quarter of 2021 was 25.4%, compared to 25.4% for the third quarter of 2020.

Nine Months Ended September 30, 2021 and 2020

We had a provision for income tax expense of $12.9 million for the nine months ended September 30, 2021, compared to $11.1 million for the same period in 2020. Our effective tax rate was 25.8% for the nine months ended September 30, 2021, compared to 25.5% for the same period in 2020. The increase in our effective tax rate was driven by discrete events related to new states that we elected to begin filing state tax returns with and an executive compensation disallowance.

Financial Condition

Balance Sheet

Our total assets were $6.9 billion at September 30, 2021, compared to $6.0 billion at December 31, 2020. The increase of $0.9 billion was driven primarily by a $651.5 million increase in cash and cash equivalents, a $646.3 million increase in investment securities, which was partially offset by a $359.8 million decrease 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 September 30, 2021 or at December 31, 2020. 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 September 30, 2021 and December 31, 2020, we had available for sale securities of $2.0 billion and $1.5 billion, respectively. The $415.6 million increase was primarily from the purchase of asset-backed securities ("ABS").

At September 30, 2021, our held to maturity securities portfolio primarily consisted of PACE bonds, tax-exempt municipal securities, GSE residential certificates and other debt. We carry these securities at amortized cost. We had held to maturity securities of $725.1 million at September 30, 2021, and $494.4 million at December 31, 2020.

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. At September 30, 2021, we evaluated those securities which had an unrealized loss for OTTI, and determined all of the decline in value to be temporary. There were $781.4 million of investment securities with unrealized losses at September 30, 2021 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.

(In thousands)	September 30, 2021 Amount	September 30, 2021 % of Portfolio	December 31, 2020 Amount	December 31, 2020 % of Portfolio
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 4,402	0.2 %	$ 13,299	0.7 %
GSE residential CMOs	425,794	15.9 %	366,421	18.0 %
GSE commercial certificates & CMO	391,201	14.6 %	432,614	21.3 %
Non-GSE residential certificates	39,736	1.5 %	33,384	1.6 %
Non-GSE commercial certificates	57,060	2.1 %	44,968	2.2 %
Other debt:				
U.S. Treasury	201	0.0 %	203	0.0 %
ABS	948,350	35.4 %	597,546	29.3 %
Trust preferred	14,190	0.5 %	13,773	0.7 %
Corporate	74,568	2.8 %	37,654	1.9 %
Total available for sale	1,955,502	73.0 %	1,539,862	75.7 %
Held to maturity:				
Mortgage-related:				
GSE commercial certificates	$ 12,467	0.4 %	$ —	0.0 %
GSE residential certificates	446	0.0 %	611	0.0 %
Non GSE commercial certificates	10,346	0.4 %	212	0.0 %
Other debt:				
PACE	627,195	23.4 %	421,036	20.7 %
Municipal	71,522	2.7 %	67,490	3.3 %
Other	3,100	0.1 %	5,100	0.3 %
Total held to maturity	725,076	27.0 %	494,449	24.3 %
Total securities	$ 2,680,578	100.0 %	$ 2,034,311	100.0 %

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

	Contractual Maturity as of September 30, 2021							
	One Year or Less		One to Five Years		Five to Ten Years		Due after Ten Years	
(In thousands)	Amortized Cost	Weighted Average Yield [(1)]	Amortized Cost	Weighted Average Yield [(1)]	Amortized Cost	Weighted Average Yield [(1)]	Amortized Cost	Weighted Average Yield [(1)]
Available for sale:								
Mortgage-related:								
GSE residential certificates	$ —	0.0 %	$ —	0.0 %	$ —	0.0 %	$ 4,205	2.5 %
GSE residential CMOs	—	0.0 %	—	0.0 %	30,363	1.7 %	388,656	1.5 %
GSE commercial certificates & CMO	15,300	1.8 %	7,384	2.4 %	257,187	1.2 %	104,400	2.3 %
Non-GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	39,785	1.9 %
Non-GSE commercial certificates	—	0.0 %	—	0.0 %	—	0.0 %	57,285	1.4 %
Other debt:								
U.S. Treasury	200	1.7 %	—	0.0 %	—	0.0 %	—	0.0 %
ABS	—	0.0 %	5,000	1.1 %	298,062	1.6 %	641,364	1.7 %
Trust preferred	—	0.0 %	—	0.0 %	14,630	0.7 %	—	0.0 %
Corporate	—	0.0 %	16,000	4.4 %	52,009	3.9 %	5,000	2.7 %
Held to maturity:								
Mortgage-related:								
GSE commercial certificates	—	0.0 %	—	0.0 %	—	0.0 %	12,467	1.7 %
GSE residential certificates	—	0.0 %	—	0.0 %	—	0.0 %	446	3.6 %
Non GSE commercial certificates	—	0.0 %	—	0.0 %	—	0.0 %	10,346	1.9 %
Other debt:								
PACE	—	0.0 %	—	0.0 %	—	0.0 %	627,195	4.1 %
Municipal	—	0.0 %	—	0.0 %	—	0.0 %	71,522	2.1 %
Other	1,100	3.4 %	2,000	3.3 %	—	0.0 %	—	0.0 %
Total securities	$ 16,600	1.9 %	$ 30,384	3.3 %	$ 652,251	1.6 %	$ 1,962,671	2.5 %

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

The following table shows a breakdown of our asset backed securities by sector and ratings as of September 30, 2021:

					Credit Ratings *Highest Rating if split rated*					
(In thousands)	Amount	%	Expected Avg. Life in Years	% Floating	% AAA	% AA	% A	% BBB	%Not Rated	Total
CLO Commercial & Industrial	$ 535,968	57 %	2.7	100 %	100 %	0 %	0 %	0 %	0 %	100 %
Consumer	182,707	19 %	4.0	0 %	20 %	12 %	66 %	2 %	0 %	100 %
Mortgage	142,460	15 %	2.7	100 %	100 %	0 %	0 %	0 %	0 %	100 %
Student	87,215	9 %	5.2	83 %	95 %	5 %	0 %	0 %	0 %	100 %
Total Securities:	$ 948,350	100 %	3.5	79 %	84 %	3 %	13 %	0 %	0 %	100 %

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 $3.1 billion as of September 30, 2021 compared to $3.4 billion as of December 31, 2020. 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 third quarter of 2021, we purchased $41.3 million of solar loans and $15.3 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 September 30, 2021 and December 31, 2020:

(In thousands)	**September 30, 2021**		**December 31, 2020**	
	Amount	**% of total loans**	**Amount**	**% of total loans**
Commercial portfolio:				
Commercial and industrial	$ 628,388	20.2 %	$ 677,192	19.5 %
Multifamily mortgages	826,143	26.5 %	947,177	27.2 %
Commercial real estate mortgages	346,996	11.1 %	372,736	10.7 %
Construction and land development mortgages	34,863	1.1 %	56,087	1.6 %
Total commercial portfolio	1,836,390	58.9 %	2,053,192	59.0 %
Retail portfolio:				
Residential real estate lending	1,032,947	33.1 %	1,238,697	35.5 %
Consumer and other	249,050	8.0 %	190,676	5.5 %
Total retail portfolio	1,281,997	41.1 %	1,429,373	41.0 %
Total loans	3,118,387	100.0 %	3,482,565	100.0 %
Net deferred loan origination costs (fees)	4,942		6,330	
Allowance for loan losses	(35,863)		(41,589)	
Total loans, net	$ 3,087,466		$ 3,447,306	

Commercial loan portfolio

Our commercial loan portfolio comprised 58.9% of our total loan portfolio at September 30, 2021 and 59.0% of our total loan portfolio at December 31, 2020. 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 September 30, 2021 by exposure was $3.5 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 $628.4 million at September 30, 2021, which comprised 20.2% of our total loan portfolio. During the nine months ended September 30, 2021, the C&I loan portfolio decreased by 7.2% from $677.2 million at December 31, 2020.

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 78% 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 $826.1 million at September 30, 2021, which comprised 26.5% of our total loan portfolio. During the nine months ended September 30, 2021, the multifamily loan portfolio decreased by 12.8% from $947.2 million at December 31, 2020.

CRE. Our CRE loans are used to purchase or refinance office buildings, retail centers, industrial facilities, medical facilities and mixed-used buildings. Included in this total are 23 borrowers financing owner-occupied buildings which account for an aggregate total of $44.0 million in loans as of September 30, 2021.

Our CRE loans totaled $347.0 million at September 30, 2021, which comprised 11.1% of our total loan portfolio. During the nine months ended September 30, 2021, the CRE loan portfolio decreased by 6.9% from $372.7 million at December 31, 2020.

Retail loan portfolio

Our retail loan portfolio comprised 41.1% of our total loan portfolio at September 30, 2021 and 41.0% of our loan portfolio at December 31, 2020. 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 retained by such originators. Our residential real estate lending portfolio is 99% first mortgage loans and 1% second mortgage loans. As of September 30, 2021, 84% 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, 11% were purchased from two third parties on or after July 2014, and 5% were purchased by us from other originators before 2010. Our residential real estate lending loans totaled $1.0 billion at September 30, 2021, which comprised 80.6% of our retail loan portfolio and 33.1% of our total loan portfolio. In September 30, 2021, our residential real estate lending loans decreased by 16.6% from $1.2 billion at December 31, 2020.

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 $249.1 million at September 30, 2021, which comprised 8.0% of our total loan portfolio, compared to $190.7 million, or 5.5% of our total loan portfolio, at December 31, 2020.

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 September 30, 2021 and December 31, 2020:

(In thousands)	One year or less	After one but within five years	After 5 years	Total
September 30, 2021:				
Commercial Portfolio:				
Commercial and industrial	$ 83,560	$ 210,339	$ 334,489	$ 628,388
Multifamily	138,465	430,085	257,593	826,143
Commercial real estate	79,504	230,382	37,110	346,996
Construction and land development	32,123	2,740	—	34,863
Retail Portfolio:				
Residential real estate lending	398	1,821	1,030,728	1,032,947
Consumer and other	745	1,276	247,029	249,050
Total Loans	$ 334,795	$ 876,643	$ 1,906,949	$ 3,118,387

(In thousands)	After one but within five years	After 5 years	Total
Gross loan maturing after one year with:			
Fixed interest rates	$ 747,530	$ 1,297,508	$ 2,045,038
Floating or adjustable interest rates	129,113	609,441	738,554
Total Loans	$ 876,643	$ 1,906,949	$ 2,783,592

(In thousands)	One year or less	After one but within five years	After 5 years	Total
December 31, 2020:				
Commercial Portfolio:				
Commercial and industrial	$ 149,870	$ 266,209	$ 261,113	$ 677,192
Multifamily	127,009	496,107	324,061	947,177
Commercial real estate	58,124	259,664	54,948	372,736
Construction and land development	41,293	9,773	5,021	56,087
Retail Portfolio:				
Residential real estate lending	450	1,834	1,236,413	1,238,697
Consumer and other	536	2,372	187,768	190,676
Total Loans	$ 377,282	$ 1,035,959	$ 2,069,324	$ 3,482,565

(In thousands)	After one but within five years	After 5 years	Total
Gross loan maturing after one year with:			
Fixed interest rates	$ 870,644	$ 1,360,222	$ 2,230,865
Floating or adjustable interest rates	165,315	709,102	874,417
Total Loans	$ 1,035,959	$ 2,069,324	$ 3,105,282

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 September 30, 2021, 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. Since the close of the NRB acquisition, we have charged off $1.5 million of commercial loans and as of September 30, 2021, there were $772 thousand of nonaccrual loans.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
Balance at beginning of period	$ 38,012	$ 50,010	$ 41,589	$ 33,847
Loan charge-offs:				
Commercial portfolio:				
Commercial and industrial	—	78	—	79
Multifamily	—	—	1,908	—
Commercial real estate	314	3,787	314	3,787
Construction and land development	—	970	—	970
Retail portfolio:				
Residential real estate lending	29	188	230	452
Consumer and other	420	515	1,596	1,306
Total loan charge-offs	763	5,538	4,048	6,594
Recoveries of loans previously charged-off:				
Commercial portfolio:				
Commercial and industrial	2	1	209	4
Multifamily	—	—	—	—
Commercial real estate	—	—	—	—
Construction and land development	1	1	2	1
Retail portfolio:				
Residential real estate lending	858	119	1,897	482
Consumer and other	29	85	69	130
Total loan recoveries	890	206	2,177	617
Net (recoveries) charge-offs	(127)	5,332	1,871	5,977
Provision for (recovery of) loan losses	(2,276)	3,394	(3,855)	20,202
Balance at end of period	$ 35,863	$ 48,072	$ 35,863	$ 48,072

The allowance decreased $5.7 million to $35.9 million at September 30, 2021 from $41.6 million at December 31, 2020. The decrease was primarily due to decreases in loan balances. At September 30, 2021, we had $67.5 million of impaired loans for which a specific allowance of $6.5 million was made, compared to $80.5 million of impaired loans at December 31, 2020 for which a specific allowance of $6.2 million was made. The ratio of allowance to total loans was 1.15% for September 30, 2021 and 1.19% for December 31, 2020.

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:

(In thousands)	At September 30, 2021		At December 31, 2020	
	Amount	**% of total loans**	**Amount**	**% of total loans**
Commercial Portfolio:				
Commercial and industrial	$ 13,479	20.2 %	$ 9,065	19.5 %
Multifamily	5,128	26.5 %	10,324	27.2 %
Commercial real estate	7,604	11.1 %	6,213	10.7 %
Construction and land development	487	1.1 %	2,077	1.6 %
Total commercial portfolio	$ 26,698	58.9 %	$ 27,679	59.0 %
Retail Portfolio:				
Residential real estate lending	$ 8,937	33.1 %	$ 12,330	35.5 %
Consumer and other	228	8.0 %	1,580	5.5 %
Total retail portfolio	$ 9,165	41.1 %	$ 13,910	41.0 %
Total allowance for loan losses	$ 35,863		$ 41,589	

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 September 30, 2021, 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 September 30, 2021 and December 31, 2020:

(In thousands)	September 30, 2021	December 31, 2020
Loans 90 days past due and accruing	$ —	$ 1,404
Nonaccrual loans excluding held for sale loans and restructured loans	24,960	40,039
Troubled debt restructured loans - nonaccrual	20,534	20,885
Troubled debt restructured loans - accruing	21,958	19,553
Other real estate owned	307	306
Impaired securities	64	47
Total nonperforming assets	$ 67,823	$ 82,234
Nonaccrual loans:		
Commercial and industrial	$ 13,709	$ 12,444
Multifamily	6,079	9,575
Commercial real estate	4,023	3,433
Construction and land development	—	11,184
Total commercial portfolio	23,811	36,636
Residential real estate lending	20,797	23,656
Consumer and other	886	632
Total retail portfolio	21,683	24,288
Total nonaccrual loans	$ 45,494	$ 60,924
Nonperforming assets to total assets	0.99 %	1.38 %
Nonaccrual assets to total assets	0.67 %	1.02 %
Nonaccrual loans to total loans	1.46 %	1.75 %
Allowance for loan losses to nonaccrual loans	78.83 %	68.26 %

Nonperforming assets totaled $67.8 million, or 0.99% of period-end total assets at September 30, 2021, a decrease of $14.4 million, compared with $82.2 million, or 1.38% of period-end total assets at December 31, 2020. The decrease in non-performing assets at September 30, 2021 compared to December 31, 2020 was primarily driven by the payoff of $11.2 million of non-accruing construction loans and $3.5 million of multifamily loans, and the decrease of $1.4 million of loans 90 days past due and accruing, partially offset by an increase of $2.1 million of TDRs.

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 $251.7 million, or 3.8% of total assets, at September 30, 2021, as follows: $256.2 million are commercial loans currently in workout that management expects will be rehabilitated; $31.4 million are commercial loans that are current on payments and are reported as 30-89 days past due, in renewal or extension negotiations, and inclusive of workouts; $3.2 million are residential 1-4 family or retail loans, with $662 thousand at 30 days delinquent, and $2.5 million at 60 days delinquent.

Resell Agreements

As of September 30, 2021, we have entered into $130.4 million of short term investments of resell agreements backed by government guaranteed loans, with a weighted interest rate of 1.79%. As of December 31, 2020, we have entered into $154.8 million of short term investments of resell agreements backed by government guaranteed loans, with a weighted interest rate of 1.25%.

Deferred Tax Asset

We had a deferred tax asset, net of deferred tax liabilities, of $24.7 million at September 30, 2021 and $27.9 million at December 31, 2020. As of September 30, 2021, our deferred tax assets were fully realizable with no valuation allowance held against the balance. Our management concluded that it was more-likely-than-not that the entire amount will be realized.

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

Deposits

Deposits represent our primary source of funds. We are focused on growing our core deposits through relationship-based banking with our business and consumer clients. Total deposits were $6.2 billion at September 30, 2021, compared to $5.3 billion at December 31, 2020. 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 September 30, 2021 and December 31, 2020, we had approximately $1.0 billion and $602.8 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 September 30, 2021 are summarized as follows:

Maturities as of September 30, 2021		
(In thousands)		
Within three months	$	59,624
After three but within six months		23,919
After six months but within twelve months		46,826
After twelve months		15,456
	$	145,825

Evaluation of Interest Rate Risk

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

Potential changes to our net interest income and economic value of equity in hypothetical rising and declining rate scenarios calculated as of September 30, 2021 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 September 30, 2021	**Estimated Increase (Decrease) in:**			
Immediate Shift	Economic Value of Equity	Economic Value of Equity ($)	Year 1 Net Interest Income	Year 1 Net Interest Income ($)
+400 basis points	14.0%	145,493	37.6%	67,960
+300 basis points	18.3%	189,537	33.8%	61,057
+200 basis points	18.4%	190,103	26.1%	47,066
+100 basis points	12.4%	127,987	13.9%	25,133
-100 basis points	-17.5%	(181,179)	-13.6%	(24,593)

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 September 30, 2021, our cash and equivalents, which consist of cash and amounts due from banks and interest-bearing deposits in other financial institutions, amounted to $690.2 million, or 10.1% of total assets, compared to $38.8 million, or 0.6% of total assets at December 31, 2020. Our available for sale securities at September 30, 2021 were $2.0 billion, or 28.5% of total assets, compared to $1.5 billion, or 25.8% of total assets at December 31, 2020. Investment securities with an aggregate fair value of $95.5 million at September 30, 2021 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 September 30, 2021, we had no advances from the FHLB and a remaining credit availability of $1.4 billion. In addition, we maintain borrowing capacity of approximately $85.9 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 September 30, 2021 was $556.4 million, compared to $535.8 million at December 31, 2020, an increase of $20.6 million. The increase was primarily driven by $37.0 million of net income, partially offset by $7.6 million of dividends and a $5.8 million decrease in accumulated other comprehensive income due to the mark to market on our securities portfolio and a $3.1 million decrease in additional paid-in capital, which was primarily driven by $2.9 million of common stock that was purchased as part of our share repurchase program in the first half of 2021.

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

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

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

	Actual		For Capital Adequacy Purposes[1]		To Be Considered Well Capitalized	
(In thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2021						
Consolidated:						
Total capital to risk weighted assets	$ 557,007	14.99 %	$ 297,321	8.00 %	$ 371,652	10.00 %
Tier I capital to risk weighted assets	519,645	13.98 %	222,991	6.00 %	297,321	8.00 %
Tier I capital to average assets	519,645	7.85 %	264,666	4.00 %	330,832	5.00 %
Common equity tier 1 to risk weighted assets	519,645	13.98 %	167,243	4.50 %	241,574	6.50 %
Bank:						
Total capital to risk weighted assets	$ 555,328	14.94 %	$ 297,320	8.00 %	$ 371,650	10.00 %
Tier I capital to risk weighted assets	517,966	13.94 %	222,990	6.00 %	297,320	8.00 %
Tier I capital to average assets	517,966	7.83 %	148,660	4.00 %	185,825	5.00 %
Common equity tier 1 to risk weighted assets	517,966	13.94 %	167,243	4.50 %	241,573	6.50 %
December 31, 2020						
Bank[2]:						
Total capital to risk weighted assets	$ 534,684	14.25 %	$ 300,199	8.00 %	$ 375,249	10.00 %
Tier I capital to risk weighted assets	491,913	13.11 %	225,149	6.00 %	300,199	8.00 %
Tier I capital to average assets	491,913	7.97 %	246,904	4.00 %	308,630	5.00 %
Common equity tier 1 to risk weighted assets	491,913	13.11 %	168,862	4.50 %	243,912	6.50 %

(1) Amounts are shown exclusive of the capital conservation buffer of 2.50%.
(2) As the Reorganization occurred in 2021, the prior period numbers presented are for the Bank.

As of September 30, 2021, 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 September 30, 2021 and December 31, 2020:

September 30, 2021

(In thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases	$ 54,445	$ 2,621	$ 21,850	$ 20,690	$ 9,284
Purchase Obligations	33,935	2,012	9,224	8,672	14,027
Certificates of Deposit	222,259	83,321	127,190	10,126	1,622
	$ 310,639	$ 87,954	$ 158,264	$ 39,488	$ 24,933

December 31, 2020

(In thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases	$ 58,146	$ 9,806	$ 19,749	$ 19,679	$ 8,912
Purchase Obligations	36,437	3,962	9,224	9,224	14,027
Certificates of Deposit	272,025	231,239	32,236	7,825	725
	$ 366,608	$ 245,007	$ 61,209	$ 36,728	$ 23,664

Investment Obligations

We are party to agreements with Pace Funding Group LLC, or PFG, for the purchase of up to $399 million of property assessed clean energy, or PACE, assessment securities by the end of the first quarter of 2022. Additionally, the Bank has an additional obligation up to $100 million for other PACE related purchases. These investments are to be held in our held-to-maturity investment portfolio. As of September 30, 2021, we had fulfilled $315.7 million of these obligations. The PACE assessments have equal-lien priority with property taxes and generally rank senior to first lien mortgages.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in our market risk as of September 30, 2021 from that presented in the 2020 Annual Report. Our interest rate sensitivity position at September 30, 2021 is set forth in the table labeled “Evaluation of Interest Rate Risk” in Management’s Discussion and Analysis of Financial Condition and Results of Operation of this Quarterly Report on Form 10-Q and incorporated herein by this reference.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e), as of September 30, 2021. Based on such evaluations, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended September 30, 2021 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, 2020, as filed with the SEC on March 15, 2021, 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.

We are providing these additional risk factors to supplement the risk factors contained in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Risks Related to our Proposed Merger with Amalgamated Investments Company

Combining with Amalgamated Investments Company, or AIC, may be more difficult, costly or time consuming than expected, and the anticipated benefits and cost savings of the merger may not be realized.

The Company and AIC have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on the Company's and AIC's ability to successfully combine and integrate the businesses of the Company and AIC in a manner that permits growth opportunities and does not materially disrupt the existing customer relations or result in decreased revenues due to loss of customers. It is possible that the integration process could result in the loss of key employees, the disruption of either company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with customers, depositors, clients and employees or to achieve the anticipated benefits and cost savings of the merger. If the combined companies experience difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. There also may be business disruptions that cause the Company and/or AIC to lose customers or cause customers to remove their accounts from the Company and/or AIC and move their business to competing financial institutions. Integration efforts will also divert management attention and resources. These integration matters could have an adverse effect on each of the Company and AIC during this transition period and for an undetermined period after completion of the merger on the combined company.

Additionally, the combined company may not be able to successfully achieve the level of cost savings, revenue enhancements and other synergies that it expects, and may not be able to capitalize upon the existing customer relationships of each party to the extent anticipated, or it may take longer, or be more difficult or expensive than expected, to achieve these goals. These circumstances could have an adverse effect on the combined company's business, results of operation and stock price.

The merger may distract the Company's management from their other responsibilities.

The merger could cause the Company's management to focus their time and energies on matters related to the merger that otherwise would be directed to the Company's business and operations. Any such distraction on the part of the Company's management, if significant, could affect the Company's ability to service existing business and develop new business and adversely affect its business and earnings before the merger, or the business and earnings of the combined company after the merger.

Regulatory approvals may not be received, may take longer than expected, or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, the Company must obtain approvals (or waivers of such approvals) from the Federal Deposit Insurance Corporation, the New York State Department of Financial Services, and the Board of Governors of the Federal Reserve System. Other approvals, waivers or consents from regulators may also be required. These regulators may impose conditions on the completion of the merger or require changes to the terms of the merger. Although the Company does not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying or preventing completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger.

If the merger with AIC is not completed, the Company will have incurred substantial expenses without realizing the expected benefits of the merger.

The Company has incurred and will continue to incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement with AIC. If the merger is not completed, we would have to recognize these expenses without realizing the expected benefits of the merger.

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

There were no purchases of our common stock during the three months ended September 30, 2021 by or on behalf of the Company or any “affiliate purchaser” as defined in Rule 10b-18(a)(3) under the Exchange Act.

Effective April 13, 2021, our Board of Directors authorized a share repurchase program authorizing the repurchase of up to $10 million of our outstanding common stock over the next one-year period. The authorization did not require us to acquire any specified number of shares and can be suspended or discontinued without prior notice. Under this authorization, $2.5 million of common stock were purchased during the second quarter of 2021. The approximate dollar value that may yet to be purchased under the plans or programs is $7.5 million.

Item 6. Exhibits.

hibit No.	Description of Exhibit
.	Agreement and Plan of Merger, dated September 21, 2021, by and among Amalgamated Financial Corp., Amalgamated Merger Subsidiary, Inc., and Amalgamated Investments Company (incorporated by reference to Exhibit 2.1 to Amalgamated Financial Corp.'s Current Report on Form 8-K filed with the SEC on September 22, 2021).
.	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).
!	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).
.	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.
.1	Rule 13a-14(a) Certification of the Chief Executive Officer
.2	Rule 13a-14(a) Certification of the Chief Financial Officer
.3	Rule 13a-14(a) Certification of the Chief Accounting Officer
.1	Section 1350 Certifications
1	Interactive data files for the Quarterly Report on Form 10-Q of Amalgamated Financial Corp. for the quarter ended September 30, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Financial Condition at September 30, 2021 and December 31, 2020, (ii) Consolidated Statements of Income for the quarters ended September 30, 2021 and 2020, (iii) Consolidated Statements of Comprehensive Income for the quarters ended September 30, 2021 and 2020, (iv) Consolidated Statements of Changes in Shareholders' Equity for the quarters ended September 30, 2021 and 2020, (v) Consolidated Statements of Cash Flows for the quarters ended September 30, 2021 and 2020 and (vi) Notes to Consolidated Financial Statements (unaudited).
4	The cover page of Amalgamated Financial Corp.'s Form 10-Q Report for the quarter ended September 30, 2021, formatted in iXBRL (included with the Exhibit 101 attachments).

SIGNATURES

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

AMALGAMATED FINANCIAL CORP.

November 9, 2021	By:	/s/ Priscilla Sims Brown
		Priscilla Sims Brown President and Chief Executive Officer (*Principal Executive Officer*)
November 9, 2021	By:	/s/ Jason Darby
		Jason Darby Chief Financial Officer (*Principal Financial Officer)*
November 9, 2021	By:	/s/ Frank DeMaria
		Frank DeMaria Chief Accounting Officer (*Principal Accounting Officer)*

Exhibit 31.1

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

I, Priscilla Sims Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amalgamated Financial Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2021

/s/ Priscilla Sims Brown

Priscilla Sims Brown, President and Chief Executive Officer

Exhibit 31.2

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

I, Jason Darby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amalgamated Financial Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2021

/s/ Jason Darby

Jason Darby, Chief Financial Officer

Exhibit 31.3

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

I, Frank DeMaria, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amalgamated Financial Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2021

/s/ Frank DeMaria
Frank DeMaria, Chief Accounting Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Amalgamated Financial Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2021 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officers each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Priscilla Sims Brown
Priscilla Brown
President and Chief Executive Officer
November 9, 2021

/s/ Jason Darby
Jason Darby
Chief Financial Officer
November 9, 2021