# Fourth Quarter and Full Year 2021 Earnings Call Transcript

*January 27, 2022*

## CORPORATE PARTICIPANTS

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## CONFERENCE CALL PARTICIPANTS

**Alex Twerdahl,** *Piper Sandler & Co.*

**Janet Lee,** *JPMorgan*

**Chris O'Connell,** *KBW*

## PRESENTATION

**Operator**

Greetings, ladies and gentlemen, and welcome to the Amalgamated Financial Corp. Fourth Quarter and Full Year 2021 Earnings Conference Call.

As a reminder, this conference call is being recorded.

I would now like to turn the call over to Mr. Jason Darby, Chief Financial Officer. Please go ahead, sir.

**Jason Darby**

Thank you, Operator.

Good morning, everyone. We appreciate your participation in our fourth quarter 2021 earnings call. With me today is Priscilla Sims Brown, President and Chief Executive Officer. As a reminder, a telephonic replay of this call will be available on the Investors section of our website for an extended period of time. Additionally, a slide deck to complement today's discussion is also available on the Investors section of our website.

Before we begin, let me remind everyone that this call may contain certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution investors that actual results may differ from the expectations indicated or implied by any such forward-looking statements or information. Investors should refer to Slide 2 of our earnings slide deck as well as our 2020 10-K filed on March 15, 2021, for a list of risk factors that could cause actual results to differ materially from those indicated or implied by such statements.

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

Let me now turn the call over to Priscilla.

**Priscilla Sims Brown**

Thank you, Jason, and good morning, everyone. We appreciate your time and interest today. This morning, I will take a few highlights of our fourth quarter 2021 results as well as provide an update on our strategic plan designed to deliver sustained and profitable organic growth, the early signs of which can be seen in our results this quarter. Jason will then provide an update on our pending acquisition of Amalgamated Bank of Chicago and conclude with a more in-depth review of our fourth quarter financial results.

To start, our early results clearly highlight the potential that exists within Amalgamated as we execute on our strategic plans. Along these lines, there are four key points that I would like you to take away from this morning's call. First, we delivered a 6.2% net loan growth, not including PACE assessments, compared to the linked quarter, as our early focus on driving loan growth during the second half of '21 has started to take hold.

Second, we recruited a talented and experienced leader for our commercial real estate business to manage our team and lending platform, protect our existing book of business, improve credit quality and gain new share.

Third, we grew deposits 2% from the linked quarter, while our political deposit franchise held steady at $1 billion, which exceeded our expectations given the natural contraction that we typically experience following an election. Our cost of deposits also held steady at nine basis points.

Fourth, we took important and necessary steps to begin as early as in the second half of 2021 to further improve the credit quality of our loan portfolio. As a result, during the quarter, we saw our non-accrual loans decline by $17.3 million to $28.2 million, or 85 basis points of total loans, and we saw our classified or criticized assets improve by $79.9 million.

While I'm pleased with our results, I know that there is much more work left to accomplish. As I outlined in our third quarter call, we've established a four-pillar strategy, which is designed to accelerate growth, expand our profitability and improve our returns.

This strategy is focused on, first, building our business through our mission. Second, focusing on customer segments that share our values and where we can take market share. Third, developing and expanding our product offerings to grow our lending platform and our trust business. Fourth, improving the management of our data and technology to drive better efficiencies and effectiveness.

On today's call, I would like to focus on our third pillar and specifically our efforts to grow our lending platform as we strive to enhance the franchise value of Amalgamated and fund future development projects through profitability. A clear opportunity is to service our customers from a lending perspective. In connection, as we demonstrate continued success and growth in our baseline lending platform, I also see more opportunities to expand sections of our lending platform into our markets where we have traditionally only focused on deposit gathering.

Boston is a terrific example, as we originally entered this market with the main focus on gathering deposits; but we believe we can build a commercial real estate lending platform and drive loan volume there. To be successful, we need to attract bankers and underwriters with proven acumen and results in the CRE market.

To that end, I'm very pleased to report that we have recruited a seasoned producer and the leader for our commercial real estate and multifamily banking team. Additionally, this leader was also able to bring over a key team member, greatly improving the ability to make an immediate impact.

As the largest asset class on our balance sheet at year end, this is a key focus for us, and one that we intend to return to pre-pandemic origination levels in the year ahead. We've also repositioned our existing lending talent in order for them to use their valuable expertise across our New York City, Boston, D.C., San Francisco and soon to be Chicago footprint. We see commercial and consumer solar, sustainability project finance and commercial PACE as segments we are expertly knowledgeable and highly competitive in, and we plan to aggressively add to our talent base in these segments during '22.

Additional segments where we are building expertise is in CDFI, not-for-profit and social advocacy. We are becoming increasingly confident in the strides we're making to expand our lending platform and see high single-digit loan growth, not including the impact of ABOC, as achievable in the year ahead. Importantly, our growth is increasingly focused on entering new sustainable markets and taking share, which presents an open-ended growth opportunity that is less subject to economic or cyclical decline. As we re-deploy our liquidity into organic loans, we will continue to see margins improve and earnings power accelerate.

We're also continuing with connecting our consumer and trust business in our Commercial Banking business to better serve our customers across offerings. We are acutely focused on addressing the revenue and profitability of our trust business over the next year as we ramp our ESG-oriented responsive funds products and address the fee structure in our core pension fund business.

To conclude, we ended the year strongly, and we are well positioned to accelerate growth and profitability into the year ahead. We have shown meaningful organic loan growth for the first time since the second quarter of 2020 and are optimistic that growth will continue in 2022. I am very pleased that we were able to attract a talented lending team to Amalgamated, which demonstrates the unique opportunity we offer in the market. We have a brand and a reach in our socially responsible markets which rivals the big banks within an institution where people can lead and make a real impact. This is very appealing, and we establish Amalgamated as an employer of choice in the major markets where we do business. Our immediate focus in '22 is to add experienced bankers and underwriters who can help us grow our platform and accelerate growth in our focused markets and segments.

Lastly, our acquisition of the Amalgamated Bank of Chicago will provide market expansion into the Midwest while offering significant revenue and cost synergies when the deal closes in the next few months. We expect the transaction to close early in the second quarter, which is a bit later than our earlier aspirations. That said, we have been working closely with the ABOC team to prepare for the integration once the deal closes, and we're very pleased with the receptivity from ABOC employees to the potential for a combined bank once we merge.

Let me now turn the call over to Jason.

**Jason Darby**

Thank you, Priscilla.

We are pleased with ABOC's financial performance, which has been in line with our expectations for the year. We are also seeing ABOC loan growth through the fourth quarter, which validates our expectations from the acquisition. What we already have found is that ABOC has deep relationships with our customers, and a larger balance sheet will provide immediate lending opportunities that are very attractive. Longer term, we see an opportunity to export our lending expertise in sustainability and other mission-driven segments to the ABOC client base and geographic market, which we expect will expand ABOC's lending reach and help to accelerate its loan growth as we look to the second half of 2022.

Turning to our fourth quarter results. Net income was $15.9 million, or $0.50 per diluted share, compared to $14.4 million, or $0.46 per diluted share, for the third quarter of 2021, representing an 8.7% increase in earnings per share. The $1.5 million increase was primarily due to a $3.7 million increase in net interest income and a $5.7 million increase in non-interest income. These increases were partially offset by a $2 million increase in non-interest expense, of which $0.9 million was related to the pending ABOC acquisition as well as a $3.6 million provision expense compared to a $2.3 million provision recovery in the preceding quarter.

Starting on Slide 7. Deposits at December 31, 2021, were $6.4 billion, an increase of $131.8 million from the third quarter of 2021 and an increase of $1.1 billion as compared to December 31, 2020. Non-interest-bearing deposits represent 52% of deposits for the quarter ended December 31, 2021, contributing to an average cost of deposits of nine basis points in the fourth quarter of 2021, unchanged from the previous quarter. Deposits held by politically active customers such as campaigns, packs, advocacy-based organizations and state and national party committees were $989.6 million as of December 31, 2021, an increase of $386.8 million as compared to $602.8 million as of December 31, 2020.

Turning to Slide 10. Our total net loans at December 31, 2021, were $3.3 billion, an increase of $189.9 million as compared to the linked quarter. The increase in loans was primarily driven by advances in commercial sustainability lending, consumer solar lending and CRA eligible residential lending. The yield on our total loans was 4.01% compared to 3.84% in the third quarter of 2021. Adjusting for prepayment penalties, our loan yield was up 15 basis points in the fourth quarter as compared to the previous quarter. During the quarter, we received $1.0 million in accrued but unpaid interest on a reinstated loan. Adjusted for this, our yield on total loans was 3.89%.

On Slide 12, our net interest margin was 2.77% for the fourth quarter of 2021, an increase of seven basis points from 2.70% in the third quarter 2021 and a decrease of 29 basis points from 3.06% in the fourth quarter of 2020. Adjusted for the reinstated loan noted above, our net interest margin was 2.71%. We estimate that our excess liquidity this quarter from balance sheet growth has suppressed our NIM by 20 basis points.

Turning to non-interest income, it was $12.4 million for the fourth quarter of 2021 compared to $6.7 million in the linked quarter and $10 million for the fourth quarter in 2020. The sequential increase of $5.7 million was primarily due to $5.3 million of equity method investment income related to a new investment in a solar initiative. The increase of $2.4 million as compared to the same quarter last year was primarily due to the solar investment income, offset by decreases in gain on sale of loans in the corresponding quarter in 2020.

As can be seen on Slide 13, for our first solar investments made in 2020, we have recognized the benefit of the tax credits in 2020 and also the related accelerated depreciation impacts in the current year. During 2022, we expect to recognize gains related to cash distributions from our solar equity method investments as well as over the remaining life of the investments through 2025. These impacts did not include any benefits from the new solar equity investment made in the fourth quarter.

Non-interest expense for the fourth quarter of 2021 was $35.0 million, an increase of $2 million from the third quarter of 2021 and an increase of $2.3 million from the fourth quarter of 2020. The increase of $2 million in the preceding quarter includes $0.9 million of ABOC-related costs as well as a $0.7 million increase in data processing expenses related to the modernization of the trust department. The increase of $2.3 million from the fourth quarter of 2020 is due to the ABOC-related costs as well as an increase of data processing expenses related to the modernization of the trust department, increased transaction processing costs post COVID-19 and other technology upgrades.

As I mentioned during the previous quarter call, our non-performing asset metrics are a key focus. Turning to Slide 16. Non-performing assets totaled $54.6 million, or 0.77% of period-end total assets at December 31, 2021, a decrease of $27.6 million compared with $82.2 million, or 1.38% of period-end total assets at December 31, 2020. The decrease in non-performing was primarily driven by the payoff of $11.2 million of non-accruing construction loans, $3.5 million of multifamily loans and $2.6 million of C&I loans as well as a sale of $4.5 million of non-performing residential loans and a partial charge-off and transfer of a $3.2 million multifamily loan to held for sale.

Importantly, non-accrual loans decreased by $17.3 million, or 38%, to $28.2 million. The allowance for loan losses decreased $5.7 million to $35.9 million at December 31, 2021, from $41.6 million at December 31, 2020, primarily due to improvements in credit quality. At December 31, 2021, we had $53.2 million of impaired loans for which a specific allowance of $5.1 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 1.08% at December 31, 2021, and 1.19% at December 31, 2020.

Provision for loan losses totaled an expense of $3.6 million for the fourth quarter of 2021 compared to a recovery of $2.3 million in the third quarter of 2021. The expense in the fourth quarter of 2021 was primarily driven by an increase in loan balances as well as a $1.9 million net charge-off on a multifamily loan, partially offset by improved credit quality and qualitative factors.

Moving along to Slide 17. Our GAAP and core return on tangible average common equity were 11.2% and 12.2%, respectively, for the fourth quarter of 2021. Importantly, we remain well capitalized to support our future growth initiatives. Looking ahead in anticipation of rising rates in 2022, we are well positioned to benefit from our asset sensitivity. Generally speaking, a parallel 25 basis point increase in rates will result in an approximately $6 million increase in annual net interest income.

Turning to Slide 19. We are initiating Full Year 2022 guidance, which includes core pretax pre-provision earnings of $75 million to $85 million, which excludes the tax credit-related impact of solar tax equity income and losses and net interest income of $184 million to $192 million, which includes prepayment penalty income. This guidance does not include any contribution from our pending ABOC acquisition from which we anticipate additional accretion.

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

Operator.

**Operator**

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

**Alex Twerdahl**

Good morning. First off, I wanted to ask, Priscilla, in your prepared remarks, you talked about the immediate focus for 2022 is adding lenders. I was just wondering how many lenders do you have in mind to add and help us contextualize a little bit sort of how that would compare to the existing number of lenders on in the company?

**Priscilla Sims Brown**

Sure. First of all, I think I would characterize it as also just rationalizing the community that we currently have.

Do you have handy, Jason, the number of lenders that we—the actual number of lenders that we have?

**Jason Darby**

I don't have handy the actual number of lenders; but what I can comment on is sort of on a run rate basis, we already did net adds in the fourth quarter of six lenders. They're not just necessarily lenders, Alex. We're looking to add producers, but we're also looking to add support folks, underwriters, and portfolio management. I think our key hires right now, which we talked about in the third quarter was really stressing that CRE and multifamily space, and we were able to hire a leader for that area and also an additional banker that came in. When we talk about going forward…

Sorry, Priscilla, are you trying to jump in on that?

**Priscilla Sims Brown**

I just wanted to put a finer point on the specific number of lenders. I think we're up plus seven in the plan. So we would intend to add a net of seven.

**Alex Twerdahl**

Awesome. I presume that will be over the course of the year. I'm just wondering, certainly adding the lenders and I think the support staff is certainly going to come with some expense. What kind of expense guide is incorporated in that guidance that you gave for 2022?

**Priscilla Sims Brown**

Jason, I'll make a quick comment and then I turn it over to you.

As you know, we talk a lot and monitor the efficiency ratio, and we are committed to keeping that at 65%. Expenses for the quarter at $34.5 million with revenue offsets will enable us to achieve that efficiency ratio.

Jason, do you have anything to add to that?

**Jason Darby**

Yes. I think that's well said. I mean we have a guardrail, Alex, for no higher than 65% core efficiency ratio. Much of our staffing strategy is tethered to the growth in the net interest income and more specifically growth in the interest income related to the lending area. So investments we're going to make are going to be kind of managed along the productivity and the profitability that's being derived from that business. When I think about potential investment, I would expect our salaries line is going to increase, and we've held fairly steady at about $17.5 million. We see at least $500,000 of incremental per quarter when we start to think about talent overall. But certainly, lending is going to make up a significant portion of that.

**Alex Twerdahl**

Great. Then just wanted to drill in on the rate guidance that you gave, Jason, I think you said 25 basis points, close to $6 million of NII. Can you help us just get to the components of that? And just remind us how much of the loan portfolio is variable that should reprice with hikes? And then my assumption is that you keep the deposit beta and that guidance pretty close to zero unless it's (inaudible).

**Jason Darby**

Yes. I guess the first thing the guidance just assumes that it's a parallel rate shift and that everything shifts, all rates shifted at the same time. So I didn't really go through in the guidance and give a blended on variable or fixed rate, if that helps. Its kind of a little bit more general in my terms there. The $6 million is really kind of would be assuming that the rate would adjust over the course of an entire year. So depending on when rates actually adjust and when we start to realize that incremental benefit, I mean, that $6 million would be realized over time. I don't have any more specifics really to offer on that, other than that sort of how we did the estimate.

**Alex Twerdahl**

Okay. Thanks for taking my questions.

**Operator**

Thank you. Our next question comes from Janet Lee with JPMorgan. Please proceed with your question.

**Janet Lee**

Hello. I just want to follow up on NII guidance, and I want to make sure that I understand the underlying assumptions correctly. So when you say no change in Fed rate target, but you also say a parallel shift, are you assuming zero rate hikes through the end of 2022? Or am I confusing—am I being confused with your guidance?

**Jason Darby**

Yes. Sorry, if it's confusing, the guidance is assuming no rate hikes, right. So based on our growth assumptions and our balance sheet mix, assuming no change in rates, we'd come in between 184 and 192 depending on how we hit our targets. With the parallel rates or the shock that I was just referring to, those numbers would move incrementally higher. I think I didn't answer the question properly from Alex, but our deposit beta, we're assuming that as relatively unchanged I think about the parallel ratio.

**Janet Lee**

Right. Got it. So if we bake in the current forward curve that assumes about four rate hikes through the end of 2022, can we roughly think that that would add $6 million annualized times like four? Or is that...

**Jason Darby**

I mean, yes, so that's the basic math way to think about it. Obviously, those rate hikes won't happen on day one of the year. But on a basis if they all do, that's the way we would generally think about it, yes.

**Janet Lee**

Got it. Makes sense. On loan growth guidance, you've basically sort of raised your loan growth target for 2022. I believe, last quarter, you said mid- to high single-digit loan growth, now high single digits. What has changed over the quarter that made you to become more optimistic about your loan growth? And can you just walk us through where you'd expect most growth to come from?

**Jason Darby**

Certainly. Priscilla, do you want to take the front end of that question on the outlook?

**Priscilla Sims Brown**

Yes. Yes, I'd be happy to.

It's a little bit of what we've talked about, Janet. Thanks for the question. I am personally very happy with our sales leadership and our sales team. We've already begun to execute well on the strategy. You heard us talk about the new hires, but I like the way we're organizing the team. We think we'll get that high single-digit loan growth because of the strength of the pipeline that we see and the talent we brought on.

We'll see it in CRE. We'll see it in multifamily. We'll see it in sustainability and the other impact areas. So we see nice pipeline in all of these areas.

**Jason Darby**

Yes. I'll add to that. The growth we saw this quarter, we're really happy about it. Some of this is timing we'd love to have had a little bit of that pull through in the third quarter, but it did come through in the fourth quarter for us, so that was really nice. I don't think we're going to grow at a 6% per quarter basis. But to Priscilla's point, the pipeline looks really stable, right. I mean we spent a lot of time in the second half of the year kind of reinvigorating the sales process, making sure we reviewed the sales to close cycle, what our bankers are doing, what they're focused on from a productivity point of view.

We're starting to see that in a longer pipeline that we can start to count on and forecast a little bit better. I think that's the first thing. The other thing, Janet, I think maybe your question is we're seeing growth across kind of multiple areas. It's not all concentrated, Priscilla touched on it a bit, but even in the quarter alone, in our consumer side, consumer solar was up about $45 million, or roughly 20%. We've got some new flow arrangements with the existing providers to increase our capacity there. So we have some good optimism on growth going forward.

With that, in the C&I space, mainly our sustainability continues to be a key driver. We were able to close a $36 million solar tax deal, which we're real happy about, then you got some increases going on now in our sustainability and CDFI type lending. So again, those are different segments within that C&I impact lending that we feel are real opportunities going forward.

Then I think, again, and what Priscilla talked about, CRE starting to move and then also on the multifamily side, that's been an area where it's been in real decline, and we're already actually starting to see things in the pipeline from the new folks that we brought in. So that gives us the confidence, and we're trying to keep it measured, right. We don't want to get ahead of ourselves, but we do think that we're in a spot where we can keep building on this momentum.

**Janet Lee**

Okay. That's really helpful. Just to follow up on your NII guidance of, I believe, that was $184 million to $192 million for 2022. You've obviously decreased your cash quite a bit in the fourth quarter. What level of cash are you assuming for your guidance? And how should we think about the trajectory of NIM over the course of 2022?

**Jason Darby**

Yes. So cash—it's a bit of a mix, right. Our overall balance sheet growth is only about 5%. But then when you think about kind of the loan growth targets, exceeding the balance sheet growth, the obvious function is the decrease in cash. So we're targeting $100 million of cash in terms of the year-end balance. We'll manage to that over the course of the year, but that's sort of where we're trying to go. So there's a little bit of overall balance sheet growth that's baked into our model, but also a little bit of mix shifting to be able to kind of deploy out of that cash into loan development for the NII drivers.

I'm sorry, did I answer the whole question? I might have missed a piece you're asking there.

**Janet Lee**

It's a trajectory of NIM. Is it—it's bottoming again.

**Jason Darby**

Yes. Again, I think the trajectory, I focus a little bit more on growing the NII, just mainly because that sort of drops right into the revenue line. But on the margin side, I do think we're at the kind of plateau level. Again, I'm not really thinking even as much as what would happen to our margin on rate rises, more just on the shift from low interest earning cash and sort of short-term low-interest earning securities into more meaningful yields within the loan portfolio. So I do see—or I do hope that we'll have a rising NIM that's complemented by the increase in the NII to go along with that.

**Janet Lee**

Great. Thanks for taking my question.

**Operator**

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

**Chris O'Connell**

Good morning.

**Jason Darby**

Good morning, Chris.

**Chris O'Connell**

Just wanted to start off on the growth this quarter. Obviously, really strong across the board here. Just wondering, is there any purchases or snick or participations kind of involved in the loan growth this quarter? Or would you kind of characterize it as all organic?

**Jason Darby**

There's a fair amount of purchase, but what I'm more happy about is it's actually a fair amount of organic as well. So I think if I were to roughly break it out, it'd probably be about—60% of that would be organic and 40% would be in a purchase type of capacity. Again, some of this is historical, it's not like we went out and bought new packages just to kind of deliver on loan growth. It's been more development of existing relationships like this consumer flow that I talked about before, we've been able to increase that capacity in that to $45 million of growth this quarter.

We did have a warehouse participation that we did this quarter as well, which added a little bit of growth. That's not what I would just call organic.

But outside of that, I think we've had a decent mix of kind of the way we've tried to manage liquidity through the purchasing and also a jump start really of our impact organic lending.

**Chris O'Connell**

Great. That's helpful. Then I appreciate the slide and the guidance on the tax credit investments going forward here for 2022. Just wondering where do you guys see the tax rate shaking out for the year?

**Jason Darby**

On an effective tax? Are you talking about...

**Chris O'Connell**

Yes.

**Jason Darby**

Yes, we've got it marked right now at about 25.45. That's what we're projecting for AETR. I think last year we were pretty close to that. We had a little bit of a return to provision adjustment that flowed through in the fourth quarter that was related to some of the early solar tax initiatives that we kind of first got into in 2020. But I think now we have kind of a full understanding of how to manage those investments, I think our tax rate should remained very consistent throughout 2022.

**Chris O'Connell**

Great. Then as you guys are kind of looking at the asset growth for 2022, it sounds like loan growth should be strong and cash coming down. How are you thinking about the overall securities book kind of fill in the gap there? And then the split between kind of PACE versus more normal securities?

**Jason Darby**

Yes. We'll continue to use the securities portfolio to deploy excess liquidity. We also have some re-sell agreements out there in the short run while we develop and continue to book loans. But I think when we think about the rest of the year, we actually are hopeful that the AFS portion of our security portfolio comes down a bit. If all of our projections sort of worked out the way we want, we'll be able to trade out a little bit of some of the shorter-term securities that we've been in to try to pick some yield.

That wouldn't necessarily be a bad thing. Obviously, trading into higher-yielding loan rates. But then on the flip side, we do see another $160 million, $170 million of net growth in the PACE world, and that's a combination of our C-PACE and R-PACE. So I think overall, securities would be up slightly, about $75 million, but the mix would be a rundown on the AFS and a ramp-up of the HTM, which contains the PACE securities.

**Chris O'Connell**

Okay. Great. That's helpful. Then how are you guys looking at—or what are you kind of expecting for political deposit growth going forward? Balances are more or less flat this quarter, and it seemed to be up a little bit to start off the year.

**Jason Darby**

Yes. So political deposits this year, obviously, we're going to be coming into a congressional election year. We're actually predicting somewhere in the range of $500 million of additional deposits that we're going to be generating out of the political business between really this quarter and the end of the third quarter. Then we expect a subsequent runoff of that in the fourth quarter of about $600 million.

We think we're going to end up probably around $900 million on a baseline basis kind of going forward with political deposits, which continues to sort of grow that fundamental core of the political deposits; but there will be some lumpiness in our deposit growth during the first few quarters of this year as the election cycle ramps up.

**Chris O'Connell**

Okay. That's helpful. Thank you. Then last question for me is just how are you guys thinking about the trend of the reserve to loans going forward?

**Jason Darby**

In terms of the overall coverage ratio?

**Chris O'Connell**

Yes, exactly.

**Jason Darby**

Yes. Okay. So right now, I actually think we're in a good spot. I think we finished at 1.08 and somewhere in that 1.10 to 1.15 range is probably good guidance. I think 1.15 would probably be more where we would end up. Again, just to remind you, we're not a CECL adopter yet. So, there's potential for us to have a bit of a reserve build throughout this year as we start to model out what the CECL impact would be for us.

But in general, kind of where we are right now from a coverage ratio, I like where we're at. I love kind of the new ratios relative to our coverage on non-performers and non-accrual loans. So I think we'll manage to that number the best we can, and particularly it's functional to loan growth, right. So if we have loan growth, then we ought to see incremental increases in the allowance; but from a coverage point of view, I think ranging it between 1.10 and 1.15 is probably a good estimate.

**Chris O'Connell**

Okay, great. That's all I had. Thank you.

**Jason Darby**

You're welcome.

**Operator**

Thank you. There are no further questions at this time. I'd like to turn the floor back over to Management for any closing remarks.

**Priscilla Sims Brown**

Great. Thank you, Operator, and Janet, Alan, Chris, for your questions and the questions that I'm sure will come throughout the day. We do appreciate your time, and we appreciate your continued interest.

We think that we have the opportunity to really continue to build momentum from here. I've been speaking with many of our customers about emerging strategies for our loan and trust business and about the acquisition of ABOC. I've seen that it's been met with a lot of enthusiasm and genuine interest on their part as well.

When we talk about doing good for more customers and developing new customer relationships that we can offer those same mission-driven services to, we think it's pretty exciting. There's also just a real energy around where we're headed from here, and I trust you'll continue to follow us and join us on the journey. I look forward to coming back to you next quarter and talking to you about the early results of implementing our new strategies. More details on incorporating ABOC into the Amalgamated family and about the other initiatives that we look forward to share with you at that time.

Thank you again for your time, and we look forward to continuing the dialogue.

**Operator**

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.