As filed with the Securities and Exchange Commission on August 2, 2021

Registration No. 333-______

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Ponce Financial Group, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**6035**	**87-1893965**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

2244 Westchester Avenue
Bronx, New York 10462
(718) 931-9000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Carlos P. Naudon
President and Chief Executive Officer
2244 Westchester Avenue
Bronx, New York 10462
(718) 931-9000
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☒

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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. (Check one):

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 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, $0.01 par value per share	13,886,250 shares	$10.00	$138,862,500(1)	$ 15, 150

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBSCRIPTION AND COMMUNITY OFFERING PROSPECTUS

PONCE FINANCIAL GROUP, INC.
(Proposed Holding Company for Ponce Bank and Mortgage World Bankers, Inc.)
Up to 12,075,000 Shares of Common Stock
(Subject to increase up to 13,886,250 shares)

Ponce Financial Group, Inc., a Maryland corporation, is offering up to 13,886,250 shares of common stock for sale at $10.00 per share on a best efforts basis in connection with the conversion of Ponce Bank Mutual Holding Company ("Ponce Bank MHC") from the mutual holding company to the stock holding company form of organization. The shares we are offering represent the ownership interest in PDL Community Bancorp, currently owned by Ponce Bank MHC. In this prospectus, we will refer to Ponce Financial Group, Inc., as "Ponce Financial." PDL Community Bancorp's common stock is currently traded on the Nasdaq Global Market under the trading symbol "PDLB," and we expect the shares of Ponce Financial common stock will also trade on the Nasdaq Global Market under the symbol "PDLB." PDL Community Bancorp is and Ponce Financial will be an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012.

The shares of common stock are first being offered in a subscription offering to eligible depositors and certain borrowers, and the tax-qualified employee stock ownership plan of Ponce Bank, as described in this prospectus. Shares not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to residents of the New York Counties of Bronx, Queens, Kings and New York, and to the New Jersey County of Hudson, and existing stockholders of PDL Community Bancorp. Any shares of common stock not purchased in the subscription or community offerings may be offered to the public through a syndicate of broker-dealers, referred to in this prospectus as the syndicated offering. The syndicated offering may commence before the subscription and community offerings (including any extensions) have expired. The subscription, community, syndicated offerings are collectively referred to in this prospectus as the offering. We must sell a minimum of 8,925,000 shares in order to complete the offering and the conversion. In addition, we will contribute $1.0 million and minimum of 267,750 shares to the Ponce De Leon Foundation ("Foundation") which was previously established in connection with the formation of Ponce Bank MHC in September 2017.

The minimum number of shares of common stock you may order is 25 shares. The subscription offering is expected to expire at 4:00 p.m., Eastern Time, on [expiration date]. We may extend this expiration date without notice to you until [extension date]. We expect that the community offering, if held, will terminate at the same time, although it may continue without notice to you until [extension date] or longer if the Federal Reserve Board approves a later date. Once submitted, orders are irrevocable unless the subscription offering and/or community offering are terminated or extended beyond [extension date], or the number of shares of common stock to be sold is increased to more than 12,075,000 shares, subject to an adjusted maximum of 13,886,250 shares, or decreased to less than 8,925,000 shares. If the offering is extended past [extension date], all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to such notice, we will promptly return your funds with interest at [interest rate]% per annum or cancel your deposit account withdrawal authorization. If the number of shares to be sold in the offering is increased to more than 13,886,250 shares, or decreased to less than 8,925,000 shares, we will resolicit subscribers, and all funds delivered to us to purchase shares of common stock in the subscription and community offerings will be returned promptly with interest. Funds received in the subscription offering and/or community offering will be held in a segregated account at Ponce Bank and will earn interest at [interest rate]% per annum until completion or termination of the offering. No shares purchased in the subscription offering or community offering will be issued until the completion of any syndicated offering.

In addition to the shares we are selling in the offering, the shares of PDL Community Bancorp currently held by the public will be exchanged for shares of common stock of Ponce Financial based on an exchange ratio that will result in existing public stockholders of PDL Community Bancorp owning approximately the same percentage of Ponce Financial common stock as they owned of PDL Community Bancorp common stock immediately prior to the completion of the conversion. The number of shares we expect to issue in the exchange ranges from 6,981,287 shares to 9,445,271 shares, subject to an adjusted maximum of 10,862,061.

Janney Montgomery Scott LLC will assist us in selling the shares on a best efforts basis in the subscription offering, and if held, the community offering, and will serve as sole book-running manager for any syndicated offering. Janney Montgomery Scott LLC is not required to purchase any shares of common stock that are sold in the subscription offering or, if held, the community offering.

OFFERING SUMMARY
Price: $10.00 per share

	Minimum	Midpoint	Maximum	Adjusted Maximum
Number of shares	8,925,000	10,500,000	12,075,000	13,886,250
Gross offering proceeds	$ 89,250,000	$ 105,000,000	$ 120,750,000	$ 138,862,500
Estimated offering expenses, excluding selling agent and underwriters' fees and expenses	$ 2,436,400	$ 2,436,400	$ 2,436,400	$ 2,436,400
Selling agent and underwriters' fees and expenses (1)	$ 807,010	$ 951,530	$ 1,096,050	$ 1,262,255
Estimated net proceeds	$ 86,006,590	$ 101,612,070	$ 117,217,550	$ 135,163,845
Estimated net proceeds per share	$ 9.64	$ 9.68	$ 9.71	$ 9.73

(1) The amounts shown assume that the shares are sold in the subscription and community offerings with a fee of 1.0% on all shares, excluding insider purchases and shares purchased by our employee stock ownership plan and shares contributed to the Foundation. If all shares of common stock were sold in the syndicated offering, the selling agent and broker-dealers' commissions or underwriter discounts would be approximately $5.4 million, $6.3 million, $7.2 million and $8.3 million at the minimum, midpoint, maximum and adjusted maximum levels of the offering, respectively.

This investment involves a degree of risk, including the possible loss of principal.
Please read "Risk Factors."

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Neither the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

JANNEY MONTGOMERY SCOTT LLC

For assistance, please contact the Stock Information Center at 844-977-0092.
The date of this prospectus is [Prospectus Date].

CORPORATE HEADQUARTERS

Ponce Bank
2244 Westchester Ave.
Bronx, NY 10462

Branch Locations

New York

BRONX

170th Street
51 East 170th Street
Bronx, NY 10452

Riverdale
5560 Broadway
Bronx, NY 10463

Southern Boulevard
980 Southern Boulevard
Bronx, NY 10459

Westchester Avenue
2244 Westchester Ave.
Bronx, NY 10462

BROOKLYN

Bensonhurst
2047 86th Street
Brooklyn, NY 11214

Flatlands
1900 Ralph Avenue
Brooklyn, NY 11234

Smith Street
169 Smith Street
Brooklyn, NY 11201

MANHATTAN

106th Street
207 East 106th Street
New York, NY 10029

Stuyvesant Town
319 1st Avenue
New York, NY 10003

QUEENS

Astoria
34-05 Broadway
Astoria, NY 11106

Forest Hills
100-20 Queens Boulevard
Forest Hills, NY 11375

Jackson Heights
37-60 82nd Street
Jackson Heights, NY 11372

New Jersey

UNION CITY

Union City
3821 Bergenline Avenue
Union City, NJ 07087

CORPORATE HEADQUARTERS

Mortgage World Bankers Offices
32-75 Steinway St., Ste. 212
Long Island City, NY 11103

Branch Locations

New York

Brooklyn
26-58 Coney Island Ave.
Brooklyn, NY 11223

Flushing
135-14 Northern Blvd., 2nd Fl.
Flushing, NY 11354

New Jersey

Bergenfield
42 South Washington Ave.
Bergenfield, NJ 07621

Englewood Cliffs
375 Sylvan Ave., Ste. 4
Englewood Cliffs, NJ 07632

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SUMMARY

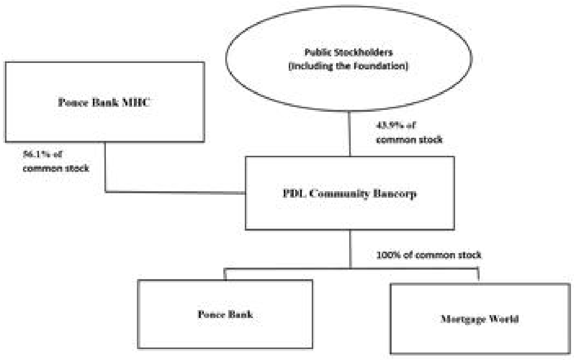
The following summary explains the significant aspects of the conversion, the offering and the exchange of existing shares of PDL Community Bancorp common stock for shares of Ponce Financial common stock. It may not contain all of the information that is important to you. Before making an investment decision, you should read this entire document carefully, including the consolidated financial statements and the notes thereto, and the section entitled "Risk Factors." In this prospectus, the terms "we," "us" and "our" refer to PDL Community Bancorp and its consolidated subsidiaries or its successor Ponce Financial, unless the context requires otherwise.

Our Organizational Structure and the Proposed Conversion

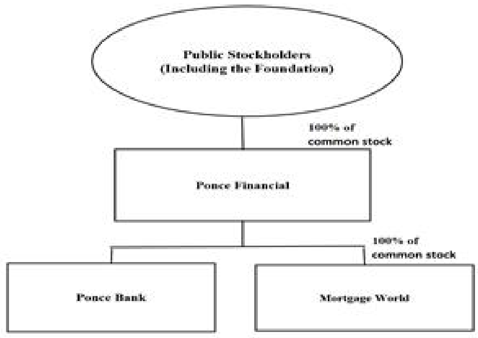
Since September 2017 we have operated as a public company in a two-tiered public mutual holding company structure. PDL Community Bancorp is our federally-chartered, publicly-traded stock holding company and the parent company of Ponce Bank ("Ponce Bank" or the "Bank") and Mortgage World Bankers, Inc. ("Mortgage World"). At March 31, 2021, PDL Community Bancorp had consolidated assets of $1.43 billion, deposits of $1.14 billion and stockholders' equity of $161.2 million. PDL Community Bancorp's parent company is Ponce Bank Mutual Holding Company ("Ponce Bank MHC"), a federally chartered mutual holding company. At March 31, 2021, PDL Community Bancorp had 17,018,252 shares of common stock outstanding, of which 9,545,388 shares, or 56.1%, were held by Ponce Bank MHC, and the remaining 7,472,864 shares, or 43.9%, were owned by the public, including the Employee Stock Ownership Plan and the Foundation.

Pursuant to the terms of the plan of conversion and reorganization, we are now converting from the mutual holding company corporate structure to the stock holding company corporate structure. Upon completion of the conversion, Ponce Bank MHC and PDL Community Bancorp will cease to exist, and Ponce Financial will become the successor corporation to PDL Community Bancorp. The shares of Ponce Financial being offered in this offering represent the 56.1% ownership interest in PDL Community Bancorp currently held by Ponce Bank MHC. Public stockholders of PDL Community Bancorp will receive shares of common stock of Ponce Financial in exchange for their shares of PDL Community Bancorp at an exchange ratio intended to preserve the same aggregate ownership interest in Ponce Financial as they had in PDL Community Bancorp, as adjusted to reflect certain assets held by Ponce Bank MHC. Ponce Bank MHC's shares of PDL Community Bancorp will be cancelled.

The following diagram shows our current organizational structure, reflecting ownership percentages as of March 31, 2021:



After the conversion and offering are completed, we will be organized as a fully public stock holding company, as follows:



Our Business

PDL Community Bancorp

PDL Community Bancorp (“the Company”) is the majority-owned subsidiary of Ponce Bank MHC, a mutual form savings and loan holding company. PDL Community Bancorp is the holding company of Ponce Bank, a federally chartered stock savings association and Mortgage World, a licensed New York mortgage banker. The Company is authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the acquisition of banking and financial services companies. The Company has been approved as a Financial Holding Company and may exercise such powers as are permitted by applicable laws and regulations.

The Company’s cash flow is dependent on earnings from investments and any dividends received from Ponce Bank and Mortgage World. PDL Community Bancorp does not own nor lease any property, but instead uses the premises, equipment and furniture of Ponce Bank and Mortgage World. At the present time, the Company employs only persons who are officers of Ponce Bank and Mortgage World to serve as officers of PDL Community Bancorp. It uses the support staff of Ponce Bank from time to time. These persons are not separately compensated by PDL Community Bancorp. PDL Community Bancorp may hire additional employees, as appropriate, to the extent it so determines in the future.

Ponce Financial is a newly formed Maryland corporation. Following the completion of the conversion and offering, Ponce Financial will be the holding company for Ponce Bank and Mortgage World and will succeed the Company as the publicly traded holding company of Ponce Bank and Mortgage World.

The Company’s executive office is located at 2244 Westchester Avenue, Bronx, New York 10462, and the telephone number at that address is (718) 931-9000.

Ponce Bank

Ponce Bank is a federally-chartered stock savings association headquartered in the Bronx, New York. Ponce Bank was originally chartered in 1960 as a federally-chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, the Bank changed its name to “Ponce De Leon Federal Savings Bank.” In 1997, the Bank changed its name again to “Ponce De Leon Federal Bank.” In 2017, the Bank adopted its current name. The Bank is designated as a Minority Depository Institution and a Community Development Financial Institution under applicable regulations and is a certified Small Business Administration (“SBA”) lender.

The Bank’s business is conducted through its administrative office and 13 branch banking offices. The banking offices are located in Bronx (4 branches), Manhattan (2 branches), Queens (3 branches) and Brooklyn (3 branches), New York, and Union City (1 branch), New Jersey.

The Bank's business primarily consists of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in mortgage loans, consisting of one-to-four family residential (both investor-owned and owner-occupied), multifamily residential, nonresidential properties, construction and land, and in business and consumer loans. The Bank also invests in securities, which have historically consisted of U.S. government and federal agency securities and securities issued by government-sponsored or owned enterprises, as well as, mortgage-backed securities, corporate bonds and Federal Home Loan Bank of New York (the "FHLBNY") stock. The Bank offers a variety of deposit accounts, including demand, savings, money markets and certificates of deposit.

Mortgage World Bankers, Inc.

On July 10, 2020, the Company completed its acquisition of Mortgage World. Mortgage World is a mortgage banking entity subject to the comprehensive regulation and examination of the New York State Department of Financial Services. The primary business of Mortgage World is the taking of applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors. Although Mortgage World is permitted to do business in various states (New York, New Jersey, Pennsylvania, Florida and Connecticut), it primarily operates in the New York City metropolitan area.

Business Strategy

Our goal is to provide long-term value to our stakeholders, our stockholders, customers, employees and the communities we serve – by executing a safe and sound business strategy that produces increasing value. We believe there is a significant opportunity for an immigrant community-focused, minority directed bank to provide a full range of financial services to commercial and retail customers in our market area and other similar communities.

Our current business strategy consists of the following:

- ***Continue to expand our multifamily and nonresidential loans.*** The additional capital raised in the stock offering will increase our capacity to originate multifamily and nonresidential loans. Under our current board approved loan concentration policy, such loans, including construction and land loans, shall not exceed 400% of our total risk-based capital. Most multifamily and nonresidential loans are originated with adjustable rates and, as a result, these loans are expected to change loan yields due to their shorter repricing terms compared to longer-term fixed-rate loans.

- ***Community lending programs.*** The Bank is an authorized direct lender under the SBA and a Community Development Financial Institution ("CDFI"). Both of these programs, combined with our pre-existing products, bolster the Bank's commitment to continue to serve the communities that it has supported over the past sixty one years.

- ***Continue to increase core deposits, with an emphasis on low cost commercial demand deposits, and add non-core funding sources***. Deposits are the major source of balance sheet funding for lending and other investments. Certificates of deposits, brokered deposits, and listing service deposits supplement the Bank's funding base. We have made significant investments in new products and services, marketing programs, personnel, branch distribution system as well as enhancing our electronic delivery solutions in an effort to become more competitive in the financial services marketplace and attract more core deposits. Core deposits are our least costly source of funds and represent our best opportunity to develop customer relationships that enable us to cross-sell our enhanced products and services.

- ***Manage credit risk to maintain a low level of nonperforming assets***. We believe strong asset quality is a key to our long-term financial success. Our strategy for credit risk management focuses on having an experienced team of credit professionals, well-defined policies and procedures, appropriate loan underwriting criteria and active credit monitoring. The majority of our non-performing assets have been related, largely, to one-to-four family residential loans and, to a lesser extent, multi-family residential loans, and construction and land loans. We continue to focus on our credit review function, adding both personnel and ancillary systems, in order to be able to evaluate more complex loans and better manage credit risk, to further support our intended loan growth.

- ***Expand our employee base to support future growth***. We have already made significant investments in our employee base. However, we will continue to work to attract and retain the necessary talent to support increased lending, deposit activities and enhanced information technology.

- ***Improving our digital presence and streamline the customer experience.*** By investing in and improving on the interfaces that connect customers to our products and services, we believe we will be in a better position to compete and grow in an environment that is becoming increasingly technology driven. We have and intend to continue to invest in our online presence and engage in digital strategies that will help us to successfully compete in an ever-changing digital marketplace. In 2020, the Company rolled out its first Fintech-based product in partnership with the startup company Grain Technologies, Inc. (“Grain”). The product, Grain, is a mobile application geared to the underbanked and new generations entering the financial services market that uses non-traditional underwriting methodologies. We are also in the final stages of deploying a Fintech-based small business automated lending technology in partnership with LendingFront Technologies, Inc. The technology is a mobile application that digitizes the lending workflow from pre-approval to servicing and enables us to originate, close and fund small business loans within very short spans of time, without requiring a physical presence within banking offices and with automated underwriting using both traditional and non-traditional methods. The Company also established a relationship with SaveBetter, LLC, a fintech startup focusing on brokered deposits.

- ***Grow organically and through opportunistic bank or other acquisitions***. We focus primarily on organic growth as a lower-risk means of deploying our capital. We will fund improvements in our operating facilities and customer delivery services in order to enhance our competitiveness. Opportunistic acquisition and/or partnership opportunities are explored if we believe they would enhance the value of our franchise and yield potential financial benefits for our stakeholders. Although we believe opportunities exist to increase our market share in our current banking locations, we will not be adverse to expanding into other markets, enlarging our current branch network, or adding loan production offices, provided we believe such efforts would enhance our competitive standing. On July 10, 2020, the Company completed its acquisition of 100 percent of the shares of common stock of Mortgage World.

  For additional information related to our business strategies, see “Management's Discussion and Analysis of Financial Condition and Results of Operations—Vision 2025 Evolves."

Reasons for the Conversion and Offering

Our primary reasons for converting to the fully public stock form of ownership and undertaking the stock offering are to:

- ***Support continued growth.*** Ponce Bank has experienced consistent deposit and loan growth over the past five years as we have expanded our geographic and digital reach and increased our emphasis on growing our commercial loan and deposit relationships. At March 31, 2021, our total consolidated assets and total deposits were $1.43 billion and $1.14 billion, respectively, compared to our total assets and total deposits of $1.36 billion and $1.03 billion, respectively, at December 31, 2020. The conversion will enable us to support additional deposit and loan growth and assist us in managing our interest rate risk in a changing interest rate environment.

- ***Eliminate the uncertainties associated with the mutual holding company structure under federal regulations***. the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) is the federal regulator of all savings and loan holding companies, including mutual holding companies. Regulations applicable to Ponce Bank MHC and PDL Community Bancorp, restrict the waiver of dividends by Ponce Bank MHC, which impacts the value of PDL Community Bancorp’s common stock. The Federal Reserve Board currently requires mutual holding companies, like Ponce Bank MHC, to obtain member (depositors and certain borrowers) approval and comply with other procedural requirements prior to waiving dividends, which makes dividend waivers more difficult and costly to obtain. The conversion will eliminate our mutual holding company structure, and enable us to pay dividends to our stockholders without the limitations described above, subject to the customary legal, regulatory and financial considerations applicable to all financial institutions. See “Our Dividend Policy.”

- ***Transition us to a more familiar and flexible organizational structure.*** The stock holding company structure is a more familiar form of organization, which we believe will make our common stock more appealing to investors, and will give us greater flexibility to access the capital markets through possible future equity and debt offerings. We may consider from time to time alternative capital strategies, including additional offerings of securities, however, we currently have not made any final assessment regarding possible offerings.

- ***Facilitate future mergers and acquisitions.*** Although we do not currently have any understandings or agreements regarding any specific acquisition transaction, the fully public stock holding company structure will give us greater flexibility to use our common stock as merger consideration and to structure, and make us a more attractive and competitive bidder for, mergers and acquisitions of other financial institutions or business lines as opportunities arise. The additional capital raised in the offering also will enable us to consider larger merger transactions. In addition, although we intend to remain an independent financial institution, the stock holding company structure may make us a more attractive acquisition candidate for other institutions.

Applicable regulations prohibit the acquisition of Ponce Financial for three years following completion of the conversion. Certain provisions in Ponce Financial's articles of incorporation and bylaws, such as a prohibition on any beneficial owner voting in excess of 10% of Ponce Financial's common stock and supermajority voting requirements, will also make it more difficult for companies or persons to exercise control of Ponce Financial without the consent of our board of directors. See "Risk Factors—Various factors, including our articles of incorporation and bylaws, and Maryland and federal law, will make takeover attempts more difficult to achieve," and "Restrictions on Acquisition of Ponce Financial."

- ***Improve the liquidity of our shares of common stock.*** The larger number of shares that will be outstanding after completion of the conversion and offering is expected to result in a more liquid and active market for our common stock. A more liquid and active market will make it easier for our stockholders to buy and sell our common stock and will give us greater flexibility in implementing capital management strategies.

Terms of the Offering

We are offering between 8,925,000 and 12,075,000, subject to increase up to 13,886,250, shares of common stock, to eligible depositors and certain borrowers of Ponce Bank, and our tax-qualified employee stock ownership plan on a best efforts basis in a subscription offering.

Any shares not purchased in the subscription offering may be offered in a community offering to the general public, with a preference given first to residents of the New York Counties of Bronx, Queens, Kings and New York, and to the New Jersey County of Hudson, and then to our existing public stockholders. If necessary, we may also offer shares to the general public in a syndicated offering. Unless the number of shares of common stock to be offered is increased to more than 13,886,250 shares or decreased to fewer than 8,925,000 shares, or the subscription offering and/or community offering are extended beyond [extension date], subscribers will not have the opportunity to change or cancel their stock orders once submitted. If the subscription offering and/or community offering are extended past [extension date], all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, your order will be cancelled and we will promptly return your funds with interest at [interest rate]% per annum or cancel your deposit account withdrawal authorization. If the number of shares to be sold is increased to more than 13,886,250 shares or decreased to less than 8,925,000 shares, all subscribers' stock orders will be canceled, their withdrawal authorizations will be canceled and funds delivered to us to purchase shares of common stock will be returned promptly with interest at [interest rate]% per annum. We will then resolicit subscribers, giving them an opportunity to place new orders for a period of time. No shares purchased in the subscription offering and community offering will be issued until the completion of any syndicated offering.

The purchase price of each share of common stock offered for sale in the offering is $10.00. All investors will pay the same purchase price per share, regardless of whether the shares are purchased in the subscription offering, the community offering or a syndicated offering. Investors will not be charged a commission to purchase shares of common stock in the offering. Janney Montgomery Scott LLC, our marketing agent in the subscription offering and the community offering, will use its best efforts to assist us in selling shares of our common stock in the subscription offering and, if held, the community offering, but is not obligated to purchase any shares of common stock in the subscription offering and/or community offering.

How We Determined the Offering Range, the Exchange Ratio and the $10.00 per share Stock Price

The amount of common stock we are offering for sale and the exchange ratio for the exchange of shares of PDL Community Bancorp for shares of Ponce Financial are based on an independent appraisal of the estimated market value of Ponce Financial, assuming the offering has been completed and a contribution is made to the Foundation as described in this prospectus. RP Financial, LC., our independent appraiser, has estimated that, as of June 1, 2021, this market value was $190.3 million. Based on federal regulations, this market value forms the midpoint of a valuation range with a minimum of $161.7 million and a maximum of $218.8 million, subject to an adjusted maximum of $251.6 million. Based on this valuation range, the 56.1% ownership interest of Ponce Bank MHC in PDL Community Bancorp as of March 31, 2021 being sold in the offering and the $10.00 per share price, the number of shares of common stock being offered for sale by Ponce Financial ranges from 8,925,000 shares to 12,075,000 shares, subject to adjusted maximum up to 13,886,250 shares. The purchase price of $10.00 per share was determined by us, taking into account, among other factors, the market price of our common stock prior to adoption of the plan of conversion and reorganization, the requirement under federal regulations that the common stock be offered in a manner that will achieve the widest distribution of the common stock, and desired liquidity in the common stock after the offering. The exchange ratio ranges from 0.9342 per share at the minimum of the offering range to 1.2639 per share at the maximum of the offering range, subject to 1.4535 per share at adjusted maximum, and will preserve the existing percentage ownership of public stockholders of PDL Community Bancorp (excluding any new shares purchased by them in the stock offering, their receipt of cash in lieu of fractional shares and the effect of shares issued to the Foundation).

The appraisal is based in part on PDL Community Bancorp's financial condition and results of operations, the pro forma effect of the additional capital raised by the sale of shares of common stock in the offering, and an analysis of a peer group of 10 publicly traded thrift holding companies that RP Financial, LC. considers comparable to PDL Community Bancorp. The appraisal peer group consists of the following companies, all of which are traded on the Nasdaq Stock Market.

Company Name	Ticker Symbol	Head Quarters	Total Assets (1) (in millions)
ESSA Bancorp, Inc.	ESSA	Stroudsburg, PA	$ 1,970
Hingham Institution for Savings	HIFS	Hingham, MA	2,844
HMN Financial, Inc.	HMNF	Rochester, MN	971
IF Bancorp, Inc.	IROQ	Watseka, IL	745
PCSB Financial Corporation	PCSB	Yorktown Heights, NY	1,855
Provident Bancorp, Inc.	PVBC	Amesbury, MA	1,552
Prudential Bancorp, Inc.	PBIP	Philadelphia, PA	1,204
Randolph Bancorp, Inc.	RNDB	Stoughton, MA	738
Waterstone Financial, Inc.	WSBF	Wauwatosa, WI	2,198
Western New England Bancorp, Inc.	WNEB	Westfield, MA	2,464

(1) Asset size for all companies is as of March 31, 2021.

The following table presents a summary of selected pricing ratios for Ponce Financial (on a pro forma basis) and for the peer group companies based on earnings and other information as of and for the twelve months ended March 31, 2021 and stock prices as of June 1, 2021, as reflected in the appraisal report. Compared to the average pricing of the peer group, our pro forma pricing ratios at the midpoint of the offering range indicated a discount of 32.3% on a price-to-book value basis, a discount of 33.6% on a price-to-tangible book value basis, and a premium of 444.2% on a price-to-earnings basis.

	Price-to-earnings multiple (1)	Price-to-book value ratio	Price-to-tangible book value ratio
Ponce Financial (on a pro forma basis, assuming completion of the conversion)			
Adjusted Maximum	107.46	90.01%	90.01%
Maximum	86.57	82.99%	82.99%
Midpoint	70.75	76.16%	76.16%
Minimum	56.73	68.49%	68.49%
Valuation of peer group companies, all of which are fully converted			
Averages	13.00	112.47%	114.62%
Medians	12.95	100.80%	105.29%

(1) Price-to-earnings multiples calculated by RP Financial, LC. in the independent appraisal are based on an estimate of "core" or recurring earnings on a trailing twelve-month basis through March 31, 2021 for Ponce Financial and through March 31, 2021 for the peer group companies. These ratios are different than those presented in "Pro Forma Data."

The appraisal is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing our common stock. The independent appraisal does not indicate trading market value. Do not assume or expect that our valuation as indicated in the appraisal means that after the conversion and offering the shares of our common stock will trade at or above the $10.00 per share purchase price. Furthermore, the pricing ratios presented in the appraisal were utilized by RP Financial, LC. to estimate our pro forma appraised value for regulatory purposes and not to compare the relative value of shares of our common stock with the value of the capital stock of the peer group. The value of the capital stock of a particular company may be affected by a number of factors such as financial performance, asset size and market location.

For a more complete discussion of the amount of common stock we are offering for sale and the independent appraisal, see "The Conversion and Offering—Stock Pricing and Number of Shares to be Issued."

Effect of Ponce Bank MHC's Assets on Minority Stock Ownership

Public stockholders of PDL Community Bancorp will receive shares of common stock of Ponce Financial in exchange for their shares of common stock of PDL Community Bancorp pursuant to an exchange ratio that is designed to provide, subject to adjustment, public stockholders with the same ownership percentage of the common stock of Ponce Financial after the conversion as their ownership percentage in PDL Community Bancorp immediately before the conversion, without giving effect to new shares purchased in the offering or cash paid in lieu of any fractional shares. The exchange ratio will be adjusted downward to reflect assets held by Ponce Bank MHC (other than shares of common stock of PDL Community Bancorp) at the completion of the conversion, which net assets consist primarily of cash totaling $90,000 at March 31, 2021. This adjustment would decrease PDL Community Bancorp's public stockholders' ownership interest in Ponce Financial from 43.91% to 43.89%, and would increase the ownership interest of persons who purchase stock in the offering from 56.09% (the amount of PDL Community Bancorp's outstanding stock held by Ponce Bank MHC) to 56.11%.

The Exchange of Existing Shares of PDL Community Bancorp Common Stock

If you are a stockholder of PDL Community Bancorp, at the completion of the conversion your shares will be exchanged for shares of common stock of Ponce Financial. The number of shares of common stock you will receive will be based on the exchange ratio, which will depend upon our final appraised value and the percentage of outstanding shares of PDL Community Bancorp common stock owned by public stockholders immediately prior to the completion of the conversion. The following table shows how the exchange ratio will adjust, based on the appraised value of Ponce Financial as of March 31, 2021, assuming new shares are issued to the Foundation and assuming public stockholders of PDL Community Bancorp own 43.9% of PDL Community Bancorp common stock immediately prior to the completion of the conversion. The table also shows the number of shares of Ponce Financial common stock a hypothetical owner of PDL Community Bancorp common stock would receive in exchange for 100 shares of PDL Community Bancorp common stock owned at the completion of the conversion, depending on the number of shares of common stock issued in the offering.

	Shares to be Sold in This Offering		Shares of Ponce Financial to be Issued for Shares of PDL Community Bancorp (1)		Shares to be issued to the Foundation		Total Shares of Common Stock to be Issued in Exchange and Offering	Exchange Ratio	Equivalent Value of Shares Based Upon Offering Price	Equivalent Pro Forma Tangible Book Value Per Exchanged Share (2)	Shares to be Received for 100 Existing Shares (3)
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage					
Minimum	8,925,000	55.18%	6,981,287	43.16%	267,750	1.66%	16,174,037	0.9342	$ 9.34	$ 13.64	93
Midpoint	10,500,000	55.18%	8,213,279	43.16%	315,000	1.66%	19,028,279	1.0991	$ 10.99	$ 14.43	110
Maximum	12,075,000	55.18%	9,445,271	43.16%	362,250	1.66%	21,882,521	1.2639	$ 12.64	$ 15.23	126
Adjusted Maximum	13,886,250	55.18%	10,862,061	43.16%	416,588	1.66%	25,164,899	1.4535	$ 14.54	$ 16.14	145

(1) Represents the value of shares of Ponce Financial common stock to be received in the conversion by holders of PDL Community Bancorp shares, pursuant to the exchange ratio, based upon the $10.00 per share purchase price.

(2) Represents the pro forma tangible book value per share at each level of the offering range multiplied by the respective exchange ratio.

(3) Cash will be paid in lieu of fractional shares.

No fractional shares of Ponce Financial common stock will be issued to any public stockholder of PDL Community Bancorp. For each fractional share that otherwise would be issued, Ponce Financial will pay in cash an amount equal to the product obtained by multiplying the fractional share interest to which the holder otherwise would be entitled by the $10.00 per share offering price.

Outstanding options to purchase shares of PDL Community Bancorp common stock also will convert into and become options to purchase shares of Ponce Financial common stock based upon the exchange ratio. The aggregate exercise price, duration and vesting schedule of these options will not be affected by the conversion. At March 31, 2021, there were 203,766 outstanding options to purchase shares of PDL Community Bancorp common stock, of which 55,938 of these outstanding options have vested and remained exercisable. Such outstanding options will be converted into options to purchase 190,358 shares of common stock at the minimum of the offering range and 257,540 shares of common stock at the maximum of the offering range. Unvested restricted stock units of PDL Community Bancorp will also convert into and become unvested restricted stock units of Ponce Financial. At March 31, 2021, there were 335,919 unvested restricted stock units of PDL Community Bancorp. Because federal regulations prohibit us from repurchasing our common stock during the first year following the conversion unless compelling business reasons exist for such repurchases including funding stock-based benefit plans, we may use authorized but unissued shares to issue shares upon option exercises and the vesting of restricted stock units that occur during the first year following the conversion. If all existing options were exercised and all of restricted stock units vested, stockholders would experience ownership dilution of approximately [   ]% at the adjusted maximum of the offering range.

How We Intend to Use the Proceeds from the Offering

We intend to invest 50.0% of the net proceeds from the stock offering in the equity of Ponce Bank, 15.0% of the net proceeds in the equity of Mortgage World, fund the loan to our employee stock ownership plan to finance its purchase of shares of common stock in the stock offering, contribute $1.0 million to our charitable foundation as additional funding and retain the remainder of the net proceeds from the offering at Ponce Financial. Therefore, assuming we sell 10,500,000 shares of common stock at the midpoint of the offering range, and we have net proceeds of $101.6 million, we intend to invest $50.8 million in Ponce Bank and $15.2 million in Mortgage World, loan $8.7 million to our employee stock ownership plan to fund its purchase of an amount of the common stock equal to 8.0% of the newly issued shares (including shares issued to our charitable foundation), contribute $1.0 million to our charitable foundation and retain the remaining $25.9 million of the net proceeds at Ponce Financial.

Ponce Financial may use the funds it retains for investment, to pay cash dividends, to repurchase shares of common stock (subject to regulatory restrictions), to acquire other financial institutions and for other general corporate purposes. Ponce Bank may use the proceeds it receives to support increased lending and other products and services including by expanding its Fintech-based products and digital presence, acquire other financial institutions, or business lines, expand its branch network or for other general corporate purposes. Mortgage World may use the net proceeds it receives to fund new loans or for other general corporate purposes.

Please see the section of this prospectus entitled “How We Intend to Use the Proceeds from the Offering” for more information on the proposed use of the proceeds from the offering.

Persons Who May Order Shares of Common Stock in the Offering

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

(i) depositors who had accounts at Ponce Bank with aggregate balances of at least $50 at the close of business on April 30, 2020;
(ii) the tax-qualified employee benefit plan of Ponce Bank (our employee stock ownership plan);
(iii) depositors who had accounts at Ponce Bank with aggregate balances of at least $50 at the close of business on [supplemental eligibility record date]; and
(iv) other depositors of Ponce Bank at the close of business on [other record date] and borrowers from Ponce De Leon Federal Bank as of April 11, 1985 who maintained such borrowings with Ponce Bank as of the close of business on [other record date].

Any shares of our common stock that remain unsold in the subscription offering may be offered for sale in a community offering that may commence concurrently with, during or promptly after, the subscription offering. The community offering, if any, must be completed within 45 days of the end of the subscription offering, unless extended with Federal Reserve Board approval. Natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, New York, Queens and Kings and the New Jersey County of Hudson will have a purchase preference in any community offering. Shares also may be offered to the general public. We also may offer shares of common stock not purchased in the subscription offering or the community offering through a syndicate of brokers in what is referred to as a syndicated community offering managed by Janney Scott Montgomery LLC. We have the right to accept or reject, in whole or in part, in our sole discretion, any orders received in the community offering or the syndicated community offering.

To ensure proper allocation of stock, each eligible account holder must list on his or her stock order form all deposit accounts in which he or she had an ownership interest at April 30, 2020, [supplemental eligibility record date] or [other record date], as applicable, or any loan account as of April 11, 1985 that remained outstanding at [other record date]. Failure to list an account or providing incorrect information could result in the loss of all or part of a subscriber’s stock allocation in the event of an oversubscription. We will attempt to identify your ownership in all accounts, but cannot guarantee we will identify all accounts in which you had an ownership interest. Our interpretations of the terms and conditions of the stock issuance plan and of the acceptability of the order forms will be final.

If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. A detailed description of the subscription offering, the community offering and the syndicated offering, as well as a discussion regarding allocation procedures, can be found in the section of this prospectus entitled “The Conversion and Offering.”

Limits on How Much Common Stock You May Purchase

The minimum purchase is 25 shares of common stock. Generally, no individual, or individuals through a single account held jointly, may purchase more than $300,000 of common stock. If any of the following persons purchase shares of common stock, their purchases when combined with your purchases cannot exceed $500,000 of common stock:

- Any person who is related by blood or marriage to you and who either lives in your home or who is a director or officer of Ponce Bank;
- Companies or other entities in which you are an officer or partner or have a 10% or greater beneficial ownership interest; and
- Trusts or other estates in which you have a substantial beneficial interest or as to which you serve as a trustee or in another fiduciary capacity.

We may, in our sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase the maximum purchase limitation to 9.9% of the number of shares sold in the offering, provided that the total number of shares purchased by persons, their associates and those persons with whom they are acting in concert, to the extent such purchases exceed 5% of the shares sold in the offering, shall not exceed, in the aggregate, 10% of the total number of the shares sold in the offering.

Unless we determine otherwise, persons having the same address and persons exercising subscription rights through qualifying deposit accounts registered to the same address will be subject to the overall purchase limitation of 30,000 shares ($300,000).

In addition to the above purchase limitations, there is an ownership limitation for current stockholders of PDL Community Bancorp other than our employee stock ownership plan. Shares of common stock that you purchase in the offering individually and together with persons described above, plus any shares you and they receive in exchange for existing shares of PDL Community Bancorp common stock, may not exceed 9.9% of the total shares of common stock to be issued and outstanding after the completion of the conversion. However, if, based on your current ownership level, you will own more than 9.9% of the total shares of common stock to be issued and outstanding after the completion of the conversion following the exchange of your shares of PDL Community Bancorp common stock, you will not need to divest any of your exchanged shares. You will be required to obtain the approval or non-objection of the Federal Reserve Board prior to acquiring more than 10% of Ponce Financial's common stock.

Subject to regulatory approval, we may increase or decrease the purchase and ownership limitations at any time. A detailed discussion of the limitations on purchases of common stock by an individual and persons acting in concert is set forth under the caption "The Conversion and Offering—Additional Limitations on Common Stock Purchases."

We expect that Ponce Bank's employee stock ownership plan will purchase 8.00% of newly issued shares (including shares issued to our charitable foundation). Our employee stock ownership plan purchases will range from 735,420 shares to 1,144,227 shares of common stock, respectively, at the minimum and adjusted maximum of the offering range.

How You May Purchase Shares of Common Stock in the Subscription Offering and the Community Offering

In the subscription offering and community offering, you may pay for your shares only by:

- personal check, bank check or money order made payable directly to Ponce Financial (cash and third party checks will not be accepted); or
- authorizing us to withdraw available funds (without any early withdrawal penalty) from your deposit account(s) maintained with Ponce Bank, other than checking accounts or retirement accounts, including individual retirement accounts (IRAs).

Ponce Bank is not permitted to knowingly lend funds for the purpose of purchasing shares of common stock in the offering. You may not pay by wire transfer, use a check drawn on a Ponce Bank line of credit, or use a third-party check to pay for shares of common stock. Please do not submit cash.

You can subscribe for shares of common stock in the offering by delivering a signed and completed original stock order form, together with full payment, before the expiration date of the subscription offering. You may submit your stock order form and payment in one of three ways: 1) by mail, using the stock order reply envelope provided; 2) by overnight delivery to the address indicated for that purpose on the stock order form; or 3) by hand delivery to our Stock Information Center which is located at Ponce Bank's administrative office located at 2244 Westchester Street, Bronx, New York. The Stock Information Center will be open Monday through Friday, between 10:00 a.m. and 5:00 p.m., Eastern Time. The Stock Information Center will not be open on bank holidays. **Please do not mail stock order forms to Ponce Bank. We encourage subscribers to consider in-person or overnight delivery to enhance the likelihood that your order is received before the deadline.** Once submitted, your order is irrevocable. We will not be required to accept incomplete stock order forms, unsigned stock order forms, or copies or facsimiles of stock order forms. For orders paid for by check or money order, the funds must be available in the account. Funds received prior to the completion of the offering will be held in a segregated account at Ponce Bank. Subscription funds will earn interest at [interest rate]/% per annum, which is our current passbook savings rate. If the offering is terminated, we will promptly return your subscription funds with interest.

Please see "The Conversion and Offering— Procedure for Purchasing Shares in Subscription and Community Offerings—Payment for Shares" for a complete description of how to purchase shares in the subscription and community offerings.

On the stock order form, you may not designate withdrawal from Ponce Bank accounts with check-writing privileges; instead, please submit a check. If you request that we directly withdraw the funds from an account with check writing privileges, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount, and we will immediately withdraw the amount from your checking account. You may not authorize direct withdrawal from a Ponce Bank IRA or other retirement account. See "— Using Retirement Account Funds to Purchase Shares of Common Stock in the Subscription and Community Offerings."

Withdrawals from certificates of deposit accounts at Ponce Bank for the purpose of purchasing common stock in the offering may be made without incurring an early withdrawal penalty. All funds authorized for withdrawal from deposit accounts with Ponce Bank must be in the deposit accounts at the time the stock order form is received; no credit to purchase shares will be given for future interest to be earned on the funds in your deposit account or submitted for payment for the shares. However, funds will not be withdrawn from the accounts until the offering is completed and will continue to earn interest at the applicable deposit account rate until the completion of the offering. A hold will be placed on those funds when your stock order is received, making the designated funds unavailable to you. If a withdrawal results in a certificate of deposit account with a balance less than the applicable minimum balance requirement, the certificate of deposit will be canceled at the time of withdrawal without penalty, and the remaining balance will earn interest at [interest rate]% per annum thereafter, until such funds are withdrawn. After we receive an order, the order cannot be revoked or changed. By signing the stock order form, you are acknowledging receipt of this prospectus and that the shares of our common stock are not deposits or savings accounts that are federally insured or otherwise guaranteed by Ponce Bank.

Using Retirement Account Funds to Purchase Shares of Common Stock.

You may be able to subscribe for shares of common stock using funds in your IRA, or other retirement account. If you wish to use some or all of the funds in your IRA or other retirement account held at Ponce Bank, the applicable funds must be transferred to a self-directed account maintained by an independent custodian or trustee, such as a brokerage firm, before you place your stock order. If you do not have such an account, you will need to establish one. A one-time and/or annual administrative fee may be payable to the independent custodian or trustee. Because individual circumstances differ and the processing of retirement account orders takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the [expiration date] offering deadline, for assistance with purchases using funds in your IRA or other retirement account held at Ponce Bank or elsewhere. Whether you may use such funds for the purchase of shares in the stock offering may depend on timing constraints and, possibly, limitations imposed by the institution where the funds are held.

For a complete description of how to use IRA funds to purchase shares in the stock offering, see "Using Retirement Account Funds to Purchase Shares of Common Stock in the Subscription and Community Offerings."

You May Not Sell or Transfer Your Subscription Rights

Applicable regulations prohibit you from selling, giving, or otherwise transferring your subscription rights. If you order shares of common stock in the subscription offering, you will be required to state that you are purchasing the shares of common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights. We intend to take legal action, including reporting persons to federal or state regulatory agencies, against anyone who we believe has sold or given away his or her subscription rights. We will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. On the stock order form, you cannot add the names of others for joint stock registration unless they are also named on a qualifying deposit or loan account with a subscription priority the same as your own. In addition, the stock order form requires that you list all deposit or loan accounts, giving all names on each account and the account number at the applicable eligibility record date. Your failure to provide this information, or providing incomplete or incorrect information, may result in a loss of part or all of your share allocation, if there is an oversubscription. **Eligible depositors or borrowers who enter into agreements to allow ineligible investors to participate in the subscription offering may be violating federal and state law and may be subject to civil enforcement actions or criminal prosecution.**

Deadline for Orders of Common Stock

The deadline for submitting orders to purchase shares of the common stock in the subscription and community offerings is 4:00 p.m., Eastern Time, on [expiration date], unless we extend this deadline. We expect that the community offering, if held, will terminate at the same time, although it may continue without notice to you until [extension date] or longer if the Federal Reserve Board approves a later date. If you wish to purchase shares of common stock, a properly completed and signed original stock order form, together with full payment, must be received (not postmarked) by this time. Orders received after [expiration time], Eastern Time, on [expiration date] will be rejected unless the offering is extended.

Although we will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights, the subscription offering and all subscription rights will expire at 4:00 p.m., Eastern Time, on [expiration date], whether or not we have been able to locate each person entitled to subscription rights.

See "The Conversion and Offering—Procedure for Purchasing Shares in Subscription and Community Offerings—Expiration Date" for a complete description of the deadline for purchasing shares in the stock offering.

Once Submitted, Your Stock Purchase Order May Not Be Revoked Except Under Certain Circumstances

Funds that you submit to purchase shares of our common stock in the offering will be held in a segregated account until the termination or completion of the offering, including any extension of the expiration date. Because completion of the conversion and offering is subject to the receipt of all required regulatory approvals, including an update of the independent appraisal, among other factors, there may be one or more delays in the completion of the conversion. Any orders that you submit to purchase shares of our common stock in the offering are irrevocable, and you will not have access to subscription funds unless the offering is terminated, or extended beyond [extension date], or the number of shares to be sold in the offering is increased to more than 13,886,250 shares or decreased to fewer than 8,925,000 shares.

Market for Common Stock

Existing publicly held shares of PDL Community Bancorp's common stock are listed on the Nasdaq Global Market under the symbol "PDLB." Upon completion of the conversion, the shares of common stock of Ponce Financial will replace the existing shares, and we expect the shares of Ponce Financial common stock will also trade on the Nasdaq Global Market under the symbol "PDLB." In order to list our stock on the Nasdaq Global Market, we are required to have at least three broker-dealers who will make a market in our common stock. As of [stockholder record date], PDL Community Bancorp had approximately [●] registered market makers in its common stock. Janney Montgomery Scott LLC has advised us that they intend to make a market in our common stock following the offering, but are under no obligation to do so.

Our Dividend Policy

After the completion of the conversion, we will request permission from the Federal Reserve Board to pay cash dividends on a quarterly basis. Any dividend rate and the payment of dividends will depend on a number of factors, including our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. We cannot assure you that any dividends will be approved, and if approved, will not be subsequently reduced or eliminated.

For information regarding our current and proposed dividend policy, see "Our Dividend Policy."

Our Officers, Directors and Employees Will Receive Additional Benefits and Compensation After the Conversion and Offering

In connection with the conversion, we are purchasing additional shares for our existing employee stock ownership plan, and, subject to stockholder approval, we intend to implement one or more stock-based benefit plans that will provide for grants of stock options and restricted stock.

Employee Stock Ownership Plan. Ponce Bank currently has an employee stock ownership plan, which has awarded shares of our common stock to eligible employees primarily based on their compensation. Our board of directors will, at the completion of the offering, ratify another loan to the employee stock ownership plan and the purchase of the common stock by the employee stock ownership plan. It is expected that our employee stock ownership plan will purchase an amount of shares equal to 8.00% of the newly issued shares (including shares issued to our charitable foundation).

Employee Stock Ownership Plan Equalization Plan. Ponce Bank also currently has an employee stock ownership equalization plan, which provides select executive officers, currently Messrs. Naudon and Tsavaris, additional benefits to the extent applicable tax laws limit their benefits under the employee stock ownership plan.

Stock-Based Benefit Plans. In addition to the additional shares purchased by the employee stock ownership plan, we intend to purchase more shares for the stock-based benefit plans, which are designed to attract and retain qualified personnel in key positions and provide directors, officers and key employees with an ownership interest in Ponce Financial, which will be an incentive to contribute to our success, and reward key employees for their performance. The number of options granted or shares of restricted common stock awarded under stock-based benefit plans, when aggregated with any previously or subsequently adopted stock-based benefit plans (exclusive of any shares held by any employee stock ownership plan), may not exceed 25% of the outstanding shares of common stock. Under applicable regulations, the exercise price of options granted within one year of the completion of the offering must be equal to the then fair market value of the common stock on the date the options are granted. Stock-based benefit plans will not be established sooner than six months after the stock offering, and if adopted within one year after the stock offering, the plans must be approved by a majority of the votes eligible to be cast by our stockholders. If stock-based benefit plans are established more than one year after the stock offering, they must be approved by a majority of votes cast by our stockholders. The following additional restrictions would apply to our stock-based benefit plans only if such plans are adopted within one year after the stock offering:

- non-employee directors in the aggregate may not receive more than 30% of the options and shares of restricted common stock authorized under the plans;
- no non-employee director may receive more than 5% of the options and shares of restricted common stock authorized under the plans;
- no officer or employee may receive more than 25% of the options and shares of restricted common stock authorized under the plans;
- options and shares of restricted common stock may not vest more rapidly than 20% per year, beginning on the first anniversary of stockholder approval of the plans; and
- accelerated vesting is not permitted except for death, disability or upon a change in control of Ponce Bank or Ponce Financial.

We have not determined whether we will present stock-based benefit plans for stockholder approval prior to or more than 12 months after the completion of the stock offering. In the event federal regulators change their regulations or policies regarding stock-based benefit plans, including any regulations or policies restricting the size of awards and vesting of benefits as described above, the restrictions described above may not be applicable.

We may obtain the shares needed for our stock-based benefit plans by issuing additional shares of common stock from authorized but unissued shares or through stock repurchases.

Purchases by Directors and Executive Officers

We expect our directors and executive officers, to subscribe for 119,500 shares of common stock in the offering. The purchase price paid by them will be the same $10.00 per share price paid by all other persons who purchase shares of common stock in the offering. Following the conversion, our directors and executive officers are expected to beneficially own 557,272 shares of common stock, or 3.45% of our total outstanding shares of common stock at the minimum of the offering range, which includes shares they currently own that will be exchanged for shares of Ponce Financial.

See "Subscriptions by Directors and Executive Officers" for more information on the proposed purchases of shares of common stock by our directors and executive officers.

Book-Entry Delivery of Common Stock

All shares of common stock sold will be issued in book-entry form. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock issued in the subscription offering and, if held, the community offering or syndicated offering, will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the conversion and offering. We expect trading in the stock to begin on the day of completion of the conversion and offering or the next business day. The conversion and offering are expected to be completed as soon as practicable following satisfaction of the conditions described below in "—Conditions to Completion of the Conversion." **It is possible that until statements reflecting ownership of shares of common stock are available and delivered to purchasers, purchasers might not be able to sell the shares of common stock that they ordered, even though the common stock will have begun trading.** Your ability to sell the shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

Our Contribution of Shares of Common Stock to the Foundation

As part of the conversion and stock offering and to further our commitment to our local community, we intend to contribute 3% of the offering shares and $1.0 million to our Foundation which was established in 2017. The additional funding of the Foundation has been approved by the boards of directors of Ponce Bank MHC, PDL Community Bancorp and Ponce Bank. In addition, the funding of the Foundation is subject to the approval of the members of Ponce Bank MHC, the stockholders of PDL Community Bancorp and the Federal Reserve Board. Assuming we receive all such approvals, we intend to contribute to the Foundation 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the offering and $1.0 million in cash, for a total contribution of up to $5.2 million. As a result of the contribution, we expect to record an after-tax expense of approximately $4.0 million during the quarter in which the stock offering is completed.

The Foundation will continue to be dedicated exclusively to supporting charitable causes and community development activities in the communities in which we operate. The contribution of common stock and cash to the Foundation will:

- dilute the ownership interests of purchasers of shares of our common stock in the stock offering;
- dilute the voting interests of purchasers of shares of our common stock in the stock offering; and
- result in an expense, and a reduction in our earnings during the quarter in which the contribution is made, relating to the contribution to the Foundation, offset in part by a corresponding tax benefit.

If members or stockholders do not approve the additional funding of the Foundation, we will proceed with the conversion and offering without the contribution to the Foundation and subscribers for common stock will not be resolicited (unless required by the Federal Reserve Board).

The amount of common stock that we would offer for sale would be greater if the offering were to be completed without the additional funding of the Foundation. For a further discussion of the financial impact of the Foundation, including its effect on those who purchase shares in the offering, see "Risk Factors—Risks Related to the Offering—The contribution to the Foundation will dilute your ownership interest and adversely affect net income in 2021," "Risk Factors—Our contribution to the Foundation may not be tax deductible, which could reduce our profits" and "Ponce De Leon Foundation."

Conditions to Completion of the Conversion

We cannot complete the conversion and offering unless:

- the plan of conversion and reorganization is approved by at least *a majority of votes eligible to be cast* by members of Ponce Bank MHC as of [member record date];
- the plan of conversion and reorganization is approved by PDL Community Bancorp stockholders holding at least *two-thirds of the outstanding shares* of common stock of PDL Community Bancorp as of [stockholder record date], including shares held by Ponce Bank MHC;
- the plan of conversion and reorganization is approved by PDL Community Bancorp stockholders holding at least *a majority of the outstanding shares* of common stock of PDL Community Bancorp as of [stockholder record date], excluding shares held by Ponce Bank MHC;
- we sell at least the minimum number of shares of common stock offered in the offering;
- we receive the approval of the Federal Reserve Board; and
- the Office of the Comptroller of the Currency ("OCC") approves an amendment to Ponce Bank's federal charter to provide for a liquidation account.

Subject to member, stockholder and regulatory approvals, we intend to contribute shares of Ponce Financial stock and cash to the Foundation in connection with the conversion. However, member and stockholder approval of the contribution to the Foundation is not a condition to the completion of the conversion and offering.

Ponce Bank MHC intends to vote its shares in favor of the plan of conversion and reorganization and in favor of the contribution to the Foundation. At [stockholder record date], Ponce Bank MHC owned [●]% of the outstanding shares of common stock of PDL Community Bancorp. The directors and executive officers of PDL Community Bancorp and their affiliates owned [●] shares of PDL Community Bancorp (excluding exercisable options), or [●]% of the outstanding shares of common stock and [●]% of the outstanding shares of common stock excluding shares held by Ponce Bank MHC. They intend to vote those shares in favor of the plan of conversion and reorganization, in favor of the contribution to the Foundation and in favor of the adjournment of the special meeting, if necessary.

Steps We May Take if We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 8,925,000 shares of common stock, we may take several steps in order to sell the minimum number of shares of common stock in the offering range. Specifically, we may:

- increase the purchase and ownership limitations; and/or
- seek regulatory approval to extend the offering beyond [extension date], so long as we resolicit subscriptions that we have previously received in the offering; and/or
- increase the shares purchased by the employee stock ownership plan.

If one or more purchase limitations are increased, subscribers in the subscription offering who ordered the maximum amount will be, and, in our sole discretion, some other large purchasers may be, given the opportunity to increase their subscriptions up to the then-applicable limit.

Possible Change in the Offering Range

RP Financial, LC. will update its appraisal before we complete the offering. If our pro forma market value, including the shares issued to the Foundation, at that time is either below $89.3 million or above $138.9 million, then, after consulting with the Federal Reserve Board, we may:

- terminate the stock offering and promptly return all funds (with interest paid on funds received in the subscription and community offerings);
- set a new offering range; or
- take such other actions as may be permitted by the Federal Reserve Board and the Securities and Exchange Commission.

If we set a new offering range, we will promptly return funds, with interest at [interest rate]% per annum for funds received for purchases in the subscription and community offerings, and cancel any authorization to withdraw funds from deposit accounts for the purchase of shares of common stock. We will then resolicit subscribers, allowing them to place a new stock order for a period of time.

Possible Termination of the Offering

We may terminate the offering at any time prior to the special meeting of members of Ponce Bank MHC that has been called to vote on the conversion, and at any time after member approval with the approval of the Federal Reserve Board. If we terminate the offering, we will promptly return your funds with interest at [interest rate]% per annum and we will cancel deposit account withdrawal authorizations.

Benefits to Management and Potential Dilution to Stockholders Resulting from the Conversion

We expect our employee stock ownership plan, which is a tax-qualified retirement plan for the benefit of all Ponce Bank and Mortgage World employees, to purchase up to 8% of the shares of common stock we sell in the offering and issue to the Foundation. If market conditions warrant, or if we receive orders in the subscription offering for more shares of common stock than the adjusted maximum of the offering range, the employee stock ownership plan's subscription order may not be filled and the employee stock ownership plan may, with prior Federal Reserve Board approval, purchase shares in the open market following completion of the conversion.

Federal regulations permit us to implement one or more new stock-based benefit plans no earlier than six months after completion of the conversion. Stockholder approval of these plans would be required. Our current intention is to implement one or more new stock-based benefit plans, but we have not determined whether we would adopt the plans within 12 months following the completion of the conversion or more than 12 months following the completion of the conversion. The stock-based benefit plans would reserve a number of shares equal to (i) up to 4.0% of the shares of common stock sold in the offering and issued to the Foundation for awards of restricted stock or restricted stock units to key employees and directors, at no cost to the recipients (but subject to income taxation), and (ii) up to 10.0% of the shares of common stock sold in the offering and issued to the Foundation for issuance pursuant to the exercise of stock options by key employees and directors. For a description of our current stock-based benefit plan, see "Compensation Discussion and Analysis—Equity Based Compensation."

The following table summarizes the number of shares of common stock and the aggregate dollar value of grants that would be available under one or more stock-based benefit plans if such plans reserve a number of shares of common stock equal to 4.0% and 10.0% of the shares sold in the offering and issued to the Foundation for restricted stock awards or restricted stock units and stock options, respectively. The table shows the dilution to stockholders if all such shares are issued from authorized but unissued shares, instead of shares purchased in the open market. A portion of the stock grants shown in the table below may be made to non-management employees. The table also sets forth the number of shares of common stock to be acquired by the employee stock ownership plan for allocation to all qualifying employees.

	Number of Shares to be Granted or Purchased				Value of Grants (In Thousands) (1)	
	At Minimum of Offering Range	At Adjusted Maximum of Offering Range	As a Percentage of Common Stock to be Sold in the Offering and Issued to the Foundation	Dilution Resulting From Issuance of Shares for Stock-Based Benefit Plans	At Minimum of Offering Range	At Adjusted Maximum of Offering Range
Employee stock ownership plan	735,420	1,144,227	8.00%	N/A (2)	$ 7,354	$ 11,442
Restricted stock units (1)	367,710	572,114	4.00%	2.22%	3,677	5,721
Stock options (1)	919,275	1,430,284	10.00%	5.38%	3,263	5,078
Total	2,022,405	3,146,625	22.00%	7.37%	$ 14,294	$ 22,241

(1) The actual value of restricted stock unit awards will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value for stock awards is assumed to be the same as the offering price of $10.00 per share. The fair value of stock options has been estimated at $3.55 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of $10.00; an expected option term of 10 years; a dividend yield of 0.00%; a risk-free rate of return of 1.74%; and expected volatility of 23.62%. The actual value of option grants will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used and the option pricing model ultimately adopted.

(2) No dilution is reflected for the employee stock ownership plan because such shares are assumed to be purchased in the stock offering.

We may fund our stock-based benefit plans through open market purchases, as well as new issuances of stock; however, if any options previously granted under our existing 2018 Long-Term Incentive Plan (the “2018 Incentive Plan”) are exercised during the first year following completion of the offering, they will be funded with newly issued shares as federal regulations do not permit us to repurchase our shares during the first year following the completion of the offering except to fund the grants of restricted stock under our existing stock-based benefit plan or under extraordinary circumstances.

The following table presents information as of March 31, 2021 regarding our employee stock ownership plan, our 2018 Incentive Plan and our proposed stock-based benefit plan. The table below assumes that 25,164,899 shares are outstanding after the offering, which includes the sale of 13,886,250 shares in the offering at the adjusted maximum of the offering range, shares issued to the Foundation and the issuance of new shares in exchange for shares of PDL Community Bancorp using an exchange ratio of 1.4535. It also assumes that the value of the stock is $10.00 per share.

Existing and New Stock Benefit Plans	Participants	Shares at Adjusted Maximum of Offering Range		Estimated Value of Shares		Percentage of Shares Outstanding After the Conversion
		(Dollars in thousands)				
Employee Stock Ownership Plan:	**Officers and Employees**					
Shares purchased in 2017 offering (1)		771,447	(2)	$ 7,714		3.07%
Shares to be purchased in this offering		1,144,227		11,442		4.55%
Total employee stock ownership plan shares		1,915,674		$ 19,156		7.62%
Restricted Stock Units:	**Directors, Officers and Employees**					
2018 Incentive Plan (1)		488,258	(3)	$ 4,883	(4)	1.94%
New shares of restricted stock units		572,114		5,721		2.27%
Total shares of restricted stock units		1,060,372		$ 10,604		4.21%
Stock Options:	**Directors, Officers and Employees**					
2018 Incentive Plan (1)		571,577	(5)	$ 2,029	(6)	2.27%
New stock options		1,430,284		5,078		5.68%
Total stock options		2,001,861		$ 7,107		7.95%
Total of stock benefit plans		4,977,907		$ 36,867		19.78%

(1) The number of shares indicated has been adjusted using 1.4535 exchange ratio at the adjusted maximum of the offering range.

(2) As of March 31, 2021, 771,447 of these shares, or 530,751 shares prior to adjustment for the exchange, to be allocated.

(3) The plan authorized the award of 488,258 units, or 335,919 units prior to the adjustment for the exchange, and no units remain to be awarded and 335,919 units remain non-vested, prior to the adjustment for the exchange, as of March 31, 2021.

(4) The value of restricted stock unit awards is determined based on their fair value as of the date grants are made. For purposes of this table, the fair value of awards under the new stock-based benefit plan is assumed to be the same as the offering price of $10.00 per share.

(5) The plan authorized the grant of 571,577 stock options, or 393,242 stock options prior to the adjustment for the exchange, and 189,476 stock options remain to be awarded and 203,766 stock options have been awarded, prior to adjustment for the exchange, as of March 31, 2021.

(6) The weighted-average fair value of stock options to be granted has been estimated at $3.55 per option, using the Black-Scholes option pricing model with the following assumptions: exercise price, $10.00; dividend yield, 0.00%; expected term, 10 years; expected volatility, 23.62%; and risk-free rate of return, 1.74%. The actual value of option grants will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used and the option pricing model ultimately adopted.

Tax Consequences

Ponce Bank MHC, PDL Community Bancorp, Ponce Bank and Ponce Financial have received an opinion of Crowe LLP, regarding the material federal and New York and Maryland state tax consequences of the conversion. As a general matter, the conversion will not be a taxable transaction for purposes of federal or state income taxes to Ponce Bank MHC, PDL Community Bancorp (except for cash paid for fractional shares), Ponce Bank, Mortgage World, Ponce Financial, persons eligible to subscribe in the subscription offering, or existing stockholders of PDL Community Bancorp. Existing stockholders of PDL Community Bancorp who receive cash in lieu of fractional shares of Ponce Financial will recognize a gain or loss equal to the difference between the cash received and the tax basis of the fractional share.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act (the "JOBS Act"), which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." The Company qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation. The Company will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under SEC regulations (public float less than $250 million of voting and non-voting equity held by non-affiliates). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. The Company has elected to comply with new or amended accounting pronouncements in the same manner as a non-public company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a "large accelerated filer" under SEC regulations (public float at least $700 million of voting and non-voting equity held by non-affiliates).

Risk Factors Summary

An investment in Ponce Financial's common stock is subject to risk, including risks related to our business and this offering.

Specific risks related to our business include, but are not limited to, those related to: (1) the ongoing novel coronavirus ("COVID-19") pandemic; (2) our planned increase in multifamily, nonresidential and construction and land lending and the unseasoned nature of these loans; (3) residential property and investor-owned properties; (4) loans that we make through our FinTech partnerships, including Grain; (5) our allowance for loan losses; (6) local and national economic conditions; (7) environmental liability risks; (8) our SBA PPP lending; (9) our ability to achieve and manage our growth strategy; (10) our minority investments in financial technology related companies; (11) competition within the financial services industry, nationally and within our market area and that our small size makes it more difficult to compete; (12) our implementation of new lines of business or offering new products and services; (13) our reliance on our management team; (14) changes in interest rates and the valuation of securities held by us; (15) changes in and compliance with laws and regulations; (16) operational risks including technology, cybersecurity and reputational risks; (17) changes in accounting standards and in management's estimates and assumptions; (18) our liquidity management; (19) dilution of our stockholder's ownership interest from our 2018 Equity Incentive Plan; (20) societal responses to climate change; and (21) the gentrification of our markets.

Specific risks related to this offering include, but are not limited to: (1) those related to the future trading price of the common stock of Ponce Financial; (2) the trading market for the common stock of Ponce Financial; (3) the use of the net offering proceeds; (4) the return on equity after the completion of the offering; (5) the dilutive effect of our contribution to the Foundation and that it may not be tax deductible; (6) the intended new stock-based benefit plans; (7) anti- takeover factors; (8) the forum selection provision for certain litigation; and (9) the irrevocability of your investment decision.

Before making an investment decision, you should read this entire document carefully, including the section entitled "Risk Factors" that immediately follows and that discusses the above risks in further detail.

How You Can Obtain Additional Information—Stock Information Center

Our banking personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the conversion or offering, please call our Stock Information Center. The telephone number is 844-977-0092. The Stock Information Center is open Monday through Friday between 10:00 a.m. and 5:00 p.m., Eastern Time. The Stock Information Center will be closed on weekends and bank holidays.

RISK FACTORS

You should consider carefully the following risk factors in evaluating an investment in the shares of common stock. In addition to these risks and the other risks and uncertainties described elsewhere in this prospectus, there may be additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial that could materially and adversely affect our business, financial condition or results of operations.

Risks Related to Our Business

Risks Related to the COVID-19 Pandemic.

The effects of the COVID-19 pandemic have negatively affected the global economy, United States economy, our local economy and our markets and has disrupted our operations, which has impacted our business, financial condition and results of operations.

The COVID-19 pandemic has adversely affected us, our customers, employees and third-party service providers, and the adverse impacts on our business, financial position, operations and prospects could be significant.

The COVID-19 pandemic has created a global public health crisis that has resulted in unprecedented uncertainty, volatility and disruption in financial markets and in governmental, commercial and consumer activity in the United States and globally. Governmental responses to the pandemic have included orders closing businesses not deemed essential and directing individuals to restrict their movements and observe social distancing. These actions, together with responses to the pandemic by businesses and individuals, have resulted in reduced commercial and consumer activity, temporary and potentially permanent closures of many businesses that have led to loss of revenues and increased unemployment, material decreases in oil and gas prices and in business valuations, disrupted global supply chains, changes in consumer behavior related to COVID-19 pandemic fears, related emergency response legislation and an expectation that Federal Reserve policy may maintain a low interest rate environment until at least the end of 2023. These changes have a significant adverse effect on the regions and markets in which we conduct our business and the demand for our products and services.

Business and consumer customers of the Bank and Mortgage World are experiencing varying degrees of financial distress, which has adversely affected the ability of some of them to timely pay interest and principal on their loans and the value of the collateral securing their obligations. This in turn has influenced the recognition of losses in our loan portfolios and has impacted our allowance for loan losses, particularly as businesses remain closed and as some customers draw on their lines of credit or seek additional loans. These developments as a consequence of the COVID-19 pandemic materially impact our business and the businesses of our customers and are expected to continue to have a material adverse effect on our financial results for 2021.

In support of our business customers, the Bank participated in the SBA Paycheck Protection Program (“PPP”), a guaranteed unsecured loan program enacted under the 2020 Coronavirus Aid, Relief, and Economic Security (“CARES ACT”), to provide near-term relief to help small businesses impacted by COVID-19 sustain operations. Under this program, the Bank originated 1,992 PPP loans for new and existing customers of which 1,708 loans totaling $132.5 million were outstanding at March 31, 2021. We also have implemented various consumer and commercial loan modification programs to provide our borrowers relief from the economic impacts of COVID-19 in the form of payment deferral of principal and interest under the CARES Act. Based on guidance in the CARES Act, COVID-19 related modifications to loans that were current as of December 31, 2019 are exempt from troubled debt restructured (“TDR”) classification under accounting principles generally accepted in the United States (“U.S. GAAP”). In addition, the bank regulatory agencies issued interagency guidance stating that COVID-19 related short-term modifications (i.e., six months or less) granted to loans that were current as of the loan modification program implementation date are not TDRs. Through March 31, 2021, 406 loans aggregating $376.1 million had received forbearance primarily consisting of the deferral of principal, interest, and escrow payments for at least a period of three months. Of those 406 loans, 337 loans aggregating $303.6 million are no longer in deferment and continue performing pursuant to their terms and 69 loans in the amount of $72.4 million remained in deferment and are in renewed forbearance. All of these loans had been performing in accordance with their contractual obligations prior to the granting of the initial forbearance.

Although New York is no longer the hotbed of the COVID-19 pandemic in the United States, the Company continues to alter the way it has historically provided services to its deposit customers while seeking to maintain normal day-to-day back-office operations and lending functions. In order to protect the health of our customers and employees, and to comply with applicable government directives, we have modified our business practices, including alternating employees working from home and in the office, and have implemented business continuity plans and protocols to the extent appropriate. In this regard, all back-office and lending personnel continue to work in a remote work environment while the branch network continues to provide traditional banking services to its communities and has for the most part returned to normal operating hours while continuing to shift service delivery to electronic and web-based products. The Company continues its extensive and intensive communications program geared to informing customers of the alternative resources provided by the Company for retaining access to financial services, closing loans and conducting banking transactions, such as ATM networks, online banking, mobile applications, remote deposits and the Company’s Contact Center. The Company also proactively manages its day-to-day operations by using video and telephonic conferencing.

We may take such further actions that we determine are in the best interest of our employees, customers and communities or as may be required by government order. These actions in response to the COVID-19 pandemic, and similar actions by our vendors and business partners, have not materially impaired our ability to support our employees, conduct our business and serve our customers, but there is no assurance that these actions will be sufficient to successfully mitigate the risks presented by the COVID-19 pandemic or that our ability to operate will not be materially affected going forward. For instance, our business operations may be disrupted if key personnel or significant portions of our employees are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the COVID-19 pandemic. Similarly, if any of our vendors or business partners become unable to continue to provide their products and services, which we rely upon to maintain our day-to-day operations, our ability to serve our customers could be impacted.

Although vaccine programs addressing the COVID-19 pandemic have commenced, it is not possible to accurately predict when or the extent to which normal economic and operating conditions will resume. For this reason, the extent to which the COVID-19 pandemic affects our credit quality, business, operations and financial condition, as well as our regulatory capital and liquidity ratios and credit ratings, is uncertain and unpredictable and depends on, among other things, new information that may emerge concerning the scope, duration and severity of the COVID-19 pandemic and actions taken by governmental authorities and other parties in response to the pandemic. If the pandemic is prolonged, the adverse impact on the markets in which we operate and on our business, operations and financial condition could deepen.

Risks Related to our Lending Activities.

We have increased our multifamily, nonresidential and construction and land loans, and intend to continue to increase originations of these types of loans. These loans may carry greater credit risk than loans secured by one-to-four family real estate that could adversely affect our financial condion and net income.

Our focus is primarily on prudently growing our multifamily, nonresidential and construction and land loan portfolio. At March 31, 2021 $649.8 million, or 52.1%, of our loan portfolio consisted of multifamily, nonresidential and construction and land loans. At December 31, 2020, $632.2 million, or 53.9%, of our loan portfolio consisted of multifamily, nonresidential and construction and land loans as compared to $556.8 million, or 57.6%, of our loan portfolio at December 31, 2019. Because the repayment of multifamily, nonresidential and construction and land loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. A downturn in the real estate market or the local economy could adversely impact the value of properties securing the loan or the revenues from the borrower's business, thereby increasing the risk of non-performing loans. In addition, many of our commercial real estate loans are not fully amortizing and require large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or nonpayment. Further, the physical condition of non-owner occupied properties may be below that of owner occupied properties due to lax property maintenance standards, which have a negative impact on the value of the collateral properties. As our multifamily, nonresidential and construction and land loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase.

Given their larger balances and the complexity of the underlying collateral, multifamily, nonresidential and construction and land loans generally expose a lender to greater credit risk than loans secured by one-to-four family real estate. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one-to-four family residential real estate loan. In addition, any adverse developments with respect to borrowers or groups of borrowers that have more than one of these types of loans outstanding can expose us to significantly greater risk of loss compared to borrowers or groups of borrowers that only have one type of these loans. If loans that are collateralized by real estate or other business assets become troubled and the values of the underlying collateral have been significantly impaired, we may not be able to recover the full contractual amounts of principal and interest that we anticipated at the time we originated the loans, which could cause us to increase our provision for loan losses which would, in turn, adversely affect our operating results and financial condition. Further, if we foreclose on this type of collateral, our holding period for that collateral may be longer than for one-to-four family real estate loans because there are fewer potential purchasers of that collateral, which can result in substantial holding costs.

Some of our borrowers have more than one of these types of loans outstanding. At March 31, 2021, 66,383 loans with an aggregate balance of $1.1 billion are to borrowers with only one loan. Another 232 loans are to borrowers with two loans each with a corresponding aggregate balance of $137.4 million. In addition, there are 13 borrowers with three loans each with a corresponding aggregate balance of $16.9 million and six borrowers with four loans each with a corresponding aggregate balance of $2.1 million. There is one borrower with seven loans with an aggregate balance of $1.0 million.

At December 31, 2020, 40,088 loans with an aggregate balance of $1.0 billion are to borrowers with only one loan. Another 178 loans are to borrowers with two loans each with a corresponding aggregate balance of $117.7 million. In addition, there are 10 borrowers with three loans each with a corresponding aggregate balance of $9.1 million and four borrowers with four loans each with a corresponding aggregate balance of $1.7 million. There is one borrower with five loans with an aggregate balance of $6,000 and one borrower with seven loans with an aggregate balance of $1.1 million.

The unseasoned nature of our multifamily, nonresidential and construction and land loans portfolio may result in changes to our estimates of collectability, which may lead to additional provisions or charge-offs, which could hurt our profits.

At March 31, 2021, our multifamily, nonresidential and construction and land loan portfolio increased approximately $17.6 million, or 2.8%, to $649.8 million from $632.2 million at December 31, 2020. Our multifamily, nonresidential and construction and land loan portfolio increased approximately $75.4 million, or 13.5%, to $632.2 million at December 31, 2020 from $556.8 million at December 31, 2019 and increased approximately $39.8 million, or 7.7%, to $556.8 million at December 31, 2019 from $517.0 million at December 31, 2018. A large portion of our multifamily, nonresidential and construction and land loan portfolio is unseasoned and does not provide us with a significant payment or charge-off history pattern from which to judge future collectability. Currently, we estimate potential charge-offs using a rolling 12 quarter average and peer data adjusted for qualitative factors specific to us. As a result, it may be difficult to predict the future performance of this part of our loan portfolio. These loans may have delinquency or charge-off levels above our historical experience or current estimates, which could adversely affect our future performance. Further, these types of loans generally have larger balances and involve a greater risk than one-to-four family owner-occupied residential mortgage loans. Accordingly, if we make any errors in judgment in the collectability of our multifamily, nonresidential and construction and land loans, any resulting charge-offs may be larger on a per loan basis than those incurred historically with our residential mortgage loans.

Our business may be adversely affected by credit risk associated with residential property.

At March 31, 2021, $417.9 million, or 33.5%, of our loan portfolio consisted of one-to-four family residential real estate loans. Of these amounts, $317.9 million, or 76.1% are comprised of one-to-four family residential investor-owned properties. At December 31, 2020 and 2019, one-to-four family residential real estate loans amounted to $418.4 million and $397.2 million, or 35.7% and 41.2%, respectively, of our total loan portfolio. Of these amounts, $319.6 million and $305.3 million, or 76.4% and 76.9%, respectively, are comprised of one-to-four family residential investor-owned properties. One-to-four family residential mortgage lending, whether owner-occupied or non-owner occupied is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations. Declines in real estate values could cause some of our one-to-four family residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

One-to-four family residential mortgage lending, whether owner-occupied or non-owner-occupied, with higher combined loan-to-value ratios are more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their properties, they may be unable to repay their loans in full from the sale proceeds. For those home equity loans and lines of credit secured by a second mortgage, it is unlikely that we will be successful in recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property. In addition, the current judicial and legal climate makes it difficult to foreclose on residential properties expeditiously and with reasonable costs. For these reasons, we may experience higher rates of delinquencies, default and losses on our one-to-four family residential mortgage loans. We have made initial and extended forbearances to one-to-four family residential loans as short-term modifications made on a good faith basis in response to the COVID-19 pandemic and in furtherance of governmental policies. We actively monitor borrowers in forbearance and seek to determine their capacity to resume payments as contractually obligated upon the termination of the forbearance period.

Loans secured by non-owner occupied properties generally expose a lender to greater risk of non-payment and loss than loans secured by owner occupied properties because repayment of such loans depend primarily on the tenant’s continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner’s ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non-owner occupied properties is often below that of owner occupied properties due to lax property maintenance standards, which has a negative impact on the value of the collateral properties

Loans that we make through our FinTech partnerships may expose us to increased lending risk

In 2020, the Company rolled out its first Fintech-based product in partnership with the startup company Grain. The product, Grain, is a mobile application geared to the underbanked and new generations entering the financial services market that uses non-traditional underwriting methodologies. Under the terms of its agreement with Grain, the Bank is the lender and depository for Grain-originated microloans and, where applicable, security deposits, to consumers, with credit lines currently up to $1,000. Grain originates and services the loans and is responsible for maintaining compliance with the Bank's origination and servicing standards. To the extent such standards are not maintained, Grain is responsible for any related losses. The Company, pursuant to its partnership with Grain, has originated 63,712 consumer loans with balances totaling $35.9 million and 15,885 deposit accounts totaling $3.3 million at March 31, 2021. The Company is seeking to provide additional digital banking services to these customers and to extend Grain to its retail customers. We intend to continue growing this portfolio over the next several years. Our concentration guideline is to limit Grain loans in the aggregate to 50% of Tier 1 capital or $72.4 million at March 31, 2021. In the event Grain is unable to reimburse us for any related losses beyond the level we have provided for in our allowance for loan losses, we may need to increase our provision for loan losses, which could materially decrease our net income. Additionally, Grain is a start-up company which entails inherently greater risk. Like other start-up companies, there is a higher level of risk that Grain may not be able to execute its business plan and may fail. In the event Grain were to cease operations, the Bank may have greater difficulty in collecting on loans serviced by Grain.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.

At March 31, 2021, and December 31, 2020 and 2019, our allowance for loan losses totaled $15.5 million, $14.9 million and $12.3 million, which represented 1.24%, 1.27%, and 1.28% of total loans, respectively. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for many of our loans. In determining the amount of the allowance for loan losses, we review our loans, loss and delinquency experience, and business and commercial real estate peer data, and we evaluate other factors including, but not limited to, current economic conditions. If our assumptions are incorrect, or if delinquencies or non-performing loans increase, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance, which in turn, could materially decrease our net income.

The Financial Accounting Standards Board has delayed the effective date of the implementation of Current Expected Credit Loss, or CECL, standard. CECL will be effective for Ponce Financial and Ponce Bank on January 1, 2023. CECL will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for credit losses. This will change the current method of providing allowances for loan losses that are incurred or probable, which would likely require us to increase our allowance for credit losses, and to greatly increase the types of data we would need to collect and review to determine the appropriate level of the allowance for credit losses.

In addition, our regulators, as well as auditors, as an integral part of their examination process, periodically review the allowance for loan losses and, as a result of such reviews, we may determine that it is appropriate to increase the allowance for loan losses by recognizing additional provisions for loan losses charged to income, or to charge off loans, which, net of any recoveries, would decrease the allowance for loan losses. Any such additional provisions for loan losses or charge-offs could have a material adverse effect on our financial condition and results of operations.

A worsening of economic conditions in our market area could reduce demand for our products and services and/or result in increases in our level of nonperforming loans, which could adversely affect our operations, financial condition and earnings.

Although there is not a single employer or industry in our market area on which a significant number of our customers are dependent, a substantial portion of our loan portfolio is composed of loans secured by property located in the greater New York metropolitan area. This can make us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy could have a significant impact on the ability of our borrowers to repay loans and the value of the collateral securing their loans, which could adversely impact our net interest income. Any deterioration in economic conditions, such as resulting from the COVID-19 pandemic, could have the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers’ future borrowing power, and reducing the value of assets and collateral associated with existing loans; and

- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, an outbreak of hostilities, a pandemic, including COVID-19, or other international or domestic calamities, unemployment or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing their loans, which could negatively affect our financial performance.

We are subject to environmental liability risk associated with lending activities or properties we own.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies, which require us to perform an environmental review before initiating any foreclosure action on non-residential real property, may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

Loans originated under the SBA Paycheck Protection Program subject us to credit, forgiveness and guarantee risk.

As of March 31, 2021, we held and serviced a portfolio of 1,708 loans originated under the PPP with a balance of $132.5 million. The PPP loans are subject to the provisions of the CARES Act and to complex and evolving rules and guidance issued by the SBA and other government agencies. We expect that the great majority of our PPP borrowers will seek full or partial forgiveness of their loan obligations. We have credit risk on PPP loans if the SBA determines that there is a deficiency in the manner in which we originated, funded or serviced loans, including any issue with the eligibility of a borrower to receive a PPP loan. We could face additional risks in our administrative capabilities to service our PPP loans, and risk with respect to the determination of loan forgiveness, depending on the final procedures for determining loan forgiveness. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which we originated, funded or serviced a PPP loan, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty or, if the SBA has already paid under the guaranty, seek recovery of any loss related to the deficiency from us.

Risks Related to our Business Strategy.

Our business strategy includes growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively. Growing our operations could also cause our expenses to increase faster than our revenues.

Our business strategy includes growth in assets, loans, deposits and the scale of our operations. Achieving such growth will require us to attract customers that currently bank at other financial institutions in our market area. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, competition from other financial institutions in our market area and our ability to manage our growth. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected. Furthermore, there can be considerable costs involved in expanding deposit and lending capacity that generally require a period of time to generate the necessary revenues to offset their costs, especially in areas in which we do not have an established presence and require alternative delivery methods. Accordingly, any such business expansion can be expected to negatively impact our earnings for some period of time until certain economies of scale are reached. Our expenses could be further increased if we encounter delays in modernizing existing facilities, opening of new branches or deploying new services.

We may incur losses due to minority investments in other financial technology related companies.

At March 31, 2021 we have invested $500,000 in Grain and are considering an additional investment of up to $500,000 prior to the completion of the offering. As part of our business strategy, we may from time to time make or consider making additional minority investments in Grain or other financial technology companies in the financial services business. We may not be able to influence the activities of companies in which we invest and may suffer losses due to these activities.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement new lines of business or offer new products and services within existing lines of business. In addition, we will continue to make investments in research, development, and marketing for new products and services. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services we may invest significant time and resources. Initial timetables for the development and introduction of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. Furthermore, if customers do not perceive our new offerings as providing significant value, they may fail to accept our new products and services. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, the burden on management and our information technology of introducing any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

Our efficiency ratio is high, and we anticipate that it may remain high, as a result of the ongoing implementation of our business strategy.

Our non-interest expense totaled $12.9 million for the three months ended March 31, 2021 and $47.5 million and $46.6 million for the years ended December 31, 2020 and 2019, respectively. Although we continue to analyze our expenses and pursue efficiencies where available, our efficiency ratio remains high as a result of the implementation of our business strategy combined with operating in an expensive market. Our efficiency ratio was 76.94% for the three months ended March 31, 2021 and 86.09% and 114.19% for the years ended December 31, 2020 and 2019, respectively. If we are unable to successfully implement our business strategy and increase our revenues, our profitability could be adversely affected.

Risks Related to Competitive Matters

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms and unregulated or less regulated non-banking entities, operating locally and elsewhere. Many of these competitors have substantially greater resources and higher lending limits than we have and offer certain services that we do not or cannot provide. In addition, some of our competitors offer loans with lower interest rates on more attractive terms than loans we offer. Competition also makes it increasingly difficult and costly to attract and retain qualified employees. Our profitability depends upon our continued ability to successfully compete in our market area. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected.

The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. For additional information see “Business —Market Area and—Competition.”

Our small size makes it more difficult for us to compete.

Our small asset size makes it more difficult to compete with other financial institutions that are larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. Our lower earnings may also make it more difficult to offer competitive salaries and benefits. In addition, our smaller customer base may make it difficult to generate meaningful non-interest income from such activities as securities and insurance brokerage. Finally, as a smaller institution, we are disproportionately affected by the continually increasing costs of compliance with new banking and other regulations.

Risks Related to Our Management.

We depend on our management team to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We are dependent upon the services of the members of our senior management team who direct our strategy and operations. Members of our senior management team, or lending personnel who possess expertise in our markets and key business relationships, could be difficult to replace. Our loss of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets. See “Management.”

Adherence to our internal policies and procedures by management is critical to our performance and how we are perceived by our regulators.

Our internal policies and procedures are a critical component of our corporate governance and, in some cases, compliance with applicable regulations. We adopt internal policies and procedures to guide management and employees regarding the operation and conduct of our business. We may not always achieve absolute compliance with all of our policies and procedures. Any deviation or non-adherence to these internal policies and procedures, whether intentional or unintentional, could have a detrimental effect on our management, operations or financial condition.

Risks Related to Interest Rates.

The historically low interest rate environment and the possibility that we may access higher-cost funds to support our loan growth and operations may adversely affect our net interest income and profitability.

The Federal Reserve Board decreased the benchmark federal funds interest rate by an aggregate of 225 basis points during the second half of 2019 and first quarter of 2020. The 2020 rate cuts were in response to unprecedented market turmoil as a result of the onset of the COVID-19 pandemic. The Federal Reserve Board has stated that its federal funds interest rate policy may remain accommodative at least through 2023. Because of the historically low federal funds interest rate and significant competitive pressures in our markets and the negative impact of these pressures on our deposit and loan pricing, our net interest margin was and is being negatively impacted by these rate cuts and additional rate cuts may further negatively impact our net interest margin. These rate cuts and further rate cuts could also negatively impact our net interest income, particularly if we are unable to lower our funding costs as quickly as the rates we earn on our loans decline.

An important component of our ability to mitigate pressures of a down rate environment will be our ability to reduce the rates we pay on deposits, including core deposits. If we are unable to reduce these rates, because of competitive pricing pressures in our markets, liquidity purposes or otherwise, our net interest margin will be negatively impacted. In addition, as our growth in earning assets has outpaced growth in our core deposits in recent quarters, we have had to increase our reliance on noncore funding. These funding sources may be more rate sensitive than our core depositors, and, accordingly, we may be limited in our ability to reduce the rates we pay on these funds while maintaining on-balance sheet liquidity levels consistent with our policies, which would negatively impact our net interest margin. We seek to limit the amount of non-core funding we utilize to support our growth. If we are unable to grow our core funding at rates that are sufficient to match or exceed our loan growth we may be required to slow our loan growth.

As interest rates change, we expect that we will periodically experience “gaps” in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest-earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this “gap” may work against us, and our results of operations and financial condition may be negatively affected. We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing characteristics, and balances of the different types of our interest-earning assets and interest-bearing liabilities. Interest rate risk management techniques are not exact. From time to time we have repositioned a portion of our investment securities portfolio in an effort to better position our balance sheet for potential changes in short-term rates. We employ the use of models and modeling techniques to quantify the levels of risks to net interest income, which inherently involve the use of assumptions, judgments, and estimates. While we strive to ensure the accuracy of our modeled interest rate risk profile, there are inherent limitations and imprecisions in this determination and actual results may differ.

Future changes in interest rates could reduce our profits and asset values.

Net income (loss) is the amount by which net interest income and non-interest income exceeds (or does not exceed) non-interest expense and the provisions for loan losses and taxes. Net interest income makes up a majority of our income and is based on the difference between:

- the interest income we earn on interest-earning assets, such as loans and securities; and
- the interest expense we pay on interest-bearing liabilities, such as deposits and borrowings.

The rates we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time. Like many savings institutions, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility because market interest rates change over time. In a period of rising interest rates, the interest income we earn on our assets may not increase as rapidly as the interest we pay on our liabilities. In a period of declining interest rates, the interest income we earn on our assets may decrease more rapidly than the interest we pay on our liabilities, as borrowers prepay mortgage loans, and mortgage-backed securities and callable investment securities are called, requiring us to reinvest those cash flows at lower interest rates.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A decline in interest rates results in increased prepayments of loans and mortgage-backed and related securities as borrowers refinance their debt to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Furthermore, an inverted interest rate yield curve, where short-term interest rates (which are usually the rates at which financial institutions borrow funds) are higher than long-term interest rates (which are usually the rates at which financial institutions lend funds for fixed-rate loans), can reduce a financial institution’s net interest margin and create financial risk for financial institutions who originate and hold longer-term, fixed rate mortgage loans.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets and ultimately affect our earnings.

We monitor interest rate risk through the use of simulation models, including estimates of the amounts by which the economic value of our assets and liabilities (the Economic Value of Equity Model “EVE”) and our net interest income would change in the event of a range of assumed changes in market interest rates. At March 31, 2021, in the event of an instantaneous 100 basis point decrease in interest rates, we estimate that we would experience a 6.58% increase in EVE and a 1.90% decrease in net interest income. At December 31, 2020, in the event of an instantaneous 100 basis point decrease in interest rates, we estimate that we would experience an 8.32% increase in EVE and a 1.19% decrease in net interest income. For further discussion of how changes in interest rates could impact us, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Management of Market Risk—Net Interest Income Simulation Models and—Economic Value of Equity Model.”

Mortgage World is a mortgage banking entity primarily operating in the New York City metropolitan area. Mortgage World originates loans and holds them for sale to investors.

A significant market risk facing Mortgage World is interest rate risk, which includes the risk that changes in market interest rates will result in unfavorable changes in the value of Mortgage World’s assets or liabilities (“Price Risk”) including to the value of Mortgage World’s mortgage loans. This risk includes both changes in risk-free rates (usually the U.S. Treasury rate for an asset of the same duration) and changes in the premiums to risk-free rates of return required by investors, which may be the result of liquidity and/or investor perceptions of risk (“Market Spread”). The overall objective of Mortgage World’s interest rate risk management activities is to reduce the variability of earnings caused by changes in interest rates. Mortgage Word manages interest rate risk by entering into best efforts contracts of sale to third party investors as well as hedging.

Mortgage World sells loans to investors without recourse. The investors will assume the risk of loss or default by the borrower. However, Mortgage World is required by these investors to make certain standard representation and warranties relating to credit information, loan documentation and collateral. To the extent that Mortgage World does not comply with such representation, or there are early payment defaults, Mortgage World may be required to repurchase the loans or indemnify those investors for any losses from borrower defaults. If loans payoff within a specified time frame, Mortgage World may be required to refund a portion of the sale proceeds to investors.

Changes in the valuation of securities held could adversely affect us.

At March 31, 2021, our securities portfolio totaled $32.6 million, which represented 2.3% of total assets. At December 31, 2020 and 2019, our securities portfolio totaled $19.2 million and $21.5 million, which represented 1.4% and 2.0% of total assets, respectively. As of March 31, 2021 and December 31, 2020, all of the securities in our portfolio were classified as available-for-sale securities with the exception of one security classified as held-to-maturity in the amount of $1.7 million as of both dates. Accordingly, a decline in the fair value of our available-for-sale securities could cause a material decline in our reported equity and/or net income. At least quarterly, and more frequently when warranted by economic or market conditions, management evaluates all securities classified as available-for-sale with a decline in fair value below the amortized cost of the investment to determine whether the impairment is deemed to be other-than-temporary impairment ("OTTI"). For impaired debt securities that are intended to be sold, or more likely than not will be required to be sold, the full amount of market decline is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit related OTTI for debt securities is recognized in other comprehensive income net of applicable taxes. A decline in the market value of our securities portfolio could adversely affect our earnings.

Risks Related to Laws and Regulations.

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

The Bank is subject to extensive regulation, supervision and examination by the OCC, the Company is subject to extensive regulation, supervision and examination by the Federal Reserve Board and Mortgage World is subject to the comprehensive regulation and examination of the DFS. Such regulation and supervision governs the activities in which the Bank, Mortgage World and the Company may engage and are intended primarily for the protection of the Federal Deposit Insurance Fund, the depositors and borrowers of the Bank and consumers, rather than for our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and influencing the level of our allowance for loan losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in interpretation by us. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") significantly changed the regulation of banks and savings institutions and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The various federal agencies have adopted a broad range of rules and regulations in compliance with the Dodd-Frank Act. Compliance with the Dodd-Frank Act and its regulations and policies has resulted in changes to our business and operations, as well as additional costs, and has diverted management's time from other business activities, all of which have adversely affected our financial condition and results of operations. Among other provisions recently enacted, the threshold to qualify for the Federal Reserve Board's Small Bank Holding Company Policy Statement was increased from $1.0 billion to $3.0 billion and federally-chartered savings banks and associations have been provided flexibility to adopt the powers of a national bank.

Our New York State multi-family loan portfolio could be adversely impacted by changes in legislation or regulation.

On June 14, 2019, the New York State legislature passed the Housing Stability and Tenant Protection Act of 2019, impacting about one million rent regulated apartment units. Among other things, the new legislation: (i) curtails rent increases from Material Capital Improvements and Individual Apartment Improvements; (ii) all but eliminates the ability for apartments to exit rent regulation; (iii) does away with vacancy decontrol and high-income deregulation; and (iv) repealed the 20% vacancy bonus. While it is too early to measure the full impact of the legislation, in total, it generally limits a landlord's ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. As a result, the value of the collateral located in New York State securing our multi-family loans or the future net operating income of such properties could potentially become impaired.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations.

Our ability to originate loans could be restricted by recently adopted federal regulations.

The Consumer Financial Protection Bureau ("CFPB") has a rule intended to clarify how lenders can avoid legal liability under the Dodd-Frank Act, which holds lenders accountable for ensuring a borrower's ability to repay a mortgage loan. Under the rule, loans that meet the "qualified mortgage" definition will be presumed to have complied with the ability-to-repay standard. Under the rule, a "qualified mortgage" loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans);
- interest-only payments;
- negative amortization; and
- terms of longer than 30 years.

Also, to qualify as a "qualified mortgage," a loan must be made to a borrower whose total monthly debt-to-income ratio does not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify a borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments.

In addition, the CFPB has adopted rules and published forms that combine certain disclosures that consumers receive in connection with applying for and closing on certain mortgage loans under the Truth in Lending Act and the Real Estate Settlement Procedures Act.

We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or limit our ability to pay dividends or repurchase shares.

The Bank's minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6.0%; (iii) a total capital ratio of 8.0%; and (iv) a Tier 1 leverage ratio of 4.0%. The capital requirements also establish a "capital conservation buffer" of 2.5%, which results in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the buffer amount.

We have analyzed these capital requirements, and the Bank meets all of these requirements, including the 2.5% capital conservation buffer.

The application of more stringent capital requirements could, among other things, result in lower returns on equity, and result in regulatory actions if we are unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of the requirements of the Basel Committee on Banking Supervision ("Basel III") could result in our having to lengthen the term of our funding sources, change our business models or increase our holdings of liquid assets. Ponce Bank's ability to pay dividends to the Company will be limited if it does not have the capital conservation buffer required by the capital rules, which may further limit the Company's ability to pay dividends to stockholders. See "Regulation and Supervision—Federal Banking Regulation—Capital Requirements."

The Federal Reserve Board may require us to commit capital resources to support Ponce Bank.

Federal law requires that a holding company act as a source of financial and managerial strength to its subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve Board may require a holding company to make capital injections into a troubled subsidiary bank and may charge the holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the Ponce Financial to make a required capital injection becomes more difficult and expensive and could have an adverse effect on our business, financial condition and results of operations.

Monetary policies and regulations of the Federal Reserve Board could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve Board to implement these objectives are open market purchases and sales of U.S. government securities, adjustments of the discount rate and changes in banks' reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve Board have had a significant effect on the operating results of financial institutions in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

Ponce Financial is an emerging growth company and for as long as Ponce Financial continues to be an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, Ponce Financial also will not be subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Ponce Financial will cease to be an emerging growth company upon the earliest to occur of: (i) December 31, 2022, which is the end of the fiscal year following the fifth anniversary of the completion of the mutual holding company reorganization of Ponce Bank in 2017; (ii) the first fiscal year after our annual gross revenues are $1.07 billion (adjusted for inflation) or more; (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year. Investors may find our common stock less attractive since we have chosen to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Risk Related to our Operations.

We face significant operational risks because the financial services business involves a high volume of transactions and increased reliance on technology, including risk of loss related to cyber security breaches.

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions and to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non-compliance with applicable regulatory standards or customer attrition due to potential negative publicity. In addition, we outsource some of our data processing to certain third-party providers. If these third-party providers encounter difficulties, including as a result of cyber-attacks or information security breaches, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected.

In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, or a breach of our security systems, including if confidential or proprietary information were to be mishandled, misused or lost, we could suffer financial loss, face regulatory action, civil litigation and/or suffer damage to our reputation.

The cost of finance and accounting systems, procedures and controls in order to satisfy our public company reporting requirements increases our expenses.

The obligations of being a public company, including the substantial public reporting obligations, require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal control over financial reporting. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management's attention from our operations.

Risks Related to Accounting Matters

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our consolidated financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments."* This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. As a result of the required change in approach toward determining estimated credit losses from the current "incurred loss" model to one based on estimated cash flows over a loan's contractual life, adjusted for prepayments (a "life of loan" model), the Company expects that the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration loan portfolios and this could have an adverse effect on our earnings.

Changes in management's estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results.

Our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date to file periodic reports under the Securities and Exchange Act of 1934, including our consolidated financial statements. These estimates and assumptions are based on management's best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for loan losses, the valuation of loans held for sale, the valuation of deferred tax assets and investment securities, the estimates relating to the valuation for share-based awards, and our determinations with respect to amounts owed for income taxes.

Other Risks Related to Our Business and Industry Generally

Ineffective liquidity management could adversely affect our financial results and condition.

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities/withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and other unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans and operations are concentrated or difficult credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities are checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

Legal and regulatory proceedings and related matters could adversely affect us.

We have been and may in the future become involved in legal and regulatory proceedings. We consider most of the proceedings to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. There could be substantial cost and management diversion in such litigation and proceedings, and any adverse determination could have a materially adverse effect on our business, brand or image, or our financial condition and results of our operations.

We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

The Bank is a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected.

Our 2018 Equity Incentive Plan has increased our expenses and reduced our income, and may dilute your ownership interests.

Our stockholders previously approved the PDL Community Bancorp 2018 Long-Term Incentive Plan. During the three months ended March 31, 2021 and the year ended December 31, 2020, we recognized $352,000 and $1.4 million, respectively, in non-interest expense relating to this stock benefit plan, and we will recognize additional expenses in the future as additional grants are made and awards vest.

We may fund the 2018 Long-Term Incentive Plan either through open market purchases or authorized but unissued shares of common stock. Our ability to repurchase shares of common stock to fund this plan will be subject to many factors, including, but not limited to, applicable regulatory restrictions on stock repurchases, the availability of stock in the market, the trading price of the stock, our capital levels, alternative uses for our capital and our financial performance. Our intention is to fund the plan through open market purchases. However, stockholders would experience a reduction in ownership interest in the event newly issued shares of our common stock are used to fund stock issuances under the plan.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions and operating process changes. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

Our historical markets, minority and immigrant individuals, may be threatened by gentrification and adverse political developments, which could decrease our growth and profitability.

We believe that our historical strength has been our focus on the minority and immigrant markets. The continuing displacement of minorities due to gentrification of our communities may adversely affect us unless we are able to adapt and increase the acceptance of our products and services by non-minority customers. We may also be unfavorably impacted by political developments unfavorable to markets that are dependent on immigrant populations.

Risks Related to the Offering

The future price of the shares of common stock may be less than the $10.00 purchase price per share in the offering.

If you purchase shares of common stock in the offering, you may not be able to sell them later at or above the $10.00 purchase price in the offering. In many cases, shares of common stock issued by newly converted savings institutions or mutual holding companies have traded below the initial offering price. The aggregate purchase price of the shares of common stock sold in the offering will be based on an independent appraisal. The independent appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The independent appraisal is based on certain estimates, assumptions and projections, all of which are subject to change from time to time. After the shares begin trading, the trading price of our common stock will be determined by the marketplace, and may be influenced by many factors, including prevailing interest rates, the overall performance of the economy, investor perceptions of Ponce Financial and the outlook for the financial services industry in general. Price fluctuations in our common stock may be unrelated to our operating performance.

There may be a limited trading market in our shares of common stock, which would hinder your ability to sell our common stock and may lower the market price of our common stock.

We expect that our common stock will be traded on the on the Nasdaq Capital Market under the symbol “PDLB” upon conclusion of the offering, subject to completion of the offering and compliance with certain conditions, including having 300 “round lot” stockholders (stockholders owning more than 100 shares) and at least three companies making a market for our common stock. The development of an active trading market depends on the existence of willing buyers and sellers, the presence of which is not within our control, or that of any market maker. The number of active buyers and sellers of the shares of common stock at any particular time may be limited. Under such circumstances, you could have difficulty selling your shares of common stock on short notice, and, therefore, you should not view the shares of common stock as a short-term investment. If you purchase shares of common stock, you may not be able to sell them at or above $10.00 per share. Purchasers of common stock in this offering should have long-term investment intent and should recognize that there will be a limited trading market in the common stock. This may make it difficult to sell the common stock after the offering and may have an adverse impact on the price at which the common stock can be sold.

Our failure to effectively deploy the net proceeds may have an adverse effect on our financial performance.

We intend to invest between $43.0 million, at the minimum of the offering range, and $58.6 million, at the maximum of the offering range, subject to increase up to $67.6 million, at the adjusted maximum of the offering range, of the net proceeds of the offering in Ponce Bank. We intend to also invest between $12.9 million, at the minimum of the offering range, and $17.6 million, at the maximum of the offering range, subject to increase up to $20.3 million, at the adjusted maximum of the offering range, of the net proceeds of the offering in Mortgage World. We also expect to use a portion of the net proceeds we retain to fund a loan to our employee stock ownership plan to purchase shares of common stock in the offering and to make a cash contribution to the Foundation. Ponce Financial may use the funds it retains for investment, to pay cash dividends, to repurchase shares of common stock (subject to regulatory restrictions), to acquire other financial institutions and for other general corporate purposes. Ponce Bank may use the proceeds it receives to support increased lending and other products and services including by expanding its Fintech-based products and digital presence, acquire other financial institutions or business lines, expand its branch network or for other general corporate purposes. Mortgage World will use the net proceeds it receives to fund new loans and for other general purposes. However, with the exception of the loan to the employee stock ownership plan and contribution to the Foundation, we have not allocated specific amounts of the net proceeds for any of these purposes, and we will have significant flexibility in determining the amount of the net proceeds we apply to different uses and when we apply or reinvest such proceeds. Also, certain of these uses, such as opening new branches or acquiring other financial institutions, or business lines may require the approval of the OCC, the FDIC or the Federal Reserve Board. We have not established a timetable for reinvesting the net proceeds, and we cannot predict how long we will require to reinvest the net proceeds. Our failure to utilize these funds effectively would reduce our profitability and may adversely affect the value of our common stock.

Our return on equity will be low following the stock offering. This could negatively affect the trading price of our shares of common stock.

Net income divided by average equity, known as “return on equity,” is a ratio many investors use to compare the performance of financial institutions. Our return on equity will be low until we are able to leverage the additional capital we receive from the stock offering. Our return on equity will be negatively affected by added expenses associated with our employee stock ownership plan and the stock-based benefit plan(s) we intend to adopt. Until we can increase our net interest income and non-interest income and leverage the capital raised in the stock offering, we expect our return on equity to be low, which may reduce the market price of our shares of common stock.

The contribution to the Foundation will dilute your ownership interest and adversely affect net income in 2021.

We intend to fund the Foundation in connection with the conversion and offering. We intend to contribute to the Foundation an amount of shares equal to 3% of the shares sold in the offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered and $1.0 million in cash, for a total contribution of up to $5.2 million. The contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution to the Foundation. The after-tax expense of the contribution would reduce net income in fiscal 2021 by approximately $4.0 million. We had net income of $2.5 million and $3.9 million, respectively, for the three months ended March 31, 2021 and for the year ended December 31, 2020. In addition, persons purchasing shares in the stock offering will have their ownership and voting interests in Ponce Financial diluted by up to 1.7% at the adjusted maximum of the offering range due to contribution of shares of common stock to the Foundation.

Our contribution to the Foundation may not be tax deductible, which could reduce our profits.

We may not have sufficient profits to be able to fully use the tax deduction from our contribution to the Foundation. Pursuant to the Internal Revenue Code, an entity is permitted to deduct up to 10% of its taxable income (income before federal income taxes and charitable contributions) in any one year for charitable contributions, and, under the CARES Act, up to 25% of its taxable income in 2021 and 2022. Any contribution in excess of these limits may be deducted for federal income tax purposes over each of the five years following the year in which the charitable contribution is made. Accordingly, a charitable contribution could, if necessary, be deducted over a six-year period. We estimate that we would be able to deduct for federal income tax purposes all of the contribution to the Foundation over five years, although there can be no assurance of the amount and the timing of the deduction.

Our stock-based benefit plans will increase our expenses and reduce our income.

We intend to adopt one or more new stock-based benefit plans after the conversion, subject to stockholder approval, which will increase our annual compensation and benefit expenses related to the stock options and stock awards granted to participants under the stock-based benefit plan(s). The actual amount of these new stock-related compensation and benefit expenses will depend on the number of options and stock awards actually granted, the fair market value of our stock or options on the date of grant, the vesting period, and other factors which we cannot predict at this time. In the event we adopt a plan within 12 months following the conversion, the total shares of common stock reserved for issuance pursuant to awards of restricted stock and grants of options under our proposed stock-based benefit plans would be limited to 4% and 10%, respectively, of the total shares of our common stock sold in the stock offering and issued to the Foundation. If we award restricted shares of common stock or grant options in excess of these amounts under stock-based benefit plans adopted more than 12 months after the completion of the conversion, our costs would increase further. We intend to adopt a stock-based benefit plan that would reserve for the exercise of stock options and the grant of stock awards a number of shares equal to 10.0% and 4.0%, respectively, of the shares sold in the stock offering and issued to the Foundation.

In addition, we will recognize expense for our employee stock ownership plan when shares are committed to be released to participants' accounts, and we will recognize expense for restricted stock awards and stock options over the vesting period of awards made to recipients. The expense in the first year following the offering for shares purchased in the offering has been estimated to be approximately $3.0 million ($2.3 million after tax) at the adjusted maximum of the offering range assuming the employee stock ownership plan purchases 8% of the shares of common stock sold in the offering and issued to the Foundation as set forth in the pro forma financial information under "Pro Forma Data," assuming the $10.00 per share purchase price as fair market value. Actual expenses, however, may be higher or lower, depending on the price of our common stock. For further discussion of our proposed stock-based plans, see "Management—Benefits to be Considered Following Completion of the Conversion."

The implementation of stock-based benefit plans may dilute your ownership interest. Historically, stockholders have approved these stock-based benefit plans.

We intend to adopt one or more new stock-based benefit plans following the stock offering. These plans may be funded either through open market purchases or from the issuance of authorized but unissued shares of common stock. Our ability to repurchase shares of common stock to fund these plans will be subject to many factors, including applicable regulatory restrictions on stock repurchases, the availability of stock in the market, the trading price of the stock, our capital levels, alternative uses for our capital and our financial performance. While our intention is to fund the new stock-based benefit plan through open market purchases, stockholders would experience a 7.4% dilution in ownership interest at the adjusted maximum of the offering range in the event newly issued shares of our common stock are used to fund stock options and shares of restricted stock in amounts equal to 10.0% and 4.0%, respectively, of the shares sold in the offering and issued to the Foundation. If adopted within 12 months following the completion of the conversion, the number of shares reserved for the exercise of stock options or available for stock awards under the stock-based benefit plan is expected to be limited to 10% and 4%, respectively, of the shares sold in the stock offering and issued to the Foundation. In the event we adopt a plan more than 12 months following the conversion, the plan would not be subject to these limitations and stockholders could experience greater dilution.

Although the implementation of the stock-based benefit plan will be subject to stockholder approval, historically, the overwhelming majority of stock-based benefit plans adopted by savings institutions and their holding companies following mutual-to-stock conversions have been approved by stockholders.

Various factors, including our articles of incorporation and bylaws, and Maryland and federal law, will make takeover attempts more difficult to achieve.

Our board of directors has no current intention to sell control of Ponce Financial. Our articles of incorporation and bylaws include certain provisions which will make it more difficult for companies or persons to acquire control of Ponce Financial without the consent of our board of directors, such as (i) a prohibition on any beneficial owner voting in excess of 10% of Ponce Financial's common stock, (ii) supermajority voting requirements to remove directors for cause and amend certain provisions of the articles of incorporation and bylaws and (iii) provisions requiring advance notice of stockholder proposals and director nominations. For further information, see "Restrictions on Acquisition of Ponce Financial."

Additionally, provisions of Maryland law, such as a five-year prohibition on business combinations with interested stockholders, and federal regulations, such as a three-year prohibition on acquiring more than 10% of the voting stock of Ponce Financial, as well as shares of restricted stock and stock options that we have granted or may grant to employees and directors and stock ownership by our management and directors, and various other factors will also make it more difficult for companies or persons to acquire control of Ponce Financial without the consent of our board of directors. You may want a takeover attempt to succeed because, for example, a potential acquiror could offer a premium over the then prevailing price of our common stock. For additional information, see "Restrictions on Acquisition of Ponce Financial," and "Management—Benefits to be Considered Following Completion of the Conversion."

You may not revoke your decision to purchase Ponce Financial common stock in the subscription or community offerings after you send us your order.

Funds submitted or automatic withdrawals authorized in connection with a purchase of shares of common stock in the subscription and community offerings will be held by us until the completion or termination of the conversion and offering, including any extension of the expiration date and consummation of a syndicated offering. Because completion of the conversion and offering will be subject to regulatory approvals and an update of the independent appraisal prepared by RP Financial, LC., among other factors, there may be one or more delays in the completion of the conversion and offering. Orders submitted in the subscription and community offerings are irrevocable, and purchasers will have no access to their funds unless the offering is terminated, or extended beyond [extension date], or the number of shares to be sold in the offering is increased to more than 13,886,250 shares or decreased to fewer than 8,925,000 shares.

The distribution of subscription rights could have adverse income tax consequences.

If the subscription rights granted to certain current or former depositors or certain borrowers of Ponce Bank are deemed to have an ascertainable value, receipt of such rights may be taxable in an amount equal to such value. Whether subscription rights are considered to have ascertainable value is an inherently factual determination. We have received an opinion of Crowe LLP, that it is more likely than not that such rights have no value; however, such opinion is not binding on the Internal Revenue Service.

Our bylaws provide that, subject to limited exceptions, state and federal courts in the State of Maryland are the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, and other employees.

The bylaws of Ponce Financial provide that, unless Ponce Financial consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of Ponce Financial, (ii) any action asserting a claim of breach of a fiduciary duty owed to Ponce Financial or Ponce Financial's stockholders, by any director, officer or other employee of Ponce Financial, (iii) any action asserting a claim arising pursuant to any provision of the Maryland General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the State of Maryland. This exclusive forum provision does not apply to claims arising under the federal securities laws. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum it believes is more favorable for disputes with Ponce Financial and its directors, officers, and other employees or may cause a stockholder to incur additional expense by having to bring a claim in a judicial forum that is distant from where the stockholder resides, or both. In addition, if a court were to find this exclusive forum provision to be inapplicable or unenforceable in a particular action, we may incur additional costs associated with resolving the action in another jurisdiction, which could have a material adverse effect on our financial condition and results of operations.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth selected consolidated historical financial and other data of PDL Community Bancorp and its subsidiaries for the periods and at the dates indicated. The following is only a summary and you should read it in conjunction with the business and financial information regarding PDL Community Bancorp contained elsewhere in this prospectus, including the audited consolidated financial statements. The information at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 is derived in part from the audited consolidated financial statements that appear elsewhere in this prospectus. The information at December 31, 2018, 2017 and 2016 and for the years ended December 31, 2017 and 2016 is derived in part from audited consolidated financial statements that do not appear in this prospectus. The information at March 31, 2021 and for the three months ended March 31, 2021 and 2020 is unaudited and reflects only normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be achieved for all of fiscal 2021 or for any other period.

	As of March 31,	At December 31,				
	2021	2020	2019	2018	2017	2016
	(In thousands)					
Selected Financial Condition Data:						
Total assets	$ 1,433,707	$ 1,355,231	$ 1,053,756	$ 1,059,901	$ 925,522	$ 744,983
Cash and cash equivalents	90,122	72,078	27,677	69,778	59,724	11,716
Available-for-sale securities, at fair value	30,929	17,498	21,504	27,144	28,897	52,690
Held-to-maturity securities, at amortized cost	1,732	1,743	—	—	—	—
Placements with banks	2,739	2,739	—	—	—	—
Mortgage loans held for sale, at fair value (1)	13,725	35,406	1,030	—	—	2,143
Loans receivable, net	1,230,458	1,158,640	955,737	918,509	798,703	642,148
Premises and equipment, net	33,625	32,045	32,746	31,135	27,172	26,028
FHLBNY stock, at cost	6,057	6,426	5,735	2,915	1,511	964
Deposits	1,138,546	1,029,579	782,043	809,758	713,985	643,078
Advances from FHLBNY	109,255	117,255	104,404	69,404	36,400	3,000
Warehouse lines of credit (2)	11,664	29,961	—	—	—	—
Mortgage loan fundings payable (2)	676	1,483	—	—	—	—
Total stockholders' equity	161,204	159,544	158,402	169,172	164,785	92,992

(1) At March 31, 2021 and December 31, 2020, $13.7 million and $34.4 million, respectively, pertain to Mortgage World which was acquired by PDL Community Bancorp on July 10, 2020.

(2) These accounts pertain to Mortgage World.

	For the Three Months Ended March 31,	For the Years Ended December 31,				
	2021	2020	2019	2018	2017	2016
	(In thousands)					
Selected Operating Data:						
Interest and dividend income	$ 15,177	$ 53,339	$ 50,491	$ 46,156	$ 38,989	$ 33,741
Interest expense	2,285	11,369	12,358	9,490	6,783	5,936
Net interest income	12,892	41,970	38,133	36,666	32,206	27,805
Provision (credit) for loan losses	686	2,443	258	1,249	1,716	(57)
Net interest income after provision for loan losses	12,206	39,527	37,875	35,417	30,490	27,862
Noninterest income	3,893	13,247	2,683	2,938	3,104	2,431
Noninterest expense	12,915	47,539	46,607	34,557	36,557	27,863
Income (loss) before income taxes	3,184	5,235	(6,049)	3,798	(2,963)	2,430
Provision (benefit) for income taxes	732	1,382	(924)	1,121	1,424	1,005
Net income (loss)	2,452	3,853	(5,125)	2,677	(4,387)	1,425

	At or For the Three Months Ended March 31,		At or For the Years Ended December 31,				
	2021(1)	2020(1)	2020	2019	2018	2017	2016
Performance Ratios:							
Return on average assets	0.72%	(0.46%)	0.32%	(0.49%)	0.28%	(0.51%)	0.20%
Return on average equity	6.16%	(3.07%)	2.42%	(3.08%)	1.60%	(3.52%)	1.53%
Net interest rate spread (2)	3.76%	3.51%	3.37%	3.40%	3.57%	3.76%	3.82%
Net interest margin (3)	4.00%	3.87%	3.69%	3.79%	3.92%	4.02%	4.02%
Noninterest expense to average assets	3.82%	4.07%	3.98%	4.47%	3.56%	4.28%	3.84%
Efficiency ratio (4)	76.94%	102.62%	86.09%	114.19%	87.26%	103.53%	92.15%
Average interest-earning assets to average interest- bearing liabilities	133.25%	129.16%	131.65%	132.25%	134.52%	130.35%	123.84%
Average equity to average assets	11.77%	14.85%	13.31%	15.96%	17.26%	14.58%	12.81%
Capital Ratios:							
Total capital to risk weighted assets (bank only)	15.80%	17.84%	15.95%	18.62%	19.39%	20.73%	19.21%
Tier 1 capital to risk weighted assets (bank only)	14.54%	16.59%	14.70%	17.37%	18.14%	19.48%	17.96%
Common equity Tier 1 capital to risk-weighted assets (bank only)	14.54%	16.59%	14.70%	17.37%	18.14%	19.48%	17.96%
Tier 1 capital to average assets (bank only)	10.78%	12.76%	11.19%	12.92%	13.66%	14.67%	13.32%
Asset Quality Ratios:							
Allowance for loan losses as a percentage of total loans	1.24%	1.37%	1.27%	1.28%	1.36%	1.37%	1.57%
Allowance for loan losses as a percentage of nonperforming loans	126.07%	138.47%	127.28%	106.30%	186.77%	97.05%	132.15%
Net (charge-offs) recoveries to average outstanding loans	(0.02%)	0.00%	0.01%	(0.06%)	0.04%	(0.12%)	0.13%
Non-performing loans as a percentage of total loans	0.99%	1.00%	1.00%	1.20%	0.73%	1.41%	1.19%
Non-performing loans as a percentage of total assets	0.86%	0.85%	0.86%	1.10%	0.64%	1.23%	1.04%
Total non-performing assets as a percentage of total assets	0.86%	0.85%	0.86%	1.10%	0.64%	1.23%	1.04%
Total non-performing assets, accruing loans past due 90 days or more, and accruing troubled debt restructured loans as a percentage of total assets	1.32%	1.49%	1.35%	1.92%	1.63%	2.72%	3.50%
Other:							
Number of offices (5)	20	14	20	14	14	14	14
Number of full-time equivalent employees (6)	236	184	227	183	181	177	174

(1) Annualized where appropriate.
(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by average total interest-earning assets.
(4) Efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.
(5) Number of offices at March 31, 2021 and December 31, 2020 included 6 offices due to acquisition of Mortgage World.
(6) Number of full-time equivalent employees at March 31, 2021 and December 31, 2020 included 46 full-time equivalent employees related to Mortgage World.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "believe," "contemplate," "continue," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of the Company's goals, intentions and expectations;
- statements regarding its business plans, prospects, growth and operating strategies;
- statements regarding the quality of its loan and investment portfolios; and
- estimates of the risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- the scope, duration and severity of the COVID-19 pandemic and its effects on our business and operations, our customers, including their ability to make timely payments on loans, our service providers, and on the economy and financial markets in general;
- changes in consumer spending, borrowing and savings habits;
- general economic conditions, either nationally or in the market areas, that are worse than expected;
- the Company's ability to manage market risk, credit risk and operational risk in the current economic environment;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- the ability to access cost-effective funding;
- fluctuations in real estate values and real estate market conditions;
- demand for loans and deposits in the market area;
- the Company's ability to implement and change its business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce the Company's margins and yields, its mortgage banking revenues, the fair value of financial instruments or the level of loan originations, or increase the level of defaults, losses and prepayments on loans the Company have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of the Company's loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third party providers to perform as expected;
- the Company's ability to enter new markets successfully and capitalize on growth opportunities;
- the Company's ability to successfully integrate into its operations, Mortgage World and any assets, liabilities, customers, systems and management personnel the Company may acquire and management's ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- the Company's ability to retain key employees;

- the Company's compensation expense associated with equity allocated or awarded to its employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that the Company may own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. The Company is under no duty to and does not assume any obligation to update any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we cannot determine what the actual net proceeds from the sale of the shares of common stock in the offering will be until the offering is completed, we anticipate that the net proceeds will be between $86.0 million and $135.2 million.

We intend to distribute the net proceeds as follows:

	Based Upon the Sale in the Offering at $10.00 per share of							
	8,925,000 Shares (Minimum of Offering Range)		10,500,000 Shares (Midpoint of Offering Range)		12,075,000 Shares (Maximum of Offering Range)		13,886,250 Shares (Adjusted Maximum of Offering Range)	
	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds
	(Dollars in thousands)							
Offering proceeds	$ 89,250		$ 105,000		$ 120,750		$ 138,863	
Less offering expenses	3,243		3,388		3,533		3,699	
Net offering proceeds	$ 86,007	100.00%	$ 101,612	100.00%	$ 117,217	100.00%	$ 135,164	100.00%
Distribution of net proceeds:								
Contribution to Ponce Bank	$ 43,004	50.00%	$ 50,806	50.00%	$ 58,609	50.00%	$ 67,582	50.00%
Contribution to Mortgage World	12,901	15.00%	15,242	15.00%	17,583	15.00%	20,275	15.00%
Cash contribution to the Foundation	1,000	1.16%	1,000	0.98%	1,000	0.85%	1,000	0.74%
To fund loan to employee stock ownership plan	7,354	8.55%	8,652	8.51%	9,950	8.49%	11,442	8.47%
Retained by Ponce Financial	$ 21,748	25.29%	$ 25,912	25.50%	$ 30,076	25.66%	$ 34,865	25.79%

Payments for shares of common stock made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will result in a reduction of Ponce Bank's deposits. The net proceeds may vary because total expenses relating to the offering may be more or less than our estimates. For example, our expenses would increase if fewer shares were sold in the subscription and community offerings and more in the syndicated offering than we have assumed.

Ponce Financial may use the proceeds it retains from the offering:

- to invest in securities;
- to pay cash dividends to stockholders;
- to repurchase shares of our common stock;
- to finance the acquisition of financial institutions, although we do not currently have any agreements or understandings regarding any specific acquisition transaction; and
- for other general corporate purposes.

See "Our Dividend Policy" for a discussion of our expected dividend policy following the completion of the conversion. Under current federal regulations, we may not repurchase shares of our common stock during the first year following the completion of the conversion, except when extraordinary circumstances exist and with prior regulatory approval, or except to fund restricted stock plans (which would require notification to the Federal Reserve Board) or tax qualified employee stock benefit plans.

Ponce Bank may use the net proceeds it receives from the offering:

- to invest in securities;
- to fund new loans;
- to enhance existing products and services and to support the development of new products and services;

- to expand its digital banking presence;
- to expand its retail bank franchise by establishing or acquiring new facilities or by acquiring other financial institutions or business lines as opportunities arise, although we do not currently have any understandings or agreements to acquire a financial institution or other entity; and
- for other general corporate purposes.

Mortgage World may use the net proceeds it receives from the offering to fund new loans and for general corporate purposes.

Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities. We have not determined specific amounts of the net proceeds that would be used for the purposes described above. The use of the proceeds outlined above may change based on many factors, including, but not limited to, changes in interest rates, equity markets, laws and regulations affecting the financial services industry, the attractiveness of potential acquisitions to expand our operations, and overall market conditions. The use of the proceeds may also change depending on our ability to receive regulatory approval to establish new branches or acquire other financial institutions or business lines.

We expect our return on equity to be low until we are able to reinvest effectively the additional capital raised in the offering. Until we can increase our net interest income and non-interest income, we expect our return on equity to be below the industry average, which may negatively affect the value of our common stock. See “Risk Factors—Risks Related to the Offering—Our failure to effectively deploy the net proceeds may have an adverse effect on our financial performance.”

OUR DIVIDEND POLICY

After the completion of the conversion, we will request permission from the Federal Reserve Board to pay cash dividends on a quarterly basis. Any dividend rate and the payment of dividends will depend on a number of factors, including our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. We cannot assure you that any dividends will be approved, and if so approved, will not subsequently be reduced or eliminated.

Ponce Financial will not be permitted to pay dividends on its common stock if its stockholders’ equity would be reduced below the amount of the liquidation account established by Ponce Financial in connection with the conversion. The source of dividends will depend on the net proceeds retained by Ponce Financial and earnings thereon, and dividends from Ponce Bank and Mortgage World. In addition, Ponce Financial will be subject to state law limitations and federal bank regulatory policy on the payment of dividends. Maryland law generally limits dividends if the corporation would not be able to pay its debts in the usual course of business after giving effect to the dividend or if the corporation’s total assets would be less than the corporation’s total liabilities plus the amount needed to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution.

After the completion of the conversion, Ponce Bank will not be permitted to pay dividends on its capital stock to Ponce Financial, its sole stockholder, if Ponce Bank’s stockholder’s equity would be reduced below the amount of the liquidation account established in connection with the conversion. In addition, Ponce Bank will not be permitted to make a capital distribution if, after making such distribution, it would be undercapitalized. Ponce Bank must file an application with the OCC for approval of a capital distribution if the total capital distributions for the applicable calendar year exceed the sum of Ponce Bank’s net income for that year to date plus its retained net income for the preceding two years or Ponce Bank would not be at least adequately capitalized following the distribution. A savings institution that is a subsidiary of a savings and loan holding company, such as Ponce Bank, must file notice with the Federal Reserve Board and an application or a notice with the OCC at least thirty days before making a capital distribution, such as paying a dividend to Ponce Financial.

Any payment of dividends by Ponce Bank to Ponce Financial that would be deemed to be drawn from Ponce Bank’s bad debt reserves established before 1988, if any, would require a payment of taxes at the then-current tax rate by Ponce Bank on the amount of earnings deemed to be removed from the reserves for such distribution. Ponce Bank does not intend to make any distribution that would create such a federal tax liability. See “The Conversion and Offering—Liquidation Rights.” For further information concerning additional federal law and regulations regarding the ability of Ponce Bank to make capital distributions, including the payment of dividends to Ponce Financial, see “Taxation—Federal Taxation” and “Supervision and Regulation—Regulation of Ponce Bank—Dividend and Other Capital Distribution Limitations.”

We will file a consolidated federal tax return with Ponce Bank and Mortgage World. Accordingly, it is anticipated that any cash distributions made by us to our stockholders would be treated as cash dividends and not as a non-taxable return of capital for federal tax purposes. Additionally, pursuant to Federal Reserve Board regulations, during the three-year period following the conversion, we will not make any capital distribution to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

MARKET FOR THE COMMON STOCK

PDL Community Bancorp's common stock is currently listed on the Nasdaq Global Market under the symbol "PDLB." Upon completion of the conversion, we expect the shares of common stock of Ponce Financial will replace the existing shares of PDL Community Bancorp and trade on the Nasdaq Global Market under the symbol "PDLB." In order to list our stock on the Nasdaq Global Market, we are required to have at least three broker-dealers who will make a market in our common stock. As of [stockholder record date], PDL Community Bancorp had approximately [•] registered market makers in its common stock. Janney Montgomery Scott LLC. has advised us that they intend to make a market in our common stock following the offering, but are under no obligation to do so.

The following table sets forth the high and low trading prices for shares of PDL Community Bancorp common stock for the periods indicated, as obtained from the Nasdaq Stock Market. As of the close of business on [stockholder record date], there were [●] shares of common stock outstanding, including [●] publicly held shares (shares held by stockholders other than Ponce MHC), and approximately [●] stockholders of record.

	High	Low
Fiscal Year 2021:		
Quarter ended March 31, 2021	$ 13.07	$ 9.39
Fiscal Year 2020:		
Quarter ended December 31, 2020	$ 12.45	$ 8.59
Quarter ended September 30, 2020	$ 11.04	$ 8.01
Quarter ended June 30, 2020	$ 11.48	$ 7.31
Quarter ended March 31, 2020	$ 14.76	$ 8.55
Fiscal Year 2019:		
Quarter ended December 31, 2019	$ 14.85	$ 13.63
Quarter ended September 30, 2019	$ 14.71	$ 13.70
Quarter ended June 30, 2019	$ 14.72	$ 13.63
Quarter ended March 31, 2019	$ 14.28	$ 12.42

On May 26, 2021, the business day immediately preceding the public announcement of the conversion, and on [●] , the closing prices of PDL Community Bancorp common stock as reported on the Nasdaq Global Market were $14.40 per share and $[●] per share, respectively. On the effective date of the conversion, all publicly held shares of PDL Community Bancorp common stock, including shares of common stock held by our officers and directors, but not including shares held by Ponce Bank MHC, will be converted automatically into and become the right to receive a number of shares of Ponce Financial common stock determined pursuant to the exchange ratio. See "The Conversion and Offering—Share Exchange Ratio for Current Stockholders." Restricted stock units awarded by PDL Community Bancorp and options to purchase shares of PDL Community Bancorp common stock will be converted into restricted stock units and options to purchase a number of shares of Ponce Financial common stock determined pursuant to the exchange ratio, and in the case of stock options, for the same aggregate exercise price. See "Beneficial Ownership of Common Stock."

HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE

At March 31, 2021, Ponce Bank exceeded all of the applicable regulatory capital requirements and was considered "well capitalized." The table below sets forth the historical equity capital and regulatory capital of Ponce Bank at March 31, 2021, and the pro forma equity capital and regulatory capital of Ponce Bank, after giving effect to the sale of shares of common stock at $10.00 per share.

The table assumes the receipt by Ponce Bank of 50% of the net offering proceeds. See “How We Intend to Use the Proceeds from the Offering.”

	Ponce Bank Historical At March 31, 2021		Pro Forma at March 31, 2021, Based Upon the Sale in the Offering (1)							
			8,925,000 Shares (Minimum of Offering Range)		10,500,000 Shares (Midpoint of Offering Range)		12,075,000 Shares (Maximum of Offering Range)		13,886,250 Shares (Adjusted Maximum of Offering Range) (2)	
	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)
	(Dollars in thousands)									
Equity	$ 144,864	10.20%	$ 176,836	12.08%	$ 182,692	12.42%	$ 188,548	12.75%	$ 195,283	13.12%
Tier 1 leverage capital	144,836	10.78%	176,808	12.75%	182,664	13.10%	188,520	13.45%	195,255	13.84%
Leverage requirement	67,160	5.00%	69,310	5.00%	69,701	5.00%	70,091	5.00%	70,539	5.00%
Excess	77,676	5.78%	107,498	7.75%	112,963	8.10%	118,429	8.45%	124,716	8.84%
Tier 1 risk-based capital (4)	144,836	14.54%	176,808	17.60%	182,664	18.16%	188,520	18.71%	195,255	19.34%
Risk-based requirement	79,677	8.00%	80,365	8.00%	80,490	8.00%	80,614	8.00%	80,758	8.00%
Excess	65,159	6.54%	96,443	9.60%	102,174	10.16%	107,906	10.71%	114,497	11.34%
Total risk-based capital (4)	157,325	15.80%	189,298	18.84%	195,154	19.40%	201,010	19.95%	207,745	20.58%
Risk-based requirement	99,596	10.00%	100,456	10.00%	100,612	10.00%	100,768	10.00%	100,947	10.00%
Excess	57,729	5.80%	88,842	8.84%	94,542	9.40%	100,242	9.95%	106,798	10.58%
Common equity tier 1 capital	144,836	14.54%	176,808	17.60%	182,664	18.16%	188,520	18.71%	195,255	19.34%
Common equity tier 1 capital requirement	64,737	6.50%	65,296	6.50%	65,398	6.50%	65,499	6.50%	65,616	6.50%
Excess	80,099	8.04%	111,512	11.10%	117,266	11.66%	123,021	12.21%	129,639	12.84%
Reconciliation of capital infused into Ponce Bank:										
Net proceeds			43,004		50,806		58,609		67,582	
Less: Common stock acquired by employee stock ownership plan			(7,354)		(8,652)		(9,950)		(11,442)	
Less: Common stock acquired by stock-based benefit plan			(3,677)		(4,326)		(4,975)		(5,721)	
Pro forma increase			31,973		37,828		43,684		50,419	

(1) Pro forma capital levels assume that the employee stock ownership plan purchases 8.0% of the shares of common stock sold in the stock offering and issued to the Foundation. Pro forma generally accepted accounting principles (“GAAP”) capital and regulatory capital have been reduced by the amount required to fund this plan. See “Management” for a discussion of the employee stock ownership plan.

(2) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

(3) Equity and Tier 1 leverage capital levels are shown as a percentage of total average assets. Risk-based capital levels are shown as a percentage of risk-weighted assets.

(4) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk weighting.

CAPITALIZATION

The following table presents the historical consolidated capitalization of PDL Community Bancorp at March 31, 2021 and the pro forma consolidated capitalization of Ponce Financial after giving effect to the conversion and offering based upon the assumptions set forth in the “Pro Forma Data” section.

	PDL Community Bancorp Historical At March 31, 2021	Pro Forma at March 31, 2021, Based Upon the Sale in the Offering at $10.00 per share of			
		8,925,000 Shares (Minimum of Offering Range)	10,500,000 Shares (Midpoint of Offering Range)	12,075,000 Shares (Maximum of Offering Range)	13,886,250 Shares (Adjusted Maximum of Offering Range) (1)
	Amount	Amount	Amount	Amount	Amount
			(Dollars in thousands)		
Deposits (2)	$ 1,138,546	$ 1,138,546	$ 1,138,546	$ 1,138,546	$ 1,138,546
Borrowed Funds	121,595	121,595	121,595	121,595	121,595
Total deposits and borrowed funds	$ 1,260,141	$ 1,260,141	$ 1,260,141	$ 1,260,141	$ 1,260,141
Stockholders' equity:					
Preferred stock, $0.01 par value	$ —	$ —	$ —	$ —	$ —
Common stock, $0.01 par value (3) (4)	185	162	190	219	252
Additional paid-in capital (4)	85,470	154,892	170,942	186,992	205,448
Ponce Bank MHC capital contribution	—	90	90	90	90
Retained earnings	99,993	99,993	99,993	99,993	99,993
Accumulated other comprehensive income	28	28	28	28	28
Less:					
Treasury stock	(19,285)	—	—	—	—
After tax expense of contribution to charitable foundation (5)	—	(2,832)	(3,195)	(3,560)	(3,978)
Common stock held by employee stock ownership plan (6)	(5,187)	(12,541)	(13,839)	(15,137)	(16,629)
Common stock to be acquired by stock-based benefit plan (7)	—	(3,677)	(4,326)	(4,975)	(5,721)
Total stockholders' equity	$ 161,204	$ 236,115	$ 249,883	$ 263,650	$ 279,483
Pro Forma Shares Outstanding:					
Shares offered for sale	—	8,925,000	10,500,000	12,075,000	13,886,250
Exchange shares issued	—	6,981,287	8,213,279	9,445,271	10,862,061
Shares to be issued to Foundation	—	267,750	315,000	362,250	416,588
Total shares outstanding	17,018,252	16,174,037	19,028,279	21,882,521	25,164,899
Total stockholders' equity as a percentage of total assets	11.24%	15.65%	16.41%	17.16%	18.01%
Tangible equity as a percentage of total assets	11.24%	15.65%	16.41%	17.16%	18.01%

(1) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

(2) Does not reflect withdrawals from deposit accounts for the purchase of shares of common stock in the conversion and offering. These withdrawals would reduce pro forma deposits and assets by the amount of the withdrawals.

(3) Common stock, $0.01 par value, 50,000,000 shares authorized; 18,463,058 shares issued and 17,018,252 shares outstanding as of March 31, 2021.

(4) On a pro forma basis, common stock and additional paid-in capital have been revised to reflect the par value and number of shares of Ponce Financial common stock to be outstanding.

(5) Based on an income tax rate of 23.0%.

(6) Assumes that 8% of the shares sold in the offering and issued to the Foundation will be acquired by the employee stock ownership plan financed by a loan from Ponce Financial. The loan will be repaid principally from Ponce Bank’s contributions to the employee stock ownership plan. Since Ponce Financial will finance the employee stock ownership plan debt, this debt will be eliminated through consolidation and no liability will be reflected on Ponce Financial’s consolidated financial statements. Accordingly, the amount of shares of common stock acquired by the employee stock ownership plan is shown in this table as a reduction of total stockholders’ equity.

(7) Assumes a number of shares of common stock equal to 4% of the shares of common stock to be sold in the offering and issued to the Foundation will be purchased for grant by one or more stock-based benefit plans. The funds to be used by the plan to purchase the shares will be provided by Ponce Financial. The dollar amount of common stock to be purchased is based on the $10.00 per share subscription price in the offering and represents unearned compensation. This amount does not reflect possible increases or decreases in the value of common stock relative to the subscription price in the offering. Ponce Financial will accrue compensation expense to reflect the vesting of shares pursuant to the plan and will credit capital in an amount equal to the charge to operations. Implementation of the plan will require stockholder approval.

PRO FORMA DATA

The following tables summarize historical data of PDL Community Bancorp and pro forma data of Ponce Financial at and for the three months ended March 31, 2021 and at and for the year ended December 31, 2020. This information is based on assumptions set forth below and in the tables, and should not be used as a basis for projections of market value of the shares of common stock following the conversion and offering.

The net proceeds in the tables are based upon the following assumptions:

- 100% of all shares of common stock will be sold in the subscription and community offerings;
- our executive officers and directors will purchase 119,500 shares of common stock;
- our employee stock ownership plan will purchase 8% of the shares of common stock sold in the offering and issued to the Foundation with a loan from Ponce Financial. The loan will be repaid in substantially equal payments of principal and interest (at the prime rate of interest, calculated as of the date of the origination of the loan) over a period of 20 years. Interest income that we earn on the loan will offset the interest paid by Ponce Bank;
- we will pay Janney Montgomery Scott LLC a fee equal to 1% of the aggregate amount of common stock sold in the subscription and community offerings;
- we will pay Janney Montgomery Scott LLC and any other broker-dealers participating in the syndicated offering an aggregate fee, or underwriting discount, as applicable, of 6% of the aggregate dollar amount of the common stock sold in the syndicated offering;
- no fee will be paid with respect to shares of common stock purchased by our employee stock ownership plan, or stock purchased by our officers, directors and employees, and their immediate families, and no fee will be paid with respect to shares contributed to the Foundation or exchange shares; and
- total expenses of the offering, other than the fees and commissions to be paid to Janney Montgomery Scott LLC and other broker-dealers, will be $2.4 million.

We calculated pro forma consolidated net income for the three months ended March 31, 2021 and for the year ended December 31, 2020 as if the estimated net proceeds we received had been invested at the beginning of the period at an assumed interest rate of 0.92% (0.71% on an after-tax basis), respectively. These figures represent the yield on the five-year U.S. Treasury Note as of March 31, 2021, which, in light of current market interest rates, we consider to more accurately reflect the pro forma reinvestment rate than the arithmetic average of the weighted average yield earned on our interest-earning assets and the weighted average rate paid on our deposits, which is the reinvestment rate generally required by federal regulations.

We further believe that the reinvestment rate is factually supportable because:

- the yield on the U.S Treasury Note can be determined and/or estimated from third-party sources; and
- we believe that U.S. Treasury securities are not subject to credit losses due to a U.S. Government guarantee of payment of principal and interest.

We calculated historical and pro forma per share amounts by dividing historical and pro forma amounts of consolidated net income and stockholders' equity by the indicated number of shares of common stock. We adjusted these figures to give effect to the shares of common stock purchased by the employee stock ownership plan. We computed per share amounts for each period as if the shares of common stock were outstanding at the beginning of each period, but we did not adjust per share historical or pro forma stockholders' equity to reflect the earnings on the estimated net proceeds.

The pro forma tables give effect to the implementation of one or more stock-based benefit plans. Subject to the receipt of stockholder approval, we have assumed that the stock-based benefit plans will acquire for restricted stock awards a number of shares of common stock equal to 4% of the shares of common stock sold in the stock offering and issued to the Foundation at the same price for which shares were sold in the stock offering. We assume that awards of common stock granted under the plans vest over a five-year period.

We have also assumed that options will be granted under the stock-based benefit plans to acquire shares of common stock equal to 10% of the shares of common stock sold in the stock offering and issued to the Foundation. In preparing the tables below, we assumed that stockholder approval was obtained, that the exercise price of the stock options and the market price of the stock at the date of grant were $10.00 per share and that the stock options had a term of ten years and vested over five years. We applied the Black-Scholes option pricing model to estimate a grant-date fair value of $3.55 for each option. In addition to the terms of the options described above, the Black-Scholes option pricing model assumed an estimated volatility rate of 23.62% for the shares of common stock, a dividend yield of 0.00%, an expected option term of 10 years and a risk-free rate of return of 1.74%.

We may grant options and award shares of common stock under one or more stock-based benefit plans in excess of 10% and 4%, respectively, of the shares of common stock sold in the stock offering and that vest sooner than over a five-year period if the stock-based benefit plans are adopted more than one year following the stock offering. We intend to adopt a stock-based benefit plan that would reserve for the exercise of stock options and the grant of stock awards a number of shares equal to 10% and 4%, respectively, of the shares sold in the stock offering.

As discussed under “How We Intend to Use the Proceeds from the Offering,” we intend to invest 50.0% of the net proceeds from the stock offering in the equity of Ponce Bank and 15% in the equity of Mortgage World, fund the loan to our employee stock ownership plan to finance its purchase of shares of common stock in the stock offering, contribute $1.0 million to our charitable foundation as additional funding and retain the remainder of the net proceeds from the offering at Ponce Financial for future use.

The pro forma table does not give effect to:

- withdrawals from deposit accounts to purchase shares of common stock in the stock offering;
- our results of operations after the stock offering; or
- changes in the market price of the shares of common stock after the stock offering.

The following pro forma information may not be representative of the financial effects of the offering at the dates on which the offering actually occurs, and should not be taken as indicative of future results of operations. Pro forma consolidated stockholders’ equity represents the difference between the stated amounts of our assets and liabilities. The pro forma stockholders’ equity is not intended to represent the fair market value of the shares of common stock and may be different than the amounts that would be available for distribution to stockholders if we liquidated. Moreover, pro forma stockholders’ equity per share does not give effect to the liquidation accounts to be established in the conversion or, in the unlikely event of a liquidation of Ponce Bank, to the tax effect of the recapture of the bad debt reserve. See “The Conversion and Offering—Liquidation Rights.”

	At or for the Three Months Ended March 31, 2021, Based Upon the Sale in the Offering at $10.00 per share of			
	8,925,000 Shares (Minimum of Offering Range)	10,500,000 Shares (Midpoint of Offering Range)	12,075,000 Shares (Maximum of Offering Range)	13,886,250 Shares (Adjusted Maximum of Offering Range) (1)
	Amount	Amount	Amount	Amount
	(Dollars in thousands, except shares and per share amounts)			
Gross proceeds of stock offering	$ 89,250	$ 105,000	$ 120,750	$ 138,863
Plus: market value of shares issued to charitable foundation	2,678	3,150	3,623	4,166
Plus market value of shares issued in exchange	69,812	82,133	94,452	108,620
Pro forma market capitalization	$ 161,740	$ 190,283	$ 218,825	$ 251,649
Gross proceeds of offering:	$ 89,250	$ 105,000	$ 120,750	$ 138,863
Less─Expenses	3,243	3,388	3,533	3,699
Estimated net proceeds	86,007	101,612	117,217	135,164
Common stock purchased by employee stock ownership plan (2)	(7,354)	(8,652)	(9,950)	(11,442)
Cash contribution to charitable foundation	(1,000)	(1,000)	(1,000)	(1,000)
Common stock purchased by stock-based benefit plan (3)	(3,677)	(4,326)	(4,975)	(5,721)
Estimated net proceeds, as adjusted	$ 73,976	$ 87,634	$ 101,292	$ 117,001
Consolidated net income:				
Historical	$ 2,452	$ 2,452	$ 2,452	$ 2,452
Pro forma interest income on net proceeds	131	155	179	207
Income on Ponce Bank MHC asset contribution	—	—	—	—
Pro forma employee stock ownership plan adjustment (2)	(71)	(83)	(96)	(110)
Pro forma stock awards adjustment (3)	(142)	(167)	(192)	(220)
Pro forma stock options adjusted (4)	(154)	(181)	(208)	(239)
Pro forma net income (5) (6)	$ 2,216	$ 2,176	$ 2,135	$ 2,090
Earnings per share: (5)				
Historical	$ 0.15	$ 0.13	$ 0.11	$ 0.10
Pro forma interest income on adjusted net proceeds	0.01	0.01	0.01	0.01
Income on Ponce Bank MHC asset contribution	—	—	—	—
Pro forma employee stock ownership plan adjustment (2)	—	—	—	—
Pro forma stock awards adjustment (3)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma stock options adjustment (4)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma net income per basic share (5) (6)	$ 0.14	$ 0.12	$ 0.10	$ 0.09
Offering price as a percentage of pro forma stockholders' per share	17.86	20.83	25.00	27.78
Number of shares outstanding for pro forma earnings per share calculations	15,447,810	18,173,894	20,899,978	24,034,974
Stockholders' equity:				
Historical	$ 161,204	$ 161,204	$ 161,204	$ 161,204
Estimated net proceeds	86,007	101,612	117,217	135,164
Plus: Ponce Bank MHC capital contribution	90	90	90	90
Plus: Market value of shares issues to charitable foundation	2,678	3,150	3,623	4,166
Plus: Tax benefit of contribution to charitable foundation	846	955	1,063	1,188
Less: Common stock acquired by employee stock ownership plan (2)	(7,354)	(8,652)	(9,950)	(11,442)
Less: Common stock awarded under equity incentive plan (3)	(3,677)	(4,326)	(4,975)	(5,721)
Less: Expense of contribution of stock to charitable foundation	(3,678)	(4,150)	(4,623)	(5,166)
Pro forma stockholders' equity	$ 236,116	$ 249,883	$ 263,649	$ 279,483
Stockholders' equity per share: (7)				
Historical	$ 9.96	$ 8.47	$ 7.36	$ 6.41
Estimated net proceeds	5.32	5.34	5.37	5.38
Plus: Ponce Bank MHC capital contribution	—	—	—	—
Less: Common stock acquired by employee stock ownership plan (2)	(0.45)	(0.45)	(0.45)	(0.45)
Less: Common stock awarded under equity incentive plan (3)	(0.23)	(0.23)	(0.23)	(0.23)
Pro forma stockholders' equity per share (7)	$ 14.60	$ 13.13	$ 12.05	$ 11.11
Pro forma tangible stockholders' equity per share (7)	$ 14.60	$ 13.13	$ 12.05	$ 11.11
Offering price as a percentage of equity per share	68.49%	76.16%	82.99%	90.01%
Offering price as a percentage of tangible equity per share	68.49%	76.16%	82.99%	90.01%
Number of shares outstanding for pro forma book value per share calculations	16,174,037	19,028,279	21,882,521	25,164,899

(1) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

(2) Assumes that 8% of the shares of common stock sold in the offering and issued to the Foundation will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed by the employee stock ownership plan from Ponce Financial, and the outstanding loan with respect to existing shares of PDL Community Bancorp held by the employee stock ownership plan will be refinanced and consolidated with the new loan from Ponce Financial. Ponce Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt. Ponce Bank's total annual payments on the employee stock ownership plan debt are based upon twenty equal annual installments of principal and interest. Financial Accounting Standards Board Accounting Standards Codification ("ASC") 718-40 requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that the employee stock ownership plan shares are allocated in equal annual installments based on the number of loan repayment installments assumed to be paid by Ponce Bank, the fair value of the common stock remains equal to the subscription price and the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 23.0%. The unallocated employee stock ownership plan shares are reflected as a reduction of stockholders' equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income further assumes that 9,193, 10,815, 12,437 and 14,303 shares were committed to be released during the three months at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, and in accordance with ASC 718-40, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for purposes of net income per share calculations.

(3) Assumes that one or more stock-based benefit plans purchase an aggregate number of shares of common stock equal to 4% of the shares to be sold in the offering and issued to the Foundation. Stockholder approval of the plans and purchases by the plans may not occur earlier than six months after the completion of the conversion. The shares may be acquired directly from Ponce Financial or through open market purchases. Shares in the stock-based benefit plan are assumed to vest over a period of five years. The funds to be used to purchase the shares will be provided by Ponce Financial. The table assumes that (i) the stock-based benefit plan acquires the shares through open market purchases at $10.00 per share, (ii) 4% of the amount contributed to the plan is amortized as an expense during the three months ended March 31, 2021, and (iii) the plan expense reflects an effective combined federal and state tax rate of 23.0%. Assuming stockholder approval of the stock-based benefit plans and that shares of common stock (equal to 4% of the shares sold in the offering) are awarded through the use of authorized but unissued shares of common stock, stockholders would have their ownership and voting interests diluted by approximately 2.22%.

(4) Assumes that options are granted under one or more stock-based benefit plans to acquire an aggregate number of shares of common stock equal to 10% of the shares to be sold in the offering and issued to the Foundation. Stockholder approval of the plans may not occur earlier than six months after the completion of the conversion. In calculating the pro forma effect of the stock-based benefit plans, it is assumed that the exercise price of the stock options and the trading price of the common stock at the date of grant were $10.00 per share, the estimated grant-date fair value determined using the Black-Scholes option pricing model was $3.55 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options, and that 25% of the amortization expense (or the assumed portion relating to options granted to directors) resulted in a tax benefit using an assumed tax rate of 23.0%. The actual expense will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used and the option pricing model ultimately adopted. Under the above assumptions, the adoption of the stock-based benefit plans will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the $10.00 price per share. If a portion of the shares used to satisfy the exercise of options comes from authorized but unissued shares, our net income per share and stockholders' equity per share would decrease. The issuance of authorized but unissued shares of common stock pursuant to the exercise of options under such plan would dilute stockholders' ownership and voting interests by approximately 5.38%.

(5) Per share figures include publicly held shares of PDL Community Bancorp common stock that will be exchanged for shares of Ponce Financial common stock in the conversion. See "The Conversion and Offering—Share Exchange Ratio for Current Stockholders." Net income per share computations are determined by taking the number of shares assumed to be sold in the offering and issued to the Foundation and the number of new shares assumed to be issued in exchange for publicly held shares and, in accordance with ASC 718-40, subtracting the employee stock ownership plan shares which have not been committed for release during the year. See note 2. The number of shares of common stock actually sold and issued to the Foundation and the corresponding number of exchange shares may be more or less than the assumed amounts.

(6) Pro forma net income does not give effect to the nonrecurring expense that would be expected to be recognized in the three months ended March 31, 2021 as a result of the contribution of cash and shares of common stock to the Foundation.

(7) Per share figures include publicly held shares of PDL Community Bancorp common stock that will be exchanged for shares of Ponce Financial common stock in the conversion. Stockholders' equity per share calculations are based upon the sum of (i) the number of shares assumed to be sold in the offering and (ii) the number of shares to be issued in exchange for publicly held shares at the minimum, midpoint and maximum of the offering range, respectively. The exchange shares reflect an exchange ratio of 0.9342, 1.0991, 1.2639 and 1.4535 at the minimum, midpoint and maximum of the offering range, respectively. The number of shares actually sold, issued to the Foundation and the corresponding number of exchange shares may be more or less than the assumed amounts.

	At or for the Year Ended December 31, 2020, Based Upon the Sale in the Offering at $10.00 per share of			
	8,925,000 Shares (Minimum of Offering Range)	10,500,000 Shares (Midpoint of Offering Range)	12,075,000 Shares (Maximum of Offering Range)	13,886,250 Shares (Adjusted Maximum of Offering Range) (1)
	Amount	Amount	Amount	Amount
	(Dollars in thousands, except shares and per share amounts)			
Gross proceeds of stock offering	$ 89,250	$ 105,000	$ 120,750	$ 138,863
Plus: market value of shares issued to charitable foundation	2,678	3,150	3,623	4,166
Plus market value of shares issued in exchange	69,812	82,133	94,452	108,620
Pro forma market capitalization	$ 161,740	$ 190,283	$ 218,825	$ 251,649
Gross proceeds of offering:	$ 89,250	$ 105,000	$ 120,750	$ 138,863
Less—Expenses	3,243	3,388	3,533	3,699
Estimated net proceeds	86,007	101,612	117,217	135,164
Common stock purchased by employee stock ownership plan (2)	(7,354)	(8,652)	(9,950)	(11,442)
Cash contribution to charitable foundation	(1,000)	(1,000)	(1,000)	(1,000)
Common stock purchased by stock-based benefit plan (3)	(3,677)	(4,326)	(4,975)	(5,721)
Estimated net proceeds, as adjusted	$ 73,976	$ 87,634	$ 101,292	$ 117,001
Consolidated net income:				
Historical	$ 3,853	$ 3,853	$ 3,853	$ 3,853
Pro forma interest income on net proceeds	524	621	718	829
Income on Ponce Bank MHC asset contribution	1	1	1	1
Pro forma employee stock ownership plan adjustment (2)	(283)	(333)	(383)	(441)
Pro forma stock awards adjustment (3)	(566)	(666)	(766)	(881)
Pro forma stock options adjusted (4)	(615)	(724)	(833)	(957)
Pro forma net income (5) (6)	$ 2,914	$ 2,752	$ 2,590	$ 2,404
Earnings per share: (5)				
Historical	$ 0.26	$ 0.22	$ 0.19	$ 0.17
Pro forma interest income on adjusted net proceeds	0.03	0.03	0.03	0.03
Income on Ponce Bank MHC asset contribution	—	—	—	—
Pro forma employee stock ownership plan adjustment (2)	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma stock awards adjustment (3)	(0.04)	(0.04)	(0.04)	(0.04)
Pro forma stock options adjustment (4)	(0.04)	(0.04)	(0.04)	(0.04)
Pro forma net income per basic share (5) (6)	$ 0.19	$ 0.15	$ 0.12	$ 0.10
Offering price as a percentage of pro forma stockholders' per share	52.63	66.67	83.33	100.00
Number of shares outstanding for pro forma earnings per share calculations	15,475,407	18,206,339	20,937,271	24,077,910
Stockholders' equity:				
Historical	$ 159,544	$ 159,544	$ 159,544	$ 159,544
Estimated net proceeds	86,007	101,612	117,217	135,164
Plus: Ponce Bank MHC capital contribution	90	90	90	90
Plus: Market value of shares issues to charitable foundation	2,678	3,150	3,623	4,166
Plus: Tax benefit of contribution to charitable foundation	846	955	1,063	1,188
Less: Common stock acquired by employee stock ownership plan (2)	(7,354)	(8,652)	(9,950)	(11,442)
Less: Common stock awarded under equity incentive plan (3)	(3,677)	(4,326)	(4,975)	(5,721)
Less: Expense of contribution of stock to charitable foundation	(3,678)	(4,150)	(4,623)	(5,166)
Pro forma stockholders' equity	$ 234,456	$ 248,223	$ 261,989	$ 277,823
Stockholders' equity per share: (7)				
Historical	$ 9.86	$ 8.38	$ 7.28	$ 6.34
Estimated net proceeds	5.32	5.34	5.36	5.38
Plus: Ponce Bank MHC capital contribution	—	—	—	—
Less: Common stock acquired by employee stock ownership plan (2)	(0.45)	(0.45)	(0.45)	(0.45)
Less: Common stock awarded under equity incentive plan (3)	(0.23)	(0.23)	(0.23)	(0.23)
Pro forma stockholders' equity per share (7)	$ 14.50	$ 13.04	$ 11.96	$ 11.04
Pro forma tangible stockholders' equity per share (7)	$ 14.50	$ 13.04	$ 11.96	$ 11.04
Offering price as a percentage of equity per share	68.97%	76.69%	83.54%	90.58%
Offering price as a percentage of tangible equity per share	68.97%	76.69%	83.54%	90.58%
Number of shares outstanding for pro forma book value per share calculations	16,174,037	19,028,279	21,882,521	25,164,899

(1) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

(2) Assumes that 8% of the shares of common stock sold in the offering and issued to the Foundation will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed by the employee stock ownership plan from Ponce Financial, and the outstanding loan with respect to existing shares of PDL Community Bancorp held by the employee stock ownership plan will be refinanced and consolidated with the new loan from Ponce Financial. Ponce Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt. Ponce Bank's total annual payments on the employee stock ownership plan debt are based upon twenty equal annual installments of principal and interest. Financial Accounting Standards Board Accounting Standards Codification ("ASC") 718-40 requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that the employee stock ownership plan shares are allocated in equal annual installments based on the number of loan repayment installments assumed to be paid by Ponce Bank, the fair value of the common stock remains equal to the subscription price and the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 23.0%. The unallocated employee stock ownership plan shares are reflected as a reduction of stockholders' equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income further assumes that 36,770, 43,260, 49,750 and 57,210 shares were committed to be released during the year at the minimum, midpoint and maximum of the offering range, respectively, and in accordance with ASC 718-40, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for purposes of net income per share calculations.

(3) Assumes that one or more stock-based benefit plans purchase an aggregate number of shares of common stock equal to 4% of the shares to be sold in the offering and issued to the Foundation. Stockholder approval of the plans and purchases by the plans may not occur earlier than three months after the completion of the conversion. The shares may be acquired directly from Ponce Financial or through open market purchases. Shares in the stock-based benefit plan are assumed to vest over a period of five years. The funds to be used to purchase the shares will be provided by Ponce Financial. The table assumes that (i) the stock-based benefit plan acquires the shares through open market purchases at $10.00 per share, (ii) 4% of the amount contributed to the plan is amortized as an expense during the year ended December 31, 2021, and (iii) the plan expense reflects an effective combined federal and state tax rate of 23.0%. Assuming stockholder approval of the stock-based benefit plans and that shares of common stock (equal to 4% of the shares sold in the offering) are awarded through the use of authorized but unissued shares of common stock, stockholders would have their ownership and voting interests diluted by approximately 2.22%.

(4) Assumes that options are granted under one or more stock-based benefit plans to acquire an aggregate number of shares of common stock equal to 10% of the shares to be sold in the offering and issued to the Foundation. Stockholder approval of the plans may not occur earlier than six months after the completion of the conversion. In calculating the pro forma effect of the stock-based benefit plans, it is assumed that the exercise price of the stock options and the trading price of the common stock at the date of grant were $10.00 per share, the estimated grant-date fair value determined using the Black-Scholes option pricing model was $3.55 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options, and that 25% of the amortization expense (or the assumed portion relating to options granted to directors) resulted in a tax benefit using an assumed tax rate of 23.0%. The actual expense will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used and the option pricing model ultimately adopted. Under the above assumptions, the adoption of the stock-based benefit plans will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the $10.00 price per share. If a portion of the shares used to satisfy the exercise of options comes from authorized but unissued shares, our net income per share and stockholders' equity per share would decrease. The issuance of authorized but unissued shares of common stock pursuant to the exercise of options under such plan would dilute stockholders' ownership and voting interests by approximately 5.38%.

(5) Per share figures include publicly held shares of PDL Community Bancorp common stock that will be exchanged for shares of Ponce Financial common stock in the conversion. See "The Conversion and Offering—Share Exchange Ratio for Current Stockholders." Net income per share computations are determined by taking the number of shares assumed to be sold in the offering and the number of new shares assumed to be issued in exchange for publicly held shares and, in accordance with ASC 718-40, subtracting the employee stock ownership plan shares which have not been committed for release during the year. See note 2. The number of shares of common stock actually sold and the corresponding number of exchange shares may be more or less than the assumed amounts.

(6) Pro forma net income does not give effect to the nonrecurring expense that would be expected to be recognized in the year ended December 31, 2021 as a result of the contribution of cash to the Foundation.

(7) Per share figures include publicly held shares of PDL Community Bancorp common stock that will be exchanged for shares of Ponce Financial common stock in the conversion. Stockholders' equity per share calculations are based upon the sum of (i) the number of shares assumed to be sold in the offering and (ii) the number of shares to be issued in exchange for publicly held shares at the minimum, midpoint and maximum of the offering range, respectively. The exchange shares reflect an exchange ratio of 0.9342, 1.0991, 1.2639 and 1.4535 at the minimum, midpoint and maximum of the offering range, respectively. The number of shares actually sold and the corresponding number of exchange shares may be more or less than the assumed amounts.

BUSINESS OF PONCE FINANCIAL AND PDL COMMUNITY BANCORP

Ponce Financial

Ponce Financial is a Maryland corporation that was organized in July 2021. Upon completion of the conversion, Ponce Financial will become the holding company of Ponce Bank and Mortgage World and will succeed to all of the business and operations of PDL Community Bancorp and each of PDL Community Bancorp and Ponce Bank MHC will cease to exist.

Initially following the completion of the conversion, at the adjusted maximum of the offering range, Ponce Financial will have a total of approximately $1.6 billion in assets comprised of the net proceeds it retains from the offering, part of which will be used to make a loan to the Ponce Bank Employee Stock Ownership Plan and a contribution to the Foundation; the equity investment in Ponce Bank and Mortgage World; cash, securities and the ESOP loan currently held by PDL Community Bancorp; and cash currently held by Ponce Bank MHC. Ponce Financial will have no significant liabilities. Ponce Financial intends to use the support staff and offices of Ponce Bank and Mortgage World and will pay Ponce Bank and Mortgage World for these services. If Ponce Financial expands or changes its business in the future, it may hire its own employees.

Ponce Financial intends to invest the net proceeds of the offering as discussed under "How We Intend to Use the Proceeds From the Offering." In the future, we may pursue other business activities, including mergers and acquisitions, investment alternatives and diversification of operations. There are, however, no current understandings or agreements for these activities.

PDL Community Bancorp

PDL Community Bancorp is the majority-owned subsidiary of Ponce Bank MHC, a mutual form savings and loan holding company. PDL Community Bancorp is the holding company of Ponce Bank, a federally─chartered stock savings association, and Mortgage World, a licensed New York State mortgage banker. The Company is authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the acquisition of banking and financial services companies. The Company has been approved as a Financial Holding Company and may exercise such powers as are permitted by applicable laws and regulations.

The Company's cash flow is dependent on earnings from investments and any dividends received from Ponce Bank and Mortgage World. PDL Community Bancorp does not own nor lease any property, but instead uses the premises, equipment and furniture of Ponce Bank and Mortgage World. At the present time, the Company employs only persons who are officers of Ponce Bank and Mortgage World to serve as officers of PDL Community Bancorp. It uses the support staff of Ponce Bank from time to time. These persons are not separately compensated by PDL Community Bancorp. PDL Community Bancorp may hire additional employees, as appropriate, to the extent it so determines in the future.

The Company's executive office is located at 2244 Westchester Avenue, Bronx, New York 10462, and the telephone number at that address is (718) 931-9000.

Ponce Bank

Ponce Bank is a federally-chartered stock savings association headquartered in the Bronx, New York. Ponce Bank was originally chartered in 1960 as a federally-chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, the Bank changed its name to "Ponce De Leon Federal Savings Bank." In 1997, the Bank changed its name again to "Ponce De Leon Federal Bank." In 2017, the Bank adopted its current name. The Bank is designated as a Minority Depository Institution and a Community Development Financial Institution under applicable regulations and is a certified Small Business Administration lender.

The Bank's business is conducted through its administrative office and 13 branch banking offices. The banking offices are located in Bronx (4 branches), Manhattan (2 branches), Queens (3 branches) and Brooklyn (3 branches), New York, and Union City (1 branch), New Jersey.

The Bank's business primarily consists of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in mortgage loans, consisting of one-to-four family residential (both investor-owned and owner-occupied), multifamily residential, nonresidential properties, construction and land, and in business and consumer loans. The Bank also invests in securities, which have historically consisted of U.S. government and federal agency securities and securities issued by government-sponsored or owned enterprises, as well as, mortgage-backed securities, corporate bonds and Federal Home Loan Bank of New York (the "FHLBNY") stock. The Bank offers a variety of deposit accounts, including demand, savings, money markets and certificates of deposit accounts.

The Bank's executive offices are located at 2244 Westchester Avenue, Bronx, New York 10462, and its telephone number is (718) 931-9000. Its website address is www.poncebank.com. Information on this website is not and should not be considered to be a part of this prospectus.

Mortgage World Bankers, Inc.

On July 10, 2020, the Company completed its acquisition of Mortgage World. Mortgage World is a mortgage banking entity subject to the comprehensive regulation and examination of the New York State Department of Financial Services. The primary business of Mortgage World is the taking of applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors. Although Mortgage World is permitted to do business in various states (New York, New Jersey, Pennsylvania, Florida and Connecticut), it primarily operates in the New York City metropolitan area.

Business Strategy

Our goal is to provide long-term value to our stakeholders, our stockholders, customers, employees and the communities we serve by executing a safe and sound business strategy that produces increasing value. We believe there is a significant opportunity for an immigrant community-focused, minority directed bank to provide a full range of financial services to commercial and retail customers in our market area.

Our current business strategy consists of the following:

- ***Continue to expand our multifamily and nonresidential loans.*** The additional capital raised in the stock offering increased our capacity to originate multifamily and nonresidential loans. Under our current board approved loan concentration policy, such loans, including construction and land loans, shall not exceed 400% of our total risk-based capital. Most multifamily and nonresidential loans are originated with adjustable rates and, as a result, these loans are expected to change loan yields due to their shorter repricing terms compared to longer-term fixed-rate loans.

- ***Community lending programs.*** The Bank is an authorized direct lender under the SBA and a CDFI. Both of these programs, combined with our pre-existing products, bolster the Bank's commitment to continue to serve the communities that it has supported over the past sixty years.

- ***Continue to increase core deposits, with an emphasis on low cost commercial demand deposits, and add non-core funding sources***. Deposits are the major source of balance sheet funding for lending and other investments. Certificates of deposits, brokered deposits, and listing service deposits supplement the Bank's funding base. We have made significant investments in new products and services, marketing programs, personnel, branch distribution system as well as enhancing our electronic delivery solutions in an effort to become more competitive in the financial services marketplace and attract more core deposits. Core deposits are our least costly source of funds and represent our best opportunity to develop customer relationships that enable us to cross-sell our enhanced products and services.

- ***Manage credit risk to maintain a low level of nonperforming assets***. We believe strong asset quality is a key to our long-term financial success. Our strategy for credit risk management focuses on having an experienced team of credit professionals, well-defined policies and procedures, appropriate loan underwriting criteria and active credit monitoring. The majority of our non-performing assets have been related, largely, to one-to-four family residential loans and, to a lesser extent, multi-family residential loans, and construction and land loans. We continue to focus on our credit review function, adding both personnel and ancillary systems, in order to be able to evaluate more complex loans and better manage credit risk, to further support our intended loan growth.

- ***Expand our employee base to support future growth***. We have already made significant investments in our employee base. However, we will continue to work to attract and retain the necessary talent to support increased lending, deposit activities and enhanced information technology.

- ***Improving our digital presence and streamline the customer experience.*** By investing in and improving on the interfaces that connect customers to our products and services, we believe we will be in a better position to compete and grow in an environment that is becoming increasingly technology driven. We have and intend to continue to invest in our online presence and engage in digital strategies that will help us to successfully compete in an ever-changing digital marketplace. In 2020, the Company rolled out its first Fintech-based product in partnership with the startup company Grain. The product, Grain, is a mobile application geared to the underbanked and new generations entering the financial services market that uses non-traditional underwriting methodologies. We are also in the final stages of deploying a Fintech-based small business automated lending technology in partnership with LendingFront Technologies, Inc. The technology is a mobile application that digitizes the lending workflow from pre-approval to servicing and enables us to originate, close and fund small business loans within very short spans of time, without requiring a physical presence within banking offices and with automated underwriting using both traditional and non-traditional methods. The Company also established a relationship with SaveBetter, LLC, a fintech startup focusing on brokered deposits.

- ***Grow organically and through opportunistic bank or acquisitions***. We focus primarily on organic growth as a lower-risk means of deploying our capital. We will fund improvements in our operating facilities and customer delivery services in order to enhance our competitiveness. Opportunistic acquisition and/or partnership opportunities are explored if we believe they would enhance the value of our franchise and yield potential financial benefits for our stakeholders. Although we believe opportunities exist to increase our market share in our current banking locations, we will not be adverse to expanding into other markets, enlarging our current branch network, or adding loan production offices, provided we believe such efforts would enhance our competitive standing. On July 10, 2020, the Company completed its acquisition of 100 percent of the shares of common stock of Mortgage World.

For additional information related to our business strategies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Vision 2025 Evolves."

Acquisition Activity. On July 10, 2020, the Company completed its acquisition of 100 percent of the shares of common stock of Mortgage World. The shareholders of Mortgage World received total consideration of $1.8 million in cash. The acquisition was accounted for using the acquisition method of accounting. Mortgage World's results of operations have been included in the Company's Consolidated Statements of Income (Loss) since July 10, 2020.

The assets acquired and liabilities assumed in the acquisition were recorded at their estimated fair values based on management's best estimates, using information available at the date of the acquisition. The fair values are preliminary estimates and subject to adjustment for up to one year after the closing date of the acquisition. The Company did not recognize goodwill from the acquisition.

Market Area. The Bank is headquartered in the Bronx, New York, with a primary market in the other boroughs of New York City (excluding Staten Island) and Hudson County, New Jersey. Mortgage World is headquartered in Astoria, Queens, with a primary market area in the New York City metropolitan area. The size and complex nature of the geographic footprint makes for diverse demographics that continue to undergo significant changes, in terms of economic, racial, ethnic and age parameters, all with potentially substantial long-term institutional ramifications.

The Bank's primary deposit base includes a large and stable base of locally employed blue-collar workers with low-to-medium income, middle-aged, and with limited investment funds. Within the base of locally employed blue-collar workers there is a significant, and growing, portion of recently immigrated, younger, lower-skilled laborers. The influx of immigrant lower-skilled workers, however, has been hampered by the increases in rental rates in the rental housing market within the New York City metropolitan area.

Another significant customer segment of the Bank consists of middle aged and older white-collar, high-income individuals, many of whom are self-employed real estate investors and developers. They constitute a large percentage of the borrowing base of the Bank and, increasingly, are becoming the source of a significant percentage of commercial deposits.

The Bank has historically been funded through local community deposits. Today, the Bank continues to rely primarily on community deposits from its market areas to fund investments and loans. However, the mix of community deposits now includes demand and money market funds of consumer, commercial and not-for-profit entities, with a decreasing reliance on time deposits. Additionally, the Bank has been using alternative funding sources such as brokered deposits and FHLBNY advances to support loan growth.

Mortgage World traditionally has relied on the home purchase market as its principal source of loans for sale in the secondary market. The advent of historically low interest rates has enabled Mortgage World to successfully enter the home refinance market.

The Bank's and Mortgage World's market were significantly impacted negatively by the COVID-19 pandemic. The COVID-19 pandemic caused substantial economic slowdowns, leading to unemployment, closures of businesses and other hardships. The federal government response, including lowering of interest rates, Paycheck Protection Program lending, extended unemployment benefits and business assistance, provided notable economic support, leading to significant economic recovery. During the COVID-19 pandemic, the Bank and Mortgage World continued to service their market areas.

Competition. The Company faces significant competition within its market area both in originating loans and attracting deposits. There is a high concentration of financial institutions in the market area, including national, regional and other locally-operated commercial banks, savings banks, savings associations and credit unions whose activities include banking as well as mortgage lending. Several "mega" banks exist in the market, such as JPMorgan Chase, Citibank and Capital One, many of whom are continuing to push for retail deposits and home mortgages. A number of the Bank's competitors offer non-deposit products and services that the Bank does not currently offer, such as trust services, private banking, insurance services and asset management. Additionally, the Company faces an increasing level of competition from non-core financial service providers that do not necessarily maintain a physical presence in the Bank's market area, such as Radius Bank, Quicken Loans, Freedom Mortgage and many internet financial service providers. The amount of competition facing the Company is extensive and could negatively impact its growth.

The market share of bank deposits in the New York area can be difficult to quantify, as some "mega" banks will include large scale deposits from around the world as held at headquarters. However, in Bronx County, New York, where the Bank maintains four branches, it holds 1.72% (as of June 30, 2020) of the market's deposits. This represents the Bank's largest market share in a county-level area. The Bank continues to work to improve its market position by expanding its brand within its current market area, and building its capacity to provide more products and services to its customers.

Lending Activities

General. The Bank's principal lending activity is originating real estate-secured loans, including one-to-four family investor-owned and owner-occupied residential, multifamily residential, nonresidential property, construction and land loans, and commercial and industrial ("C&I") business loans and consumer loans. It originates real estate and other loans through its loan officers, marketing efforts, customer base, walk-in customers and referrals from real estate brokers, builders and attorneys. Most recently, the Bank entered into a partnership with Grain. Through Grain, the Bank provides a consumer line of credit using a mobile application geared nationally to the underbanked and new generations entering the financial services market that uses non-traditional underwriting methodologies. These loans are reflected in the consumer loan portfolio. During the three months ended March 31, 2021 and last year, the Bank focused on making PPP loans within its market area, to both customers and non-customers. The Bank remains committed to assist its communities with PPP loans. Subject to market conditions and its asset-liability analysis, the Bank looks to maintain its emphasis on multifamily residential and nonresidential property loans while growing the overall loan portfolio and increasing the overall yield earned on loans.

Lending activities are conducted primarily by the Bank's salaried loan officers operating at its main and branch office locations as well as remotely. It also conducts lending activities through its subsidiary Ponce De Leon Mortgage Corporation. All loans originations are underwritten pursuant to the Bank's policies and procedures. The Bank currently intends that substantially all of its mortgage loan originations will have adjustable interest rates. For its non-PPP business loan originations, variable rate pricing is offered based on prime rate plus a margin.

Mortgage World's lending activities consists of taking applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors, including Ponce Bank. At March 31, 2021 and at December 31, 2020, 26 loans and 70 loans related to Mortgage World in the amount of $13.7 million and $34.4 million, respectively, were held for sale and accounted for under the fair value option accounting guidance for financial assets and financial liabilities. Because of Mortgage World's business and that all of its loans are held for sale, these loans are not included in the discussion that follows.

Loan Portfolio Composition. The following table sets forth the composition of the Bank's loan portfolio by type of loan (excluding mortgage loans held for sale) at the dates indicated. Loans in process at March 31, 2021 were $93.5 million. Loans in process at December 31, 2020 and December 31, 2019 were $101.1 million and $58.1 million, respectively.

	At March 31,		At December 31,									
	2021		2020		2019		2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)											
Mortgage loans:												
1-4 family residential												
Investor-owned	$ 317,895	25.51%	$ 319,596	27.27%	$ 305,272	31.60%	$ 303,197	32.61%	$ 287,158	35.51%	$ 227,409	34.90%
Owner-occupied	99,985	8.02%	98,795	8.43%	91,943	9.52%	92,788	9.98%	100,854	12.47%	97,631	14.98%
Multifamily residential	315,078	25.28%	307,411	26.23%	250,239	25.90%	232,509	25.01%	188,550	23.31%	158,200	24.28%
Nonresidential properties	215,340	17.28%	218,929	18.68%	207,225	21.45%	196,917	21.18%	151,193	18.70%	121,500	18.64%
Construction and land	119,339	9.57%	105,858	9.03%	99,309	10.28%	87,572	9.42%	67,240	8.31%	30,340	4.66%
Total mortgage loans	1,067,637	85.66%	1,050,589	89.64%	953,988	98.75%	912,983	98.20%	794,995	98.30%	635,080	97.46%
Nonmortgage loans:												
Business loans (1)	142,135	11.40%	94,947	8.10%	10,877	1.13%	15,710	1.69%	12,873	1.59%	15,719	2.41%
Consumer loans (2)	36,706	2.94%	26,517	2.26%	1,231	0.12%	1,068	0.11%	886	0.11%	843	0.13%
Total nonmortgage loans	178,841	14.34%	121,464	10.36%	12,108	1.25%	16,778	1.80%	13,759	1.70%	16,562	2.54%
	1,246,478	100.00%	1,172,053	100.00%	966,096	100.00%	929,761	100.00%	808,754	100.00%	651,642	100.00%
Net deferred loan origination costs	(512)		1,457		1,970		1,407		1,020		711	
Allowance for losses on loans	(15,508)		(14,870)		(12,329)		(12,659)		(11,071)		(10,205)	
Loans, net	$ 1,230,458		$ 1,158,640		$ 955,737		$ 918,509		$ 798,703		$ 642,148	

(1) As of March 31, 2021 and December 31, 2020, business loans include $132.5 million and $85.3 million, respectively, of PPP loans.
(2) As of March 31, 2021 and December 31, 2020, consumer loans include $35.9 million and $25.5 million, respectively, related to Grain.

At March 31, 2021, there were no mortgage loans held for sale originated by the Bank. At December 31, 2020 and 2019, there was one mortgage loan held for sale, at fair value in the amount of $1.0 million originated by the Bank.

Loan Products Offered by the Bank. The following table provides a breakdown of the Bank's loan portfolio by product type and principal balance outstanding at March 31, 2021 and December 31, 2020, excluding mortgage loans held for sale.

	At March 31, 2021			At December 31, 2020		
Loan Type	**# of Loans**	**Principal Balance (In thousands)**	**% of Portfolio**	**# of Loans**	**Principal Balance (In thousands)**	**% of Portfolio**
Mortgage loans:						
1-4 Family residential						
Investor-owned	550	$ 317,895	25.50%	551	$ 319,596	27.27%
Owner-occupied	245	99,985	8.02%	247	98,795	8.43%
Multifamily residential	305	315,078	25.28%	297	307,411	26.23%
Nonresidential properties	205	215,340	17.28%	203	218,929	18.68%
Construction and land						
Construction 1-4 Investor	1	412	0.03%	1	405	0.03%
Construction Multifamily	25	105,198	8.44%	23	95,105	8.11%
Construction Nonresidential	4	13,729	1.11%	3	10,348	0.89%
Nonmortgage loans:						
Business loans						
C&I lines of credit	43	4,682	0.38%	46	5,794	0.49%
C&I loans (term)	14	4,939	0.40%	13	3,813	0.33%
PPP loans	1,708	132,514	10.63%	957	85,340	7.28%
Consumer loans						
Unsecured (1)	63,744	36,034	2.89%	37,893	25,780	2.20%
Passbook	73	672	0.05%	90	737	0.06%
Grand Total	**66,917**	**$ 1,246,478**	**100.00%**	**40,324**	**$ 1,172,053**	**100.00%**

(1) At March 31, 2021 and December 31, 2020 consumer loans include 63,712 and 37,858 loans totaling $35.9 million $25.5 million, respectively, originated pursuant to the Bank's arrangement with Grain.

One-to-four Family Investor-Owned Loans. At March 31, 2021, one-to-four family investor-owned loans were $317.9 million, or 25.5% of the Bank's total loans. Investor-owned mortgage loans secured by non-owner-occupied one-to-four family residential property represent the Bank's largest real estate lending category. The majority of the portfolio, $277.6 million, or 87.3%, are two-to-four family properties (462 accounts), while the remaining $40.3 million, or 12.7%, are primarily single family, non-owner-occupied investment properties (88 accounts). The three largest loans in this category are $4.7 million, $3.0 million and $2.9 million. In this category, loans totaling $120.5 million, or 37.9%, are secured by properties located in Queens County, $111.1 million, or 34.9%, in Kings County, $35.5 million, or 11.2%, in Bronx County, and $16.4 million, or 5.1%, in New York County. The rest of this category, less than 10.9%, is spread out in other counties and no other concentration exceeded $8.2 million, or 2.6%.

At December 31, 2020, one-to-four family investor-owned loans were $319.6 million, or 27.3% of the Bank's total loans. Investor-owned mortgage loans secured by non-owner-occupied one-to-four family residential property represent the Bank's largest real estate lending category. The majority of this portfolio, $278.6 million, or 87.2%, are two-to-four family properties (462 accounts), while the remaining $41.0 million, or 12.8%, are primarily single family, non-owner-occupied investment properties (89 accounts). The three largest loans in this category are $4.7 million, $3.0 million and $2.9 million. In this category, loans totaling $121.8 million, or 38.1%, are secured by properties located in Queens County, $113.8 million, or 35.6%, in Kings County, $36.0 million, or 11.3%, in Bronx County, and $17.1 million, or 5.3%, in New York County. The rest of this category, less than 9.7%, is spread out in other counties and no other concentration exceeded $8.2 million, or 2.6%.

The Bank imposes prudent underwriting guidelines in the origination of such loans, including lower maximum loan-to-value ratios ("LTVs") of 70% on purchases and 65% on refinances, a required minimum debt service coverage ratio ("DSCR,"), net operating income divided by debt service requirement) of 1.20x that must be met by either the property on a standalone basis or by the inclusion of the owner(s) as co-borrower(s). In addition, all originations of such loans currently require that the transaction exhibit a global debt service coverage ratio (net operating income divided by debt service requirement) of no less than 1.0x. This coverage ratio indicates that the owner has the capacity to support the loan along with all personal obligations. On occasion, the Bank has required that the borrower establish a cash reserve to be held at the Bank in order to provide additional security. The maximum term on such loans is 30 years, typically with five-year adjustable rates. Because of the COVID-19 pandemic, the Bank adopted temporary guidelines lowering LTVs by 5 percentiles and increasing DSCRs by 10 percentiles.

One-to-four family investor-owned real estate loans involve a greater degree of risk than one-to-four family owner-occupied real estate loans. Rather than depending on the borrower's repayment ability from employment or other income, the borrower's repayment ability is primarily dependent on ensuring that a tenant occupies the investor property and has the financial capacity to pay sufficient rent to cover the borrower's debt. In addition, if an investor borrower has several loans secured by properties in the same market, the loans have risks similar to a multifamily real estate loan and repayment of those loans is subject to adverse conditions in the rental market or the local economy.

One-to-four Family Owner-occupied Loans. One-to-four family owner-occupied loans totaled $100.0 million, or 8.0% of the Bank's total loan portfolio at March 31, 2021. The three largest loans outstanding in this category at March 31, 2021 had, outstanding balances of $2.2 million, $2.0 million and $1.9 million, respectively. There are 21 loans with an outstanding balance in excess of $1.0 million, totaling $28.1 million, or approximately 28.1% of this category. At March 31, 2021, approximately $36.5 million, or 36.6%, of this category was secured by properties located in Queens County, $15.6 million, or 15.6%, in Kings County, $8.7 million, or 8.7%, in New York County, $7.8 million, or 7.8%, in Nassau County, $6.6 million, or 6.6%, in Bronx County, and $6.1 million, or 6.1%, in Westchester County. None of the other geographical concentrations exceeded 6% of this category.

One-to-four family owner-occupied loans totaled $98.8 million, or 8.4% of the Bank's total loan portfolio at December 31, 2020. Of the three largest loans outstanding in this category, one loan had an outstanding balance of $2.2 million and two loans had outstanding balances of $2.0 million each. There are 20 loans with an outstanding balance in excess of $1.0 million, totaling $27.1 million, or approximately 27.4% of this category. At December 31, 2020, approximately $36.1 million, or 36.6%, of this category was secured by properties located in Queens County, $15.7 million, or 15.9%, in Kings County, $9.3 million, or 9.4%, in Nassau County, $8.1 million, or 8.2%, in New York County, $7.1 million, or 7.2%, in Bronx County, and $6.2 million, or 6.3%, in Westchester County. None of the other geographical concentrations exceeded 6% of this category.

It is the Bank's policy to underwrite loans secured by one-to-four family owner-occupied residential real estate in a manner that ensures strict compliance with Dodd-Frank regulatory requirements. This includes underwriting only mortgages that have a debt-to-income ratio of 43% or less or that meet non-qualified mortgage standards. A Qualified Mortgage is presumed to meet the borrower's ability to repay the loan. As part of this effort, the Bank employs software that tests each loan for qualified mortgage compliance. As a Community Development Financial Institution, the Bank is authorized to originate non-qualified mortgages. Non-qualified Mortgages generally require greater down payments and have higher yields.

The Bank generally limits one-to-four family loans to a maximum loan-to-value ratio of 90% for a purchase and 80% for a refinance, based on the lower of the purchase price or appraised value. The maximum loan term is 30 years, self-amortizing. As a portfolio lender, the Bank presently does not offer a fixed-rate product. The Bank currently offers mostly 5/1 and 5/5 adjustable rate loans that adjust based on a spread ranging between 2.75% to 3.00% over the one or five-year FHLBNY rate. The maximum amount by which the interest rate may increase generally is limited to 2% for the first two adjustments and 5% for the life of the loan.

Multifamily and Nonresidential Loans. Multifamily loans total $315.1 million, or 25.3% of the Bank's total loan portfolio at March 31, 2021. Loans secured by multifamily properties represent the Bank's second largest lending concentration. The nonresidential portfolio accounts for $215.3 million, or 17.3% of the total loan portfolio, and represents the third largest concentration. Combined, the multifamily and nonresidential loan portfolios amounted to $530.4 million, or 42.6% of the Bank's total loan portfolio at March 31, 2021. The three largest loans were $12.3 million, $10.3 million and $9.2 million, with the largest being a multifamily residential, and the other two being nonresidential. Of the total of $530.4 million in multifamily and nonresidential loans, 166 loans have balances in excess of $1.0 million and account for $377.5 million, or approximately 71.2%, of this lending concentration. In terms of geographical concentrations, $217.9 million, or 41.1%, were secured by properties located in Queens County, $110.7 million, or 20.9%, in Kings County, $81.4 million, or 15.3%, in Bronx County, $34.3 million, or 6.5%, in New York County, $25.1 million, or 4.7%, in Westchester County, $15.3 million, or 2.9%, in Nassau County and $7.3 million, or 1.4%, in Suffolk County. All other concentrations by county, which account for 7.2% of this category, have balances of $10.0 million or less. In the nonresidential portfolio, the overall mix was diverse in terms of property types, with the largest concentration being retail and wholesale at $76.7 million, or 35.6% of the portfolio, industrial and warehouse at $46.6 million, or 21.6%, service, doctor, dentist, daycare and schools at $24.9 million, or 11.6%, offices at $19.9 million, or 9.2%, hotels and motels at $15.3 million, or 7.1%, churches at $9.7 million, or 4.5%, medical, nursing home and hospital at $9.8 million, or 4.5%, and restaurants at $9.7 million, or 4.5%. The rest of the portfolio accounts for other property types, with none exceeding 1.0% as a portfolio concentration.

Multifamily loans total $307.4 million, or 26.2% of the Bank's total loan portfolio at December 31, 2020. Loans secured by multifamily properties represent the Bank's second largest lending concentration. The nonresidential portfolio accounts for $218.9 million, or 18.7% of the total loan portfolio, and represents the third largest concentration. Combined, the multifamily and nonresidential loan portfolios amount to $526.3 million, or 44.9% of the Bank's total loan portfolio at December 31, 2020. The three largest loans were $12.3 million, $10.9 million and $9.2 million, with the largest being a multifamily residential, and the other two being nonresidential. Of the total of $526.3 million in multifamily and nonresidential loans, 166 loans have balances in excess of $1.0 million and account for $376.5 million, or approximately 71.5%, of this lending concentration. In terms of geographical concentrations, $221.4 million, or 42.1%, were secured by properties located in Queens County, $113.8 million, or 21.6%, in Kings County, $79.0 million, or 15.0%, in Bronx County, $33.6 million, or 6.4%, in New York County, $20.0 million, or 3.8%, in Westchester County and $15.3 million, or 2.9%, in Nassau County. All other concentrations by county, which account for 8.2% of this category, have balances of $10.0 million or less. In the nonresidential portfolio, the overall mix was diverse in terms of property types, with the largest concentration being retail and wholesale at $76.2 million, or 34.8% of the portfolio, industrial and warehouse at $49.6 million, or 22.6%, service, doctor, dentist, daycare and schools at $25.6 million, or 11.7%, offices at $20.1 million, or 9.2%, hotels and motels at $15.4 million, or 7.0%, churches at $9.8 million, or 4.5%, medical, nursing home and hospital at $9.8 million, or 4.5%, and restaurants at $9.4 million, or 4.3%. The rest of the portfolio accounts for other property types, with none exceeding 1.0% as a portfolio concentration.

The Bank considers a number of factors when originating multifamily and nonresidential mortgages. Loans secured by multifamily and nonresidential real estate generally have larger balances and involve a greater degree of risk than one-to-four family residential real estate loans. The primary concern in this type of lending is the borrower's creditworthiness and the viability and cash flow potential of the property. Payments on loans secured by income-producing properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be more subject to adverse conditions in the real estate market or the economy as compared to residential real estate loans. To address the risks involved, the Bank evaluates the qualifications and financial resources of the underlying principal(s) of the borrower, including credit history, profitability and expertise, as well as the value of cash flows and condition of the property securing the loan. When evaluating the qualifications of the borrower, the Bank considers the financial resources of the borrower, the experience of the underlying principal(s) of the borrower in owning or managing similar properties and the borrower's payment history with the Bank and other financial institutions. In evaluating the property securing the loan, the factors considered include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value or purchase price of the mortgaged property (whichever is lower), and the debt service coverage ratio. All multifamily and nonresidential loans are supported by appraisals that conform to the Bank's appraisal policy. The Bank generally limits the maximum LTVs on these loans to 75%, based on the lower of the purchase price or appraised value of the subject property (70% on the refinance of nonresidential properties such as retail spaces, office buildings, and warehouses) and a DSCR of 1.20%. Because of the COVID-19 pandemic, the Bank adopted temporary guidelines lowering LTVs by 5 percentiles and increasing DSCRs by 10 percentiles. The maximum loan term ranges between 25 and 30 years. As is the Bank's general policy, the Bank offers primarily adjustable rates on its multifamily and nonresidential mortgages ─ with adjustments based on a spread currently ranging between 2.75% to 3.00% over the five-year FHLBNY rate.

Construction and Land Loans. Construction and land loans totaled $119.3 million, or 9.6%, of the Bank's total loan portfolio at March 31, 2021(30 projects), with $105.2 million consisting of multifamily residential (25 projects). At March 31, 2021, loans in process related to construction loans totaled $93.5 million.

The Bank's typical construction loan has a term of up to 24 months and contains:

- a minimum of 5% contingency;
- a minimum of 5% retainage;
- a loan-to-cost ratio of 70% or less;
- an end loan loan-to-value ratio of 65% or less;
- an interest reserve;
- guarantees of all owners / partners / shareholders of a closely held organization owning 20% or more of company stock or entity ownership; and
- an option to convert to a permanent mortgage loan upon completion of the project.

The Bank's approach to the underwriting of construction loans is driven by five factors: analysis of the developer; analysis of the contractor; analysis of the project; valuation of the project; and evaluation of the source of repayment. The developer's character, capacity and capital are analyzed to determine that the individual or entity has the ability to first complete the project and then either sell it or carry permanent financing. The general contractor is analyzed for reputation, sufficient expertise and capacity to complete the project within the allotted time. The project is analyzed in order to ensure that the project will be completed within a reasonable period of time according to the plans and specifications, and can either be sold, rented or refinanced once completed. All construction loans are supported by appraisals which conform to the Bank's appraisal policy and affirm the value of the project both "As Is" and "As Completed." Lastly, the Bank reviews the developer's cash flow estimations for the project on an "As Completed" basis. These projections are compared to the appraiser's estimates. Debt service coverage using projected rental net income must be at least 1.2x the estimated debt service when operating at stabilized levels.

Upon closing of the construction loan, the Bank begins monitoring the project and funding requisitions for completed stages upon inspection and confirmation by third party firms, such as engineers, of the work performed and its value and quality. Conversion to permanent financing usually occurs upon a conversion underwriting and receipt of certificates of occupancy, as applicable.

Construction lending involves additional risks when compared with permanent lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. In addition, during the term of our construction loans, no payment from the borrower is required since the accumulated interest is added to the principal of the loan through an interest reserve. As a result of these uncertainties, construction lending often involves the disbursement of substantial funds, with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. If we are forced to foreclose on a project prior to completion, there is no assurance that we will be able to recover the entire unpaid portion of the loan. In addition, we may be required to fund additional amounts to complete a project, and it may be necessary to hold the property for an indeterminate period of time subject to the regulatory limitations imposed by local, state or federal laws. Loans on land under development or held for future construction also pose additional risk because of the lack of income being produced by the property and the potential illiquid nature of the collateral.

C&I Loans and Lines of Credit. C&I loans (excluding PPP Loans) and lines of credit represent less than 1.0% of the Bank's total loan portfolio at March 31, 2021 and December 31, 2020. Unlike real estate loans, which are secured by real property, and whose collateral value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. The collateral, such as accounts receivable, securing these loans may fluctuate in value.

Although the Bank's loan policy allows for the extension of secured and unsecured financing, the Bank usually seeks to obtain collateral when in initial discussions with potential borrowers. Unsecured credit facilities are made only to strong borrowers that possess established track records with the Bank (or come highly recommended) and are supported by guarantors. Guarantees are required of any individual or entity owning or controlling 20% or more of the borrowing entity, with exceptions requiring approval from the Board of Directors. When credits are not secured by a specific lien on an asset, the Bank usually requires a general lien on all business assets as evidenced by a UCC filing. Pricing is typically based on the Wall Street Journal prime rate plus a spread driven by risk-rating variables.

Underwriters are required to identify at least two sources of repayment, usually recommend that loans contain covenants, such as minimum debt service coverage ratios, minimum global debt service coverage ratios, maximum leverage ratios, 30-day "cleanups" or "clean-downs," as applicable, and must require periodic financial reporting. In addition, every effort is made to set up borrowers with auto-debit for loan payments and strongly encourage them to maintain operating accounts at the Bank.

Lines of credit are typically short-term facilities (12 months) that are provided for occasional or seasonal needs. They are extended to only qualifying borrowers who have established positive cash flow from operations and a clean credit history. At a minimum, a bi-annual 30-day clean-up, or 75% bi-annual pay-down period is required, although annually is preferred. A clean-up period generally is not required on amortizing secured lines. Guarantors, which are usually required, must have clean credit histories and a substantial outside net worth. Most lines contain an option to convert to a term loan upon maturity.

Secured term loans are long-term facilities extended typically for the purpose of financing the purchase of a long term asset. At a minimum, they will be collateralized by the asset being purchased. They may also be secured by an existing long term business asset or outside collateral pledged by the guarantor or borrower. Unsecured term loans are usually extended only to well-known borrowers who have established strong cash flow from operations and a clean credit history. Although Bank policy allows term loans for up to ten years, the preference is to offer self-amortizing term loans based on a term of no more than five-to-seven years.

Paycheck Protection Program. The CARES Act appropriated $349.0 billion for the PPP. On April 24, 2020, the PPP received another $310.0 billion in funding. On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the "Economic Aid Act") appropriated another $284 billion for both first and second draw PPP loans bringing the total appropriations for PPP loans to $943.0 billion. The PPP ended on May 31, 2021. PPP loans that meet SBA requirements may be forgiven in certain circumstances, are fully guaranteed by the SBA, have an initial term of up to five years and earn interest at rate of 1%. The Bank currently expects a significant portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. As of March 31, 2021, the Bank had disbursed 1,708 PPP loans totaling $132.5 million, or 10.6% of total loans. As of December 31, 2020, the Bank had disbursed 957 PPP loans totaling $85.3 million, or 7.3% of total loans. These loans resulted in $3.1 million in gross processing fee income to be recognized over the life of the respective loans.

Consumer Loans. Consumer loans generally have higher interest rates than mortgage loans. The risk involved in consumer loans fluctuates based on the type and nature of the collateral and, in most cases, the absence of collateral. Consumer loans include passbook loans and other secured and unsecured loans that have been made for a variety of consumer purposes. During 2020, the Bank entered into a partnership with Grain. Grain provides a line of credit using a mobile application geared nationally to the underbanked and new generations entering the financial services market that uses non-traditional underwriting methodologies. As of March 31, 2021, there were $36.0 million, or 2.9% of total loans, in unsecured consumer loans, of which $35.9 million comprised of 63,712 individual loans were originated and are serviced pursuant to the Bank's arrangements with Grain. In addition, there were $672,000 in loans with passbook collateral. As of December 31, 2020, there were $25.8 million, or 2.2% of total loans, in unsecured consumer loans, of which $25.5 million comprised of 37,858 individual loans were originated and are serviced pursuant to the Bank's arrangements with Grain, discuss above. In addition, there were $737,000 in loans with passbook collateral.

Loan Originations, Purchases and Sales. The following table sets forth the Bank's loan originations, sales, purchases and principal repayment activities, excluding mortgage loans held for sale, during the periods indicated.

	Three Months Ended March 31,	Years Ended December 31,				
	2021	2020	2019	2018	2017	2016
	(in thousands)					
Total loans at beginning of the period	$ 1,172,053	$ 966,096	$ 929,761	$ 808,754	$ 651,642	$ 576,611
Loans originated:						
Mortgage loans:						
1-4 family residential						
Investor-owned	4,343	36,522	32,827	38,738	85,333	57,167
Owner-occupied	3,353	15,090	9,117	6,430	15,278	14,741
Multifamily residential	9,469	90,481	53,288	66,674	51,451	51,876
Nonresidential properties	5,815	34,154	37,975	72,926	56,327	31,408
Construction and land	25,250	81,465	69,240	55,295	69,011	5,693
Total mortgage loans	48,230	257,712	202,447	240,063	277,400	160,885
Nonmortgage loans:						
Business (1)	55,958	89,110	1,175	5,101	17,873	1,222
Consumer (2)	10,469	25,999	755	697	597	718
Total nonmortgage loans	66,427	115,109	1,930	5,798	18,470	1,940
Total loans originated	114,657	372,821	204,377	245,861	295,870	162,825
Loans purchased:						
Mortgage loans:						
1-4 family residential	—	—	—	—	—	—
Investor-owned	—	—	—	—	—	—
Owner-occupied	—	—	—	—	—	—
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	—	—	—	—	—	—
Construction and land	—	—	—	—	—	—
Total mortgage loans	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—	—
Total loans purchased	—	—	—	—	—	—
Loans sold:						
Mortgage loans:						
1-4 family residential						
Investor-owned	(1,029)	(781)	(3,520)	(1,759)	(139)	—
Owner-occupied	—	—	—	(2,502)	(819)	—
Multifamily residential	—	(2,748)	—	(535)	—	—
Nonresidential properties	—	(510)	(196)	(2,045)	(2,010)	—
Construction and land	—	—	—	—	—	—
Total mortgage loans	(1,029)	(4,039)	(3,716)	(6,841)	(2,968)	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—	—
Total loans sold	(1,029)	(4,039)	(3,716)	(6,841)	(2,968)	—
Principal repayments and other	(39,203)	(162,825)	(164,326)	(118,013)	(135,790)	(87,794)
Net loan activity	74,425	205,957	36,335	121,007	157,112	75,031
Total loans at end of the period	$ 1,246,478	$ 1,172,053	$ 966,096	$ 929,761	$ 808,754	$ 651,642

(1) As of March 31, 2021 and December 31, 2020, business loans include $132.5 million and $85.3 million, respectively, of PPP loans.
(2) As of March 31, 2021 and December 31, 2020, consumer loans include $35.9 million and $25.5 million, respectively, of loans originated pursuant to the Bank's arrangement with Grain.

Contractual Maturities. The following table sets forth the contractual maturities of the Bank's total loan portfolio, excluding mortgage loans held for sale, at March 31, 2021. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The table presents contractual maturities and does not reflect repricing or the effect of prepayments. Actual maturities may differ.

	March 31, 2021			
	One year or less	More than one year to five years	More than five years	Total
	(In thousands)			
Mortgage loans:				
1-4 family residential				
Investor-owned	$ 5,146	$ 11,574	$ 301,175	$ 317,895
Owner-occupied	1,018	2,760	96,207	99,985
Multifamily residential	996	17,644	296,438	315,078
Nonresidential properties	3,818	24,162	187,360	215,340
Construction and land	87,560	31,779	—	119,339
Total mortgage loans	98,538	87,919	881,180	1,067,637
Nonmortgage loans:				
Business loans (1)	7,011	133,172	1,952	142,135
Consumer loans (2)	74	36,632	—	36,706
Total nonmortgage loans	7,085	169,804	1,952	178,841
Total	$ 105,623	$ 257,723	$ 883,132	$ 1,246,478

(1) Includes $132.5 million of PPP loans at March 31, 2021.
(2) Includes $35.9 million of loans originated through Grain at March 31, 2021.

The following table sets forth the Bank's fixed and adjustable-rate loans, excluding mortgage loans held for sale, at March 31, 2021 that are contractually due after March 31, 2022.

	Due After March 31, 2022		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
1-4 family residential			
Investor-owned	$ 66,372	$ 246,377	$ 312,749
Owner-occupied	45,488	53,479	98,967
Multifamily residential	72,372	241,710	314,082
Nonresidential properties	33,464	178,058	211,522
Construction and land	—	31,779	31,779
Total mortgage loans	217,696	751,403	969,099
Nonmortgage loans:			
Business loans (1)	132,514	2,610	135,124
Consumer loans (2)	—	36,632	36,632
Total nonmortgage loans	132,514	39,242	171,756
Total	$ 350,210	$ 790,645	$ 1,140,855

(1) Includes $132.5 million of PPP loans at March 31, 2021.
(2) Includes $35.9 million of loans related to Grain at March 31, 2021.

Loan Approval Procedures and Authority. The Bank's total loans or extensions of credit to a single borrower or group of related borrowers cannot exceed, with specified exemptions, 15% of its total regulatory capital. The Bank's lending limit as of March 31, 2021 and December 31, 2020 was $23.5 million, with the ability to lend additional amounts up to 10% if the loans or extensions of credit are fully secured by readily-marketable collateral.

At March 31, 2021, the Bank's largest aggregate exposure to one borrower was $20.5 million with an outstanding balance of $13.8 million. The second and third largest exposures were $18.5 million and $15.8 million with outstanding balances of $12.3 million and $4.2 million, respectively. No other loan or loans-to-one borrower, individually or cumulatively, exceeded $15.0 million, or 67.2% of the lending limit.

At December 31, 2020, the Bank's largest aggregate exposure to one borrower was $20.5 million with an outstanding balance of $13.1 million. The second and third largest exposures were $15.8 million and $15.0 million with outstanding balances of $1.9 million and $6.0 million, respectively. No other loan or loans-to-one borrower, individually or cumulatively, exceeded $14.5 million, or 61.7% of the lending limit.

The Bank's real estate lending is subject to written policies, underwriting standards and operating procedures. Decisions on loan requests are made on the basis of detailed applications submitted by the prospective borrower, credit histories that the Bank obtains and property valuations, consistent with the appraisal policy. The appraisals are prepared by outside independent licensed appraisers and reviewed by third parties, all approved by the Board of Directors. The Loan Committee usually reviews appraisals in considering a loan application. The performance of the appraisers is also subject to internal evaluations using scorecards and are assessed periodically. The loan applications are designed primarily to determine the borrower's ability to repay the requested loan, and all information provided with the application and checklists provided as part of the application package are evaluated by the loan underwriting department.

The real estate lending approval process starts with the processing of the application package, which is reviewed for completeness and then all necessary agency reports are ordered. Upon initial review and preparation of preliminary documents by the processors in the underwriting department, the file is assigned to an underwriter. The underwriters are responsible for presenting the loan request along with a recommendation, to the Loan Committee, and to the Board of Directors when the credit exposure is greater than the Loan Committee's authority or there are exceptions to the loan policy. If approved, closed and booked, the loan reviewers then undertake the responsibility of monitoring the credit file for the life of the loan by assessing the borrower's creditworthiness periodically, given certain criteria and following certain operating procedures. An independent third party also performs loan reviews following similar criteria and scope under the oversight of the Audit Committee of the Board of Directors.

The Bank's non-real estate lending is also subject to written policies, underwriting standards and operating procedures. Decisions on these loans requests are made on the basis of applications submitted by the prospective borrowers credit histories that the Bank obtains where applicable, borrower cash flows, as obtained directly from bank statements and predictive algorithms based on expected cash flows. Certain of these loans maybe wholly or partly collateralized by cash or business assets.

Loans Held for Sale. At this time, the Bank does not originate loans with the intent of selling them into the secondary market.

Mortgage World loans held for sale, at fair value, include residential mortgages that were originated in accordance with secondary market pricing and underwriting standards. Mortgage World intends to sell these loans on the secondary market. As of March 31, 2021 and December 31, 2020, approximately 6.9% and 4.7%, respectively, of Mortgage World total originated loan volume was insured and approximately 78.5% and 83.0%, respectively, of total originated loan volume was sold to three investors. Mortgage World is permitted to close loans in five states and has closed as of March 31, 2021 and December 31, 2020, approximately 98.8% and 98.6%, respectively, of its loan volume in New York and New Jersey.

Delinquencies and Non-Performing Assets

Delinquency Procedures. Collection efforts commence the day following the grace period, normally on the 17th of the month. Those loans that have experienced sporadic late payments over the previous 12 months are reviewed with a greater degree of diligence. Late notices are generated and distributed on the 17th and 30th day of the month. Collection efforts pursued up until the 90th day past due. At that time, the Bank usually will initiate legal proceedings for collection or foreclosure unless it is in the best interest of the Bank to work further with the borrower to arrange a suitable workout plan.

Prior to acquiring property through foreclosure proceedings, the Bank will obtain an updated appraisal to determine the fair market value and proceed with net adjustments according to accounting principles. Board of Directors approval is required to pursue a foreclosure.

For the three months ended March 31, 2021, the Bank collected $20,000, of interest income on non-accruing troubled debt restructured loans, of which $2,000 was recognized into income. The remaining interest collected on non-accruing troubled debt restructured loans for this period was applied as a principal reduction for the remaining life of the loan, or until the loan is deemed performing.

For the years ended December 31, 2020 and 2019, the Bank collected $100,000 and $162,000, respectively, of interest income on non-accruing troubled debt restructured loans, of which $7,000 and $24,000, respectively, was recognized into income. The remaining interest collected on non-accruing troubled debt restructured loans for these periods was applied as a principal reduction for the remaining life of the loan, or until the loan is deemed performing.

Delinquent Loans. The following table sets forth the Bank's loan delinquencies, including non-accrual loans, by type and amount at the dates indicated.

	At March 31,			At December 31,					
	2021			2020			2019		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)								
Mortgages:									
1-4 Family residential									
Investor-owned	$ 4,739	$ —	$ 1,885	$ 2,222	$ 1,507	$ 1,907	$ 3,866	$ —	$ 1,082
Owner-occupied	380	818	1,460	1,572	348	1,100	3,405	—	1,295
Multifamily residential	—	—	946	1,140	—	946	3,921	—	—
Nonresidential properties	—	—	3,281	—	—	3,272	3	—	3,708
Construction and land	—	—	—	—	—	—	—	—	—
Nonmortgage Loans:									
Business	500	—	—	100	—	—	—	—	—
Consumer	2,310	735	1,242	497	316	175	—	—	—
Total	$ 7,929	$ 1,553	$ 8,814	$ 5,531	$ 2,171	$ 7,400	$ 11,195	$ —	$ 6,085

Non-Performing Assets. The following table sets forth information regarding non-performing assets excluding mortgage loans held for sale at fair value. Non-performing assets are comprised of non-accrual loans, non-accrual troubled debt restructured loans, and other real estate owned. Non-accrual loans include non-accruing troubled debt restructured loans of $3.1 million at March 31, 2021 and $3.1 million, $3.6 million, $3.6 million, $4.6 million, and $2.7 million at December 31, 2020, 2019, 2018, 2017 and 2016, respectively.

	At March 31,	At December 31,				
	2021	2020	2019	2018	2017	2016
	(Dollars in thousands)					
Nonaccrual loans:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ 2,907	$ 2,808	$ 2,312	$ 205	$ 1,034	$ 809
Owner-occupied	1,585	1,053	1,009	1,092	2,624	1,463
Multifamily residential	946	946	—	16	521	—
Nonresidential properties	3,761	3,776	3,555	706	1,387	1,614
Construction and land	—	—	1,118	1,115	1,075	1,145
Nonmortgage loans:						
Business	—	—	—	—	147	22
Consumer	—	—	—	—	—	—
Total nonaccrual loans (not including non-accruing troubled debt restructured loans)	$ 9,199	$ 8,583	$ 7,994	$ 3,134	$ 6,788	$ 5,053
Non-accruing troubled debt restructured loans:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ 246	$ 249	$ 467	$ 1,053	$ 1,144	$ 1,240
Owner-occupied	2,195	2,197	2,491	1,987	2,693	646
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	661	654	646	604	783	783
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total non-accruing troubled debt restructured loans	3,102	3,100	3,604	3,644	4,620	2,669
Total nonaccrual loans	$ 12,301	$ 11,683	$ 11,598	$ 6,778	$ 11,408	$ 7,722
Total nonperforming assets	$ 12,301	$ 11,683	$ 11,598	$ 6,778	$ 11,408	$ 7,722
Accruing loans past due 90 days or more:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ —	$ —	$ —	$ —	$ 7	$ —
Owner-occupied	—	—	—	—	—	—
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	—	—	—	—	—	—
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total accruing loans past due 90 days or more	$ —	$ —	$ —	$ —	$ 7	$ —
Accruing troubled debt restructured loans:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ 3,362	$ 3,378	$ 5,191	$ 5,192	$ 6,559	$ 6,422
Owner-occupied	2,466	2,505	2,090	3,456	4,756	7,271
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	750	754	1,306	1,438	1,958	4,066
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	14	374	477	593
Consumer	—	—	—	—	—	—
Total accruing troubled debt restructured loans	$ 6,578	$ 6,637	$ 8,601	$ 10,460	$ 13,750	$ 18,352
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans	$ 18,879	$ 18,320	$ 20,199	$ 17,238	$ 25,165	$ 26,074
Total nonperforming loans to total gross loans	99.00%	1.00%	1.20%	0.73%	1.41%	1.20%
Total nonperforming assets to total assets	86.00%	0.86%	1.10%	0.64%	1.23%	1.04%
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans to total assets	1.32%	1.35%	1.92%	1.63%	2.72%	3.50%

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities, considered by the OCC to be of lesser quality, as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the Bank will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss allowance is not warranted. Assets which do not currently expose the

Bank to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management.

Under OCC regulations, when an insured institution classifies problem assets as either substandard or doubtful, it may establish general or specific loss allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific loss allowances.

In connection with the filing of the Bank's periodic reports with regulatory agencies and in accordance with its classification of assets policy, it regularly reviews the loans in its portfolio to determine whether any loans require classification in accordance with applicable regulations.

On the basis of this review of loans, the Bank's classified and special mention loans at the dates indicated were as follows:

	At March 31,	At December 31,				
	2021	2020	2019	2018	2017	2016
	(Dollars in thousands)					
Classified Loans:						
Substandard	$ 20,294	$ 20,508	$ 22,787	$ 18,665	$ 22,999	$ 19,225
Total classified loans	20,294	20,508	22,787	18,665	22,999	19,225
Special mention loans	8,966	19,546	17,355	14,394	5,317	2,549
Total classified and special mention loans	$ 29,260	$ 40,054	$ 40,142	$ 33,059	$ 28,316	$ 21,774

Substandard loans decreased $214,000, or 1.0%, to $20.3 million at March 31, 2021 compared to $20.5 million at December 31, 2020. The decrease of substandard loans was primarily attributable to decreases of $163,000 in 1-4 family, $34,000 in multifamily loans, and $17,000 in nonresidential loans.

Substandard loans decreased $2.3 million, or 10.0%, to $20.5 million at December 31, 2020 compared to $22.8 million at December 31, 2019. The decrease of substandard loans was primarily attributable to decreases of $8.4 million in construction and land loans and $379,000 in a 1-4 family owner occupied loan, offset by increases of $5.2 million in multifamily loans, $663,000 in 1-4 family investor owned loans and $582,000 in nonresidential loans.

Special mention loans decreased $10.6 million, or 54.1%, to $9.0 million at March 31, 2021 compared to $19.5 million at December 31, 2020. The decrease was primarily attributable to construction and land loans.

Special mention loans increased $2.2 million, or 12.6%, to $19.5 million at December 31, 2020 compared to $17.4 million at December 31, 2019. The increase was primarily attributable to two construction multi-family loans which increased in the aggregate by $2.3 million, or 15.2%, to $17.2 million offset by a decrease of $79,000, or 13.3%, in 1-4 family investor owned loans.

Troubled Debt Restructured Loans. The Bank occasionally modifies loans to help borrowers stay current on their loans and to avoid foreclosure. The Bank considers modifications only after analyzing a borrower's current repayment capacity, evaluating the strength of any guarantors based on documented current financial information, and assessing the current value of any collateral pledged. The Bank generally does not forgive principal or interest on loans, but may do so if it is in its best interest and increases the likelihood that it can collect the remaining principal balance. The Bank may modify the terms of loans to lower interest rates, which may be at below market rates, to provide for fixed interest rates on loans where fixed rates are otherwise not available, or to provide for interest-only terms. These modifications are made only when there is a reasonable and attainable workout plan that has been agreed to by the borrower and is in the Bank's best interests.

At both March 31, 2020 and December 31, 2020, there were 32 loans modified as troubled debt restructured loans totaling $9.7 million. Of these, seven troubled debt restructured loans, totaling $3.1 million, were included in non-accrual loans and the remaining 25 troubled debt restructured loans, totaling $6.6 million, had been performing in accordance with their modified terms for a minimum of six months since the date of restructuring and are accruing interest.

For the three months ended March 31, 2021 and for the year ended December 31, 2020, there were no loans modified to troubled debt restructured. For the year ended December 31, 2019, there was one troubled debt restructured loan amounting to $275,000.

Under the CARES Act, COVID-19 related modifications to loans that were current as of December 31, 2019 are exempt from troubled debt restructured classification under GAAP. In addition, the bank regulatory agencies have issued interagency guidance stating that COVID-19 related short-term modifications (i.e., six months or less) for loans that were current as of the loan modification program implementation date are not troubled debt restructured. As of March 31, 2021, we had granted short-term deferrals on [ ] loans that were otherwise performing, totaling $ [ ] million. As of March 31, 2021, [ ] of these loans, totaling $ [ ] million, have returned to normal payment status.

Allowance for Loan Losses. The Bank has approved and maintained an appropriate, systematic and consistently applied process to determine the dollar amounts of the allowance for loan and lease losses (“ALLL”) that is adequate to absorb inherent losses in the loan portfolio and other held financial instruments. An inherent loss, as defined by GAAP, and applicable banking regulations, is an unconfirmed loss that probably exists based on the information that is available as of the evaluation date. It is not a loss that may arise from events that might occur as a result of a possible future event. Arriving at an appropriate allowance involves a high degree of management’s judgment, is inevitably imprecise and results in a range of possible losses.

The determination of the dollar amounts of the ALLL is based on management’s current judgments about the credit quality of the loan portfolio taking into consideration all known relevant internal and external factors that affect loan payments at the end of each month. The dollar amounts reported each month for the ALLL are reviewed at least quarterly by the Board of Directors. To ensure that the methodology remains appropriate for the Bank, the Board of Directors periodically has the methodology validated externally and causes revisions to be made when appropriate. The Audit Committee of the Board of Directors oversees and monitors the internal controls over the ALLL determination process. The Bank adheres to a safe and sound banking practice by maintaining, analyzing, and supporting an adequate ALLL in accordance with GAAP and supervisory guidance.

The Bank’s ALLL methodology consists of a system designed and implemented to estimate loan and lease losses. The Bank’s ALLL methodology incorporates management’s current judgments about the credit quality of the loan and lease portfolio through a disciplined and consistently applied process.

The Bank’s loan policy requires the following when the Bank calculates the level of ALLL:

- All loans shall be taken into consideration in the ALLL methodology whether on an individual or group basis.
- The Bank shall identify all loans to be evaluated for impairment on an individual basis under ASC 310 and segment the remainder of the loan portfolio into groups (pools) of loans with similar risk characteristics for evaluation and analysis under ASC 450.
- All known relevant internal and external factors that may affect the collection of the loan shall be taken into consideration.
- All known relevant internal and external factors that may affect loan collectability shall be considered and applied consistently; however, when appropriate, these factors may be modified for new factors affecting loan collectability.
- The particular risks inherent in different kinds of lending shall be taken into consideration.
- The current collateral values, less the costs to sell, shall be taken into consideration when applicable.
- The Bank shall require that competent and well-trained personnel perform the analysis, estimates, reviews and other ALLL methodology functions.
- The ALLL methodology shall be based on current and reliable information.
- The ALLL methodology shall be well documented, in writing, with clear explanations of the supporting analyses and rationale.

The ALLL methodology shall include a systematic and logical method to consolidate the loss estimates and ensure the ALLL balance is recorded in accordance with GAAP.

Loan pools with similar risk characteristics. Loss histories are the starting point for the calculation of ALLL balances. Loss histories are calculated for each of the pools by aggregating the historical losses less recoveries within the respective pools and annualizing the number over the determined length of time. The length of time may vary according to the relevance of past periods' experience to the current period, among other considerations. The Bank currently uses a prior twelve quarter rolling average for its historical loss rates.

Each pool's historical loss rate is adjusted for the effects of the qualitative or environmental factors. The factors analyzed include:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices.
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.
- Changes in the nature and volume of the portfolio and in the terms of loans.
- Changes in the experience, ability and depth of lending management and other relevant staff.
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans.
- Changes in the quality of the Bank's loan review system.
- Changes in the value of underlying collateral for collateral-dependent loans.
- The existence and effect of any concentration of credit, and changes in the level of such concentrations.
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Bank's existing portfolio.

The Bank utilizes a risk-based approach to determine the appropriate adjustments for each qualitative factor. A matrix containing definitions of low, medium, and high risk levels is used to assess the individual factors to determine their respective directional characteristics. These risk levels serve as the foundation for determining the individual adjustments for each factor for each pool of loans.

The qualitative factor adjustments are supported by applicable reports, graphs, articles and any other relevant information to evidence and document management's judgment as to the respective levels of risk and adjustment requirements.

Each of the qualitative adjustment factors is applied to each of the loan pools to reflect adjustments that increase or decrease the historical loss rates applied to each loan pool. Each of these adjustment factors is individually supported and justified, and a discrete narrative for each loan pool reflects current information, events, circumstances and conditions influencing the adjustment. The narratives include descriptions of each factor, management's analysis of how each factor has changed over time, which loan pool's loss rates have been adjusted, the amount by which loss estimates have been adjusted for changes in conditions, an explanation of how management estimated the impact, and other available data that support the reasonableness of the adjustments.

Once these qualitative adjustment factors are determined for each pool of loans, they are added to the historical loss numbers for each corresponding pool of loans to arrive at a loss factor for each pool based on historical loss experience and qualitative or environmental influences. These loss factors are adjusted to appropriately reflect the respective risk rating categories within each pool by applying the weighting factors described above to those loans within the respective pool's risk rates.

The series of calculations described above can be expressed as the following equation:

$[(H*P) + (Q*P)] = R$, where

H = Historical loss factor for the pool

Q = Qualitative/Environmental aggregate adjustment for the pool

P = Total loans within the pool

R = Required reserve amount for the risk rating category within the pool

Specific allowances for identified problem loans. The Bank considers a loan to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. All troubled debt restructured loans and loans on non-accrual status are deemed to be impaired. A specific valuation allowance is established for the impairment amount of each loan, calculated using the present value of expected cash flows, observable market price, or the fair value of the collateral, in accordance with the most likely means of recovery.

Factors evaluated in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The Bank 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.

An unallocated component may be maintained to cover uncertainties that could affect our estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Validation of the ALLL. The Bank considers its ALLL methodology valid when it accurately estimates the amount of probable loss contained in the loan portfolio. The Bank has employed procedures, including the following, when validating the reasonableness of its ALLL methodology and determining whether there may be deficiencies in its overall methodology or loan grading process:

- A review of trends in loan volume, delinquencies, loan restructurings and concentrations.
- A review of previous charge-offs and recovery history, including an evaluation of the timeliness of the entries to record both the charge-offs and the recoveries.
- At a minimum, an annual review by a third party that is independent of the ALLL estimation process.
- An evaluation of the appraisal process of the underlying collateral.

The Bank supports the independent validation process with the work papers from the ALLL review function and may include the summary findings of an independent reviewer. The Board reviews the findings and acknowledges its review in the minutes of its meeting. If the methodology is changed based upon the findings of the validation process, the documentation that describes and supports the changes is maintained.

As an integral part of its examination process, the OCC will periodically review the Bank's allowance for loan losses. Following such review, the Bank may determine that it is appropriate to recognize additions to the allowance based on its judgment and information available to it at the time of such examination.

Current expected credit losses. On June 16, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, the current expected credit losses ("CECL") standard. In October 2019, the FASB voted to defer implementation of the standard for non-public business entities and smaller reporting companies, such as the Company, to fiscal years beginning after December 15, 2022. In response to the new model, the Bank has reassessed its risk management policies and procedures in order for it to successfully implement CECL. Once adopted, the Bank will have to estimate the allowance for loan losses on expected losses rather than incurred losses.

The following table sets forth activity in the allowance for loan losses for the periods indicated.

	For the Three Months Ended March 31,		For the Years Ended December 31,				
	2021	2020	2020	2019	2018	2017	2016
	(Dollars in thousands)						
Allowance at beginning of the period	$ 14,870	$ 12,329	$ 12,329	$ 12,659	$ 11,071	$ 10,205	$ 9,484
Provision (recovery) for loan losses	686	1,146	2,443	258	1,249	1,716	(57)
Charge-offs:							
Mortgage loans:							
1-4 family residential							
Investor-owned	—	—	—	(8)	—	—	(38)
Owner-occupied	—	—	—	—	—	—	—
Multifamily residential	—	—	—	—	—	—	(3)
Nonresidential properties	—	—	—	—	—	—	—
Construction and land	—	—	—	—	—	—	(85)
Nonmortgage loans:							
Business	—	—	—	(724)	(34)	(1,423)	—
Consumer	(50)	—	(6)	—	(14)	(6)	(13)
Total charge-offs	(50)	—	(6)	(732)	(48)	(1,429)	(139)
Recoveries:							
Mortgage loans:							
1-4 family residential							
Investor-owned	—	—	—	23	1	25	18
Owner-occupied	—	—	—	—	250	176	142
Multifamily residential	—	—	—	—	—	2	1
Nonresidential properties	—	2	4	9	9	9	9
Construction and land	—	—	—	—	—	2	5
Nonmortgage loans:							
Business	2	7	95	110	122	359	733
Consumer	—	—	5	2	5	6	9
Total recoveries	2	9	104	144	387	579	917
Net recoveries (charge-offs)	(48)	9	98	(588)	339	(850)	778
Allowance at end of the period	$ 15,508	$ 13,484	$ 14,870	$ 12,329	$ 12,659	$ 11,071	$ 10,205
Allowance for loan losses as a percentage of nonperforming loans	126.07%	138.47%	127.28%	106.30%	186.77%	97.05%	132.15%
Allowance for loan losses as a percentage of total loans	1.24%	1.37%	1.27%	1.28%	1.36%	1.37%	1.57%
Net recoveries (charge-offs) to average loans outstanding during the period	(0.02%)	0.00%	0.01%	(0.06%)	0.04%	(0.12%)	0.13%

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan and lease losses by loan category and the percent of the allowance in each category to the total allowance at the dates indicated. The allowance for loan and lease losses of each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At March 31,			At December 31,					
	2021			2020			2019		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)								
Mortgage loans:									
1-4 family residential									
Investor-owned	$ 3,844	24.78%	25.51%	$ 3,850	25.90%	27.27%	$ 3,503	28.42%	31.60%
Owner-occupied	1,274	8.22%	8.02%	1,260	8.47%	8.43%	1,067	8.65%	9.52%
Multifamily residential	5,440	35.08%	25.28%	5,214	35.06%	26.23%	3,865	31.35%	25.90%
Nonresidential properties	2,184	14.08%	17.28%	2,194	14.75%	18.68%	1,849	15.00%	21.45%
Construction and land	1,927	12.43%	9.57%	1,820	12.24%	9.03%	1,782	14.45%	10.28%
Total mortgage loans	14,669	94.59%	85.66%	14,338	96.42%	89.64%	12,066	97.87%	98.75%
Nonmortgage loans:									
Business	246	1.59%	11.40%	254	1.71%	8.10%	254	2.06%	1.13%
Consumer	593	3.82%	2.94%	278	1.87%	2.26%	9	0.07%	0.12%
Total nonmortgage loans	839	5.41%	14.34%	532	3.58%	10.36%	263	2.13%	1.25%
Total	$ 15,508	100.00%	100.00%	$ 14,870	100.00%	100.00%	$ 12,329	100.00%	100.00%

	At December 31,								
	2018			2017			2016		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)								
Mortgage loans:									
1-4 family residential									
Investor-owned	$ 3,799	30.01%	32.61%	$ 3,716	33.57%	35.51%	$ 3,146	30.83%	34.90%
Owner-occupied	1,208	9.55%	9.98%	1,402	12.66%	12.47%	1,805	17.69%	14.98%
Multifamily residential	3,829	30.25%	25.01%	3,109	28.08%	23.31%	2,705	26.51%	24.28%
Nonresidential properties	1,925	15.20%	21.18%	1,424	12.86%	18.70%	1,320	12.92%	18.64%
Construction and land	1,631	12.88%	9.42%	1,205	10.89%	8.31%	615	6.03%	4.66%
Total mortgage loans	12,392	97.89%	98.20%	10,856	98.06%	98.30%	9,591	93.98%	97.46%
Nonmortgage loans:									
Business	260	2.05%	1.69%	209	1.89%	1.59%	597	5.85%	2.41%
Consumer	7	0.06%	0.11%	6	0.05%	0.11%	17	0.17%	0.13%
Total nonmortgage loans	267	2.11%	1.80%	215	1.94%	1.70%	614	6.02%	2.54%
Total	$ 12,659	100.00%	100.00%	$ 11,071	100.00%	100.00%	$ 10,205	100.00%	100.00%

At March 31, 2021, the allowance for loan and lease losses represented 1.24% of total gross loans and 126.07% of nonperforming loans compared to 1.27% of total loans and 127.28% of nonperforming loans at December 31, 2020. The allowance for loan and lease losses increased to $15.5 million at March 31, 2021 from $14.9 million at December 31, 2020. There were $2,000 in net recoveries and $50,000 in net charge-offs during the three months ended March 31, 2021.

At December 31, 2020, the allowance for loan and lease losses represented 1.27% of total gross loans and 127.28% of nonperforming loans compared to 1.28% of total loans and 106.30% of nonperforming loans at December 31, 2019. The allowance for loan and lease losses increased to $14.9 million at December 31, 2020 from $12.3 million at December 31, 2019. There were $98,000 in net recoveries and $588,000 in net charge-offs during the years ended December 31, 2020 and 2019, respectively.

Although the Bank believes that it uses the best information available to establish the ALLL, future adjustments to the allowance may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations, as occurred in 2020 due to the COVID-19 pandemic. Furthermore, although the Bank believes that it has established the ALLL in conformity with GAAP, after a review of the loan portfolio by regulators, the Bank may determine it is appropriate to increase the ALLL. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, the existing ALLL may not be adequate and increases may be necessary should the quality of any loan or lease deteriorate as a result of the factors discussed above. Any material increase in the ALLL may adversely affect the Bank's financial condition and results of operations.

Investment Activities

General. The Bank's investment policy was adopted and is reviewed annually by the Board of Directors. The Chief Financial Officer (designated as the Chief Investment Officer) will plan and execute investment strategies consistent with the policies approved by the Board of Directors. The Chief Financial Officer provides an investment schedule detailing the investment portfolio which is reviewed at least quarterly by the Bank's asset-liability committee and the Board of Directors.

The current investment policy permits, with certain limitations, investments in United States Treasury securities; securities issued by the U.S. government and its agencies or government-sponsored enterprises including mortgage-backed and collateralized mortgage obligations ("CMO") issued by Fannie Mae, Ginnie Mae and Freddie Mac; and corporate bonds and obligations, and certificates of deposit in other financial institutions.

At March 31, 2021 and December 31, 2020 and 2019, the investment portfolio consisted of available-for-sale and held-to-maturity securities and obligations issued by the U.S. government and government-sponsored enterprises, corporate bonds and the FHLBNY stock. At March 31, 2021 and December 31, 2020 and 2019, the Bank owned $6.1 million, $6.4 million and $5.7 million, respectively, of FHLBNY stock. As a member of FHLBNY, the Bank is required to purchase stock from the FHLBNY which is carried at cost and classified as restricted equity securities.

Securities Portfolio Composition. The following table sets forth the amortized cost and estimated fair value of the available-for-sale and held-to-maturity securities portfolios at the dates indicated, which consisted of U.S. government and federal agencies, corporate bonds, pass-through mortgage-backed securities and certificates of deposit.

	At March 31,		At December 31,									
	2021		2020		2019		2018		2017		2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)											
Available-for-Sale Securities:												
U.S. Government and Federal Agencies	$ —	$ —	$ —	$ —	$ 16,373	$ 16,354	$ 20,924	$ 20,515	$ 24,911	$ 24,552	$ 41,906	$ 41,559
U.S. Government Bonds	$ 2,978	$ 2,988	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
US Treasury	—	—	—	—	—	—	4,997	4,995	—	—	—	—
Corporate Bonds	13,408	13,557	10,381	10,463	—	—	—	—	—	—	—	—
Certificates of Deposit	—	—	—	—	—	—	—	—	—	—	500	500
Mortgage-Backed Securities												
FHLMC Certificates	—	—	3,201	3,196	—	—	—	—	—	—	192	216
Collateralized Mortgage Obligations	7,044	6,975	—	—	—	—	—	—	—	—	—	—
FNMA Certificates	7,161	7,161	3,506	3,567	4,680	4,659	778	759	1,118	1,103	3,600	3,606
GNMA Certificates	241	248	263	272	482	491	870	875	3,205	3,242	6,744	6,809
Total available-for-sale securities	$ 30,832	$ 30,929	$ 17,351	$ 17,498	$ 21,535	$ 21,504	$ 27,569	$ 27,144	$ 29,234	$ 28,897	$ 52,942	$ 52,690
Held-to-Maturity Securities:												
FHLMC Certificates	$ 1,732	$ 1,661	$ 1,743	$ 1,722	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total held-to-maturity securities	$ 1,732	$ 1,661	$ 1,743	$ 1,722	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

At March 31, 2021 and December 31, 2020, there were no securities of which the amortized cost or estimated value exceeded 10% of total equity**.**

Mortgage-Backed Securities. At March 31, 2021 and December 31, 2020, the Bank had mortgage-backed securities with a carrying value of $16.2 million and $8.7 million, respectively. Mortgage-backed securities are securities issued in the secondary market that are collateralized by pools of mortgages. Certain types of mortgage-backed securities are commonly referred to as “pass through” certificates because the underlying loans are “passed through” to investors, net of certain costs, including servicing and guarantee fees. Mortgage-backed securities typically are collateralized by pools of one-to-four family residential or multifamily residential mortgages, although the Bank invests primarily in mortgage-backed securities backed by one-to-four family residential mortgages. The issuers of such securities sell the participation interests to investors such as the Bank. The interest rate of the security is lower than the interest rates of the underlying loans to allow for payment of servicing and guaranty fees. All of the Bank’s mortgage-backed securities are backed by Freddie Mac and Fannie Mae, which are government-sponsored enterprises, or Ginnie Mae, which is a government-owned enterprise.

Residential mortgage-backed securities issued by U.S. government agencies and government-sponsored enterprises are more liquid than individual mortgage loans because there is an active trading market for such securities. In addition, residential mortgage-backed securities may be used to collateralize borrowings. Investments in residential mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on the securities. Current prepayment speeds determine whether prepayment estimates require modification that could cause amortization or accretion adjustments.

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at December 31, 2020 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. Adjustable-rate mortgage-backed securities are included in the period in which interest rates are next scheduled to adjust.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Available-for-Sale Securities:											
U.S. Government and Federal Agencies	$ —	—	$ —	—	$ —	—	$ —	—	$ —	$ —	—
US Treasury	—	—	—	—	—	—	—	—	—	—	—
Corporate Bonds	—	—	2,651	1.66%	7,730	5.02%	—	—	10,381	10,463	4.16%
Mortgage-Backed Securities											
FHLMC Certificates	—	—	—	—			3,201	0.75%	3,201	3,196	0.75%
FNMA Certificates	—	—	300	1.79%	—	—	3,206	1.44%	3,506	3,567	1.47%
GNMA Certificates	—	—	—	—	—	—	263	1.66%	263	272	1.66%
Total available-for-sale securities	$ —	—	$ 2,951	1.67%	$ 7,730	5.02%	$ 6,670	1.12%	$ 17,351	$ 17,498	2.95%
Held-to-Maturity Securities:											
FHLMC Certificates	$ —	—	$ —	—	$ —	—	$ 1,743	1.98%	1,743	$ 1,722	1.98%
Total held-to-maturity securities	$ —	—	$ —	—	$ —	—	$ 1,743	1.98%	$ 1,743	$ 1,722	1.98%

Sources of Funds

General. Deposits have traditionally been the Bank’s primary source of funds for use in lending and investment activities. The Bank also uses borrowings, primarily from the FHLBNY, brokered and listing service deposits, and unsecured lines of credit with correspondent banks, to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk and manage the cost of funds. In addition, the Bank receives funds from scheduled loan payments, investment principal and interest payments, maturities and calls, loan prepayments and income on earning assets. Although scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Deposits are generated primarily from the Bank’s primary market area. The Bank offers a selection of deposit accounts, including demand accounts, NOW/IOLA accounts, money market accounts, reciprocal deposits, savings accounts and certificates of deposit to individuals, business entities, non-profit organizations and individual retirement accounts. Deposit account terms vary, with the primary differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate.

Interest rates paid, maturity terms, service fees and premature withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals. The Bank relies upon personalized customer service, long-standing relationships with customers and the favorable image of the Bank in the community to attract and retain deposits. The Bank also provides a fully functional electronic banking platform, including mobile applications, remote deposit capture and online bill pay, among others, as a service to retail and business customers.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The ability to attract and maintain these and other interest-bearing deposits, and the rates paid on them, have been, and will continue to be, significantly affected by competition and economic and market conditions.

The following table sets forth the average balance and weighted average rate of deposits for the periods indicated.

	For the Three Months Ended March 31,			For the Years Ended December 31,								
	2021			2020			2019			2018		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)											
Deposit type:												
NOW/IOLA	$ 33,085	3.13%	0.47%	$ 29,792	3.31%	0.51%	$ 27,539	3.51%	0.44%	$ 28,182	3.74%	0.36%
Money market	277,104	26.19%	0.44%	207,454	23.05%	0.90%	124,729	15.88%	2.04%	60,113	7.97%	1.17%
Savings	126,961	12.00%	0.12%	118,956	13.22%	0.12%	119,521	15.22%	0.13%	125,395	16.63%	0.61%
Certificates of deposit	405,980	38.35%	1.22%	379,276	42.14%	1.73%	403,010	51.30%	1.90%	439,737	58.32%	1.73%
Interest-bearing deposits	843,130	79.67%	0.77%	735,478	81.72%	1.19%	674,799	85.90%	1.56%	653,427	86.66%	1.31%
Non-interest bearing demand	215,116	20.33%	—%	164,555	18.28%	—%	110,745	14.10%	—%	100,628	13.34%	—%
Total deposits	$ 1,058,246	100.00%	0.61%	$ 900,033	100.00%	0.97%	$ 785,544	100.00%	1.34%	$ 754,055	100.00%	1.14%

The following table sets forth deposit activities for the periods indicated.

	At or For the Three Months Ended March 31,	At or For the Years Ended December 31,		
	2021	2020	2019	2018
	(Dollars in thousands)			
Beginning balance	$ 1,029,579	$ 782,043	$ 809,758	$ 713,985
Net deposits (withdrawals) before interest credited	107,366	238,786	(38,219)	87,185
Interest credited	1,601	8,750	10,504	8,588
Net increase (decrease) in deposits	108,967	247,536	(27,715)	95,773
Ending balance	$ 1,138,546	$ 1,029,579	$ 782,043	$ 809,758

The following table sets forth certificates of deposit classified by interest rate as of the dates indicated.

	At March 31,	At December 31,		
	2021	2020	2019	2018
	(Dollars in thousands)			
Interest Rate:				
0.05% - 0.99%	$ 235,804	$ 150,152	$ 8,452	$ 11,749
1.00% - 1.49%	75,095	85,958	62,492	84,484
1.50% - 1.99%	40,029	45,405	94,020	103,423
2.00% - 2.49%	72,797	103,301	172,596	187,453
2.50% - 2.99%	12,504	18,123	44,961	31,338
3.00% and greater	2,943	4,048	6,977	5,639
Total	$ 439,172	$ 406,987	$ 389,498	$ 424,086

The following table sets forth the amount and maturities of certificates of deposit by interest rate at March 31, 2021.

	Period to Maturity					
	Less Than or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three Years	Total	Percent of Total
	(Dollars in thousands)					
Interest Rate Range:						
0.05% - 0.99%	$ 139,125	$ 13,165	$ 552	$ 82,962	$ 235,804	53.69%
1.00% - 1.49%	46,025	15,483	9,346	4,241	75,095	17.11%
1.50% - 1.99%	25,567	5,977	2,391	6,094	40,029	9.11%
2.00% - 2.49%	36,591	30,233	2,255	3,718	72,797	16.58%
2.50% - 2.99%	7,031	1,482	505	3,486	12,504	2.85%
3.00% and greater	829	—	945	1,169	2,943	0.66%
Total	$ 255,168	$ 66,340	$ 15,994	$ 101,670	$ 439,172	100.00%

At March 31, 2021, the aggregate amount of all certificates of deposit in amounts greater than or equal to $100,000 was $220.4 million. The following table sets forth the maturity of those certificates as of March 31, 2021.

Maturity Period:	At March 31, (Dollars in thousands)
Three months or less	$ 33,937
Over three months through six months	63,843
Over six months through one year	56,392
Over one year to three years	32,472
Over three years	33,719
Total	$ 220,363

At March 31, 2021, certificates of deposit equal to or greater than $250,000 totaled $106.2 million of which $68.3 million matures on or before March 31, 2022. At March 31, 2021, passbook savings accounts and certificates of deposit with passbook collateral totaled $143.7 million, reflecting depositors' preference for traditional banking services.

Borrowings. The Bank may obtain advances from the FHLBNY by pledging as security its capital stock at the FHLBNY and certain of its mortgage loans and mortgage-backed securities. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. To the extent such borrowings have different terms to repricing than the Bank's deposits, they can change the Bank's interest rate risk profile. At March 31, 2021 and December 31, 2020 the Bank had $109.3 million and $117.3 million of outstanding FHLBNY advances, respectively. Additionally, the Bank has an unsecured line of credit in the amount of $25.0 million with a correspondent bank, of which none was outstanding at March 31, 2021 and December 31, 2020. The Bank also had a guarantee from the FHLBNY through letters of credit in an amount of up to $61.5 million at March 31, 2021 and December 31, 2020.

Warehouse Line of Credit. Mortgage World maintains two warehouse lines of credit with financial institutions for the purpose of funding the origination and sale of residential mortgages. The lines of credit are repaid with proceeds from the sale of the mortgage loans. The lines are secured by the assets collaterizing underlying mortgages originated by Mortgage World. The agreements with the warehouse lenders provide for certain restrictive covenants such as minimum net worth and liquidity ratios. As of March 31, 2021 and December 31, 2020, Mortgage World was in full compliance with all financial covenants. At March 31, 2021 and December 31, 2020, Mortgage World utilized $11.7 million and $30.0 million for funding of loans held for sale and had unused line of credit of $13.3 million and $4.9 million, respectively.

The following table sets forth information concerning balances and interest rates on borrowings at the dates and for the periods indicated.

	At or For the Three Months March 31,	At or For the Years December 31,				
	2021	2020	2019	2018	2017	2016
	(Dollars in Thousands)					
FHLBNY Advances:						
Balance outstanding at end of period	$ 109,255	$ 117,255	$ 104,404	$ 44,404	$ 16,400	$ 3,000
Average amount outstanding during the period	109,255	116,947	81,404	32,157	9,738	1,145
Maximum outstanding at any month-end during the period	109,255	152,284	169,404	44,404	55,000	12,000
Weighted average interest rate during the period	2.02%	2.03%	2.32%	1.87%	1.08%	0.61%
Weighted average interest rate at the end of the period	2.02%	1.90%	2.21%	2.72%	2.02%	0.78%
Correspondent Borrowings:						
Balance outstanding at end of period	$ —	$ —	$ —	$ 25,000	$ 20,000	$ —
Average amount outstanding during the period	—	—	—	2,729	548	—
Maximum outstanding at any month-end during the period	—	—	—	25,000	20,000	—
Weighted average interest rate during the period	—	—	—	2.26%	1.64%	—
Weighted average interest rate at the end of the period	—	—	—	2.64%	1.64%	—
Warehouse Lines of Credit:						
Balance outstanding at end of period	$ 11,664	$ 29,961	$ —	$ —	$ —	$ —
Average amount outstanding during the period	6,875	8,461	—	—	—	—
Maximum outstanding at any month-end during the period	17,385	29,961	—	—	—	—
Weighted average interest rate during the period	3.38%	3.34%	—	—	—	—
Weighted average interest rate at the end of the period	3.37%	3.37%	—	—	—	—

Subsidiaries

The Company has two subsidiaries, Ponce Bank and Mortgage World. Ponce Bank has two subsidiaries, Ponce de Leon Mortgage Corp., a New York State chartered mortgage brokerage entity, whose employees are registered in New York and New Jersey, and PFS Services, Corp., which as of March 31, 2021 owned one of the Bank's properties.

Personnel

As of March 31, 2021, the Bank and Mortgage World had a total of 236 full-time equivalent employees. Employees are not represented by any collective bargaining group.

Properties

As of March 31, 2021, the net book value of the Company's office properties including leasehold improvements was $29.5 million, and the net book value of its furniture, fixtures and other equipment and software was $4.1 million. The Company's and the Bank's executive offices are located in an owned facility at 2244 Westchester Avenue, Bronx, New York 10469 and Mortgage World's executive office is located at 32-75 Steinway Street, Astoria, New York 11103.

The following table sets forth information regarding the Company's offices as of March 31, 2021.

Location	Leased or Owned	Year Acquired or Leased	Net Book Value of Real Property (In thousands)
Main Office:			
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	$ 10,006
Other Properties:			
980 Southern Blvd. Bronx, NY 10459	Leased	1990	1,017
37-60 82nd Street Jackson Heights, NY 11372	Owned	2006	8,006
51 East 170th Street Bronx, NY 10452	Leased	2018	852
169-174 Smith Street Brooklyn, NY 11201	Owned	1988	38
1925 Third Avenue New York, NY 1996	Leased	2019	1,727
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	811
5560 Broadway (1) Bronx, NY 10463	Owned	1998	1,128
3405-3407 Broadway Astoria, NY 11106	Leased	2001	427
3821 Bergenline Avenue Union City, NJ 07087	Leased	2021	—
1900-1960 Ralph Avenue Brooklyn, NY 11234	Leased	2007	471
20-47 86th Street Brooklyn, NY 11214	Owned	2010	3,590
100-20 Queens Blvd Forest Hills, NY 11375	Leased	2010	374
319 First Avenue New York, NY 10003	Leased	2010	759
32-75 Steinway Street Astoria, NY 11103	Leased	2020	242
375 Sylvan Avenue Englewood Cliffs, NJ 07632	Leased	2020	—
26-58 Coney Island Avenue Brooklyn, NY 11223	Leased	2020	10
42 South Washington Avenue Bergenfield, NJ 07621	Leased	2020	3
135-14 Northern Blvd. Flushing, NY 11354	Leased	2020	—
			$ 29,461

(1) On June 4, 2021, Ponce Bank completed the sale of the real property located at 5560 Broadway, Bronx, New York. Concurrent with the sale of the real property, the Ponce Bank and the purchaser entered into a fifteen-year agreement whereby the Bank will lease back the real property.

Legal Proceedings

Periodically, there have been various claims and lawsuits against us, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis reflects the Company's consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of the Company's financial condition and results of operations. You should read the information in this section in conjunction with the business and financial information regarding PDL Community Bancorp and the financial statements provided in this prospectus.

Overview

We have made significant investments over the last several years in adding experienced bankers, expanding our lending and relationship staff, absorbing the costs of being a public company, upgrading technology and facilities and acquiring Mortgage World. These investments have increased our operating expenses during those periods. However, during those same periods, we have been able to significantly grow the Bank's loan portfolio while maintaining a moderate risk profile and strengthening its capital.

Abrupt changes in interest rates will present us with a challenge in managing our interest rate risk. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which can result in interest expense increasing more rapidly than increases in interest income as interest rates increase and lowering our interest expense faster than lowering our interest income as interest rates decrease. Therefore, increases in interest rates may adversely affect our net interest income and net economic value, which in turn would likely have an adverse effect on our results of operations. Conversely, decreases in interest rates may have a favorable effect on our net interest income and net economic value, which in turn would likely have a positive effect on our results of operations. As described in "—Management of Market Risk," we expect that our net interest income and our net economic value would react inversely to instantaneous changes in interest rates. To help manage interest rate risk, we promote core deposit products and we are diversifying our loan portfolio by introducing new lending programs. See "—Business Strategy", "—Management of Market Risk" and "Risk Factors—Future changes in interest rates could reduce our profits and asset values."

Employees and Human Capital Resources

As of March 31, 2021, the Company had 236 full time equivalent employees. None of the Company's employees are represented by a labor union, and management considers its relationship with employees to be good. The Company believes its ability to attract and retain employees is key to its success. Accordingly, the Company strives to offer competitive salaries and employee benefits to all employees and monitor salaries and other compensation in its market area.

The Company encourages and supports the growth and development of its employees. Continual learning and career development is advanced through ongoing performance and development conversations with employees, internally developed training programs and educational reimbursement programs.

A significant focus of the Company is the health and well-being, physical and financial, of staff particularly during the COVID-19 pandemic. Recognizing the increasing stress levels of the staff understandably resulting from personal health concerns, the demise of friends, relatives and co-workers, childcare pressures amid telecommuting and increasing costs of food and supplies, to name a few. The Company paid every staff member regardless of work status, provided recurring town hall and mental health sessions, instituted additional compensation for branch personnel, subsidized branch personnel commuting using non-public transportation, facilitated paid-time-off for childcare and ensured staff suffering from the COVID-19 pandemic symptoms had ample paid-time-off. To ensure the proper enforcement of safe distancing rules, the Company retained security guards at all branches, in many cases multiple guards.

Non-GAAP Financial Measures

The following discussion contains a certain non-GAAP financial measure in addition to results presented in accordance with GAAP. The non-GAAP measure is intended to provide the reader with additional supplemental perspective on operating results, performance trends, and financial condition. Non-GAAP financial measures are not a substitute for GAAP measures; they should be read and used in conjunction with the Company's GAAP financial information. The Company's non-GAAP measures may not be comparable to similar non-GAAP information which may be presented by other companies. In all cases, it should be understood that non-GAAP operating measures do not depict amounts that accrue directly to the benefit of shareholders. An item that management excludes when computing non-GAAP adjusted earnings can be of substantial importance to the Company’s results and condition for any particular year. A reconciliation of non-GAAP financial measures to GAAP measures is provided below.

The SEC has exempted from the definition of non-GAAP financial measures certain commonly used financial measures that are not based on GAAP. Management believes that these non-GAAP financial measures are useful in evaluating the Company’s financial performance and facilitate comparisons with the performance of other financial institutions. However, the information should be considered supplemental in nature and not as a substitute for related financial information prepared in accordance with GAAP.

The table below includes references to the Company's net income and earnings per share for the three months ended March 31, 2021 before gain on sale of real property. In management's view, that information, which is considered non-GAAP information, may be useful to investors as it will improve an understanding of core operations for the current and future periods. The non-GAAP net income amount and earnings per share reflect adjustments of the non-recurring gain on sale of real property, net of tax effect. A reconciliation of the non-GAAP information to GAAP net income and earnings per share is provided below.

Non-GAAP Reconciliation – Net Income before Gain on Sale of Real Property (Unaudited)

	Three Months Ended March 31, 2021 (Dollars in thousands, except per share data)	
Net income (loss) - GAAP	$	2,452
Gain on sale of real property		(663)
Income tax benefit		139
Net income - non-GAAP	$	1,928
Earnings per common share (GAAP) (1)	$	0.15
Earnings per common share (non-GAAP) (1)	$	0.12

(1) Basic earnings per share were computed (for the GAAP and non-GAAP basis) based on the weighted average number of shares outstanding for the three months ending March 31, 2021 (16,548,196 shares). The assumed exercise of outstanding stock options and vesting of restricted stock units were included in computing the non-GAAP diluted earnings per share and do not result in material dilution.

COVID-19 Pandemic and the CARES Act

On March 27, 2020, Congress passed, and the President signed, the CARES Act to address the economic effects of the COVID-19 pandemic.

The CARES Act appropriated $349.0 billion for PPP loans and on April 24, 2020, the SBA received another $310.0 billion in PPP funding. On December 27, 2020, the Economic Aid Act appropriated $284.0 billion for both first and second draw PPP loans, bringing the total appropriations for PPP loans to $943.0 billion. PPP ended on May 31, 2021. Loans under the PPP that meet SBA requirements may be forgiven in certain circumstances, and are 100% guaranteed by the SBA. The Company had received SBA approval and originated 1,992 PPP loans, of which 1,708 loans totaling $132.5 million were outstanding at March 31, 2021. PPP loans have a two-year or five-year term, provide for fees of up to 5% of the loan amount and earn interest at a rate of 1% per annum. It is our expectation that a significant portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. At March 31, 2021, the average authorized loan size is $78,000 and the median authorized loan size is $16,000. We have estimated that approximately 16,208 jobs have been positively impacted. The Bank, both an MDI and a CDFI, originated 1,992 PPP loans in the amount of $144.6 million significantly exceeding the reported average MDI/CDFI performance.

Although New York is no longer the hotbed of the COVID-19 pandemic in the United States, the Company continues to alter the way it has historically provided services to its deposit customers while seeking to maintain normal day-to-day back-office operations and lending functions. To that end, as of March 31, 2021, all back-office and lending personnel continue to work in a remote work environment while the branch network continued to provide traditional banking services to its communities and has for the most part returned to normal operating hours while continuing to shift service delivery to electronic and web-based products. The Company continues its extensive and intensive communications program geared to informing customers of the alternative resources provided by the Company for retaining access to financial services, closing loans and conducting banking transactions, such as ATM networks, online banking, mobile applications, remote deposits and the Company’s Contact Center. The Company proactively manages its day-to-day operations by using video and telephonic conferencing.

The Bank continues to offer payment and financial relief programs for borrowers impacted by COVID-19 under the CARES Act and related regulatory guidance. Through March 31, 2021, 406 loans aggregating $376.1 million had being given forbearance primarily consisting of the deferral of principal, interest, and escrow payments for at least a period of three months. Of those 406 loans, 337 loans aggregating $303.6 million are no longer in deferment and continue performing pursuant to their terms and 69 loans in the amount of $72.4 million remained in deferment and are in renewed forbearance. All of these loans had been performing in accordance with their contractual obligations prior to the granting of the initial forbearance. The Bank actively monitors the business activities of borrowers in forbearance and seeks to determine their capacity to resume payments as contractually obligated upon the termination of the forbearance period. The initial and extended forbearances are short-term modifications made on a good faith basis in response to the COVID-19 pandemic and in furtherance of governmental policies.

Critical Accounting Policies

Accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management and that could have a material impact on the carrying value of certain assets, liabilities or on income under different assumptions or conditions. Management believes that the most critical accounting estimates relates to the policy for the allowance for loan losses.

The allowance for loan losses is established as probable incurred losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The discussion and analysis of the financial condition and results of operations are based on the Company's consolidated financial statements, which are prepared in conformity with GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. The estimates and assumptions used are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

See Note 1, "Nature of Business and Summary of Significant Accounting Policies," to the accompanying Financial Statements for a discussion of significant accounting policies.

Factors Affecting the Comparability of Results

Purchase of Real Property. On January 22, 2021, the Bank completed the purchase of property located at 135-12/14 Northern Boulevard, Flushing, New York through a qualified intermediary in an IRS Code 1031 like-kind exchange related to the previously disclosed sale of real property on July 27, 2020 that was owned by the Bank. The purchase price of the property was $3.6 million.

Sale of Real Property. On February 11, 2021, PFS Service Corp. ("PFS"), a service company subsidiary of the Bank, completed the sale of real property that was owned by PFS, located at 3821 Bergenline Avenue, Union City, New Jersey (the "Real Property"). The purchase price of the Real Property was $2.4 million. Concurrent with the sale of the Real Property, the Bank and the purchaser entered into an initial fifteen-year lease agreement whereby the Bank will lease back the Real Property at an initial base annual rent of approximately $145,000 subject to annual rent increases of 1.5%. Under the lease agreement, the Bank has four (4) consecutive options to extend the term of the lease by five (5) years for each such option.

Vision 2025 Evolves

The Company is now in the later stages of its multi-pronged effort to upgrade its infrastructure, adopt electronic banking services and restructure its retail business model. Dubbed internally "Vision 2020," the effort has had significant beneficial results, continues to involve significant investments and has served to ameliorate the otherwise detrimental effects of the COVID-19 pandemic.

As part of Vision 2020, the Company partnered with Sales Force to deploy applications throughout the organization, including retail services, lending processes, back-office operations, digital banking and loan underwriting. Although the full implementation of the applications, dubbed internally as "GPS, a Guided Path to Success," has been somewhat delayed due to the COVID-19 pandemic, phase 1 is operational throughout the Bank. The remaining phases are expected to be implemented by year end 2021.

The infrastructure upgrade has focused primarily on implementing technology, cybersecurity and network progression while establishing a Virtual Private Network ("VPN"). Centered largely on the Bank and its core processor, to date the infrastructure upgrade has resulted in relocating and migrating network and in-house servers, replacing outdated PCs, enhancing internet capabilities, purchasing and deploying VPN-enabled laptops to a significant majority of the Bank's personnel and the redeployment of disaster recovery capabilities. The infrastructure upgrade is now focused on Mortgage World's operations. The Company has achieved certain manpower-related cost savings and enabled the uninterrupted continuity of operations by its staff working remotely during the COVID-19 pandemic and the virtual emptying of its operations and headquarters premises using its newly deployed disaster recovery capabilities. The infrastructure upgrade has added resiliency, capacity and redundancies to the Company's technology structures and will enhance the capability of the Company to increase its flexibility with alternate locations of personnel.

The Company has adopted over 48 new electronic banking services, products and applications since late 2018. These services range from on-line banking, mobile banking, bill pay, positive pay, remote deposit capture, cash management services, e-statements, data storage and management, ACH services, electronic document storage, a paperless environment, dual-language telephone banking service and VoIP telecommunications with an automation-based, dual-language Customer Contact Center. These services have not only enabled the Company to continue serving its customers as they, and the Company, switched to remote work environments; the services have served to increase the product penetration and deepening relationships with customers.

The Company has also added to its social media capabilities and has begun to use them in coordination with new targeted marketing campaigns now enabled by GPS and its Marketing Cloud platform. The combination of social media and targeted marketing campaigns has been particularly effective with PPP loan originations using many partnerships established with non-profit groups and community-based organizations. Such efforts enabled the Company to more than triple the number of second round PPP loan applications compared to the first round, and has resulted in significant growth in retail deposits and new relationships.

In 2020, the Company rolled out its first Fintech-based product in partnership with the startup company Grain Technologies, Inc. The product, Grain, is a mobile application geared to the underbanked and new generations entering the financial services market that uses non-traditional underwriting methodologies. Under the terms of its agreement with Grain, the Bank is the lender and depository for Grain-originated microloans and, where applicable, security deposits, to consumers, with credit lines currently up to $1,000. Grain originates and services the loans and is responsible for maintaining compliance with the Bank's origination and servicing standards. To the extent such standards are not maintained, Grain is responsible for any related losses. The Company, pursuant to its partnership with Grain, has originated 63,712 consumer loans with balances totaling $35.9 million and 15,885 deposit accounts totaling $3.3 million at March 31, 2021. The Company is seeking to provide additional digital banking services to these customers and to extend Grain to its retail customers. The Company is an investor in Grain and is integrating Grain and GPS.

The Company is also in the final stages of deploying a Fintech-based small business automated lending technology in partnership with LendingFront Technologies, Inc. The technology is a mobile application that digitizes the lending workflow from pre-approval to servicing and enables the Company to originate, close and fund small business loans within very short spans of time, without requiring a physical presence within banking offices and with automated underwriting using both traditional and non-traditional methods. The application has full loan origination and servicing capabilities and is integrated with Sales Force. All Commercial Relationship Officers and Business Development Managers will utilize these capabilities upon the easing of the COVID-19 pandemic. The Company is seeking to establish loan origination partnerships with non-profit and community-based organizations to ensure penetration in underserved and underbanked markets.

The Company also established a relationship with SaveBetter, LLC, a fintech startup focusing on broker deposits. As of March 31, 2021, the Company had $14.5 million in such deposits. The recent regulatory easing of broker deposit rules may enable the Company to classify such deposits as core deposits.

The Company's on-going adoption of a new retail business model has been all-encompassing. It has involved the redesign of its retail branches, the shift of branch operations to a centralized back office, the deployment of smart ITM-enabled ATMs and Teller Cash Recyclers, the automation of manual processes and, importantly, the adoption of universal bankers and retail sales. In 2019, the Bank earned national recognition as Branch Innovators of the Year for its retail banking model at the 2019 Future Branches Retail Banking Summit in Austin, Texas.

The Company anticipates renovating most, if not all of its unrenovated branches over the next 18 months, at costs significantly less than previous efforts largely as a result of economies of scale, design modifications and adoption of buildout techniques used by non-bank retail organizations. The project to fully renovate our Flatlands branch was completed in late November 2020 on time and within the original budget of $356,000 despite modifications made to the original design and construction process related to the COVID-19 pandemic. The Bank's Riverdale branch was transformed into a new flagship recapturing previously subleased space. This $1.5 million construction project commenced on March 1, 2021 and was completed on time and on budget. Our grand re-opening took place on July 27, 2021 and was attended by the Bronx Borough President who praised Ponce Bank for remaining committed to the Bronx and for a long history of leadership within the community. Our Astoria branch renovation project was also completed in the second quarter of 2021 at slightly above our budgeted cost of $315,000. Architectural drawings have begun for the Smith Street, Brooklyn, Union City, NJ, and Southern Boulevard, Bronx, banking branches with completion target dates within the next 18 months. Bidding for these three locations has been delayed pending the completion of surveys at our Forest Hills, Jackson Heights, Stuyvesant Town and Southern Blvd branches. The Company has begun incorporating into its retail branches Mortgage World loan origination personnel and all new renovations include a branded Ponce Mortgage Center celebrating our comprehensive offerings made possible by our affiliated companies Mortgage World and Ponce De Leon Mortgage Corporation. We have also examined two of Mortgage World's current locations. We anticipate creating a full service branch at the site of a Mortgage World mortgage office located in Flushing, Queens, New York and banking satellite at their branch in Bergenfield, New Jersey. The Mortgage World office located in Flushing, Queens has been purchased using IRS code section 1031 provisions, thus expanding the Company's reach into one of the most underserved areas of Queens according to recently reported PPP loan penetration data.

Vision 2020 already has had a transformational effect on the Company. Since its inception in late 2018 as the Company was reaching $1.06 billion in assets, $918.5 million in loans, $809.8 million in deposits, $2.7 million net income and $0.15 in earnings per share for the year 2018, the Company has grown to a $1.43 billion in assets, $1.23 billion in loans and $1.14 billion in deposits at March 31, 2021, $2.5 million in net income and $0.15 in earnings per share for the quarter ending March 31, 2021, all while investing in infrastructure, implementing digital banking, acquiring Mortgage World, adopting GPS, diversifying its product offering, meeting the challenges of the COVID-19 pandemic, partnering with Fintech companies and assisting its communities with over 3,300 requests for PPP loans totaling approximately $198.5 million. Now, the Company is poised to enhance its presence, locally and nationally, as a leading MDI/CDFI financial holding company. As the Company's application for available funding from the CDFI Fund is being considered and as it prepares its application to the U.S. Treasury for its fair share of funding under the Emergency Capital Investment Program, the Company is cementing its Vision 2025, its roadmap to acquiring the resources needed to lead efforts to remediate the disparate effects of the COVID-19 pandemic, and the wealth and financial gaps present, in its communities and similar communities outside the New York City metropolitan area. The Company traces its roots to the foundation in 1960 of the Ponce De Leon Federal Savings and Loan Association by Latino leaders concerned that the Bronx and its Latino population were being abandoned. True to its roots, the Company remains committed to ensuring that the disparate effects of the COVID-19 pandemic, and the wealth and financial gaps present, in minority communities are addressed in earnest.

The following table presents as of March 31, 2021, the Company's PPP loans approved by the SBA due to the COVID-19 pandemic:

State	Counties	Number of Loans	Aggregate Amount of Loans	Median Amount of Loans	Average Amount of Loans	No. of Jobs Affected
			(Dollars in Thousands)			
New York	Kings	214	$ 46,394	$ 19	$ 217	4,106
	Bronx	402	22,965	11	57	3,314
	Queens	428	24,916	21	58	2,927
	New York	302	17,704	15	59	2,447
	Nassau	91	6,432	16	71	847
	Westchester	56	2,021	14	36	273
	Suffolk	28	877	16	31	138
	Richmond	17	704	16	41	140
	Albany	1	129	129	129	11
	Rockland	4	101	15	25	13
	Dutchess	5	545	21	109	26
	Sullivan	2	22	11	11	2
	Orange	1	10	10	10	3
	Putnam	1	8	8	8	6
	Ulster	4	73	13	18	13
	Greene	1	20	20	20	2
	Total New York	1,557	$ 122,921	$ 16	$ 79	14,268
New Jersey	Monmouth	10	$ 2,173	52	217	408
	Essex	17	1,729	21	102	392
	Hudson	30	1,599	20	53	311
	Passaic	10	1,024	23	102	238
	Union	15	776	31	52	88
	Bergen	17	895	34	53	224
	Morris	6	266	20	44	60
	Middlesex	4	25	6	6	5
	Burlington	1	21	21	21	1
	Mercer	2	69	34	35	19
	Sussex	1	12	12	12	1
	Warren	1	9	9	9	1
	Ocean	2	22	11	11	3
	Total New Jersey	116	$ 8,620	$ 24	$ 74	1,751
Pennsylvania	Berks	1	16	16	16	1
	Pike	1	7	7	7	1
	Total Pennsylvania	2	$ 23	$ 12	$ 12	2
Arizona	Pima	1	$ 21	21	21	1
California	Los Angeles	1	164	164	164	45
Connecticut	Fairfield	4	150	16	38	13
District of Columbia	District of Columbia	1	5	5	5	1
Delaware	New Castle	1	253	253	253	26
Illinois	Cook	2	30	15	15	10
Indiana	Lake	17	$ 238	10	14	65
Kentucky	Jefferson	2	10	5	5	5
Nevada	Clark	1	11	11	11	7
North Carolina	Forsyth	1	27	27	27	4
Rhode Island	Providence	2	41	20	21	10
	Total	1,708	$ 132,514	$ 16	$ 78	16,208

Since March 31, 2021 and through May 7, 2021, the Company has received SBA approval for and has funded 1,397 PPP loans totaling $53.9 million, bringing the total PPP loans made by the Company since inception of the PPP to 3,389 loans totaling $198.5 million

Comparison of Financial Condition at March 31, 2021 and December 31, 2020

Total Assets. Total consolidated assets increased $78.5 million, or 5.8%, to $1.43 billion at March 31, 2021 from $1.36 billion at December 31, 2020. The increase in total assets is attributable to increases in net loans receivable of $71.8 million, including $57.7

million in PPP loans, cash and cash equivalents of $18.0 million, available-for-sale securities of $13.4 million, premises and equipment, net, of $1.6 million and accrued interest receivable of $1.2 million. The increase in total assets was reduced by decreases in mortgage loans held for sale, at fair value, of $21.7 million, other assets of $5.4 million, FHLBNY stock of $369,000 and deferred taxes of $87,000.

Cash and Cash Equivalents. Cash and cash equivalents increased $18.0 million, or 25.0%, to $90.1 million at March 31, 2021, compared to $72.1 million at December 31, 2020. The increase in cash and cash equivalents was primarily the result of increases of $109.0 million in net deposits, of which $10.9 million is related to net PPP funding, a decrease of $20.6 million of mortgage loans held for sale, at fair value, related to Mortgage World, increases of $2.4 million in proceeds from the sale of real property and $2.2 million related to advance payments by borrowers. The increase in cash and cash equivalents was offset by an increase of $72.5 million in net loans receivable, including $57.7 million in PPP loans, an $18.3 million decrease in advances of warehouse lines on credit related to Mortgage World, $14.1 million in purchases of available-for-sale securities, $8.0 million in net repayment of advances from FHLBNY, $3.7 million in purchases of premises and equipment, primarily related to the purchase of real property and $1.2 million in purchases of shares held as treasury stock.

Securities. The composition of securities at March 31, 2021 and December 31, 2020 and the amounts maturing of each classification are summarized as follows:

	March 31, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Available-for-Sale Securities:				
U.S. Government Bonds:				
Amounts maturing:				
Three months or less	$ —	$ —	$ —	$ —
More than three months through one year	—	—	—	—
More one year through five years	2,978	2,988	—	—
More than five years through ten years	—	—	—	—
	2,978	2,988	—	—
Corporate Bonds:				
Amounts maturing:				
Three months or less	—	—	—	—
More than three months through one year	—	—	—	—
More one year through five years	2,656	2,715	2,651	2,728
More than five years through ten years	10,752	10,842	7,730	7,735
	13,408	13,557	10,381	10,463
Mortgage-Backed Securities	14,446	14,384	6,970	7,035
Total Available-for-Sale Securities	$ 30,832	$ 30,929	$ 17,351	$ 17,498
Held-to-Maturity Securities:				
Mortgage-Backed Securities	1,732	1,661	1,743	1,722
Total Held-to-Maturity Securities	$ 1,732	$ 1,661	$ 1,743	$ 1,722

The $13.4 million increase in available-for-sale securities was due to $14.1 million in available-for-sale securities that were purchased during the three months ended March 31, 2021. The increase was offset primarily by principal payments of $624,000 during the three months ended March 31, 2021. No securities matured and/or were called during the three months ended March 31, 2021.

Loans Receivable. The composition of gross loans receivable at March 31, 2021 and at December 31, 2020 and the percentage (%) of each classification to total loans are summarized as follows:

	March 31, 2021		December 31, 2020		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Dollars	Percent
			(Dollars in thousands)			
Mortgage loans:						
1-4 Family residential						
Investor-Owned	$ 317,895	25.5%	$ 319,596	27.3%	$ (1,701)	(0.5%)
Owner-Occupied	99,985	8.0%	98,795	8.4%	$ 1,190	1.2%
Multifamily residential	315,078	25.3%	307,411	26.2%	$ 7,667	2.5%
Nonresidential properties	215,340	17.3%	218,929	18.7%	$ (3,589)	(1.6%)
Construction and land	119,339	9.6%	105,858	9.0%	$ 13,481	12.7%
Total mortgage loans	1,067,637	85.7%	1,050,589	89.6%	17,048	1.6%
Nonmortgage loans:						
Business loans (1)	142,135	11.4%	94,947	8.1%	$ 47,188	49.7%
Consumer loans (2)	36,706	2.9%	26,517	2.3%	$ 10,189	38.4%
	178,841	14.3%	121,464	10.4%	57,377	47.2%
Total	$ 1,246,478	100.0%	$ 1,172,053	100.0%	$ 74,425	6.3%

(1) As of March 31, 2021 and December 31, 2020, business loans include $132.5 million and $85.3 million, respectively, of PPP loans.

(2) As of March 31, 2021 and December 31, 2020, consumer loans include $35.9 million and $25.5 million of loans originated by the Bank pursuant to its arrangement with Grain.

Based on current internal loan reviews, the Company believes that the quality of our underwriting, our weighted average loan-to-value ratio of 56.0% and our customer selection processes have served us well and provided us with a reliable base with which to maintain a well-protected loan portfolio.

Commercial real estate loans, as defined by applicable banking regulations, include multifamily residential, nonresidential properties, and construction and land mortgage loans. At March 31, 2021 and December 31, 2020, approximately 7.9% of the outstanding principal balance of the Bank's commercial real estate mortgage loans were secured by owner-occupied commercial real estate. Owner-occupied commercial real estate is similar in many ways to commercial and industrial lending in that these loans are generally made to businesses predominantly on the basis of the cash flows of the business rather than on valuation of the real estate.

Pursuant to the provisions of the CARES Act and regulatory guidance, through March 31, 2021, 406 loans aggregating $376.1 million had received forbearance primarily consisting of the deferral of principal, interest, and escrow payments for periods of at least three months. Of those 406 loans, 337 loans aggregating $303.6 million are no longer in deferment and continue performing pursuant to their terms and 69 loans in the amount of $72.4 million remained in deferment and are in renewed forbearance. All of these loans had been performing in accordance with their contractual obligations prior to the granting of the initial forbearance. The Bank actively monitors the business activities of borrowers in forbearance and seeks to determine their capacity to resume payments as contractually obligated upon the termination of the forbearance period. The initial and extended forbearances are short-term modifications made on a good faith basis in response to the COVID-19 pandemic and in furtherance of governmental policies. Under the CARES Act, none of these loans are currently classified as a troubled debt restructured loan.

The following table presents the loans modified as a result of the COVID-19 pandemic through March 31, 2021:

	Number of Loans	Loan Amount	Weighted Average Loan-to-Value	Percentage of Total Modifications
	(Dollars in Thousands)			
Mortgage loans:				
1-4 Family residential				
Investor-Owned	184	$ 131,289	57.6%	45.3%
Owner-Occupied	64	35,327	55.9%	15.8%
Multifamily residential	61	74,213	53.8%	15.0%
Nonresidential properties	79	92,121	48.8%	19.5%
Construction and land	7	40,978	57.9%	1.7%
Nonmortgage loans:				
Business loans	6	2,058	—%	1.5%
Consumer loans	5	65	—%	1.2%
Total	406	$ 376,051	54.6%	100.0%

Banking regulations have established guidelines relating to the amount of construction and land mortgage loans and investor- owned commercial real estate mortgage loans of 100% and 300% of total risk-based capital, respectively. Should a bank's ratios be in excess of these guidelines, banking regulations generally require an increased level of monitoring in these lending areas by bank management. The Bank's policy is to operate within the 100% guideline for construction and land mortgage loans and up to 400% for investor owned commercial real estate mortgage loans. Both ratios are calculated by dividing certain types of loan balances for each of the two categories by the Bank's total risk-based capital. At March 31, 2021 and December 31, 2020, the Bank's construction and land mortgage loans as a percentage of total risk-based capital was 75.5% and 68.3%, respectively. Investor owned commercial real estate mortgage loans as a percentage of total risk-based capital was 381.0% and 379.8% as of March 31, 2021 and December 31, 2020, respectively. At March 31, 2021, the Bank was within the 100% guideline for construction and land mortgage loans established by banking regulations, but exceeded the 300% guideline for investor owned commercial real estate mortgage loans. However, the Bank was within its 400% policy limit established by the Bank's internal loan policy. Management believes that it has established the appropriate level of controls to monitor the Bank's lending in these areas.

Mortgage Loans Held For Sale. Mortgage loans held for sale, at fair value, at March 31, 2021 decreased $21.7 million to $13.7 million from $35.4 million at December 31, 2020.

Deposits. The composition of deposits at March 31, 2021 and December 31, 2020 and changes in dollars and percentages are summarized as follows:

	March 31, 2021		December 31, 2020		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Dollars	Percent
	(Dollars in thousands)					
Demand (1)	$ 242,255	21.3%	$ 189,855	18.5%	$ 52,400	27.6%
Interest-bearing deposits:						
NOW/IOLA accounts	32,235	2.8%	39,296	3.8%	(7,061)	(18.0%)
Money market accounts	157,271	13.8%	136,258	13.2%	21,013	15.4%
Reciprocal deposits	137,402	12.1%	131,363	12.8%	6,039	4.6%
Savings accounts	130,211	11.4%	125,820	12.2%	4,391	3.5%
Total NOW, money market, reciprocal and savings	457,119	40.2%	432,737	42.0%	24,382	5.6%
Certificates of deposit of $250K or more	77,418	6.8%	78,435	7.6%	(1,017)	(1.3%)
Brokered certificates of deposit	86,004	7.6%	52,678	5.1%	33,326	63.3%
Listing service deposits (2)	61,133	5.4%	39,476	3.8%	21,657	54.9%
Certificates of deposit less than $250K	214,617	18.9%	236,398	23.0%	(21,781)	(9.2%)
Total certificates of deposit	439,172	38.6%	406,987	39.5%	32,185	7.9%
Total interest-bearing deposits	896,291	78.7%	839,724	81.5%	56,567	6.7%
Total deposits	$ 1,138,546	100.0%	$ 1,029,579	100.0%	$ 108,967	10.6%

(1) As of March 31, 2021 and December 31, 2020, included in demand deposits are deposits related to net PPP funding.

(2) As of March 31, 2021 and December 31, 2020, there were $28.8 million and $27.0 million, respectively, in individual listing service deposits amounting to $250,000 or more.

When wholesale funding is necessary to complement the Company's core deposit base, management determines which source is best suited to address both liquidity risk and interest rate risk management objectives. The Company's Interest Rate Risk Policy imposes limitations on overall wholesale funding and noncore funding reliance. The overall reliance on wholesale funding and noncore funding were within those policy limitations as of March 31, 2021 and December 31, 2020. The Management Asset/Liability Committee generally meets on a weekly basis to review needs, if any, and to ensure the Company operates within the approved limitations.

Advances from FHLBNY. The Bank had outstanding borrowings at March 31, 2021 and December 31, 2020 of $109.3 million and $117.3 million, respectively. These borrowings are in the form of advances from the FHLBNY.

Warehouse Lines of Credit. Mortgage World maintains two warehouse lines of credit with financial institutions for the purpose of funding the origination and sale of residential mortgages. At March 31, 2021 and December 31, 2020, Mortgage World utilized $11.7 million and $30.0 million, respectively, for funding of mortgage loans held for sale and had unused lines of credit of $13.3 million and $4.9 million, respectively.

Stockholders' Equity. The Company's consolidated stockholders' equity increased $1.7 million, or 1.0%, to $161.2 million at March 31, 2021 from $159.5 million at December 31, 2020. The $1.7 million increase in stockholders' equity was mainly attributable to $2.5 million in net income, $352,000 related to restricted stock units and stock options, $134,000 related to the Company's Employee Stock Ownership Plan offset by $1.2 million in stock repurchases and $107,000 related to unrealized loss on available-for-sale securities.

Comparison of Financial Condition at December 31, 2020 and December 31, 2019

Total Assets. Total consolidated assets increased $301.4 million, or 28.6%, to $1.4 billion at December 31, 2020 from $1.1 billion at December 31, 2019. The increase in total assets is attributable to increases in net loans receivable of $202.9 million, including $85.3 million in PPP loans, cash and cash equivalents of $44.4 million, mortgage loans held for sale, at fair value, of $34.4 million, other assets of $11.0 million, accrued interest receivable of $7.4 million, placements with banks of $2.7 million, held-to-maturity securities of $1.7 million, deferred taxes of $932,000 and FHLBNY stock of $691,000. The increase in total assets was reduced by decreases in available-for-sale securities of $4.0 million and premises and equipment, net, of $701,000.

Mortgage World Total Assets. Mortgage World's total assets at December 31, 2020 was $38.4 million, primarily consisting of mortgage loans held for sale, at fair value, of $34.4 million, other assets of $1.9 million, cash and cash equivalents of $1.8 million, premises and equipment, net, of $269,000, and net loans receivable of $40,000.

Cash and Cash Equivalents. Cash and cash equivalents increased $44.4 million, or 160.4%, to $72.1 million at December 31, 2020, compared to $27.7 million at December 31, 2019. The increase in cash and cash equivalents was primarily the result of increases of $247.5 million in net deposits, of which $43.5 million is related to net PPP funding, $20.8 million in advances of warehouse lines of credit related to Mortgage World, $17.8 million in maturities and/or calls of available-for-sale securities, $12.9 million in net advances from FHLBNY and a $4.7 million in proceeds from the sale of real property. The increase in cash and cash equivalents was offset by increases of $209.4 million in net loans receivable, including $85.3 million in PPP loans, $23.8 million of mortgage loans held for sale, at fair value related to Mortgage World, $13.6 million in purchases of available-for-sale securities, $4.7 million in purchases of shares held as treasury stock, $2.7 million in placement with banks, $1.9 million in purchases of premises and equipment, $1.7 million in held-to-maturity securities and $1.0 million, net of cash acquired, related to the acquisition of Mortgage World.

Securities. The composition of securities at December 31, 2020 and 2019 and the amounts maturing of each classification are summarized as follows:

	December 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Available-for-Sale Securities:				
U.S. Government and Federal Agency Securities:				
Amounts maturing:				
Three months or less	$ —	$ —	$ 2,000	$ 2,000
More than three months through one year	—	—	14,373	14,354
More than one year through five years	—	—	—	—
More than five years through ten years	—	—	—	—
	—	—	16,373	16,354
Corporate Bonds:				
Amounts maturing:				
Three months or less	—	—	—	—
More than three months through one year	—	—	—	—
More than one year through five years	2,651	2,728	—	—
More than five years through ten years	7,730	7,735	—	—
	10,381	10,463	—	—
Mortgage-Backed Securities	6,970	7,035	5,162	5,150
Total available-for-sale securities	$ 17,351	$ 17,498	$ 21,535	$ 21,504
Held-to-Maturity Securities:				
Mortgage-Backed Securities	$ 1,743	$ 1,722	$ —	$ —
Total held-to-maturity securities	$ 1,743	$ 1,722	$ —	$ —

Loans Receivable. The composition of gross loans receivable at December 31, 2020 and 2019 and the percentage of each classification to total loans are summarized as follows:

	December 31, 2020		December 31, 2019		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Dollars	Percent
	(Dollars in thousands)					
Mortgage loans:						
1-4 Family residential						
Investor-Owned	$ 319,596	27.3%	$ 305,272	31.6%	$ 14,324	4.7%
Owner-Occupied	98,795	8.4%	91,943	9.5%	6,852	7.5%
Multifamily residential	307,411	26.2%	250,239	25.9%	57,172	22.8%
Nonresidential properties	218,929	18.7%	207,225	21.4%	11,704	5.6%
Construction and land	105,858	9.0%	99,309	10.3%	6,549	6.6%
Total mortgage loans	1,050,589	89.6%	953,988	98.7%	96,601	10.1%
Nonmortgage loans:						
Business loans (1)	94,947	8.1%	10,877	1.1%	84,070	*
Consumer loans (2)	26,517	2.3%	1,231	0.2%	25,286	*
Total nonmortgage loans	121,464	10.4%	12,108	1.3%	109,356	*
Total gross loans	$ 1,172,053	100.0%	$ 966,096	100.0%	$ 205,957	21.3%

* Indicates more than 200%.

(1) As of December 31, 2020, business loans include $85.3 million of PPP loans.
(2) As of December 31, 2020, consumer loans include $25.5 million of loans originated by the Bank pursuant to its arrangement with Grain.

The increase in the composition of the loan portfolio was aided by $85.3 million related to PPP loans at December 31, 2020 when compared to December 31, 2019.

Commercial real estate mortgage loans, as defined by applicable banking regulations, include multifamily residential, nonresidential properties, and construction and land mortgage loans. At December 31, 2020, approximately 7.9% of the outstanding principal balance of the Bank's commercial real estate mortgage loans was secured by owner-occupied commercial real estate, compared to 8.0% at December 31, 2019. Owner-occupied commercial real estate is similar in many ways to commercial and industrial lending in that these loans are generally made to businesses predominantly on the basis of the cash flows of the business rather than on cash flows and valuation of the real estate.

Through December 31, 2020, 412 loans aggregating $380.3 million had requested forbearance primarily consisting of the deferral of principal, interest, and escrow payments for a period of three months. Of those 412 loans, 339 loans aggregating $306.4 million are no longer in deferment and continue performing and 73 loans in the amount of $73.8 million remained in deferment. Of the 73 loans in deferment, 72 loans in the amount of $73.5 million are in renewed forbearance and one loan in the amount of $297,000 is in its initial forbearance. All of these loans had been performing in accordance with their contractual obligations prior to the granting of the initial forbearance. The Company actively monitors the business activities of borrowers in forbearance and seeks to determine their capacity to resume payments as contractually obligated upon the termination of the forbearance period. The initial and extended forbearances are short-term modifications made on a good faith basis in response to the COVID-19 pandemic and in furtherance of governmental policies.

At December 31, 2020 and 2019, the Bank's construction and land mortgage loans as a percentage of total risk-based capital was 68.3% and 67.4%, respectively. Investor-owned commercial real estate mortgage loans as a percentage of total risk-based capital was 379.8% and 349.7% as of December 31, 2020 and 2019, respectively. At December 31, 2020, the Bank was within the 100% ratio for construction and land mortgage loans established by banking guidelines, but exceeded the 300% guideline for investor-owned commercial real estate mortgage loans. However, the Bank was within its 400% policy limit established by the Bank's internal loan policy. Management believes that it has established the appropriate level of controls to monitor the Bank's lending in these areas.

Mortgage Loans Held For Sale. Mortgage loans held for sale, at fair value, at December 31, 2020 increased $34.4 million to $35.4 million from $ 1.0 million at December 31, 2019. The increase was related to the acquisition of Mortgage World.

Deposits. The composition of deposits at December 31, 2020 and 2019 and changes in dollars and percentages are summarized as follows:

	December 31, 2020		December 31, 2019		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Dollars	Percent
	(Dollars in thousands)					
Demand (1)	$ 189,855	18.5%	$ 109,548	14.0%	$ 80,307	73.3%
Interest-bearing deposits:						
NOW/IOLA accounts	39,296	3.8%	32,866	4.2%	6,430	19.6%
Money market accounts	136,258	13.2%	86,721	11.1%	49,537	57.1%
Reciprocal deposits	131,363	12.8%	47,659	6.1%	83,704	175.6%
Savings accounts	125,820	12.2%	115,751	14.8%	10,069	8.7%
Total NOW, money market, reciprocal and savings	432,737	42.0%	282,997	36.2%	149,740	52.9%
Certificates of deposit of $250K or more	78,435	7.6%	84,263	10.8%	(5,828)	(6.9%)
Brokered certificates of deposit (2)	52,678	5.1%	76,797	9.8%	(24,119)	(31.4%)
Listing service deposits (2)	39,476	3.8%	32,400	4.1%	7,076	21.8%
All other certificates of deposit less than $250K	236,398	23.0%	196,038	25.1%	40,360	20.6%
Total certificates of deposit	406,987	39.5%	389,498	49.8%	17,489	4.5%
Total interest-bearing deposits	839,724	81.5%	672,495	86.0%	167,229	24.9%
Total deposits	$ 1,029,579	100.0%	$ 782,043	100.0%	$ 247,536	31.7%

(1) As of December 31, 2020, included in demand deposits are $43.5 million related to net PPP funding.
(2) There were $27.0 million in individual brokered certificates of deposit or listing service deposits amounting to $250,000 or more.

When wholesale funding is necessary to complement the Company's core deposit base, management determines which source is best suited to address both liquidity risk and interest rate risk in line with management objectives. The Company's Interest Rate Risk Policy imposes limitations on overall wholesale funding and noncore funding reliance. The overall reliance on wholesale funding and noncore funding were within those policy limitations as of December 31, 2020 and 2019. The Management Asset/Liability Committee generally meets on a weekly basis to review needs, if any, and to ensure that the Company is operating within the approved limitations..

Advances from FHLBNY. The Bank had outstanding borrowings at December 31, 2020 and 2019 of $117.3 million and $104.4 million, respectively. These borrowings are in the form of advances from the FHLBNY.

Warehouse Lines of Credit. Mortgage World maintains two warehouse lines of credit totaling $34.9 million with financial institutions for the purpose of funding the origination and sale of residential mortgages. At December 31, 2020, Mortgage World utilized $30.0 million for funding of mortgage loans held for sale.

Stockholders' Equity. The Company's consolidated stockholders' equity increased $1.1 million, or 0.7%, to $159.5 million at December 31, 2020, from $158.4 million at December 31, 2019. The $1.1 million increase in stockholders' equity was mainly attributable to $3.9 million in net income, $1.4 million related to restricted stock units and stock options, $482,000 related to the Company's Employee Stock Ownership Plan and $115,000 related to unrealized gains on available-for-sale securities, offset by $4.7 million in stock repurchases.

Mortgage World Stockholder's Equity. Mortgage World stockholders' equity at December 31, 2020 was $5.3 million primarily consisted of $3.5 million in paid-in capital and $1.8 million in net income.

Comparison of Operating Results for the Three Months Ended March 31, 2021 and March 31, 2020

The discussion of the Company's results of operations for the three months ended March 31, 2021 and 2020 are presented below. Included in the results of operations of the Company for the three months ended March 31, 2021 are the results of operations of Mortgage World which was acquired on July 10, 2020. The results of operations for interim periods may not be indicative of future results.

PDL Community Bancorp Consolidated

Overview. Net income for the three months ended March 31, 2021 was $2.5 million compared to net loss of ($1.2 million) for the three months ended March 31, 2020. Earnings per basic and diluted share was $0.15 for the three months ended March 31, 2021 compared to loss per basic and diluted share of ($0.07) for three months ended March 31, 2020.

Interest and Dividend Income. Interest and dividend income increased $2.1 million, or 16.5%, to $15.2 million for the three months ended March 31, 2021 from $13.0 million for the three months ended March 31, 2020. Interest income on loans receivable, which is the Bank's primary source of income, increased $2.1 million, or 16.8%.

Interest Expense. Interest expense decreased $821,000, or 26.4%, to $2.3 million for the three months ended March 31, 2021 from $3.1 million for the three months ended March 31, 2020.

Net Interest Income. Net interest income increased $3.0 million, or 29.9%, to $12.9 million for the three months ended March 31, 2021 from $9.9 million for the three months ended March 31, 2020, primarily as a result of organic loan growth and a lower average cost of funds on interest bearing liabilities.

Income Tax Provision. The Company had an income tax expenses of $732,000 for the three months ended March 31, 2021 and had an income tax benefit of ($209,000) for three months ended March 31, 2020, resulting in effective tax rates of 23.0% and 14.7%, respectively.

Segments. The Company has two reportable segments: the Bank and Mortgage World. Income from the Bank consists primarily of interest and fees earned on loans and investment securities and service charges on deposit accounts. Income from Mortgage World consists primarily of taking of applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors.

The table below shows the results of operations for the Company's segments, the Bank and Mortgage World, for the three months ended March 31, 2021 and 2020. The results of operations for Mortgage World was not included for the three months ended March 31, 2020, as Mortgage World was acquired by the Company on July 10, 2020.

	Ponce Bank				Mortgage World			
	For the Three Months Ended March 31,		Increase (Decrease)		For the Three Months Ended March 31,		Increase (Decrease)	
	2021	2020	Dollars	Percent	2021	2020	Dollars	Percent
	(Dollars in thousands)							
Interest and dividend income	$ 15,027	$ 13,030	$ 1,997	15.3%	$ 150	$ —	$ 150	—%
Interest expense	2,186	3,174	(988)	(31.1%)	140	—	140	—%
Net interest income	12,841	9,856	2,985	30.3%	10	—	10	—%
Provision for loan losses	686	1,146	(460)	(40.1%)	—	—	—	—%
Net interest income after provision for loan losses	12,155	8,710	3,445	39.6%	10	—	10	—%
Non-interest income	1,804	750	1,054	140.5%	2,358	—	2,358	—%
Non-interest expense	10,000	10,094	(94)	(0.9%)	2,291	—	2,291	—%
Income (loss) before income taxes	3,959	(634)	4,593	*	77	—	77	—%
Provision (benefit) for income taxes	1,105	(58)	1,163	*	40	—	40	—%
Net income (loss)	$ 2,854	$ (576)	$ 3,430	*	$ 37	$ —	$ 37	—%

* Represents more than 500%.

Average Balance Sheet.

The following table sets forth average outstanding balances, average yields and rates, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. Average balances are derived from average daily balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended March 31,					
	2021			2020		
	Average Outstanding Balance	Interest	Average Yield/Rate (1)	Average Outstanding Balance	Interest	Average Yield/Rate (1)
	(Dollars in thousands)					
Interest-earning assets:						
Loans (2)	$ 1,239,127	$ 14,925	4.88%	$ 975,499	$ 12,782	5.27%
Securities (3)	22,516	176	3.17%	18,218	83	1.83%
Other (4)	46,581	76	0.66%	38,220	165	1.73%
Total interest-earning assets	1,308,224	15,177	4.70%	1,031,937	13,030	5.07%
Non-interest-earning assets	63,951			37,467		
Total assets	$ 1,372,175			$ 1,069,404		
Interest-bearing liabilities:						
NOW/IOLA	$ 33,085	$ 38	0.47%	$ 29,026	$ 38	0.53%
Money market	277,104	304	0.44%	160,471	618	1.54%
Savings	126,961	39	0.12%	113,710	35	0.12%
Certificates of deposit	405,980	1,219	1.22%	379,154	1,827	1.93%
Total deposits	843,130	1,600	0.77%	682,361	2,518	1.48%
Advance payments by borrowers	8,899	1	0.05%	7,980	1	0.05%
Borrowings	129,755	684	2.14%	108,640	587	2.17%
Total interest-bearing liabilities	981,784	2,285	0.94%	798,981	3,106	1.56%
Non-interest-bearing liabilities:						
Non-interest-bearing demand	215,116	—		108,646	—	
Other non-interest-bearing liabilities	13,754	—		2,968	—	
Total non-interest-bearing liabilities	228,870	—		111,614	—	
Total liabilities	1,210,654	2,285		910,595	3,106	
Total equity	161,521			158,809		
Total liabilities and total equity	$ 1,372,175		0.94%	$ 1,069,404		1.56%
Net interest income		$ 12,892			$ 9,924	
Net interest rate spread (5)			3.76%			3.51%
Net interest-earning assets (6)	$ 326,440			$ 232,956		
Net interest margin (7)			4.00%			3.87%
Average interest-earning assets to interest-bearing liabilities			133.25%			129.16%

(1) Annualized where appropriate.

(2) Loans include loans and mortgage loans held for sale, at fair value.

(3) Securities include available-for-sale securities and held-to-maturity securities.

(4) Includes FHLBNY demand account and FHLBNY stock dividends.

(5) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(6) Net interest-earning assets represent total interest-earning assets less total interest-earning liabilities.

(7) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis.

The following table presents the effects of changing rates and volumes on the Company's net interest income for the periods indicated. The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	For the Three Months Ended March 31, 2021 vs. 2020		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(Dollars in thousands)		
Interest-earning assets:			
Loans (1)	$ 6,916	$ (4,773)	$ 2,143
Securities (2)	(208)	301	93
Other	412	(501)	(89)
Total interest-earning assets	7,120	(4,973)	2,147
Interest-bearing liabilities:			
NOW/IOLA	20	(20)	—
Money Market	2,718	(3,032)	(314)
Savings	3	1	4
Certificates of deposit	2,276	(2,884)	(608)
Total deposits	5,017	(5,935)	(918)
Borrowings	143	(46)	97
Total interest-bearing liabilities	5,160	(5,981)	(821)
Change in net interest income	$ 1,960	$ 1,008	$ 2,968

(1) Loans include loans and mortgage loans held for sale, at fair value.
(2) Securities include available-for-sale securities and held-to-maturity securities.

Ponce Bank Segment

Results of Operations for the Three Months Ended March 31, 2021 and 2020.

Net Income. Ponce Bank net income was $2.9 million for the three months ended March 31, 2021 compared to net loss of ($576,000) for the three months ended March 31, 2020.

Interest Income. Interest and dividend income increased $2.0 million, or 15.3%, to $15.0 million for the three months ended March 31, 2021 from $13.0 million for the three months ended March 31, 2020. Interest income on loans receivable, which is the Bank's primary source of income, increased $2.0 million, or 15.6% year over year.

The following table presents interest income on loans receivable for the periods indicated:

	For the Three Months Ended March 31,		Change	
	2021	2020	Amount	Percent
	(Dollars in thousands)			
1-4 Family residential	$ 5,136	$ 5,005	$ 131	2.6%
Multifamily residential	3,507	3,057	450	14.7%
Nonresidential properties	2,412	2,457	(45)	(1.8%)
Construction and land	1,891	2,083	(192)	(9.2%)
Business loans	905	153	752	491.5%
Consumer loans	924	27	897	*
Total interest income on loans receivable	$ 14,775	$ 12,782	$ 1,993	15.6%

Interest Expense. Interest expense decreased $988,000, or 31.1%, to $2.2 million for the three months ended March 31, 2021 from $3.2 million for the three months ended March 31, 2020.

The following table presents interest expense for the periods indicated:

	For the Three Months Ended March 31, 2021	2020	Change Amount	Percent
	(Dollars in thousands)			
Certificates of deposit	$ 1,219	$ 1,827	$ (608)	(33.3%)
Money market	308	648	(340)	(52.5%)
Savings	39	35	4	11.4%
NOW/IOLA	38	38	—	0.0%
Advance payments by borrowers	1	1	—	—%
Borrowings	581	625	(44)	(7.0%)
Total interest expense	$ 2,186	$ 3,174	$ (988)	(31.1%)

Net Interest Income. Net interest income increased $3.0 million, or 30.3%, to $12.8 million for the three months ended March 31, 2021 from $9.9 million for the three months ended March 31, 2020, primarily as a result of organic loan growth and a lower average cost of funds on interest bearing liabilities. Although it could be anticipated that the Bank's net interest margin may further decrease in 2021, management believes net interest income may continue to increase compare to 2020 primarily due to increased average earning asset volumes, primarily loans. Management will continue to seek to fund these increased loan volumes funded by its core deposits, but will utilize funding alternatives, as needed. Management continues to deploy various asset and liability management strategies to manage the Company's risk of interest rate fluctuations. Net interest margin increased 31 basis points for the three months ended March 31, 2021, to 4.00% from 3.69% for the year ended December 31, 2020, reflecting both our organic loan growth and the amortization of fee income from our PPP lending The Federal Reserve Board reduced the federal funds interest rate by an aggregate of 225 basis points during the second half of 2019 and the first quarter of 2020. The 2020 rate cuts were in response to severe market turmoil as a result of the onset of the COVID-19 pandemic. The Federal Reserve Board has stated that its federal funds interest rate policy may remain accommodative at least through 2023. This continuing low interest rate environment is expected to continue to put downward pressure on resetting adjustable rate instruments as well as reduced interest rates on new fixed-rate real estate loan and adjustable-rate loan originations and securities purchases as management's ability to lower funding costs on interest-bearing deposits would more than likely not exceed the pace with the impact to the Company's yields on its earning assets**.** Because the length of the COVID-19 pandemic and the efficacy of the extraordinary measures being put in place to address its economic consequences are unknown, including the 150 basis point reductions in the targeted federal funds rate in 2020, until the pandemic subsides, the Company expects its net interest income and net interest margin will be adversely affected in 2021 and possibly longer.

Provision for loan losses. The provision for loan losses represents a charge to earnings necessary to establish ALLL that, in management's opinion, should be adequate to provide coverage for the inherent losses on outstanding loans.

In evaluating the level of the ALLL, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management's ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. See Note 1, "Nature of Business and Summary of Significant Accounting Policies —Allowance for Loan Losses" of the Notes to the accompanying Consolidated Financial Statements for additional information.

After an evaluation of these factors, the Bank established a provision for loan losses for the three months ended March 31, 2021 of $686,000 compared to $1.1 million for the three months ended March 31, 2020. The Bank's March 31, 2021 assessment of the economic impact of the COVID-19 pandemic on borrowers indicated that it would likely be a detriment to their ability to repay in the short-term and that the likelihood of long-term detrimental effects depends significantly on the resumption of normalized economic activities, a factor not yet determinable. At March 31, 2021, the Bank's assessment reflects a continued detrimental effect on borrowers' ability to repay in the short-term but now includes a cautious optimism of a resumption of normalized economic activities, though not yet determinable when in the long-term.

Factoring in the uncertainty about the COVID-19 pandemic and to the best of management's knowledge, the Bank recorded all loan losses that are both probable and reasonably expected. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to the Bank's loan portfolio, could result in material increases in the Bank's provision for loan losses. In addition, the OCC, as an integral part of its examination process, periodically reviews the Bank's allowance for loan losses and as a result of such reviews, the Bank may determine to adjust the ALLL. However, regulatory agencies are not directly involved in establishing the ALLL as the process is management's responsibility and any increase or decrease in the allowance is the responsibility of management. The Bank has selected the CECL model and has begun running scenarios. The extent of the change to ALLL is indeterminable at this time as it will be dependent upon the portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time. The Company is taking advantage of the extended transition period for complying with this new accounting standard. Assuming it remains a smaller reporting company, the Bank will adopt the CECL standard for fiscal years beginning after December 15, 2022. See Note 1, "Nature of Business and Summary of Significant Accounting Policies" of the Notes to the accompanying Consolidated Financial Statements for a discussion of the CECL standard.

Non-interest Income. Non-interest income increased $1.1 million, or 140.5%, to $1.8 million for the three months ended March 31, 2021 from $750,000 for the three months ended March 31, 2020. The increase in non-interest income was primarily due to a $663,000 gain, net of expenses, from sale of real property.

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

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020	Change Amount	Change Percent
	(Dollars in thousands)			
Service charges and fees	$ 329	$ 248	$ 81	32.7%
Brokerage commissions	—	50	(50)	(100.0%)
Late and prepayment charges	244	119	125	105.0%
Gain on sale of real property	663	—	663	100.0%
Other	568	333	235	70.6%
Total non-interest income	$ 1,804	$ 750	$ 1,054	140.5%

Non-interest Expense. Non-interest expense decreased $94,000, or 0.9%, to $10.0 million for the three months ended March 31, 2021 from $10.1 for the three months ended March 31, 2020. Included in non-interest expense for the three months ended March 31, 2021 was $479,000 of expenses incurred as a result of the COVID-19 pandemic.

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

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020	Change Amount	Change Percent
	(Dollars in thousands)			
Compensation and benefits	$ 4,072	$ 4,656	$ (584)	(12.5%)
Occupancy and equipment	2,498	2,004	494	24.7%
Data processing expenses	581	467	114	24.4%
Direct loan expenses	462	212	250	117.9%
Insurance and surety bond premiums	146	121	25	20.7%
Office supplies, telephone and postage	352	316	36	11.4%
Professional fees	777	1,277	(500)	(39.2%)
Marketing and promotional expenses	29	234	(205)	(87.6%)
Directors fees	69	69	—	—%
Regulatory dues	60	46	14	30.4%
Other operating expenses	954	692	262	37.9%
Total non-interest expense	$ 10,000	$ 10,094	$ (94)	(0.9%)

Mortgage World Segment

Total Assets. Mortgage World's total assets decreased $18.7 million, or 48.7%, to $19.7 million at March 31, 2021 from $38.4 million at December 31, 2020. The decrease in Mortgage World's total assets was primarily due to decreases in mortgage loans held for sale, at fair value, of $20.6 million and other assets of $1.6 million, offset by an increase in cash and cash equivalents of $3.4 million.

Results of Operations for the Three Months Ended March 31, 2021.

The Company acquired 100% of the common stock of Mortgage World as of July 10, 2020. The results of operations of Mortgage World for the three months ended March 31, 2020 are not included for comparison purposes.

Net Income. Mortgage World had net income of $37,000 for the three months ended March 31, 2021.

Non-interest Income. Non-interest income was $2.4 million for the three months ended March 31, 2021.

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

	For the Three Months Ended March 31, 2021
	(Dollars in thousands)
Brokerage commissions	$ 223
Gain on sale of mortgage loans	1,508
Loan origination	539
Other	88
Total non-interest income	$ 2,358

Non-interest Expense. Non-interest expense was $2.3 million for the three months ended March 31, 2021.

The following table presents non-interest expense for the period indicated:

	For the Three Months Ended March 31, 2021
	(Dollars in thousands)
Compensation and benefits	$ 1,241
Occupancy and equipment	122
Data processing	13
Direct loan expense	547
Office supplies, telephone and postage	57
Professional fees	244
Marketing and promotional expenses	9
Other operating expenses	58
Total non-interest expense	$ 2,291

Comparison of Operating Results for the Years Ended December 31, 2020 and 2019

The following table presents the consolidated results of operations for the periods indicated:

	For the Years Ended December 31,		Increase (Decrease)	
	2020	2019	Dollars	Percent
	(Dollars in thousands, except per share data)			
Interest and dividend income	$ 53,339	$ 50,491	$ 2,848	5.6%
Interest expense	11,369	12,358	(989)	(8.0%)
Net interest income	41,970	38,133	3,837	10.1%
Provision for loan losses	2,443	258	2,185	*
Net interest income after provision for loan losses	39,527	37,875	1,652	4.4%
Noninterest income	13,247	2,683	10,564	393.7%
Noninterest expense	47,539	46,607	932	2.0%
Income (loss) before income taxes	5,235	(6,049)	11,284	186.5%
Provision (benefit) for income taxes	1,382	(924)	2,306	249.6%
Net income (loss)	$ 3,853	$ (5,125)	$ 8,978	175.2%
Earnings (loss) per share for the period				
Basic	$ 0.23	$ (0.29)	$ 0.52	179.7%
Diluted	$ 0.23	$ (0.29)	$ 0.52	179.7%

*Exceed 500%

General. Consolidated net income for the year ended December 31, 2020, was $3.9 million compared to a net loss of ($5.1 million) for the year ended December 31, 2019. The change in net income reflects a $10.6 million, or 393.7%, increase in non-interest income, mainly as a result of a $4.2 million gain, net of expenses, on the sale of real property and $6.2 million of non-interest income attributable to Mortgage World operations. Net income was also impacted by a $2.8 million, or 5.6%, increase in interest and dividend income, a

$989,000, or 8.0%, decrease in interest expense, offset by a $2.3 million increase in provision for income taxes, a $2.2 million increase in provision for loan losses in response to the COVID-19 pandemic and a $932,000, or 2.0%, increase in non-interest expense.

Mortgage World's net income from July 10, 2020 through December 31, 2020 was $1.8 million, attributable to $6.2 million in non-interest income and $274,000 in interest and dividend income, offset by $3.9 million in non-interest expense, $521,000 in provision for income taxes and $250,000 in interest expense.

Interest and Dividend Income. Interest and dividend income increased $2.8 million, or 5.6%, to $53.3 million for the year ended December 31, 2020, from $50.5 million for the year ended December 31, 2019. The increase was primarily due to a $3.1 million, or 6.3%, increase in interest income on loans, which is our primary source of interest income, offset by a decrease of $235,000 of other interest and dividend income. Average loan balances increased $122.6 million, or 13.0%, to $1.1 billion for the year ended December 31, 2020 from $946.2 million for the year ended December 31, 2019. The increase in average loan balances was mainly driven by increases in business loans, of which $50.6 million related to PPP loans, multifamily residential loans, one-to-four family residential loans, nonresidential loans, and construction and land mortgage loans. The average yield on loans decreased 31 basis points to 4.90% for the year ended December 31, 2020 from 5.21% for the year ended December 31, 2019.

The following table presents interest income on loans for the periods indicated:

	For the Years Ended December 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
1-4 Family residential	$ 20,538	$ 20,339	$ 199	1.0%
Multifamily residential	12,990	12,053	937	7.8%
Nonresidential properties	9,838	9,621	217	2.3%
Construction and land	6,827	6,374	453	7.1%
Business loans	1,727	824	903	109.6%
Consumer loans	469	95	374	393.7%
Total interest income on loans receivable	$ 52,389	$ 49,306	$ 3,083	6.3%

Interest income on deposits due from banks and available-for-sale securities and dividend income from FHLBNY stock decreased $235,000, or 19.8%, to $950,000 for the year ended December 31, 2020 from $1.2 million for the year ended December 31, 2019. The average balance of deposits due from banks, available-for-sale securities and FHLBNY stock increased $9.9 million, or 16.4%, to $70.2 million for the year ended December 31, 2020, from $60.3 million for the year ended December 31, 2019. The average rate earned on deposits due from banks, available-for-sale securities and FHLBNY stock decreased 62 basis points to 1.35% for the year ended December 31, 2020 from 1.97% for the year ended December 31, 2019.

The following table presents interest and dividend income on deposits due from banks, available-for-sale securities and FHLBNY stock for the periods indicated:

	For the Years Ended December 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Interest on deposits due from banks	$ 84	$ 617	$ (533)	(86.4%)
Interest on available-for-sale securities	515	362	153	42.3%
Dividend on FHLBNY stock	351	206	145	70.4%
Total interest and dividend income	$ 950	$ 1,185	$ (235)	(19.8%)

Interest Expense. Interest expense decreased $989,000, or 8.0%, to $11.4 million for the year ended December 31, 2020, from $12.4 million for the year ended December 31, 2019.

Interest expense on certificates of deposit decreased $1.1 million, or 14.3%, to $6.6 million for the year ended December 31, 2020 from $7.7 million for the year ended December 31, 2019. The average balance on certificates of deposit decreased $23.7 million, or 5.9%, to $379.3 million for the year ended December 31, 2020 from $403.0 million for the same period last year, and the average rate the Bank paid on certificates of deposit decreased 17 basis points to 1.73% for the year ended December 31, 2020 from 1.90% for the same period in 2019.

Interest expense on money market accounts decreased $680,000, or 26.7%, to $1.9 million for the year ended December 31, 2020 from $2.5 million for the year ended December 31, 2019. The average balance of money market accounts increased $82.7 million, or

66.3%, to $207.5 million for the year ended December 31, 2020 from $124.7 million for the same period last year, while the average rate paid on money market accounts decreased 114 basis points to 0.90% for the year ended December 31, 2020 from 2.04% for the year ended December 31, 2019.

Interest expense on borrowings increased $765,000, or 41.3%, to $2.6 million for the year ended December 31, 2020 from $1.9 million for the year ended December 31, 2019. The average balance on borrowings increased $43.6 million, or 56.1%, to $121.2 million for the year ended December 31, 2020 from $77.6 million for the same period last year, and the average rate the Bank paid on borrowings decreased 23 basis points to 2.16% for the year ended December 31, 2020 from 2.39% for the same period in 2019.

The following table presents interest expense for the periods indicated:

	For the Years Ended December 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Certificates of deposit	$ 6,576	$ 7,677	$ (1,101)	(14.3%)
Money market	1,869	2,549	(680)	(26.7%)
Savings	148	152	(4)	(2.6%)
NOW/IOLA	153	122	31	25.4%
Advance payments by borrowers	4	4	—	0.0%
Borrowings	2,619	1,854	765	41.3%
Total interest expense	$ 11,369	$ 12,358	$ (989)	(8.0%)

Net Interest Income. Net interest income increased $3.8 million, or 10.1%, to $42.0 million for the year ended December 31, 2020 from $38.1 million for the year ended December 31, 2019, primarily as a result of organic loan growth and lower average cost of funds on interest bearing liabilities. Average net interest-earning assets increased by $28.3 million, or 11.6%, to $273.8 million for the year ended December 31, 2020 from $245.4 million for the same period in 2019, due primarily to increases of $122.6 million in average loans and mortgage loans held for sale, $18.2 million in FHLBNY demand account and FHLBNY stock dividends, a decrease of $23.7 million in average certificates of deposit, offset by increases of $82.7 million in average money market accounts, $43.6 million in average borrowings and a decrease of $8.3 million in average securities. The net interest rate spread decreased by three basis points to 3.37% for the year ended December 31, 2020 from 3.40% for the year ended December 31, 2019, and the net interest margin decreased by 10 basis points to 3.69% from 3.79% for the years ended December 31, 2020 and 2019, respectively.

Management continues to deploy various asset and liability management strategies to manage the Company's risk of interest rate fluctuations. Net interest margin decreased 10 basis points for the year ended December 31, 2020, to 3.69% from 3.79% for the year ended December 31, 2019, reflecting that pricing for creditworthy borrowers and meaningful depositors remained very competitive and evidencing the effect of the COVID-19 pandemic.

Provision for Loan Losses. The Bank established a provision for loan losses for the year ended December 31, 2020 of $2.4 million compared to $258,000 for the year ended December 31, 2019. The Bank's assessment of the economic impact of the COVID-19 pandemic on borrowers indicated that it would likely be a detriment to their ability to repay in the short-term and that the likelihood of long-term detrimental effects depends significantly on the resumption of normalized economic activities, a factor not yet determinable.

The increase of $2.2 million in provision of loan losses was primarily driven by increases of $1.3 million in multifamily residential, $658,000 in 1-4 family investor owned residential mortgage, $426,000 in nonresidential properties, $334,000 in 1-4 family owner-occupied residential mortgage and $270,000 in consumer loans offset by decreases of $703,000 in business loans and $113,000 in construction and land. The ALLL was $14.9 million, or 1.27% of total loans, at December 31, 2020, compared to $12.3 million, or 1.28% of total loans, at December 31, 2019. Excluding $85.3 million in PPP loans, the ALLL at December 31, 2020 would have been 1.37% of total loans.

Non-Interest Income. Non-interest income increased $10.6 million, to $13.2 million for the year ended December 31, 2020 from $2.7 million for the year ended December 31, 2019. The increase in non-interest income for the year ended December 31, 2020 compared to the year ended December 31, 2019 was primarily due to a $4.2 million gain, net of expenses, on the sale of real property, combined with $6.2 million in gain on sale of mortgage loans, loan origination fees, brokerage commissions and other non-interest income attributable to Mortgage World operations. The increase in non-interest income also was the result of $429,000 in other non-interest income and $228,000 in brokerage commissions related to the Bank, offset by decreases of $397,000 in late and prepayment charges related to mortgage loans and $79,000 in service charges and fees related to the Bank.

Mortgage World's non-interest income from July 10, 2020 through December 31, 2020 was $6.2 million, consisting of $4.1 million in income on sale of mortgage loans, $925,000 in loan origination fees, $627,000 in other non-interest income and $535,000 in brokerage commissions.

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

	For the Years Ended December 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Service charges and fees	$ 892	$ 971	$ (79)	(8.1%)
Brokerage commissions	974	212	762	359.4%
Late and prepayment charges	358	755	(397)	(52.6%)
Income on sale of mortgage loans	4,120	—	4,120	—%
Loan origination	925	—	925	—%
Gain on sale of real property	4,177	—	4,177	—%
Other	1,801	745	1,056	141.7%
Total non-interest income	$ 13,247	$ 2,683	$ 10,564	393.7%

Non-Interest Expenses. Non-interest expense increased $932,000, or 2.0%, to $47.5 million for the year ended December 31, 2020, compared to $46.6 million for the year ended December 31, 2019. The increase in non-interest expense was primarily attributable to $3.9 million in non-interest expense related to Mortgage World operations, of which $2.3 million was related to compensation and benefits. The remainder of the increases in non-interest expense attributable to the Bank were $2.8 million in professional fees, $1.6 million in occupancy and equipment expense due to new software licenses and security services, $838,000 in compensation and benefits, $686,000 in other operating expenses mainly due to employment agency fees and collection fees, $544,000 in data processing expenses as a result of system enhancements and implementation charges related to new software upgrades and $319,000 in marketing and promotional expenses attributable to the Bank. The increases in non-interest expense were offset by the absence of the non-recurring $9.9 million loss on the termination of the pension plan related to the Bank, recognized in the fourth quarter of 2019. The increase of $2.8 million attributable to the Bank in professional fees was mainly attributable to increases in consulting fees of $1.8 million and professional services of $1.0 million related to the document imaging project adopted in late 2019. Included in non-interest expense for the year ended December 31, 2020 was $1.1 million of expenses incurred as a result of the COVID-19 pandemic. Excluding the impact of the $3.9 million in non-interest expense related to Mortgage World for the year ended December 31, 2020 and the $9.9 million loss on termination of pension plan related to the Bank recognized in the fourth quarter of 2019, total non-interest expense would have increased $7.0 million, or 19.0%, to $43.7 million for the year ended December 31, 2020 compared to $36.7 million for the year ended December 31, 2019.

Mortgage World's non-interest expense from July 10, 2020 through December 31, 2020 was $3.9 million, consisting primarily of $2.3 million in compensation and benefits, $792,000 in direct loan expenses, $322,000 in occupancy and equipment and $279,000 in other operating expenses.

The following table presents non-interest expense for the periods indicated.

	For the Years Ended December 31,		Change	
	2020	2019	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 22,053	$ 18,883	$ 3,170	16.8%
Loss on termination of pension plan	—	9,930	(9,930)	(100.0%)
Occupancy and equipment	9,564	7,612	1,952	25.6%
Data processing expenses	2,137	1,576	561	35.6%
Direct loan expenses	1,447	692	755	109.1%
Insurance and surety bond premiums	553	414	139	33.6%
Office supplies, telephone and postage	1,399	1,185	214	18.1%
Professional fees	6,049	3,237	2,812	86.9%
Marketing and promotional expenses	488	158	330	208.9%
Directors fees	276	294	(18)	(6.1%)
Regulatory dues	210	231	(21)	(9.1%)
Other operating expenses	3,363	2,395	968	40.4%
Total non-interest expense	$ 47,539	$ 46,607	$ 932	2.0%

Income Taxes Expense. Consolidated income tax expense was $1.4 million for the year ended December 31, 2020 and ($924,000) in income tax benefit for the year ended December 31, 2019, resulting in effective tax rates of 26.4% and 15.3%, respectively. At December 31, 2020 and 2019, net deferred tax assets amounted to $4.7 million and $3.7 million, respectively.

Average Balance Sheet

The following table sets forth average outstanding balances, average yields and rates, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. Average balances are derived from average daily balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Years Ended December 31,					
	2020			2019		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans (1)	$ 1,068,785	$ 52,389	4.90%	$ 946,159	$ 49,306	5.21%
Securities (2)	16,473	515	3.13%	24,778	362	1.46%
Other (3)	53,683	435	0.81%	35,517	823	2.32%
Total interest-earning assets	1,138,941	53,339	4.68%	1,006,454	50,491	5.02%
Non-interest-earning assets	56,415			35,504		
Total assets	$ 1,195,356			$ 1,041,958		
Interest-bearing liabilities:						
NOW/IOLA	$ 29,792	$ 153	0.51%	$ 27,539	$ 122	0.44%
Money market	207,454	1,869	0.90%	124,729	2,548	2.04%
Savings	118,956	148	0.12%	119,521	153	0.13%
Certificates of deposit	379,276	6,576	1.73%	403,010	7,677	1.90%
Total deposits	735,478	8,746	1.19%	674,799	10,500	1.56%
Advance payments by borrowers	8,463	4	0.05%	8,608	4	0.05%
Borrowings	121,193	2,619	2.16%	77,621	1,854	2.39%
Total interest-bearing liabilities	865,134	11,369	1.31%	761,028	12,358	1.62%
Non-interest-bearing liabilities:						
Non-interest-bearing demand	164,555	—		110,745	—	
Other non-interest-bearing liabilities	6,603	—		3,900	—	
Total non-interest-bearing liabilities	171,158	—		114,645	—	
Total liabilities	1,036,292	11,369		875,673	12,358	
Total equity	159,064			166,285		
Total liabilities and total equity	$ 1,195,356		1.31%	$ 1,041,958		1.62%
Net interest income		$ 41,970			$ 38,133	
Net interest rate spread (4)			3.37%			3.40%
Net interest-earning assets (5)	$ 273,807			$ 245,426		
Net interest margin (6)			3.69%			3.79%
Average interest-earning assets to interest-bearing liabilities			131.65%			132.25%

(1) Loans include loans and mortgage loans held for sale, at fair value.

(2) Securities include available-for-sale securities and held-to-maturity securities.

(3) Includes FHLBNY demand account and FHLBNY stock dividends.

(4) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(5) Net interest-earning assets represent total interest-earning assets less total interest-earning liabilities.

(6) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on the Company’s net interest income for the periods indicated. The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	For the Years Ended December 31, 2020 vs. 2019		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(Dollars in thousands)		
Interest-earning assets:			
Loans (1)	$ 6,390	$ (3,307)	$ 3,083
Securities (2)	(121)	274	153
Other	421	(809)	(388)
Total interest-earning assets	6,690	(3,842)	2,848
Interest-bearing liabilities:			
NOW/IOLA	10	21	31
Money Market	1,690	(2,369)	(679)
Savings	(1)	(4)	(5)
Certificates of deposit	(452)	(649)	(1,101)
Total deposits	1,247	(3,001)	(1,754)
Borrowings	1,041	(276)	765
Total interest-bearing liabilities	2,288	(3,277)	(989)
Change in net interest income	$ 4,402	$ (565)	$ 3,837

(1) Loans includes mortgage loans held for sale, at fair value.
(2) Securities include available-for-sale securities and held-to-maturity securities.

Management of Market Risk

General. The most significant form of market risk is interest rate risk because, as a financial institution, the majority of the Company’s assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of the Company’s operations is to manage interest rate risk and limit the exposure of its financial condition and results of operations to changes in market interest rates. The Company’s Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in the Company’s assets and liabilities, for determining the level of risk that is appropriate, given the business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with policies and guidelines approved by the Board of Directors. The Company currently utilizes a third-party modeling solution that is prepared on a quarterly basis, to evaluate its sensitivity to changing interest rates, given the Company’s business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors.

The Bank does not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities. Mortgage World currently is not engaged in hedging activities to cover the risks of interest rate movements while it holds mortgages for sale. The current low mortgage interest rates and their limited volatility has effectively mitigated such risks. Should the mortgage interest rate environment change, Mortgage World may consider renewed hedging strategies.

Net Interest Income Simulation Models. Management utilizes a respected, sophisticated third party designed asset liability modeling software that measures the Bank’s earnings through simulation modeling. Earning assets, interest-bearing liabilities and off-balance sheet financial instruments are combined with forecasts of interest rates for the next 12 months and are combined with other factors in order to produce various earnings simulations over that same 12-month period. To limit interest rate risk, the Bank has policy guidelines for earnings risk which seek to limit the variance of net interest income in both gradual and instantaneous changes to interest rates.

As of March 31, 2021, in the event of an instantaneous upward and downward change in rates from management's flat interest rate forecast over the next twelve months, assuming a static balance sheet, the following estimated changes are calculated:

Rate Shift (1)	Net Interest Income Year 1 Forecast		Year 1 Change from Level
	(Dollars in thousands)		
+400	$	47,318	(7.74%)
+300		48,888	(4.68%)
+200		50,095	(2.33%)
+100		50,933	(0.69%)
Level		51,289	—%
-100		50,316	(1.90%)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

As of December 31, 2020, in the event of an instantaneous upward and downward change in rates from management's level interest rate forecast over the next twelve months, assuming a static balance sheet, the following estimated changes are calculated:

Rate Shift (basis points) (1)	Net Interest Income Year 1 Forecast		Year 1 Change from Level
	(Dollars in thousands)		
+400	$	38,841	(12.59%)
+300		40,808	(8.17%)
+200		42,434	(4.51%)
+100		43,671	(1.72%)
Level		44,437	0.00%
-100		43,909	(1.19%)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

Although an instantaneous and severe shift in interest rates was used in these analyses to provide an estimate of exposure under these scenarios, management believes that a gradual shift in interest rates would have a more modest impact. Further, the earnings simulation model does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could alter any potential adverse impact of changes in interest rates.

The behavior of the deposit portfolio in the baseline forecast and in alternate interest rate scenarios set out in the table above is a key assumption in the projected estimates of net interest income. The projected impact on net interest income in the table above assumes no change in deposit portfolio size or mix from the baseline forecast in alternative rate environments. In higher rate scenarios, any customer activity resulting in the replacement of low-cost or noninterest-bearing deposits with higher-yielding deposits or market-based funding would reduce the benefit in those scenarios.

At March 31, 2021 and December 31, 2020, the earnings simulation model indicated that the Bank was in compliance with the Board of Directors approved Interest Rate Risk Policy.

Economic Value of Equity Model. While earnings simulation modeling attempts to determine the impact of a changing rate environment to net interest income, the Economic Value of Equity Model (“EVE”) measures estimated changes to the economic values of assets, liabilities and off-balance sheet items as a result of interest rate changes. Economic values are determined by discounting expected cash flows from assets, liabilities and off-balance sheet items, which establishes a base case EVE. Rates are then shocked as prescribed by the Interest Rate Risk Policy to measure the sensitivity in EVE values for each of those shocked rate scenarios versus the base case. The Interest Rate Risk Policy sets limits for those sensitivities.

At March 31, 2021, the EVE modeling calculated the following estimated changes in EVE due to instantaneous upward and downward changes in rates:

Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets (3)	
		Amount	Percent	EVE Ratio (4)	Increase (Decrease) (basis points)
	(Dollars in thousands)				
+400	$ 153,943	$ (19,157)	(11.07%)	11.39%	(1,107)
+300	160,540	(12,560)	(7.26%)	11.68%	(726)
+200	166,189	(6,911)	(3.99%)	11.89%	(399)
+100	170,914	(2,186)	(1.26%)	12.02%	(126)
Level	173,100	—	—%	11.98%	—
-100	184,496	11,396	6.58%	12.56%	658

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

(2) EVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(4) EVE Ratio represents EVE divided by the present value of assets.

At December 31, 2020, the EVE modeling calculated the following estimated changes in EVE due to instantaneous upward and downward changes in rates:

Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets (3)	
		Amount	Percent	EVE Ratio (4)	Increase (Decrease) basis points
	(Dollars in thousands)				
+400	$ 123,374	$ (15,705)	(11.29%)	9.75%	(1,129)
+300	130,263	(8,816)	(6.34%)	10.12%	(634)
+200	135,561	$ (3,518)	(2.53%)	10.35%	(253)
+100	139,001	(78)	(0.06%)	10.44%	(6)
Level	139,079	—	0.00%	10.27%	—
-100	150,653	11,574	8.32%	10.95%	832

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

(2) EVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(4) EVE Ratio represents EVE divided by the present value of assets.

At March 31, 2021 and December 31, 2020, the EVE model indicated that the Bank was in compliance with the Board of Directors approved Interest Rate Risk Policy.

GAP Analysis. In addition, management analyzes interest rate sensitivity by monitoring the Bank's interest rate sensitivity "gap." The interest rate sensitivity gap is the difference between the amount of our interest-earning assets maturing or repricing within a specific time period and the amount of our interest bearing-liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets maturing or repricing during a period exceeds the amount of interest rate sensitive liabilities maturing or repricing during the same period, and a gap is considered negative when the amount of interest rate sensitive liabilities maturing or repricing during a period exceeds the amount of interest rate sensitive assets maturing or repricing during the same period.

The following table sets forth the Bank's interest-earning assets and its interest-bearing liabilities at March 31, 2021 and December 31, 2020, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities the dates indicated, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans.

	March 31, 2021 Time to Repricing								
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Five Years Plus	Total Earning Assets & Costing Liabilities	Non Earning Assets & Non Costing Liabilities	Total
	(Dollars in thousands)								
Assets:									
Interest-bearing deposits in banks	$ 76,571	$ 76,571	$ 76,571	$ 76,571	$ 76,571	$ 76,571	$ 76,571	$ 13,551	$ 90,122
Securities (1)	2,055	3,969	9,020	12,139	28,887	32,661	32,661	—	32,661
Placements with banks	2,739	2,739	2,739	2,739	2,739	2,739	2,739	—	2,739
Net loans (includes LHFS)	177,106	299,460	453,893	711,739	1,205,374	1,249,140	1,249,140	(4,957)	1,244,183
FHLBNY stock	6,061	6,057	6,057	6,057	6,057	6,057	6,057	—	6,057
Other assets	—	—	—	—	—	—	—	57,945	57,945
Total	$ 264,532	$ 388,796	$ 548,280	$ 809,245	$ 1,319,628	$ 1,367,168	$ 1,367,168	$ 66,539	$ 1,433,707
Liabilities:									
Non-maturity deposits	$ 13,478	$ 46,978	$ 197,731	$ 261,323	$ 412,277	$ 480,668	$ 480,668	$ 218,706	$ 699,374
Certificates of deposit	76,592	142,725	250,184	321,507	435,172	439,172	439,172	—	439,172
Other liabilities	—	15,340	28,220	121,595	121,595	121,595	121,595	12,362	133,957
Total liabilities	90,070	205,043	476,135	704,425	969,044	1,041,435	1,041,435	231,068	1,272,503
Capital	—	—	—	—	—	—	—	161,204	161,204
Total liabilities and capital	$ 90,070	$ 205,043	$ 476,135	$ 704,425	$ 969,044	$ 1,041,435	$ 1,041,435	$ 392,272	$ 1,433,707
Asset/liability gap	$ 174,462	$ 183,753	$ 72,145	$ 104,820	$ 350,584	$ 325,733	$ 325,733		
Gap/assets ratio	293.70%	189.62%	115.15%	114.88%	136.18%	131.28%	131.28%		

(1) Includes available-for-sale securities and held-to-maturity securities.

	December 31, 2020								
	Time to Repricing								
	Zero to 90 Days	**Zero to 180 Days**	**Zero Days to One Year**	**Zero Days to Two Years**	**Zero Days to Five Years**	**Zero Days to Five Years Plus**	**Total Earning Assets & Costing Liabilities**	**Non Earning Assets & Non Costing Liabilities**	**Total**
	(Dollars in thousands)								
Assets:									
Interest-bearing deposits in banks	$ 72,078	$ 72,078	$ 72,078	$ 72,078	$ 72,078	$ 72,078	$ 72,078		$ 72,078
Securities (1)	802	1,514	6,183	7,865	10,883	19,094	19,094	147	19,241
Placements with banks	2,739	2,739	2,739	2,739	2,739	2,739	2,739		$ 2,739
Loans receivable, net (includes LHFS)	182,337	273,469	451,205	710,938	1,147,028	1,195,099	1,195,099	(1,053)	1,194,046
FHLBNY Stock	6,426	6,426	6,426	6,426	6,426	6,426	6,426	—	6,426
Other assets	—	—	—	—	—	—	—	60,701	60,701
Total	$ 264,382	$ 356,226	$ 538,631	$ 800,046	$ 1,239,154	$ 1,295,436	$ 1,295,436	$ 59,795	$ 1,355,231
Liabilities:									
Non-maturity deposits	$ 16,445	$ 30,887	$ 59,771	$ 117,545	$ 256,222	$ 449,570	$ 449,570	$ 173,022	$ 622,592
Certificates of deposit	103,737	168,744	271,229	353,272	402,987	406,987	406,987	—	406,987
Other liabilities	8,000	8,000	8,000	120,324	148,699	148,699	148,699	17,409	166,108
Total liabilities	128,182	207,631	339,000	591,141	807,908	1,005,256	1,005,256	190,431	1,195,687
Stockholders' equity	—	—	—	—	—	—	—	159,544	159,544
Total liabilities and stockholders' equity	$ 128,182	$ 207,631	$ 339,000	$ 591,141	$ 807,908	$ 1,005,256	$ 1,005,256	$ 349,975	$ 1,355,231
Asset/liability gap	$ 136,200	$ 148,595	$ 199,631	$ 208,905	$ 431,246	$ 290,180	$ 290,180		
Gap/assets ratio	206.26%	171.57%	158.89%	135.34%	153.38%	128.87%	128.87%		

(1) Includes available-for-sale securities and held-to-maturity securities.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income and economic value tables presented assume that the composition of the interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net interest income and EVE tables provide an indication of the interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and EVE and will differ from actual results. Furthermore, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset. In the event of changes in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the gap table.

Interest rate risk calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of loans, deposits and borrowings.

Liquidity and Capital Resources

Liquidity describes the ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of the Company’s customers and to fund current and future planned expenditures. The primary sources of funds are deposits, principal and interest payments on loans and securities and proceeds from the sale of loans. The Bank also has access to borrow from the FHLBNY. At March 31, 2021 and December 31, 2020, the Bank had $109.3 million and $117.3 million, respectively, of term and overnight outstanding advances from the FHLBNY, and also had a guarantee from the FHLBNY through letters of credit of up to $61.5 million. At March 31, 2021 and December 31, 2020, there was eligible collateral of approximately $358.6 million and $336.8 million, respectively, in mortgage loans available to secure advances from the FHLBNY. The Bank also has an unsecured line of credit of $25.0 million with a correspondent bank, of which there was none outstanding at March 31, 2021 and December 31, 2020. The Bank did not have any outstanding securities sold under repurchase agreements with brokers as of March 31, 2021 and December 31, 2020.

Mortgage World maintains two warehouse lines of credit with financial institutions for the purpose of funding the origination and sale of residential mortgage loans. As of March 31, 2021, the maximum credit line of $25.0 million, of which $11.7 million was utilized, with $13.3 million remaining unused. As of December 31, 2020, the maximum credit line of $34.9 million, of which $30.0 million was utilized, with $4.9 million remaining unused.

Although maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and competition. The most liquid assets are cash and interest-bearing deposits in banks. The levels of these assets are dependent on operating, financing, lending, and investing activities during any given period.

Net cash provided by operating activities was $22.6 million and $1.3 million for the three months ended March 31, 2021 and 2020, respectively. Net cash (used in) investing activities, which consists primarily of disbursements for loan originations and purchases of new securities, offset by principal collections on loans, proceeds from maturing securities and pay downs on mortgage-backed securities, was $(86.1 million) and $(18.5 million) for the three months ended March 31, 2021 and 2020, respectively. Net cash provided by financing activities, consisting of activities in deposit accounts, advances, and repurchase of treasury stock, was $81.5 million and $93.6 million for the three months ended March 31, 2021 and 2020, respectively.

Net cash (used in) provided by operating activities was ($27.5 million) and $5.0 million for the years ended December 31, 2020 and 2019, respectively. Net cash used in investing activities, which consists primarily of disbursements for loan originations, offset by principal collections on loans, purchases of available-for-sale and held-to-maturity securities, proceeds from maturing of available-for-sale securities and pay downs on mortgage-backed available-for-sale securities, was $(204.6 million) and $(38.7 million) for the years ended December 31, 2020 and 2019, respectively. Net cash provided by (used in) financing activities, consisting of activities in deposit accounts, advances and repurchase of treasury stock, was $276.5 million and ($8.5 million) for the years ended December 31, 2020 and 2019, respectively.

Based on the Company's current assessment of the economic impact of the COVID-19 pandemic on its borrowers, management has determined that it will likely be a detriment to borrowers' ability to repay in the short-term and that the likelihood of long-term detrimental effects will depend significantly on the resumption of normalized economic activities, a factor not yet determinable. The Bank's management also took steps to enhance the Company's liquidity position by increasing its on balance sheet cash and cash equivalents position in order to meet unforeseen liquidity events and to fund upcoming funding needs.

At March 31, 2021 and December 31, 2020, all regulatory capital requirements were met, resulting in the Company and the Bank being categorized as well capitalized at March 31, 2021 and December 31, 2020. Management is not aware of any conditions or events that would change this categorization.

Off-Balance Sheet Arrangements

Commitments. As a financial services provider, the Company routinely is a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. Although these contractual obligations represent the Company's future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans originated. At March 31, 2021 and December 31, 2020, the Company had outstanding commitments to originate loans and extend credit of $164.3 million and $151.3 million, respectively.

It is anticipated that the Company will have sufficient funds available to meet its current lending commitments. Certificates of deposit that are scheduled to mature in less than one year from March 31, 2021 totaled $250.4 million. Management expects that a substantial portion of the maturing time deposits will be renewed. However, if a substantial portion of these deposits are not retained, the Company may utilize FHLBNY advances, unsecured credit lines with correspondent banks, or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of its operations, the Company enters into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

REGULATION AND SUPERVISION

General

As a federally-chartered, stock savings association, the Bank is subject to examination, supervision and regulation, primarily by the OCC, and, secondarily, by the FDIC as the insurer of deposits. The federal system of regulation and supervision establishes a comprehensive framework of activities in which the Bank is engaging and is intended primarily for the protection of depositors and the FDIC's Deposit Insurance Fund.

The Bank is regulated to a lesser extent by the Federal Reserve Board, which governs the reserves to be maintained against deposits and other matters. In addition, the Bank is a member of and owns stock in the FHLBNY, which is one of the 11 regional banks in the Federal Home Loan Bank System. The Bank's relationship with its depositors and borrowers is also regulated, to a great extent, by federal law and, to a lesser extent, state law, including in matters concerning the ownership of deposit accounts and the form and content of loan documents.

As a savings and loan holding company following the conversion, Ponce Financial will be subject to examination and supervision by, and be required to file certain reports with, the Federal Reserve Board. Ponce Financial will also be subject to the rules and regulations of the SEC under the federal securities laws.

Mortgage World is a mortgage banking entity primarily operating in the New York City metropolitan area. It is a Federal Housing Administration ("FHA") approved Title II lender, giving Mortgage World the ability to process or service single family loans that will be guaranteed by the FHA. To maintain its license, Mortgage World must comply with certain regulations set forth by the U.S. Department of Housing and Urban Development ("HUD"). In addition, Mortgage World is subject to the comprehensive regulation and examination of the New York State Department of Financial Services.

Set forth below are certain material regulatory requirements that are or will be applicable to Ponce Financial, the Bank and Mortgage World. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on Ponce Financial, the Bank and Mortgage World. Any change in these laws or regulations, whether by Congress or the applicable regulatory agencies, could have a material adverse impact on Ponce Financial, the Bank and Mortgage World and their respective operations.

CARES Act

In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020. Among other things, the CARES Act includes provisions impacting financial institutions like the Bank and Mortgage World. The CARES Act allows banks to elect to suspend requirement under GAAP for loan modifications related to the COVID-19 pandemic (for loans that were not more than 30 days past due as of December 31, 2019) that would otherwise be categorized as a TDR, including impairment for accounting purposes, until the earlier of 60 days after the termination date of the national emergency or December 31, 2020. This relief was extended by the Consolidated Appropriations Act enacted on December 27, 2020 to the earlier of January 1, 2022 or 60 days after the termination of the national emergency. Federal banking agencies are required to defer to the determination of the banks making such suspension.

The CARES Act created the PPP. The PPP authorized small business loans to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on certain debt. The loans were provided through participating financial institutions, such as the Bank, that processed loan applications and service the loans. The CARES Act appropriated $349.0 billion for PPP loans. On April 24, 2020, the PPP received another $310.0 billion in funding. On December 27, 2020, the Economic Aid Act appropriated another $284.0 billion for both first and second draw of PPP loans bringing the total appropriations for PPP loans to $943.0 billion. Loans under the PPP that meet SBA requirements may be forgiven in certain circumstances, and are 100% guaranteed by the SBA. The authorization for making PPP loans expired on May 31, 2021.

Federal Bank Regulations

Business Activities. A federal savings association derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, the Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. The Bank may also establish, subject to specified investment limits, service corporation subsidiaries that may engage in certain activities not otherwise permissible for Ponce Bank, including real estate investment and securities and insurance brokerage.

Examinations and Assessments. The Bank is primarily supervised by the OCC. The Bank is required to file reports with and is subject to periodic examination by the OCC. The Bank is required to pay assessments to the OCC to fund the agency's operations. The Company is and Ponce Financial will be required to file reports with and is/will be subject to periodic examination by the Federal Reserve Board. They also are/will be required to pay assessments to the Federal Reserve Board to fund the agency's operations.

Capital Requirements. Federal regulations require FDIC-insured depository institutions, including federal savings associations, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6.0% and 8.0%, respectively. The regulations also establish a minimum required leverage ratio of at least 4.0% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. In 2015, Ponce De Leon Federal Bank, the predecessor of Ponce Bank, made a one-time, permanent election to opt-out regarding the treatment of AOCI. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, an institution's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on the risk deemed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0.0% is assigned to cash and U.S. government securities, a risk weight of 50.0% is generally assigned to prudently underwritten first lien one-to-four family residential mortgages, a risk weight of 100.0% is assigned to commercial and consumer loans, a risk weight of 150.0% is assigned to certain past due loans and a risk weight of between 0.0% to 600.0% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is 2.5% of risk-weighted assets.

At March 31, 2021, the Bank's capital exceeded all applicable requirements. See "Historical and Pro Forma Regulatory Capital Compliance."

Mortgage World is subject to various net worth requirements in connection with regulatory requirements and lending agreements that Mortgage World has entered into with purchase facility lenders. Failure to maintain minimum capital requirements could result in Mortgage World's inability to originate and service loans, and, therefore, could have a direct material effect on the Company's consolidated financial statements.

Loans-to-One Borrower. Generally, a federal savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15.0% of unimpaired capital and surplus. An additional amount may be lent, equal to 10.0% of unimpaired capital and surplus, if secured by "readily marketable collateral," which generally includes certain financial instruments (but not real estate). As of March 31, 2021, the Bank was in compliance with the loans-to-one borrower limitations.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems, audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency pronouncements set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the pronouncements, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under the Federal Prompt Corrective Action statute, the OCC is required to take supervisory actions against undercapitalized institutions under its jurisdiction, the severity of which depends upon the institution's level of capital. A savings institution that has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a common equity Tier 1 ratio of less than 4.5% or a leverage ratio of less than 4.0% is considered to be "undercapitalized." A savings institution that has total risk-based capital of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a common equity Tier 1 ratio of less than 3.0% or a leverage ratio that is less than 3.0% is considered to be "significantly undercapitalized." A savings institution that has a tangible capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized."

Generally, the OCC is required to appoint a receiver or conservator for a federal savings association that becomes "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the OCC within 45 days of the date that a federal savings association is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any holding company of a federal savings association that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5.0% of the savings association's assets at the time it was deemed to be undercapitalized by the OCC or the amount necessary to restore the savings association to adequately capitalized status. This guarantee remains in place until the OCC notifies the savings association that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures such as restrictions on capital distributions and asset growth. The OCC may also take any one of a number of discretionary supervisory actions against undercapitalized federal savings associations, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At March 31, 2021, the Bank met the criteria for being considered "well capitalized," which means that its total risk-based capital ratio exceeded 10.0%, its Tier 1 risk-based ratio exceeded 8.0%, its common equity Tier 1 ratio exceeded 6.5% and its leverage ratio exceeded 5.0%.

Qualified Thrift Lender Test. As a federal savings association, the Bank must satisfy the qualified thrift lender, or "QTL," test. Under the QTL test, the Bank must maintain at least 65% of its "portfolio assets" in "qualified thrift investments" (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of every 12-month period. "Portfolio assets" generally means total assets of a savings association, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings association's business.

Alternatively, the Bank may satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code.

A savings association that fails the qualified thrift lender test must operate under specified restrictions set forth in the Home Owners' Loan Act. The Dodd-Frank Act made noncompliance with the QTL test subject to agency enforcement action for a violation of law. At March 31, 2021, the Bank satisfied the QTL test.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the savings association's capital account. A federal savings association must file an application with the OCC for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceeds the sum of the savings association's net income for that year to date plus the savings association's retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as the Bank, must file a notice with the Federal Reserve Board at least 30 days before its board of directors declares a dividend.

An application or notice related to a capital distribution may be disapproved if:

- the federal savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings association also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low and moderate-income borrowers. In connection with its examination of a federal savings association, the OCC is required to assess the federal savings association's record of compliance with the Community Reinvestment Act. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications, such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. Ponce Bank, received a "satisfactory" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. As a federal savings association, the Bank's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with an insured depository institution such as the Bank. Ponce Financial will be an affiliate of the Bank because of its control of the Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

The Bank's authority to extend credit to its directors, executive officers and 10.0% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and

- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by the Bank's Board of Directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The OCC has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution and to the appointment of a receiver or conservator. Civil money penalties ("CMP") cover a wide range of violations and actions. CMPs are classified into three tiers based on the actionable conduct and the level of culpability. The law sets maximum amounts that the OCC may assess for each day the actionable conduct continues. The FDIC also has the authority to terminate deposit insurance or recommend to the OCC that enforcement action be taken with respect to a particular federal savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC insured financial institutions such as the Bank. Deposit accounts in the Bank are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts.

The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund. The Dodd-Frank Act required the FDIC to base its assessments upon each insured institution's total assets less tangible equity. The FDIC has set the assessment range at 1.5 to 40 basis points of total assets less tangible equity. Assessments for most institutions are based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of the Bank's deposit insurance.

OTHER REGULATIONS

Federal Reserve System

Generally, Federal Reserve Board regulations require depository institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). In an effort to respond to the negative effects on the economy from the COVID-19 pandemic, effective March 26, 2020, in response to COVID-19, the Federal Reserve Board eliminated the reserve requirement for depository institutions in order to support lending to households and businesses.

Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the FHLBNY, the Bank is required to acquire and hold shares of the capital stock of the FHLBNY. As of March 31, 2021, the Bank was in compliance with this requirement. The Bank may also utilize advances from the FHLBNY as a source of investable funds.

Other Regulations

Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act, mandating certain disclosures to depositors; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of the Bank are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;

- The USA PATRIOT Act, which requires financial institutions to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirement that also apply to financial institutions under the Bank Secrecy Act and the Foreign Assets Control regulations; and

- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

- The Dodd-Frank Act made significant changes to the regulatory structure for depository institutions and their holding companies and also affected the lending, investments and other operations of all depository institutions. The Dodd-Frank Act required the Federal Reserve Board to set minimum capital levels for both bank holding companies and savings and loan holding companies that are as stringent as those required for their insured depository subsidiaries. The Dodd-Frank Act created a new regulator, the Consumer Financial Protection Bureau ("CFPB"), and gave it broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, such as Ponce Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices.

Holding Company Regulations

General. Ponce Financial will be a unitary savings and loan holding companies within the meaning of the Home Owners' Loan Act. As such, Ponce Financial will be registered with the Federal Reserve Board and subject to the regulation, examination, supervision and reporting requirements applicable to savings and loan holding companies. In addition, the Federal Reserve Board will have enforcement authority over Ponce Financial and its non-savings association subsidiaries, if any. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities of those entities that are determined to be a serious risk to the subsidiary savings institution.

Permissible Activities. Under present law, the business activities of the Ponce Financial will generally be limited to those activities permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, provided certain conditions are met and financial holding company status is elected, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance, as well as activities that are incidental to financial activities or complementary to a financial activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to regulatory approval, and certain additional activities authorized by federal regulations. The Company and Ponce Bank MHC each elected financial holding company status and received applicable clearance on February 21, 2019. It is anticipated that Ponce Financial will elect financial holding company status.

Federal law prohibits a savings and loan holding company, including the Company, Ponce Bank MHC and Ponce Financial, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5.0% ("control") of another savings institution or savings and loan holding company, without prior Federal Reserve Board approval. The Federal Reserve Board adopted a final rule on January 30, 2020, effective April 1, 2020, providing further guidance regarding under what circumstances "control" will be found to exist. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board considers factors such as the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the Federal Deposit Insurance Fund, the convenience and needs of the community and competitive factors.

The Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

- the approval of interstate supervisory acquisitions by savings and loan holding companies; and

- the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

Capital. Savings and loan holding companies had historically not been subjected to consolidated regulatory capital requirements. The Dodd-Frank Act required the Federal Reserve Board to establish minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries. However, pursuant to legislation passed in December 2014, the Federal Reserve Board extended to savings and loan holding companies the applicability of its "Small Bank Holding Company" exception to its consolidated capital requirements and, pursuant to a law enacted in May 2018, increased the threshold for the exception to $3.0 billion.

As a result, savings and loan holding companies with less than $3.0 billion in consolidated assets, such as Ponce Financial, are generally not subject to the capital requirements unless otherwise advised by the Federal Reserve Board.

Source of Strength. The Dodd-Frank Act extended the "source of strength" doctrine to savings and loan holding companies. The Federal Reserve Board has issued regulations requiring that all savings and loan holding companies serve as a source of strength to their subsidiary depository institutions.

Dividends and Stock Repurchases. The Federal Reserve Board has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with Federal Reserve Bank staff concerning dividends in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a savings and loan holding company to pay dividends may be restricted if a subsidiary savings association becomes undercapitalized. The regulatory guidance also states that a savings and loan holding company should inform Federal Reserve Bank supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the savings and loan holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of Ponce Financial to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Acquisition. Under the Federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a savings and loan holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the company's outstanding voting stock, unless the Federal Reserve Board has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company's outstanding voting stock. Under the Change in Bank Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. The Federal Reserve Board adopted a final rule on January 30, 2020, effective April 1, 2020, providing further guidance regarding under what circumstances "control" will be found to exist.

New York State Department of Financial Services

The New York State Department of Financial Services ("DFS") is the primary regulator for all state-licensed and state-chartered banks, credit unions, and mortgage bankers and brokers. All mortgage loan servicers doing business in New York State must be registered or licensed by DFS.

Mortgage World is a mortgage banking entity primarily operating in the New York City metropolitan area. Mortgage World is subject to the comprehensive regulation and examination of the DFS.

Federal Securities Laws

Ponce Financial's common stock will be registered with the SEC under the Securities Exchange Act of 1934, as amended after the conversion and offering. Ponce Financial will be subject to the public disclosure, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934, as amended. The registration under the Securities Act of 1933 of shares of common stock issued in Ponce Financial's public offering does not cover theresale of those shares. Shares of common stock purchased by persons who are not affiliates of Ponce Financial may be resold without registration. Shares purchased by an affiliate of Ponce Financial will be subject to the resale restrictions of Rule 144 under the Securities Act of 1933. If Ponce Financial meets the current public information requirements of Rule 144 under the Securities Act of 1933, each affiliate of Ponce Financial that complies with the other conditions of Rule 144, including those that require the affiliate's sale to be aggregated with those of other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of the outstanding shares of Ponce Financial, or the average weekly volume of trading in the shares during the preceding four calendar weeks..

Emerging Growth Company Status

The Jumpstart Our Business Startups Act (the "JOBS Act"), which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." The Company qualifies and as its successor, Ponce Financial will qualify as an emerging growth company under the JOBS Act.

For so long as Ponce Financial is an "emerging growth company" it may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation. Ponce Financial will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under SEC regulations (public float less than $250 million of voting and non-voting equity held by non-affiliates). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. Ponce Financial intends to elect to comply with new or amended accounting pronouncements in the same manner as a private company.

Ponce Financial will cease to be an emerging growth company upon the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion (adjusted for inflation) or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the completion of PDL Community Bancorp's initial stock offering in 2017; (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which Ponce Financial is deemed to be a "large accelerated filer" under SEC regulations (companies with a public float at least $700 million of voting and non-voting equity held by non-affiliates).

Taxation

Currently Ponce Bank MHC, the Company, the Bank and Mortgage World are subject and Ponce Financial will be subject to federal and state income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal and state taxation is intended only to summarize material income tax matters and is not a comprehensive description of the tax rules applicable to Ponce Financial, Ponce Bank MHC, the Company, the Bank and Mortgage World.

The Company is subject to U.S. federal income tax, New York State income tax, Connecticut income tax, New Jersey income tax, Florida income tax, Pennsylvania income tax and New York City income tax. The Company is no longer subject to examination by taxing authorities for years before 2017.

Federal Taxation

Method of Accounting. For federal income tax purposes, the Ponce Bank and Mortgage World each currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal income tax returns. The Company, the Ponce Bank and Mortgage World file and Ponce Financial, the Ponce Bank and Mortgage World will file a consolidated federal income tax return. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for income taxes on bad debt reserves by savings institutions. For taxable years beginning after 1995, Ponce De Leon Federal Bank, the predecessor of Ponce Bank, and Ponce Bank have been subject to the same bad debt reserve rules as commercial banks. The Bank currently utilizes the specific charge-off method under Section 582(a) of the Internal Revenue Code.

Net Operating Loss Carryovers. A financial institution may not carry back net operating losses ("NOL") to earlier tax years. The NOL can be carried forward indefinitely. The use of NOL to offset income is limited to 80%. The CARES Act allows NOLs generated in 2018, 2019 and 2020 to be carried back to each of the five preceding tax years. The Bank, did not generate NOLs in 2018, 2019 or 2020 so no carryback is available. At March 31, 2021 and December 31, 2020, the Bank had no federal NOL carryforwards.

State Taxation

The Company is treated as a financial institution under Connecticut, New York, and New Jersey state income tax law. The states of Connecticut, New York, and New Jersey subject financial institutions to all state and local taxes in the same manner and to the same extent as other business corporations in Connecticut, New York and New Jersey. Additionally, depository financial institutions are subject to local business license taxes and a special occupation tax. Florida and Pennsylvania treat Mortgage World as a separate business corporation. As a Maryland business corporation, Ponce Financial is required to file an annual report with and pay annual franchise taxes to the State of Maryland.

Consolidated Group Return. With tax years beginning after January 1, 2015, New York State and New York City require unitary combined reporting for all entities engaged in a unitary business that meet certain ownership requirements. All applicable entities meet the ownership requirements in the Bank filing group and a combined return is appropriately filed. Furthermore, New Jersey changed its tax laws and now requires combined reporting for tax years that end on or after July 31, 2019 for entities that engage in a unitary business. The Company also began filing a combined return in Connecticut.

Single Entity Return. The Company also files entity returns in the states of Florida and Pennsylvania for Mortgage World.

Net Operating Loss Carryovers. The state and city of New York allow for a three-year carryback period and carryforward period of twenty years on net operating losses generated on or after tax year 2015. For tax years prior to 2015, no carryback period is allowed.

Ponce De Leon Federal Bank, the predecessor of Ponce Bank, has pre-2015 carryforwards of $1.9 million for New York State purposes and $1.8 million for New York City purposes. Furthermore, there are post-2015 carryforwards available of $37.4 million for New York State purposes and $19.4 million for New York City purposes. Finally, for New Jersey purposes, losses may only be carried forward 20 years, with no allowable carryback period. At March 31, 2021 and December 31, 2020, the Bank had no New Jersey net operating loss carryforwards.

MANAGEMENT

Shared Management Structure

The directors of Ponce Financial are also directors of Ponce Bank MHC, the Company, Ponce Bank and Mortgage World. In addition, each executive officer of Ponce Financial is also an executive officer of Ponce Bank and Mortgage World. We expect that Ponce Financial, Ponce Bank and Mortgage World will continue to have common executive officers until there is a business reason to establish separate management structures.

Directors

Ponce Financial's Board of Directors is comprised of seven members. Our bylaws provide that directors are divided into three classes as nearly equal in number as possible, with one class of directors elected annually. The mailing address for each person listed below is 2244 Westchester Avenue, Bronx, New York 10462.

The following table sets forth certain information regarding members of our Board of Directors based upon information furnished by each person. Number of years of service as a director includes service with Ponce Bank and its predecessor entities. Age information is as of December 31, 2020.

Name	Age	Position(s)	Independent	Director Since	Term Expires
Maria Alvarez	56	Director	Yes	2019	2022
Julio Gurman	84	Director	Yes	1994	2022
Carlos P. Naudon	70	Director, President and Chief Executive Officer	No	2014	2022
William Feldman	78	Director	Yes	1993	2023
Steven A. Tsavaris	71	Director, Executive Chairman of the Board	No	1990	2023
James C. Demetriou	74	Director	Yes	2009	2024
Nick R. Lugo	78	Director, Vice Chairman of the Board	Yes	1999	2024

Business Experience and Qualifications of Directors

Maria Alvarez. Ms. Alvarez, age 56, has served as a director since 2019. Ms. Alvarez is a member of the Board of Directors of the Foundation. Ms. Alvarez is and has been the Executive Director of the New York StateWide Senior Action Council, Inc. since 2010. Since 2008, Ms. Alvarez has also been the Executive Director of the Brooklyn-wide Interagency Council on Aging Educational Fund, Inc.

***Julio Gurman*.** Mr. Gurman, age 84, has served as a director since 1994. Mr. Gurman is an investor in and manager of commercial and residential real estate properties in the New York metropolitan area. Mr. Gurman is a co-investor/manager of the same 12 properties as Mr. Feldman and Mr. Lugo.

***Carlos P. Naudon*.** Mr. Naudon, age 70, has served as a director since 2014. Mr. Naudon served as President and Chief Operating Officer of Ponce De Leon Federal Bank beginning in 2015 and presently serves as President and Chief Executive Officer of Ponce Bank. Mr. Naudon is President and Chief Executive Officer of Ponce Financial and PDL Community Bancorp and President and Chief Operating Officer of Ponce Bank MHC. Mr. Naudon is a member of the Board of Directors of the Foundation. Prior to becoming President of Ponce De Leon Federal Bank, Mr. Naudon served as a consultant and compliance counsel to Ponce De Leon Federal Bank. Mr. Naudon owns Banking Spectrum, Inc., now a banking publishing company, formerly a bank consulting company. Until 2015, Mr. Naudon was a partner in the law firm of Allister & Naudon. Both of the foregoing firms were established in 1984 to provide services to banking institutions. Mr. Naudon, a retired CPA, was Of Counsel to the law firm Cullen & Dykman from 2015 to 2019. Mr. Naudon has also previously served in many board positions at other companies, public and private. Before retiring from his consulting and law firms in 2015, Mr. Naudon was a frequent lecturer and speaker on banking issues, corporate governance, quality assurance and performance incentives. Mr. Naudon has current and previous service in various healthcare and community organizations and serves on the board of the Brooklyn Hospital Center of which he was the Chairman of the Board until 2018. Mr. Naudon is a member of the New York State Bar Association, the New York City Hispanic Chamber of Commerce and other professional associations.

William Feldman. Mr. Feldman, age 78, has served as a director since 1993. Mr. Feldman is a member of the Board of Directors of the Foundation. Mr. Feldman has been investing in and managing commercial and residential real estate properties in the New York metropolitan area for over 30 years. At the present time, Mr. Feldman is managing 12 properties, with ownership interests varying between 12.5% and 50.0%, held by The Feldman Living Trust. Until 2018, Mr. Feldman served as the President of the Southern Boulevard Business Improvement District, a not-for-profit entity whose mission is to increase the economic growth and stability of the Southern Boulevard shopping area. Mr. Feldman currently serves as a member of its Board of Directors. Prior to 2013, Mr. Feldman owned several men's clothing stores.

Steven A. Tsavaris**.** Mr. Tsavaris, age 71, has served as a director since 1990. In 2013, Mr. Tsavaris became Chairman of the Board and Chief Executive Officer of Ponce De Leon Federal Bank. Mr. Tsavaris currently serves as Executive Chairman, a salaried officer, of Ponce Bank. Mr. Tsavaris is Chairman of the Board and Chief Executive Officer of Ponce Bank MHC and Executive Chairman, a salaried officer, of Ponce Financial and PDL Community Bancorp. Mr. Tsavaris joined Ponce De Leon Federal Bank as an Executive Vice President in 1995, became President in 1999, and was made Chief Executive Officer in 2011. Mr. Tsavaris is the Chairman of the Board of Directors of the Foundation and Executive Chairman of Mortgage World.

James C. Demetriou**.** Mr. Demetriou, age 74, has served as a director since 2009. Mr. Demetriou is a member of the Board of Directors of the Foundation. Mr. Demetriou is the President and Chief Executive Officer of First Management Corp., a property management company located in Astoria, New York, established in 1985 and which has a portfolio of over 130 residential, cooperative, condominium and commercial buildings. Mr. Demetriou is also a partner in the accounting firm, J. Demetriou & Co., established in 1970. In addition, Mr. Demetriou has been a New York licensed real estate broker and sponsoring broker of Archway Realty, Inc., in Astoria, New York since 1985. Furthermore, Mr. Demetriou is the President and Founder of Foxx Capital Funding, Inc. a New York licensed mortgage broker established in 1999.

Nick R. Lugo**.** Mr. Lugo, age 78, has served as a director since 1999 and serves as Vice Chairman of the Board of Directors and lead director of Ponce Bank MHC, PDL Community Bancorp, Ponce Financial and Ponce Bank. Mr. Lugo is a member of the Board of Directors of the Foundation. Mr. Lugo is an investor in real estate properties located in the New York area and holds these investments in several limited liability companies. Mr. Lugo is also President of Nick Lugo Travel Corp., which he founded in 1980. In addition, Mr. Lugo is also the owner and publisher of LaVoz Hispana, a weekly newspaper. Mr. Lugo also founded in 2006 the New York City Hispanic Chamber of Commerce and serves as its Chairman and President. Mr. Lugo is a Director of the Southern Boulevard Business Improvement District.

Executive Officer Who is Not a Director

Frank Perez. Mr. Perez, age 53, was appointed Executive Vice President and Chief Financial Officer of Ponce De Leon Federal Bank in January 2017. Mr. Perez is Executive Vice President and Chief Financial Officer of Ponce Financial, PDL Community Bancorp, Ponce Bank MHC and Ponce Bank. Mr. Perez is also Treasurer of the Foundation. Mr. Perez is a certified public accountant (inactive) and has over 23 years of experience in the banking industry. Prior to joining Ponce De Leon Federal Bank, Mr. Perez was, from January 2015 until July 2016, Executive Vice President and Chief Financial Officer of First Volunteer Bank, Chattanooga, Tennessee, a privately held bank. From May 2012 until January 2015, Mr. Perez was the Executive Vice President and Chief Financial Officer of First Financial Service Corporation, the bank holding company for First Federal Savings Bank of Elizabethtown, Elizabethtown, Kentucky.

Board Independence

The Board of Directors has determined that each of our directors, with the exception of Steven A. Tsavaris, Executive Chairman, and Carlos P. Naudon, President and Chief Executive Officer, is "independent" as defined in the listing standards of the Nasdaq Stock Market ("Nasdaq"). Mr. Tsavaris and Mr. Naudon are not considered independent because they are executive officers as well as directors. In determining the independence of our directors, the Board of Directors considered relationships between Ponce Financial and PDL Community Bancorp and its subsidiaries and our directors that are not required to be reported under "— Transactions With Certain Related Persons," below, consisting of deposit accounts that our directors maintain at Ponce Bank. In addition, we utilize the services of Fox Capital Funding, Inc., and independent mortgage broker, for certain real estate transactions, of which Director James C. Demetriou is President. We did not pay any commission to Foxx Capital Funding, Inc. for the three months ended March 31, 2021 and year ended December 31, 2020. For the three months ended March 31, 2021 and year ended December 31, 2020, we paid Banking Spectrum, Inc., a company owned by Mr. Naudon, $0 and $5,890, respectively.

Board Leadership Structure and Risk Oversight

Our Board of Directors is chaired by Executive Chairman, Steven A. Tsavaris, who is not an independent director and neither is he the principal executive officer. In the opinion of the Board of Directors, Mr. Tsavaris' position as Executive Chairman does not and will not deter from the independent directors' oversight of Ponce Financial, PDL Community Bancorp, Ponce Bank and Mortgage World and the active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board of Directors.

To further assure effective independent oversight, the Board of Directors has adopted a number of governance practices, including:

- appointment of an independent director as Vice Chairman of the Board and lead director;
- requirement that a majority of the members of the Board of Directors be independent;
- annual performance evaluations of the Executive Chairman and the President and Chief Executive Officer by the independent directors;
- policies regarding the composition, responsibilities and operation of our Board of Directors;
- the establishment and operation of board committees, including audit, nomination, and compensation committees;
- convening executive sessions of independent directors; and
- policies regarding our Board of Directors' interaction with management and third parties.

The Board of Directors recognizes that, depending on the circumstances, other leadership models might be appropriate. Accordingly, the Board of Directors periodically reviews its leadership structure.

The Board of Directors is actively involved in oversight of risks that could affect us. This oversight is conducted primarily through committees of the Board of Directors, but the full Board of Directors has retained responsibility for general oversight of risks. The Board of Directors also satisfies this responsibility through reports by the committee chair of all board committees regarding the committees' considerations and actions, through review of minutes of committee meetings and through regular reports directly from officers responsible for oversight of particular risks we face. Risks relating to the direct operations of Ponce Bank and Mortgage World are further overseen by the Boards of Directors of Ponce Bank and Mortgage World, which consist of the same individuals who serve on the Board of Directors of Ponce Financial and PDL Community Bancorp. The Boards of Directors of Ponce Bank and Mortgage World also have additional committees that conduct risk oversight. All committees are responsible for the establishment of policies that guide management and staff in the day-to-day operations of Ponce Financial, PDL Community Bancorp, Ponce Bank and Mortgage World such as lending, risk management, asset/liability management, investment management and others.

Codes of Business Conduct and Ethics

PDL Community Bancorp, has adopted and Ponce Financial intends to adopt a Code of Business Conduct and Ethics that applies or will apply to all their respective directors and employees. The Code of Business Conduct and Ethics addresses conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and regulations. In addition, the Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations. The Code of Business Conduct and Ethics is available on our website at https://poncebank.gcs-web.com/corporate-governance/governance-overview.

Transactions with Certain Related Persons

The Sarbanes-Oxley Act of 2002 generally prohibits publicly traded companies from making loans to their executive officers and directors, but it contains a specific exemption from such prohibition for loans made by federally insured financial institutions, such as Ponce Bank, to their executive officers and directors in compliance with federal banking regulations.

Ponce Bank currently has outstanding loans, either directly or indirectly, to directors Alvarez, Demetriou, Feldman, Lugo and Naudon. All loans to directors are made in the ordinary course of business, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Ponce Bank and for which management believes neither involve more than the normal risk of collection nor present other unfavorable features. Since January 1, 2018, we and our subsidiaries have not had any transaction or series of transactions, or business relationships, nor are any such transactions or relationships proposed, in which the amount involved exceeds $120,000 and in which our directors or executive officers have a direct or indirect material interest.

Meetings and Committees of the Board of Directors

The business of PDL Community Bancorp is and will be for Ponce Financial conducted at regular and special meetings of the Board of Directors and its committees. In addition, the "independent" members of the Board of Directors (as defined in the listing standards of the Nasdaq) meet in executive sessions. The standing committees of the Board of Directors of Ponce Financial and PDL Community Bancorp are the Audit Committee, the Compensation Committee, the Nomination Committee and the Executive Committee.

COMPENSATION

General Policy

We strive to provide a total compensation package that is competitive with market practice, including awards of variable compensation that appropriately recognize individual performance. In the aggregate, we believe our total compensation program provides the appropriate balance that enables us to ensure proper pay-performance alignment and does not incentivize inappropriate risk taking. Our objective is to pay competitive compensation for achieving performance goals consistent with our business goals and relative to performance of industry peers.

Compensation Committee Review of Executive Compensation

The Compensation Committee is comprised of Directors Alvarez, Demetriou, Feldman, Gurman and Lugo. Mr. Feldman serves as chair of the Compensation Committee. No member of the Compensation Committee is a current or former officer or employee of Ponce Financial, PDL Community Bancorp, Ponce Bank or Mortgage World. The Compensation Committee met once during the year ended December 31, 2020.

With regard to compensation matters, the Compensation Committee's primary purposes are to discharge the Board's responsibilities relating to the compensation of the Executive Chairman, President and Chief Executive Officer and other executive officers, to oversee Ponce Financial's and PDL Community Bancorp's compensation and incentive plans, policies and programs, and to oversee Ponce Financial's and PDL Community Bancorp's management development and succession plans for executive officers. Ponce Financial's Executive Chairman and President and Chief Executive Officer will not be present during any committee deliberations or voting with respect to their compensation. The Compensation Committee may form and delegate authority and duties to subcommittees as it deems appropriate.

The Compensation Committee operates under a written charter which is available on our website at https://poncebank.gcs-web.com/corporate-governance/governance-overview. This charter sets forth the responsibilities of the Compensation Committee and reflects the Compensation Committee's commitment to create a compensation structure that encourages the achievement of long-range objectives and builds long-term value for our stockholders.

The Compensation Committee considers a number of factors in their decisions regarding executive compensation, including, but not limited to, the level of responsibility and performance of the individual executive officer, the overall performance of Ponce Financial, and a peer group analysis of compensation paid at institutions with a similar structure, history, size and complexity. The Compensation Committee also considers the recommendations of the President and Chief Executive Officer with respect to the compensation of executive officers other than the President and Chief Executive Officer.

The table below summarizes the total compensation paid to or earned by our Executive Chairman, President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer for the years ended December 31, 2020 and 2019. Each individual listed in the table below is referred to as a "named executive officer."

Summary Compensation Tables

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
Steven A. Tsavaris,	2020	660,000	225,550	—	—	—	—	124,916	1,010,466
Executive Chairman	2019	660,000	200,000	—	—	—	—	165,915	1,025,915
Carlos P. Naudon,	2020	605,000	275,550	—	—	—	—	181,995	1,062,545
President and Chief Executive Officer	2019	605,000	250,000	—	—	—	—	189,610	1,044,610
Frank Perez,	2020	264,915	35,550	—	—	—	—	47,889	348,354
Executive Vice President and Chief Financial Officer	2019	259,619	40,000	—	—	—	—	56,792	356,411

Name	Fiscal Year	ESOP and 401(k) Profit Sharing Plan ($)		Deferred Compensation (SERP) ($)	Supplemental Compensation ($)	Health, Life and Disability Insurance ($)		Automobile Allowance ($)	Total All Other Compensation ($)
Steven A. Tsavaris	2020	46,119	(4)	—	—	49,798	(6)	28,999	124,916
	2019	53,518	(5)	—	—	83,475	(7)	28,922	165,915
Carlos P. Naudon	2020	40,198	(8)	60,500	—	53,267	(10)	28,029	181,995
	2019	47,517	(9)	60,500	—	53,479	(11)	28,114	189,610
Frank Perez	2020	21,538	(12)	—	—	14,351	(14)	12,000	47,889
	2019	26,232	(13)	—	—	18,560	(15)	12,000	56,792

(1) Represents discretionary cash bonuses paid for the years ending December 31, 2020 and 2019.

(2) Grants vest (are earned) ratably over five years beginning December 4, 2019 for Mr. Tsavaris and Mr. Naudon. Mr. Tsavaris and Mr. Naudon each recognized income in the amount of $329,948 and $423,879 from the ratable vesting of their awards for the years ended December 31, 2020 and 2019, respectively. Mr. Perez's grants began to vest on December 4, 2020 and Mr. Perez recognized income in the amount of $55,500 from the ratable vesting of his awards during the year ended December 31, 2020. Mr. Perez did not recognized any income from awards during the year ended December 31, 2019.

(3) A break-down of the various elements of compensation in this column is set forth in the adjacent table.

(4) ESOP and 401(k) Profit Sharing Plan includes $14,136 allocated to Mr. Tsavaris from the loan payment of $578,104 related to the ESOP, the value of which was determined based on Mr. Tsavaris' qualified salary to total salary, the value of $23,583 allocated to Mr. Tsavaris under the ESOP Equalization Plan for the plan year, both based on a $10.51 fair market value of PDL Community Bancorp common stock as of December 31, 2020, the final trading day of 2020, and a $8,400 employer contribution to the 401(k) Profit Sharing Plan.

(5) ESOP and 401(k) Profit Sharing Plan includes $21,565 allocated to Mr. Tsavaris from the loan payment of $578,104 related to the ESOP, the value of which was determined based on Mr. Tsavaris' qualified salary to total salary, the value of $23,553 allocated to Mr. Tsavaris under the ESOP Equalization Plan for the plan year, both based on a $14.70 fair market value of PDL Community Bancorp common stock as of December 31, 2019, the final trading day of 2019, and a $8,400 employer contribution to the 401(k) Profit Sharing Plan.

(6) Includes $29,405 premium for life insurance and $20,393 premium for health insurance.

(7) Includes $29,405 premium for life insurance, $33,569 premium for disability insurance and $20,501 premium for health insurance.

(8) ESOP and 401(k) Profit Sharing Plan includes $14,136 allocated to Mr. Naudon from the loan payment of $578,104 related to the ESOP, the value of which was determined based on Mr. Naudon's qualified salary to total salary, the value of $17,662 allocated to Mr. Naudon under the ESOP Equalization Plan for the plan year, both based on a $10.51 fair market value of PDL Community Bancorp common stock as of December 31, 2020, the final trading day of 2020, and a $8,400 employer contribution to the 401(k) Profit Sharing Plan.

(9) ESOP and 401(k) Profit Sharing Plan includes $21,565 allocated to Mr. Naudon from the loan payment of $578,104 related to the ESOP, the value of which was determined based on Mr. Naudon's qualified salary to total salary, the value of $17,552 allocated to Mr. Naudon under the ESOP Equalization Plan for the plan year, both based on a $14.70 fair market value of PDL Community Bancorp common stock as of December 31, 2019, the final trading day of 2019, and a $8,400 employer contribution to the 401(k) Profit Sharing Plan.

(10) Includes $33,077 premium for disability insurance and $20,190 premium for health insurance.

(11) Includes $33,077 premium for disability insurance and $20,402 premium for health insurance.

(12) ESOP and 401(k) Profit Sharing Plan includes $13,138 allocated to Mr. Perez from the loan payment of $578,104 related to the ESOP, the value of which was determined based on Mr. Perez's qualified salary to total salary, based on a $10.51 fair market value of PDL Community Bancorp common stock as of December 31, 2020, the final trading day of 2020, and a $8,400 employer contribution to the 401(k) Profit Sharing Plan.

(13) ESOP and 401(k) Profit Sharing Plan includes $19,419 allocated to Mr. Perez from the loan payment of $578,104 related to the ESOP, the value of which was determined based on Mr. Perez's qualified salary to total salary, based on a $14.70 fair market value of PDL Community Bancorp common stock as of December 31, 2019, the final trading day of 2019, and a $6,813 employer contribution to the 401(k) Profit Sharing Plan.

(14) Includes $1,710 premium for life insurance, $2,670 premium for disability insurance, $894 for long-term care insurance and $9,077 premium for health insurance.

(15) Includes $1,710 premium for life insurance, $1,335 premium for disability insurance and $15,515 premium for health insurance

Employment Agreements

Immediately following the completion of the conversion, the terms of all employment agreements described below will be amended, to the extent necessary, to substitute Ponce Financial for PDL Community Bancorp and eliminate Ponce Bank MHC.

Ponce Bank. Ponce Bank has entered into employment agreements with Steven A. Tsavaris, Carlos P. Naudon and Frank Perez. The agreements reflect Mr. Tsavaris' position as Executive Chairman of the Board of Directors, a salaried officer, Mr. Naudon's position as President and Chief Executive Officer, and Mr. Perez's position as Executive Vice President and Chief Financial Officer.

The agreements with Messrs. Tsavaris and Naudon are each for a three-year term beginning on March 16, 2017, while the agreement with Mr. Perez is for a one-year term beginning on that date. Each agreement is automatically extended for an additional year unless Ponce Bank or the executive provides a notice of nonrenewal to the other party at least 90 days prior to the end of the original or any extended term.

The employment agreements provide for minimum annual base salaries of $660,000, $600,000 and $190,000, respectively for Messrs. Tsavaris, Naudon and Perez. Each employment agreement also provides for discretionary incentive and/or bonus compensation, participation on generally applicable terms and conditions in other compensation and fringe benefit plans, and certain perquisites, four weeks paid vacation, and if the executive becomes disabled, long term disability benefits for the then remaining term of the agreement equal to 100% of the executive's base salary. Mr. Naudon's employment agreement also requires the Bank to contribute 10% of his base salary in effect as of July 1st of each year to the Bank's supplemental employee retirement program (see "Deferred Compensation Plan" below). In addition, the agreements for Messrs. Tsavaris and Naudon provide for the use of an automobile and reimbursement of automobile-related expenses.

At any time, Ponce Bank may terminate an executive's employment, with or without cause, and the executive may resign, with or without good reason. In the event Ponce Bank terminates Mr. Tsavaris or Mr. Naudon without cause or the executive resigns for good reason, as such terms are defined in the agreements, the executive will be entitled to the following severance benefits:

- An amount equal to three times (two times in the event of resignation for good reason) the sum of (i) the executive's annual base salary in effect at the time of his termination; and (ii) annual incentive compensation and any other compensation received by the executive for the calendar year immediately preceding termination.
- An amount equal to the aggregate value of any shares of restricted stock, stock options or other awards issued to the executive under any plan adopted by Ponce Bank, PDL Community Bancorp or any affiliate thereof or any successor plan that are forfeited as a result of such termination, whether vested or unvested.
- An amount equal to the pro-rata annual bonus, if any, that the executive would have earned for the year in which the termination occurs based on the achievement of applicable performance goals for such year.
- If the executive is eligible for and elects to receive COBRA health continuation coverage, Ponce Bank will pay toward the cost of COBRA coverage for the executive and his family the amount Ponce Bank would have paid to provide health insurance to the executive if his employment had continued. Such payments shall continue for 24 months or the executive's COBRA health continuation period, whichever ends earlier.

In the event Ponce Bank terminates Mr. Perez without cause or he resigns for good reason, Mr. Perez will be entitled to the following severance benefits:

- An amount equal to 1.5 times (1.0 times in the event of resignation for good reason) the sum of (i) his annual base salary in effect at the time of his termination; and (ii) annual incentive compensation and any other compensation received by Mr. Perez for the calendar year immediately preceding termination.
- An amount equal to the aggregate value of any shares of restricted stock, stock options or other awards issued to Mr. Perez under any plan adopted by Ponce Bank, PDL Community Bancorp or any affiliate thereof or any successor plan that are forfeited as a result of such termination, whether vested or unvested.
- An amount equal to the pro-rata annual bonus, if any, that Mr. Perez would have earned for the year in which the termination occurs based on the achievement of applicable performance goals for such year.
- If Mr. Perez is eligible for and elects to receive COBRA health continuation coverage, Ponce Bank will pay toward the cost of COBRA coverage for Mr. Perez and his family the amount Ponce Bank would have paid to provide health insurance to Mr. Perez if his employment had continued. Such payments shall continue for 24 months or Mr. Perez's COBRA health continuation period, whichever ends earlier.

For purposes of the above severance benefits, "good reason" for resigning includes: a reduction in the executive's base salary; a material reduction in the executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program; a relocation of the executive's principal place of employment outside of Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey; a material breach by Ponce Bank of any material provision of the employment agreement; a material adverse change in the executive's title, authority, duties or responsibilities (other than temporarily while the executive is physically or mentally incapacitated or as required by applicable law or as, contemplated by the employment agreement); a material adverse change in the reporting structure applicable to the executive; or the failure of Ponce Bank to extend the employment agreement for an additional year. In the case of Messrs. Tsavaris and Naudon, “good reason” also includes the failure of the executive to be reappointed to the Board of Directors of Ponce Bank. The basis for good reason for any executive will not constitute good reason unless the executive gives Ponce Bank notice of the basis for good reason within 30 days after the initial existence of the basis for good reason and Ponce Bank does not cure the basis for good reason within 30 days after having received such notice.

In the event Messrs. Tsavaris, Naudon or Perez’s employment is involuntarily terminated by Ponce Bank for reasons other than for cause, disability or death, or the executive voluntarily resigns for good reason, in either case after a change in control of Ponce Bank, then in lieu of the severance benefits described above the executive will be entitled to the following severance benefits:

- An amount equal to 2.99 times his highest annual compensation for services rendered that was includible in the executive’s gross income (partial years being annualized) for the three taxable years immediately preceding the year during which the change in control occurred (or such shorter period as the executive was employed).
- An amount equal to the aggregate value of any shares of restricted stock, stock options or other awards issued to the executive under any plan adopted by Ponce Bank, PDL Community Bancorp or any affiliate thereof or any successor plan that are forfeited as a result of such termination, whether vested or unvested.
- If the executive is eligible for and elects to receive COBRA health continuation coverage, Ponce Bank will pay toward the cost of COBRA coverage for the executive and his family the amount Ponce Bank would have paid to provide health insurance to the executive if his employment had continued. Such payments shall continue for 24 months or the executive’s COBRA health continuation period, whichever ends earlier.

Any severance payments required under the employment agreements in connection with a change in control of Ponce Bank will be reduced to the extent necessary to avoid penalties under Section 280G of the Internal Revenue Code.

In the event Messrs. Tsavaris, Naudon or Perez’s employment is involuntarily terminated by Ponce Bank for cause or the executive resigns without good reason, the executive shall be entitled to receive only accrued but unpaid salary, vacation pay and bonuses, plus such additional benefits as the executive may be entitled to under any employee benefit plans sponsored by Ponce Bank.

The employment agreements with Messrs. Tsavaris, Naudon and Perez each provide that during the term of the agreement and for one year thereafter, the executive is generally prohibited from:

- competing with Ponce Bank within any county or borough in which Ponce Bank MHC, PDL Community Bancorp or Ponce Bank or any of their affiliates maintains or has pending as of the termination date a filing for permission to establish a branch, loan production office, or mortgage production office;
- soliciting customers and employees of Ponce Bank; or
- interfering with any of the contracts or relationships of Ponce Bank MHC, PDL Community Bancorp, Ponce Bank or any of their affiliates with any independent contractor, customer, client or supplier.

PDL Community Bancorp and Ponce Bank MHC. PDL Community Bancorp and Ponce Bank MHC have also entered into employment agreements with each of Messrs. Tsavaris, Naudon and Perez. The agreements reflect Mr. Tsavaris’ positions as Executive Chairman of the Board of Directors and Chief Executive Officer of Ponce Bank MHC and Executive Chairman of the Board of Directors of PDL Community Bancorp, a salaried officer; Mr. Naudon’s positions as President and Chief Operating Officer of Ponce Bank MHC and President and Chief Executive Officer of PDL Community Bancorp; and Mr. Perez’s positions as Executive Vice President and Chief Financial Officer of Ponce Bank MHC and PDL Community Bancorp. Immediately following the completion of the conversion, the terms of the empolyment agreements with PDL Community Bancorp will be amended, to the extent necessary, to state that Mr. Tsavaris is the Executive Chairman of the Board of Directors of Ponce Financial, a salaried officer, Mr. Naudon is the President and Chief Executive Officer Ponce Financial and Mr. Perez is Executive Vice President and Chief Financial Officer. The employment agreements with Ponce Bank MHC will be terminated.

The agreements with Messrs. Tsavaris and Naudon are each for a three-year term, while the agreement with Mr. Perez is for a one-year term. All three agreements began on September 29, 2017. Each agreement is automatically extended for an additional year unless Ponce Bank Mutual Holding Company and PDL Community Bancorp or the executive provides a notice of nonrenewal to the other party at least 90 days prior to the end of the original or any extended term.

The employment agreements with Messrs. Tsavaris, Naudon and Perez each provides compensation and benefits substantially similar to those provided by the corresponding employment agreements between Ponce Bank and the executive, except that the compensation and benefits under an employment agreement with Ponce Bank Mutual Holding Company and PDL Community Bancorp are reduced by the comparable compensation and benefits provided by the corresponding employment agreement with Ponce Bank.

Benefit Plans and Agreements

401(k) Plan. Ponce Bank previously maintained the Ponce Bank 401(k) Profit Sharing Plan, a tax-qualified defined contribution plan for eligible employees and those of its affiliates (the "401(k) Plan") and effective on January 1, 2021, merged the 401(k) Plan into the ESOP (the "KSOP"), as discussed below. The 401(k) portion of the KSOP maintained the same terms as in effect for the 2020 plan year for the 401(k) Plan, which are described below. As such, references below to "401(k) Plan" are intended to refer to both the prior separate plan and the 401(k) provisions under the KSOP. The named executive officers are eligible to participate in the 401(k) Plan just like other employees. An employee must attain the age of 21 and will be eligible to participate in the 401(k) Plan in the quarter following 30 days of service.

Under the 401(k) Plan a participant may elect to defer, on a pre-tax basis, the maximum amount as permitted by the Internal Revenue Code. For 2020, the salary deferral contribution limit was $19,500; provided, however, that a participant over age 50 may contribute an additional $6,500 to the 401(k) Plan for a total of $26,000. In addition to salary deferral contributions, Ponce Bank may make discretionary matching contributions, discretionary profit sharing contributions or safe harbor contributions to the 401(k) Plan. Discretionary matching contributions are allocated on the basis of salary deferral contributions. Discretionary profit sharing contributions are based on three classifications set forth in the Plan: (i) Class A — Chairman, President, and Executive Vice Presidents; (ii) Class B — Senior Vice Presidents, Vice Presidents and Assistant Vice Presidents; and (iii) Class C — all other eligible employees. The contribution for a class will be the same percentage of compensation for all participants in that class. If Ponce Bank decides to make a safe harbor contribution for a plan year, each participant will receive a contribution equal to 3% of his or her compensation for the plan year. Ponce Bank made a safe harbor contribution to the 401(k) Plan for the plan years ended December 31, 2020 and 2019 in the amounts of $398,835 and $387,679, respectively.

A participant is always 100% vested in his or her salary deferral contributions and safe harbor contributions. Discretionary matching and profit sharing contributions are 20% vested after two years of service, plus an additional 20% for each additional year of service; so all participants are fully vested after six years of service. Participants also will become fully vested automatically upon normal retirement, death or disability, a change in control, or termination of the 401(k) Plan. Generally, participants will receive distributions from the 401(k) Plan upon separation from service in accordance with the terms of the plan document.

Employee Stock Ownership Plan. Ponce Bank maintains an employee stock ownership plan with 401(k) provisions ("KSOP") for its eligible employees and those of its affiliates. Prior to January 1, 2021 Ponce Bank maintained an employee stock ownership plan ("ESOP') separate from the 401(k) Plan. The ESOP portion of the KSOP maintained the same terms as in effect for the 2020 plan year for the ESOP, which are described below. As such, references below to "ESOP" are intended to refer to both the prior separate plan and the ESOP provisions under the KSOP. The KSOP will be continued in the name of Ponce Bank. The named executive officers are eligible to participate in the ESOP just like other employees. Eligible employees will begin participation in the ESOP upon the first entry date commencing on or after the eligible employee's completion of 1 year of service and attainment of age 21.

The ESOP trustee purchased, on behalf of the ESOP, 723,751 shares of PDL Community Bancorp common stock, or 3.92% of the total number of shares of PDL Community Bancorp common stock outstanding on September 29, 2017 (including shares issued to Ponce Bank MHC and the Foundation). The ESOP funded its stock purchase with a loan from PDL Community Bancorp in the amount of $7,237,510, which was equal to the aggregate purchase price of the common stock. The loan is being repaid principally through Ponce Bank's contributions to the ESOP over the 15-year term of the loan. The interest rate for the ESOP loan is 2.60%. Ponce Bank made a contribution to the ESOP for 2020 of $424,852. As of December 31, 2020 the outstanding balance of the loan was $5,469,461.

The trustee of the trust funding the ESOP holds the shares purchased by the ESOP in an unallocated suspense account, and shares will be released from the suspense account on a pro-rata basis as the loan is repaid. The trustee will allocate the shares released among participants on the basis of each participant's proportional share of qualifying compensation relative to all participants. A participant will become 100% vested in his or her account balance after three years of service. Participants who were employed by Mortgage World prior to July 10, 2020 received credit for vesting purposes for years of service prior thereto. Participants also will become fully vested automatically upon normal retirement, death or disability, a change in control, or termination of the ESOP. Generally, participants will receive distributions from the ESOP upon separation from service in accordance with the terms of the plan document. The ESOP reallocates any unvested shares forfeited upon termination of employment among the remaining participants.

The ESOP permits participants to direct the trustee as to how to vote the shares of common stock allocated to their accounts. The trustee will vote unallocated shares and allocated shares for which participants do not timely provide instructions on any matter in the same ratio as those shares for which participants provide timely instructions, subject to fulfillment of the trustee's fiduciary responsibilities.

Under applicable accounting requirements, Ponce Bank will record a compensation expense for the ESOP at the fair market value of the shares as they are committed to be released from the unallocated suspense account to participants' accounts, which may be more or less than the original issue price. The compensation expense resulting from the release of the common stock from the suspense account and allocation to plan participants will result in a corresponding reduction in the earnings of PDL Community Bancorp.

In connection with the conversion, all PDL Community Bancorp common stock in the KSOP will be exchanged for Ponce Financial common stock, as applicable, pursuant to the exchange ratio related to the conversion.

2018 Long-Term Incentive Plan. Pursuant to the approval of the stockholders of PDL Community Bancorp at a Special Meeting of Stockholders held on October 30, 2018, PDL Community Bancorp has implemented the 2018 Long-Term Incentive Plan (the "Incentive Plan") for the benefit of directors and senior management. The purpose of our Incentive Plan is to advance the interests of PDL Community Bancorp and its stockholders by providing senior management and outside directors, upon whose judgment, initiative and efforts the success of our business largely depends, with an additional incentive to perform in a superior manner. The Incentive Plan was designed to reward seniority as well as longevity and to attract and retain people of experience and ability.

In connection with the conversion, all outstanding stock options and restricted stock unit awards granted under the Incentive Plan will be exchanged for new stock options and units related to Ponce Financial common stock, as applicable, pursuant to the exchange ratio related to the conversion. All such awards will continue to be subject to the applicable terms of the award agreement.

The Incentive Plan is administered by the Compensation Committee of our Board of Directors. The Compensation Committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the Incentive Plan.

The maximum number of shares of common stock to be issued under the Incentive Plan is 1,248,469. Of the 1,248,469 shares, the maximum number of shares of common stock that may be awarded pursuant to the exercise of stock options and stock appreciation rights ("SARs") is 891,764 shares (all of which may be granted as incentive stock options), and the number of shares of common stock that may be issued as restricted stock awards or restricted stock units is 356,705 shares. However, the Incentive Plan contains a flex feature that provides that awards of restricted stock and restricted stock units in excess of the 356,705 share limitation may be granted but each share of stock covered by such excess award shall reduce the 891,764 share limitation for awards of stock options and SARs by 3.0 shares of common stock. PDL Community Bancorp converted 462,522 possible awards of stock options into 154,174 restricted stock units in 2018 and 45,000 possible awards of stock options into 15,000 restricted stock units in 2020.

Under the Incentive Plan, PDL Community Bancorp made grants equal to 674,645 shares on December 4, 2018 which include 119,176 incentive options to executive officers, 44,590 non-qualified options to outside directors, 322,254 restricted stock units to executive officers, 40,000 restricted stock units to non-executive officers and 148,625 restricted stock units to outside directors. During the year ended December 31, 2020, PDL Community Bancorp awarded 40,000 incentive options and 15,000 restricted stock units to non-executive officers under the Incentive Plan. Awards to directors generally vest 20% annually beginning with the first anniversary of the date of grant. Awards to a director with fewer than five years of service at the time of grant vest over a longer period and will not become fully vested until the director has completed ten years of service. Awards to the executive officer who is not a director vest 20% annually beginning on December 4, 2020. Awards to directors and executive officers vest at the earliest on December 4, 2019, and at the latest on January 31, 2028. Outstanding restricted stock units do not pay or accumulate dividend equivalents during the applicable vesting period.

As of December 31, 2020, the maximum number of stock options and the maximum number of shares of common stock that may be issued as restricted stock units remaining to be awarded under the Incentive Plan were 189,476 and 0, respectively. If the Incentive Plan's flex feature described above were fully utilized, the maximum number of shares of common stock that may be awarded as restricted stock units would be 63,159, but would eliminate the availability of stock options and SARs available for awarding.

Equity Compensation Plan Information at December 31, 2020

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders	539,685	$12.42 (1)	189,476
Equity Compensation Plans not Approved by Security Holders	—		—
Total	539,685	$12.42 (1)	189,476

(1) Outstanding stock options (203,766) have a weighted-average exercise price of $12.02 per share. Outstanding restricted stock units (335,919) have no exercise price.

A summary of PDL Community Bancorp's restricted stock unit awards activity for the year ended December 31, 2020 is as follows:

	December 31, 2020		
	Number of Shares		Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	420,744	$	12.78
Granted	15,000		10.05
Forfeited	(3,000)		12.77
Vested	(96,825)		12.77
Non-vested at December 31	335,919	$	12.66

A summary of PDL Community Bancorp's stock option awards activity for the year ended December 31, 2020 is as follows:

	December 31, 2020		
	Options		Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$	12.78
Granted	40,000		8.93
Exercised	—		—
Forfeited	—		—
Outstanding, end of year	203,766	$	12.02
Exercisable, end of year	55,938	$	12.77

The following table sets forth at December 31, 2020 certain information for stock options and restricted stock units awarded to named executive officers.

Table of Outstanding Equity Awards at December 31, 2020

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)		Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ($)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units of Other Rights That Have Not Vested ($)
Steven A. Tsavaris	17,835	26,753	(2)	—	12.77	12/03/2028	89,177	(2)	937,250	—	—
Carlos P. Naudon	17,835	26,753	(2)	—	12.77	12/03/2028	89,177	(2)	937,250	—	—
Frank Perez	6,000	24,000	(3)	—	12.77	12/03/2028	20,000	(3)	210,200	—	—

(1) Based on a $10.51 fair market value of PDL Community Bancorp common stock as of December 31, 2020, the final trading day of 2020.

(2) The remaining awards will vest in equal amounts on December 4, 2021, 2022 and 2023.

(3) The remaining awards will vest in equal amounts on December 4, 2021, 2022, 2023 and 2024.

ESOP Equalization Plan. In connection with its reorganization into a mutual holding company structure, Ponce De Leon Federal Bank adopted the Ponce Bank ESOP Equalization Plan (“Equalization Plan”), a nonqualified plan that provides notional contributions for certain executives approved by the Compensation Committee of Ponce Bank who are prevented from receiving full contributions to and allocation under the ESOP due to limitations on: (i) the maximum annual compensation that may be recognized under the ESOP for benefit computation purposes pursuant to Section 401(a)(17) of the Internal Revenue Code ($285,000 for 2020); and (ii) the maximum annual additions to the ESOP pursuant to Internal Revenue Code Section 415(b). The Equalization Plan is designed to equalize contributions and allocations for those that fall below and above these limitations. Currently, only Mr. Tsavaris and Mr. Naudon are approved to participate in the Equalization Plan. No amounts will be credited under the Equalization Plan until contributions are made to the ESOP.

A participant’s balance under the Equalization Plan will be paid to him in a single lump sum within 90 days after his termination of service. However, as required by Section 409A of the Internal Revenue Code, which governs deferred compensation plans, payments to certain specified employees of a publicly-traded corporation following separation from service cannot be paid until six months following separation from service except following the death of the participant. Any payment that would have been distributed from the Equalization Plan to such a participant during the six-month period following separation from service, will be accumulated and paid to the participant in a single lump sum as soon as administratively practicable following the end of the six-month period or the participant’s death, if applicable.

The Equalization Plan is entirely unfunded. Employees who participate in the Equalization Plan have only the rights of general unsecured creditors with respect to any rights under the Equalization Plan.

Deferred Compensation Plan. Ponce Bank has adopted a nonqualified deferred compensation plan that covers certain members of management or highly compensated employees designated by Ponce Bank. Mr. Naudon is the only executive currently designated to participate in the plan. Under the plan Ponce Bank periodically makes contributions to an account designated for the benefit of Mr. Naudon. Under the plan, contributions are discretionary in amount, however, the employment agreement between Ponce Bank and Mr. Naudon requires Ponce Bank to make contributions to the plan during the term of the employment agreement equal to 10% of his base salary. Ponce Bank contributed $60,500 for each of the years ended December 31, 2020 and 2019. The account is periodically credited with earnings based on investments within the account as directed by Mr. Naudon. At December 31, 2020, the total amount accrued under the plan, including earnings, was $476,764.

Amounts credited under the plan are fully vested at all times and will be distributed to Mr. Naudon upon the termination of his employment with Ponce Bank for any reason or a change in control of Ponce Bank. In the event of Mr. Naudon’s death while employed by Ponce Bank, the total amount credited under the plan for the benefit of Mr. Naudon will be distributed to his designated beneficiaries.

Director Compensation

Non-employee directors earn an annual fee of $48,000 per year. Non-employee directors also currently receive fees of $500 per meeting for service on the committees of the board of directors. Executive officers serving on the board of directors do not receive director’s compensation for such service. Each person who serves as a director of PDL Community Bancorp also serves as a director of Ponce Bank and Mortgage World and earns a monthly fee only in his or her capacity as a board or committee member of Ponce Bank.

The following table sets forth for the year ended December 31, 2020 certain information as to the total remuneration we paid to our directors who were not executive officers.

Directors Compensation Table For the Year Ended December 31, 2020

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(2)	Total ($)
Maria Alvarez	54,000	—	—	—	—	30,000	84,000
James C. Demetriou	60,000	—	—	—	—	30,000	90,000
William Feldman	54,000	—	—	—	—	30,000	84,000
Julio Gurman	54,000	—	—	—	—	30,000	84,000
Nick R. Lugo	54,000	—	—	—	—	26,346	80,346

(1) Because the grants to Mr. Demetriou, Mr. Feldman, Mr. Gurman and Mr. Lugo vest (are earned) over five years beginning on December 4, 2019, Mr. Demetriou, Mr. Feldman, Mr. Gurman and Mr. Lugo recognized income in the amount of $148,885, $150,766, $150,766, and $150,766, respectively, from the partial vesting of their awards during the years ended December 31, 2020 and 2019. Because Ms. Alvarez’s grants do not begin to vest (are earned) prior to January 31, 2022, she did not recognize any income from the awards during the years ended December 31, 2020 and 2019.

(2) Represents premiums for health insurance paid on behalf of the directors.

Benefits to be Considered Following Completion of the Conversion

Following the stock offering, we intend to adopt a new stock-based benefit plan that will provide for grants of stock options and restricted common stock awards. If adopted within 12 months following the completion of the conversion, the number of shares reserved for the exercise of stock options or available for stock awards under the stock-based benefit plan is expected to be limited to 10% and 4%, respectively, of the shares sold in the stock offering. We intend to adopt a stock-based benefit plan that would reserve for the exercise of stock options and the grant of stock awards a number of shares equal to 10% and 4%, respectively, of the shares sold in the stock offering.

The new stock-based benefit plan will not be established until at least six months after the stock offering and if adopted within one year after the stock offering would require the approval of a majority of the votes eligible to be cast by stockholders. If the new stock-based benefit plan is established more than one year after the stock offering, it would require the approval of our stockholders by a majority of votes cast. The following additional restrictions would apply to our stock-based benefit plan only if the plan is adopted within one year after the stock offering:

- non-employee directors in the aggregate may not receive more than 30% of the options and restricted stock awards authorized under the plan;
- any one non-employee director may not receive more than 5% of the options and restricted stock awards authorized under the plan;
- any officer or employee may not receive more than 25% of the options and restricted stock awards authorized under the plan;
- any tax-qualified employee stock benefit plan and restricted stock plan, in the aggregate, may not acquire more than 10% of the shares sold in the offering, unless Ponce Bank has tangible capital of 10% or more, in which case tax-qualified employee stock benefit plans and restricted stock plans may acquire up to 12% of the shares sold in the offering;
- the options and restricted stock awards may not vest more rapidly than 20% per year, beginning on the first anniversary of stockholder approval of the plan;
- accelerated vesting is not permitted except for death, disability or upon a change in control of Ponce Bank or Ponce Financial; and
- our executive officers or directors must exercise or forfeit their options in the event that Ponce Bank becomes critically undercapitalized, is subject to enforcement action or receives a capital directive.

We have not determined whether we will present the stock-based benefit plan for stockholder approval prior to or more than 12 months after the completion of the conversion. In the event an applicable regulatory authority changes their regulations or policies regarding stock-based benefit plans, including any regulations or policies restricting the size of awards and vesting of benefits as described above, the restrictions described above may not be applicable.

We may obtain the shares needed for our stock-based benefit plans by issuing additional shares of common stock from authorized but unissued shares or through stock repurchases.

The actual value of the shares awarded under the stock-based benefit plan will be based in part on the price of Ponce Financial's common stock at the time the shares are awarded. The new stock-based benefit plan is subject to stockholder approval, and cannot be implemented until at least six months after the offering. The following table presents the total value of all shares of restricted stock that would be available for issuance under the new stock-based benefit plan, assuming the shares are awarded when the market price of our common stock ranges from $8.00 per share to $14.00 per share.

Share Price	367,710 Shares Awarded at Minimum of Offering Range	432,600 Shares Awarded at Midpoint of Offering Range	497,490 Shares Awarded at Maximum of Offering Range	572,110 Shares Awarded at Adjusted Maximum of Offering Range
	(In thousands, except share price information)			
$ 8.00	$ 2,942	$ 3,461	$ 3,980	$ 4,577
10.00	3,677	4,326	4,975	5,721
12.00	4,413	5,191	5,970	6,865
14.00	5,148	6,056	6,965	8,010

The grant-date fair value of the options granted under the new stock-based benefit plan will be based in part on the price of shares of common stock of Ponce Financial at the time the options are granted. The value also will depend on the various assumptions utilized in the option pricing model ultimately adopted. The following table presents the total estimated value of the options to be available for grant under the stock-based benefit plan, assuming the market price and exercise price for the stock options are equal and the range of market prices for the shares is $8.00 per share to $14.00 per share. The Black-Scholes option pricing model provides an estimate only of the fair value of the options, and the actual value of the options may differ significantly from the value set forth in this table.

Share Price	Grant-Date Fair Value Per Option	919,275 Options Awarded at Minimum of Offering Range	1,081,500 Options Awarded at Midpoint of Offering Range	1,243,725 Options Awarded at Maximum of Offering Range	1,430,284 Options Awarded at Adjusted Maximum of Offering Range
		(In thousands, except share price and grant-date fair valve per option information)			
$ 8.00	$ 2.84	$ 2,611	$ 3,071	$ 3,532	$ 4,062
10.00	3.55	3,263	3,839	4,415	5,078
12.00	4.26	3,916	4,607	5,298	6,093
14.00	4.97	4,569	5,375	6,181	7,109

The tables presented above are provided for informational purposes only. There can be no assurance that our stock price will not trade below $10.00 per share. Before you make an investment decision, we urge you to read this prospectus carefully, including, but not limited to, the section entitled "Risk Factors."

BENEFICIAL OWNERSHIP OF COMMON STOCK

Persons and groups who beneficially own in excess of 5% of the shares of PDL Community Bancorp common stock are required to file certain reports with the Securities and Exchange Commission regarding such ownership. The following table sets forth, as of [, 2021], the shares of common stock beneficially owned by our directors and executive officers, individually and as a group, and by each person who was known to us as the beneficial owner of more than 5% of the outstanding shares of common stock. The mailing address for each of our directors and executive officers is 2244 Westchester Avenue, Bronx, New York 10462.

Persons Owning Greater than 5%	**Shares of Common Stock Beneficially Owned as of Record Date (1)**		**Percent of Shares of Common Stock Outstanding (2)**
Ponce Bank Mutual Holding Company 2244 Westchester Avenue Bronx, New York 10462	9,545,388		56.1 %
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	1,398,264	(3)	8.2
M3 FUNDS, LLC 10 Exchange Place, Suite 510 Salt Lake City, UT 84111	888,108	(4)	5.2
Directors			
James C. Demetriou	45,457	(5)	*
William Feldman	45,457	(6)	*
Julio Gurman	45,457	(7)	*
Nick R. Lugo	65,457	(8)	*
Maria Alvarez	1,025	(9)	*
Carlos P. Naudon	114,991	(10)	*
Steve A. Tsavaris	135,270	(11)	*
Executive Officers who are not Directors			
Frank Perez	15,491	(12)	*
All directors and executive officers as a group (8) persons	468,605		2.8 %

* Less than 1%.

(1) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of common stock if he, she or it has or shares voting or investment power with respect to such common stock or has a right to acquire beneficial ownership at any time within 60 days from [, 2021]. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares. Except as otherwise noted, ownership is direct and the named individuals and group exercise sole voting and investment power over the shares of PDL Community Bancorp common stock.

(2) Based on a total of 17,003,694 shares of common stock outstanding as of [, 2021].

(3) Based on a Schedule 13G/A filed with the U.S. Securities and Exchange Commission on February 16, 2021.

(4) Based on a Schedule 13G filed with the U.S. Securities and Exchange Commission on July 19, 2021.

(4) Includes 30,000 shares held jointly by Mr. Demetriou and his wife and 3,567 shares as to which Mr. Demetriou has the right to acquire beneficial ownership within 60 days from [, 2021], pursuant to the exercise of vested stock options.

(5) Includes 5,605 shares owned directly by Mr. Feldman's wife, 12,737 shares held in an individual retirement account for the benefit of Mr. Feldman, 9,395 shares held in an individual retirement account for the benefit of Mr. Feldman's wife and 3,567 shares as to which Mr. Feldman has the right to acquire beneficial ownership within 60 days from [, 2021], pursuant to the exercise of vested stock options.

(6) Includes 30,000 shares owned directly by the Gurman Living Trust and 3,567 shares as to which Mr. Gurman has the right to acquire beneficial ownership within 60 days from [, 2021], pursuant to the exercise of vested stock options.

(7) Includes 20,000 shares owned directly by Mr. Lugo's wife and 3,567 shares as to which Mr. Lugo has the right to acquire beneficial ownership within 60 days from [, 2021], pursuant to the exercise of vested stock options.

(8) Includes 1,025 shares held in an individual retirement account for the benefit of Ms. Alvarez.

(9) Includes 23,050 shares held in an individual retirement account for the benefit of Mr. Naudon, 5,965 shares held by the ESOP and allocated to his account and 17,835 shares as to which Mr. Naudon has the right to acquire beneficial ownership within 60 days from [, 2021], pursuant to the exercise of vested stock options.

(10) Includes 20,000 shares owned directly by Mr. Tsavaris' wife, 5,965 shares held by the ESOP and allocated to his account and 17,835 shares as to which Mr. Tsavaris has the right to acquire beneficial ownership within 60 days from [, 2021], pursuant to the exercise of vested stock options.

(11) Includes 3,138 shares held by the ESOP and allocated to his account and 6,000 shares as to which Mr. Perez has the right to acquire beneficial ownership within 60 days from [, 2021], pursuant to the exercise of vested stock options.

SUBSCRIPTIONS BY DIRECTORS AND EXECUTIVE OFFICERS

The table below sets forth, for each of Ponce Financial's directors and executive officers, and for all of these individuals as a group, the following information:

- the number of exchange shares to be held upon completion of the conversion, based upon their beneficial ownership of PDL Community Bancorp. common stock as of as of [, 2021];
- the proposed purchases of subscription shares, assuming sufficient shares of common stock are available to satisfy their subscriptions; and
- the total shares of common stock to be held upon completion of the conversion.

In each case, it is assumed that subscription shares are sold at the minimum of the offering range. See "The Conversion and Offering—Additional Limitations on Common Stock Purchases." Federal regulations prohibit our directors and officers from selling the shares they purchase in the offering for one year after the date of purchase.

		Proposed Purchases of Stock in the Offering (1)		Total Common Stock to be Held at Minimum of Offering Range (3)	
Name of Beneficial Owner	Number of Exchange Shares to Be Held (2)	Number of Shares	Amount	Number of Shares	Percentage of Shares Outstanding
Directors					
James C. Demetriou	42,466	15,000	$ 150,000	57,466	*
William Feldman	42,466	10,000	100,000	52,466	*
Julio Gurman	42,466	15,000	150,000	57,466	*
Nick R. Lugo	61,150	15,000	150,000	76,150	*
Maria Alvarez	958	1,500	15,000	2,458	*
Carlos P. Naudon	107,425	30,000	300,000	137,425	*
Steven A. Tsavaris	126,369	30,000	300,000	156,369	*
Executive Officer who is not a Director					
Frank Perez	14,472	3,000	30,000	17,472	*
Grand Total	**437,772**	**119,500**	**$ 1,195,000**	**557,272**	**3.45%**

* Less than 1%.

(1) Includes proposed subscriptions, if any, by directors and executive officers.

(2) Based on information presented in "Beneficial Ownership of Common Stock," and assuming an exchange ratio of 0.9342 at the minimum of the offering range.

(3) At the adjusted maximum of the offering range, directors and executive officers would own 800,618 shares, or 3.18% of our outstanding shares of common stock.

THE CONVERSION AND OFFERING

The boards of directors of Ponce Bank MHC and PDL Community Bancorp have approved the plan of conversion and reorganization. The plan of conversion and reorganization must also be approved by the members of Ponce Bank MHC (depositors and certain borrowers of Ponce Bank) and the stockholders of PDL Community Bancorp. A special meeting of members and a special meeting of stockholders have been called for this purpose. We have filed applications with the Federal Reserve Board with respect to the conversion and reorganization with respect to Ponce Financial becoming the holding company for Ponce Bank. We have also filed an application with the OCC with respect to an amendment to Ponce Bank's charter to provide for a liquidation account. The approval of the Federal Reserve Board and the OCC are required before we can consummate the conversion and reorganization and issue shares of common stock. Any approval by the Federal Reserve Board and the OCC does not constitute a recommendation or endorsement of the plan of conversion and reorganization by the Federal Reserve Board and the OCC.

General

As a result of the proposed “second step” conversion transaction, the current mutual holding company structure of Ponce Bank MHC, PDL Community Bancorp, Ponce Bank and Mortgage World will convert to the fully-converted stock holding company structure. A new stock holding company for Ponce Bank and Mortgage World to be named Ponce Financial and which will succeed to PDL Community Bancorp, will offer for sale shares of its common stock, representing Ponce Bank MHC’s ownership interest in PDL Community Bancorp, to depositors of Ponce Bank and others in a subscription offering and, if necessary, a community offering and/or a syndicated offering. Eligible account holders of Ponce Bank as of the close of business on April 30, 2020 will have first priority non-transferable subscription rights to subscribe for shares of common stock of Ponce Financial. In addition, each share of common stock of PDL Community Bancorp held by persons other than Ponce Bank MHC (the “minority stockholders”) will be converted into and become the right to receive a number of shares of common stock of Ponce Financial pursuant to an exchange ratio, established at the completion of the proposed transaction, designed to preserve in Ponce Financial the same aggregate percentage ownership interest that the minority stockholders will have in PDL Community Bancorp immediately before the completion of the proposed transaction, exclusive of the purchase of any additional shares of common stock of Ponce Financial by minority stockholders in the stock offering and the effect of cash received in lieu of issuance of fractional shares of common stock of PDL Community Bancorp and the effect of the shares contributed to the Foundation, and adjusted to reflect certain assets held by Ponce Bank MHC. The total number of shares of common stock of Ponce Financial to be issued in the proposed transaction will be based on the aggregate pro forma market value of the common stock of Ponce Financial, as determined by an independent appraisal.

In connection with the conversion, a contribution will be made to the Ponce De Leon Foundation in the form of common stock issued in the conversion equal to 3.0% and $1.0 million in cash. The Foundation will continue to be dedicated to the promotion of charitable purposes in the communities served by Ponce Bank, including community development and grants and donations to support housing assistance and not-for-profit organizations.

Ponce Financial intends to retain between $21.7 million and 34.9 million of the net proceeds of the offering and to invest between $43.0 million and $67.6 million of the net proceeds in Ponce Bank, between $12.9 million and $20.3 million of the net proceeds in Mortgage World, loan to the employee stock ownership plan between $7.4 million and $11.4 million and contribute $1.0 million to the Foundation. The conversion will be consummated only upon the issuance of at least the minimum number of shares of our common stock offered (not including shares that we will contribute to the Foundation) pursuant to the plan of conversion and reorganization.

The plan of conversion and reorganization provides that we will offer shares of common stock for sale in the subscription offering to eligible account holders, our employee stock ownership plan, supplemental eligible account holders and other members. In addition, we may offer unsubscribed common stock for sale in a community offering to members of the general public, with a preference given in the following order:

- natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, Queens, Kings and New York), and the New Jersey County of Hudson; and
- PDL Community Bancorp’s public stockholders as of [stockholder record date].

We have the right to accept or reject, in whole or in part, any orders to purchase shares of the common stock received in the community offering. The community offering may begin at the same time as the subscription offering (or during or after the subscription offering) and must be completed within 45 days after the completion of the subscription offering unless otherwise extended by the Federal Reserve Board. See “—Community Offering.”

We also may offer for sale shares of common stock not purchased in the subscription offering or community offering, if held, through a syndicated offering in which Janney Montgomery Scott LLC will be sole book-running manager. See “—Syndicated Commitment Offering”.

We determined the number of shares of common stock to be offered in the offering based upon an independent valuation appraisal of the estimated pro forma market value of Ponce Financial. All shares of common stock to be sold in the offering will be sold at $10.00 per share. Investors will not be charged a commission to purchase shares of common stock. The independent valuation will be updated and the final number of the shares of common stock to be issued in the offering will be determined at the completion of the offering. See “—Stock Pricing and Number of Shares to be Issued” for more information as to the determination of the estimated pro forma market value of the common stock.

The following is a brief summary of the conversion and is qualified in its entirety by reference to the provisions of the plan of conversion and reorganization. A copy of the plan of conversion and reorganization is available for inspection at each branch office of Ponce Bank. The plan of conversion and reorganization is also filed as an exhibit to Ponce Bank MHC’s application for conversion, of which this prospectus is a part, copies of which may be obtained from the Federal Reserve Board. The plan of conversion and reorganization is also filed as an exhibit to the registration statement we have filed with the Securities and Exchange Commission, of which this prospectus is a part. Copies of the registration statement may be obtained from the Securities and Exchange Commission or online at the Securities and Exchange Commission's website, www.sec.gov. See "Where You Can Find Additional Information."

Reasons for the Conversion

Our primary reasons for converting to the fully public stock form of ownership and undertaking the stock offering are to:

- ***Support continued growth.*** Ponce Bank has experienced consistent deposit and loan growth over the past five years as we have expanded our geographic reach and increased our emphasis on growing our commercial loan and deposit relationships. At March 31, 2021, our total consolidated assets and total deposits were $1.43 billion and $1.14 billion, respectively, compared to our total assets and total deposits of $1.36 billion and $1.03 billion, respectively, at December 31, 2020. The conversion will enable us to support additional deposit and loan growth and assist us in managing our interest rate risk in a changing interest rate environment.
- ***Eliminate the uncertainties associated with the mutual holding company structure.*** Under the Dodd-Frank Act, the Federal Reserve Board became the federal regulator of all savings and loan holding companies, including mutual holding companies. The Federal Reserve Board currently requires mutual holding companies, like Ponce Bank MHC, to obtain member (depositors and certain borrowers) approval and comply with other procedural requirements prior to waiving dividends, which makes dividend waivers more difficult and costly to obtain. The conversion will eliminate our mutual holding company structure, and enable us to pay dividends to our stockholders without the limitations described above, subject to the customary legal, regulatory and financial considerations applicable to all financial institutions. See "Our Dividend Policy."
- ***Transition us to a more familiar and flexible organizational structure.*** The stock holding company structure is a more familiar form of organization, which we believe will make our common stock more appealing to investors, and will give us greater flexibility to access the capital markets through possible future equity and debt offerings. We may consider from time-to-time alternative capital strategies, including additional offering of securities, however, we currently have not made any final assessment regarding possible offerings.
- ***Facilitate future mergers and acquisitions.*** Although we do not currently have any understandings or agreements regarding any specific acquisition transaction, the fully public stock holding company structure will give us greater flexibility to use our common stock as merger consideration and to structure, and make us a more attractive and competitive bidder for, mergers and acquisitions of other financial institutions or business lines as opportunities arise. The additional capital raised in the offering also will enable us to consider larger merger transactions. In addition, although we intend to remain an independent financial institution, the stock holding company structure may make us a more attractive acquisition candidate for other institutions. Applicable regulations prohibit the acquisition of Ponce Financial for three years following completion of the conversion. Certain provisions in Ponce Financial's articles of incorporation and bylaws, such as a prohibition on any beneficial owner voting in excess of 10% of Ponce Financial's common stock and supermajority voting requirements, will also make it more difficult for companies or persons to exercise control of Ponce Financial without the consent of our board of directors. See "Risk Factors—Various factors, including our articles of incorporation and bylaws, and Maryland and federal law, will make takeover attempts more difficult to achieve," and "Restrictions on Acquisition of Ponce Financial"
- ***Improve the liquidity of our shares of common stock.*** The larger number of shares that will be outstanding after completion of the conversion and offering is expected to result in a more liquid and active market for our common stock. A more liquid and active market will make it easier for our stockholders to buy and sell our common stock and will give us greater flexibility in implementing capital management strategies.

Approvals Required

The affirmative vote of a majority of the total votes eligible to be cast by the members of Ponce Bank MHC (*i.e.*, eligible depositors and certain borrowers of Ponce Bank) is required to approve the plan of conversion and reorganization. By their approval of the plan of conversion and reorganization, the members of Ponce Bank MHC will also be approving the merger of Ponce Bank MHC into PDL Community Bancorp. The affirmative vote of the holders of at least two-thirds of the outstanding shares of common stock of PDL Community Bancorp and the affirmative vote of the holders of a majority of the outstanding shares of common stock of PDL Community Bancorp held by the public stockholders of PDL Community Bancorp (stockholders other than Ponce Bank MHC) also are required to approve the plan of conversion and reorganization. We have filed applications with the Federal Reserve Board with respect to the conversion and reorganization and with respect to Ponce Financial becoming the holding company for Ponce Bank. The OCC must also approve an amendment to Ponce Bank's charter to establish a liquidation account. The approval of the Federal Reserve Board and OCC are required before we can consummate the conversion and reorganization and issue shares of common stock.

The affirmative vote of a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders and the affirmative vote of a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders other than Ponce Bank MHC is required to approve the contribution to the Foundation. The affirmative vote of a majority of the total votes eligible to be cast by the members of Ponce Bank MHC is also required to approve the contribution to the Foundation. However, the completion of the conversion and offering is not dependent upon the approval of the contribution to the Foundation.

Effect of Ponce Bank MHC's Assets on Minority Stock Ownership

Public stockholders of PDL Community Bancorp will receive shares of common stock of Ponce Financial in exchange for their shares of common stock of PDL Community Bancorp pursuant to an exchange ratio that is designed to provide, subject to adjustment, public stockholders with the same ownership percentage of the common stock of Ponce Financial after the conversion as their ownership percentage in PDL Community Bancorp immediately before the conversion, without giving effect to new shares purchased in the offering or cash paid in lieu of any fractional shares. The exchange ratio will be adjusted downward to reflect assets held by Ponce Bank MHC (other than shares of common stock of PDL Community Bancorp) at the completion of the conversion, which net assets consist primarily of cash totaling $90,000 at March 31, 2021. This adjustment would decrease PDL Community Bancorp's public stockholders' ownership interest in Ponce Financial from 43.91 % to 43.89%, and would increase the ownership interest of persons who purchase stock in the offering from 56.09% (the amount of PDL Community Bancorp's outstanding stock held by Ponce Bank MHC) to 56.11%.

Share Exchange Ratio for Current Stockholders

At the completion of the conversion, each publicly held share of PDL Community Bancorp common stock will be converted automatically into the right to receive a number of shares of Ponce Financial common stock. The number of shares of common stock will be determined pursuant to the exchange ratio, which ensures that the public stockholders will own the same percentage of common stock in Ponce Financial after the conversion as they held in PDL Community Bancorp immediately prior to the conversion, exclusive of their purchase of additional shares of common stock in the offering, their receipt of cash in lieu of fractional exchange shares and the effect of the shares contributed to the Foundation, adjusted for certain assets held by Ponce Bank MHC. The exchange ratio will not depend on the market value of PDL Community Bancorp common stock. The exchange ratio will be based on the percentage of PDL Community Bancorp common stock held by the public, the independent valuation of Ponce Financial prepared by RP Financial, LC., and the number of shares of common stock issued in the offering. The exchange ratio is expected to range from approximately 0.9342 shares for each publicly held share of PDL Community Bancorp at the minimum of the offering range to 1.4535 shares for each publicly held share of PDL Community Bancorp at the adjusted maximum of the offering range.

The following table shows how the exchange ratio will adjust, based on the appraised value of Ponce Financial as of March 31, 2021, assuming public stockholders of PDL Community Bancorp own [●]% of PDL Community Bancorp common stock immediately prior to the completion of the conversion. The table also shows how many shares of Ponce Financial a hypothetical owner of PDL Community Bancorp common stock would receive in the exchange for 100 shares of common stock owned at the completion of the conversion, depending on the number of shares issued in the offering.

	Shares to be Sold in This Offering		Shares of Ponce Financial to be Issued for Shares of PDL Community Bancorp (1)		Shares to be issued to the Foundation		Total Shares of Common Stock to be Issued in Exchange and Offering	Exchange Ratio	Equivalent Value of Shares Based Upon Offering Price	Equivalent Pro Forma Tangible Book Value Per Exchanged Share (2)	Shares to be Received for 100 Existing Shares (3)
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage					
Minimum	8,925,000	55.18%	6,981,287	43.16%	267,750	1.66%	16,174,037	0.9342	$ 9.34	$ 13.64	93
Midpoint	10,500,000	55.18%	8,213,279	43.16%	315,000	1.66%	19,028,279	1.0991	$ 10.99	$ 14.43	110
Maximum	12,075,000	55.18%	9,445,271	43.16%	362,250	1.66%	21,882,521	1.2639	$ 12.64	$ 15.23	126
Adjusted Maximum	13,886,250	55.18%	10,862,061	43.16%	416,588	1.66%	25,164,899	1.4535	$ 14.54	$ 16.14	145

(1) Represents the value of shares of Ponce Financial common stock to be received in the conversion by a holder of one share of PDL Community Bancorp, pursuant to the exchange ratio, based upon the $10.00 per share offering price.

(2) Represents the pro forma tangible book value per share at each level of the offering range multiplied by the respective exchange ratio.

(3) Cash will be paid in lieu of fractional shares.

Restricted stock units and stock options to purchase shares of PDL Community Bancorp common stock that are outstanding immediately prior to the completion of the conversion will be converted into restricted stock units and stock options to purchase shares of Ponce Financial common stock, with the number of shares subject to the units and options (and the exercise price per share for the option) to be adjusted based upon the exchange ratio. The aggregate exercise price, (with respect to options), term and vesting period of the options and restricted stock units will remain unchanged.

Effects of Conversion

Continuity. The conversion will not affect the normal business of Ponce Bank of accepting deposits and making loans. Ponce Bank will continue to be a federally-chartered savings association and will continue to be regulated by the OCC and the FDIC. After the conversion, Ponce Bank will continue to offer existing services to depositors, borrowers and other customers. The directors serving PDL Community Bancorp at the time of the conversion will be the directors of Ponce Financial after the conversion.

Effect on Deposit Accounts. Pursuant to the plan of conversion and reorganization, each depositor of Ponce Bank at the time of the conversion will automatically continue as a depositor after the conversion, and the deposit balance, interest rate and other terms of such deposit accounts will not change as a result of the conversion. Each such account will be insured by the FDIC to the same extent as before the conversion. Depositors will continue to hold their existing certificates, passbooks and other evidences of their accounts.

Effect on Loans. No loans outstanding from Ponce Bank and Mortgage World will be affected by the conversion, and the amount, interest rate, maturity and security for each loan will remain as it was contractually fixed prior to the conversion.

Effect on Voting Rights of Members. At present, all depositors and certain borrowers of Ponce Bank are members of, and have voting rights in, Ponce Bank MHC as to all matters requiring a vote of members. Upon completion of the conversion, depositors and certain borrowers will cease to be members of Ponce Bank MHC and will no longer have voting rights. Upon completion of the conversion, all voting rights in Ponce Bank will be vested in Ponce Financial as the sole stockholder of Ponce Bank. The stockholders of Ponce Financial will possess exclusive voting rights with respect to Ponce Financial common stock.

Tax Effects. We have received an opinion of Crowe LLP with regard to the federal income tax consequences and the state income tax consequences of the conversion to the effect that the conversion will not be a taxable transaction for federal or state income tax purposes to Ponce Bank MHC, PDL Community Bancorp, Ponce Bank, the public stockholders of PDL Community Bancorp (except for cash paid for fractional shares), members of Ponce Bank MHC, eligible account holders, or supplemental eligible account holders. See "—Material Income Tax Consequences."

Effect on Liquidation Rights. Each depositor in Ponce Bank has both a deposit account in Ponce Bank and a pro rata ownership interest in the net worth of Ponce Bank MHC based upon the deposit balance in his or her account. This ownership interest is tied to the depositor's account and has no tangible market value separate from the deposit account. This ownership interest may only be realized in the event of a complete liquidation of Ponce Bank MHC and Ponce Bank; however, there has never been a liquidation of a solvent mutual holding company. Any depositor who opens a deposit account prior to the completion of the offering receives a pro rata ownership interest in Ponce Bank MHC without any additional payment beyond the amount of the deposit. A depositor who reduces or closes his or her account receives a portion or all of the balance in the deposit account but nothing for his or her ownership interest in the net worth of Ponce Bank MHC, which is lost to the extent that the balance in the account is reduced or closed.

Consequently, depositors in a stock depository institution that is a subsidiary of a mutual holding company normally have no way of realizing the value of their ownership interest, which would be realizable only in the unlikely event that Ponce Bank MHC and Ponce Bank are liquidated completely. If this occurs, the depositors of record at that time, as owners, would share pro rata in any residual surplus and reserves of Ponce Bank MHC after other claims, including claims of depositors to the amounts of their deposits, are paid.

Under the plan of conversion, Eligible Account Holders (as defined below) and Supplemental Eligible Account Holders(as defined below) will receive an interest in liquidation accounts maintained by Ponce Financial and Ponce Bank in an aggregate amount equal to (i) Ponce Bank MHC's ownership interest in PDL Community Bancorp's total stockholders' equity as of the date of the latest statement of financial condition included in this prospectus plus (ii) the value of the net assets of Ponce Bank MHC as of the date of the latest statement of financial condition of Ponce Bank MHC prior to the consummation of the conversion (excluding its ownership of PDL Community Bancorp). Ponce Financial and Ponce Bank will hold the liquidation accounts for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain deposits in Ponce Bank after the conversion. The liquidation accounts would be distributed to Eligible Account Holders and Supplemental Eligible Account Holders who maintain their deposit accounts in Ponce Bank only in the event of a liquidation of (a) Ponce Financial and Ponce Bank or (b) Ponce Bank. See "—Liquidation Rights."

The liquidation account in Ponce Bank would be used only in the event that Ponce Financial does not have sufficient assets to fund its obligations under its liquidation account. The total obligation of Ponce Financial and Ponce Bank under their respective liquidation accounts will never exceed the dollar amount of Ponce Financial's liquidation account as adjusted from time to time pursuant to the plan of conversion and federal regulations. See "—Liquidation Rights."

Stock Pricing and Number of Shares to be Issued

The plan of conversion and reorganization and federal regulations require that the aggregate purchase price of the common stock sold in the offering must be based on the appraised pro forma market value of the common stock, as determined by an independent valuation. We have retained RP Financial, LC. to prepare an independent valuation appraisal. For its services in preparing the initial valuation, RP Financial, LC. will receive a fee of $145,000, as well as payment for reimbursable expenses and an additional $15,000 for each subsequent updated appraisal report. We have agreed to indemnify RP Financial, LC. and its employees and affiliates against specified losses, including any losses in connection with claims under the federal securities laws, arising out of its services as independent appraiser, except where such liability results from RP Financial, LC.'s bad faith or negligence.

The independent valuation was prepared by RP Financial, LC. in reliance upon the information contained in this prospectus, including the audited consolidated financial statements of PDL Community Bancorp. RP Financial, LC. also considered the following factors, among others:

- the present results and financial condition of PDL Community Bancorp and the projected results and financial condition of Ponce Financial;
- the economic and demographic conditions in PDL Community Bancorp's existing market area;
- certain historical, financial and other information relating to PDL Community Bancorp;
- a comparative evaluation of the operating and financial characteristics of PDL Community Bancorp with those of other publicly traded savings institutions;
- the effect of the conversion and offering on Ponce Financial's stockholders' equity and earnings potential;
- the proposed dividend policy of Ponce Financial;
- the trading market for securities of comparable institutions and general conditions in the market for such securities; and
- the issuance of shares and contribution of cash to the Foundation.

The independent valuation appraisal considered the pro forma effect of the offering. Consistent with federal appraisal guidelines, the appraisal applied three primary methodologies: (i) the pro forma price-to-book value approach applied to both reported book value and tangible book value; (ii) the pro forma price-to-earnings approach applied to reported and core earnings; and (iii) the pro forma price-to-assets approach. The market value ratios applied in the three methodologies were based on the current market valuations of the peer group companies. RP Financial, LC. placed the greatest emphasis on the price-to-earnings and price-to-book approaches in estimating pro forma market value. RP Financial, LC. considered the pro forma price-to-assets approach to be less meaningful in preparing the appraisal, as this approach is more meaningful when a company has low equity or earnings. The price-to-assets approach is less meaningful for a company like us, as we have equity in excess of regulatory capital requirements and positive reported and core earnings.

In applying each of the valuation methods, RP Financial, LC. considered adjustments to the pro forma market value based on a comparison of Ponce Financial with the peer group. RP Financial, LC. made upward adjustments for financial condition and asset growth, and downward adjustments to earnings and stock market conditions. No adjustments were made for market area, dividend policy, liquidity of the stock, management or the effect of government regulations and regulatory reform. The upward adjustments considered, among other things, Ponce Financial's stronger pro forma capital position and more favorable credit quality measures compared to the peer group. The downward adjustment considered, among other things, Ponce Financial's lower return on average assets and average equity and lower net interest margin compared to the peer group. The valuation adjustment for stock market conditions took into consideration the prevailing stock market environment for the common stock of thrifts and their holding companies of recently completed thrift conversion transactions.

Included in RP Financial, LC.'s independent valuation were certain assumptions as to the pro forma earnings of Ponce Financial after the conversion that were utilized in determining the appraised value. These assumptions included estimated expenses, an assumed after-tax rate of return of 0.71% for the twelve months ended March 31, 2021 on the net offering proceeds and purchases in the open market of 4% of the common stock issued in the offering by the restricted stock portion of the stock-based benefit plans at the $10.00 per share purchase price. See "Pro Forma Data" for additional information concerning these assumptions. The use of different assumptions may yield different results.

The independent valuation states that as of June 1, 2021, the estimated pro forma market value of Ponce Financial was $190.3 million. Based on federal regulations, this market value forms the midpoint of a range with a minimum of $161.7 million and an adjusted maximum of $251.6 million. The aggregate offering price of the shares will be equal to the valuation range multiplied by the percentage of PDL Community Bancorp common stock owned by Ponce Bank MHC. The number of shares offered will be equal to the aggregate offering price of the shares divided by the price per share. Based on the valuation range, the percentage of PDL Community Bancorp common stock owned by Ponce Bank MHC and the $10.00 price per share, the minimum of the offering range is 8,925,000 shares, the midpoint of the offering range is 10,500,000 shares and the maximum of the offering range is 12,075,000 shares, subject to increase up to 13,886,250 shares.

The board of directors of Ponce Financial reviewed the independent valuation and, in particular, considered the following:

- PDL Community Bancorp's financial condition and results of operations;
- a comparison of financial performance ratios of PDL Community Bancorp to those of other financial institutions of similar size;
- market conditions generally and in particular for financial institutions; and
- the historical trading price of the publicly held shares of PDL Community Bancorp common stock.

All of these factors are set forth in the independent valuation. The board of directors also reviewed the methodology and the assumptions used by RP Financial, LC. in preparing the independent valuation and believes that such assumptions were reasonable. The offering range may be amended with the approval of the Federal Reserve Board, if required, as a result of subsequent developments in the financial condition of PDL Community Bancorp or Ponce Bank or Mortgage World or market conditions generally. In the event the independent valuation is updated to amend the pro forma market value of Ponce Financial to less than $161.7 million or more than $251.6 million, the appraisal will be filed with the Securities and Exchange Commission by a post-effective amendment to Ponce Financial's registration statement.

The following table presents a summary of selected pricing ratios for Ponce Financial (on a pro forma basis) and the peer group companies based on earnings and other information as of and for the twelve months ended March 31, 2021 and stock price information for the peer group companies as of June 1, 2021, as reflected in the appraisal report. Compared to the average pricing of the peer group, our pro forma pricing ratios at the midpoint of the offering range indicated a discount of 32.3% on a price-to-book value basis, a discount of 33.6% on a price-to-tangible book value basis and a premium of 444.2% on a price-to-earnings basis. Our board of directors, in reviewing and approving the appraisal, considered the range of price-to-earnings multiples and the range of price-to-book value and price-to-tangible book value ratios at the different amounts of shares to be sold in the offering. The appraisal did not consider one valuation approach to be more important than the other. The estimated appraised value and the resulting premium/discount took into consideration the potential financial effect of the conversion and offering as well as the trading price of PDL Community Bancorp's common stock. The closing price of the common stock was $13.78 per share on June 1, 2021, the effective date of the appraisal, and $11.54 per share on May 5, 2021, the last trading day immediately preceding the announcement of the conversion.

	Price-to-earnings multiple (1)	Price-to-book value ratio	Price-to-tangible book value ratio
Ponce Financial (on a pro forma basis, assuming completion of the conversion)			
Adjusted Maximum	107.46	90.01%	90.01%
Maximum	86.57	82.99%	82.99%
Midpoint	70.75	76.16%	76.16%
Minimum	56.73	68.49%	68.49%
Valuation of peer group companies, all of which are fully converted (on an historical basis)			
Averages	13.00	112.47%	114.62%
Medians	12.95	100.80%	105.29%

(1) Price-to-earnings multiples calculated by RP Financial, LC. in the independent appraisal are based on an estimate of "core," or recurring, earnings on a trailing twelve-month basis through March 31, 2021 for Ponce Financial and through March 31, 2021 for the per group companies. These ratios are different than those presented in "Pro Forma Data."

The independent valuation is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing our shares of common stock. RP Financial, LC. did not independently verify our consolidated financial statements and other information that we provided to them, nor did RP Financial, LC. independently value our assets or liabilities. The independent valuation considers Ponce Bank as a going concern and should not be considered as an indication of the liquidation value of Ponce Bank. Moreover, because the valuation is necessarily based upon estimates and projections of a number of matters, all of which may change from time to time, no assurance can be given that persons purchasing our common stock in the offering will thereafter be able to sell their shares at prices at or above the $10.00 price per share.

We will not decrease the minimum of the valuation range and the minimum of the offering range or increase the adjusted maximum of the valuation range and the adjusted maximum of the offering range without a resolicitation of subscribers. The subscription price of $10.00 per share will remain fixed.

If the update to the independent valuation at the conclusion of the offering results in an increase in the adjusted maximum of the valuation range to more than $251.6 million and a corresponding increase in the offering range to more than 13,886,250 shares, or a decrease in the minimum of the valuation range to less than $161.7 million and a corresponding decrease in the offering range to fewer than 8,925,000 shares, in each case not including shares that will be contributed to the Foundation, then we will promptly return with interest at [interest rate]% per annum all funds previously delivered to us to purchase shares of common stock in the subscription and community offerings and cancel deposit account withdrawal authorizations and, after consulting with the Federal Reserve Board, we may terminate the plan of conversion and reorganization. Alternatively, we may establish a new offering range, extend the offering period and commence a resolicitation of purchasers or take other actions as permitted by the Federal Reserve Board in order to complete the offering. In the event that we extend the offering and conduct a resolicitation due to a change in the independent valuation, we will notify subscribers of the extension of time and of the rights of subscribers to place a new stock order for a specified period of time. Any single offering extension will not exceed 90 days; aggregate extensions may not conclude beyond   , 2023, which is two years after the special meeting of members to vote on the conversion.

An increase in the number of shares to be issued in the offering would decrease both a subscriber's ownership interest and Ponce Financial's pro forma earnings and stockholders' equity on a per share basis while increasing stockholders' equity on an aggregate basis. A decrease in the number of shares to be issued in the offering would increase both a subscriber's ownership interest and Ponce Financial's pro forma earnings and stockholders' equity on a per share basis, while decreasing stockholders' equity on an aggregate basis.

Copies of the independent valuation appraisal report of RP Financial, LC. and the detailed memorandum setting forth the method and assumptions used in the appraisal report are filed as exhibits to the documents specified under "Where You Can Find Additional Information."

Subscription Offering and Subscription Rights

In accordance with the plan of conversion and reorganization, rights to subscribe for shares of common stock in the subscription offering have been granted in the following descending order of priority. The filling of all subscriptions that we receive will depend on the availability of common stock after satisfaction of all subscriptions of all persons having prior rights in the subscription offering and on the purchase and ownership limitations set forth in the plan of conversion and reorganization and as described below under "—Additional Limitations on Common Stock Purchases."

Priority 1: Eligible Account Holders. Each depositor of Ponce Bank with aggregate deposit account balances of $50.00 or more (a "Qualifying Deposit") at the close of business on April 30, 2020 (an "Eligible Account Holder") will receive, without payment therefor, nontransferable subscription rights to purchase, subject to the overall purchase limitations, up to the greater of $300,000 (30,000 shares) of our common stock, 0.10% of the total number of shares of common stock issued in the offering, or 15 times the product of the number of subscription shares offered multiplied by a fraction of which the numerator is the aggregate Qualifying Deposit account balances of the Eligible Account Holder and the denominator is the aggregate Qualifying Deposit account balances of all Eligible Account Holders. See "—Additional Limitations on Common Stock Purchases." If there are not sufficient shares available to satisfy all subscriptions, shares will first be allocated so as to permit each remaining Eligible Account Holder to purchase a number of shares sufficient to make his or her total allocation equal to the lesser of 100 shares or the number of shares for which he or she subscribed. Thereafter, any remaining unallocated shares will be allocated to each Eligible Account Holder whose subscription remains unfilled in the proportion that the amount of his or her Qualifying Deposit bears to the total amount of Qualifying Deposits of all subscribing Eligible Account Holders whose subscriptions remain unfilled. If an amount so allocated exceeds the amount subscribed for by any one or more Eligible Account Holders, the excess shall be reallocated among those Eligible Account Holders whose subscriptions are not fully satisfied until all available shares have been allocated.

To ensure proper allocation of our shares of common stock, each Eligible Account Holder must list on his or her stock order form all deposit accounts in which he or she has an ownership interest on April 30, 2020. In the event of an oversubscription, failure to list all accounts could result in fewer shares being allocated than if all accounts had been disclosed. In the event of an oversubscription, the subscription rights of Eligible Account Holders who are also directors or executive officers of PDL Community Bancorp or who are associates of such persons will be subordinated to the subscription rights of other Eligible Account Holders to the extent attributable to their increased deposits in the 12 months preceding April 30, 2020.

Priority 2: Tax-Qualified Plans. Our employee stock ownership plan, the Company's only tax-qualified plan participating in the offering, will receive, without payment therefor, nontransferable subscription rights to purchase 8% of the shares of common stock sold in the offering and issued to the Foundation. If market conditions warrant or if we receive orders in the subscription offering for more shares of common stock than the adjusted maximum of the offering range, in the judgment of its trustees, the employee stock ownership plan may instead elect to purchase shares in the open market following the completion of the conversion, subject to the approval of the Federal Reserve Board.

Priority 3: Supplemental Eligible Account Holders. To the extent that there are sufficient shares of common stock remaining after satisfaction of subscriptions by Eligible Account Holders and our employee stock ownership plan, each depositor of Ponce Bank with a Qualifying Deposit at the close of business on [supplemental eligibility record date] who is not an Eligible Account Holder ("Supplemental Eligible Account Holder") will receive, without payment therefor, nontransferable subscription rights to purchase up to $300,000 (30,000 shares) of common stock, subject to the overall purchase limitations. See "—Additional Limitations on Common Stock Purchases." If there are not sufficient shares available to satisfy all subscriptions, shares will be allocated so as to permit each Supplemental Eligible Account Holder to purchase a number of shares sufficient to make his or her total allocation equal to the lesser of 100 shares of common stock or the number of shares for which he or she subscribed. Thereafter, any remaining shares will be allocated to each Supplemental Eligible Account Holder whose subscription remains unfilled in the proportion that the amount of his or her Qualifying Deposit bears to the total amount of Qualifying Deposits of all Supplemental Eligible Account Holders whose subscriptions remain unfilled. If an amount so allocated exceeds the amount subscribed for by any one or more Supplemental Eligible Account Holders, the excess shall be reallocated among those Supplemental Eligible Account Holders whose subscriptions are not fully satisfied until all available shares have been allocated.

To ensure proper allocation of common stock, each Supplemental Eligible Account Holder must list on the stock order form all deposit accounts in which he or she has an ownership interest at [supplemental eligibility record date]. In the event of oversubscription, failure to list an account could result in fewer shares being allocated than if all accounts had been disclosed.

Priority 4: Other Members. To the extent that there are sufficient shares of common stock remaining after satisfaction of subscriptions by Eligible Account Holders, the employee stock ownership plan and Supplemental Eligible Account Holders, each depositor of Ponce Bank as of the close of business on [member record date] who is not an Eligible Account Holder or Supplemental Eligible Account Holder, and each borrower of Ponce De Leon Federal Bank as of April 11, 1985 who maintained such borrowings as of the close of business on [other record date] ("Other Member"), will receive, without payment therefore, nontransferable subscription rights to purchase up to $300,000 (30,000 shares) of common stock, subject to the overall purchase limitations. See "—Additional Limitations on Common Stock Purchases." If there are not sufficient shares available to satisfy all subscriptions, shares will be allocated so as to permit each Other Member to purchase a number of shares sufficient to make his or her total allocation equal to the lesser of 100 shares of common stock or the number of shares for which he or she subscribed. Thereafter, any remaining shares will be allocated to each Other Member whose subscription remains unfilled in the proportion that the amount of the subscription of each Other Member bears to the total amount of the subscriptions of all Other Members whose subscriptions remain unfilled.

To ensure proper allocation of common stock, each Other Member must list on his or her stock order form all deposit and loan accounts in which he or she had an ownership interest on [other record date]. Failure to list an account, or providing incorrect information, could result in the loss of all or part of a subscriber's stock allocation if the offering is oversubscribed.

Expiration Date. The subscription offering will expire at 4:00 p.m., Eastern Time, on [expiration date], unless extended by us for up to 45 days or such additional periods with the approval of the Federal Reserve Board, if necessary. Subscription rights will expire whether or not each eligible depositor can be located. We may decide to extend the expiration date of the subscription offering for any reason, whether or not subscriptions have been received for shares at the minimum, midpoint or maximum of the offering range. Subscription rights which have not been exercised prior to the expiration date will become void.

We will not execute orders until at least the minimum number of shares of common stock have been sold in the offering. If at least 8,925,000 shares have not been sold in the offering by [extension date] and the Federal Reserve Board has not consented to an extension, all funds delivered to us to purchase shares of common stock in the offering will be returned promptly, with interest at [interest rate]% per annum for funds received in the subscription and community offerings, and all deposit account withdrawal authorizations will be canceled. If an extension beyond [extension date] is granted by the Federal Reserve Board, we will resolicit purchasers in the offering as described under "—Procedure for Purchasing Shares in the Subscription and Community Offerings—Expiration Date."

Community Offering

To the extent that shares of common stock remain available for purchase after satisfaction of all subscriptions of Eligible Account Holders, our employee stock ownership plan, Supplemental Eligible Account Holders and Other Members, we may offer shares pursuant to the plan of conversion and reorganization to members of the general public in a community offering. If held, shares will be offered in the community offering with the following preferences:

- natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, Queens, Kings and New York, and the New Jersey County of Hudson;

- PDL Community Bancorp's public stockholders as of [stockholder record date]; and
- other members of the general public.

Subscribers in any community offering may purchase up to $500,000 (50,000 shares) of common stock, subject to the overall purchase limitations. See "—Additional Limitations on Common Stock Purchases." **The opportunity to purchase shares of common stock in the community offering category is subject to our right, in our sole discretion, to accept or reject any such orders in whole or in part either at the time of receipt of an order or as soon as practicable following the expiration date of the offering.**

If we do not have sufficient shares of common stock available to fill the orders of natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, Queens, Kings and New York, and the New Jersey County of Hudson, we will allocate the available shares among those persons in a manner that permits each of them, to the extent possible, to purchase the lesser of 100 shares or the number of shares subscribed for by such person. Thereafter, unallocated shares will be allocated among natural persons (including trusts of natural persons) residing in those counties whose orders remain unsatisfied on an equal number of shares basis per order. If an oversubscription occurs due to the orders of public stockholders of PDL Community Bancorp or members of the general public, the allocation procedures described above will apply to the stock orders of such persons. In connection with the allocation process, orders received for shares of common stock in the community offering will first be filled up to a maximum of 2% of the shares sold in the offering, and thereafter any remaining shares will be allocated on an equal number of shares basis per order until all shares have been allocated.

The term "residing" or "resident" as used in this prospectus means any person who occupies a dwelling within the New York Counties of Bronx, Queens, Kings and New York, and the New Jersey County of Hudson, has a present intent to remain within this community for a period of time, and manifests the genuineness of that intent by establishing an ongoing physical presence within the community, together with an indication that this presence within the community is something other than merely transitory in nature. We may utilize deposit or loan records or other evidence provided to us to decide whether a person is a resident. In all cases, however, the determination shall be in our sole discretion.

Expiration Date. The community offering may begin concurrently with, during or promptly after the subscription offering, and we expect that the community offering, if held, will terminate at the same time as the subscription offering, although it may continue without notice to you until [extension date] or longer if the Federal Reserve Board approves a later date. The community offering, if held, must terminate no more than 45 days following the subscription offering, unless extended. Ponce Financial may decide to extend the community offering for any reason and is not required to give purchasers notice of any such extension unless such period extends beyond [extension date], in which event we will resolicit purchasers.

Syndicated Offering

If feasible, our board of directors may decide to offer for sale shares of common stock not subscribed for or purchased in the subscription and community offerings in a syndicated offering, subject to such terms, conditions and procedures as we may determine, in a manner that will achieve a wide distribution of our shares of common stock.

If a syndicated offering is held, Janney Montgomery Scott LLC will serve as sole book-running manager. In such capacity, Janney Montgomery Scott LLC may form a syndicate of other brokers-dealers who are member firms of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Neither Janney Montgomery Scott LLC nor any registered broker-dealer will have any obligation to take or purchase any shares of the common stock in the syndicated offering; however, Janney Montgomery Scott LLC has agreed to use its best efforts in the sale of shares in any syndicated offering. We have not selected any particular broker-dealers to participate in a syndicated offering and will not do so until before the commencement of the syndicated offering. The shares of common stock will be sold at the same price per share ($10.00 per share) that the shares are sold in the subscription offering and the community offering.

In the event of a syndicated offering, it is currently expected that investors would follow the same general procedures applicable to purchasing shares in the subscription and community offerings (the use of order forms and the submission of funds directly to Ponce Financial for the payment of the purchase price of the shares ordered) except that payment must be in immediately available funds (bank checks, money orders, deposit account withdrawals from accounts at Ponce Bank or wire transfers). See "—Procedure for Purchasing Shares in Subscription and Community Offerings."

"Sweep" arrangements and delivery versus payment settlement will only be used in a syndicated offering to the extent consistent with Rules 10b-9 and 15c2-4 of the Securities Exchange Act of 1934, as amended, and then-existing guidance and interpretations thereof of the Securities and Exchange Commission regarding the conduct of "min/max" offerings.

A syndicated offering must terminate no more than 45 days following the expiration of the subscription offering, unless extended with the approval of the Federal Reserve Board, if necessary.

If for any reason we cannot effect a syndicated offering of shares of common stock not purchased in the subscription and community offerings, or in the event that there are an insignificant number of shares remaining unsold after such offerings, we will try to make other arrangements for the sale of unsubscribed shares. The Federal Reserve Board and the Financial Industry Regulatory Authority must approve any such arrangements.

Additional Limitations on Common Stock Purchases

The plan of conversion and reorganization includes the following additional limitations on the number of shares of common stock that may be purchased in the offering:

(i) no person may purchase fewer than 25 shares of common stock;

(ii) tax qualified employee benefit plans, including our employee stock ownership plan, may purchase in the aggregate up to 10% of the shares of common stock issued in the offering and issued to the Foundation;

(iii) except for the employee stock ownership plan, as described above, no person or entity, together with associates or persons acting in concert with such person or entity, may purchase more than $500,000 (50,000 shares) of common stock in all categories of the offering combined;

(iv) current stockholders of PDL Community Bancorp are subject to an ownership limitation. As previously described, current stockholders of PDL Community Bancorp will receive shares of Ponce Financial common stock in exchange for their existing shares of PDL Community Bancorp common stock. The number of shares of common stock that a stockholder may purchase in the offering, together with associates or persons acting in concert with such stockholder, when combined with the shares that the stockholder and his or her associates will receive in exchange for existing PDL Community Bancorp common stock, may not exceed 9.9% of the shares of common stock of Ponce Financial to be issued and outstanding at the completion of the conversion; and

(v) the maximum number of shares of common stock that may be purchased in all categories of the offering by executive officers and directors of Ponce Bank and their associates, in the aggregate, when combined with shares of common stock issued in exchange for existing shares, may not exceed 25% of the total shares issued in the conversion.

Depending upon market or financial conditions, our board of directors, with the approval of the Federal Reserve Board and without further approval of members of Ponce Bank MHC and stockholders of PDL Community Bancorp, may decrease or increase the purchase limitations. If a purchase limitation is increased, subscribers in the subscription offering who ordered the maximum amount of shares of common stock and who indicated on their stock order forms a desire to be resolicited in the event of an increase will be given the opportunity to increase their orders up to the then applicable revised limit. The effect of this type of resolicitation will be an increase in the number of shares of common stock owned by persons who choose to increase their orders. In the event that the maximum purchase limitation is increased to 5% of the shares sold in the offering, such limitation may be further increased to 9.99%, provided that orders for shares of common stock exceeding 5% of the shares sold in the offering shall not exceed in the aggregate 10% of the total shares sold in the offering.

The term “associate” of a person means:

(i) any corporation or organization, other than Ponce Bank MHC, PDL Community Bancorp, Ponce Bank, Mortgage World or a majority-owned subsidiary of Ponce Bank MHC, PDL Community Bancorp, Ponce Bank or Mortgage World, of which the person is a senior officer, partner or 10% beneficial stockholder;

(ii) any trust or other estate in which the person has a substantial beneficial interest or serves as a trustee or in a similar fiduciary capacity; provided, however, it does not include any employee stock benefit plan in which the person has a substantial beneficial interest or serves as trustee or in a similar fiduciary capacity; and

(iii) any blood or marriage relative of the person, who either has the same home as the person or who is a director or officer of Ponce Bank MHC, PDL Community Bancorp, Ponce Bank, or Mortgage World or Ponce Financial.

The term “acting in concert” means:

(i) knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not pursuant to an express agreement; or

(ii) a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise.

A person or company that acts in concert with another person or company (“other party”) will also be deemed to be acting in concert with any person or company who is also acting in concert with that other party, except that any tax-qualified employee stock benefit plan will not be deemed to be acting in concert with its trustee or a person who serves in a similar capacity solely for determining whether common stock held by the trustee and common stock held by the employee stock benefit plan will be aggregated.

We have the sole discretion to determine whether prospective purchasers are “associates” or “acting in concert.” Persons having the same address, and persons exercising subscription rights through qualifying deposits registered at the same address will be deemed to be acting in concert unless we determine otherwise.

Our directors are not treated as associates of each other solely because of their membership on the board of directors. Common stock purchased in the offering will be freely transferable except for shares purchased by directors and certain officers of Ponce Financial or Ponce Bank and except as described below. Any purchases made by any associate of Ponce Financial or Ponce Bank for the explicit purpose of meeting the minimum number of shares of common stock required to be sold in order to complete the offering shall be made for investment purposes only and not with a view toward redistribution. In addition, under Financial Industry Regulatory Authority guidelines, members of the Financial Industry Regulatory Authority and their associates are subject to certain restrictions on transfer of securities purchased in accordance with subscription rights and to certain reporting requirements upon purchase of these securities. For a further discussion of limitations on purchases of our shares of common stock at the time of conversion and thereafter, see “—Certain Restrictions on Purchase or Transfer of Our Shares after Conversion” and “Restrictions on Acquisition of Ponce Financial.”

Plan of Distribution; and Marketing Arrangements

Offering materials for the offering initially have been distributed to certain persons by mail, with additional copies made available through our Stock Information Center.

To assist in the marketing of the common stock, we have retained Janney Montgomery Scott LLC, which is a broker-dealer registered with the FINRA. Janney Montgomery Scott LLC will assist us in the offering as follows:

- advising us on the financial and securities market implications of the plan of conversion and reorganization;
- assisting us in structuring and marketing the offering;
- reviewing all offering documents, including this prospectus, stock order forms and marketing materials;
- assisting us in analyzing proposals from outside vendors in connection with the offering, as needed;
- assisting us in scheduling and preparing meetings with potential investors; and
- providing such other general advice and assistance as may be reasonably necessary to promote the successful completion of the offering.

For its services as financial advisor and marketing agent, Janney Montgomery Scott LLC will receive (1) a refundable management fee of $50,000, which we have already paid, and (ii) a success fee of 1.0% of the aggregate dollar amount of all shares of common stock sold in the subscription offering and any community offering. No fee will be payable to Janney Montgomery Scott LLC with respect to shares purchased by officers, directors, employees or their immediate families, shares purchased by our tax-qualified and non-qualified employee benefit plans, and shares contributed to the Foundation, and no sales fee will be payable with respect to the exchange shares. The success fee will be reduced by the management fee.

In the event shares of common stock are sold through a group of broker-dealers in a syndicated offering, we will pay fees of 6.0% of the aggregate dollar amount of shares of common stock sold in the syndicated offering to Janney Montgomery Scott LLC and any other broker-dealers included in the syndicated offering. Any such offering will be on a best efforts basis, and Janney Montgomery Scott LLC will serve as sole book-running manager in such an offering. All fees payable with respect to a syndicated offering will be in addition to fees payable with respect to the subscription and community offerings.

We also will reimburse Janney Montgomery Scott LLC for its reasonable out-of-pocket expenses associated with its marketing effort in an amount not to exceed $15,000 and for attorney’s fees and expenses not to exceed $125,000. The expenses may be increased by an additional amount not to exceed $25,000 by mutual consent, including in the event of a material delay of the offering that would require an update of the financial information included in this prospectus. If the plan of conversion is terminated or if Janney Montgomery Scott LLC engagement is terminated in accordance with the provisions of the agency agreement, Janney Montgomery Scott LLC will only receive reimbursement of its reasonable legal fees and expenses, and will return any amounts paid or advanced by us in excess of these amounts.

Janney Montgomery Scott LLC has not prepared any report or opinion constituting a recommendation or advice to us or to persons who subscribe for common stock, nor has it prepared an opinion as to the fairness to us of the purchase price or the terms of the common stock to be sold. Janney Montgomery Scott LLC expresses no opinion as to the prices at which shares of common stock to be issued may trade.

Stock Information Center

We have also engaged Janney Montgomery Scott LLC to act as our records agent in connection with the offering. In this role, Janney Montgomery Scott LLC will assist us in the offering as follows:

- consolidating deposit accounts into a central file and calculation of eligible votes;
- designing and preparing proxy forms for our member vote and stock order forms for the offering;
- organizing and supervising the Stock Information Center;
- providing proxy and ballot tabulation services for our special meeting of members, including acting as or supporting the inspector of election; and
- providing necessary subscription services to distribute, collect and tabulate stock orders in the offering.

For these services, Janney Montgomery Scott LLC will receive a fee of 50,000, $5,000 of which has been earned in full and has already been paid. This fee can be increased by $10,000 in the event of any material change in applicable regulations or the plan of conversion and reorganization, or a delay requiring duplicate or replacement processing due to changes in record dates.

Indemnity

We will indemnify Janney Montgomery Scott LLC against any losses, claims, damages or liabilities and expenses, including legal fees, incurred in connection with certain claims or litigation arising out of or based upon untrue statements or omissions contained in the offering materials for the common stock, including liabilities under the Securities Act of 1933, as well as certain other claims and litigation arising out of Janney Montgomery Scott LLC's engagement with respect to the conversion.

Solicitation of Offers by Directors and Executive Officers

Some of our directors and executive officers may participate in the solicitation of offers to purchase common stock in the subscription and community offerings. These persons will be reimbursed for their reasonable out-of-pocket expenses incurred in connection with the solicitation. Other regular employees of Ponce Bank may assist in the offering, but only in ministerial capacities, and may provide clerical work in effecting a sales transaction. No offers or sales may be made by tellers or at the teller counters. Investment-related questions of prospective purchasers will be directed to executive officers or registered representatives of Janney Montgomery Scott LLC. Our other employees have been instructed not to solicit offers to purchase shares of common stock or provide advice regarding the purchase of common stock. We will rely on Rule 3a4-1 under the Securities Exchange Act of 1934, as amended, and sales of common stock will be conducted within the requirements of Rule 3a4-1, so as to permit officers, directors and employees to participate in the sale of common stock. None of our officers, directors or employees will be compensated in connection with their participation in the offering.

Lock-up Agreements

We, and each of our directors and executive officers have agreed, subject to certain exceptions, that during the period beginning on the date of this prospectus and ending 90 days after the closing of the offering, without the prior written consent of Janney Montgomery Scott LLC, directly or indirectly, we will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of PDL Community Bancorp or Ponce Financial stock or any securities convertible into or exchangeable or exercisable for PDL Community Bancorp or Ponce Financial stock, whether owned on the date of this prospectus or acquired after the date of this prospectus or with respect to which we or any of our directors or executive officers has or after the date of this prospectus acquires the power of disposition, or file any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of PDL Community Bancorp or Ponce Financial stock, whether any such swap or transaction is to be settled by delivery of stock or other securities, in cash or otherwise. In the event that either (1) during the period that begins on the date that is 15 calendar days plus three business days before the last day of the restricted period and ends on the last day of the restricted period, we issue an earnings release or material news or a material event relating to us occurs, or (2) prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period, the restrictions set forth above will continue to apply until the expiration of the date that is 15 calendar days plus three business days after the date on which the earnings release is issued or the material news or event related to us occurs.

Procedure for Purchasing Shares in the Subscription and Community Offerings

Expiration Date. The subscription offering will expire at 4:00 p.m., Eastern Time, on [expiration date]. We expect that the community offering, if held, will terminate at the same time, although it may continue without notice to you until [extension date] or longer if the Federal Reserve Board approves a later date. We may extend the subscription offering, and if held, the community offering, for up to 45 days, with the approval of the Federal Reserve Board, if required. This extension may be approved by us, in our sole discretion, without notice to purchasers in the offering. Any extension of the subscription and/or community offering beyond [extension date] would require the Federal Reserve Board's approval. If the offering is so extended, all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest at [interest rate]% per annum or cancel your deposit account withdrawal authorization. If the offering range is decreased below the minimum of the offering range or is increased above the adjusted maximum of the offering range, all subscribers' stock orders will be cancelled, their deposit account withdrawal authorizations will be cancelled, and funds submitted to us will be returned promptly, with interest at [interest rate]% per annum for funds received in the subscription and community offerings. We will then resolicit the subscribers, giving them an opportunity to place a new stock order for a period of time.

To ensure each purchaser receives a prospectus at least 48 hours before the [expiration date] of the offering, in accordance with Rule 15c2-8 of the Securities Exchange Act of 1934, as amended, no prospectus will be mailed any later than five days before the expiration date or hand delivered any later than two days before the expiration date. Execution of a stock order form will confirm receipt of delivery in accordance with Rule 15c2-8. Stock order forms will be distributed only with a prospectus.

We reserve the right in our sole discretion to terminate the offering at any time and for any reason, in which case we will cancel any deposit account withdrawal authorizations and promptly return all funds submitted, with interest at [interest rate] % per annum from the date of receipt as described above.

Use of Order Forms in the Subscription and Community Offerings. In order to purchase shares of common stock in the subscription and community offerings, you must properly complete an original stock order form and remit full payment. We are not required to accept orders submitted on photocopied or facsimiled order forms. All order forms must be received (not postmarked) prior to 4:00 p.m., Eastern Time, on [expiration date]. We are not required to accept order forms that are not received by that time, are not signed or are otherwise executed defectively or are received without full payment or without appropriate deposit account withdrawal instructions. We are not required to notify subscribers of incomplete or improperly executed stock order forms. We have the right to waive or permit the correction of incomplete or improperly executed stock order forms. We do not represent, however, that we will do so and we have no affirmative duty to notify any prospective subscriber of any such defects. You may submit your stock order form and payment by mail using the stock order reply envelope provided or by overnight delivery to the address listed on the stock order form. You may hand-deliver your stock order form to our Stock Information Center, which is located at PDL Community Bancorp's administrative office located at 2244 Westchester Avenue, Bronx, NY 10462. The Stock Information Center will be open Monday through Friday, between 10:00 a.m. and 5:00 p.m., Eastern Time. The Stock Information Center will not be open on bank holidays. Hand-delivered stock order forms will only be accepted at this location. We will not accept stock order forms at our other offices. Please do not mail stock order forms to Ponce Bank's offices.

Once tendered, an order form cannot be modified or revoked without our consent. We reserve the absolute right, in our sole discretion, to reject orders received in the community offering, in whole or in part, at the time of receipt or at any time prior to completion of the offering. If you are ordering shares in the offering, you must represent that you are purchasing shares for your own account and that you have no agreement or understanding with any person for the sale or transfer of the shares. We have the right to reject any order submitted in the offering by a person who we believe is making false representations or who we otherwise believe, either alone or acting in concert with others, is violating, evading, circumventing, or intends to violate, evade or circumvent the terms and conditions of the plan of conversion and reorganization. Our interpretation of the terms and conditions of the plan of conversion and reorganization and of the acceptability of the order forms will be final.

By signing the order form, you will be acknowledging that the common stock is not a deposit or savings account and is not federally insured or otherwise guaranteed by Ponce Bank, the FDIC or the federal government, and that you received a copy of this prospectus. However, signing the order form will not result in you waiving your rights under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.

Payment for Shares. Payment for all shares of common stock will be required to accompany all completed order forms for the purchase to be valid. Payment for shares in the subscription and/or community offerings may be made by:

- personal check, bank check or money order, made payable to Ponce Financial; or
- authorization of withdrawal of available funds from your Ponce Bank deposit accounts.

Appropriate means for designating withdrawals from deposit account(s) at Ponce Bank are provided on the stock order form. The funds designated must be available in the account(s) at the time the stock order form is received. A hold will be placed on these funds, making them unavailable to the depositor. Funds authorized for withdrawal will continue to earn interest within the account at the contractual rate until the offering is completed, at which time the designated withdrawal will be made. Interest penalties for early withdrawal applicable to certificate of deposit accounts will not apply to withdrawals authorized for the purchase of shares of common stock; however, if a withdrawal results in a certificate of deposit account with a balance less than the applicable minimum balance requirement, the certificate of deposit will be canceled at the time of withdrawal without penalty and the remaining balance will earn interest at the current passbook rate subsequent to the withdrawal. In the case of payments made by personal check, these funds must be available in the account(s). Checks and money orders received in the subscription and community offerings will be immediately cashed and placed in a segregated account at Ponce Bank and will earn interest at [interest rate]% per annum from the date payment is processed until the offering is completed or terminated. You may not remit cash, Ponce Bank line of credit checks or any type of third-party checks (including those payable to you and endorsed over to Ponce Financial). You may not designate on your stock order form direct withdrawal from a Ponce Bank retirement account. See "—Using Individual Retirement Account Funds to Purchase Shares of Common Stock." Additionally, you may not designate a direct withdrawal from Ponce Bank accounts with check-writing privileges. Please provide a check instead. If you request that we directly withdraw the funds, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount, and we will immediately withdraw the amount from your checking account. If permitted by the Federal Reserve Board, in the event we resolicit persons who subscribed for the maximum purchase amount, as described above in "—Additional Limitations on Common Stock Purchases," such purchasers who wish to increase their purchases will not be able to use personal checks to pay for the additional shares, but instead must pay for the additional shares using immediately available funds. Wire transfers will not otherwise be accepted, except as described below.

Once we receive your executed stock order form, it may not be modified, amended or rescinded without our consent, unless the offering is not completed by [extension date]. If the subscription and community offerings are extended past [extension date], all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest at [interest rate]% per annum or cancel your deposit account withdrawal authorization. We may resolicit purchasers for a specified period of time.

Regulations prohibit Ponce Bank from lending funds or extending credit to any persons to purchase shares of common stock in the offering.

We shall have the right, in our sole discretion, to permit institutional investors to submit irrevocable orders together with the legally binding commitment for payment and to thereafter pay for the shares of common stock for which they subscribe in the community offering at any time prior to 48 hours before the completion of the conversion. This payment may be made by wire transfer.

If our employee stock ownership plan purchases shares in the offering, it will not be required to pay for such shares until completion of the offering, provided that there is a loan commitment from an unrelated financial institution or Ponce Financial to lend to the employee stock ownership plan the necessary amount to fund the purchase.

Using Individual Retirement Account Funds. If you are interested in using funds in your individual retirement account or other retirement account to purchase shares of common stock, you must do so through a self-directed retirement account. By regulation, Ponce Bank's retirement accounts are not self-directed, so they cannot be invested in our shares of common stock. Therefore, if you wish to use funds that are currently in a Ponce Bank retirement account, you may not designate on the order form that you wish funds to be withdrawn from the account for the purchase of common stock. The funds you wish to use for the purchase of common stock will instead have to be transferred to an independent trustee or custodian, such as a brokerage firm, offering self-directed retirement accounts that can hold common stock. The purchase must be made through that account. If you do not have such an account, you will need to establish one before placing a stock order. An annual administrative fee may be payable to the independent trustee or custodian. There will be no early withdrawal or Internal Revenue Service interest penalties for these transfers. Individuals interested in using funds in an individual retirement account or any other retirement account, whether held at Ponce Bank or elsewhere, to purchase shares of common stock should contact our Stock Information Center for guidance as soon as possible, preferably at least two weeks prior to the [expiration date] offering deadline. You may select the independent trustee or custodian of your choice. However, processing these transactions takes additional time, and whether such funds can be used may depend on limitations imposed by the institutions where such funds are currently held or the independent trustee or custodian you select. We cannot guarantee that you will be able to use such funds.

Delivery of Shares of Common Stock Purchased in the Subscription Offering and/or Community Offering and/or Syndicated Offering. All shares of Ponce Financial common stock will be issued in book-entry form and held electronically on the books of our transfer agent. Stock certificates will not be issued. A book entry statement reflecting ownership of shares of common stock issued in the subscription offering and, if held, the community offering or syndicated offering will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the conversion and offering. We expect trading in the stock to begin on the day of completion of the conversion and stock offering or the next business day. **Until a statement reflecting your ownership of shares of common stock is available and delivered to you,**

you may not be able to sell the shares of common stock that you purchased, even though the shares of common stock will have begun trading. Your ability to sell the shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

***Other Restrictions*.** Notwithstanding any other provision of the plan of conversion and reorganization, no person is entitled to purchase any shares of common stock to the extent the purchase would be illegal under any federal or state law or regulation, including state "blue sky" regulations, or would violate regulations or policies of the Financial Industry Regulatory Authority, particularly those regarding free riding and withholding. We may ask for an acceptable legal opinion from any purchaser as to the legality of his or her purchase and we may refuse to honor any purchase order if an opinion is not timely furnished. In addition, we are not required to offer shares of common stock to any person who resides in a foreign country, or in a State of the United States with respect to which any of the following apply:

(i) a small number of persons otherwise eligible to subscribe for shares under the plan of conversion and reorganization reside in such state;

(ii) the issuance of subscription rights or the offer or sale of shares of common stock to such persons would require us, under the securities laws of such state, to register as a broker, dealer, salesman or agent or to register or otherwise qualify our securities for sale in such state; or

(iii) such registration or qualification would be impracticable for reasons of cost or otherwise.

Restrictions on Transfer of Subscription Rights and Shares

Regulations of the Federal Reserve Board prohibit any person with subscription rights, including the Eligible Account Holders, Supplemental Eligible Account Holders and Other Members, from transferring or entering into any agreement or understanding to transfer the legal or beneficial ownership of the subscription rights issued under the plan of conversion and reorganization or the shares of common stock to be issued upon their exercise. These rights may be exercised only by the person to whom they are granted and only for his or her account. When registering your stock purchase on the stock order form, you cannot add the name(s) of others for joint stock registration unless they are also named on the qualifying deposit , and you cannot delete names of others except in the case of certain orders placed through an IRA, Keogh, 401(k) or similar plan, and except in the event of the death of a named eligible depositor. Taking either of these actions may jeopardize your subscription rights. Each person exercising subscription rights will be required to certify that he or she is purchasing shares solely for his or her own account and that he or she has no agreement or understanding regarding the sale or transfer of such shares. The regulations also prohibit any person from offering or making an announcement of an offer or intent to make an offer to purchase subscription rights or shares of common stock to be issued upon their exercise prior to completion of the offering.

We will pursue any and all legal and equitable remedies in the event we become aware of the transfer of subscription rights, and we will not honor orders that we believe involve the transfer of subscription rights.

Stock Information Center

Our banking office personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the conversion or offering, please call our Stock Information Center. The phone number is 844-977-0092. The Stock Information Center is open Monday through Friday between 10:00 a.m. and 5:00 p.m., Eastern Time. The Stock Information Center will be closed on weekends and bank holidays.

Liquidation Rights

***Liquidation prior to the conversion*.** In the unlikely event that Ponce Bank MHC is liquidated prior to the conversion, all claims of creditors of Ponce Bank MHC would be paid first. Thereafter, if there were any assets of Ponce Bank MHC remaining, these assets would first be distributed to certain depositors of Ponce Bank under such depositors' liquidation rights. The amount received by such depositors would be equal to their pro rata interest in the remaining value of Ponce Bank MHC after claims of creditors, based on the relative size of their deposit accounts.

***Liquidation following the conversion*.** The plan of conversion and reorganization provides for the establishment, upon the completion of the conversion, of a liquidation account by Ponce Financial for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders in an amount equal to (i) Ponce Bank MHC's ownership interest in PDL Community Bancorp's total stockholders' equity as of the date of the latest statement of financial condition used in this prospectus plus (ii) the value of the net assets of Ponce Bank MHC as of the date of the latest statement of financial condition of Ponce Bank MHC prior to the consummation of the conversion (excluding its ownership of PDL Community Bancorp). The plan of conversion also provides for the establishment of a parallel liquidation account in Ponce Bank to support the Ponce Financial liquidation account in the event Ponce Financial does not have sufficient assets to fund its obligations under the Ponce Financial liquidation account.

In the unlikely event that Ponce Bank were to liquidate after the conversion, all claims of creditors, including those of depositors, would be paid first. However, except with respect to the liquidation account to be established in Ponce Financial, a depositor's claim would be solely for the principal amount of his or her deposit accounts plus accrued interest. Depositors generally would not have an interest in the value of the assets of Ponce Bank or Ponce Financial above that amount.

The liquidation account established by Ponce Financial is designed to provide qualifying depositors a liquidation interest (exchanged for the liquidation interests such persons had in Ponce Bank MHC) after the conversion in the event of a complete liquidation of Ponce Financial and Ponce Bank or a liquidation solely of Ponce Bank. Specifically, in the unlikely event that either (i) Ponce Bank or (ii) Ponce Financial and Ponce Bank were to liquidate after the conversion, all claims of creditors, including those of depositors, would be paid first, followed by a distribution to depositors as of April 30, 2020 and [supplemental eligibility record date] of their interests in the liquidation account maintained by Ponce Financial. Also, in a complete liquidation of both entities, or of Ponce Bank only, when Ponce Financial has insufficient assets (other than the stock of Ponce Bank) to fund the liquidation account distribution due to Eligible Account Holders and Supplemental Eligible Account Holders and Ponce Bank has positive net worth, Ponce Bank shall immediately make a distribution to fund Ponce Financial's remaining obligations under the liquidation account. In no event will any Eligible Account Holder or Supplemental Eligible Account Holder be entitled to a distribution that exceeds such holder's interest in the liquidation account maintained by Ponce Financial as adjusted from time to time pursuant to the plan of conversion and federal regulations. If Ponce Financial is completely liquidated or sold apart from a sale or liquidation of Ponce Bank, then the Ponce Financial liquidation account will cease to exist and Eligible Account Holders and Supplemental Eligible Account Holders will receive an equivalent interest in the Ponce Bank liquidation account, subject to the same rights and terms as the Ponce Financial liquidation account.

Pursuant to the plan of conversion and reorganization, after two years from the date of conversion and upon the written request of the Board of Governors of the Federal Reserve System, Ponce Financial will transfer the liquidation account and the depositors' interests in such account to Ponce Bank and the liquidation account shall thereupon be subsumed into the liquidation account of Ponce Bank.

Under the rules and regulations of the Federal Reserve Board, a post-conversion merger, consolidation, or similar combination or transaction with another depository institution or depository institution holding company in which Ponce Financial or Ponce Bank is not the surviving institution, would not be considered a liquidation. In such a transaction, the liquidation account would be assumed by the surviving institution or company.

Each Eligible Account Holder and Supplemental Eligible Account Holder would have an initial pro-rata interest in the liquidation account for each deposit account, including savings accounts, transaction accounts such as negotiable order of withdrawal accounts, money market deposit accounts, and certificates of deposit, with a balance of $50.00 or more held in Ponce Bank on April 30, 2020 or [supplemental eligibility record date] equal to the proportion that the balance of each Eligible Account Holder's and Supplemental Eligible Account Holder's deposit account on April 30, 2020 and [supplemental eligibility record date], respectively, bears to the balance of all deposit accounts of Eligible Account Holders and Supplemental Eligible Account Holders in Ponce Bank on such date.

If, however, on any December 31 annual closing date commencing after the effective date of the conversion, the amount in any such deposit account is less than the amount in the deposit account on April 30, 2020 or [supplemental eligibility record date], or any other annual closing date, then the interest in the liquidation account relating to such deposit account would be reduced from time to time by the proportion of any such reduction, and such interest will cease to exist if such deposit account is closed. In addition, no interest in the liquidation account would ever be increased despite any subsequent increase in the related deposit account. Payment pursuant to liquidation rights of Eligible Account Holders and Supplemental Eligible Account Holders would be separate and apart from the payment of any insured deposit accounts to such depositor. Any assets remaining after the above liquidation rights of Eligible Account Holders and Supplemental Eligible Account Holders are satisfied would be available for distribution to stockholders.

Material Income Tax Consequences

Completion of the conversion is subject to the prior receipt of an opinion of counsel or tax advisor with respect to federal and state income tax consequences of conversion to Ponce Bank MHC, PDL Community Bancorp, Ponce Bank, Eligible Account Holders, Supplemental Eligible Account Holders and Other Members of Ponce Bank MHC. Unlike private letter rulings, opinions of counsel or tax advisors are not binding on the Internal Revenue Service or any state taxing authority, and such authorities may disagree with such opinions. In the event of such disagreement, there can be no assurance that Ponce Financial or Ponce Bank would prevail in a judicial proceeding.

Ponce Bank MHC, PDL Community Bancorp, Ponce Bank and Ponce Financial have received an opinion of Crowe LLP, regarding all of the material federal income tax consequences of the conversion, which includes the following:

1. The merger of Ponce Bank MHC with and into PDL Community Bancorp will qualify as a tax-free reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code.
2. The constructive exchange of Eligible Account Holders' and Supplemental Eligible Account Holders' liquidation interests in Ponce Bank MHC for liquidation interests in PDL Community will satisfy the continuity of interest requirement of Section 1.368-1(b) of the Federal Income Tax Regulations.
3. None of Ponce Bank MHC, PDL Community Bancorp, Eligible Account Holders nor Supplemental Eligible Account Holders, will recognize any gain or loss on the transfer of the assets of Ponce Bank MHC to PDL Community Bancorp in constructive exchange for liquidation interests in PDL Community Bancorp.
4. The basis of the assets of Ponce Bank MHC and the holding period of such assets to be received by PDL Community Bancorp will be the same as the basis and holding period of such assets in Ponce Bank MHC immediately before the exchange.
5. The merger of PDL Community Bancorp with and into Ponce Financial will constitute a mere change in identity, form or place of organization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code and, therefore, will qualify as a tax-free reorganization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code. Neither PDL Community Bancorp nor Ponce Financial will recognize gain or loss as a result of such merger.
6. The basis of the assets of PDL Community Bancorp and the holding period of such assets to be received by Ponce Financial will be the same as the basis and holding period of such assets in PDL Community Bancorp immediately before the exchange.
7. Current stockholders of PDL Community Bancorp will not recognize any gain or loss upon their exchange of PDL Community Bancorp common stock for Ponce Financial common stock.
8. Eligible Account Holders and Supplemental Eligible Account Holders will not recognize any gain or loss upon the constructive exchange of their liquidation interests in PDL Community Bancorp for interests in the liquidation account in Ponce Financial.
9. The exchange by the Eligible Account Holders and Supplemental Eligible Account Holders of the liquidation interests that they constructively received in PDL Community Bancorp for interests in the liquidation account established in Ponce Financial will satisfy the continuity of interest requirement of Section 1.368-1(b) of the Federal Income Tax Regulations.
10. Each stockholder's aggregate basis in shares of Ponce Financial common stock (including fractional share interests) received in the exchange will be the same as the aggregate basis of PDL Community Bancorp common stock surrendered in the exchange.
11. Each stockholder's holding period in his or her Ponce Financial common stock received in the exchange will include the period during which the PDL Community Bancorp common stock surrendered was held, provided that the PDL Community Bancorp common stock surrendered is a capital asset in the hands of the stockholder on the date of the exchange.
12. Cash received by any current stockholder of PDL Community Bancorp in lieu of a fractional share interest in shares of Ponce Financial common stock will be treated as having been received as a distribution in full payment in exchange for a fractional share interest of Ponce Financial common stock, which such stockholder would otherwise be entitled to receive. Accordingly, a stockholder will recognize gain or loss equal to the difference between the cash received and the basis of the fractional share. If the common stock is held by the stockholder as a capital asset, the gain or loss will be capital gain or loss.
13. It is more likely than not that the fair market value of the nontransferable subscription rights to purchase Ponce Financial common stock is zero. Accordingly, no gain or loss will be recognized by Eligible Account Holders, Supplemental Eligible Account Holders or Other Members upon distribution to them of nontransferable subscription rights to purchase shares of Ponce Financial common stock. Eligible Account Holders, Supplemental Eligible Account Holders and Other Members will not realize any taxable income as the result of the exercise by them of the nontransferable subscriptions rights.
14. It is more likely than not that the fair market value of the benefit provided by the liquidation account of Ponce Bank supporting the payment of the Ponce Financial liquidation account in the event Ponce Financial lacks sufficient net assets is zero. Accordingly, it is more likely than not that no gain or loss will be recognized by Eligible Account Holders and Supplemental Eligible Account Holders upon the constructive distribution to them of such rights in the Ponce Bank liquidation account as of the effective date of the merger of PDL Community Bancorp with and into Ponce Financial.
15. It is more likely than not that the basis of the shares of Ponce Financial common stock purchased in the offering by the exercise of nontransferable subscription rights will be the purchase price. The holding period of the Ponce Financial common stock purchased pursuant to the exercise of nontransferable subscription rights will commence on the date the right to acquire such stock was exercised.
16. No gain or loss will be recognized by Ponce Financial on the receipt of money in exchange for Ponce Financial common stock sold in the offering.

We believe that the tax opinions summarized above address all material federal income tax consequences that are generally applicable to Ponce Bank MHC, PDL Community Bancorp, Ponce Bank, Ponce Financial and persons receiving subscription rights and stockholders of PDL Community Bancorp. With respect to items 13 and 15 above, Crowe LLP, noted that the subscription rights will be granted at no cost to the recipients, are legally non-transferable and of short duration, and will provide the recipient with the right only to purchase shares of common stock at the same price to be paid by members of the general public in any community offering. The firm further noted that RP Financial, LC. has issued a letter that the subscription rights have no ascertainable fair market value. The firm also noted that the Internal Revenue Service has not in the past concluded that subscription rights have value. Based on the foregoing, Crowe LLP believes that it is more likely than not that the nontransferable subscription rights to purchase shares of common stock have no value. However, the issue of whether or not the nontransferable subscription rights have value is based on all the facts and circumstances. If the subscription rights granted to Eligible Account Holders, Supplemental Eligible Account Holders and Other Members are deemed to have an ascertainable value, receipt of these rights could result in taxable gain to those Eligible Account Holders, Supplemental Eligible Account Holders and Other Members who exercise the subscription rights in an amount equal to the ascertainable value, and we could recognize gain on a distribution. Eligible Account Holders, Supplemental Eligible Account Holders and Other Members are encouraged to consult with their own tax advisors as to the tax consequences in the event that subscription rights are deemed to have an ascertainable value.

The opinion as to item 14 above is based on the position that: (i) no holder of an interest in a liquidation account has ever received any payment attributable to a liquidation account; (ii) the interests in the liquidation accounts are not transferable; (iii) the amounts due under the liquidation account with respect to each Eligible Account Holder and Supplemental Eligible Account Holder will be reduced as their deposits in Ponce Bank are reduced; and (iv) the Ponce Bank liquidation account payment obligation arises only if Ponce Financial lacks sufficient assets to fund the liquidation account.

In addition, we have received a letter from RP Financial, LC. stating its belief that the benefit provided by the Ponce Bank liquidation account supporting the payment of the liquidation account in the event Ponce Financial lacks sufficient net assets does not have any economic value at the time of the conversion. Based on the foregoing, Crowe LLP believes it is more likely than not that such rights in the Ponce Bank liquidation account have no value. If such rights are subsequently found to have an economic value, income may be recognized by each Eligible Account Holder or Supplemental Eligible Account Holder in the amount of such fair market value as of the date of the conversion.

The opinion of Crowe LLP, unlike a letter ruling issued by the Internal Revenue Service, is not binding on the Internal Revenue Service and the conclusions expressed therein may be challenged at a future date. The Internal Revenue Service has issued favorable rulings for transactions substantially similar to the proposed reorganization and stock offering, but any such ruling may not be cited as precedent by any taxpayer other than the taxpayer to whom the ruling is addressed. We do not plan to apply for a letter ruling concerning the transactions described herein.

We have also received an opinion from Crowe LLP that the New York state income tax consequences are consistent with the federal income tax consequences.

The federal and state tax opinions have been filed with the Securities and Exchange Commission as exhibits to Ponce Financial's registration statement.

Certain Restrictions on Purchase or Transfer of Our Shares after Conversion

All shares of common stock purchased in the offering by a director or executive officers of Ponce Bank generally may not be sold for a period of one year following the closing of the conversion, except in the event of the death of the director or executive officer. Each book-entry for restricted shares will note a legend giving notice of this restriction on transfer, and instructions will be issued to the effect that any transfer within this time period of any record ownership of the shares other than as provided above is a violation of the restriction. Any shares of common stock issued at a later date as a stock dividend, stock split, or otherwise, with respect to the restricted stock will be similarly restricted. The directors and executive officers of Ponce Financial also will be restricted by the insider trading rules under the Securities Exchange Act of 1934, as amended.

Purchases of shares of our common stock by any of our directors, executive officers and their associates, during the three-year period following the closing of the conversion may be made only through a broker or dealer registered with the Securities and Exchange Commission, except with the prior written approval of the Federal Reserve Board. This restriction does not apply, however, to negotiated transactions involving more than [ ]% of our outstanding common stock or to purchases of our common stock by our stock option plan or any of our tax-qualified employee stock benefit plans or non-tax-qualified employee stock benefit plans, including any restricted stock plans.

Federal regulations prohibit Ponce Financial from repurchasing its shares of common stock during the first year following conversion unless compelling business reasons exist for such repurchases, or to fund restricted stock plans that have been ratified by stockholders (with Federal Reserve Board approval) or tax-qualified employee stock benefit plans. In addition, the repurchase of shares of common stock is subject to Federal Reserve Board policy related to repurchases of shares by financial institution holding companies.

PONCE DE LEON FOUNDATION

General

We intend to contribute cash and shares of common stock to the Ponce De Leon Foundation, a non-stock, nonprofit Delaware corporation, as further described below.

By further enhancing our visibility and reputation in our local community, we believe that the contribution to the Foundation will enhance the long-term value of our community banking franchise. The stock offering presents us with a unique opportunity to further provide a substantial and continuing benefit to our communities through the Foundation.

Purpose of the Foundation

We intend to contribute to the Foundation 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered, and $1.0 million in cash, for a total contribution of up to $5.2 million. The purpose of the Foundation has been and continues to be to provide financial support to charitable organizations in the communities in which we operate and to enable our communities to share in our long-term growth. The Foundation is dedicated completely to community activities and the promotion of charitable causes. The Foundation will also support our on-going obligations to the community under the CRA. Ponce Bank received a satisfactory rating in its most recent CRA examination by the FDIC.

Further funding the Foundation with additional shares of our common stock is also intended to allow our communities to share in our potential growth and success after the stock offering is completed because the Foundation will benefit directly from any increases in the value of our common stock. In addition, the Foundation will maintain close ties with Ponce Bank, thereby forming a partnership within our communities in which Ponce Bank operates.

Structure of the Foundation

The Foundation is incorporated under Delaware law as a non-stock, nonprofit corporation. The certificate of incorporation of the Foundation provides that the corporation is organized exclusively for charitable purposes as set forth in Section 501(c)(3) of the Internal Revenue Code. The Foundation’s certificate of incorporation also provide that no part of the net earnings of the Foundation will inure to the benefit of, or be distributable to, its members, directors or officers or to private individuals.

The board of directors of the Foundation are responsible for establishing the Foundation’s grant and donation policies, consistent with the purposes for which it was established. As directors of a nonprofit corporation, directors of the Foundation are at all times bound by their fiduciary duty to advance the Foundation’s charitable goals, to protect its assets and to act in a manner consistent with the charitable purposes for which the Foundation was established. The directors of the Foundation are also responsible for directing the activities of the Foundation, including the management and voting of the shares of our common stock held by the Foundation. However, as required by Federal Reserve Board’s regulations, all shares of our common stock held by the Foundation will be voted in the same ratio as all other shares of our common stock on all proposals considered by our stockholders.

The Foundation’s place of business is located at our corporate headquarters. The board of directors of the Foundation appoint such officers and employees as may be necessary to manage its operations.

To the extent applicable, we comply with the affiliates restrictions set forth in Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board’s regulations governing transactions between Ponce Bank and the Foundation.

The Foundation will receive working capital from the cash and stock contribution and:

(i) any dividends that may be paid on our shares of common stock in the future;
(ii) within the limits of applicable federal and state laws, loans collateralized by the shares of common stock; or
(iii) the proceeds of the sale of any of the shares of common stock in the open market from time to time.

As a private foundation under Section 501(c)(3) of the Internal Revenue Code, the Foundation is required to distribute annually in grants or donations a minimum of 5% of the average fair market value of its net investment assets.

Tax Considerations

Ponce Financial, PDL Community Bancorp, Ponce Bank MHC and Ponce Bank are authorized by law to make charitable contributions. We believe that the stock offering presents a unique opportunity to further fund the Foundation given the substantial amount of additional capital being raised. In making such a determination, we considered the dilutive impact to our stockholders of the contribution of shares of common stock to the Foundation. See “Capitalization” and “Historical and Pro Forma Regulatory Capital Compliance.”

We believe that our contribution of cash and shares of our common stock to the Foundation should not constitute an act of self-dealing and that we should be entitled to a federal tax deduction in the amount of the fair market value of the cash and stock at the time of the contribution. We are permitted to deduct for charitable purposes only an amount equal to 10.0% of our annual pre-tax income in any one year. We are permitted under the Internal Revenue Code to carry the excess contribution over the five-year period following the contribution to the Foundation. We estimate that all of the contribution should be deductible for federal tax purposes over a five-year period. Even if the contribution is deductible, we may not have sufficient earnings to be able to use the deduction in full. Any decision to make additional contributions to the Foundation in the future would be based on an assessment of, among other factors, our financial condition at that time, the interests of our stockholders and depositors, and the financial condition and operations of the Foundation.

As a private foundation, earnings and gains, if any, from the sale of common stock or other assets are exempt from federal and state income taxation. However, investment income, such as interest, dividends and capital gains, is generally taxed at a rate of [ ]% although we may qualify for the lower [ ]% special rate. The Foundation is required to file an annual return with the Internal Revenue Service within four and one-half months after the close of its fiscal year (May 15th of each year). The Foundation is required to make its annual return available for public inspection. The annual return for a private foundation includes, among other things, an itemized list of all grants made or approved, showing the amount of each grant, the recipient, any relationship between a grant recipient and the foundation’s managers and a concise statement of the purpose of each grant.

Regulatory Requirements Imposed on the Foundation

Federal Reserve Board regulations required that our directors who serve on the Foundation’s board could not participate in our board’s discussions concerning contributions to the Foundation, and could not vote on the matter.

Federal Reserve Board regulations provide that the Federal Reserve Board will generally not object if a well-capitalized savings bank contributes to a charitable foundation an aggregate amount of 8% or less of the shares or proceeds issued in a stock offering. Ponce Bank qualifies as a well-capitalized savings bank for purposes of this limitation, and the contribution to the Foundation will not exceed this limitation.

Federal Reserve Board regulations impose the following requirements on the Foundation:

- the Foundation’s primary purpose must be to serve and make grants in our local community;
- the Federal Reserve Board may examine the Foundation at the Foundation’s expense;
- the Foundation must comply with all supervisory directives imposed by the Federal Reserve Board;
- the Foundation must provide annually to the Federal Reserve Board a copy of the annual report that the Foundation submits to the Internal Revenue Service;
- the Foundation must operate according to written policies adopted by its board of directors, including a conflict of interest policy;
- the Foundation may not engage in self-dealing and must comply with all laws necessary to maintain its tax-exempt status under the Internal Revenue Code; and
- the Foundation must vote its shares of our common stock in the same ratio as all of the other shares voted on each proposal considered by our stockholders.

Within six months of completing the stock offering, the Foundation intends to submit to the Federal Reserve Board a three-year operating plan, and reconfirm its conflict of interest policy, gift instrument, certificate of incorporation and bylaws.

COMPARISON OF STOCKHOLDERS’ RIGHTS FOR EXISTING STOCKHOLDERS OF PDL COMMUNITY BANCORP

General. As a result of the conversion, existing stockholders of PDL Community Bancorp will become stockholders of Ponce Financial. There are differences in the rights of stockholders of PDL Community Bancorp and stockholders of Ponce Financial caused by differences between Federal and Maryland law and regulations and differences in PDL Community Bancorp's federal stock charter and bylaws and Ponce Financial's Maryland articles of incorporation and bylaws.

This discussion is not intended to be a complete statement of the differences affecting the rights of stockholders, but rather summarizes the material differences and similarities affecting the rights of stockholders. See "Where You Can Find Additional Information" for procedures for obtaining a copy of Ponce Financial's articles of incorporation and bylaws.

Authorized Capital Stock. The authorized capital stock of PDL Community Bancorp consists of 50,000,000 shares of common stock, $0.01 par value per share, and 10,000,000 shares of preferred stock, $0.01 par value per share.

The authorized capital stock of Ponce Financial consists of 200,000,000 shares of common stock, $0.01 par value per share, and 100,000,000 shares of preferred stock, par value $0.01 per share.

Under the Maryland General Corporation Law and Ponce Financial's articles of incorporation, the board of directors may increase or decrease the number of authorized shares without stockholder approval. Stockholder approval is required to increase or decrease the number of authorized shares of PDL Community Bancorp.

PDL Community Bancorp's charter and Ponce Financial's articles of incorporation both authorize the board of directors to establish one or more series of preferred stock and, for any series of preferred stock, to determine the terms and rights of the series, including voting rights, dividend rights, conversion and redemption rates and liquidation preferences. As a result of the ability to fix voting rights for a series of preferred stock, our board of directors has the power, to the extent consistent with its fiduciary duty, to issue a series of preferred stock to persons friendly to management in order to attempt to block a hostile tender offer, merger or other transaction by which a third party seeks control. We currently have no plans for the issuance of shares of preferred stock for such purposes.

Issuance of Capital Stock. Pursuant to applicable laws and regulations, Ponce Bank MHC is required to own not less than a majority of the outstanding shares of PDL Community Bancorp common stock. Ponce Bank MHC will no longer exist following completion of the conversion.

Ponce Financial's articles of incorporation do not contain restrictions on the issuance of shares of capital stock to directors, officers or controlling persons, whereas PDL Community Bancorp's stock charter restricts such issuances to general public offerings, or to directors for qualifying shares, unless the share issuance or the plan under which the shares generally would be issued has been approved by stockholders. However, stock-based compensation plans, such as stock option plans and restricted stock plans as well as issuances in excess of 20% of outstanding shares, would have to be submitted for approval by Ponce Financial stockholders due to requirements of the Nasdaq Stock Market and in order to qualify stock options for favorable federal income tax treatment.

Voting Rights. Neither PDL Community Bancorp's stock charter or bylaws nor Ponce Financial's articles of incorporation or bylaws provide for cumulative voting for the election of directors. For additional information regarding voting rights, see "—Limitations on Voting Rights of Greater-than-10% Stockholders" below.

Payment of Dividends. PDL Community Bancorp's ability to pay dividends depends, in part, upon Ponce Bank and Mortgage World's ability to pay dividends to PDL Community Bancorp, which is restricted by federal regulations and by federal income tax considerations related to federally-chartered savings banks.

The same restrictions will apply to Ponce Bank and Mortgage World's payment of dividends to Ponce Financial. In addition, Maryland law generally prohibits Ponce Financial from paying dividends if, after giving effect to the dividend, Ponce Financial would not be able to pay its indebtedness as it becomes due in the normal course of business or its total assets would be less than the sum of its total liabilities plus the amount that would be owed upon dissolution to stockholders whose preferential rights upon dissolution are superior to those receiving the dividend, and to an amount that would not make it insolvent.

Board of Directors. PDL Community Bancorp's bylaws and Ponce Financial's articles of incorporation require the board of directors to be divided into three classes and that the members of each class shall be elected for a term of three years and until their successors are elected and qualified, with one class being elected annually.

Under PDL Community Bancorp's bylaws, any vacancies on the board of directors may be filled by the affirmative vote of a majority of the remaining directors although less than a quorum of the board of directors. Persons elected by the board of directors of PDL Community Bancorp to fill vacancies may only serve until the next election of directors by stockholders.

Under Ponce Financial's bylaws, any vacancy occurring on the board of directors, including any vacancy created by reason of an increase in the number of directors, may be filled only by the affirmative vote of two-thirds of the remaining directors, and any director so chosen shall hold office for the remainder of the term to which the director has been elected and until his or her successor is elected and qualified.

Limitations on Liability. The charter and bylaws of PDL Community Bancorp do not limit the personal liability of directors or officers.

Ponce Financial's articles of incorporation provide that directors and officers will not be personally liable for monetary damages to Ponce Financial or its stockholders for certain actions as directors or officers, except for (i) the receipt of an improper personal benefit, (ii) actions or omissions that are determined to have involved active and deliberate dishonesty that was material to a cause of action, or (iii) to the extent otherwise provided by Maryland law. These provisions might, in certain instances, discourage or deter stockholders or management from bringing a lawsuit against directors or officers for a breach of their duties even though such an action, if successful, might benefit Ponce Financial.

Indemnification of Directors, Officers, Employees and Agents. As generally allowed under current Federal Reserve Board regulations, PDL Community Bancorp will indemnify its directors, officers and employees for any judgment and any reasonable costs incurred in connection with any litigation involving such person's activities as a director, officer or employee if such person obtains a final judgment on the merits in his or her favor. In addition, indemnification is permitted in the case of a settlement, a final judgment against such person, or final judgment other than on the merits, if a majority of disinterested directors determines that such person was acting in good faith within the scope of his or her employment as he or she could reasonably have perceived it under the circumstances and for a purpose he or she could reasonably have believed under the circumstances was in the best interests of PDL Community Bancorp or its stockholders. PDL Community Bancorp also is permitted to pay ongoing expenses incurred by a director, officer or employee if a majority of disinterested directors concludes that such person may ultimately be entitled to indemnification. Before making any indemnification payment, PDL Community Bancorp is required to notify the Federal Reserve Board of its intention, and such payment cannot be made if the Federal Reserve Board objects to such payment.

The articles of incorporation of Ponce Financial provide that it shall indemnify (i) its current and former directors and officers to the fullest extent required or permitted by Maryland law, including the advancement of expenses, and (ii) other employees or agents to such extent as shall be authorized by the board of directors and permitted by Maryland law, all subject to any applicable federal law. Maryland law allows Ponce Financial to indemnify any person for expenses, liabilities, settlements, judgments and fines in suits in which such person has been made a party by reason of the fact that he or she is or was a director, officer or employee of Ponce Financial. No such indemnification may be given if the acts or omissions of the person are adjudged to be in bad faith and material to the matter giving rise to the proceeding, if such person is liable to the corporation for an unlawful distribution, or if such person personally received a benefit to which he or she was not entitled. The right to indemnification includes the right to be paid the expenses incurred in advance of final disposition of a proceeding.

Special Meetings of Stockholders. PDL Community Bancorp's bylaws provide that special meetings of stockholders may be called by the chairman, the president, or a majority of the members of the board of directors, and shall be called by the chairman, president or secretary upon the written request of the holders of not less than 10% of the outstanding capital stock entitled to vote at the meeting. Ponce Financial's bylaws provide that special meetings of stockholders may be called by the president, chief executive officer, chairperson of the board of directors, by a majority vote of the total number of directors that Ponce Financial would have, if there were no vacancies on the board of directors, and shall be called by the secretary upon the written request of stockholders entitled to cast at least a majority of all votes entitled to vote at the meeting.

Stockholder Nominations and Proposals. PDL Community Bancorp's bylaws provide that stockholders may submit nominations for election of directors at an annual meeting of stockholders and may propose any new business to be taken up at such a meeting by filing the proposal in writing with PDL Community Bancorp at least five days before the date of any such meeting.

Ponce Financial's bylaws provide that any stockholder desiring to make a nomination for the election of directors or a proposal for new business at a meeting of stockholders must submit written notice to Ponce Financial not less than 90 days nor more than 100 days prior to the anniversary of the prior year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 days prior to the anniversary of the preceding year's annual meeting, a stockholder's written notice shall be timely only if delivered or mailed to and received by the Secretary of Ponce Financial at the principal executive office of the corporation no earlier than the day on which public disclosure of the date of such annual meeting is first made and no later than the tenth day following the day on which public disclosure of the date of such annual meeting is first made.

Management believes that Ponce Financial's notice provision is in the best interest of Ponce Financial and its stockholders to provide sufficient time to enable management to disclose to stockholders information about a dissident slate of nominations for directors. This advance notice requirement may also give management time to solicit its own proxies in an attempt to defeat any dissident slate of nominations, should management determine that doing so is in the best interests of stockholders generally. Similarly, adequate advance notice of stockholder proposals will give management time to study such proposals and to determine whether to recommend to the stockholders that such proposals be adopted. In certain instances, such provisions could make it more difficult to oppose management's nominees or proposals, even if stockholders believe such nominees or proposals are in their best interests.

Stockholder Action Without a Meeting. PDL Community Bancorp's bylaws provide that any action to be taken at any annual meeting or special meeting of shareholders may be taken without a meeting if all shareholders entitled to vote on the matter consent to the action in writing.

Ponce Financial's bylaws do not provide for action to be taken by stockholders without a meeting. However, under Maryland law, action may be taken by stockholders without a meeting if all stockholders entitled to vote on the action consent to taking such action without a meeting.

Stockholder's Right to Examine Books and Records. PDL Community Bancorp's bylaws provide that it may either make available for inspection, at least 20 days prior to a stockholders meeting, a list of the stockholders of record entitled to vote at such meeting, or the Board of Directors may elect to follow the procedures described in 12 C.F.R. 239.26(d) of the Federal Reserve Board's regulations regarding the right to examine books and records. The federal regulation noted above provides that stockholders may inspect and copy specified books and records after proper written notice for a proper purpose. Maryland law provides that a stockholder may inspect a company's bylaws, stockholder minutes, annual statement of affairs and any voting trust agreements, and only a stockholder or group of stockholders who together, for at least six months, hold at least 5% of the outstanding stock of any class, have the right to inspect a company's stock ledger, list of stockholders and books of accounts.

Limitations on Voting Rights of Greater-than-10% Stockholders. Ponce Financial's articles of incorporation provide, subject to certain exceptions, that no beneficial owner, directly or indirectly, of more than 10% of the outstanding shares of common stock will be permitted to vote any shares in excess of such 10% limit. PDL Community Bancorp's charter provides that, for a period of five years from the closing of PDL Community Bancorp's stock offering, completed on September 29, 2017, no person or entity, other than Ponce Bank MHC, may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of PDL Community Bancorp held by persons other than Ponce Bank MHC, and that any shares acquired in excess of this limit will not be entitled to be voted and will not be counted as voting stock in connection with any matters submitted to the stockholders for a vote.

In addition, federal regulations provide that for a period of three years following the date of the completion of the offering, no person, acting singly or together with associates in a group of persons acting in concert, may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of a class of Ponce Financial's equity securities without the prior written approval of the Federal Reserve Board. Where any person acquires beneficial ownership of more than 10% of a class of Ponce Financial's equity securities without the prior written approval of the Federal Reserve Board, the securities beneficially owned by such person in excess of 10% may not be voted by any person or counted as voting shares in connection with any matter submitted to the stockholders for a vote, and will not be counted as outstanding for purposes of determining the affirmative vote necessary to approve any matter submitted to the stockholders for a vote.

Forum Selection for Certain Stockholder Lawsuits. Ponce Financial's articles of incorporation provide that, unless Ponce Financial consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of Ponce Financial, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of Ponce Financial to Ponce Financial or Ponce Financial's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Maryland General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the state of Maryland, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This provision would not apply to a claim made under the U.S. federal securities laws.

Under the articles of incorporation, any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of Ponce Financial shall be deemed to have notice of and consented to the exclusive forum provisions of the articles of incorporation. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors and officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

No similar provision is contained in the PDL Community Bancorp's governing documents.

Business Combinations with Interested Stockholders. Under Maryland law, "business combinations" between Ponce Financial and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, statutory share exchange or, in circumstances specified in the statute, certain transfers of assets, certain stock issuances and transfers, liquidation plans and reclassifications involving interested stockholders and their affiliates or issuance or reclassification of equity securities.

Maryland law defines an interested stockholder as: (i) any person who beneficially owns 10% or more of the voting power of Ponce Financial's voting stock after the date on which Ponce Financial had 100 or more beneficial owners of its stock; or (ii) an affiliate or associate of Ponce Financial at any time after the date on which Ponce Financial had 100 or more beneficial owners of its stock who, within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of Ponce Financial. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between Ponce Financial and an interested stockholder generally must be recommended by the board of directors of Ponce Financial and approved by the affirmative vote of at least: (i) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of Ponce Financial, and (ii) two-thirds of the votes entitled to be cast by holders of voting stock of Ponce Financial other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder. These super-majority vote requirements do not apply if Ponce Financial's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

Current federal regulations do not provide a vote standard for business combinations involving federal mid-tier stock holding companies, such as PDL Community Bancorp.

Mergers, Consolidations and Sales of Assets. Under Ponce Financial's articles of incorporation, a merger or consolidation of Ponce Financial requires approval of a majority of all votes entitled to be cast by stockholders. However, no approval by stockholders is required for a merger if:

- the plan of merger does not make an amendment to the articles of incorporation that would be required to be approved by the stockholders;
- each stockholder of the surviving corporation whose shares were outstanding immediately before the effective date of the merger will hold the same number of shares, with identical designations, preferences, limitations, and rights, immediately after; and
- the number of shares of any class or series of stock outstanding immediately after the effective time of the merger will not increase by more than 20% the total number of voting shares outstanding immediately before the merger.

In addition, under certain circumstances the approval of the stockholders shall not be required to authorize a merger with or into a 90% owned subsidiary of Ponce Financial.

Under Maryland law, a sale of all or substantially all of Ponce Financial's assets other than in the ordinary course of business, or a voluntary dissolution of Ponce Financial, requires the approval of its board of directors and the affirmative vote of a majority of the votes of stockholders entitled to be cast on the matter.

Current federal regulations do not provide a vote standard for mergers, consolidations or sales of assets by federal mid-tier stock holding companies.

Evaluation of Offers. The articles of incorporation of Ponce Financial provide that its board of directors, when evaluating a transaction that would or may involve a change in control of Ponce Financial (whether by purchases of its securities, merger, consolidation, share exchange, dissolution, liquidation, sale of all or substantially all of its assets, proxy solicitation or otherwise), may, in connection with the exercise of its business judgment in determining what is in the best interests of Ponce Financial and its stockholders and in making any recommendation to the stockholders, give due consideration to all relevant factors, including, but not limited to:

- the economic effect, both immediate and long-term, upon Ponce Financial's stockholders, including stockholders, if any, who do not participate in the transaction;
- the social and economic effect on the present and future employees, creditors and customers of, and others dealing with, Ponce Financial and its subsidiaries and on the communities in which Ponce Financial and its subsidiaries operate or are located;
- whether the proposal is acceptable based on the historical, current or projected future operating results or financial condition of Ponce Financial;
- whether a more favorable price could be obtained for Ponce Financial's stock or other securities in the future;
- the reputation and business practices of the other entity to be involved in the transaction and its management and affiliates as they would affect the employees of Ponce Financial and its subsidiaries;

- the future value of the stock or any other securities of Ponce Financial or the other entity to be involved in the proposed transaction;
- any antitrust or other legal and regulatory issues that are raised by the proposal;
- the business and historical, current or expected future financial condition or operating results of the other entity to be involved in the transaction, including, but not limited to, debt service and other existing financial obligations, financial obligations to be incurred in connection with the proposed transaction, and other likely financial obligations of the other entity to be involved in the proposed transaction; and
- the ability of Ponce Financial to fulfill its objectives as a financial institution holding company and on the ability of its subsidiary financial institution(s) to fulfill the objectives of a federally insured financial institution under applicable statutes and regulations.

If the board of directors determines that any proposed transaction should be rejected, it may take any lawful action to defeat such transaction.

PDL Community Bancorp's charter and bylaws do not contain a similar provision.

Dissenters' Rights of Appraisal. Under Maryland law, stockholders of Ponce Financial will not have dissenters' appraisal rights in connection with a plan of merger or consolidation to which Ponce Financial is a party as long as the common stock of Ponce Financial trades on a national securities exchange. Ponce Financial's articles of incorporation eliminate dissenters' rights of appraisal.

Current federal regulations do not provide for dissenters' appraisal rights in business combinations involving federal mid-tier stock holding companies, such as PDL Community Bancorp.

Amendment of Governing Instruments. No amendment of PDL Community Bancorp's stock charter may be made unless it is first proposed by the board of directors then approved or preapproved by the Federal Reserve Board, and thereafter approved by the holders of a majority of the total votes eligible to be cast at a legal meeting. Amendments to PDL Community Bancorp's bylaws require either preliminary approval by or post-adoption notice to the Federal Reserve Board as well as approval of the amendment by a majority vote of the authorized board of directors, or by a majority of the votes cast by the stockholders of PDL Community Bancorp at any legal meeting.

Under the Maryland General Corporation Law and Ponce Financial's articles of incorporation, the board of directors may increase or decrease the number of authorized shares without stockholder approval. Otherwise, amendments to the articles of incorporation must be approved by the board of directors and by the affirmative vote of at least two-thirds of the outstanding shares of common stock, or by the affirmative vote of a majority of the outstanding shares of common stock if at least two-thirds of the members of the whole board of directors approves such amendment; provided, however, that approval by at least 80% of the outstanding voting stock is generally required to amend the following provisions:

i. the limitation on voting rights of persons who directly or indirectly beneficially own more than 10% of the outstanding shares of common stock;

ii. the division of the board of directors into three staggered classes;

iii. the ability of the board of directors to fill vacancies on the board;

iv. the requirement that directors may only be removed for cause and by the affirmative vote of at least a majority of the votes eligible to be cast by stockholders;

v. the ability of the board of directors to amend and repeal the bylaws;

vi. the ability of the board of directors to evaluate a variety of factors in evaluating offers to purchase or otherwise acquire Ponce Financial;

vii. the authority of the board of directors to provide for the issuance of preferred stock;

viii. the validity and effectiveness of any action lawfully authorized by the affirmative vote of the holders of a majority of the total number of outstanding shares of common stock;

ix. the number of stockholders constituting a quorum or required for stockholder consent;

x. the indemnification of current and former directors and officers, as well as employees and other agents, by Ponce Financial;

xi. the limitation of liability of officers and directors to Ponce Financial for money damages;

xii. the inability of stockholders to cumulate their votes in the election of directors;

xiii. the requirement that the forum for certain actions or disputes will be a state or federal court located within the State of Maryland;

xiv. the advance notice requirements for stockholder proposals and nominations; and

xv. the provision of the articles of incorporation requiring approval of at least 80% of the outstanding voting stock to amend the provisions of the articles of incorporation provided in (i) through (xiv) of this list.

The articles of incorporation also provide that the bylaws may be amended by the affirmative vote of a majority of our directors or by the stockholders by the affirmative vote of at least 80% of the total votes eligible to be voted at a duly constituted meeting of stockholders. Any amendment of this super-majority requirement for amendment of the bylaws would also require the approval of 80% of the outstanding voting stock.

RESTRICTIONS ON ACQUISITION OF PONCE FINANCIAL

Although the board of directors of Ponce Financial is not aware of any effort that might be made to obtain control of Ponce Financial after the conversion, the board of directors believes that it is appropriate to include certain provisions as part of Ponce Financial's articles of incorporation to protect the interests of Ponce Financial and its stockholders from takeovers which the board of directors might conclude are not in the best interests of Ponce Bank, Ponce Financial or Ponce Financial's stockholders.

The following discussion is a general summary of the material provisions of Maryland law, Ponce Financial's articles of incorporation and bylaws, Ponce Bank's charter and certain other regulatory provisions that may be deemed to have an "anti-takeover" effect. The following description is necessarily general and is not intended to be a complete description of the document or regulatory provision in question. Ponce Financial's articles of incorporation and bylaws are included as part of Ponce Bank MHC's application for conversion filed with the Federal Reserve Board and Ponce Financial's registration statement filed with the Securities and Exchange Commission. See "Where You Can Find Additional Information."

Maryland Law and Articles of Incorporation and Bylaws of Ponce Financial.

Maryland law, as well as Ponce Financial's articles of incorporation and bylaws, contain a number of provisions relating to corporate governance and rights of stockholders that may discourage future takeover attempts. As a result, stockholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions will also render the removal of the board of directors or management of Ponce Financial more difficult.

Directors. The board of directors will be divided into three classes. The members of each class will be elected for a term of three years and only one class of directors will be elected annually. Thus, it would take at least two annual elections to replace a majority of the board of directors. The bylaws establish qualifications for board members, including restrictions on affiliations with competitors of Ponce Bank and Mortgage World and restrictions based upon prior legal or regulatory violations. Further, the bylaws impose notice and information requirements in connection with the nomination by stockholders of candidates for election to the board of directors or the proposal by stockholders of business to be acted upon at an annual meeting of stockholders. Such notice and information requirements are applicable to all stockholder business proposals and nominations, and are in addition to any requirements under the federal securities laws.

Restrictions on Call of Special Meetings. The articles of incorporation and bylaws provide that special meetings of stockholders may be called by the president, chief executive officer, the chairperson of the board, or by a majority of the whole board of directors, and shall be called by the secretary upon the written request of stockholders entitled to cast at least a majority of all votes entitled to vote at the meeting.

Prohibition of Cumulative Voting. The articles of incorporation prohibit cumulative voting for the election of directors.

Limitation of Voting Rights. The articles of incorporation provide that in no event will any person who beneficially owns more than 10% of the then-outstanding shares of common stock, be entitled or permitted to vote any of the shares of common stock held in excess of the 10% limit. This provision has been included in the articles of incorporation in reliance on Section 2-507(a) of the Maryland

General Corporation Law, which entitles stockholders to one vote for each share of stock unless the articles of incorporation provide for a greater or lesser number of votes per share or limit or deny voting rights.

Restrictions on Removing Directors from Office. The articles of incorporation provide that directors may be removed only for cause, and only by the affirmative vote of the holders of 80% of the voting power of all of our then-outstanding common stock entitled to vote (after giving effect to the limitation on voting rights discussed above in "—Limitation of Voting Rights.").

Authorized but Unissued Shares. After the conversion, Ponce Financial will have authorized but unissued shares of common and preferred stock. See "Description of Capital Stock of Ponce Financial Following the Conversion." The articles of incorporation authorize 100,000,000 shares of serial preferred stock. Ponce Financial is authorized to issue preferred stock from time to time in one or more series subject to applicable provisions of law, and the board of directors is authorized to fix the designations, and relative preferences, limitations, voting rights, if any, including without limitation, offering rights of such shares (which could be multiple or as a separate class). In the event of a proposed merger, tender offer or other attempt to gain control of Ponce Financial that the board of directors does not approve, it may be possible for the board of directors to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of the transaction. An effect of the possible issuance of preferred stock therefore may be to deter a future attempt to gain control of Ponce Financial. The board of directors has no present plan or understanding to issue any preferred stock.

Amendments to Articles of Incorporation and Bylaws. Amendments to the articles of incorporation must be approved by the board of directors and by the affirmative vote of at least two-thirds of the outstanding shares of common stock, or by the affirmative vote of a majority of the outstanding shares of common stock if at least two-thirds of the members of the whole board of directors approves such amendment; provided, however, that approval by at least 80% of the outstanding voting stock is generally required to amend certain provisions. A list of these provisions is provided under "Comparison of Stockholders' Rights For Existing Stockholders of PDL Community Bancorp —Amendment of Governing Instruments" above.

The articles of incorporation also provide that the bylaws may be amended by the affirmative vote of a majority of Ponce Financial's directors or by the stockholders by the affirmative vote of at least 80% of the total votes eligible to be cast at a duly constituted meeting of stockholders. Any amendment of this super-majority requirement for amendment of the bylaws would also require the approval of 80% of the total votes eligible to be cast.

The provisions requiring the affirmative vote of 80% of the total eligible votes eligible to be cast for certain stockholder actions have been included in the articles of incorporation of Ponce Financial in reliance on Section 2-104(b)(4) of the Maryland General Corporation Law. Section 2-104(b)(4) permits the articles of incorporation to require a greater proportion of votes than the proportion that would otherwise be required for stockholder action under the Maryland General Corporation Law.

Business Combinations with Interested Stockholders. Maryland law restricts mergers, consolidations, sales of assets and other business combinations between Ponce Financial and an "interested stockholder". See "Comparison of Stockholder Rights for Existing Stockholders of PDL Community Bancorp —Mergers, Consolidations and Sales of Assets" above.

Control Share Acquisitions. The Maryland General Corporation Law provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the shares entitled to be voted on the matter, excluding shares of stock owned by the acquiror or by officers or directors who are employees of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power except solely by virtue of a revocable proxy, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

(i) one-tenth or more but less than one-third;

(ii) one-third or more but less than a majority; or

(iii) a majority of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions for shares acquired through descent or distribution, in satisfaction of a pledge or in a merger, consolidation or share exchange to which the corporation is a party. The control share acquisition statute applies to any Maryland corporation with 100 or more beneficial owners of its stock other than a close corporation or an investment company.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and delivery of an "acquiring person statement"), may compel the corporation's Board of Directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders' meeting. If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement within 10 days following a control share acquisition then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except for those which voting rights have previously been approved) for fair value, determined without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. Moreover, if voting rights for control shares are approved at a stockholders' meeting and the acquiror becomes entitled to exercise or direct the exercise of a majority or more of all voting power, other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition. The foregoing provisions may be modified by a Maryland corporation's charter or bylaws. Although our bylaws provide that the Maryland Control Share Acquisition law will be inapplicable to acquisitions of Ponce Financial's common stock, this provision may be repealed at any time by a majority vote of the whole board of directors, in whole or in part, at any time, whether before or after a control share acquisition and may be applied to any prior or subsequent control share acquisition.

Evaluation of Offers. The articles of incorporation of Ponce Financial provide that its board of directors, when evaluating a transaction that would or may involve a change in control of Ponce Financial (whether by purchases of its securities, merger, consolidation, share exchange, dissolution, liquidation, sale of all or substantially all of its assets, proxy solicitation or otherwise), may, in connection with the exercise of its business judgment in determining what is in the best interests of Ponce Financial and its stockholders and in making any recommendation to the stockholders, give due consideration to all relevant factors, including, but not limited to, certain enumerated factors. For a list of these enumerated factors, see "Comparison of Stockholder Rights for Existing Stockholders of PDL Community Bancorp —Evaluation of Offers" above.

Purpose and Anti-Takeover Effects of Ponce Financial's Articles of Incorporation and Bylaws. Our board of directors believes that the provisions described above are prudent and will reduce our vulnerability to takeover attempts and certain other transactions that have not been negotiated with and approved by our board of directors. These provisions also will assist us in the orderly deployment of the offering proceeds into productive assets during the initial period after the conversion. We believe these provisions are in the best interests of Ponce Financial and its stockholders. Our board of directors believes that it will be in the best position to determine the true value of Ponce Financial and to negotiate more effectively for what may be in the best interests of all our stockholders. Accordingly, our board of directors believes that it is in the best interests of Ponce Financial and all of our stockholders to encourage potential acquirers to negotiate directly with the board of directors and that these provisions will encourage such negotiations and discourage hostile takeover attempts. It is also the view of our board of directors that these provisions should not discourage persons from proposing a merger or other transaction at a price reflective of the true value of Ponce Financial and that is in the best interests of all our stockholders.

Takeover attempts that have not been negotiated with and approved by our board of directors present the risk of a takeover on terms that may be less favorable than might otherwise be available. A transaction that is negotiated and approved by our board of directors, on the other hand, can be carefully planned and undertaken at an opportune time in order to obtain maximum value for our stockholders, with due consideration given to matters such as the management and business of the acquiring corporation.

Although a tender offer or other takeover attempt may be made at a price substantially above the current market price, such offers are sometimes made for less than all of the outstanding shares of a target company. As a result, stockholders may be presented with the alternative of partially liquidating their investment at a time that may be disadvantageous, or retaining their investment in an enterprise that is under different management and whose objectives may not be similar to those of the remaining stockholders.

Despite our belief as to the benefits to stockholders of these provisions of Ponce Financial's articles of incorporation and bylaws, these provisions also may have the effect of discouraging a future takeover attempt that would not be approved by our board of directors, but pursuant to which stockholders may receive a substantial premium for their shares over then current market prices. As a result, stockholders who might desire to participate in such a transaction may not have any opportunity to do so. Such provisions will also make it more difficult to remove our board of directors and management. Our board of directors, however, has concluded that the potential benefits outweigh the possible disadvantages.

Conversion Regulations

Federal Reserve Board regulations prohibit any person from making an offer, announcing an intent to make an offer or participating in any other arrangement to purchase stock or acquire stock or subscription rights in a converting institution or its holding company from another person prior to completion of its conversion. Further, without the prior written approval of the Federal Reserve Board, no person may make an offer or announcement of an offer to purchase shares or actually acquire shares of a converted institution or its holding company for a period of three years from the date of the completion of the conversion if, upon the completion of such offer, announcement or acquisition, the person would become the beneficial owner of more than 10% of the outstanding stock of the institution or its holding company. The Federal Reserve Board has defined "person" to include any individual, group acting in concert, corporation, partnership, association, joint stock company, trust, unincorporated organization or similar company, a syndicate or any other group formed for the purpose of acquiring, holding or disposing of securities of an insured institution. However, offers made exclusively to a bank or its holding company, or to an underwriter or member of a selling group acting on the converting institution's or its holding company's behalf for resale to the general public, are excepted. The regulation also provides civil penalties for willful violation or assistance in any such violation of the regulation by any person connected with the management of the converting institution or its holding company or who controls more than 10% of the outstanding shares or voting rights of a converted institution or its holding company.

Change in Control Regulations

Under the Change in Bank Control Act, no person may acquire control of an insured savings association or its parent holding company unless the Federal Reserve Board has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition. The Federal Reserve Board takes into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. In addition, federal regulations provide that no company may acquire control of a savings association without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination and regulation by the Federal Reserve Board.

Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of our directors, or a determination by the Federal Reserve Board that the acquiror has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of any class of a savings and loan holding company's voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as will be the case with Ponce Financial, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934. Federal Reserve Board regulations provide that parties seeking to rebut control will be provided an opportunity to do so in writing.

Benefit Plans

In addition to the provisions of Ponce Financial's articles of incorporation and bylaws described above, benefit plans of Ponce Financial and Ponce Bank that may authorize the issuance of equity to its board of directors, officers and employees adopted in connection with or following the conversion contain or may contain provisions which also may discourage hostile takeover attempts which the board of directors of Ponce Financial might conclude are not in the best interests of Ponce Financial, Ponce Bank or Ponce Financial's stockholders.

DESCRIPTION OF CAPITAL STOCK OF PONCE FINANCIAL FOLLOWING THE CONVERSION

General

Ponce Financial is authorized to issue 200,000,000 shares of common stock, par value of $0.01 per share, and 100,000,000 shares of preferred stock, par value $0.01 per share. Ponce Financial will have 25,164,899 shares of common stock outstanding, assuming the adjusted maximum of the offering range and the exchange of outstanding shares of PDL Community Bancorp at an exchange ratio of 1.4535. Ponce Financial will not issue shares of preferred stock in the conversion. Each share of common stock will have the same relative rights as, and will be identical in all respects to, each other share of common stock. Upon payment of the subscription price for the common stock, issuance of the exchange shares, or the issuance of shares to be contributed to the Foundation, in each case in accordance with the plan of conversion and reorganization, all of the shares of common stock will be duly authorized, fully paid and nonassessable.

The shares of common stock will represent nonwithdrawable capital, will not be an account of an insurable type, and will not be insured by the FDIC or any other government agency.

Common Stock

Dividends. Ponce Financial may pay dividends in an amount equal to the excess of our capital surplus over payments that would be owed upon dissolution to stockholders whose preferential rights upon dissolution are superior to those receiving the dividend, and to an amount that would not make us insolvent, as and when declared by our board of directors. The payment of dividends by Ponce Financial is also subject to limitations that are imposed by law and applicable regulation, including restrictions on payments of dividends that would reduce Ponce Financial's assets below the then-adjusted balance of its liquidation account. The holders of common stock of Ponce Financial will be entitled to receive and share equally in dividends as may be declared by our board of directors out of funds legally available therefor. If Ponce Financial issues shares of preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

Voting Rights. Upon completion of the conversion, the holders of common stock of Ponce Financial will have exclusive voting rights in Ponce Financial. They will elect Ponce Financial's board of directors and act on other matters as are required to be presented to them under Maryland law or as are otherwise presented to them by the board of directors. Generally, each holder of common stock will be entitled to one vote per share and will not have any right to cumulate votes in the election of directors. Any person who beneficially owns more than 10% of the then-outstanding shares of Ponce Financial's common stock, however, will not be entitled or permitted to vote any shares of common stock held in excess of the 10% limit. If Ponce Financial issues shares of preferred stock, holders of the preferred stock may also possess voting rights. Certain matters require the approval of 80% of our outstanding common stock.

As a federally-chartered stock savings bank, corporate powers and control of Ponce Bank are vested in its board of directors, who elect the officers of Ponce Bank and who fill any vacancies on the board of directors. Voting rights of Ponce Bank are vested exclusively in the owners of the shares of capital stock of Ponce Bank, which will be Ponce Financial, and voted at the direction of Ponce Financial's board of directors. Consequently, the holders of the common stock of Ponce Financial will not have direct control of Ponce Bank.

Liquidation. In the event of any liquidation, dissolution or winding up of Ponce Bank, Ponce Financial, as the holder of 100% of Ponce Bank's capital stock, would be entitled to receive all assets of Ponce Bank available for distribution, after payment or provision for payment of all debts and liabilities of Ponce Bank, including all deposit accounts and accrued interest thereon, and after distribution of the balance in the liquidation account to Eligible Account Holders and Supplemental Eligible Account Holders. In the event of liquidation, dissolution or winding up of Ponce Financial, the holders of its common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities (including payments with respect to its liquidation account), all of the assets of Ponce Financial available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Preemptive Rights. Holders of the common stock of Ponce Financial will not be entitled to preemptive rights with respect to any shares that may be issued. The common stock is not subject to redemption.

Preferred Stock

None of the shares of Ponce Financial's authorized preferred stock will be issued as part of the offering or the conversion. Preferred stock may be issued with preferences and designations as our board of directors may from time to time determine. Our board of directors may, without stockholder approval, issue shares of preferred stock with voting, dividend, liquidation and conversion rights that could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

TRANSFER AGENT

The transfer agent and registrar for Ponce Financial's common stock is American Stock Transfer & Trust Company, LLC., Brooklyn, New York.

EXPERTS

The audited consolidated financial statements of PDL Community Bancorp and subsidiaries as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018, have been included herein and in the registration statement in reliance upon the reports of Mazars USA, LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

RP Financial, LC. has consented to the publication herein of the summary of its report setting forth its opinion as to the estimated pro forma market value of the shares of common stock upon completion of the conversion and offering and its letters with respect to subscription rights and the liquidation accounts.

LEGAL MATTERS

Locke Lord LLP, Washington, D.C., counsel to Ponce Financial, Ponce Bank MHC, PDL Community Bancorp, Ponce Bank and Mortgage World, has issued to Ponce Financial its opinion regarding the legality of the common stock. Crowe LLP has provided an opinion to us regarding the federal income tax consequences of the conversion and the New York and Maryland income tax consequences of the conversion. Certain legal matters will be passed upon for Janney Montgomery Scott LLC and, in the event of a syndicated offering, for the other co-managers, by Silver, Freedman, Taff & Tiernan LLP, Washington, D.C.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Ponce Bank has filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 with respect to the shares of common stock offered hereby. As permitted by the rules and regulations of the Securities and Exchange Commission, this prospectus does not contain all the information set forth in the registration statement. Such information, including the appraisal report which is an exhibit to the registration statement, can be examined without charge through the Securities and Exchange Commission's web site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission, including Ponce Financial. The statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are, of necessity, brief descriptions of the material terms of, and should be read in conjunction with, such contract or document.

Ponce Bank MHC has filed with the Board of Governors of the Federal Reserve System an Application on Form AC with respect to the conversion, and Ponce Financial has filed with the Board of Governors of the Federal Reserve System an Application H-(e)1 with respect to its acquisition of Ponce Bank. This prospectus omits certain information contained in those applications. To obtain a copy of the applications filed with the Board of Governors of the Federal Reserve System, you may contact , of the Federal Reserve Bank of Philadelphia, at ( ) - . The Plan of Conversion and Reorganization is available, upon request, at each of Ponce Bank's offices.

In connection with the offering, Ponce Financial will register its common stock under Section 12(b) of the Securities Exchange Act of 1934, as amended and, upon such registration Ponce Financial and the holders of its common stock will become subject to the proxy solicitation rules, reporting requirements and restrictions on common stock purchases and sales by directors, officers and greater than 10% stockholders, the annual and periodic reporting and certain other requirements of the Securities Exchange Act of 1934, as amended. Under the plan of conversion and reorganization, Ponce Financial has undertaken that it will not terminate such registration for a period of at least three years following the offering.

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PDL Community Bancorp and Subsidiaries

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PDL Community Bancorp and Subsidiaries

Consolidated Statements of Financial Condition (Unaudited)
March 31, 2021 and December 31, 2020
(Dollars in thousands, except share data)

	March 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks (Note 3):		
Cash	$ 13,551	$ 26,936
Interest-bearing deposits in banks	76,571	45,142
Total cash and cash equivalents	90,122	72,078
Available-for-sale securities, at fair value (Note 4)	30,929	17,498
Held-to-maturity securities, at amortized cost (fair value of $1,661) (Note 4)	1,732	1,743
Placements with banks	2,739	2,739
Mortgage loans held for sale, at fair value	13,725	35,406
Loans receivable, net of allowance for loan losses - 2021 $15,508; 2020 $14,870 (Note 5)	1,230,458	1,158,640
Accrued interest receivable	12,547	11,396
Premises and equipment, net (Note 6)	33,625	32,045
Federal Home Loan Bank of New York stock (FHLBNY), at cost	6,057	6,426
Deferred tax assets (Note 9)	4,569	4,656
Other assets	7,204	12,604
Total assets	$ 1,433,707	$ 1,355,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 7)	$ 1,138,546	$ 1,029,579
Accrued interest payable	66	60
Advance payments by borrowers for taxes and insurance	9,264	7,019
Advances from the Federal Home Loan Bank of New York and others (Note 8)	109,255	117,255
Warehouse lines of credit (Note 8)	11,664	29,961
Mortgage loan fundings payable (Note 8)	676	1,483
Other liabilities	3,032	10,330
Total liabilities	1,272,503	1,195,687
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value; 50,000,000 shares authorized; 18,463,028 shares issued and 17,018,252 shares outstanding as of March 31, 2021 and 18,463,028 shares issued and 17,125,969 shares outstanding as of December 31, 2020	185	185
Treasury stock, at cost; 1,444,776 shares as of March 31, 2021 and 1,337,059 shares as of December 31, 2020 (Note 10)	(19,285)	(18,114)
Additional paid-in-capital	85,470	85,105
Retained earnings	99,993	97,541
Accumulated other comprehensive income (Note 15)	28	135
Unearned compensation ─ ESOP; 518,688 shares as of March 31, 2021 and 530,751 shares as of December 31, 2020 (Note 10)	(5,187)	(5,308)
Total stockholders' equity	161,204	159,544
Total liabilities and stockholders' equity	$ 1,433,707	$ 1,355,231

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Operations (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands, except share data)

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Interest and dividend income:		
Interest on loans receivable	$ 14,925	$ 12,782
Interest on deposits due from banks	2	66
Interest and dividend on available-for-sale securities and FHLBNY stock	250	182
Total interest and dividend income	15,177	13,030
Interest expense:		
Interest on certificates of deposit	1,219	1,827
Interest on other deposits	382	692
Interest on borrowings	684	587
Total interest expense	2,285	3,106
Net interest income	12,892	9,924
Provision for loan losses (Note 5)	686	1,146
Net interest income after provision for loan losses	12,206	8,778
Non-interest income:		
Service charges and fees	329	248
Brokerage commissions	223	50
Late and prepayment charges	244	119
Income on sale of mortgage loans	1,508	—
Loan origination	539	—
Gain on sale of real property	663	—
Other	387	205
Total non-interest income	3,893	622
Non-interest expense:		
Compensation and benefits	5,664	5,008
Occupancy and equipment	2,634	2,017
Data processing expenses	594	467
Direct loan expenses	1,009	212
Insurance and surety bond premiums	146	121
Office supplies, telephone and postage	409	316
Professional fees	1,262	1,627
Marketing and promotional expenses	38	234
Directors fees	69	69
Regulatory dues	60	46
Other operating expenses	1,030	705
Total non-interest expense	12,915	10,822
Income (loss) before income taxes	3,184	(1,422)
Provision (benefit) for income taxes (Note 9)	732	(209)
Net income (loss)	$ 2,452	$ (1,213)
Earnings (loss) per share (Note 11):		
Basic	$ 0.15	$ (0.07)
Diluted	$ 0.15	$ (0.07)
Weighted average shares outstanding (Note 11):		
Basic	16,548,196	16,800,538
Diluted	16,548,196	16,800,538

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands)

	For the Three Months Ended March 31,	
	2021	**2020**
Net income (loss)	$ 2,452	$ (1,213)
Net change in unrealized gains (loss) on available-for-sale securities :		
Unrealized gains (loss)	(80)	115
Income tax effect	(27)	(25)
Total other comprehensive income (loss), net of tax	(107)	90
Total comprehensive income (loss)	$ 2,345	$ (1,123)

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Stockholders' Equity (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Treasury Stock, At Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unallocated Common Stock of ESOP	Total
Balance, December 31, 2019	17,451,134	$ 185	$ (14,478)	$ 84,777	$ 93,688	$ 20	$ (5,790)	$ 158,402
Net income	—	—	—	—	(1,213)	—	—	(1,213)
Other comprehensive loss, net of tax	—	—	—	—	—	90	—	90
Treasury stock	(151,394)		(2,012)					(2,012)
ESOP shares committed to be released (12,063 shares)	—	—	—	3	—	—	121	124
Restricted stock awards				323				323
Stock options				29				29
Balance, March 31, 2020	17,299,740	$ 185	$ (16,490)	$ 85,132	$ 92,475	$ 110	$ (5,669)	$ 155,743
Balance, December 31, 2020	17,125,969	$ 185	$ (18,114)	$ 85,105	$ 97,541	$ 135	$ (5,308)	$ 159,544
Net income	—	—	—	—	2,452	—	—	2,452
Other comprehensive income, net of tax	—	—	—	—	—	(107)	—	(107)
Treasury stock	(107,717)	—	(1,171)	—	—	—	—	(1,171)
ESOP shares committed to be released (12,063 shares)	—	—	—	13	—	—	121	134
Restricted stock awards	—	—	—	319	—	—	—	319
Stock options	—	—	—	33	—	—	—	33
Balance, March 31, 2021	17,018,252	$ 185	$ (19,285)	$ 85,470	$ 99,993	$ 28	$ (5,187)	$ 161,204

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands)

	Three Months Ended March 31,	
	2021	**2020**
Cash Flows From Operating Activities:		
Net income (loss)	$ 2,452	$ (1,213)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of premiums/discounts on securities, net	20	2
Loss on sale of loans	152	—
Gain on sale of real property	(663)	—
Gain on derivatives	(59)	—
Provision for loan losses	686	1,146
Depreciation and amortization	603	602
ESOP compensation	157	156
Share-based compensation expense	352	352
Deferred income taxes	254	(441)
Changes in assets and liabilities:		
Decrease in mortgage loans held for sale, fair value	20,649	—
Increase in accrued interest receivable	(1,151)	(216)
Decrease (increase) in other assets	5,459	(3,506)
Increase (decrease) in accrued interest payable	6	(11)
Increase in advance payments by borrowers	2,245	1,947
Decrease in mortgage loan fundings payable	(807)	—
(Decrease) increase in other liabilities	(7,744)	2,439
Net cash provided by operating activities	22,611	1,257
Cash Flows From Investing Activities:		
Proceeds from redemption of FHLBNY stock	399	2,039
Purchases of FHLBNY Stock	(30)	(4,193)
Purchases of available-for-sale securities	(14,123)	(8,685)
Proceeds from sale of available-for-sale securities	—	8,875
Proceeds from maturities, calls and principal repayments on available-for-sale securities	634	2,148
Proceeds from sales of loans	880	3,530
Net increase in loans	(72,504)	(21,918)
Proceeds from sale of real property	2,417	—
Purchases of premises and equipment	(3,739)	(336)
Net cash used in investing activities	(86,066)	(18,540)
Cash Flows From Financing Activities:		
Net increase in deposits	108,967	47,698
Repurchase of treasury stock	(1,171)	(2,012)
Proceeds from advances from FHLBNY	500	123,630
Repayments of advances from FHLBNY	(8,500)	(75,750)
Net advances on warehouse lines of credit	(18,297)	—
Net cash provided by financing activities	81,499	93,566
Net increase in cash and cash equivalents	18,044	76,283
Cash and Cash Equivalents including restricted cash:		
Beginning	72,078	27,677
Ending	$ 90,122	$ 103,960
Supplemental disclosures of cash flow information:		
Cash paid for interest on deposits and borrowings	$ 2,279	$ 3,117
Cash paid for income taxes	$ 50	$ 91

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Note 1. Nature of Business and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation:

The unaudited interim Consolidated Financial Statements of PDL Community Bancorp (the "Company") presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by the U.S. generally accepted accounting principles ("GAAP"). In the opinion of management, all adjustments and disclosures considered necessary for the fair presentation of the accompanying Consolidated Financial Statements have been included. Interim results are not necessarily reflective of the results for the entire year or for any other period. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2020 included in the Company's annual report on Form 10-K.

The unaudited interim Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiaries Ponce Bank (the "Bank") and Mortgage World Bankers, Inc. ("Mortgage World"), and the Bank's wholly-owned subsidiaries. The Bank's subsidiaries consist of PFS Service Corp., which owns one of the Bank's real property, and Ponce De Leon Mortgage Corp., which is a mortgage banking entity. All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations:

The Company is a financial holding company formed on September 29, 2017 in connection with the reorganization of the Bank into a mutual holding company structure. The Company is subject to the regulation and examination by the Board of Governors of the Federal Reserve. The Company's business is conducted through the administrative office and 19 mortgage and banking offices. The banking offices are located in New York City – the Bronx (4 branches), Manhattan (2 branches), Queens (3 branches), Brooklyn (3 branches) and Union City (1 branch), New Jersey. The mortgage offices are located in Nassau County (1), Queens (2) and Brooklyn (1), New York and Englewood Cliffs (1) and Bergenfield (1), New Jersey. The Company's primary market area currently consists of the New York City metropolitan area.

The Bank is a federally chartered stock savings association headquartered in the Bronx, New York. It was originally chartered in 1960 as a federally chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, the Bank changed its name to "Ponce De Leon Federal Savings Bank." In 1997, the Bank changed its name again to "Ponce De Leon Federal Bank." Upon the completion of its reorganization into a mutual holding company structure, the assets and liabilities of Ponce De Leon Federal Bank were transferred to and assumed by the Bank. The Bank is a Minority Depository Institution, a Community Development Financial Institution, and a certified Small Business Administration lender. The Bank is subject to comprehensive regulation and examination by the Office of Comptroller of the Currency (the "OCC").

The Bank's business primarily consists of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in mortgage loans, consisting of one-to-four family residential (both investor-owned and owner-occupied), multifamily residential, nonresidential properties and construction and land, and, to a lesser extent, in business and consumer loans. The Bank also invests in securities, which have historically consisted of U.S. government and federal agency securities and securities issued by government-sponsored or owned enterprises, mortgage-backed securities and Federal Home Loan Bank of New York (the "FHLBNY") stock. The Bank offers a variety of deposit accounts, including demand, savings, money markets and certificates of deposit accounts.

On July 10, 2020, the Company completed its acquisition of Mortgage World. Mortgage World is a mortgage banking entity subject to the regulation and examination of the New York State Department of Financial Services. The primary business of Mortgage World is the taking of applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors. Although Mortgage World is permitted to do business in various states (New York, New Jersey, Pennsylvania, Florida and Connecticut), it primarily operates in the New York City metropolitan area.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties:

The COVID-19 pandemic continues to disrupt the global and U.S. economies and as well as the lives of individuals throughout the world. The New York City Metropolitan area continues to experience cases of the COVID-19 pandemic. Governments, businesses, and the public are taking unprecedented actions to contain the spread of the COVID-19 pandemic and to mitigate its effects, including vaccinations and quarantines and to certain extent limitation to travel.

The financial impact of the COVID-19 pandemic is still unknown at this time. However, if the pandemic continues for a sustained period of time, it may continue to adversely impact several industries within our geographic footprint and impair the ability of the Company's customers to fulfill their contractual obligations to the Company. This could cause the Company to experience a material adverse effect on its business operations, loan portfolio, financial condition, and results of operations. During the three months ended March 31, 2021, the provision for loan losses increased by $685,689 primarily due to increases in qualitative reserves as the Company continues to assess the economic impacts the COVID-19 pandemic has on its local economy and its loan portfolio. Therefore, there is a reasonable probability that the Company's allowance for loan losses as of March 31, 2021 may change thereafter and could result in a material adverse change to the Company's provision for loan losses, earnings and capital.

Summary of Significant Accounting Policies:

Use of Estimates: In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the consolidated statement of financial condition, and revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of loans held for sale, the valuation of deferred tax assets and investment securities and the estimates relating to the valuation for share-based awards.

Interim Financial Statements: The interim consolidated financial statements at March 31, 2021, and for the three months ended March 31, 2021 and 2020 are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2021, are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2021, or any other period.

Significant Group Concentrations of Credit Risk: Most of the Bank's activities are with customers located within New York City. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and Mortgage World's ability to sell originated loans in the secondary markets are susceptible to changes in the local market conditions. Note 4 discusses the types of securities that the Bank invests in. Notes 5 and 12 discuss the types of lending that the Bank engages in, and other concentrations.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and amounts due from banks (including items in process of clearing). For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash flows from loans originated by the Company, interest-bearing deposits in financial institutions, and deposits are reported net. Included in cash and cash equivalents are restricted cash from escrows and good faith deposits. Escrows consist of U.S. Department of Housing and Urban Development ("HUD") upfront mortgage insurance premiums and escrows on unsold mortgages that are held on behalf of borrowers. Good faith deposits consist of deposits received from commercial loan customers for use in various disbursements relating to the closing of a commercial loan. Restricted cash are included in cash and cash equivalents for purposes of the consolidated statement of cash flows.

Securities: Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each statement of financial condition date.

Debt securities that management has the positive intent and ability to hold to maturity, if any, are classified as "held-to-maturity" and recorded at amortized cost. Trading securities, if any, are carried at fair value, with unrealized gains and losses recognized in earnings.
Securities not classified as held-to-maturity or trading, are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of tax. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the consolidated statement of operations and (2) OTTI related to other factors, which is recognized in other comprehensive income.

The credit loss is defined as the difference between the discounted present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. The sale of a held-to-maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Federal Home Loan Bank of New York Stock: The Bank is a member of the FHLBNY. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLBNY stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans Receivable: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at current unpaid principal balances, net of the allowance for loan losses and including net deferred loan origination fees and costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

A loan is moved to nonaccrual status in accordance with the Company's policy typically after 90 days of non-payment. The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan becomes 90 days past due unless the loan is well-secured and in process of collection. Consumer loans are typically charged-off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off if collection of principal or interest is considered doubtful. All nonaccrual loans are considered impaired loans.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash basis or recorded against principal balances, until qualifying for return to accrual. Cash basis interest recognition is only applied on nonaccrual loans with a sufficient collateral margin to ensure no doubt with respect to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and remain current for a period of time (typically six months) and future payments are reasonably assured. Accrued interest receivable is closely monitored for collectability and will be charged-off in a timely manner if deemed uncollectable.

Allowance for Loan Losses: The allowance for loan losses ("ALLL") is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. The Company's assessment of the economic impact of the COVID-19 pandemic on borrowers indicates that it is likely that it will be a detriment to their ability to repay in the short-term and that the likelihood of long-term detrimental effects depends significantly on the resumption of normalized economic activities, a factor not yet determinable.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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 measured for impairment using the fair value of the collateral, present value of cash flows, or the observable market price of the note. Impairment measurement for all collateral dependent loans, excluding accruing troubled debt restructurings, is based on the fair value of collateral, less costs to sell, if necessary. A loan is considered collateral dependent if repayment of the loan is expected to be provided solely by the sale or the operation of the underlying collateral.

When a loan is modified to troubled debt restructured, management evaluates for any possible impairment by using the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs, if repayment under the modified terms becomes doubtful.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced over a rolling 12 quarter average period. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. These risk categories and relevant risk characteristics are as follows:

Residential and Multifamily Mortgage Loans: Residential and multifamily mortgage loans are secured by first mortgages. These loans are typically underwritten with loan-to-value ratios ranging from 65% to 90%. The primary risks involved in residential mortgages are the borrower’s loss of employment, or other significant event, that negatively impacts the source of repayment. Additionally, a serious decline in home values could jeopardize repayment in the event that the underlying collateral needs to be liquidated to pay-off the loan.

Nonresidential Mortgage Loans: Nonresidential mortgage loans are primarily secured by commercial buildings, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, restaurants and nursing homes. These loans are typically underwritten at no more than 75% loan-to-value ratio. Although terms vary, commercial real estate loans generally have amortization periods of 15 to 30 years, as well as balloon payments due in 10 to 15 years, and terms which provide that the interest rates are adjusted on a 5-year schedule.

Construction and Land Loans: Construction real estate loans consist of vacant land and property that is in the process of improvement. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that government approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs. Construction real estate loans generally have terms of six months to two years during the construction period with fixed rates or interest rates based on a designated index and generally have a conversion to permanent financing feature.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Business Loans: Business loans are loans for commercial, corporate and business purposes, including issuing letters of credit. These loans are secured by business assets or may be unsecured and repayment is directly dependent on the successful operation of the borrower's business and the borrower's ability to convert the assets to operating revenue. They possess greater risk than most other types of loans because the repayment capacity of the borrower may become inadequate. Business loans generally have terms of five to seven years or less and interest rates that float in accordance with a designated published index. Substantially, all such loans are backed by the personal guarantees of the owners of the business.

Consumer Loans: Consumer loans generally have higher interest rates than mortgage loans. The risk involved in consumer loans is the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans include passbook loans and other secured and unsecured loans that have been made for a variety of consumer purposes.

Mortgage Loans Held for Sale: Mortgage loans held for sale, at fair value, include residential mortgages that were originated in accordance with secondary market pricing and underwriting standards. These loans are originated by Mortgage World which the Company intends to sell on the secondary market. Mortgage loans held for sale are carried at fair value under the fair value option accounting guidance for financial assets and financial liabilities. The gains or losses for the changes in fair value of these loans are included in income on sale of mortgage loans on the consolidated statements of operations. Interest income on mortgage loans held for sale measured under the fair value option is calculated based on the principal amount of the loan and is included in interest on loans receivable on the consolidated statements of operations.

The Bank loans held for sale are earmarked for investor purchase and are reported at the lower of cost or fair value as determined by investor bid prices. Sales of loans occur from time to time as part of strategic business or regulatory compliance initiatives. Bank loans held for sale are sold without recourse and servicing released. When a Bank loan is transferred from portfolio to held-for-sale and the fair value is less than cost, a charge-off is recorded against the allowance for loan losses. Subsequent declines in fair value, if any, are charged against earnings.

Derivative Financial Instruments: The Company, through Mortgage World, uses derivative financial instruments as a part of its price risk management activities. All such derivative financial instruments are designated as free-standing derivative instruments. In accordance with FASB ASC 815-25, Derivatives and Hedging, all derivative instruments are recognized as assets or liabilities on the balance sheet at their fair value. Changes in the fair value of these derivatives are reported in current period earnings.

Additionally, to facilitate the sale of mortgage loans, Mortgage World may enter into forward sale positions on securities, and mandatory delivery positions. Exposure to losses or gains on these positions is limited to the net difference between the calculated amounts to be received and paid. As of March 31, 2021, the Company did not enter into any forward sale or mandatory delivery positions on their financial instruments.

Revenue from Contracts with Customers: The Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company's primary source of revenue is interest income on financial assets and income from mortgage banking activities, which are explicitly excluded from the scope of ASC 606.

COVID-19 Pandemic and the CARES Act: On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. Section 4013 of the CARES Act, "Temporary Relief from Troubled Debt Restructurings," provides banks the option to temporarily suspend certain requirements under GAAP related to troubled debt restructurings ("TDR") for a limited period of time to account for the effects of the COVID-19 pandemic. Additionally, on April 7, 2020, the banking agencies, including the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, issued a statement, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)" ("Interagency Statement"), to encourage banks to work prudently with borrowers and to describe the agencies' interpretation of how accounting rules under ASC 310-40, "Troubled Debt Restructurings by Creditors," apply to certain of the COVID-19 pandemic related modifications. Further, on August 3, 2020, the Federal Financial Institutions Examination Council issued a Joint Statement on Additional Loan Accommodations related to the COVID-19 pandemic, to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods.

Under the CARES Act and related Interagency Statement, the Company may temporarily suspend its delinquency and nonperforming treatment for certain loans that have been granted a payment accommodation that facilitates borrowers' ability to work through the immediate impact of the pandemic. Borrowers who were current prior to becoming affected by the COVID-19 pandemic, then receive payment accommodations as a result of the effects of the COVID-19 pandemic and if all payments are current in accordance with the revised terms of the loan, generally would not be reported as past due. The Company has chosen to utilize this part of the CARES Act as it relates to delinquencies and nonperforming loans and does not report these loans as past due.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Under Section 4013 of the CARES Act, modifications of loan terms do not automatically result in TDRs and the Company generally does not need to categorize the COVID-19 pandemic-related modifications as TDRs. The Company may elect not to categorize loan modifications as TDRs if they are (1) related to the COVID-19 pandemic; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020. The termination date was extended by the Consolidated Appropriations Act of 2021, to the earlier of 60 days after the date of termination of the National Emergency or January 1, 2022. For all other loan modifications, the federal banking agencies have confirmed with staff of the Financial Accounting Standards Board ("FASB") that short-term modifications made on a good faith basis in response to the COVID-19 pandemic to borrowers who were current prior to any relief, are not TDRs.

This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports, including this Form 10-Q. The Company has chosen to utilize this section of the CARES Act and does not report the COVID-19 pandemic related modifications as TDRs.

Under the CARES Act and related Interagency Statement, in regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to the COVID-19 pandemic as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal agreement. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral. Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to distressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements, these loans generally should not be reported as nonaccrual. The Company has elected to follow this guidance of the CARES Act and reports loans that have been granted payment deferrals as current so long as they were current at the time the deferral was granted.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset, (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership, (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through either (a) an agreement to repurchase them before their maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed and charged to operations using the straight-line method over the estimated useful lives of the respective assets as follows:

	Years
Building	39
Building improvements	15 - 39
Furniture, fixtures, and equipment	3 - 10

Leasehold improvements are amortized over the shorter of the improvements’ estimated economic lives or the related lease terms, including extensions expected to be exercised. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Leasehold improvements in process are not amortized until the assets are placed in operation.

Impairment of Long-Lived Assets: Long-lived assets, including premises and leasehold improvements, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Other Real Estate Owned: Other Real Estate Owned ("OREO") represents properties acquired through, or in lieu of, loan foreclosure or other proceedings. OREO is initially recorded at fair value, less estimated disposal costs, at the date of foreclosure, which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value, less estimated costs of disposal. Any write-down to fair value, at the time of transfer to OREO, is charged to the allowance for loan losses.

Properties are evaluated regularly to ensure that the recorded amounts are supported by current fair values and charges against earnings are recorded as necessary to reduce the carrying amount to fair value, less estimated costs to dispose. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the OREO, while costs relating to holding the property are expensed. Gains or losses are included in operations upon disposal.

Income Taxes: The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income, or other applicable basis of taxation, in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the consolidated statements of operations.

Related Party Transactions: Directors and officers of the Company and their affiliates have been customers of and have had transactions with the Company, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risk of collectability, nor favored treatment or terms, nor present other unfavorable features. Note 16 contains details regarding related party transactions.

Employee Benefit Plans: The Company maintains a KSOP, an Employee Stock Ownership Plan with 401(k) provisions incorporated, a Long-Term Incentive Plan that includes grants of restricted stock units and stock options, and a Supplemental Executive Retirement Plan (the "SERP").

KSOP, the Employee Stock Ownership Plan with 401(k) Provisions: Compensation expense is recorded as shares are committed to be released with a corresponding credit to unearned KSOP equity account at the average fair market value of the shares during the period and the shares become outstanding for earnings per share computations. Compensation expense is recognized ratably over the service period based upon management's estimate of the number of shares expected to be allocated by the KSOP. The difference between the average fair market value and the cost of the shares allocated by the KSOP is recorded as an adjustment to additional paid-in-capital. Unallocated common shares held by the Company's KSOP are shown as a reduction in stockholders' equity and are excluded from weighted-average common shares outstanding for both basic and diluted earnings per share calculations until they are committed to be released. The 401(k) provisions provide for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided.

Stock Options: The Company recognizes the value of shared-based payment transactions as compensation costs in the financial statements over the period that an employee provides service in exchange for the award. The fair value of the share-based payments for stock options is estimated using the Black-Scholes option-pricing model. The Company accounts for forfeitures as they occur during the period.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Restricted Stock Units: The Company recognizes compensation cost related to restricted stock units based on the market price of the stock units at the grant date over the vesting period. The product of the number of units granted and the grant date market price of the Company's common stock determines the fair value of restricted stock units. The Company recognizes compensation expense for the fair value of the restricted stock units on a straight-line basis over the requisite service period.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), which are both recognized as separate components of equity. Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the operations and financial position of the Company.

Fair Value of Financial Instruments: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Segment Reporting: The Company's business is conducted through two business segments: Ponce Bank, which involves the delivery of loan and deposit products to customers, and Mortgage World, which consists of mortgage underwriting and selling such mortgages to investors. Accordingly, all of the financial service operations are considered by management to be aggregated in two reportable operating segments as more fully disclosed in Note 17.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings (Loss) per Share ("EPS"): Basic EPS represents net income (loss) attributable to common shareholders divided by the basic weighted average common shares outstanding. Diluted EPS is computed by dividing net income (loss) attributable to common shareholders by the basic weighted average common shares outstanding, plus the effect of potential dilutive common stock equivalents outstanding during the period. Basic weighted common shares outstanding is weighted average common shares outstanding less weighted average unallocated ESOP shares.

Treasury Stock: Shares repurchased under the Company's share repurchase programs were purchased in open-market transactions and are held as treasury stock. The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders' equity.

Reclassification of Prior Year Presentation: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reporting results of operations and did not affect previously reported amounts in the Consolidated Statements of Operations.

Recent Accounting Pronouncements:

As an emerging growth company ("EGC") as defined in Rule 12b-2 of the Exchange Act, the Company has elected to use the extended transition period to delay the adoption of new or reissued accounting pronouncements applicable to public business entities until such pronouncements are made applicable to nonpublic business entities. As of March 31, 2021, there is no significant difference in the comparability of the consolidated financial statements as a result of this extended transition period.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* This ASU requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. To date, the Company has identified its leased office spaces as within the scope of the guidance. The Company currently leases 14 branches and mortgage offices and the new guidance will result in the establishment of a right to use asset and corresponding lease obligations. The Company continues to evaluate the impact of the guidance, including determining whether other contracts exist that are deemed to be in scope and subsequent related accounting standard updates. The Company has established a project committee and has initiated training on ASU 2016-02. The Company is performing preliminary computations of its right to use asset and corresponding lease obligations for the operating leases of its 14 leased branches and mortgage offices.

In June 2016, the FASB issued ASU 2016-13, *"Measurement of Credit Losses on Financial Instruments."* This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard is to replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, is to apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also reportedly simplifies the accounting model for purchased credit-impaired debt, securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, for public business entities, that are not deemed to be smaller reporting companies as defined by the SEC as of November 15, 2019. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Entities have to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach).

Although early adoption is permitted, the Company does not expect to elect that option. The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. As a result of the required change in approach toward determining estimated credit losses from the current "incurred loss" model to one based on estimated cash flows over a loan's contractual life, adjusted for prepayments (a "life of loan" model), the Company expects that the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration loan portfolios. The Company also expects that the new guidance may result in an allowance for available-for-sale debt securities. The Company has selected the CECL model and has begun running scenarios. In both cases, the extent of the change is indeterminable at this time as it will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time.

In March 2017, the FASB issued ASU 2017-08 *"Receivables – Non-Refundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities."* The ASU requires premiums on callable debt securities to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018 for public business entities. Early adoption is permitted beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted the amendments in this update for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. ASU 2017-08 did not have a material impact on the Company's consolidated financial position, results of operations or disclosures.

In August 2018, the FASB issued ASU 2018-13, "*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*." This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The Company adopted this standard, which had no material effect on the Company's consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In December 2019, the FASB issued ASU 2019-12 "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*." The objective of this update is to simplify the accounting for income taxes by removing certain exceptions to the general principles and improve consistent application and simplify other areas of Topic 740. The amendments in this update are effective for annual periods beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted this standard, which had no material effect on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *"Reference Rate Reform (Topic 848)."* This ASU provides optional means and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of the reference rate reform. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The Company believes this update will not have a material impact on the consolidated financial statements.

Note 2. Business Acquisition

On July 10, 2020, the Company completed its acquisition of 100 percent of the shares of common stock of Mortgage World. The shareholders of Mortgage World received total consideration of $1.8 million in cash. The acquisition was accounted for using the acquisition method of accounting, and accordingly, assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. Mortgage World's results of operations have been included in the Company's Consolidated Statements of Operations since July 10, 2020.

The assets acquired and liabilities assumed in the acquisition were recorded at their estimated fair values based on management's best estimates, using information available at the date of the acquisition. The fair values are preliminary estimates and subject to adjustment for up to one year after the closing date of the acquisition. The Company did not recognize goodwill from the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed of Mortgage World:

	Fair Value (Dollars in thousands)
Fair value of acquisition consideration	$ 1,755
Assets:	
Cash and cash equivalents	750
Mortgage loans held for sale, at fair value	10,549
Premises and equipment, net	302
Other assets	772
Total assets	$ 12,373
Liabilities:	
Warehouse lines of credit	$ 9,135
Mortgage loans fundings payable	1,237
Other liabilities	246
Total Liabilities	$ 10,618
Net assets	$ 1,755

Note 3. Restrictions on Cash and Due from Banks

The Bank was previously required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The Bank had $10.1 million and $24.5 million in cash to cover its minimum reserve requirement of $0 at March 31, 2021, and December 31, 2020. Effective March 26, 2020, the Federal Reserve Board eliminated reserve requirement for depository institutions to support lending to households and businesses.

Cash and cash equivalents include Mortgage World restricted cash which consists of escrows due to HUD for upfront mortgage insurance premiums and escrows on unsold mortgages that are held on behalf of borrowers and good faith deposits received from commercial loan customers relating to the closing of a commercial loan. As of March 31, 2021 and December 31, 2020, the total amount of restricted cash was $70,172 and $150,407, respectively, and these were reflected on the consolidated statements of financial condition.

Note 4. Available-for-Sale Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-Sale Securities:				
U.S. Government Bonds	$ 2,978	$ 10	$ —	$ 2,988
Corporate Bonds	13,408	158	(9)	13,557
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations	7,044	—	(69)	6,975
FNMA Certificates	7,161	71	(71)	7,161
GNMA Certificates	241	7	—	248
Total available-for-sale securities	$ 30,832	$ 246	$ (149)	$ 30,929
Held-to-Maturity Securities:				
FHLMC Certificates	$ 1,732	$ —	$ (71)	$ 1,661
Total held-to-maturity securities	$ 1,732	$ —	$ (71)	$ 1,661

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-Sale Securities:				
Corporate Bonds	$ 10,381	$ 95	$ (13)	$ 10,463
Mortgage-Backed Securities:				
FHLMC Certificates	3,201	—	(5)	3,196
FNMA Certificates	3,506	61	—	3,567
GNMA Certificates	263	9	—	272
Total available-for-sale securities	$ 17,351	$ 165	$ (18)	$ 17,498
Held-to-Maturity Securities:				
FHLMC Certificates	$ 1,743	$ —	$ (21)	$ 1,722
Total held-to-maturity securities	$ 1,743	$ —	$ (21)	$ 1,722

There was one security classified as held-to-maturity as of March 31, 2021 and December 31, 2020. There were no available-for-sale securities and held-to-maturity securities sold during the three months ended March 31, 2021 and for the year ended December 31, 2020. No securities matured and/or were called during the three months ended March 31, 2021 and $17.8 million matured and/or were called during the year ended December 31, 2020. The Company purchased $14.1 million in available-for-sale securities during the three months ended March 31, 2021 and $13.6 million in available-for-sale securities and $1.7 million in held-to-maturity securities during the year ended December 31, 2020.

Note 4. Available-for-Sale Securities (Continued)

The following table presents the Company's gross unrealized losses and fair values of its securities, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at March 31, 2021 and December 31, 2020:

	March 31, 2021					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
Available-for-Sale Securities:						
Corporate Bonds	$ 2,716	$ (9)	$ —	$ —	$ 2,716	$ (9)
Mortgage-Backed						
Collateralized Mortgage Obligations	6,975	(69)	—	—	6,975	(69)
FNMA Certificates	4,070	(71)	—	—	4,070	(71)
Total available-for-sale securities	$ 13,761	$ (149)	$ —	$ —	$ 13,761	$ (149)
Held-to-Maturity Securities:						
FHLMC Certificates	$ 1,661	$ (71)	$ —	$ —	$ 1,661	$ (71)
Total held-to-maturity securities	$ 1,661	$ (71)	$ —	$ —	$ 1,661	$ (71)

	December 31, 2020					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
Available-for-Sale Securities:						
Corporate Bonds	$ 1,717	$ (13)	$ —	$ —	$ 1,717	$ (13)
Mortgage-Backed						
FHLMC Certificates	3,196	(5)	—	—	3,196	(5)
Total available-for-sale securities	$ 4,913	$ (18)	$ —	$ —	$ 4,913	$ (18)
Held-to-Maturity Securities:						
FHLMC Certificates	$ 1,722	$ (21)	$ —	$ —	$ 1,722	$ (21)
Total held-to-maturity securities	$ 1,722	$ (21)	$ —	$ —	$ 1,722	$ (21)

The Company’s investment portfolio had twelve and eight available-for-sale securities at March 31, 2021 and December 31, 2020, respectively, and one held-to-maturity security at March 31, 2021 and December 31, 2020. At March 31, 2021 and December 31, 2020, the Company had five and three available-for-sale securities, respectively, and one held-to-maturity security at March 31, 2021 and December 31, 2020 with gross unrealized loss positions. Management reviewed the financial condition of the entities underlying the securities at both March 31, 2021 and December 31, 2020 and determined that they are not other than temporarily impaired because the unrealized losses in those securities relate to market interest rate changes. The Company has the ability to hold them and does not have the intent to sell these securities, and it is not more likely than not that the Company will be required to sell these securities, before recovery of the cost basis. In addition, management also considers the issuers of the securities to be financially sound and believes the Company will receive all contractual principal and interest related to these investments.

Note 4. Available-for-Sale Securities (Continued)

The following is a summary of maturities of securities at March 31, 2021 and December 31, 2020. Amounts are shown by contractual maturity. Because borrowers for mortgage-backed securities have the right to prepay obligations with or without prepayment penalties, at any time, these securities are included as a total within the table.

	March 31, 2021	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Available-for-Sale Securities:		
U.S. Government Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
After three months through one year	—	—
After one year through five years	2,978	2,988
More than five years through ten years	—	—
	2,978	2,988
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
After three months through one year	—	—
After one year through five years	2,656	2,715
More than five years through ten years	10,752	10,842
	13,408	13,557
Mortgage-Backed Securities	14,446	14,384
Total available-for-sale securities	$ 30,832	$ 30,929
Held-to-Maturity Securities:		
FHLMC Certificates	$ 1,732	$ 1,661
Total held-to-maturity securities	$ 1,732	$ 1,661

	December 31, 2020	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Available-for-Sale Securities:		
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
After three months through one year	—	—
After one year through five years	2,651	2,728
More than five years through ten years	7,730	7,735
	10,381	10,463
Mortgage-Backed Securities	6,970	7,035
Total available-for-sale securities	$ 17,351	$ 17,498
Held-to-Maturity Securities:		
FHLMC Certificates	$ 1,743	$ 1,722
Total held-to-maturity securities	$ 1,743	$ 1,722

There were no securities pledged at March 31, 2021 and December 31, 2020.
The held-to-maturity securities held at March 31, 2021 and December 31, 2020 will mature on October 1, 2050.

Note 5. Loans Receivable and Allowance for Loan Losses

Loans receivable at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Mortgage loans:		
1-4 Family residential		
Investor-Owned	$ 317,895	$ 319,596
Owner-Occupied	99,985	98,795
Multifamily residential	315,078	307,411
Nonresidential properties	215,340	218,929
Construction and land	119,339	105,858
Nonmortgage loans:		
Business loans (1)	142,135	94,947
Consumer loans (2)	36,706	26,517
	1,246,478	1,172,053
Net deferred loan origination costs	(512)	1,457
Allowance for loan losses	(15,508)	(14,870)
Loans receivable, net	$ 1,230,458	$ 1,158,640

(1) As of March 31, 2021 and December 31, 2020, business loans include $132.5 million and $85.3 million, respectively, of Paycheck Protection Program (“PPP”) loans.
(2) As of March 31, 2021 and December 31, 2020, consumer loans include $35.9 million and $25.5 million, respectively, related to Grain Technologies, LLC (“Grain”).

The Company’s lending activities are conducted principally in metropolitan New York City. The Company primarily grants loans secured by real estate to individuals and businesses pursuant to an established credit policy applicable to each type of lending activity in which it engages. Although collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrowers’ ability to generate continuing cash flows. The Company also evaluates the collateral and creditworthiness of each customer. The credit policy provides that depending on the borrowers’ creditworthiness and type of collateral, credit may be extended up to predetermined percentages of the market value of the collateral or on an unsecured basis. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities.

The Company had received U.S. Small Business Administration (“SBA”) approval and originated 1,992 PPP loans of which 1,708 loans totaling $132.5 million were outstanding at March 31, 2021. Loans under the PPP that meet SBA requirements may be forgiven in certain circumstances and are 100% guaranteed by the SBA. PPP loans have either a two-year or five-year term, provide for fees of up to 5% of the loan amount and earn interest at an annual rate of 1%.

For disclosures related to the allowance for loan losses and credit quality, the Company does not have any disaggregated classes of loans below the segment level.

Credit-Quality Indicators: Internally assigned risk ratings are used as credit-quality indicators, which are reviewed by management on a quarterly basis.

The objectives of the Company’s risk-rating system are to provide the Board of Directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio, to isolate potential problem areas and to provide essential information for determining the adequacy of the allowance for loan losses.

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

Below are the definitions of the internally assigned risk ratings:

- **Strong Pass** – Loans to a new or existing borrower collateralized at least 90 percent by an unimpaired deposit account at the Company.
- **Good Pass** – Loans to a new or existing borrower in a well-established enterprise in excellent financial condition with strong liquidity and a history of consistently high level of earnings, cash flow and debt service capacity.
- **Satisfactory Pass** – Loans to a new or existing borrower of average strength with acceptable financial condition, satisfactory record of earnings and sufficient historical and projected cash flow to service the debt.
- **Performance Pass** – Existing loans that evidence strong payment history but document less than average strength, financial condition, record of earnings, or projected cash flows with which to service the debt.
- **Special Mention** – Loans in this category are currently protected but show one or more potential weaknesses and risks which may inadequately protect collectability or borrower’s ability to meet repayment terms at some future date if the weakness or weaknesses are not monitored or remediated.
- **Substandard** – Loans that are inadequately protected by the repayment capacity of the borrower or the current sound net worth of the collateral pledged, if any. Loans in this category have well defined weaknesses and risks that jeopardize the repayment. They are characterized by the distinct possibility that some loss may be sustained if the deficiencies are not remediated.
- **Doubtful** – Loans that have all the weaknesses of loans classified as “Substandard” with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable.

Loans within the top four categories above are considered pass rated, as commonly defined. Risk ratings are assigned as necessary to differentiate risk within the portfolio. Risk ratings are reviewed on an ongoing basis and revised to reflect changes in the borrowers’ financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations.

The following tables present credit risk ratings by loan segment as of March 31, 2021 and December 31, 2020:

	March 31, 2021						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
	(Dollars in thousands)						
Risk Rating:							
Pass	$ 406,662	$ 308,716	$ 210,310	$ 112,689	$ 142,135	$ 36,706	$ 1,217,218
Special mention	2,316	—	—	6,650	—	—	8,966
Substandard	8,902	6,362	5,030	—	—	—	20,294
Total	$ 417,880	$ 315,078	$ 215,340	$ 119,339	$ 142,135	$ 36,706	$ 1,246,478

	December 31, 2020						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
	(Dollars in thousands)						
Risk Rating:							
Pass	$ 406,993	$ 301,015	$ 213,882	$ 88,645	$ 94,947	$ 26,517	$ 1,131,999
Special mention	2,333	—	—	17,213	—	—	19,546
Substandard	9,065	6,396	5,047	—	—	—	20,508
Total	$ 418,391	$ 307,411	$ 218,929	$ 105,858	$ 94,947	$ 26,517	$ 1,172,053

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

An aging analysis of loans, as of March 31, 2021 and December 31, 2020, is as follows:

	March 31, 2021						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Nonaccrual Loans	90 Days or More Accruing
	(Dollars in thousands)						
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 311,271	$ 4,739	$ —	$ 1,885	$ 317,895	$ 3,153	$ —
Owner-Occupied	97,327	380	818	1,460	99,985	3,780	—
Multifamily residential	314,132	—	—	946	315,078	946	—
Nonresidential properties	212,059	—	—	3,281	215,340	4,422	—
Construction and land	119,339	—	—	—	119,339	—	—
Nonmortgage loans:							
Business	141,635	500	—	—	142,135	—	—
Consumer	32,419	2,310	735	1,242	36,706	—	—
Total	$ 1,228,182	$ 7,929	$ 1,553	$ 8,814	$ 1,246,478	$ 12,301	$ —

	December 31, 2020						
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total	Nonaccrual Loans	90 Days or More Accruing
	(Dollars in thousands)						
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 313,960	$ 2,222	$ 1,507	$ 1,907	$ 319,596	$ 3,058	$ —
Owner-Occupied	95,775	1,572	348	1,100	98,795	3,250	—
Multifamily residential	305,325	1,140	—	946	307,411	946	—
Nonresidential properties	215,657	—	—	3,272	218,929	4,429	—
Construction and land	105,858	—	—	—	105,858	—	—
Nonmortgage loans:							
Business	94,847	100	—	—	94,947	—	—
Consumer	25,529	497	316	175	26,517	—	—
Total	$ 1,156,951	$ 5,531	$ 2,171	$ 7,400	$ 1,172,053	$ 11,683	$ —

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

The following schedules detail the composition of the allowance for loan losses and the related recorded investment in loans as of March 31, 2021 and 2020, and December 31, 2020:

	For the Three Months Ended March 31, 2021							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
	(Dollars in thousands)							
Allowance for loan losses:								
Balance, beginning of period	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Provision charged to expense	(6)	14	226	(10)	107	(10)	365	686
Losses charged-off	—	—	—	—	—		(50)	(50)
Recoveries	—	—	—	—	—	2	—	2
Balance, end of period	$ 3,844	$ 1,274	$ 5,440	$ 2,184	$ 1,927	$ 246	$ 593	$ 15,508
Ending balance: individually evaluated for impairment	$ 116	$ 127	$ —	$ 41	$ —	$ —	$ —	$ 284
Ending balance: collectively evaluated for impairment	3,728	1,147	5,440	2,143	1,927	246	593	15,224
Total	$ 3,844	$ 1,274	$ 5,440	$ 2,184	$ 1,927	$ 246	$ 593	$ 15,508
Loans:								
Ending balance: individually evaluated for impairment	$ 6,515	$ 6,247	$ 946	$ 5,171	$ —	$ —	$ —	$ 18,879
Ending balance: collectively evaluated for impairment	311,380	93,738	314,132	210,169	119,339	142,135	36,706	1,227,599
Total	$ 317,895	$ 99,985	$ 315,078	$ 215,340	$ 119,339	$ 142,135	$ 36,706	$ 1,246,478

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

	For the Three Months Ended March 31, 2020							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
	(Dollars in thousands)							
Allowance for loan losses:								
Balance, beginning of period	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Provision charged to expense	234	120	398	291	123	(22)	2	1,146
Losses charged-off	—	—	—	—	—	—	—	—
Recoveries	—	—	—	2	—	7	—	9
Balance, end of period	$ 3,737	$ 1,187	$ 4,263	$ 2,142	$ 1,905	$ 239	$ 11	$ 13,484
Ending balance: individually evaluated for impairment	$ 113	$ 145	$ —	$ 31	$ —	$ —	$ —	$ 289
Ending balance: collectively evaluated for impairment	3,624	1,042	4,263	2,111	1,905	239	11	13,195
Total	$ 3,737	$ 1,187	$ 4,263	$ 2,142	$ 1,905	$ 239	$ 11	$ 13,484
Loans:								
Ending balance: individually evaluated for impairment	$ 5,303	$ 5,613	$ —	$ 5,182	$ —	$ —	$ —	$ 16,098
Ending balance: collectively evaluated for impairment	302,903	88,274	259,326	205,043	100,202	11,183	1,288	968,219
Total	$ 308,206	$ 93,887	$ 259,326	$ 210,225	$ 100,202	$ 11,183	$ 1,288	$ 984,317

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

	For the Year Ended December 31, 2020							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
	(Dollars in thousands)							
Allowance for loan losses:								
Balance, beginning of year	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Provision charged to expense	347	193	1,349	341	38	(95)	270	2,443
Losses charged-off	—	—	—	—	—	—	(6)	(6)
Recoveries	—	—	—	4	—	95	5	104
Balance, end of year	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Ending balance: individually evaluated for impairment	$ 118	$ 134	$ —	$ 40	$ —	$ —	$ —	$ 292
Ending balance: collectively evaluated for impairment	3,732	1,126	5,214	2,154	1,820	254	278	14,578
Total	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Loans:								
Ending balance: individually evaluated for impairment	$ 7,468	$ 5,754	$ 946	$ 5,184	$ —	$ —	$ —	$ 19,352
Ending balance: collectively evaluated for impairment	312,128	93,041	306,465	213,745	105,858	94,947	26,517	1,152,701
Total	$ 319,596	$ 98,795	$ 307,411	$ 218,929	$ 105,858	$ 94,947	$ 26,517	$ 1,172,053

Loans are considered impaired when current information and events indicate all amounts due may not be collectable according to the contractual terms of the related loan agreements. Impaired loans, including troubled debt restructurings, are identified by applying normal loan review procedures in accordance with the allowance for loan losses methodology. Management periodically assesses loans to determine whether impairment exists. Any loan that is, or will potentially be, no longer performing in accordance with the terms of the original loan contract is evaluated to determine impairment.

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

The following information relates to impaired loans as of and for the three months ended March 31, 2021 and 2020 and for the year ended December 31, 2020:

For the Three Months Ended March 31, 2021	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
	(Dollars in thousands)						
Mortgage loans:							
1-4 Family residential	$ 13,636	$ 10,302	$ 2,460	$ 12,762	$ 243	$ 12,325	$ 64
Multifamily residential	946	946	—	946	—	420	—
Nonresidential properties	5,627	4,803	368	5,171	41	5,351	8
Construction and land	—		—	—	—	188	—
Nonmortgage loans:							
Business	—	—	—	—	—	2	—
Consumer	—	—	—	—	—	—	—
Total	$ 20,209	$ 16,051	$ 2,828	$ 18,879	$ 284	$ 18,286	$ 72

For the Three Months Ended March 31, 2020	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
	(Dollars in thousands)						
Mortgage loans:							
1-4 Family residential	$ 11,859	$ 8,454	$ 2,462	$ 10,916	$ 258	$ 12,568	$ 57
Multifamily residential	—	—	—	—	—	6	—
Nonresidential properties	5,245	4,810	372	5,182	31	4,419	9
Construction and land	—	—	—	—	—	1,035	—
Nonmortgage loans:							
Business	—	—	—	—	—	129	—
Consumer	—	—	—	—	—	1	—
Total	$ 17,104	$ 13,264	$ 2,834	$ 16,098	$ 289	$ 18,158	$ 66

December 31, 2020	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
	(Dollars in thousands)						
Mortgage loans:							
1-4 Family residential	$ 14,118	$ 10,613	$ 2,609	$ 13,222	$ 252	$ 12,306	$ 321
Multifamily residential	946	946	—	946	—	231	34
Nonresidential properties	5,632	4,813	371	5,184	40	5,339	33
Construction and land	—	—	—	—	—	405	—
Nonmortgage loans:							
Business	—	—	—	—	—	8	—
Consumer	—	—	—	—	—	—	—
Total	$ 20,696	$ 16,372	$ 2,980	$ 19,352	$ 292	$ 18,289	$ 388

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

The loan portfolio also includes certain loans that have been modified to troubled debt restructurings. Under applicable standards, loans are modified to troubled debt restructurings when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, unless it results in a delay in payment that is insignificant. These concessions could include a reduction of interest rate on the loan, payment and maturity extensions, forbearance, or other actions intended to maximize collections. When a loan is modified to a troubled debt restructuring, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful. If management determines that the value of the modified loan in a troubled debt restructuring is less than the recorded investment in the loan, impairment is recognized through a specific allowance estimate or charge-off against the allowance for loan losses.

During the three months ended March 31, 2021, and for the year ended December 31, 2020, there were no loans restructured as a troubled debt restructuring.

At March 31, 2021 and December 31, 2020, there were 32 troubled debt restructured loans totaling $9.7 million of which $6.6 million are on accrual status. There were no commitments to lend additional funds to borrowers whose loans have been modified in a troubled debt restructuring. The financial impact from the concessions made represents specific impairment reserves on these loans, which aggregated to $284,000 and $292,000 at March 31, 2021 and December 31, 2020, respectively.

At March 31, 2021 and at December 31, 2020, 26 loans and 70 loans related to Mortgage World in the amount of $13.7 million and $34.4 million, respectively, were held for sale and accounted for under the fair value option accounting guidance for financial assets and financial liabilities. At December 31, 2020, there was one loan in the amount of $1.0 million held for sale related to the Bank. Refer to Note 13 Fair Value for additional information.

Loan modifications and payment deferrals as a result of the COVID-19 pandemic that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans that do not meet the CARES Act or regulatory guidance criteria are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

Note 6. Premises and Equipment

Premises and equipment at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Land	$ 3,645	$ 3,897
Buildings and improvements	20,181	17,119
Leasehold improvements	23,976	26,104
Furniture, fixtures and equipment	9,295	9,184
	57,097	56,304
Less: accumulated depreciation and amortization	(23,472)	(24,259)
Total premises and equipment	$ 33,625	$ 32,045

Depreciation and amortization expense amounted to $603,211 and $602,267 for the three months ended March 31, 2021 and 2020, respectively, and are included in occupancy and equipment in the accompanying consolidated statements of operations. Compared to December 31, 2020, buildings and improvements increased by $3.1 million to $20.2 million as a result of $3.2 million related to a new building and $367,000 of new improvements offset by $538,000 as a result of sale of real property. Leasehold improvements decreased by $2.1 million to $24.0 million due to the sale of real property. Land decreased by $252,000 to $3.6 million as a result of sale of real property. Furniture, fixtures and equipment increased by $111,000 to $9.3 million primarily as a result of renovations of premises.

Note 7. Deposits

Deposits at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Demand (1)	$ 242,255	$ 189,855
Interest-bearing deposits:		
NOW/IOLA accounts	32,235	39,296
Money market accounts	157,271	136,258
Reciprocal deposits	137,402	131,363
Savings accounts	130,211	125,820
Total NOW, money market, reciprocal and savings	457,119	432,737
Certificates of deposit of $250K or more	77,418	78,435
Brokered certificates of deposits	86,004	52,678
Listing service deposits (2)	61,133	39,476
Certificates of deposit less than $250K	214,617	236,398
Total certificates of deposit	439,172	406,987
Total interest-bearing deposits	896,291	839,724
Total deposits	$ 1,138,546	$ 1,029,579

(1) As of March 31, 2021 and December 31, 2020, included in demand deposits are deposits related to net PPP funding.
(2) As of March 31, 2021 and December 31, 2020, there were $28.8 million and $27.0 million, respectively, in individual listing service deposits amounting to $250,000 or more.

Note 7. Deposits (Continued)

At March 31, 2021 scheduled maturities of certificates of deposit were as follows:

	(Dollars in thousands)
2022	$ 250,430
2023	71,323
2024	28,812
2025	25,468
2026	59,139
Thereafter	4,000
	$ 439,172

Overdrawn deposit accounts that have been reclassified to loans amounted to $61,556 and $101,715 as of March 31, 2021 and December 31, 2020, respectively.

Note 8. Borrowings

FHLBNY Advances: As a member of the FHLBNY, the Bank has the ability to borrow from the FHLBNY based on a certain percentage of the value of the Bank's qualified collateral, as defined in the FHLBNY Statement of Credit Policy, at the time of the borrowing. In accordance with an agreement with the FHLBNY, the qualified collateral must be free and clear of liens, pledges and encumbrances.

The Bank had $109.3 million of outstanding term advances from the FHLBNY at March 31, 2021 and December 31, 2020. The Bank repaid $8.0 million in advances from FHLBNY during the three months ended March 31, 2021. Additionally, the Bank had an unsecured line of credit in the amount of $25.0 million with a correspondent bank at March 31, 2021 and December 31, 2020, of which $0 were outstanding as of March 31, 2021 and December 31, 2020. The Bank also had a guarantee from the FHLBNY through letters of credit of up to $61.5 million at March 31, 2021 and at December 31, 2020.

Borrowed funds at March 31, 2021 and December 31, 2020 consist of the following and are summarized by maturity and call date below:

	March 31, 2021			December 31, 2020		
	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate
	(Dollars in thousands)					
Correspondent Bank Overnight line of credit advance	$ —	$ —	—%	$ 8,000	$ 8,000	0.34%
FHLBNY Term advances ending:						
2021	3,000	3,000	1.84	3,000	3,000	1.84
2022	77,880	77,880	1.73	77,880	77,880	1.73
2023	28,375	28,375	2.82	28,375	28,375	2.82
	$ 109,255	$ 109,255	2.02	$ 117,255	$ 117,255	1.90%

Interest expense on FHLBNY term advances totaled $543,671 and $581,259 for the three months ended March 31, 2021 and 2020, respectively. Interest expense on FHLBNY overnight advances totaled $308 and $5,233 for the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021 and December 31, 2020, the Bank had eligible collateral of approximately $358.6 million and $336.8 million, respectively, in residential 1-4 family and multifamily mortgage loans available to secure advances from the FHLBNY.

Note 8. Borrowings (Continued)

Warehouse Lines of Credit: Mortgage World maintains two warehouse lines of credit with financial institutions for the purpose of funding the originations and sale of residential mortgages. The lines of credit are repaid with proceeds from the sale of the mortgage loans. The lines are secured by the assets collaterizing underlying mortgages. The agreements with the warehouse lenders provide for certain restrictive covenants such as minimum net worth and liquidity ratios for Mortgage World. All warehouse facilities are guaranteed by Mortgage World. As of March 31, 2021 and December 31, 2020, Mortgage World was in full compliance with all financial covenants.

Warehouse Line of Credit #1

The interest rate is based on the 30-day LIBOR rate plus 3.25%. The effective rate at March 31, 2021 was 3.44%. The line of credit is an evergreen agreement that terminates upon request by either the financial institution or the borrower.

Warehouse Line of Credit #2

The interest rate is based on the 30-day LIBOR rate plus 3.00% for loans funded by wires. The effective rate at March 31, 2021 was 3.19%. The warehouse line of credit is due to expire on June 30, 2021.

Total interest expense on warehouse lines of credit totaled $139,873 for the three months ended March 31, 2021.

	As of March 31, 2021		
	Credit Line Maximum	Unused Line of Credit	Balance
		(Dollars in thousands)	
Warehouse Line of Credit #1	$ 20,000	$ 11,432	$ 8,568
Warehouse Line of Credit #2	5,000	1,904	3,096
Total long-term debt	$ 25,000	$ 13,336	$ 11,664

	As of December 31, 2020		
	Credit Line Maximum	Unused Line of Credit	Balance
		(Dollars in thousands)	
Warehouse Line of Credit #1	$ 29,900	$ 2,171	$ 27,729
Warehouse Line of Credit #2	5,000	$ 2,768	$ 2,232
Total long-term debt	$ 34,900	$ 4,939	$ 29,961

Mortgage Loan Funding Payable: Mortgage loan funding payable consists of liabilities to borrowers in connection with the origination of residential loans originated and intended for sale in the secondary market, that remain unfunded by the Company because there is typically a three day period from when the loans close to when they are funded by the warehouse line of credit. This liability is presented at cost and fully offsets the principal balance of the related loans included in mortgage loans held for sale, at fair value on the consolidated statement of financial condition. At March 31, 2021 and December 31, 2020, the balance of mortgage loan funding payable was $676,170 and $1.5 million, respectively.

Note 9. Income Taxes

The provision (benefit) for income taxes for the three months ended March 31, 2021 and 2020 consists of the following:

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Federal:		
Current	$ 560	$ 158
Deferred	36	(276)
	596	(118)
State and local:		
Current	68	58
Deferred	310	(690)
	378	(632)
Valuation allowance	(242)	541
Provision (benefit) for income taxes	$ 732	$ (209)

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% for the three months ended March 31, 2021 and 2020, respectively, to income before income taxes as a result of the following:

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Income tax, at federal rate	$ 669	$ (299)
State and local tax, net of federal taxes	299	(500)
Valuation allowance, net of the federal benefit	(242)	541
Other	6	49
	$ 732	$ (209)

Management maintains a valuation allowance against its net New York State and New York City deferred tax assets as it is unlikely these deferred tax assets will be utilized to reduce the Company's tax liability in future years. The valuation allowance decreased by $242,000 for the three months ended March 31, 2021 and increased by $541,000 for the three months ended March 31, 2020.

Note 9. Income Taxes (Continued)

Management has determined that it is not required to establish a valuation allowance against any other deferred tax assets since it is more likely than not that the deferred tax assets will be fully utilized in future periods. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods that the temporary differences comprising the deferred tax assets will be deductible.

For federal income tax purposes, a financial institution may carry net operating losses (“NOL”) to forward tax years indefinitely. The use of NOL to offset income is limited to 80%. The CARES Act allows NOLs generated in 2018, 2019 and 2020 to be carried back to each of the five preceding tax years. The Company did not generate NOLs in 2018, 2019 or 2020 so no carryback is available. At March 31, 2021, the Company had no federal NOL carryforwards.

The state and city of New York allow for a three-year carryback period and carryforward period of twenty years on net operating losses generated on or after tax year 2015. For tax years prior to 2015, no carryback period is allowed. Ponce De Leon Federal Bank, the predecessor of Ponce Bank, has pre-2015 carryforwards of $772,000 for New York State purposes and $528,000 for New York City purposes. Furthermore, there are post-2015 carryforwards available of $36.0 million for New York State purposes and $20.4 million for New York City purposes. Finally, for New Jersey purposes, losses may only be carried forward 20 years, with no allowable carryback period. At March 31, 2021, the Bank had no New Jersey net operating loss carryforwards

At March 31, 2021 and December 31, 2020, the Company had no unrecognized tax benefits recorded. The Company does not expect that the total amount of unrecognized tax benefits will significantly increase in the next twelve months.

The Company is subject to U.S. federal income tax, New York State income tax, Connecticut income tax, New Jersey income tax, Florida income tax, Pennsylvania income tax and New York City income tax. The Company is no longer subject to examination by taxing authorities for years before 2017.

On March 27, 2020, the CARES Act was signed to help individuals and businesses that have been negatively impacted by the COVID-19 pandemic. Among other provisions, the CARES Act allows net operating losses, which were modified with the Tax Cuts and Jobs Act of 2017, to be carried back five years. It also modifies the useful lives of qualified leasehold improvements, relaxing the excess loss limitations on pass-through and increasing the interest expense limitation. The Company does not expect the CARES Act to have a material tax impact on the Company's consolidated financial statements.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2021 and December 31, 2020 are presented below:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 5,054	$ 4,846
Deferred loan fees	167	—
Interest on nonaccrual loans	711	792
Amortization of intangible assets	65	70
Deferred rent payable	124	120
Depreciation of premises and equipment	—	79
Net operating losses	3,802	3,990
Charitable contribution carryforward	1,273	1,366
Compensation and benefits	483	326
Other	69	78
Total gross deferred tax assets	11,748	11,667
Deferred tax liabilities:		
Depreciation of premises and equipment	903	—
Deferred loan fees	—	475
Unrealized gain on available-for-sale securities	8	25
Other	38	39
Total gross deferred tax liabilities	949	539
Valuation allowance	6,230	6,472
Net deferred tax assets	$ 4,569	$ 4,656

Note 10. Compensation and Benefit Plans

401(k) Provisions:

Prior to January 1, 2021, the Company provided a qualified defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) Plan qualifies under the Internal Revenue Service safe harbor provisions, as defined. Employees are eligible to participate in the 401(k) Plan at the beginning of each quarter (January 1, April 1, July 1, or October 1). The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided. The Company is currently making a safe harbor contribution of 3%. The 401(k) expenses recorded in the consolidated statements of operations amounted to $86,555 and $267,067 for the three months ended March 31, 2021 and 2020, respectively.

Effective January 1, 2021, the Company amended and restated its ESOP into a KSOP, Employee Stock Ownership Plan with 401(k) Provision, to include substantially the same 401(k) provisions contained in the previously separate 401(k) plan. The Company made a safe harbor contribution of 3% into the 401(k) Plan. There were no changes to the provisions of the previously separately formed ESOP as discussed below.

KSOP, Employee Stock Ownership Plan with 401 (k) Provisions:

In connection with the reorganization, the Company established an ESOP for the exclusive benefit of eligible employees. The ESOP borrowed $7.2 million from the Company sufficient to purchase 723,751 shares (approximately 3.92% of the common stock sold in the Company's initial stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Company and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, and then the remainder will be applied to principal. The loan is expected to be repaid over a period of 15 years. Shares purchased with the loan proceeds are held by the trustee in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants, subject to applicable regulations.

Contributions to the ESOP are to be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, compensation expense equal to the average market price of the shares for the respective periods are recognized, and the shares become outstanding for earnings per share computations (see Note 11).

A summary of the ESOP shares as of March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands except share data)	
Shares committed-to-be released	12,063	48,250
Shares allocated to participants	177,520	129,270
Unallocated shares	518,688	530,751
Total	708,271	708,271
Fair value of unallocated shares	$ 5,763	$ 5,578

The Company recognized ESOP related compensation expense, including ESOP equalization expense, of $156,853 and $156,167 for the three months ended March 31, 2021 and 2020, respectively.

Supplemental Executive Retirement Plan:

The Bank maintains a non-qualified supplemental executive retirement plan ("SERP") for the benefit of one key executive officer. The SERP expense recognized for the three months ended March 31, 2021 and 2020 was $15,125.

Note 10. Compensation and Benefit Plans (Continued)

2018 Incentive Plan

The Company's stockholders approved the PDL Community Bancorp 2018 Long-Term Incentive Plan (the "2018 Incentive Plan") at the Special Meeting of Stockholders on October 30, 2018. The maximum number of shares of common stock which can be issued under the 2018 Incentive Plan is 1,248,469. Of the 1,248,469 shares, the maximum number of shares that may be awarded under the 2018 Incentive Plan pursuant to the exercise of stock options or stock appreciation rights ("SARs") is 891,764 shares (all of which may be granted as incentive stock options), and the number of shares of common stock that may be issued as restricted stock awards or restricted stock units is 356,705 shares. However, the 2018 Incentive Plan contains a flex feature that provides that awards of restricted stock and restricted stock units in excess of the 356,705 share limitation may be granted but each share of stock covered by such excess award shall reduce the 891,764 share limitation for awards of stock options and SARs by 3.0 shares of common stock. The Company converted 462,522 awards of stock options into 154,174 restricted stock units in 2018 and 45,000 awards of stock options into 15,000 restricted stock units in 2020.

Under the 2018 Incentive Plan, the Company made grants equal to 674,645 shares on December 4, 2018 which include 119,176 incentive options to executive officers, 44,590 non-qualified options to outside directors, 322,254 restricted stock units to executive officers, 40,000 restricted stock units to non-executive officers and 148,625 restricted stock units to outside directors. During the year ended December 31, 2020, the Company awarded 40,000 incentive options and 15,000 restricted stock units to non-executive officers under the 2018 Incentive Plan. Awards to directors generally vest 20% annually beginning with the first anniversary of the date of grant. Awards to a director with fewer than five years of service at the time of grant vest over a longer period and will not become fully vested until the director has completed ten years of service. Awards to the executive officer who is not a director vest 20% annually beginning on December 4, 2020. As of March 31, 2021 and December 31, 2020, the maximum number of stock options and SARs remaining to be awarded under the Incentive Plan was 189,476 for both periods. As of March 31, 2021 and December 31, 2020, the maximum number of shares of common stock that may be issued as restricted stock or restricted stock units remaining to be awarded under the Incentive Plan was none, for both periods. If the 2018 Incentive Plan's flex feature described above were fully utilized, the maximum number of shares of common stock that may be awarded as restricted stock or restricted stock units would be 63,159 as of March 31, 2021 and December 31, 2020, but would eliminate the availability of stock options and SARs available for award.

The product of the number of units granted and the grant date market price of the Company's common stock determine the fair value of restricted stock units under the Company's 2018 Incentive Plan. Management recognizes compensation expense for the fair value of restricted stock units on a straight-line basis over the requisite service period for the entire award.

Note 10. Compensation and Benefit Plans (Continued)

A summary of the Company's restricted stock unit awards activity and related information for the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

	March 31, 2021		
	Number of Shares		Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	335,919	$	12.66
Granted	—		—
Forfeited	—		—
Vested	—		—
Non-vested at March 31	335,919	$	12.66

	December 31, 2020		
	Number of Shares		Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	420,744	$	12.78
Granted	15,000		10.05
Forfeited	(3,000)		12.77
Vested	(96,825)		12.77
Non-vested at December 31	335,919	$	12.66

Compensation expense related to restricted stock units was $318,265 and $323,620 for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, the total remaining unrecognized compensation cost related to restricted stock units was $3.8 million, which is expected to be recognized over the next 27 quarters.

A summary of the Company's stock option awards activity and related information for the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

	March 31, 2021		
	Options		Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	203,766	$	12.02
Granted	—		—
Exercised	—		—
Forfeited	—		—
Outstanding at March 31 (1)	203,766	$	12.02
Exercisable at March 31 (1)	55,938	$	12.77

Note 10. Compensation and Benefit Plans (Continued)

	December 31, 2020		
	Options		Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$	12.77
Granted	40,000		8.93
Exercised	—		—
Forfeited	—		—
Outstanding at December 31 (1)	203,766	$	12.02
Exercisable at December 31 (1)	55,938	$	12.77

(1) The aggregate intrinsic value, which represents the difference between the price of the Company's common stock at respective periods and the stated exercise price of the underlying options, was $0 for outstanding options and $0 for exercisable options at March 31, 2021 and December 31, 2020.

The weighted-average exercise price for the options as of March 31, 2021 was $12.02 per share and the weighted average remaining contractual life is 7.6 years. The weighted average period over which compensation expenses are expected to be recognized is 4.5 years. There were 55,938 shares exercisable as of March 31, 2021 and December 31, 2020. Total compensation cost related to stock options recognized was $33,088 and $28,712 for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, the total remaining unrecognized compensation cost related to unvested stock options was $453,664, which is expected to be recognized over the next 27 quarters.

The fair value of each option grant is estimated on the date of grant using Black-Scholes option pricing model with the following weighted average assumptions:

	For the Three Months Ended March 31,			
		2021		2020
Dividend yield		0.00%		0.00%
Expected life		6.5 years		6.5 years
Expected volatility		38.51%		16.94%
Risk-free interest rate		0.48%		2.51%
Weighted average grant date fair value	$	3.77	$	4.01

The expected volatility is based on the Company's historical volatility. The expected life is an estimate based on management's review of the various factors and calculated using the simplified method for plain vanilla options. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

Treasury Stock:

The Company adopted a share repurchase program effective March 25, 2019 which expired on September 24, 2019. Under the repurchase program, the Company was authorized to repurchase up to 923,151 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this second program, the Company was authorized to repurchase up to 878,835 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The Company's second share repurchase program was terminated on March 27, 2020 in response to the uncertainty related to the unfolding COVID-19 pandemic. On June 1, 2020, the Company adopted a third share repurchase program. Under this third program, the Company was authorized to repurchase up to 864,987 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The Company's third share repurchase program expired on November 30, 2020. On December 14, 2020, the Company adopted a fourth share repurchase program. Under this fourth program, the Company is authorized to repurchase up to 852,302 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The fourth repurchase program may be suspended or terminated at any time without prior notice, and it will expire no later than June 13, 2021.

As of March 31, 2021, the Company had repurchased a total of 1,631,570 shares under the repurchase programs at a weighted average price of $13.27 per share, of which 1,444,776 shares are reported as treasury stock. Of the 1,631,570 shares repurchased, a total of 186,960 shares have been used for grants given to directors, executive officers and non-executive officers under the Company's 2018 Long-Term Incentive Plan pursuant to restricted stock units which vested on December 4, 2020 and 2019. Of the 186,960 shares, 166 shares were retained to satisfy a recipient's taxes and other withholding obligations and these shares remain as part of treasury stock.

Note 11. Earnings Per Share

The following table presents a reconciliation of the number of shares used in the calculation of basic and diluted earnings per common share:

	For the Three Months Ended March 31, 2021	2020
	(Dollars in thousands except share data)	
Net income (loss)	$ 2,452	$ (1,213)
Common shares outstanding for basic EPS:		
Weighted average common shares outstanding	17,078,813	17,379,406
Less: Weighted average unallocated Employee Stock Ownership Plan (ESOP) shares	530,617	578,868
Basic weighted average common shares outstanding	16,548,196	16,800,538
Basic earnings (loss) per common share	$ 0.15	$ (0.07)
Dilutive potential common shares:		
Add: Dilutive effect of restricted stock awards and stock options	—	—
Diluted weighted average common shares outstanding	16,548,196	16,800,538
Diluted earnings (loss) per common share	$ 0.15	$ (0.07)

Note 12. Commitments, Contingencies and Credit Risk

Financial Instruments With Off-Balance-Sheet Risk: In the normal course of business, financial instruments with off-balance-sheet risk may be used to meet the financing needs of customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless. The same credit policies are used in making commitments and contractual obligations as for on-balance-sheet instruments. Financial instruments whose contractual amounts represent credit risk at March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Commitments to grant mortgage loans	$ 119,866	$ 101,722
Commitments to sell loans at lock-in rates	5,995	11,276
Unfunded commitments under lines of credit	38,392	38,261
	$ 164,253	$ 151,259

Commitments to Grant Mortgage Loans: Commitments to grant mortgage loans are agreements to lend to a customer as long as all terms and conditions are met as established in the contract. Commitments generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. Material losses are not anticipated as a result of these transactions.

Note 12. Commitments, Contingencies and Credit Risk (Continued)

Commitments to Sell Loans at Lock-in Rates: In order to assure itself of a marketplace to sell its loans, Mortgage World has agreements with investors who will commit to purchase loans at locked-in rates. Mortgage World has off-balance sheet market risk to the extent that Mortgage World does not obtain matching commitments from these investors to purchase the loans. This will expose Mortgage World to the lower of cost or market valuation environment.

Repurchases, Indemnifications and Premium Recaptures: Loans sold by Mortgage World under investor programs are subject to repurchase or indemnification if they fail to meet the origination criteria of those programs. In addition, loans sold to investors are also subject to repurchase or indemnifications if the loan is two or three months delinquent during a set period which usually varies from six months to a year after the loan is sold. There are no open repurchase or indemnification requests for loans sold as a correspondent lender or where the Company acted as a broker in the transaction as of March 31, 2021.

Unfunded Commitments Under Lines of Credit: Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extension of credit to existing customers. These lines of credit are uncollateralized and usually contain a specified maturity date and, ultimately, may not be drawn upon to the total extent to which the Company is committed.

Letters of Credit: Letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Letters of credit are largely cash secured.

Concentration by Geographic Location: Loans, commitments to extend credit and letters of credit have been granted to customers who are located primarily in the New York City metropolitan area. Generally, such loans most often are secured by one-to-four family residential. The loans are expected to be repaid from the borrowers' cash flows.

Loan Concentrations: As of March 31, 2021, approximately 6.9% of Mortgage World total originated loan volume was insured and approximately 78.5% of total originated loan volume was sold to three investors. Mortgage World is permitted to close loans in five states and has closed approximately 98.8% of its loan volume in two states.

Lease Commitments: At March 31, 2021, there are noncancelable operating leases for office space that expire on various dates through 2036. Certain of these leases contains an escalation clause providing for increased rental based primarily on increases in real estate taxes.

During the period, the Company entered into a sale-leaseback transaction for a real property with an initial fifteen-year lease agreement at an initial base annual rent of approximately $145,000 subject to annual rent increases of 1.5%. The sale lease-back resulted in a gain of approximately $662,546, net of expenses, which is included in other non-interest income in the accompanying consolidated statements of operations. Under the lease agreement, the Bank has four (4) consecutive options to extend the term of the lease by five (5) years for each such option.

Rental expenses under operating leases, included in occupancy and equipment, totaled $503,240 and $128,642 for the three months ended March 31, 2021 and 2020, respectively.

The projected minimum rental payments under the terms of the leases at March 31, 2021 are as follows:

	(Dollars in thousands)
Remainder of 2021	$ 1,258
2022	1,574
2023	1,526
2024	1,512
2025	1,433
2026	1,170
Thereafter	4,722
	$ 13,195

Legal Matters: The Company is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Company’s financial condition or results of operations.

Note 13. Fair Value

The following fair value hierarchy is used based on the lowest level of input significant to the fair value measurement. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Cash and Cash Equivalents, Placements with Banks, Accrued Interest Receivable, Advance Payments by Borrowers for Taxes and Insurance, and Accrued Interest Payable: The carrying amount is a reasonable estimate of fair value. These assets and liabilities are not recorded at fair value on a recurring basis.

Available-for-Sale Securities: These financial instruments are recorded at fair value in the consolidated financial statements on a recurring basis. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using pricing models (e.g., matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency bonds and mortgage-backed securities. Level 3 securities are securities for which significant unobservable inputs are utilized. There were no changes in valuation techniques used to measure similar assets during the period.

FHLBNY Stock: The carrying value of FHLBNY stock approximates fair value since the Bank can redeem such stock with FHLBNY at cost. As a member of the FHLBNY, the Company is required to purchase this stock, which is carried at cost and classified as restricted equity securities.

Loans Receivable: For variable rate loans, which reprice frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolios. The fair value of fixed rate loans is estimated by discounting the future cash flows using estimated market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolios. Impaired loans are valued using a present value discounted cash flow method, or the fair value of the collateral. Loans are not recorded at fair value on a recurring basis.

Mortgage Loans Held for Sale: Mortgage loans held for sale, at fair value, consists of mortgage loans originated for sale by Mortgage World and accounted for under the fair value option. These assets are valued using stated investor pricing for substantially equivalent loans as Level 2. In determining fair value, such measurements are derived based on observable market data, including whole-loan transaction pricing and similar market transactions adjusted for portfolio composition, servicing value and market conditions. Loans held for sale by the Bank are carried at the lower of cost or fair value as determined by investor bid prices.

Under the fair value option, management has elected, on an instrument-by-instrument basis, fair value for substantially all forms of mortgage loans originated for sale on a recurring basis. The fair value carrying amount of mortgages held for sale measured under the fair value option was $13.7 million and the aggregate unpaid principal amounted to $13.5 million.

Interest Rate Lock Commitments: Mortgage World enters into rate lock commitments to extend credit to borrowers for generally up to a 60 day period for origination and/or purchase of loans. To the extent that a loan is ultimately granted and the borrower ultimately accepts the terms of the loan, these loan commitments expose Mortgage World to variability in its fair value due to changes in interest rates.

Note 13. Fair Value (Continued)

The FASB determined that loan commitments related to the origination or acquisition of mortgage loans that will be held for sale must be accounted for as derivative instruments. Such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in net gain or loss on sale of mortgage loans. Fair value is based on active market pricing for substantially similar underlying mortgage loans commonly referred to as best execution pricing or investment commitment pricing, if the loan is committed to an investor through a best efforts contract. In valuing interest rate lock commitments, there are several unobservable inputs such as the fair value of the mortgage servicing rights, estimated remaining cost to originate the loans, and the pull through rate of the open pipeline. Accordingly, such derivative is classified as Level 3.

The approximate notional amounts of Mortgage World’s derivative instruments were $6.0 million and $11.3 million at March 31, 2021 and December 31, 2020, respectively. The fair value of derivatives related to interest rate lock commitments not subject to a forward loan sale commitment, amounted to $59,000 and $166,000 as of March 31, 2021 and December 31, 2020 and is included in other assets on the consolidated statements of financial condition.

The table below presents the changes in derivatives from interest rate lock commitments that are measured at fair value on a recurring basis:

	(Dollars in thousands)
Balance as of December 31, 2020	$ 166
Change in fair value of derivative instrument reported in earnings	(107)
Balance as of March 31, 2021	$ 59

Other Real Estate Owned: Other real estate owned represents real estate acquired through foreclosure, and is recorded at fair value less estimated disposal costs on a nonrecurring basis. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the asset is classified as Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the asset is classified as Level 3.

Deposits: The fair values of demand deposits, savings, NOW and money market accounts equal their carrying amounts, which represent the amounts payable on demand at the reporting date. Fair values for fixed-term, fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on certificates of deposit to a schedule of aggregated expected monthly maturities on such deposits. Deposits are not recorded at fair value on a recurring basis.

FHLBNY Advances: The fair value of the advances is estimated using a discounted cash flow calculation that applies current market-based FHLBNY interest rates for advances of similar maturity to a schedule of maturities of such advances. These borrowings are not recorded at fair value on a recurring basis.

Warehouse Lines of Credit: The carrying amounts of warehouse lines of credit and mortgage loan fundings payable approximate fair value and due to their short-term nature are classified as Level 2.

Off-Balance-Sheet Instruments: Fair values for off-balance-sheet instruments (lending commitments and standby letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

Note 13. Fair Value (Continued)

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020, and indicate the level within the fair value hierarchy utilized to determine the fair value:

Description	Total	March 31, 2021 Level 1	Level 2	Level 3
		(Dollars in thousands)		
Available-for-Sale Securities, at fair value:				
U.S. Government Bonds	$ 2,988	$ —	$ 2,988	$ —
Corporate bonds	13,557	—	13,557	—
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations	6,975	—	6,975	—
FNMA Certificates	7,161	—	7,161	—
GNMA Certificates	248	—	248	—
Mortgage Loans Held for Sale, at fair value	13,725	—	13,725	—
Derivatives from interest rate lock commitments	59	—	—	59
	$ 44,713	$ —	$ 44,654	$ 59

Description	Total	December 31, 2020 Level 1	Level 2	Level 3
		(Dollars in thousands)		
Available-for-Sale Securities:				
Corporate bonds	$ 10,463	$ —	$ 10,463	$ —
Mortgage-Backed Securities:				
FHLMC Certificates	3,196	—	3,196	—
FNMA Certificates	3,567	—	3,567	—
GNMA Certificates	272	—	272	—
Mortgage Loans Held for Sale, at fair value	35,406	—	35,406	—
Derivatives from interest rate lock commitments	166	—	—	166
	$ 53,070	$ —	$ 52,904	$ 166

Management's assessment and classification of an investment within a level can change over time based upon maturity or liquidity of the investment and would be reflected at the beginning of the quarter in which the change occurred.

The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of March 31, 2021 and December 31, 2020 and indicate the fair value hierarchy utilized to determine the fair value:

	Total	March 31, 2021 Level 1	Level 2	Level 3
		(Dollars in thousands)		
Impaired loans	$ 18,879	$ —	$ —	$ 18,879

	Total	December 31, 2020 Level 1	Level 2	Level 3
		(Dollars in thousands)		
Impaired loans	$ 19,352	$ —	$ —	$ 19,352

Losses on assets carried at fair value on a nonrecurring basis were *de minimis* for the three months ended March 31, 2021 and 2020, respectively.

Note 13. Fair Value (Continued)

As of March 31, 2021 and December 31, 2020, the carrying values and estimated fair values of the Company's financial instruments were as follows:

	Carrying Amount	Fair Value Measurements			
		Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
March 31, 2021					
Financial assets:					
Cash and cash equivalents	$ 90,122	$ 90,122	$ —	$ —	$ 90,122
Available-for-sale securities, at fair value	30,929	—	30,929	—	30,929
Held-to-maturity securities, at amortized costs	1,732	—	1,661	—	1,661
Placements with banks	2,739	—	2,739	—	2,739
Mortgage loans held for sale, at fair value	13,725	—	13,725	—	13,725
Loans receivable, net	1,230,458	—	—	1,244,854	1,244,854
Accrued interest receivable	12,547	—	12,547	—	12,547
FHLBNY stock	6,057	6,057	—	—	6,057
Financial liabilities:					
Deposits:					
Demand deposits	242,255	242,255	—	—	242,255
Interest-bearing deposits	457,119	457,119	—	—	457,119
Certificates of deposit	439,172	—	445,260	—	445,260
Advance payments by borrowers for taxes and insurance	9,264	—	9,264	—	9,264
Advances from FHLBNY	109,255	—	111,123	—	111,123
Warehouse lines of credit	11,664	—	11,664	—	11,664
Mortgage loan fundings payable	676	—	676	—	676
Accrued interest payable	66	—	66	—	66

Note 13. Fair Value (Continued)

	Carrying Amount	Fair Value Measurements Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
December 31, 2020					
Financial assets:					
Cash and cash equivalents	$ 72,078	$ 72,078	$ —	$ —	$ 72,078
Available-for-sale securities, at fair value	17,498	—	17,498	—	17,498
Held-to-maturity securities, at amortized costs	1,743	—	1,722	—	1,722
Placements with banks	2,739	—	2,739	—	2,739
Mortgage loans held for sale, at fair value	35,406	—	35,406		35,406
Loans receivable, net	1,158,640	—	—	1,182,971	1,182,971
Accrued interest receivable	11,396	—	11,396	—	11,396
FHLBNY stock	6,426	6,426	—	—	6,426
Financial liabilities:					
Deposits:					
Demand deposits	189,855	189,855	—	—	189,855
Interest-bearing deposits	432,737	432,737	—	—	432,737
Certificates of deposit	406,987	—	411,742	—	411,742
Advance payments by borrowers for taxes and insurance	7,019	—	7,019	—	7,019
Advances from FHLBNY	117,255	—	119,248	—	119,248
Warehouse lines of credit	29,961	—	29,961	—	29,961
Mortgage loan fundings payable	1,483	—	1,483	—	1,483
Accrued interest payable	60	—	60	—	60

Off-Balance-Sheet Instruments: Loan commitments on which the committed interest rate is less than the current market rate are insignificant at March 31, 2021 and December 31, 2020.

The fair value information about financial instruments are disclosed, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The estimated fair value amounts for 2021 and 2020 have been measured as of their respective period-ends and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at each period.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other banks may not be meaningful.

Note 14. Regulatory Capital Requirements

The Company, the Bank and Mortgage World are subject to various regulatory capital requirements administered by the Federal Reserve Board, the OCC, the U.S. Department of Housing and Urban Development, and the NYS Department of Financial Services, respectively. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s operations and financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require the maintenance of minimum amounts and ratios (set forth in the table below) of total risk-based and Tier 1 capital to risk-weighted assets (as defined), common equity Tier 1 capital (as defined), and Tier 1 capital to adjusted total assets (as defined). As of March 31, 2021 and December 31, 2020, all applicable capital adequacy requirements have been met.

Note 14. Regulatory Capital Requirements (Continued)

The below minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was phased in to 2.5% by 2019. The applicable capital buffer was 7.8% at March 31, 2021 and 7.95% at December 31, 2020.

The most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, common equity risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There were no conditions or events since then that have changed the Bank's category.

The Company's and the Bank's actual capital amounts and ratios as of March 31, 2021 and December 31, 2020 as compared to regulatory requirements are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
March 31, 2021						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 173,715	17.37%	$ 79,996	8.00%	$ 99,995	10.00%
Tier 1 Capital to Risk-Weighted Assets	161,176	16.12%	59,997	6.00%	79,996	8.00%
Common Equity Tier 1 Capital Ratio	161,176	16.12%	44,998	4.50%	64,996	6.50%
Tier 1 Capital to Total Assets	161,176	11.75%	54,887	4.00%	68,609	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 157,325	15.80%	$ 79,677	8.00%	$ 99,596	10.00%
Tier 1 Capital to Risk-Weighted Assets	144,836	14.54%	59,757	6.00%	79,677	8.00%
Common Equity Tier 1 Capital Ratio	144,836	14.54%	44,818	4.50%	64,737	6.50%
Tier 1 Capital to Total Assets	144,836	10.78%	53,728	4.00%	67,160	5.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2020						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 171,578	17.68%	$ 77,644	8.00%	$ 97,055	10.00%
Tier 1 Capital to Risk-Weighted Assets	159,410	16.42%	58,233	6.00%	77,644	8.00%
Common Equity Tier 1 Capital Ratio	159,410	16.42%	43,675	4.50%	63,086	6.50%
Tier 1 Capital to Total Assets	159,410	13.34%	47,814	4.00%	59,768	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 153,951	15.95%	$ 77,213	8.00%	$ 96,516	10.00%
Tier 1 Capital to Risk-Weighted Assets	141,850	14.70%	57,909	6.00%	77,213	8.00%
Common Equity Tier 1 Capital Ratio	141,850	14.70%	43,432	4.50%	62,735	6.50%
Tier 1 Capital to Total Assets	141,850	11.19%	50,715	4.00%	63,394	5.00%

Mortgage World is subject to various net worth requirements in connection with regulatory authorities and lending agreements that Mortgage World has entered with purchase facility lenders. Failure to maintain minimum capital requirements could result in Mortgage World's inability to originate and service loans, and, therefore, could have a direct material effect on the Company's consolidated financial statements.

Note 14. Regulatory Capital Requirements (Continued)

Mortgage World's minimum net worth requirements as of March 31, 2021 and December 31, 2020 are reflected below:

	Minimum Requirement (Dollars in thousands)
HUD	$ 1,000
New York Department of Financial Services	250
Other State Banking Departments	250

As of March 31, 2021 and December 31, 2020, Mortgage World is in compliance with all minimum capital requirements.

Note 15. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows:

	March 31, 2021		
	December 31, 2020	Change	March 31, 2020
	(Dollars in thousands)		
Unrealized gains on available-for-sale securities, net	$ 135	$ (107)	$ 28
Total	$ 135	$ (107)	$ 28

	December 31, 2020		
	December 31, 2019	Change	December 31, 2020
	(Dollars in thousands)		
Unrealized gains (losses) on available-for-sale securities, net	$ 20	$ 115	$ 135
Total	$ 20	$ 115	$ 135

Note 16. Transactions with Related Parties

Directors, executive officers and non-executive officers of the Company have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Aggregate loan transactions with related parties for the three months ended March 31, 2021 and 2020 were as follows:

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Beginning balance	$ 424	$ 1,260
Originations	10	—
Payments	(10)	(16)
Ending balance	$ 424	$ 1,244

The Company held deposits in the amount of $6.8 million and $6.9 million from directors, executive officers and non-executive officers at March 31, 2021 and December 31, 2020, respectively.

Note 17. Segment Reporting

The Company has two reportable segments: Ponce Bank and Mortgage World. Income from Ponce Bank consists primarily of interest earned on loans and investment securities and service charges on deposit accounts. Income from Mortgage World consists primarily of taking of applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors.

The accounting policies of the reportable segments are the same as those described in the summary of accounting policies. Segment profit and loss is measured by net income on a legal entity basis. Intercompany transactions are eliminated in consolidation.

Note 17. Segment Reporting (Continued)

Information about the reportable segments and reconciliation to the unaudited interim Consolidated Financial Statements at March 31, 2021 and 2020 and for the three months then ended is presented in the tables below.

	For the Three Months Ended March 31, 2021				
	Ponce Bank	Mortgage World	PDL Community Bancorp	Eliminations	Consolidated
	(Dollars in thousands)				
Interest and dividend income	$ 15,027	$ 150	$ 41	$ (41)	$ 15,177
Interest expense	2,186	140	—	(41)	2,285
Net interest income	12,841	10	41	—	12,892
Provision for loan losses	686	—	—	—	686
Net interest income after provision for loan losses	12,155	10	41	—	12,206
Non-interest income:					
Service charges and fees	329	—	—	—	329
Brokerage commissions	—	223	—	—	223
Late and prepayment charges	244	—	—	—	244
Gain on sale of mortgage loans	—	1,508	—	—	1,508
Loan origination	—	539	—	—	539
Gain on sale of real property	663	—	—	—	663
Other	568	88	—	(269)	387
Total non-interest income	1,804	2,358	—	(269)	3,893
Non-interest expense:					
Compensation and benefits	4,072	1,241	351	—	5,664
Occupancy and equipment	2,498	122	14	—	2,634
Data processing expenses	581	13	—	—	594
Direct loan expenses	462	547	—	—	1,009
Insurance and surety bond premiums	146	—	—	—	146
Office supplies, telephone and postage	352	57	—	—	409
Professional fees	777	244	381	(140)	1,262
Marketing and promotional expenses	29	9	—	—	38
Directors fees	69	—	—	—	69
Regulatory dues	60	—	—	—	60
Other operating expenses	954	58	147	(129)	1,030
Total non-interest expense	10,000	2,291	893	(269)	12,915
Income (loss) before income taxes	3,959	77	(852)	—	3,184
Provision for income taxes	1,105	40	(413)	—	732
Equity in undistributed earnings of Ponce Bank and Mortgage World	—	—	2,891	(2,891)	—
Net income (loss)	$ 2,854	$ 37	$ 2,452	$ (2,891)	$ 2,452
Total assets at March 31, 2021	$ 1,414,832	$ 19,694	$ 161,463	$ (162,282)	$ 1,433,707
Total assets at December 31, 2020	$ 1,315,287	$ 38,397	$ 159,811	$ (158,264)	$ 1,355,231

Note 17. Segment Reporting (Continued)

	For the Three Months Ended March 31, 2020				
	Ponce Bank	Mortgage World	PDL Community Bancorp	Eliminations	Consolidated
	(Dollars in thousands)				
Interest and dividend income	$ 13,030	$ —	$ 68	$ (68)	$ 13,030
Interest expense	3,174	—	—	(68)	3,106
Net interest income	9,856	—	68	—	9,924
Provision for loan losses	1,146	—	—	—	1,146
Net interest income after provision for loan losses	8,710	—	68	—	8,778
Non-interest income:					
Service charges and fees	248	—	—	—	248
Brokerage commissions	50	—	—	—	50
Late and prepayment charges	119	—	—	—	119
Gain on sale of mortgage loans	—	—	—	—	—
Loan origination	—	—	—	—	—
Gain on sale of real property	—	—	—	—	—
Other	333	—	—	(128)	205
Total non-interest income	750	—	—	(128)	622
Non-interest expense:					
Compensation and benefits	4,656	—	352	—	5,008
Occupancy and equipment	2,004	—	13	—	2,017
Data processing expenses	467	—	—	—	467
Direct loan expenses	212	—	—	—	212
Insurance and surety bond premiums	121	—	—	—	121
Office supplies, telephone and postage	316	—	—	—	316
Professional fees	1,277	—	350	—	1,627
Marketing and promotional expenses	234	—	—	—	234
Directors fees	69	—	—	—	69
Regulatory dues	46	—	—	—	46
Other operating expenses	692	—	141	(128)	705
Total non-interest expense	10,094	—	856	(128)	10,822
Loss before income taxes	(634)	—	(788)	—	(1,422)
Benefit for income taxes	(58)	—	(151)	—	(209)
Equity in undistributed earnings of Ponce Bank and Mortgage World	—	—	(576)	576	—
Net income (loss)	$ (576)	$ —	$ (1,213)	$ 576	$ (1,213)

Note 18. Subsequent Events

In a privately negotiated transaction, the Company sold 348,739 shares of the Company's treasury stock to Banc of America Strategic Investments Corporation.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of PDL Community Bancorp

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of PDL Community Bancorp and Subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Mazars USA LLP
We have served as the Company's auditor since 2013.

New York, New York
March 26, 2021

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Financial Condition
December 31, 2020 and 2019
(Dollars in thousands, except share data)

	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents (Note 3):		
Cash	$ 26,936	$ 6,762
Interest-bearing deposits in banks	45,142	20,915
Total cash and cash equivalents	72,078	27,677
Available-for-sale securities, at fair value (Note 4)	17,498	21,504
Held-to-maturity securities, at amortized cost (fair value of $1,722) (Note 4)	1,743	—
Placements with banks	2,739	—
Mortgage loans held for sale, at fair value	35,406	1,030
Loans receivable, net of allowance for loan losses - 2020 $14,870; 2019 $12,329 (Note 5)	1,158,640	955,737
Accrued interest receivable	11,396	3,982
Premises and equipment, net (Note 6)	32,045	32,746
Federal Home Loan Bank of New York Stock (FHLBNY), at cost	6,426	5,735
Deferred tax assets (Note 9)	4,656	3,724
Other assets	12,604	1,621
Total assets	$ 1,355,231	$ 1,053,756
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 7)	$ 1,029,579	$ 782,043
Accrued interest payable	60	97
Advance payments by borrowers for taxes and insurance	7,019	6,348
Advances from the Federal Home Loan Bank of New York and others (Note 8)	117,255	104,404
Warehouse lines of credit (Note 8)	29,961	—
Mortgage loan fundings payable (Note 8)	1,483	—
Other liabilities	10,330	2,462
Total liabilities	1,195,687	895,354
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value; 50,000,000 shares authorized; 18,463,028 shares issued and 17,125,969 shares outstanding as of December 31, 2020 and 18,463,028 shares issued and 17,451,134 outstanding as of December 31, 2019	185	185
Treasury stock, at cost; 1,337,059 shares as of December 31, 2020 and 1,011,894 shares as of December 31, 2019 (Note 10)	(18,114)	(14,478)
Additional paid-in-capital	85,105	84,777
Retained earnings	97,541	93,688
Accumulated other comprehensive income (loss) (Note 15)	135	20
Unearned Employee Stock Ownership Plan (ESOP); 530,751 shares as of December 31, 2020 and 579,001 shares as of December 31, 2019 (Note 10)	(5,308)	(5,790)
Total stockholders' equity	159,544	158,402
Total liabilities and stockholders' equity	$ 1,355,231	$ 1,053,756

The accompanying notes are an integral part of the consolidated financial statements.

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Income (Loss)
For the Years Ended December 31, 2020, 2019 and 2018
(Dollars in thousands, except share and per share data)

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Interest and dividend income:			
Interest on loans receivable	$ 52,389	$ 49,306	$ 44,948
Interest on deposits due from banks	84	617	679
Interest and dividend on available-for-sale securities and FHLBNY stock	866	568	529
Total interest and dividend income	53,339	50,491	46,156
Interest expense:			
Interest on certificates of deposit	6,576	7,677	7,617
Interest on other deposits	2,174	2,827	974
Interest on borrowings	2,619	1,854	899
Total interest expense	11,369	12,358	9,490
Net interest income	41,970	38,133	36,666
Provision for loan losses (Note 5)	2,443	258	1,249
Net interest income after provision for loan losses	39,527	37,875	35,417
Non-interest income:			
Service charges and fees	892	971	845
Brokerage commissions	974	212	533
Late and prepayment charges	358	755	606
Income on sale of mortgage loans	4,120	—	—
Loan origination	925	—	—
Gain on sale of real property	4,177	—	—
Other	1,801	745	954
Total non-interest income	13,247	2,683	2,938
Non-interest expense:			
Compensation and benefits	22,053	18,883	17,939
Loss on termination of pension plan	—	9,930	—
Occupancy and equipment	9,564	7,612	6,673
Data processing expenses	2,137	1,576	1,408
Direct loan expenses	1,447	692	788
Insurance and surety bond premiums	553	414	369
Office supplies, telephone and postage	1,399	1,185	1,309
Professional fees	6,049	3,237	3,154
Marketing and promotional expenses	488	158	215
Directors fees	276	294	277
Regulatory dues	210	231	238
Other operating expenses	3,363	2,395	2,187
Total non-interest expense	47,539	46,607	34,557
Income (loss) before income taxes	5,235	(6,049)	3,798
Provision (benefit) for income taxes (Note 9)	1,382	(924)	1,121
Net income (loss)	$ 3,853	$ (5,125)	$ 2,677
Earnings (loss) per share: (Note 11)			
Basic	$ 0.23	$ (0.29)	$ 0.15
Diluted	$ 0.23	$ (0.29)	$ 0.15
Weighted average shares outstanding: (Note 11)			
Basic	16,673,193	17,432,318	17,805,869
Diluted	16,682,584	17,432,318	17,812,206

The accompanying notes are an integral part of the consolidated financial statements.

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	For the Years Ended December 31,		
	2020	2019	2018
Net income (loss)	$ 3,853	$ (5,125)	$ 2,677
Net change in unrealized gains (losses) on securities available-for-sale:			
Unrealized gains (losses)	147	395	(89)
Income tax effect	(32)	(84)	19
Unrealized gains (losses) on securities, net	115	311	(70)
Pension benefit liability adjustment:			
Net gain during the period	—	9,930	1,368
Reclassification of stranded income tax effects from accumulated other comprehensive income	—	—	(1,281)
Income tax effect	—	(2,086)	(301)
Pension liability adjustment, net of tax	—	7,844	(214)
Total other comprehensive income (loss), net of tax	115	8,155	(284)
Total comprehensive income	$ 3,968	$ 3,030	$ 2,393

The accompanying notes are an integral part of the consolidated financial statements.

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2020, 2019 and 2018
(Dollars in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Treasury Stock, At Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Employee Stock Ownership Plan (ESOP)	Total
Balance, December 31, 2017	18,463,028	$ 185	$ —	$ 84,351	$ 94,855	$ (7,851)	$ (6,755)	$ 164,785
Net income	—	—	—	—	2,677	—	—	2,677
Other comprehensive income, net of tax	—	—	—	—	—	997	—	997
Reclassification of stranded income tax effects from accumulated other comprehensive income	—	—	—	—	1,281	(1,281)	—	—
ESOP shares committed to be released (48,250 shares)	—	—	—	132	—	—	483	615
Restricted stock awards	—	—	—	91	—	—	—	91
Stock options	—	—	—	7	—	—	—	7
Balance, December 31, 2018	18,463,028	$ 185	$ —	$ 84,581	$ 98,813	$ (8,135)	$ (6,272)	$ 169,172
Net loss	—	—	—	—	(5,125)	—	—	(5,125)
Other comprehensive income, net of tax	—	—	—	—	—	8,155	—	8,155
Release of restricted stock units	90,135	—	1,285	(1,285)	—	—	—	—
Treasury stock	(1,102,029)	—	(15,763)	—	—	—	—	(15,763)
ESOP shares committed to be released (48,250 shares)	—	—	—	225	—	—	482	707
Restricted stock awards	—	—	—	1,155	—	—	—	1,155
Stock options	—	—	—	101	—	—	—	101
Balance, December 31, 2019	17,451,134	$ 185	$ (14,478)	$ 84,777	$ 93,688	$ 20	$ (5,790)	$ 158,402
Net income	—	—	—	—	3,853	—	—	3,853
Other comprehensive income, net of tax	—	—	—	—	—	115	—	115
Release of restricted stock units	96,825	—	1,075	(1,075)	—	—	—	—
Treasury stock	(421,990)	—	(4,711)	—	—	—	—	(4,711)
ESOP shares committed to be released (48,250 shares)	—	—	—	—	—	—	482	482
Restricted stock awards	—	—	—	1,276	—	—	—	1,276
Stock options	—	—	—	127	—	—	—	127
Balance, December 31, 2020	17,125,969	$ 185	$ (18,114)	$ 85,105	$ 97,541	$ 135	$ (5,308)	$ 159,544

The accompanying notes are an integral part of the consolidated financial statements.

PDL Community Bancorp and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	For the Years Ended December 31,		
	2020	2019	2018
Cash Flows From Operating Activities:			
Net income (loss)	$ 3,853	$ (5,125)	$ 2,677
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Amortization of premiums/discounts on securities, net	7	42	10
Loss on sale of loans	62	102	54
Gain on sale of available-for-sale securities	—	—	(12)
Gain on sale of real property	(4,177)	—	—
Gain on derivatives	(166)	—	—
Loss on termination of pension plan	—	9,930	—
Provision for loan losses	2,443	258	1,249
Depreciation and amortization	2,519	2,222	1,798
ESOP compensation expense	540	766	615
Share-based compensation expense	1,403	1,256	98
Deferred income taxes	(932)	(2,099)	(184)
Changes in assets and liabilities:			
Increase in mortgage loans held for sale, at fair value	(23,827)	(1,030)	—
Increase in accrued interest receivable	(7,414)	(187)	(460)
(Increase) decrease in other assets	(10,045)	1,450	(371)
(Decrease) increase in accrued interest payable	(37)	34	21
Increase in advance payments by borrowers	671	311	1,012
Increase in loan fundings payable	246	—	—
Net increase (decrease) in other liabilities	7,354	(2,884)	1,378
Net cash (used in) provided by operating activities	(27,500)	5,046	7,885
Cash Flows From Investing Activities:			
Business acquisition, net of cash acquired	(1,005)	—	—
Proceeds from redemption of FHLBNY Stock	4,759	11,565	—
Purchases of FHLBNY Stock	(5,450)	(14,385)	(1,404)
Purchases of available-for-sale securities	(13,625)	(34,000)	(4,996)
Proceeds from sale of available-for-sale securities	—	—	3,760
Proceeds from maturities, calls and principal repayments on available-for-sale securities	17,769	39,555	2,902
Purchases of held-to-maturity securities	(1,743)	—	—
Placements with banks	(2,739)	—	—
Proceeds from sales of loans	3,977	3,614	6,885
Net increase in loans	(209,385)	(41,202)	(127,994)
Proceeds from sale of real property	4,743	—	—
Purchases of premises and equipment	(1,902)	(3,816)	(5,761)
Net cash used in investing activities	(204,601)	(38,669)	(126,608)
Cash Flows From Financing Activities:			
Net increase (decrease) in deposits	$ 247,536	$ (27,715)	$ 95,773
Repurchase of treasury stock	(4,711)	(15,763)	—
Proceeds from advances from FHLBNY	192,730	699,498	271,027
Repayments of advances to FHLBNY	(179,879)	(664,498)	(238,023)
Net advances on warehouse lines of credit	20,826	—	—
Net cash provided (used in) by financing activities	276,502	(8,478)	128,777
Net increase (decrease) in cash and cash equivalents	44,401	(42,101)	10,054
Cash and Cash Equivalents, including restricted cash:			
Beginning	27,677	69,778	59,724
Ending	$ 72,078	$ 27,677	$ 69,778

The accompanying notes are an integral part of the consolidated financial statements.

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2020, 2019 and 2018
(In thousands)

	For the Years Ended December 31,		
	2020	2019	2018
Supplemental Disclosures:			
Cash paid during the year:			
Interest	$ 11,360	$ 12,324	$ 9,469
Income taxes	$ 531	$ 1,178	$ 549
Supplemental Disclosures of Noncash Investing Activities:			
Acquisitions			
Non-cash assets acquired:	$ 10,549	$ —	$ —
Mortgage loans held for sale, at fair value	302	—	—
Premises and equipment	772	—	—
Other assets	$ 11,623	$ —	$ —
Total non-cash assets acquired			
Liabilities assumed:			
Warehouse lines of credit	9,135	—	—
Mortgage loan fundings payable	1,237	—	—
Other liabilities	246	—	—
Total liabilities assumed	10,618	—	—
Net non-cash assets acquired	1,005	—	—
Cash and cash equivalents acquired	750	—	—
Consideration paid	$ 1,755	$ —	$ —

The accompanying notes are an integral part of the consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation:

The Consolidated Financial Statements of PDL Community Bancorp (the "Company") presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiaries Ponce Bank (the "Bank") and Mortgage World Bankers, Inc. ("Mortgage World"), and the Bank's wholly-owned subsidiaries. The Bank's subsidiaries consist of PFS Service Corp., which owns some of the Bank's real property, and Ponce De Leon Mortgage Corp., which is a mortgage banking entity. All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations:

The Company is a financial holding company formed on September 29, 2017 in connection with the reorganization of the Bank into a mutual holding company structure. The Company is subject to the regulation and examination by the Board of Governors of the Federal Reserve. The Company's business is conducted through the administrative office and 19 mortgage and banking offices. The banking offices are located in New York City – the Bronx (4 branches), Manhattan (2 branches), Queens (3 branches), Brooklyn (3 branches) and Union City (1 branch), New Jersey. The mortgage offices are located in Nassau County (1), Queens (2) and Brooklyn (1), New York and Englewood Cliffs (1) and Bergenfield (1), New Jersey. The Company's primary market area currently consists of the New York City metropolitan area.

The Bank is a federally chartered stock savings association headquartered in the Bronx, New York. It was originally chartered in 1960 as a federally chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, the Bank changed its name to "Ponce De Leon Federal Savings Bank." In 1997, the Bank changed its name again to "Ponce De Leon Federal Bank." Upon the completion of its reorganization into a mutual holding company structure, the assets and liabilities of Ponce De Leon Federal Bank were transferred to and assumed by the Bank. The Bank is a Minority Depository Institution, a Community Development Financial Institution, and a certified Small Business Administration lender. The Bank is subject to comprehensive regulation and examination by the Office of Comptroller of the Currency (the "OCC").

The Bank's business primarily consists of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in mortgage loans, consisting of one-to-four family residential (both investor-owned and owner-occupied), multifamily residential, nonresidential properties and construction and land, and, to a lesser extent, in business and consumer loans. The Bank also invests in securities, which have historically consisted of U.S. government and federal agency securities and securities issued by government-sponsored or owned enterprises, mortgage-backed securities and Federal Home Loan Bank of New York (the "FHLBNY") stock. The Bank offers a variety of deposit accounts, including demand, savings, money markets and certificates of deposit accounts.

On July 10, 2020, the Company completed its acquisition of Mortgage World. Mortgage World is a mortgage banking entity subject to the regulation and examination of the New York State Department of Financial Services. The primary business of Mortgage World is the taking of applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors. Although Mortgage World is permitted to do business in various states (New York, New Jersey, Pennsylvania, Florida and Connecticut), it primarily operates in the New York City metropolitan area.

Risks and Uncertainties:

The COVID-19 pandemic continues to disrupt the global and U.S. economies and as well as the lives of individuals throughout the world. The New York City Metropolitan area continues to experience cases of the COVID-19 pandemic. Governments, businesses, and the public are taking unprecedented actions to contain the spread of the COVID-19 pandemic and to mitigate its effects, including quarantines and travel bans. Businesses and schools have slowly reopened, but in some cases, schools have had to revert to remote teaching while some businesses, in particular restaurants, have had to scale back and/or adjust their opening plans. While the scope, duration, and full effects of the COVID-19 pandemic continues to evolve it continues to have a significantly adverse impact on the functioning of the global financial markets and the Company's business while increasing economic and market uncertainty.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The financial impact is still unknown at this time. However, if the pandemic continues for a sustained period of time, it may continue to adversely impact several industries within our geographic footprint and impair the ability of the Company’s customers to fulfill their contractual obligations to the Company. This could cause the Company to experience a material adverse effect on our business operations, loan portfolio, financial condition, and results of operations. During the year ended December 31, 2020, the provision for loan losses increased by $2,433 primarily due to increases in qualitative reserves as the Company continues to assess the economic impacts the COVID-19 pandemic has on our local economy and our loan portfolio. Therefore, there is a reasonable probability that the Company’s allowance for loan losses as of December 31, 2020 may change thereafter and could result in a material adverse change to the Company’s provision for loan losses, earnings and capital.

Summary of Significant Accounting Policies:

Use of Estimates: In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the consolidated statement of financial condition, and revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of loans held for sale, the valuation of deferred tax assets and investment securities and the estimates relating to the valuation for share-based awards.

Significant Group Concentrations of Credit Risk: Most of the Bank's activities are with customers located within New York City. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and Mortgage World’s ability to sell originated loans in the secondary markets are susceptible to changes in the local market conditions. Note 4 discusses the types of securities that the Bank invests in. Notes 5 and 12 discuss the types of lending that the Bank engages in, and other concentrations.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and amounts due from banks (including items in process of clearing). For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash flows from loans originated by the Company, interest-bearing deposits in financial institutions, and deposits are reported net. Included in cash and cash equivalents are restricted cash from escrows and good faith deposits. Escrows consist of U.S. Department of Housing and Urban Development (“HUD”) upfront mortgage insurance premiums and escrows on unsold mortgages that are held on behalf of borrowers. Good faith deposits consist of deposits received from commercial loan customers for use in various disbursements relating to the closing of a commercial loan. Restricted cash are included in cash and cash equivalents for purposes of the consolidated statement of cash flows.

Securities: Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each statement of financial condition date.

Debt securities that management has the positive intent and ability to hold to maturity, if any, are classified as "held-to-maturity" and recorded at amortized cost. Trading securities, if any, are carried at fair value, with unrealized gains and losses recognized in earnings. Securities not classified as held to maturity or trading, are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of tax. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the consolidated statement of income (loss) and 2) OTTI related to other factors, which is recognized in other comprehensive income.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The credit loss is defined as the difference between the discounted present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. The sale of a held-to-maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Federal Home Loan Bank of New York Stock: The Bank is a member of the FHLBNY. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLBNY stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans Receivable: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at current unpaid principal balances, net of the allowance for loan losses and including net deferred loan origination fees and costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

A loan is moved to nonaccrual status in accordance with the Company’s policy typically after 90 days of non-payment. The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan becomes 90 days past due unless the loan is well-secured and in process of collection. Consumer loans are typically charged-off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off if collection of principal or interest is considered doubtful. All nonaccrual loans are considered impaired loans.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash basis or recorded against principal balances, until qualifying for return to accrual. Cash basis interest recognition is only applied on nonaccrual loans with a sufficient collateral margin to ensure no doubt with respect to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and remain current for a period of time (typically six months) and future payments are reasonably assured. Accrued interest receivable is closely monitored for collectability and will be charged-off in a timely manner if deemed uncollectable.

Allowance for Loan Losses: The allowance for loan losses (“ALLL”) is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management’s judgment, should be charged-off. The Company’s assessment of the economic impact of the COVID-19 pandemic on borrowers indicates that it is likely that it will be a detriment to their ability to repay in the short-term and that the likelihood of long-term detrimental effects depends significantly on the resumption of normalized economic activities, a factor not yet determinable.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Impaired loans are measured for impairment using the fair value of the collateral, present value of cash flows, or the observable market price of the note. Impairment measurement for all collateral dependent loans, excluding accruing troubled debt restructurings, is based on the fair value of collateral, less costs to sell, if necessary. A loan is considered collateral dependent if repayment of the loan is expected to be provided solely by the sale or the operation of the underlying collateral.

When a loan is modified to troubled debt restructuring, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs, if repayment under the modified terms becomes doubtful.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced over a rolling 12 quarter average period. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and, effects of changes in credit concentrations.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. These risk categories and relevant risk characteristics are as follows:

Residential and Multifamily Mortgage Loans: Residential and multifamily mortgage loans are secured by first mortgages. These loans are typically underwritten with loan-to-value ratios ranging from 65% to 90%. The primary risks involved in residential mortgages are the borrower's loss of employment, or other significant event, that negatively impacts the source of repayment. Additionally, a serious decline in home values could jeopardize repayment in the event that the underlying collateral needs to be liquidated to pay off the loan.

Nonresidential Mortgage Loans: Nonresidential mortgage loans are primarily secured by commercial buildings, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, restaurants and nursing homes. These loans are typically underwritten at no more than 75% loan-to-value ratio. Although terms vary, commercial real estate loans generally have amortization periods of 15 to 30 years, as well as balloon payments of 10 to 15 years, and terms which provide that the interest rates are adjusted on a 5 year schedule.

Construction and Land Loans: Construction real estate loans consist of vacant land and property that is in the process of improvement. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that government approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs. Construction real estate loans generally have terms of six months to two years during the construction period with fixed rates or interest rates based on a designated index.

Business Loans: Business loans are loans for commercial, corporate and business purposes, including issuing letters of credit. These loans are secured by business assets or may be unsecured and repayment is directly dependent on the successful operation of the borrower's business and the borrower's ability to convert the assets to operating revenue. They possess greater risk than most other types of loans because the repayment capacity of the borrower may become inadequate. Business loans generally have terms of five to seven years or less and interest rates that float in accordance with a designated published index. Substantially all such loans are backed by the personal guarantees of the owners of the business.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Consumer Loans: Consumer loans generally have higher interest rates than mortgage loans. The risk involved in consumer loans is the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans include passbook loans and other secured and unsecured loans that have been made for a variety of consumer purposes.

Mortgage Loans Held for Sale: Mortgage loans held for sale, at fair value, include residential mortgages that were originated in accordance with secondary market pricing and underwriting standards. These loans are loans originated by Mortgage World and the Company intends to sell these loans on the secondary market. Mortgage loans held for sale are carried at fair value under the fair value option accounting guidance for financial assets and financial liabilities. The gains or losses for the changes in fair value of these loans are included in income on sale of mortgage loans on the consolidated statements of income (loss). Interest income on mortgage loans held for sale measured under the fair value option is calculated based on the principal amount of the loan and is included in interest loans receivable on the consolidated statements of income (loss).

The Bank loans held for sale are earmarked for investor purchase and are reported at the lower of cost or fair value as determined by investor bid prices. Sales of loans occur from time to time as part of strategic business or regulatory compliance initiatives. Loans held for sale are sold without recourse and servicing released. When a loan is transferred from portfolio to held for sale and the fair value is less than cost, a charge-off is recorded against the allowance for loan losses. Subsequent declines in fair value, if any, are charged against earnings.

Derivative Financial Instruments: The Company, through Mortgage World, uses derivative financial instruments as a part of its price risk management activities. All such derivative financial instruments are designated as free-standing derivative instruments. In accordance with FASB ASC 815-25, Derivatives and Hedging, all derivative instruments are recognized as assets or liabilities on the balance sheet at their fair value. Change in the fair value of these derivatives is reported in current period earnings.

Additionally, to facilitate the sale of mortgage loans, Mortgage World may enter into forward sale positions on securities, and mandatory delivery positions. Exposure to losses or gains on these positions is limited to the net difference between the calculated amounts to be received and paid. As of December 31, 2020, the Company did not enter into any forward sale or mandatory delivery positions on their financial instruments.

Revenue from Contracts with Customers: The Company’s revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company's primary source of revenue is interest income on financial assets and income from mortgage banking activities, which are explicitly excluded from the scope of ASC 606.

COVID-19 Pandemic and the CARES Act: On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. Section 4013 of the CARES Act, “Temporary Relief from Troubled Debt Restructurings,” provides banks the option to temporarily suspend certain requirements under GAAP related to troubled debt restructurings (“TDR”) for a limited period of time to account for the effects of the COVID-19 pandemic. Additionally, on April 7, 2020, the banking agencies, including the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, issued a statement, “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)” (“Interagency Statement”), to encourage banks to work prudently with borrowers and to describe the agencies’ interpretation of how accounting rules under ASC 310-40, “Troubled Debt Restructurings by Creditors,” apply to certain of the COVID-19 pandemic related modifications. Further, on August 3, 2020, the Federal Financial Institutions Examination Council issued a Joint Statement on Additional Loan Accommodations related to the COVID-19 pandemic, to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods.

Under the CARES Act and related Interagency Statement, the Company may temporarily suspend its delinquency and nonperforming treatment for certain loans that have been granted a payment accommodation that facilitates borrowers' ability to work through the immediate impact of the pandemic. Borrowers who were current prior to becoming affected by the COVID-19 pandemic, then receive payment accommodations as a result of the effects of the COVID-19 pandemic and if all payments are current in accordance with the revised terms of the loan, generally would not be reported as past due. The Company has chosen to utilize this part of the CARES Act as it relates to delinquencies and nonperforming loans and does not report these loans as past due.

(Dollars in thousands, unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Under Section 4013 of the CARES Act, modifications of loan terms do not automatically result in TDRs and the Company generally does not need to categorize the COVID-19 pandemic-related modifications as TDRs. The Company may elect not to categorize loan modifications as TDRs if they are (1) related to the COVID-19 pandemic; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020. The termination date was extended by the Consolidated Appropriations Act of 2021, to the earlier of 60 days after the date of termination of the National Emergency or January 1, 2022. For all other loan modifications, the federal banking agencies have confirmed with staff of the Financial Accounting Standards Board ("FASB") that short-term modifications made on a good faith basis in response to the COVID-19 pandemic to borrowers who were current prior to any relief, are not TDRs.

This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports, including this Form 10-K. The Company has chosen to utilize this section of the CARES Act and does not report the COVID-19 pandemic related modifications as TDRs.

Under the CARES Act and related Interagency Statement, in regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to the COVID-19 pandemic as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal agreement. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral. Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to distressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements, these loans generally should not be reported as nonaccrual. The Company has elected to follow this guidance of the CARES Act and reports loans that have been granted payment deferrals as current so long as they were current at the time the deferral was granted.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset, (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership, (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through either (a) an agreement to repurchase them before their maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed and charged to operations using the straight-line method over the estimated useful lives of the respective assets as follows:

	Years
Building	39
Building improvements	15 - 39
Furniture, fixtures, and equipment	3 - 10

Leasehold improvements are amortized over the shorter of the improvements' estimated economic lives or the related lease terms, including extensions expected to be exercised. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Leasehold improvements in process are not amortized until the assets are placed in operation.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets: Long-lived assets, including premises and leasehold improvements are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Other Real Estate Owned: Other Real Estate Owned ("OREO") represents properties acquired through, or in lieu of, loan foreclosure or other proceedings. OREO is initially recorded at fair value, less estimated disposal costs, at the date of foreclosure, which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value, less estimated costs of disposal. Any write-down to fair value, at the time of transfer to OREO, is charged to the allowance for loan losses.

Properties are evaluated regularly to ensure that the recorded amounts are supported by current fair values and charges against earnings are recorded as necessary to reduce the carrying amount to fair value, less estimated costs to dispose. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the OREO, while costs relating to holding the property are expensed. Gains or losses are included in operations upon disposal.

Income Taxes: The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the consolidated statements of income (loss).

Related Party Transactions: Directors and officers of the Company and their affiliates have been customers of and have had transactions with the Company, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risk of collectability, nor favored treatment or terms, nor present other unfavorable features. Note 16 contains details regarding related party transactions.

Employee Benefit Plans: The Company maintains the Bank’s 401(k) Plan, an Employee Stock Ownership Plan, a Long-Term Incentive Plan that includes grants of restricted stock units and stock options, and a Supplemental Executive Retirement Plan (the “SERP”).

401(k) Plan: The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Employee Stock Ownership Plan: Compensation expense is recorded as shares are committed to be released with a corresponding credit to unearned ESOP equity account at the average fair market value of the shares during the period and the shares become outstanding for earnings per share computations. Compensation expense is recognized ratably over the service period based upon management's estimate of the number of shares expected to be allocated by the ESOP. The difference between the average fair market value and the cost of the shares allocated by the ESOP is recorded as an adjustment to additional paid-in-capital. Unallocated common shares held by the Company's ESOP are shown as a reduction in stockholders' equity and are excluded from weighted-average common shares outstanding for both basic and diluted earnings per share calculations until they are committed to be released.

Stock Options: The Company recognizes the value of shared-based payment transactions as compensation costs in the financial statements over the period that an employee provides service in exchange for the award. The fair value of the share-based payments for stock options is estimated using the Black-Scholes option-pricing model. The Company accounts for forfeitures as they occur during the period.

Restricted Stock Units: The Company recognizes compensation cost related to restricted stock units based on the market price of the stock units at the grant date over the vesting period. The product of the number of units granted and the grant date market price of the Company's common stock determines the fair value of restricted stock units. The Company recognizes compensation expense for the fair value of the restricted stock units on a straight-line basis over the requisite service period.

Comprehensive Income: Comprehensive income consists of net income (loss) and other comprehensive income (loss) which are both recognized as separate components of equity. Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale and unrecognized gains and losses on actuarial loss and prior service cost of the defined benefit plan.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the operations and financial position of the Company.

Fair Value of Financial Instruments: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Segment Reporting: The Company's business is conducted through two business segments: Ponce Bank, which involves the delivery of loan and deposit products to customers, and Mortgage World, which consists of mortgage underwriting and selling such mortgages to investors. Accordingly, all of the financial service operations are considered by management to be aggregated in two reportable operating segments as more fully disclosed in Note 19.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings (Loss) per Share ("EPS"): Basic EPS represents net income (loss) attributable to common shareholders divided by the basic weighted average common shares outstanding. Diluted EPS is computed by dividing net income (loss) attributable to common shareholders by the basic weighted average common shares outstanding, plus the effect of potential dilutive common stock equivalents outstanding during the period. Basic weighted common shares outstanding is weighted average common shares outstanding less weighted average unallocated ESOP shares.

Treasury Stock: Shares repurchased under the Company's share repurchase programs were purchased in open-market transactions and are held as treasury stock. The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders' equity.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Reclassification of Prior Year Presentation: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reporting results of operations and did not affect previously reported amounts in the Consolidated Statements of Income (Loss).

Recent Accounting Pronouncements:

As an emerging growth company ("EGC") as defined in Rule 12b-2 of the Exchange Act, the Company has elected to use the extended transition period to delay the adoption of new or reissued accounting pronouncements applicable to public business entities until such pronouncements are made applicable to nonpublic business entities. As of December 31, 2020, there is no significant difference in the comparability of the consolidated financial statements as a result of this extended transition period.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* This ASU requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. To date, the Company has identified its leased office spaces as within the scope of the guidance. The Company currently leases 13 branches and mortgage offices and the new guidance will result in the establishment of a right to use asset and corresponding lease obligations. The Company continues to evaluate the impact of the guidance, including determining whether other contracts exist that are deemed to be in scope and subsequent related accounting standard updates. The Company has established a project committee and has initiated training on ASU 2016-02. The Company is performing preliminary computations of its right to use asset and corresponding lease obligations for the operating leases of its 13 branches.

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments."* This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard is to replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, is to apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also reportedly simplifies the accounting model for purchased credit-impaired debt, securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, for public business entities, that are not deemed to be smaller reporting companies as defined by the SEC as of November 15, 2019. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Entities have to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach).

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Although early adoption is permitted, the Company does not expect to elect that option. The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. As a result of the required change in approach toward determining estimated credit losses from the current “incurred loss” model to one based on estimated cash flows over a loan’s contractual life, adjusted for prepayments (a “life of loan” model), the Company expects that the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration loan portfolios. The Company also expects that the new guidance may result in an allowance for available-for-sale debt securities. The Company has selected the CECL model and has begun running scenarios. In both cases, the extent of the change is indeterminable at this time as it will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time.

In March 2017, the FASB issued ASU 2017-08 *“Receivables – Non-Refundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.”* The ASU requires premiums on callable debt securities to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018 for public business entities. Early adoption is permitted beginning after December 15, 2018, including interim periods within those fiscal years. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, the Company adopted the amendments in this update for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. ASU 2017-08 did not have a material impact on the Company’s consolidated financial position, results of operations or disclosures.

In August 2018, the FASB issued ASU 2018-13, “*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*.” This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The Company adopted this standard which had no material effect on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 “*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*.” The objective of this update is to simplify the accounting for income taxes by removing certain exceptions to the general principles and improve consistent application and simplify other areas of Topic 740. The amendments in this update are effective for annual periods beginning after December 15, 2020, and interim periods within those fiscal years. The Bank does not believe this update will have a material impact on its financial statements.

In March 2020, the FASB issued ASU 2020-04, “*Reference Rate Reform (Topic 848).”* This ASU provides optional means and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of the reference rate reform. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The Company believes this update will not have a material impact on the consolidated financial statements.

(Dollars in thousands, unless otherwise stated)

Note 2. Business Acquisition

On July 10, 2020, the Company completed its acquisition of 100 percent of the shares of common stock of Mortgage World. The shareholders of Mortgage World received total consideration of $1,755 in cash. The acquisition was accounted for using the acquisition method of accounting, and accordingly, assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. Mortgage World's results of operations have been included in the Company's Consolidated Statements of Income (Loss) since July 10, 2020.

The assets acquired and liabilities assumed in the acquisition were recorded at their estimated fair values based on management's best estimates, using information available at the date of the acquisition. The fair values are preliminary estimates and subject to adjustment for up to one year after the closing date of the acquisition. The Company did not recognize goodwill from the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed of Mortgage World:

		Fair Value
Fair value of acquisition consideration	$	1,755
Assets:		
Cash and cash equivalents		750
Mortgage loans held for sale, at fair value		10,549
Premises and equipment, net		302
Other assets		772
Total assets	$	12,373
Liabilities:		
Warehouse lines of credit	$	9,135
Mortgage loans fundings payable		1,237
Other liabilities		246
Total Liabilities	$	10,618
Net assets	$	1,755

Note 3. Restrictions on Cash and Due From Banks

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The Bank had $24,540 and $5,935 in cash to cover its minimum reserve requirements of $0 and $4,927 at December 31, 2020 and 2019, respectively. Effective March 26, 2020, the Federal Reserve Board eliminated reserve requirement for depository institutions to support lending to households and businesses.

Cash and cash equivalents include Mortgage World restricted cash which consists of escrows due to HUD for upfront mortgage insurance premiums and escrows on unsold mortgages that are held on behalf of borrowers and good faith deposits received from commercial loan customers relating to the closing of a commercial loan. As of December 31, 2020, the total amount of restricted cash was $150 and were reflected on the consolidated statements of financial condition.

(Dollars in thousands, unless otherwise stated)

Note 4. Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities at December 31, 2020 and 2019 are summarized as follows:

	December 31, 2020			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available-for-Sale Securities:				
U.S. Government and Federal Agencies	$ —	$ —	$ —	$ —
Corporate Bonds	10,381	95	(13)	10,463
Mortgage-Backed Securities:				
FHLMC Certificates	3,201		(5)	3,196
FNMA Certificates	3,506	61	—	3,567
GNMA Certificates	263	9	—	272
Total available-for-sale securities	$ 17,351	$ 165	$ (18)	$ 17,498
Held-to-Maturity Securities:				
FHLMC Certificates	$ 1,743	$ —	$ (21)	$ 1,722
Total held-to-maturity securities	$ 1,743	$ —	$ (21)	$ 1,722

	December 31, 2019			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available-for-Sale Securities:				
U.S. Government and Federal Agencies	$ 16,373	$ —	$ (19)	$ 16,354
Mortgage-Backed Securities:				
FNMA Certificates	4,680	—	(21)	4,659
GNMA Certificates	482	9	—	491
Total available-for-sale securities	$ 21,535	$ 9	$ (40)	$ 21,504

There was one security that was classified as held-to-maturity as of December 31, 2020 and no securities that were classified as held-to-maturity as of December 31, 2019. There were no securities sold during the year ended December 31, 2020 and 2019. A total of $17,769 available-for-sale securities matured and/or were called during the year ended December 31, 2020. The Company purchased $13,625 in available-for-sale securities and $1,743 in held-to-maturity securities during the year ended December 31, 2020. A total of $39,555 of available-for-sale securities matured and/or were called during the year ended December 31, 2019. The Company purchased $30,000 of U.S. Treasury securities and $4,000 of mortgage-backed securities during the year ended December 31, 2019.

(Dollars in thousands, unless otherwise stated)

Note 4. Securities (Continued)

The following tables present the Company's securities' gross unrealized losses and fair values, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2020 and 2019:

	December 31, 2020					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-Sale Securities:						
U.S. Government and Federal Agencies	$ —	$ —	$ —	$ —	$ —	$ —
Corporate Bonds	1,717	(13)	—	—	1,717	(13)
Mortgage-Backed						
FHLMC Certificates	3,196	(5)	—	—	3,196	(5)
FNMA Certificates	—	—	—	—	—	—
Total available-for-sale securities	$ 4,913	$ (18)	$ —	$ —	$ 4,913	$ (18)
Held-to-Maturity Securities:						
FHLMC Certificates	$ 1,722	$ (21)	$ —	$ —	$ 1,722	$ (21)
Total held-to-maturity securities	$ 1,722	$ (21)	$ —	$ —	$ 1,722	$ (21)

	December 31, 2019					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total	Total
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-Sale Securities:						
U.S. Government and Federal Agencies	$ —	$ —	$ 16,354	$ (19)	$ 16,354	$ (19)
Mortgage-Backed						
FNMA Certificates	—	—	4,659	(21)	4,659	(21)
Total available-for-sale securities	$ —	$ —	$ 21,013	$ (40)	$ 21,013	$ (40)

The Company’s investment portfolio had 8 and 10 available-for-sale securities at December 31, 2020 and 2019, respectively, and 1 and no held-to-maturity security at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Company had 3 and 9 available-for-sale securities, respectively, with gross unrealized losses. Management reviewed the financial condition of the entities underlying the securities at both December 31, 2020 and 2019 and determined that they are not other than temporary impaired because the unrealized losses in those securities relate to market interest rate changes. The Company has the ability to hold them and does not have the intent to sell these securities, and it is not more likely than not that the Company will be required to sell these securities, before recovery of the cost basis. In addition, management also considers the issuers of the securities to be financially sound and believes the Company will receive all contractual principal and interest related to these investments.

(Dollars in thousands, unless otherwise stated)

Note 4. Securities (Continued)

The following is a summary of maturities of securities at December 31, 2020 and 2019. Amounts are shown by contractual maturity. Because borrowers for mortgage-backed securities have the right to prepay obligations with or without prepayment penalties, at any time, these securities are included as a total within the table.

	December 31, 2020	
	Amortized Cost	Fair Value
Available-for-Sale Securities:		
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	—	—
More than one year through five years	2,651	2,728
More than five years through ten years	7,730	7,735
	10,381	10,463
Mortgage-Backed Securities	6,970	7,035
Total available-for-sale securities	$ 17,351	$ 17,498
Held-to-Maturity Securities:		
Mortgage-Backed Securities	$ 1,743	$ 1,722
Total held-to-maturity securities	$ 1,743	$ 1,722

The held-to-maturity securities will mature on October 1, 2050.

	December 31, 2019	
	Amortized Cost	Fair Value
Available-for-Sale Securities:		
U.S. Government and Federal Agency Securities:		
Amounts maturing:		
Three months or less	$ 2,000	$ 2,000
More than three months through one year	14,373	14,354
More one year through five years	—	—
More than five years through ten years	—	—
More ten years	—	—
	16,373	16,354
Mortgage-Backed Securities	5,162	5,150
Total available-for-sale securities	$ 21,535	$ 21,504

There were no securities pledged at December 31, 2020 and 2019.

(Dollars in thousands, unless otherwise stated)

Note 5. Loans Receivable and Allowance for Loan Losses

Loans at December 31, 2020 and 2019 are summarized as follows:

	December 31, 2020	December 31, 2019
Mortgage loans:		
1-4 family residential		
Investor-Owned	$ 319,596	$ 305,272
Owner-Occupied	98,795	91,943
Multifamily residential	307,411	250,239
Nonresidential properties	218,929	207,225
Construction and land	105,858	99,309
Nonmortgage loans:		
Business loans	94,947	10,877
Consumer loans	26,517	1,231
	1,172,053	966,096
Net deferred loan origination costs	1,457	1,970
Allowance for loan losses	(14,870)	(12,329)
Loans receivable, net	$ 1,158,640	$ 955,737

The Company's lending activities are conducted principally in New York City. The Company primarily grants loans secured by real estate to individuals and businesses pursuant to an established credit policy applicable to each type of lending activity in which it engages. Although collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrowers' ability to generate continuing cash flows. The Company also evaluates the collateral and creditworthiness of each customer. The credit policy provides that depending on the borrowers' creditworthiness and type of collateral, credit may be extended up to predetermined percentages of the market value of the collateral. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities.

For disclosures related to the allowance for loan losses and credit quality, the Company does not have any disaggregated classes of loans below the segment level.

Credit-Quality Indicators: Internally assigned risk ratings are used as credit-quality indicators, which are reviewed by management on a quarterly basis.

The objectives of the Company's risk-rating system are to provide the Board of Directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio, to isolate potential problem areas and to provide essential information for determining the adequacy of the allowance for loan losses.

Below are the definitions of the Company's internally assigned risk ratings:

Strong Pass – Loans to new or existing borrowers collateralized at least 90 percent by an unimpaired deposit account at the Company.

Good Pass – Loans to a new or existing borrower in a well-established enterprise in excellent financial condition with strong liquidity and a history of consistently high level of earnings, cash flow and debt service capacity.

Satisfactory Pass – Loans to a new or existing borrower of average strength with acceptable financial condition, satisfactory record of earnings and sufficient historical and projected cash flow to service the debt.

(Dollars in thousands, unless otherwise stated)

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

Performance Pass – Loans that evidence strong payment history but document less than average strength, financial condition, record of earnings, or projected cash flows with which to service debt.

Special Mention – Loans in this category are currently protected but show one or more potential weaknesses and risks which may inadequately protect collectability or borrower's ability to meet repayment terms at some future date if the weakness or weaknesses are not monitored or remediated.

Substandard – Loans that are inadequately protected by the repayment capacity of the borrower or the current sound net worth of the collateral pledged, if any. Loans in this category have well defined weaknesses and risks that jeopardize their repayment. They are characterized by the distinct possibility that some loss may be sustained if the deficiencies are not remedied.

Doubtful – Loans that have all the weaknesses of loans classified as "Substandard" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable.

Loans within the top four categories above are considered pass rated, as commonly defined. Risk ratings are assigned as necessary to differentiate risk within the portfolio. They are reviewed on an ongoing basis and revised to reflect changes in the borrowers' financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations.

The following tables present credit risk ratings by loan segment as of December 31, 2020 and 2019:

	December 31, 2020						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
Risk Rating:							
Pass	$ 406,993	$ 301,015	$ 213,882	$ 88,645	$ 94,947	$ 26,517	$ 1,131,999
Special mention	2,333	—	—	17,213	—	—	19,546
Substandard	9,065	6,396	5,047	—	—	—	20,508
Total	$ 418,391	$ 307,411	$ 218,929	$ 105,858	$ 94,947	$ 26,517	$ 1,172,053

	December 31, 2019						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
Risk Rating:							
Pass	$ 386,022	$ 249,066	$ 202,761	$ 75,997	$ 10,877	$ 1,231	$ 925,954
Special mention	2,412	—	—	14,943	—	—	17,355
Substandard	8,781	1,173	4,464	8,369	—	—	22,787
Total	$ 397,215	$ 250,239	$ 207,225	$ 99,309	$ 10,877	$ 1,231	$ 966,096

(Dollars in thousands, unless otherwise stated)

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

An aging analysis of loans, as of December 31, 2020 and 2019, is as follows:

	December 31, 2020						
	Current	**30-59 Days Past Due**	**60-89 Days Past Due**	**Over 90 Days Past Due**	**Total**	**Nonaccrual Loans**	**Over 90 Days Accruing**
Mortgages:							
1-4 Family							
Investor-Owned	$ 313,960	$ 2,222	$ 1,507	$ 1,907	$ 319,596	$ 3,058	$ —
Owner-Occupied	95,775	1,572	348	1,100	98,795	3,250	—
Multifamily residential	305,325	1,140	—	946	307,411	946	—
Nonresidential properties	215,657	—	—	3,272	218,929	4,429	—
Construction and land	105,858	—	—	—	105,858	—	—
Nonmortgage Loans:							
Business	94,847	100	—	—	94,947	—	—
Consumer	25,529	497	316	175	26,517	—	—
Total	$ 1,156,951	$ 5,531	$ 2,171	$ 7,400	$ 1,172,053	$ 11,683	$ —

	December 31, 2019						
	Current	**30-59 Days Past Due**	**60-89 Days Past Due**	**Over 90 Days Past Due**	**Total**	**Nonaccrual Loans**	**Over 90 Days Accruing**
Mortgages:							
1-4 Family							
Investor-Owned	$ 300,324	$ 3,866	$ —	$ 1,082	$ 305,272	$ 1,749	$ —
Owner-Occupied	87,243	3,405	—	1,295	91,943	3,500	—
Multifamily residential	246,318	3,921	—	—	250,239	—	—
Nonresidential properties	203,514	3	—	3,708	207,225	4,201	—
Construction and land	99,309	—	—	—	99,309	1,118	—
Nonmortgage Loans:					—		
Business	10,877	—	—	—	10,877	—	—
Consumer	1,231	—	—	—	1,231	—	—
Total	$ 948,816	$ 11,195	$ —	$ 6,085	$ 966,096	$ 10,568	$ —

(Dollars in thousands, unless otherwise stated)

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

The following schedules detail the composition of the allowance for loan losses and the related recorded investment in loans as of December 31, 2020, 2019, and 2018, respectively.

	For the Year Ended December 31, 2020							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowances for loan losses:								
Balance, beginning of period	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Provision charged to expense	347	193	1,349	341	38	(95)	270	2,443
Losses charged-off	—	—	—	—	—	—	(6)	(6)
Recoveries	—	—	—	4	—	95	5	104
Balance, end of period	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Ending balance: individually evaluated for impairment	$ 118	$ 134	$ —	$ 40	$ —	$ —	$ —	$ 292
Ending balance: collectively evaluated for impairment	3,732	1,126	5,214	2,154	1,820	254	278	14,578
Total	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Loans:								
Ending balance: individually evaluated for impairment	$ 7,468	$ 5,754	$ 946	$ 5,184	$ —	$ —	$ —	$ 19,352
Ending balance: collectively evaluated for impairment	312,128	93,041	306,465	213,745	105,858	94,947	26,517	1,152,701
Total	$ 319,596	$ 98,795	$ 307,411	$ 218,929	$ 105,858	$ 94,947	$ 26,517	$ 1,172,053

	For the Year Ended December 31, 2019							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowances for loan losses:								
Balance, beginning of period	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Provision charged to expense	(311)	(141)	36	(85)	151	608	—	258
Losses charged-off	(8)	—	—	—	—	(724)	—	(732)
Recoveries	23	—	—	9	—	110	2	144
Balance, end of period	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Ending balance: individually evaluated for impairment	$ 265	$ 149	$ —	$ 31	$ —	$ 14	$ —	$ 459
Ending balance: collectively evaluated for impairment	3,238	918	3,865	1,818	1,782	240	9	11,870
Total	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Loans:								
Ending balance: individually evaluated for impairment	$ 6,973	$ 5,572	$ —	$ 5,548	$ 1,125	$ 14	$ —	$ 19,232
Ending balance: collectively evaluated for impairment	298,299	86,371	250,239	201,677	98,184	10,863	1,231	946,864
Total	$ 305,272	$ 91,943	$ 250,239	$ 207,225	$ 99,309	$ 10,877	$ 1,231	$ 966,096

(Dollars in thousands, unless otherwise stated)

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

	For the Year Ended December 31, 2018							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
Allowances for loan losses:								
Balance, beginning of year	$ 3,716	$ 1,402	$ 3,109	$ 1,424	$ 1,205	$ 209	$ 6	$ 11,071
Provision charged to expense	82	(444)	720	492	426	(37)	10	1,249
Losses charged-off	—	—	—	—	—	(34)	(14)	(48)
Recoveries	1	250	—	9	—	122	5	387
Balance, end of year	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Ending balance: individually evaluated for impairment	$ 349	$ 234	$ —	$ 35	$ —	$ —	$ —	$ 618
Ending balance: collectively evaluated for impairment	3,450	974	3,829	1,890	1,631	260	7	12,041
Total	$ 3,799	$ 1,208	$ 3,829	$ 1,925	$ 1,631	$ 260	$ 7	$ 12,659
Loans:								
Ending balance: individually evaluated for impairment	$ 6,452	$ 6,525	$ 16	$ 2,750	$ 1,108	$ 374	$ —	$ 17,225
Ending balance: collectively evaluated for impairment	296,745	86,263	232,493	194,167	86,464	15,336	1,068	912,536
Total	$ 303,197	$ 92,788	$ 232,509	$ 196,917	$ 87,572	$ 15,710	$ 1,068	$ 929,761

Loans are considered impaired when current information and events indicate all amounts due may not be collectable according to the contractual terms of the related loan agreements. Impaired loans, including troubled debt restructurings, are identified by applying normal loan review procedures in accordance with the allowance for loan losses methodology. Management periodically assesses loans to determine whether impairment exists. Any loan that is, or will potentially be, no longer performing in accordance with the terms of the original loan contract is evaluated to determine impairment.

The following information relates to impaired loans as of and for the years ended December 31, 2020, 2019, and 2018:

December 31, 2020	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on Cash Basis
Mortgages:							
1-4 Family	$ 14,118	$ 10,613	$ 2,609	$ 13,222	$ 252	$ 12,306	$ 321
Multifamily residential	946	946	—	946	—	231	34
Nonresidential properties	5,632	4,813	371	5,184	40	5,339	33
Construction and land	—	—	—	—	—	405	—
Nonmortgage Loans:							
Business	—	—	—	—	—	8	—
Consumer	—	—	—	—	—	—	—
Total	$ 20,696	$ 16,372	$ 2,980	$ 19,352	$ 292	$ 18,289	$ 388

(Dollars in thousands, unless otherwise stated)

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

December 31, 2019	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on Cash Basis
Mortgages:							
1-4 Family	$ 13,566	$ 8,390	$ 4,155	$ 12,545	$ 414	$ 12,995	$ 361
Multifamily residential	—	—	—	—	—	6	—
Nonresidential properties	5,640	5,173	375	5,548	31	3,988	121
Construction and land	1,465	1,125	—	1,125	—	1,219	6
Nonmortgage Loans:							
Business	16	—	14	14	14	195	—
Consumer	—	—	—	—	—	1	—
Total	$ 20,687	$ 14,688	$ 4,544	$ 19,232	$ 459	$ 18,404	$ 488

December 31, 2018	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on Cash Basis
Mortgages:							
1-4 Family	$ 12,985	$ 7,080	$ 5,898	$ 12,978	$ 583	$ 15,163	$ 758
Multifamily residential	16	16	—	16	—	36	3
Nonresidential properties	2,748	2,270	480	2,750	35	3,230	172
Construction and land	1,115	1,107	—	1,107	—	1,094	—
Nonmortgage Loans:							
Business	374	374	—	374	—	454	22
Consumer	—	—	—	—	—	—	—
Total	$ 17,238	$ 10,847	$ 6,378	$ 17,225	$ 618	$ 19,977	$ 955

The loan portfolio also includes certain loans that have been modified to troubled debt restructurings. Under applicable standards, loans are modified to troubled debt restructurings when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, unless it results in a delay in payment that is insignificant. These concessions could include a reduction of interest rate on the loan, payment and maturity extensions, forbearance, or other actions intended to maximize collections. When a loan is modified to a troubled debt restructuring, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful. If management determines that the value of the modified loan in a troubled debt restructuring is less than the recorded investment in the loan, impairment is recognized through a specific allowance estimate or charge-off to the allowance for loan losses.

(Dollars in thousands, unless otherwise stated)

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

For the year ended December 31, 2020, there was no troubled debt restructured loan and for the year ended December 31, 2019, there was one loan modified to troubled debt restructured.

	Loans Restructured During Year Ended December 31, 2020			All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Number of Loans	Balance of Loans at the Time of Default
Mortgages:					
1-4 Family	—	$ —	$ —	—	$ —
Total	—	$ —	$ —	—	$ —
Combination of rate, maturity, other	—	$ —	$ —	—	$ —
Total	—	$ —	$ —	—	$ —

	Loans Restructured During Year Ended December 31, 2019			All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Pre-Modification Recorded Balance	Post-Modification Recorded Balance	Number of Loans	Balance of Loans at the Time of Default
Mortgages:					
1-4 Family	1	$ 275	$ 283	—	$ —
Total	1	$ 275	$ 283	—	$ —
Combination of rate, maturity, other	1	$ 275	$ 283	—	$ —
Total	1	$ 275	$ 283	—	$ —

At December 31, 2020, there were 32 troubled debt restructured loans totaling $9,737 of which $6,637 are on accrual status. At December 31, 2019, there were 36 troubled debt restructured loans totaling $12,204 of which $8,601 were on accrual status. There were no commitments to lend additional funds to borrowers whose loans have been modified to troubled debt restructuring. The financial impact from the concessions made represents specific impairment reserves on these loans, which aggregated to $292 and $459 at December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, there was one loan in the amount of $1,030 held for sale related to the Bank. At December 31, 2020, 70 loans related to Mortgage World in the amount of $34,384 were held for sale and accounted for under the fair value option accounting guidance for financial assets and financial liabilities. Refer to Note 13 Fair Value for additional information.

Loan modifications and payment deferrals as a result of the COVID-19 pandemic that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. The Company’s policy is to continue to accrue interest during the deferral period. Loans that do not meet the CARES Act or regulatory guidance criteria are evaluated for TDR and non-accrual treatment under the Company’s existing policies and procedures. Through December 31, 2020, 412 loans aggregating $380,265 had received forbearance primarily consisting of the deferral of principal, interest, and escrow payments for at least a period of three months. Of those 412 loans, 339 loans aggregating $306,420 are no longer in deferment and continue performing and 73 loans in the amount of $73,845 remained in deferment. Of the 73 loans in deferment, 72 loans in the amount of $73,548 are in renewed forbearance and one loan in the amount of $297 is in its initial forbearance.

(Dollars in thousands, unless otherwise stated)

Note 6. Premises and Equipment

A summary of premises and equipment at December 31, 2020 and 2019 is as follows:

	December 31,	
	2020	**2019**
Land	$ 3,897	$ 3,979
Buildings and improvements	17,119	17,350
Leasehold improvements	26,104	25,534
Furniture, fixtures and equipment	9,184	8,513
	56,304	55,376
Less accumulated depreciation and amortization	(24,259)	(22,630)
	$ 32,045	$ 32,746

Depreciation and amortization expense amounted to $2,519, $2,222 and $1,798 for the years ended December 31, 2020, 2019, and 2018, respectively, and are included in occupancy expense in the accompanying consolidated statements of income (loss). Furniture, fixtures and equipment increased by $671 to $9,184 at December 31, 2020, mainly as a result of renovations of premises and purchases of laptops and software to facilitate remote working during the COVID-19 pandemic. Leasehold improvements increased by $570 to $26,104 as part of the branch renovation initiative. Buildings and improvements decreased by $231 to $17,119 at December 31, 2020 mainly due to the sale of real property offset by increases to investments made to the branch network and other product delivery services as part of the branch renovation initiative. Land decreased by $82 to $3,897 at December 31, 2020 as a result of the sale of real property.

Note 7. Deposits

Deposits at December 31, 2020 and 2019 are summarized as follows:

	December 31,	
	2020	**2019**
Demand (1)	$ 189,855	$ 109,548
Interest-bearing deposits:		
NOW/IOLA accounts	39,296	32,866
Money market accounts	136,258	86,721
Reciprocal deposits	131,363	47,659
Savings accounts	125,820	115,751
Total NOW, money market, and savings	432,737	282,997
Certificates of deposit of $250K or more	78,435	84,263
Brokered certificates of deposit (2)	52,678	76,797
Listing service deposits (2)	39,476	32,400
Certificates of deposit less than $250K	236,398	196,038
Total certificates of deposit	406,987	389,498
Total interest-bearing deposits	839,724	672,495
Total deposits	$ 1,029,579	$ 782,043

(1) As of December 31, 2020, included in demand deposits were $43,494 related to net PPP funding and $1.8 million related to Grain Technologies, Inc. ("Grain").
(2) There were $26,957 in individual brokered certificates of deposit or listing service deposits amounting to $250 or more.

(Dollars in thousands, unless otherwise stated)

Note 7. Deposits (Continued)

At December 31, 2020, scheduled maturities of certificates of deposit were as follows:

December 31,		
2021	$	271,229
2022		82,043
2023		24,123
2024		11,036
2025		14,556
Thereafter		4,000
	$	406,987

Overdrawn deposit accounts that have been reclassified to loans amounted to $102 and $199 as of December 31, 2020 and 2019, respectively.

Note 8. Borrowings

FHLBNY Advances: As a member of FHLBNY, the Bank has the ability to borrow from the FHLBNY based on a certain percentage of the value of the Bank's qualified collateral, as defined in FHLBNY Statement of Credit Policy, at the time of the borrowing. In accordance with an agreement with FHLBNY, the qualified collateral must be free and clear of liens, pledges and encumbrances.

The Bank had $109,255 and $104,404 of outstanding term advances from FHLBNY at December 31, 2020 and 2019, respectively, and $8,000 of outstanding overnight advances at December 31, 2020 and none as of December 31, 2019. Additionally, the Bank has an unsecured line of credit in the amount of $25,000 with a correspondent bank of which none was outstanding at December 31, 2020 and 2019. The Bank also had a guarantee from the FHLBNY through letters of credit of up to $61,491 at December 31, 2020 and a letter of credit in the amount of $3,455 at December 31, 2019.

Borrowed funds at December 31, 2020 and 2019 consist of the following and are summarized by maturity and call date below:

	December 31, 2020			December 31, 2019		
	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate
FHLBNY overnight advances	$ 8,000	$ 8,000	0.34%	$ —	$ —	—%
FHLBNY term advances ending :						
2020	—	—	—	8,029	8,029	2.86
2021	3,000	3,000	1.84	3,000	3,000	1.84
2022	77,880	77,880	1.73	65,000	65,000	1.89
2023	28,375	28,375	2.82	28,375	28,375	2.82
	$ 117,255	$ 117,255	1.90%	$ 104,404	$ 104,404	2.21%

Interest expense on term advances totaled $2,538, $1,724, and $835 for the years ended December 31, 2020, 2019 and 2018, respectively. Interest expense on overnight advances totaled $173, $130, and $64 for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, the Bank has eligible collateral of approximately $336,804 and $301,753, respectively, in mortgage loans available to secure advances from the FHLBNY.

(Dollars in thousands, unless otherwise stated)

Note 8. Borrowings (Continued)

Warehouse Lines of Credit: Mortgage World maintains two warehouse lines of credit with financial institutions for the purpose of funding the originations and sale of residential mortgages. The lines of credit are repaid with proceeds from the sale of the mortgage loans. The lines are secured by the assets collaterizing underlying mortgages. The agreements with the warehouse lenders provide for certain restrictive covenants such as minimum net worth and liquidity ratios for Mortgage World. All warehouse facilities are guaranteed by Mortgage World. As of December 31, 2020, Mortgage World was in full compliance with all financial covenants.

	Credit Line Maximum	Unused Line of Credit	Balance at December 31, 2020
Warehouse Line of Credit #1	$ 29,900	$ 2,171	$ 27,729
Warehouse Line of Credit #2	5,000	2,768	2,232
Total long-term debt	$ 34,900	$ 4,939	$ 29,961

Warehouse Line of Credit #1

The interest rate is based on the 30-day LIBOR rate plus 3.25%. The effective rate at December 31, 2020 was 3.39%. The line of credit is an evergreen agreement that terminates upon request by either the financial institution or the borrower.

Warehouse Line of Credit #2

The interest rate is based on the 30-day LIBOR rate plus 3.00% for loans funded by wires. The effective rate at December 31, 2020 was 3.14%. The warehouse line of credit is due to expire on June 30, 2021.

Mortgage Loan Funding Payable: Mortgage loan funding payable consists of liabilities to borrowers in connection with Mortgage World origination of residential loans originated and intended for sale in the secondary market, that remain unfunded because there is typically a three day period from when the loans close to when they are funded by the warehouse line of credit. This liability is presented at cost and fully offsets the principal balance of the related loans included in mortgage loans held for sale, at fair value on the consolidated statement of financial condition. At December 31, 2020, the balance of mortgage loan funding payable was $1,483.

Note 9. Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2020, 2019, and 2018 consists of the following:

	For the Years Ended December 31,		
	2020	2019	2018
Federal:			
Current	$ 2,065	$ 878	$ 972
Deferred	(839)	(1,436)	37
	1,226	(558)	1,009
State and local:			
Current	281	296	333
Deferred	(353)	(3,002)	(1,011)
	(72)	(2,706)	(678)
Changes in valuation allowance	228	2,340	790
Provision (benefit) for income taxes	$ 1,382	$ (924)	$ 1,121

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% for 2020, 2019 and 2018 to income before income taxes as a result of the following:

(Dollars in thousands, unless otherwise stated)

Note 9. Income Taxes (Continued)

	For the Years Ended December 31,		
	2020	2019	2018
Income tax, at federal rate	$ 1,099	$ (1,270)	$ 799
State and local tax, net of federal taxes	(57)	(2,128)	(536)
Valuation allowance, net of the federal benefit	228	2,340	790
Other	112	134	68
Provision (benefit) for income taxes	$ 1,382	$ (924)	$ 1,121

Management maintains a valuation allowance against its net New York State and New York City deferred tax as it is unlikely these deferred tax assets will impact the Company's tax liability in future years. The valuation allowance increased by $228, $2,340 and $790 for the years ended December 31, 2020, 2019 and 2018, respectively.

Management has determined that it is not required to establish a valuation allowance against any other deferred tax assets in accordance with GAAP since it is more likely than not that the deferred tax assets will be fully utilized in future periods. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods that the temporary differences comprising the deferred tax assets will be deductible.

A financial institution may not carry back net operating losses (“NOL”) to earlier tax years. The NOL can be carried forward indefinitely. The use of NOL to offset income is limited to 80%. The CARES Act allows NOLs generated in 2018, 2019 and 2020 to be carried back to each of the five preceding tax years. The Bank, did not generate NOLs in 2018, 2019 or 2020 so no carryback is available. At December 31, 2020, the Bank had no federal NOL carryforwards.

The state and city of New York allow for a three-year carryback period and carryforward period of twenty years on net operating losses generated on or after tax year 2015. For tax years prior to 2015, no carryback period is allowed. Ponce De Leon Federal Bank, the predecessor of Ponce Bank, has pre-2015 carryforwards of $1,900 for New York State purposes and $1,800 for New York City purposes. Furthermore, there are post-2015 carryforwards available of $37,400 for New York State purposes and $19,400 for New York City purposes. Finally, for New Jersey purposes, losses may only be carried forward 20 years, with no allowable carryback period. At December 31, 2020, the Bank had no New Jersey net operating loss carryforwards.

At December 31, 2020 and 2019, the Company had no unrecognized tax benefits recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months.

The Company is subject to U.S. federal income tax, New York State income tax, Connecticut income tax, New Jersey income tax, Florida income tax, Pennsylvania income tax and New York City income tax. The Company is no longer subject to examination by taxing authorities for years before 2017.

In 2018, the Company elected to early adopt ASU 2018-02, “Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The Company reclassified the income tax effects of Tax Cuts and Jobs Act of approximately $1,281 from accumulated other comprehensive income to retained earnings as presented in the consolidated statements of stockholders’ equity.

On March 27, 2020, the CARES Act was signed to help individuals and businesses that have been negatively impacted by the COVID-19 pandemic. Among other provisions, the CARES Act allows net operating losses, which were modified with the Tax Cuts and Jobs Act of 2017, to be carried back five years. It also modifies the useful lives of qualified leasehold improvements, relaxing the excess loss limitations on pass-through and increasing the interest expense limitation. The Company does not expect the CARES Act to have a material tax impact on the Company's consolidated financial statements.

(Dollars in thousands, unless otherwise stated)

Note 9. Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019 are presented below:

	At December 31, 2020	At December 31, 2019
Deferred tax assets:		
Allowance for losses on loans	$ 4,846	$ 3,990
Interest on nonaccrual loans	792	338
Unrealized loss on available-for-sale securities	—	7
Amortization of intangible assets	70	88
Deferred rent payable	120	—
Depreciation of premises and equipment	79	30
Net operating losses	3,990	4,258
Charitable contribution carryforward	1,366	1,675
Compensation and benefits	326	182
Other	78	130
Total gross deferred tax assets	11,667	10,698
Deferred tax liabilities:		
Cumulative contribution in excess of net periodic benefit costs, net	—	85
Deferred loan fees	475	638
Unrealized loss on available-for-sale securities	25	—
Other	39	7
Total gross deferred tax liabilities	539	730
Valuation allowance	6,472	6,244
Net deferred tax assets	$ 4,656	$ 3,724

The deferred tax expense (benefit) has been allocated between operations and equity as follows:

	For the Years Ended December 31, 2020	2019	2018
Equity	$ 32	$ 2,186	$ 282
Operations	(964)	(2,099)	(184)
	$ (932)	$ 87	$ 98

(Dollars in thousands, unless otherwise stated)

Note 10. Compensation and Benefit Plans

401(k) Plan:

The Company provides a qualified defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) Plan qualifies under the Internal Revenue Service safe harbor provisions, as defined. Employees are eligible to participate in the 401(k) Plan at the beginning of each quarter (January 1, April 1, July 1 or October 1). The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided. The Company is currently making a safe harbor contributions of 3%. The 401(k) expenses recorded in the consolidated statements of income (loss) amounted to $580, $331 and $363 for the years ended December 31, 2020, 2019 and 2018, respectively.

Employee Stock Ownership Plan:

In connection with the reorganization, the Company established an Employee Stock Ownership Plan (ESOP) for the exclusive benefit of eligible employees. The ESOP borrowed $7,238 from the Company, sufficient to purchase 723,751 shares (approximately 3.92% of the common stock sold in the stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Company and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, and then the remainder will be applied to principal. The loan is expected to be repaid over a period of 15 years. Shares purchased with the loan proceeds are held by the trustee in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants, subject to applicable regulations.

Contributions to the ESOP are to be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, compensation expense equal to the average market price of the shares for the respective period are recognized, and the unallocated shares are taken into consideration when computing earnings per share (see Note 11).

A summary of the ESOP shares as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Shares committed-to-be released	48,250	48,250
Shares allocated to participants	129,270	96,500
Unallocated shares	530,751	579,001
Total	708,271	723,751
Fair value of unallocated shares	$ 5,578	$ 8,511

The Company recognized ESOP related compensation expense, including ESOP equalization expense, of $538, $766 and $615 for the years ended December 31, 2020, 2019 and 2018, respectively.

Supplemental Executive Retirement Plan:

The Company maintains a non-qualified supplemental executive retirement plan (“SERP”) for the benefit of one key executive officer. The SERP expenses recognized were $59, $62, and $61 for the years ended December 31, 2020, 2019 and 2018, respectively.

(Dollars in thousands, unless otherwise stated)

Note 10. Compensation and Benefit Plans (Continued)

2018 Incentive Plan

The Company's stockholders approved the PDL Community Bancorp 2018 Long-Term Incentive Plan (the "2018 Incentive Plan") at the Special Meeting of Stockholders on October 30, 2018. The maximum number of shares of common stock which can be issued under the 2018 Incentive Plan is 1,248,469. Of the 1,248,469 shares, the maximum number of shares that may be awarded under the 2018 Incentive Plan pursuant to the exercise of stock options or stock appreciation rights ("SARs") is 891,764 shares (all of which may be granted as incentive stock options), and the number of shares of common stock that may be issued as restricted stock awards or restricted stock units is 356,705 shares. However, the 2018 Incentive Plan contains a flex feature that provides that awards of restricted stock and restricted stock units in excess of the 356,705 share limitation may be granted but each share of stock covered by such excess award shall reduce the 891,764 share limitation for awards of stock options and SARs by 3.0 shares of common stock. The Company converted 462,522 awards of stock options into 154,174 restricted stock units in 2018 and 45,000 awards of stock options into 15,000 restricted stock units in 2020.

Under the 2018 Incentive Plan, the Company made grants equal to 674,645 shares on December 4, 2018 which include 119,176 incentive options to executive officers, 44,590 non-qualified options to outside directors, 322,254 restricted stock units to executive officers, 40,000 restricted stock units to non-executive officers and 148,625 restricted stock units to outside directors. During the year ended December 31, 2020, the Company awarded 40,000 incentive options and 15,000 restricted stock units to non-executive officers under the 2018 Incentive Plan. Awards to directors generally vest 20% annually beginning with the first anniversary of the date of grant. Awards to a director with fewer than five years of service at the time of grant vest over a longer period and will not become fully vested until the director has completed ten years of service. Awards to the executive officer who is not a director vest 20% annually beginning on December 4, 2020. As of December 31, 2020 and 2019, the maximum number of stock options and SARs remaining to be awarded under the Incentive Plan was 189,476 and 265,476, respectively. As of December 31, 2020 and 2019 the maximum number of shares of common stock that may be issued as restricted stock awards or restricted stock units remaining to be awarded under the Incentive Plan was none for both years. If the 2018 Incentive Plan's flex feature described above were fully utilized, the maximum number of shares of common stock that may be awarded as restricted stock awards or restricted stock units would be 63,159 and 88,492 as of December 31, 2020 and 2019, respectively, but would eliminate the availability of stock options and SARs available for award.

The product of the number of units granted and the grant date market price of the Company's common stock determine the fair value of restricted stock units under the Company's 2018 Incentive Plan. Management recognizes compensation expense for the fair value of restricted stock units on a straight-line basis over the requisite service period for the entire award.

A summary of the Company's restricted stock units activity and related information for the year ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	
	Number of Shares	**Weighted-Average Grant Date Fair Value Per Share**
Non-vested, beginning of year	420,744	$ 12.78
Granted	15,000	10.05
Forfeited	(3,000)	12.77
Vested	(96,825)	12.77
Non-vested at December 31	335,919	$ 12.66

(Dollars in thousands, unless otherwise stated)

Note 10. Compensation and Benefit Plans (Continued)

	December 31, 2019	
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	510,879	$ 12.77
Granted	29,725	12.93
Forfeited	(29,725)	12.77
Vested	(90,135)	12.77
Non-vested at December 31	420,744	$ 12.78

Compensation expense related to restricted stock units for the years ended December 31, 2020, 2019 and 2018 was $1,276, $1,155 and $91, respectively. As of December 31, 2020, the total remaining unrecognized compensation cost related to restricted stock units was $4,119, which is expected to be recognized over the next 28 quarters.

A summary of the Company’s stock options activity and related information for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	
	Options	Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$ 12.78
Granted	40,000	8.93
Exercised	—	—
Forfeited	—	—
Outstanding, end of year (1)	203,766	$ 12.02
Exercisable, end of year (1)	55,938	$ 12.77

	December 31, 2019	
	Options	Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$ 12.77
Granted	8,918	12.93
Exercised	—	—
Forfeited	(8,918)	12.77
Outstanding, end of year (1)	163,766	$ 12.78
Exercisable, end of year (1)	24,788	$ 12.77

(2) The aggregate intrinsic value, which represents the difference between the price of the Company’s common stock at respective periods and the stated exercise price of the underlying options, was $0 and $315 for outstanding options and $0 and $48 for exercisable options at December 31, 2020 and 2019, respectively.

(Dollars in thousands, unless otherwise stated)

Note 10. Compensation and Benefit Plans (Continued)

The weighted-average exercise price for outstanding options as of December 31, 2020 was $12.02 per share and the weighted-average remaining contractual life is 7.8 years. The weighted-average period over which it is expected to be recognized is 4.7 years. There were 55,938 shares exercisable as of December 31, 2020. Total compensation costs related to stock options recognized was $127, $101 and $7 for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, the total remaining unrecognized compensation cost related to unvested stock options was $486, which is expected to be recognized over the next 28 quarters.

The fair value of each option grant is estimated on the date of grant using Black-Scholes option pricing model with the following weighted average assumptions:

	For the Years Ended December 31,	
	2020	2019
Dividend yield	0.00%	0.00%
Expected life	6.5 years	6.5 years
Expected volatility	38.51%	16.94%
Risk-free interest rate	0.48%	2.51%
Weighted average grant date fair value	$ 3.77	$ 4.01

The expected volatility is based on the stock's historical volatility. The expected life is an estimate based on management's review of the various factors and calculated using the simplified method for plain vanilla options. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

Defined Benefit Plan:

On May 31, 2019, the Company's Board of Directors approved the termination of the Defined Benefit Plan which was liquidated on December 1, 2019. The benefit obligations settled by the lump sum payments and annuity contracts resulted in payments from plan assets of approximately $13,858. The remaining previously unrecognized losses in accumulated other comprehensive loss relating to the Defined Benefit Plan were recognized as an expense and a pre-tax charge of approximately $9,930 ($7,844 after-tax) was recorded in other income (expense), net, in our consolidated statements of income (loss) during the fourth quarter of 2019.

The following table sets forth the Defined Benefit Plan's funded status and amounts recognized in the consolidated statements of financial conditions as of December 31, 2020 and 2019 using a measurement date as of December 31, 2019.

	December 31,	
	2020	2019
Projected benefit obligation	$ —	$ —
Fair value of plan assets	—	261
Funded status	$ —	$ 261
Accumulated benefit obligation	$ —	$ —

	December 31,	
	2020	2019
Changes in benefit obligation:		
Beginning of period	$ —	$ 14,244
Service cost	—	39
Interest cost	—	589
Lump sum and annuity purchase	—	(13,858)
Interest rate change	—	2,787
Mortality change	—	—
(Gain)/ Loss	—	(3,130)
Administrative cost	—	(39)
Benefits paid	—	(632)
End of period	$ —	$ —

(Dollars in thousands, unless otherwise stated)

Note 10. Compensation and Benefit Plans (Continued)

	December 31, 2020	December 31, 2019
Changes in plan assets:		
Fair value of plan assets, beginning of year	$ —	$ 14,416
Actual return on plan assets	—	374
Lump sum and annuity purchase	—	(13,858)
Benefits paid	—	(632)
Administrative expenses paid	—	(39)
Fair value of plan assets, end of year	$ —	$ 261

The components of net periodic benefit cost are as follows for the years ended December 31, 2020, 2019 and 2018:

	For the Years Ended December 31, 2020	2019	2018
Service cost	$ —	$ 39	$ 39
Interest cost	—	589	542
Expected return on plan assets	—	(842)	(860)
Amortization of prior service cost	—	25	25
Amortization of loss	—	259	299
Net periodic benefit cost	$ —	$ 70	$ 45

Treasury Stock:

The Company adopted a share repurchase program effective March 25, 2019 which expired on September 24, 2019. Under the repurchase program, the Company was authorized to repurchase up to 923,151 shares of the Company’s stock, or approximately 5% of the Company’s then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this second program, the Company was authorized to repurchase up to 878,835 shares of the Company’s stock, or approximately 5% of the Company’s then current issued and outstanding shares. The Company’s second share repurchase program was terminated on March 27, 2020 in response to the uncertainty related to the unfolding COVID-19 pandemic. On June 1, 2020, the Company adopted a third share repurchase program. Under this third program, the Company was authorized to repurchase up to 864,987 shares of the Company’s stock, or approximately 5% of the Company’s then current issued and outstanding shares. The Company’s third share repurchase program expired on November 30, 2020. On December 14, 2020, the Company adopted a fourth share repurchase program. Under this fourth program, the Company is authorized to repurchase up to 852,302 shares of the Company’s stock, or approximately 5% of the Company’s then current issued and outstanding shares. The fourth repurchase program may be suspended or terminated at any time without prior notice, and it will expire no later than June 13, 2021.

As of December 31, 2020, the Company had repurchased a total of 1,523,853 shares under the repurchase programs at a weighted average price of $13.43 per share, of which 1,337,059 shares are reported as treasury stock. Of the 1,523,853 shares repurchased, a total of 186,960 shares have been used for grants given to directors, executive officers and non-executive officers under the Company’s 2018 Long-Term Incentive Plan pursuant to restricted stock units which vested on December 4, 2020 and 2019. Of the 186,960 shares, 166 shares were retained to satisfy a recipient’s taxes and other withholding obligations and these shares remain as part of treasury stock.

Note 11. Earnings Per Common Share

The following table presents a reconciliation of the number of common shares used in the calculation of basic and diluted earnings per common share:

	For the Years Ended December 31,		
	2020	2019	2018
	(Dollars in thousands except share data)		
Net income (loss)	$ 3,853	$ (5,125)	$ 2,677
Common shares outstanding for basic EPS:			
Weighted average common shares outstanding	17,233,901	18,039,640	18,463,028
Less: Weighted average unallocated Employee Stock Ownership Plan (ESOP) shares	560,708	607,322	657,159
Basic weighted average common shares outstanding	16,673,193	17,432,318	17,805,869
Basic earnings (loss) per common share	$ 0.23	$ (0.29)	$ 0.15
Dilutive potential common shares:			
Add: Dilutive effect of restricted stock awards	9,391	—	6,337
Diluted weighted average common shares outstanding	16,682,584	17,432,318	17,812,206
Diluted earnings (loss) per common share	$ 0.23	$ (0.29)	$ 0.15

Note 12. Commitments, Contingencies and Credit Risk

Financial Instruments With Off-Balance-Sheet Risk: In the normal course of business, financial instruments with off-balance-sheet risk may be used to meet the financing needs of customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement in particular classes of financial instruments.

Commitments to Sell Loans at Lock-in Rates: In order to assure itself of a marketplace to sell its loans, Mortgage World has agreements with investors who will commit to purchase loans at locked-in rates. Mortgage World has off-balance sheet market risk to the extent that Mortgage World does not obtain matching commitments from these investors to purchase the loans. This will expose Mortgage World to the lower of cost or market valuation environment.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless. The same credit policies are used in making commitments and contractual obligations as for on-balance-sheet instruments.

Financial instruments whose contractual amounts represent credit risk at December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
Commitments to grant mortgage loans	$ 101,722	$ 64,829
Commitments to sell loans at lock-in rates	11,276	—
Unfunded commitments under lines of credit	38,261	27,833
Letters of credit	—	3,455
	$ 151,259	$ 96,117

(Dollars in thousands, unless otherwise stated)

Note 12. Commitments, Contingencies and Credit Risk (Continued)

Commitments to Grant Mortgage Loans: Commitments to grant mortgage loans are agreements to lend to a customer as long as all terms and conditions are met as established in the contract. Commitments generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. Material losses are not anticipated as a result of these transactions.

Repurchases, Indemnifications and Premium Recaptures: Loans sold by Mortgage World under investor programs are subject to repurchase or indemnification if they fail to meet the origination criteria of those programs. In addition, loans sold to investors are also subject to repurchase or indemnifications if the loan is two or three months delinquent during a set period which usually varies from six months to a year after the loan is sold. There are no open repurchase or indemnification requests for loans sold as a correspondent lender or where the Company acted as a broker in the transaction as of December 31, 2020.

Unfunded Commitments Under Lines of Credit: Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extension of credit to existing customers. These lines of credit are both uncollateralized and usually contain a specified maturity date and, ultimately, may not be drawn upon to the total extent to which the Company is committed.

Letters of Credit: Letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Letters of credit are largely cash secured.

Concentration by Geographic Location: Loans, commitments to extend credit and letters of credit have been granted to customers who are located primarily in New York City. The majority of such loans most often are secured by one-to-four family residential. The loans are expected to be repaid from the borrowers' cash flows.

Loan Concentrations: As of December 31, 2020, approximately 4.7% of Mortgage World total originated loan volume was insured and approximately 83.0% of total originated loan volume was sold to three investors. Mortgage World is permitted to close loans in five states and has closed approximately 98.6% of its loan volume in two states.

Lease Commitments: At December 31, 2020, there were noncancelable operating leases for office space that expire on various dates through 2036. One such lease contains an escalation clause providing for increased rental based primarily on increases in real estate taxes. Rental expenses under operating leases, included in occupancy and equipment expense, totaled $1,475, $1,490, and $1,440 for the years ended December 31, 2020, 2019, and 2018, respectively.

The projected minimum rental payments under the terms of the leases at December 31, 2020 are as follows:

December 31,		
2021	$	1,633
2022		1,525
2023		1,535
2024		1,516
2025		1,434
Thereafter		6,238
	$	13,881

Legal Matters: The Company is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Company’s financial condition or results of operations.

Note 13. Fair Value

The following fair value hierarchy is used based on the lowest level of input significant to the fair value measurement. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Cash and Cash Equivalents, Placements with Banks, Accrued Interest Receivable, Advance Payments by Borrowers for Taxes and Insurance, and Accrued Interest Payable: The carrying amount is a reasonable estimate of fair value. These assets and liabilities were not recorded at fair value on a recurring basis.

Available-for-Sale Securities: These financial instruments are recorded at fair value in the consolidated financial statements on a recurring basis. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using pricing models (e.g., matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency bonds and mortgage-backed securities. Level 3 securities are securities for which significant unobservable inputs are utilized. There were no changes in valuation techniques used to measure similar assets during the period.

Held to Maturity Securities: The fair values of the Company's held-to-maturity securities are obtained from a third party pricing service that utilizes market prices of similar securities where available or utilizing models such as discounted cash flow analysis.

FHLBNY Stock: The carrying value of FHLBNY stock approximates fair value since the Company can redeem such stock with FHLBNY at cost. As a member of the FHLBNY, the Company is required to purchase this stock, which we carry at cost and classified as restricted equity securities.

Loans Receivable: For variable rate loans, which reprice frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolios. The fair value of fixed rate loans is estimated by discounting the future cash flows using estimated market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolios. Impaired loans are valued using a present value discounted cash flow method, or the fair value of the collateral. Loans are not recorded at fair value on a recurring basis.

Mortgage Loans Held for Sale: Mortgage loans held for sale, at fair value, consists primarily of mortgage loans originated for sale by Mortgage World and accounted for under the fair value option. These assets are valued using stated investor pricing for substantially equivalent loans as Level 2. In determining fair value, such measurements are derived based on observable market data, investor commitments, or broker quotations, including whole-loan transaction pricing and similar market transactions adjusted for portfolio composition, servicing value and market conditions. The fair value for mortgage loans held for sale not committed to an investor is generally based on current delivery prices using best execution pricing. Loans held for sale by the Bank are carried at the lower of cost or fair value as determined by investor bid prices.

Under the fair value option, management has elected, on an instrument-by-instrument basis, fair value accounting for substantially all forms of mortgage loans originated for sale on a recurring basis. The fair value carrying amount of mortgages held for sale under the fair value option was $35,637 and the aggregate unpaid principal balance amounted to $34,376.

Interest Rate Lock Commitments: Mortgage World enters into rate lock commitments to extend credit to borrowers for generally up to a 60 day period for origination and/or purchase of loans. To the extent that a loan is ultimately granted and the borrower ultimately accepts the terms of the loan, these loan commitments expose Mortgage World to variability in its fair value due to changes in interest rates.

(Dollars in thousands, unless otherwise stated)

Note 13. Fair Value (Continued)

The FASB determined that loan commitments related to the origination or acquisition of mortgage loans that will be held for sale must be accounted for as derivative instruments. Such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in net gain or loss on sale of mortgage loans. Fair value is based on active market pricing for substantially similar underlying mortgage loans commonly referred to as best execution pricing or investment commitment pricing, if the loan is committed to an investor through a best efforts contract. In valuing interest rate lock commitments, there are several unobservable inputs such as the fair value of the mortgage servicing rights, estimated remaining cost to originate the loans, and the pull through rate of the open pipeline. Accordingly, such derivative is classified as Level 3.

The approximate notional amounts of Mortgage World’s derivative instruments was $11,276 at December 31, 2020. The fair value of derivatives related to interest rate lock commitments not subject to a forward loan sale commitment, amounted to $166 as of December 31, 2020 and is included in other assets on the consolidated statements of financial condition.

The table below presents the changes in derivatives from interest rate lock commitments that are measured at fair value on a recurring basis:

Balance as of July 10, 2020	$	—
Change in fair value of derivative instrument reported in earnings		166
Balance as of December 31, 2020	$	166

Other Real Estate Owned: Other real estate owned represents real estate acquired through foreclosure, and is recorded at fair value less estimated disposal costs on a nonrecurring basis. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the asset is classified as Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the asset is classified as Level 3.

Deposits: The fair values of demand deposits, savings, NOW, reciprocal deposits and money market accounts equal their carrying amounts, which represent the amounts payable on demand at the reporting date. Fair values for fixed-term, fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on certificates of deposit to a schedule of aggregated expected monthly maturities on such deposits. Deposits are not recorded at fair value on a recurring basis.

FHLBNY Advances: The fair value of the advances is estimated using a discounted cash flow calculation that applies current market-based FHLBNY interest rates for advances of similar maturity to a schedule of maturities of such advances. These borrowings are not recorded at fair value on a recurring basis.

Warehouse Lines of Credit, Mortgage Loan Fundings Payable: The carrying amounts of warehouse lines of credit and mortgage loan fundings payable approximate fair value and due to their short-term nature are classified as Level 2.

Off-Balance-Sheet Instruments: Fair values for off-balance-sheet instruments (lending commitments and letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2020 and 2019, and indicate the level within the fair value hierarchy utilized to determine the fair value:

(Dollars in thousands, unless otherwise stated)

Note 13. Fair Value (Continued)

		December 31, 2020		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-Sale Securities:				
Corporate bonds	10,463	—	10,463	—
Mortgage-Backed Securities:				
FHLMC Certificates	3,196	—	3,196	—
FNMA Certificates	3,567	—	3,567	—
GNMA Certificates	272	—	272	—
Mortgage loans held for sale, at fair value	35,406	—	35,406	—
Derivatives from interest rate lock commitments	166	—	—	166
	$ 53,070	$ —	$ 52,904	$ 166

		December 31, 2019		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-Sale Securities:				
U.S. government and federal agencies	$ 16,354	$ —	$ 16,354	$ —
Mortgage-Backed Securities:				
FNMA Certificates	4,659	—	4,659	—
GNMA Certificates	491	—	491	—
	$ 21,504	$ —	$ 21,504	$ —

Our assessment and classification of a financial instrument within a level can change over time based upon maturity or liquidity of the investment and would be reflected at the beginning of the quarter in which the change occurred.

The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019 and indicate the fair value hierarchy utilized to determine the fair value:

	December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans	$ 19,352	$ —	$ —	$ 19,352

	December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Impaired loans	$ 19,232	$ —	$ —	$ 19,232

Losses on assets carried at fair value on a nonrecurring basis were de minimis for the years ended December 31, 2020 and 2019, respectively.

(Dollars in thousands, unless otherwise stated)

Note 13. Fair Value (Continued)

As of December 31, 2020 and 2019, the book balances and estimated fair values of the Company's financial instruments were as follows:

	Carrying	Fair Value Measurements			
December 31, 2020	**Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Cash and cash equivalents	$ 72,078	$ 72,078	$ —	$ —	$ 72,078
Available-for-sale securities, at fair value	17,498	—	17,498	—	17,498
Held-to-maturity securities, at amortized cost	1,743	—	1,722	—	1,722
Placements with banks	2,739	—	2,739	—	2,739
Mortgage loans held for sale, at fair value	35,406	—	35,406	—	35,406
Loans receivable, net	1,158,640	—	—	1,182,971	1,182,971
Accrued interest receivable	11,396	—	11,396	—	11,396
FHLBNY stock	6,426	6,426	—	—	6,426
Financial liabilities:					
Deposits:					
Demand deposits	189,855	189,855	—	—	189,855
Interest-bearing deposits	432,737	432,737	—	—	432,737
Certificates of deposit	406,987	—	411,742	—	411,742
Advance payments by borrowers for taxes and insurance	7,019	—	7,019	—	7,019
Advances from FHLBNY	117,255	—	119,248	—	119,248
Warehouse lines of credit	29,961	—	29,961	—	29,961
Mortgage loan fundings payable	1,483	—	1,483	—	1,483
Accrued interest payable	60	—	60	—	60
December 31, 2019					
Financial assets:					
Cash and cash equivalents	$ 27,677	$ 27,677	$ —	$ —	$ 27,677
Available-for-sale securities	21,504	—	21,504	—	21,504
Mortgage loans held for sale, at fair value	1,030	—	1,030	—	1,030
Loans receivable, net	955,737	—	—	959,942	959,942
Accrued interest receivable	3,982	—	3,982	—	3,982
FHLBNY stock	5,735	5,735	—	—	5,735
Financial liabilities:					
Deposits:					
Demand deposits	109,548	109,548	—	—	109,548
Interest-bearing deposits	282,997	282,997	—	—	282,997
Certificates of deposit	389,498	—	393,254	—	393,254
Advance payments by borrowers for taxes and insurance	6,348	—	6,348	—	6,348
Advances from FHLBNY	104,404	—	104,195	—	104,195
Accrued interest payable	97	—	97	—	97

Off-Balance-Sheet Instruments: There were no loan commitments on which the committed interest rate is less than the current market rate at December 31, 2020 and 2019.

The fair value information about financial instruments are disclosed, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The estimated fair value amounts for 2020 and 2019 have been measured as of their respective period-ends and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at each period.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other banks may not be meaningful.

(Dollars in thousands, unless otherwise stated)

Note 14. Regulatory Capital Requirements

The Company, the Bank and Mortgage World are subject to various regulatory capital requirements administered by the Federal Reserve Board, the OCC, the U.S. Department of Housing and Urban Development, and the NYS Department of Financial Services, respectively. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s operations and financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require the maintenance of minimum amounts and ratios (set forth in the table below) of total risk-based and Tier 1 capital to risk-weighted assets (as defined), common equity Tier 1 capital (as defined), and Tier 1 capital to adjusted total assets (as defined). As of December 31, 2020 and 2019, all applicable capital adequacy requirements have been met.

The below minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was phased in to 2.5% by 2019. The applicable capital buffer was 7.95% and 10.6% at December 31, 2020 and 2019, respectively.

The most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There were no conditions or events since then that management believes have changed the Bank's category.

The Company's and the Bank’s actual capital amounts and ratios as of December 31, 2020 and 2019 as compared to regulatory requirements are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2020						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 171,578	17.68%	$ 77,644	8.00%	$ 97,055	10.00%
Tier 1 Capital to Risk-Weighted Assets	159,410	16.42%	58,233	6.00%	77,644	8.00%
Common Equity Tier 1 Capital Ratio	159,410	16.42%	43,675	4.50%	63,086	6.50%
Tier 1 Capital to Total Assets	159,410	13.34%	47,814	4.00%	59,768	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 153,951	15.95%	$ 77,213	8.00%	$ 96,516	10.00%
Tier 1 Capital to Risk-Weighted Assets	141,850	14.70%	57,909	6.00%	77,213	8.00%
Common Equity Tier 1 Capital Ratio	141,850	14.70%	43,432	4.50%	62,735	6.50%
Tier 1 Capital to Total Assets	141,850	11.19%	50,715	4.00%	63,394	5.00%

(Dollars in thousands, unless otherwise stated)

Note 14. Regulatory Capital Requirements (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2019						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 168,268	21.35%	$ 63,044	8.00%	$ 78,805	10.00%
Tier 1 Capital to Risk-Weighted Assets	158,382	20.10%	47,283	6.00%	63,044	8.00%
Common Equity Tier 1 Capital Ratio	158,382	20.10%	35,462	4.50%	51,223	6.50%
Tier 1 Capital to Total Assets	158,382	14.97%	42,334	4.00%	52,917	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 146,451	18.62%	$ 62,923	8.00%	$ 78,654	10.00%
Tier 1 Capital to Risk-Weighted Assets	136,584	17.37%	47,192	6.00%	62,923	8.00%
Common Equity Tier 1 Capital Ratio	136,584	17.37%	35,394	4.50%	51,125	6.50%
Tier 1 Capital to Total Assets	136,584	12.92%	42,275	4.00%	52,843	5.00%

Mortgage World is subject to various net worth requirements in connection with regulatory authorities and lending agreements that Mortgage World has entered with purchase facility lenders. Failure to maintain minimum capital requirements could result in Mortgage World's inability to originate and service loans, and, therefore, could have a direct material effect on the Company's consolidated financial statements.

Mortgage World's minimum net worth requirements as of December 31, 2020 are reflected below:

	Minimum Requirement
HUD	$ 1,000
New York Department of Financial Services	250
Other State Banking Departments	250

As of December 31, 2020, Mortgage World is in compliance with all minimum capital requirements.

(Dollars in thousands, unless otherwise stated)

Note 15. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows:

	December 31, 2019	December 31, 2020 Change	December 31, 2020
Unrealized gain on securities available for sale, net	$ 20	$ 115	$ 135
Total	$ 20	$ 115	$ 135

	December 31, 2018	December 31, 2019 Change	December 31, 2019
Unrealized gains (losses) on available-for-sale securities, net	$ (291)	$ 311	$ 20
Unrealized losses on pension benefits, net	(7,844)	7,844	—
Total	$ (8,135)	$ 8,155	$ 20

Note 16. Transactions with Related Parties

Directors and officers of the Company have been customers of and have had transactions with the Company, and it is expected that such persons will continue to have such transactions in the future. Aggregate loan transactions with related parties for the years ended December 31, 2020, 2019, and 2018 were as follows:

	For the Years Ended December 31, 2020	2019	2018
Beginning balance	$ 1,260	$ 1,278	$ 1,351
Originations	—	60	400
Payments	(1,033)	(78)	(473)
Ending balance	$ 227	$ 1,260	$ 1,278

The Company held deposits in the amount of $6,847 and $8,302 from officers and directors at December 31, 2020 and 2019, respectively.

Note 17. Parent Company Only Financial Statements

The following are the financial statements of the Parent as of and for the years ended December 31, 2020 and 2019.

	December 31, 2020	2019
ASSETS		
Cash and cash equivalents	$ 3,770	$ 13,363
Investment in Ponce Bank	141,985	136,603
Investment in Mortgage World	5,297	—
Investment in Grain	500	—
Loan receivable - ESOP	5,469	5,894
Loan receivable - Foundation	—	606
Other assets	2,790	2,409
Total assets	$ 159,811	$ 158,875
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities and accrued expenses	$ 267	$ 473
Stockholders' equity	159,544	158,402
Total liabilities and stockholders' equity	$ 159,811	$ 158,875

(Dollars in thousands, unless otherwise stated)

	For the Years Ended December 31,	
	2020	2019
Interest on ESOP loan	$ 153	$ 164
Interest on certificates of deposit	—	90
Interest on other deposits	86	182
Net interest income	239	436
Share-based compensation expense	1,403	1,256
Management fee expense	514	411
Office occupancy and equipment	55	60
Professional fees	1,625	1,255
Other noninterest expenses	67	115
Total noninterest expense	3,664	3,097
Loss before income taxes	(3,425)	(2,661)
Benefit for income taxes	(659)	(533)
Equity in undistributed earnings of Ponce Bank and Mortgage World	6,619	(2,997)
Net income (loss)	$ 3,853	$ (5,125)

Note 17. Parent Company Only Financial Statements (Continued)

	For the Years Ended December 31,	
	2020	2019
Cash Flows from Operating Activities:		
Net income (loss)	$ 3,853	$ (5,125)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Equity in undistributed earnings of subsidiaries	(6,619)	2,997
Deferred income tax	(659)	598
Share-based compensation expense	1,403	1,256
Decrease (increase) in other assets	913	(918)
Net increase (decrease) in other liabilities	(840)	(357)
Net cash used in operating activities	(1,949)	(1,549)
Cash Flows from Investing Activities:		
Investment in Mortgage World	(3,464)	—
Investment in Grain	(500)	—
Loan to Foundation	606	(606)
Repayment of ESOP Loan	425	414
Net cash used in investing activities	(2,933)	(192)
Cash Flows from Financing Activities:		
Repurchase of treasury shares	(4,711)	(15,763)
Net cash used in financing activities	(4,711)	(15,763)
Net decrease in cash and cash equivalents	(9,593)	(17,504)
Cash and cash equivalents at beginning of year	13,363	30,867
Cash and cash equivalents at end of year	$ 3,770	$ 13,363

Note 18. Quarterly Financial Information (unaudited)

	2020				2019			
	Fourth	Third	Second	First	Fourth	Third	Second	First
	(Dollars in thousands except share data)							
Net interest income	$ 11,674	$ 10,851	$ 9,521	$ 9,924	$ 9,562	$ 9,765	$ 9,344	$ 9,462
Provision for loan losses	406	620	271	1,146	95	14	—	149
Net interest income after provision for loan losses	11,268	10,231	9,250	8,778	9,467	9,751	9,344	9,313
Noninterest income	4,799	7,252	574	622	665	579	686	753
Noninterest expense	13,955	12,327	10,435	10,822	19,475	9,334	8,707	9,091
Income (loss) before income taxes	2,112	5,156	(611)	(1,422)	(9,343)	996	1,323	975
Provision (benefit) for income taxes	484	1,147	(40)	(209)	(1,891)	287	373	307
Net income (loss)	$ 1,628	$ 4,009	$ (571)	$ (1,213)	$ (7,452)	$ 709	$ 950	$ 668
Basic earnings (loss) per share	$ 0.10	$ 0.24	$ (0.03)	$ (0.07)	$ (0.43)	$ 0.04	$ 0.05	$ 0.04
Diluted earnings (loss) per share	$ 0.10	$ 0.24	$ (0.03)	$ (0.07)	$ (0.43)	$ 0.04	$ 0.05	$ 0.04
Basic weighted average common shares	16,558,576	16,612,205	16,723,449	16,800,538	17,145,970	17,185,993	17,565,934	17,835,295
Diluted weighted average common shares	16,558,576	16,612,205	16,723,449	16,800,538	17,145,970	17,297,054	17,655,664	17,864,327

(Dollars in thousands, unless otherwise stated)

Note 19. Segment Reporting

The Company has two reportable segments: Ponce Bank and Mortgage World. Income from Ponce Bank consists primarily of interest earned on loans and investment securities and service charges on deposit accounts. Income from Mortgage World consists primarily of taking of applications from the general public for residential mortgage loans, underwriting them to investors' standards, closing and funding them and holding them until they are sold to investors. Included in the results of operations of the Company are the results of operations of Mortgage World from July 10, 2020 through December 31, 2020.

The accounting policies of the reportable segments are the same as those described in the summary of accounting policies. Segment profit and loss is measured by net income on a legal entity basis. Intercompany transactions are eliminated in consolidation.

	For the Year Ended December 31, 2020				
	Ponce Bank	Mortgage World	PDL Community Bancorp	Eliminations	Consolidated
Interest and dividend income	$ 53,064	$ 275	$ 239	$ (239)	$ 53,339
Interest expense	11,357	251	—	(239)	11,369
Net interest income	41,707	24	239	—	41,970
Provision for loan losses	2,443	—	—	—	2,443
Net interest income after provision for loan losses	39,264	24	239	—	39,527
Non-interest income:					
Service charges and fees	892	—	—	—	892
Brokerage commissions	439	535	—	—	974
Late and prepayment charges	358	—	—	—	358
Gain on sale of mortgage loans	—	4,120	—	—	4,120
Loan origination	—	925	—	—	925
Gain on sale of real property	4,177	—	—	—	4,177
Other	1,688	627	—	(514)	1,801
Total non-interest income	7,554	6,207	—	(514)	13,247
Non-interest expense:					
Compensation and benefits	18,318	2,332	1,403	—	22,053
Occupancy and equipment	9,187	322	55	—	9,564
Data processing expenses	2,120	17	—	—	2,137
Direct loan expenses	655	792	—	—	1,447
Insurance and surety bond premiums	530	23	—	—	553
Office supplies, telephone and postage	1,343	56	—	—	1,399
Professional fees	4,379	45	1,625	—	6,049
Marketing and promotional expenses	477	11	—	—	488
Directors fees	276	—	—	—	276
Regulatory dues	210	—	—	—	210
Other operating expenses	3,015	279	581	(512)	3,363
Total non-interest expense	40,510	3,877	3,664	(512)	47,539
Income (loss) before income taxes	6,308	2,354	(3,425)	(2)	5,235
Provision (benefit) for income taxes	1,520	521	(659)	—	1,382
Equity in undistributed earnings of Ponce Bank and Mortgage World	—	—	6,619	(6,619)	—
Net income (loss)	$ 4,788	$ 1,833	$ 3,853	$ (6,621)	$ 3,853
Total assets	$ 1,315,287	$ 38,397	$ 159,811	$ (158,264)	$ 1,355,231

Note 20. Subsequent Events

On January 22, 2021, the Bank completed the purchase of property located at 135-12/14 Northern Boulevard, Flushing, New York through a qualified intermediary in an IRS Code 1031 like-kind exchange related to the previously disclosed sale of real property on July 27, 2020 that was owned by the Bank. The purchase price of the property was $3,600.

On February 11, 2021, PFS Service Corp. ("PFS"), a service company subsidiary of the Bank, completed the sale of real property that was owned by PFS, located at 3821 Bergenline Avenue, Union City, New Jersey (the "Real Property"). The purchase price of the Real Property was $2,417. Concurrent with the sale of the Real Property, the Bank and the purchaser entered into an initial fifteen-year lease agreement whereby the Bank will lease back the Real Property at an initial base annual rent of approximately $145 subject to annual rent increases of 1.5%. Under the lease agreement, the Bank has four (4) consecutive options to extend the term of the lease by five (5) years for each such option.

On March 3, 2021, the Company executed a Guaranty Agreement with a warehouse lender to guarantee advances made or to be made under the Mortgage Warehousing Loan and Security Agreement between the warehouse lender and Mortgage World with a line of credit of $15,000.

On March 16, 2021, the Company executed a Guaranty Agreement with a warehouse lender to guarantee advances made or to be made under the Mortgage Warehouse Loan and Security Agreement between the warehouse lender and Mortgage World with a line of credit of $5,000.

On March 22, 2021, the Bank executed an agreement to sell the real property it owns located at 5560 Broadway, Bronx, New York for a purchase price of $5,735. Upon closing of the sale, the Bank and the purchaser anticipate entering into a fifteen-year lease agreement whereby the Bank will lease back the property at an annual rent of approximately $281 subject to annual rent increases of 1.75%.

No person has been authorized to give any information or to make any representation other than as contained in this prospectus and, if given or made, such other information or representation must not be relied upon as having been authorized by Ponce Financial Group, Inc. or Ponce Bank. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Ponce Financial or Ponce Bank since any of the dates as of which information is furnished herein or since the date hereof.

Up to 12,075,000 Shares
(Subject to increase up to 13,886,250 Shares)

Ponce Financial Group, Inc.

(Proposed Holding Company for
Ponce Bank and Mortgage World Bankers, Inc.)

COMMON STOCK
par value $0.01 per share

PROSPECTUS

Janney Montgomery Scott LLC

[Prospectus Date]

These securities are not deposits or accounts and are not federally insured or guaranteed.

Until   , 2021, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Dear Fellow Stockholder:

PDL Community Bancorp is soliciting stockholder votes regarding the mutual-to-stock conversion of Ponce Bank Mutual Holding Company. Pursuant to a Plan of Conversion and Reorganization, our organization will convert from a partially public company to a fully public company by selling up to an adjusted maximum of 13,886,250 shares of common stock of a newly formed company, named Ponce Financial Group, Inc. (“Ponce Financial”), which will become the holding company for Ponce Bank and Mortgage World Bankers, Inc.

The Proxy Vote

We have received regulatory approval of the application that includes the Plan of Conversion and Reorganization. However, we must also receive the approval of our stockholders. Enclosed is a proxy statement/prospectus describing the proposals being presented at our special meeting of stockholders. **Please promptly vote the enclosed proxy card. Our Board of Directors urges you to vote “FOR” the approval of the Plan of Conversion and Reorganization, “FOR” the funding of the Ponce De Leon Foundation (the “Foundation”) and “FOR” the other adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the Plan of Conversion and Reorganization and/or the funding of the Foundation.**

The Exchange

At the conclusion of the conversion, your shares of PDL Community Bancorp common stock will be exchanged for shares of Ponce Financial Group, Inc. common stock. The number of new shares that you receive will be based on an exchange ratio that is described in the proxy statement/prospectus. Shortly after the completion of the conversion, our exchange agent will send a transmittal form to each stockholder of PDL Community Bancorp who holds stock certificates. The transmittal form explains the procedure to follow to exchange your shares. Please do not deliver your certificate(s) before you receive the transmittal form. Shares of PDL Community Bancorp that are held in street name (e.g., in a brokerage account) will be converted automatically at the conclusion of the conversion; no action or documentation is required of you.

The Stock Offering

We are offering the shares of common stock of Ponce Financial Group, Inc. for sale at $10.00 per share. The shares are first being offered in a subscription offering to eligible account holders of Ponce Bank, Ponce Bank’s employee stock ownership plan, supplemental eligible account holders of Ponce Bank and other members. If all shares are not subscribed for in the subscription offering, shares may be available in a community offering to PDL Community Bancorp public stockholders and others not eligible to place orders in the subscription offering. **If you may be interested in purchasing shares of our common stock, contact our Stock Information Center at 844-977-0092 to receive a stock order form and prospectus. The stock offering period is expected to expire on [expiration date].**

If you have any questions, please refer to the Questions & Answers section herein.

We thank you for your support as a stockholder of PDL Community Bancorp.

Sincerely,

Carlos P. Naudon
President and Chief Executive Officer

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. None of the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, or any state securities regulator has approved or

disapproved of these securities or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

PROSPECTUS OF PONCE FINANCIAL GROUP, INC.

PROXY STATEMENT OF PDL COMMUNITY BANCORP

Ponce Bank is converting from the mutual holding company structure to a fully-public stock holding company structure. Currently, each of Ponce Bank and Mortgage World Bankers, Inc. ("Mortgage World") is a wholly-owned subsidiary of PDL Community Bancorp, a federally chartered corporation, and Ponce Bank Mutual Holding Company ("Ponce Bank MHC") owns 56.1% of PDL Community Bancorp's common stock. The remaining 43.9% of PDL Community Bancorp's common stock is owned by public stockholders. As a result of the conversion, a newly formed Maryland corporation named Ponce Financial Group, Inc. ("Ponce Financial") will replace PDL Community Bancorp as the holding company of Ponce Bank and Mortgage World. Each share of PDL Community Bancorp common stock owned by the public will be exchanged for between 0.9342 at the minimum and 1.4535 shares at the adjusted maximum of the offering range, shares of common stock of Ponce Financial, so that immediately after the conversion PDL Community Bancorp's existing public stockholders will own the same percentage of Ponce Financial common stock as they owned of PDL Community Bancorp's common stock immediately prior to the conversion, excluding any new shares purchased by them in the offering, the effect of shares issued to the Ponce De Leon Foundation (the "Foundation"), as further discussed below, their receipt of cash in lieu of fractional exchange shares and as adjusted to reflect assets held by Ponce Bank MHC. The actual number of shares that you will receive will depend on the percentage of PDL Community Bancorp common stock held by the public at the completion of the conversion, the final independent appraisal of Ponce Financial and the number of shares of Ponce Financial common stock sold in the offering described in the following paragraph. It will not depend on the market price of PDL Community Bancorp common stock. See "Proposal 1—Approval of the Plan of Conversion and Reorganization—Share Exchange Ratio" for a discussion of the exchange ratio. Based on the $ per share closing price of PDL Community Bancorp common stock as of the last trading day prior to the date of this proxy statement/prospectus, unless at least shares of Ponce Financial common stock are sold in the offering (which is between the and the of the offering range), the initial value of the Ponce Financial common stock you receive in the share exchange would be less than the market value of the PDL Community Bancorp common stock you currently own. See "Risk Factors—The market value of Ponce Financial common stock received in the share exchange may be less than the market value of PDL Community Bancorp common stock exchanged."

Concurrently with the exchange offer, we are offering for sale up to an adjusted maximum of 13,866,250 shares of common stock of Ponce Financial, representing the ownership interest of Ponce Bank MHC in PDL Community Bancorp. We are offering the shares of common stock to eligible account holders of Ponce Bank, Ponce Bank's employee stock ownership plan, supplemental eligible account holders of Ponce Bank and other members, and to the public, including PDL Community Bancorp stockholders, at a price of $10.00 per share. The conversion of Ponce Bank MHC and the offering and exchange of common stock by Ponce Financial is referred to herein as the "conversion and offering." After the conversion and offering are completed, Ponce Bank and Mortgage World will be wholly-owned subsidiaries of Ponce Financial, and 100% of the common stock of Ponce Financial will be owned by public stockholders. As a result of the conversion and offering, PDL Community Bancorp and Ponce Bank MHC will cease to exist.

In connection with the conversion and offering, we also intend to establish and fund the Foundation with a contribution of 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock and $1.0 million in cash, for a total contribution of up to $5.2 million. "See Proposal 2—Funding of the Foundation."

PDL Community Bancorp's common stock is currently traded on the Nasdaq Global Market under the trading symbol "PDLB," and we expect Ponce Financial's shares of common stock will also trade on the Nasdaq Global Market under the symbol "PDLB."

The conversion and offering cannot be completed unless the stockholders of PDL Community Bancorp approve the Plan of Conversion and Reorganization of Ponce Bank MHC, which may be referred to herein as the "plan of conversion." PDL Community Bancorp is holding a special meeting of stockholders at [meeting location], on [meeting date], at [meeting time], Eastern Time, to consider and vote upon the plan of conversion. We must obtain the affirmative vote of the holders of (i) two-thirds of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders, including shares held by Ponce Bank MHC, and (ii) a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders other than Ponce Bank MHC. PDL Community Bancorp**'s board of directors unanimously recommends that stockholders vote "FOR" the plan of conversion.**

The funding of the Foundation must also be approved by the stockholders of PDL Community Bancorp at the special meeting of stockholders. We must obtain the affirmative vote of the holders of a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders, and a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders other than Ponce Bank MHC. However, the completion of the conversion and offering is not dependent upon the approval of the funding of the Foundation. **PDL Community Bancorp's board of directors unanimously recommends that stockholders vote "FOR" the funding of the Foundation.**

This document serves as the proxy statement for the special meeting of stockholders of PDL Community Bancorp and the prospectus for the shares of Ponce Financial common stock to be issued in exchange for shares of PDL Community Bancorp common stock. We urge you to read this entire document carefully. You can also obtain information about us from documents that we have filed with the Securities and Exchange Commission and the Board of Governors of the Federal Reserve System. This document does not serve as the prospectus relating to the offering by Ponce Financial of its shares of common stock in the offering, which is being made pursuant to a separate prospectus. Stockholders of PDL Community Bancorp are not required to participate in the stock offering.

This proxy statement/prospectus contains information that you should consider in evaluating the plan of conversion. **In particular, you should carefully read the section captioned "Risk Factors" beginning on page [__] for a discussion of certain risk factors relating to the conversion and offering.**

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

None of the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System or any state securities regulator has approved or disapproved of these securities or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

For answers to your questions, please read this proxy statement/prospectus including the Questions and Answers section, beginning on page 1. Questions about voting on the plan of conversion or the Foundation may be directed to [proxy solicitor], at [proxy solicitor number], Monday through Friday from a.m. to p.m., Eastern Time, and Saturdays from a.m. to p.m., Eastern Time.

The date of this proxy statement/prospectus is [document date], and it is first being mailed to stockholders of PDL Community Bancorp on or about , 2021.

PDL COMMUNITY BANCORP
2244 Westchester Avenue
Bronx, New York 10462
(718) 931-9000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

On [meeting date], PDL Community Bancorp will hold a special meeting of stockholders at [meeting location]. The meeting will begin at [meeting time], Eastern Time. At the meeting, stockholders will consider and act on the following:

1. The approval of a plan of conversion and reorganization, whereby Ponce Bank Mutual Holding Company (“Ponce Bank MHC”) and PDL Community Bancorp, will convert and reorganize from the mutual holding company structure to the stock holding company structure, as more fully described in the attached proxy statement;

2. The approval of the funding of the Ponce De Leon Foundation (the “Foundation”) with a contribution of 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered, and $1.0 million in cash, for a total contribution of up to $5.2 million;

3. The approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion and reorganization and/or the funding of the Foundation;

4. The following informational proposals:

    4a. Approval of a provision in Ponce Financial, Group, Inc.’s articles of incorporation requiring a super-majority vote of stockholders to approve certain amendments to Ponce Financial Group, Inc.’s articles of incorporation;

    4b. Approval of a provision in Ponce Financial Group, Inc.’s articles of incorporation requiring a super-majority vote of stockholders to approve stockholder-proposed amendments to Ponce Financial Group, Inc.’s bylaws;

    4c. Approval of a provision in Ponce Financial Group, Inc.’s articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of Ponce Financial Group, Inc.’s outstanding voting stock; and

Such other business that may properly come before the meeting.

NOTE: The board of directors is not aware of any other business to come before the meeting.

The provisions of Ponce Financial Group, Inc.’s articles of incorporation that are summarized as informational proposals 4a through 4c were approved as part of the process in which our board of directors approved the plan of conversion and reorganization (referred to herein as the “plan of conversion”). These proposals are informational in nature only because the Board of Governors of the Federal Reserve System’s regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion and the funding of the Foundation. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals.

The board of directors has fixed [record date], as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof.

Upon written request addressed to the Corporate Secretary of Ponce Financial Group, Inc. at the address given above, stockholders may obtain an additional copy of this proxy statement/prospectus and/or a copy of the plan of conversion. In order to assure timely receipt of the additional copy of the proxy statement/prospectus and/or the plan of conversion, the written request should be received by the Corporate Secretary of Ponce Financial Group, Inc. by [request date].

Please complete and sign the enclosed proxy card, which is solicited by the board of directors, and mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

Steven A. Tsavaris
Executive Chairman

Bronx, New York
[document date]

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QUESTIONS AND ANSWERS FOR STOCKHOLDERS OF PDL COMMUNITY BANCORP REGARDING THE PLAN OF CONVERSION AND REORGANIZATION

You should read this document for more information about the conversion.

Q. WHAT ARE STOCKHOLDERS BEING ASKED TO APPROVE?

A. PDL Community Bancorp stockholders as of [record date] are being asked to vote on the plan of conversion pursuant to which Ponce Bank MHC will convert from the mutual to the stock form of organization. As part of the conversion, a newly formed Maryland corporation, Ponce Financial Group, Inc., is offering its common stock to eligible account holders of Ponce Bank, Ponce Bank's employee stock ownership plan, supplemental eligible account holders of Ponce Bank and other members, and possibly to stockholders of PDL Community Bancorp as of [record date] and the public. The shares offered represent Ponce Bank MHC's current ownership interest in PDL Community Bancorp. Voting for approval of the plan of conversion will also include approval of the exchange ratio and the articles of incorporation of Ponce Financial Group, Inc. (including the anti-takeover provisions and provisions limiting stockholder rights). Your vote is important. Without sufficient votes "FOR" its adoption, we cannot implement the plan of conversion and complete the stock offering.

PDL Community Bancorp stockholders are also being asked to approve the funding of the Foundation with a contribution of 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered, and $1.0 million in cash, for a total contribution of up to $5.2 million. Your vote is important. Without sufficient votes "FOR" this proposal, we cannot fund the Foundation.

In addition, PDL Community Bancorp stockholders are being asked to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion and/or the funding of the Foundation.

Stockholders also are asked to vote on the following informational proposals with respect to the articles of incorporation of Ponce Financial Group, Inc.:

- Approval of a provision requiring a super-majority vote to approve certain amendments to Ponce Financial Group, Inc.'s articles of incorporation;
- Approval of a provision requiring a super-majority vote of stockholders to approve stockholder-proposed amendments to Ponce Financial Group, Inc.'s bylaws; and
- Approval of a provision to limit the voting rights of shares beneficially owned in excess of 10% of Ponce Financial Group, Inc.'s outstanding voting stock.

The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are included as informational proposals were approved as part of the process in which our board of directors approved the plan of conversion. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are summarized above as informational proposals may have the effect of deterring, or rendering more difficult, attempts by third parties to obtain control of Ponce Financial Group, Inc. if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Your vote is important. Without sufficient votes "FOR" adoption of the plan of conversion, we cannot implement the plan of conversion and the related stock offering. Without sufficient votes "FOR" the Funding of the Foundation, we cannot fund the Foundation.

Q. WHAT ARE THE REASONS FOR THE CONVERSION AND RELATED OFFERING?

A. The primary reasons for the conversion and offering are to:

- support continued growth;
- eliminate the uncertainties associated with the mutual holding company structure under federal regulations;
- transition us to a more familiar and flexible organizational structure;
- facilitate future mergers and acquisitions; and
- improve the liquidity of our shares of common stock.

As a fully converted stock holding company, we will have greater flexibility in structuring mergers and acquisitions, including the form of consideration that we can use to pay for an acquisition. Our current mutual holding company structure limits our ability to offer shares of our common stock as consideration in a merger or acquisition since Ponce Bank MHC is required to own a majority of PDL Community Bancorp's outstanding shares of common stock. Potential sellers often want stock for at least part of the purchase price. Our new stock holding company structure will enable us to offer stock or cash consideration, or a combination of stock and cash, and therefore will enhance our ability to compete with other bidders when acquisition opportunities arise. We currently have no arrangements or understandings regarding any specific acquisition. See "The Conversion and Offering—Reasons for the Conversion" for a more complete discussion of our reasons for conducting the conversion and offering.

Q. WHAT ARE THE REASONS FOR FUNDING THE FOUNDATION?

A. Ponce Bank has a long-standing commitment to charitable contributions within the communities in which we conduct our business, which is why we originally established and funded the Foundation in 2017. The contribution to the Foundation will enhance our ability to support community development and charitable causes.

Q. HOW WILL THE FUNDING OF THE FOUNDATION AFFECT THE NEW STOCK HOLDING COMPANY AND ITS STOCKHOLDERS?

A. The issuance of shares to the Foundation will dilute the voting interests of stockholders and will result in an expense, and a related reduction in earnings, for the new holding company for the quarter in which the conversion is completed.

Q. WHAT WILL STOCKHOLDERS RECEIVE FOR THEIR EXISTING PDL COMMUNITY BANCORP SHARES?

A. As more fully described in "Proposal 1 — Approval of the Plan of Conversion and Reorganization — Share Exchange Ratio," depending on the number of shares sold in the offering, each share of common stock that you own at the time of the completion of the conversion will be exchanged for between 0.9342 shares at the minimum and 1.4535 shares at the adjusted maximum of the offering range of Ponce Financial Group, Inc. common stock (cash will be paid in lieu of any fractional shares). For example, if you own 100 shares of PDL Community Bancorp common stock, and the exchange ratio is 1.4535 (at the adjusted maximum of the offering range), after the conversion you will receive 145 shares of Ponce Financial Group, Inc. common stock and $3.50 in cash, the value of the fractional share based on the $10.00 per share purchase price of stock in the offering.

If you own shares of PDL Community Bancorp common stock in a brokerage account in "street name," your shares will be automatically exchanged within your account, and you do not need to take any action to exchange your shares of common stock or receive cash in lieu of fractional shares. If you own shares in the form of PDL Community Bancorp stock certificates, after the completion of the conversion and stock offering, our exchange agent will mail to you a transmittal form with instructions to surrender your stock certificates. A statement reflecting your ownership of shares of common stock of Ponce Financial Group, Inc. and a check representing cash in lieu of fractional shares will be mailed to you within five business days after the transfer agent receives a properly executed transmittal form and your existing PDL Community Bancorp stock certificate(s). Ponce Financial Group, Inc. will not issue stock certificates. **You should not submit a stock certificate until you receive a transmittal form.**

Q. WHY WILL THE SHARES THAT I RECEIVE BE BASED ON A PRICE OF $10.00 PER SHARE RATHER THAN THE TRADING PRICE OF THE COMMON STOCK PRIOR TO COMPLETION OF THE CONVERSION?

A. The shares will be based on a price of $10.00 per share because that is the price at which Ponce Financial Group, Inc. will sell shares in its stock offering. The amount of common stock Ponce Financial Group, Inc. will issue at $10.00 per share in the offering and the exchange is based on an independent appraisal of the estimated market value of Ponce Financial Group, Inc., assuming the conversion and offering are completed. RP Financial, LC., an appraisal firm experienced in the appraisal of financial institutions, has estimated that, as of June 1, 2021, this market value was $190.3 million. Based on Board of Governors of the Federal Reserve System regulations, the market value forms the midpoint of a range with a minimum of $161.7 million and an adjusted maximum of $251.6 million. Based on this valuation and the valuation range, the number of shares of common stock of Ponce Financial Group, Inc. that existing public stockholders of PDL Community Bancorp will receive in exchange for their shares of PDL Community Bancorp common stock is expected to range from 8,925,000 to 12,075,000, subject up to increase to 13,886,250 shares, with a midpoint of 10,500,000 (a value of approximately $161.7 million to $218.8 million, subject up to increase to $251.6 million, with a midpoint of $190.3 million, at $10.00 per share). The number of shares received by the existing public stockholders of PDL Community Bancorp is intended to maintain their existing ownership in our organization (excluding any new shares purchased by them in the offering, their receipt of cash in lieu of fractional exchange shares and the effect of shares issued to the Foundation and as adjusted to reflect assets held by Ponce Bank MHC). The independent appraisal is based in part on PDL Community Bancorp's financial condition and results of operations, the pro forma impact of the additional capital raised by the sale of shares of common stock in the offering, and an analysis of a peer group of 10 publicly traded holding companies that RP Financial, LC. considered comparable to PDL Community Bancorp.

Q. DOES THE EXCHANGE RATIO DEPEND ON THE TRADING PRICE OF PDL COMMUNITY BANCORP COMMON STOCK?

A. No, the exchange ratio will not be based on the market price of PDL Community Bancorp common stock. Instead, the exchange ratio will be based on the appraised value of Ponce Financial Group, Inc. The purpose of the exchange ratio is to maintain the ownership percentage of existing public stockholders of PDL Community Bancorp Therefore, changes in the price of PDL Community Bancorp common stock between now and the completion of the conversion and offering will not affect the calculation of the exchange ratio.

Q. SHOULD I SUBMIT MY STOCK CERTIFICATES NOW?

A. No. If you hold stock certificate(s), instructions for exchanging the certificates will be sent to you by our exchange agent *after* completion of the conversion. If your shares are held in "street name" (*e.g.*, in a brokerage account) rather than in certificate form, the share exchange will be reflected automatically in your account upon completion of the conversion.

Q. HOW DO I VOTE?

A. Mark your vote, sign each proxy card enclosed and return the card(s) to us, in the enclosed proxy reply envelope. For information on submitting your proxy, please refer to instructions on the enclosed proxy card. Alternatively, you may vote by telephone or via the Internet, by following instructions on your proxy card. YOUR VOTE IS IMPORTANT. PLEASE VOTE PROMPTLY.

Q. IF MY SHARES ARE HELD IN STREET NAME, WILL MY BROKER, BANK OR OTHER NOMINEE AUTOMATICALLY VOTE ON THE PLAN ON MY BEHALF?

A. No. Your broker, bank or other nominee will not be able to vote your shares without instructions from you. You should instruct your broker, bank or other nominee to vote your shares, using the directions that they provide to you.

Q. WHY SHOULD I VOTE? WHAT HAPPENS IF I DON'T VOTE?

A. Your vote is very important. We believe the conversion and offering are in the best interests of our stockholders. Not voting all the proxy card(s) you receive will have the same effect as voting *"against"* the plan of conversion and *"against"* the funding of the Foundation. Without sufficient favorable votes *"for"* the plan of conversion, we cannot complete the conversion and offering. Without sufficient favorable votes *"for"* the funding of the Foundation, we cannot fund the Foundation.

Q. WHAT IF I DO NOT GIVE VOTING INSTRUCTIONS TO MY BROKER, BANK OR OTHER NOMINEE?

A. Your vote is important. If you do not instruct your broker, bank or other nominee to vote your shares, the unvoted proxy will have the same effect as a vote *"against"* the plan of conversion and *"against"* the funding of the Foundation.

Q. MAY I PLACE AN ORDER TO PURCHASE SHARES IN THE COMMUNITY OFFERING, IF HELD, IN ADDITION TO THE SHARES THAT I WILL RECEIVE IN THE EXCHANGE?

A. Yes. If you would like to receive a prospectus and stock order form, you must call our Stock Information Center at 844-977-0092, Monday through Friday between 10:00 a.m. and 5:00 p.m., Eastern Time. The Stock Information Center will not be open on bank holidays.

Eligible account holders of Ponce Bank, Ponce Bank's employee stock ownership plan, supplemental eligible account holders of Ponce Bank and other members have priority subscription rights allowing them to purchase common stock in a subscription offering. Shares not purchased in the subscription offering may be available for sale to the public in a community offering, as described herein. In the event orders for Ponce Financial Group, Inc. common stock in a community offering exceed the number of shares available for sale, shares may be allocated (to the extent shares remain available) first to cover orders of natural persons residing in the New York Counties of Bronx, Queens, Kings and New York and the New Jersey County of Hudson; second to cover orders of PDL Community Bancorp stockholders as of [record date]; and thereafter to cover orders of the general public.

Stockholders of PDL Community Bancorp are subject to an ownership limitation. Shares of common stock purchased in the offering by a stockholder and his or her associates or individuals acting in concert with the stockholder, *plus* any shares a stockholder and these individuals receive in the exchange for existing shares of PDL Community Bancorp common stock, may not exceed 9.9% of the total shares of common stock of Ponce Financial Group, Inc. to be issued and outstanding after the completion of the conversion.

Please note that properly completed and signed stock order forms, with full payment, must be received (not postmarked) no later than :00 p.m., Eastern Time on [expiration date].

Q. WILL THE CONVERSION HAVE ANY EFFECT ON DEPOSIT AND LOAN ACCOUNTS AT PONCE BANK?

A. No. The account number, amount, interest rate and withdrawal rights of deposit accounts will remain unchanged. Deposits will continue to be federally insured by the Federal Deposit Insurance Corporation up to the legal limit. Loans and rights of borrowers will not be affected. Members will no longer have voting rights in Ponce Bank MHC as to matters currently requiring such vote. Ponce Bank MHC will cease to exist after the conversion and offering. Only stockholders of Ponce Financial Group, Inc. will have voting rights after the conversion and offering.

Q. WHAT IF THE PLAN OF CONVERSION AND REORGANIZATION IS APPROVED BUT THE FUNDING OF THE FOUNDATION IS NOT APPROVED.

A. The Foundation will only be funded if both proposals are approved. If the funding of the Foundation is not approved, our board of directors will retain the ability to complete the conversion and stock offering without funding of the Foundation, or it may determine to terminate the conversion and stock offering. The Foundation will remain in existence and has in its possession $194,495.

OTHER QUESTIONS?

For answers to other questions, please read this proxy statement/prospectus. Questions about voting on the plan of conversion or funding of the Foundation may be directed to [proxy solicitor], at [proxy solicitor number], Monday through Friday from a.m. to p.m., Eastern Time, and Saturdays from a.m. to p.m., Eastern Time. Questions about the stock offering may be directed to our Stock Information Center at 844-977-0092, Monday through Friday between 10:00 a.m. and 5:00 p.m., Eastern Time. The Stock Information Center is closed weekends and bank holidays.

SUMMARY

This summary highlights material information from this proxy statement/prospectus and may not contain all the information that is important to you. To understand the conversion and other proposals fully, you should read this entire document carefully, including the sections entitled "Risk Factors," "Proposal 1 — Approval of The Plan of Conversion and Reorganization," "Proposal 2 —Funding of the Foundation," "Proposal 3 — Adjournment of the Special Meeting," "Proposals 4a through 4c — Informational Proposals Related to the Articles of Incorporation of Ponce Financial Group, Inc." and the consolidated financial statements and the notes to the consolidated financial statements.

The Special Meeting

Date, Time and Place. PDL Community Bancorp will hold its special meeting of stockholders at [meeting location], on [meeting date], at [meeting time], Eastern Time.

The Proposals. Stockholders will be voting on the following proposals at the special meeting:

1. The approval of a plan of conversion and reorganization whereby: (a) Ponce Bank MHC and PDL Community Bancorp, will convert and reorganize from the mutual holding company structure to the stock holding company structure; (b) Ponce Financial Group, Inc., a Maryland corporation ("Ponce Financial"), will become the new stock holding company of Ponce Bank and Mortgage World; (c) the outstanding shares of PDL Community Bancorp, other than those held by Ponce Bank MHC, will be converted into shares of common stock of Ponce Financial Group, Inc.; and (d) Ponce Financial Group, Inc. will offer shares of its common stock for sale in a subscription offering, and possibly a community offering, or a syndicated offering;

2. The approval of the funding of the Ponce De Leon Foundation with a contribution of 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered, and $1.0 million in cash, for a total contribution of up to $5.2 million;

3. The approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion and/or the funding of the Foundation; and

4. The following informational proposals:

   4a. Approval of a provision in Ponce Financial Group, Inc.'s articles of incorporation requiring a super-majority vote of stockholders to approve certain amendments to Ponce Financial Group, Inc.'s articles of incorporation;

   4b. Approval of a provision in Ponce Financial Group, Inc.'s articles of incorporation requiring a super-majority vote of stockholders to approve stockholder-proposed amendments to Ponce Financial Group, Inc.'s bylaws;

   4c. Approval of a provision in Ponce Financial Group, Inc.'s articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of Ponce Financial Group, Inc.'s outstanding voting stock; and

Such other business that may properly come before the meeting.

The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are summarized as informational proposals 4a through 4c were approved as part of the process in which our board of directors approved the plan of conversion and the funding of the Foundation. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of Ponce Financial Group, Inc., if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Vote Required for Approval of Proposals by the Stockholders of PDL Community Bancorp

Proposal 1: Approval of the Plan of Conversion. We must obtain the affirmative vote of the holders of (i) two-thirds of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders, including shares held by Ponce Bank MHC, and (ii) a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders other than Ponce Bank MHC.

Proposal 1 must also be approved by the members of Ponce Bank MHC (i.e. eligible depositors and certain borrowers of Ponce Bank) at a special meeting of members called for that purpose. Members will receive separate informational materials from Ponce Bank MHC regarding the conversion.

Proposal 2: Funding of the Foundation. We must obtain the affirmative vote of the holders of a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders, and the affirmative vote of the holders of a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders other than Ponce Bank MHC. However, stockholder approval of the funding of the Foundation is not a condition to the completion of the conversion and offering.

Proposal 2 must also be approved by the members of Ponce Bank MHC at a special meeting called for that purpose. Members will receive separate informational materials from Ponce Bank MHC regarding the funding of the Foundation.

Proposal 3: Approval of the adjournment of the special meeting. We must obtain the affirmative vote of at least a majority of the votes cast by PDL Community Bancorp stockholders at the special meeting to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of conversion and/or the proposal to fund the Foundation.

Informational Proposals 4a through 4c. The provisions of PDL Community Bancorp's articles of incorporation that are summarized as informational proposals were approved as part of the process in which the board of directors of PDL Community Bancorp approved the plan of conversion. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion and the funding of the Foundation. While we are asking you to vote with respect to each of the informational proposals listed above, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of Ponce Financial Group, Inc., if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Other Matters. With regard to any other matters, we would need to obtain the affirmative vote of the majority of the votes cast by holders of outstanding shares of common stock of PDL Community Bancorp. At this time, we know of no other matters that may be presented at the special meeting.

Revocability of Proxies

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must advise the corporate secretary of PDL Community Bancorp in writing before your common stock has been voted at the special meeting, deliver a later-dated proxy or attend the special meeting and vote your shares in person. Attendance at the special meeting will not in itself constitute revocation of your proxy.

Vote by Ponce Bank MHC

Management anticipates that Ponce Bank MHC, our majority stockholder, will vote all of its shares of common stock in favor of all the matters set forth above. If Ponce Bank MHC votes all of its shares in favor of each proposal, the approval of the adjournment of the special meeting, if necessary, would be assured, and the approval of the plan of conversion and reorganization and the approval of the funding of the Foundation by stockholders holding at least two-thirds of the outstanding shares of common stock of PDL Community Bancorp, including shares held by Ponce Bank MHC, would require the additional affirmative vote of [ ]% of our public stockholders (excluding Ponce Bank MHC).

As of [ ], 2021 the directors and executive officers of PDL Community Bancorp beneficially owned [ ] shares, or approximately 2.8 % of the outstanding shares of PDL Community Bancorp common stock, and Ponce Bank MHC owned 9,545,388 shares, or approximately 56.1% of the outstanding shares of PDL Community Bancorp common stock.

Vote Recommendations

Your board of directors unanimously recommends that you vote "FOR" the plan of conversion, "FOR" the funding of the Foundation, "FOR" the adjournment of the special meeting, if necessary, and "FOR" the Informational Proposals 4a through 4c.

Our Business

[same as prospectus]

Plan of Conversion and Reorganization

The Boards of Directors of PDL Community Bancorp, Ponce Bank MHC, Ponce Bank and Mortgage World have adopted a plan of conversion and reorganization pursuant to which Ponce Bank and Mortgage World will reorganize from a mutual holding company structure to a stock holding company structure. Public stockholders of PDL Community Bancorp will receive shares in Ponce Financial Group, Inc. in exchange for their shares of PDL Community Bancorp common stock based on an exchange ratio. See "—The Exchange of Existing Shares of PDL Community Bancorp Common Stock." This conversion to a stock holding company structure also includes the offering by Ponce Financial of shares of its common stock to eligible account holders of Ponce Bank, Ponce Bank's employee stock ownership plan, supplemental eligible account holders of Ponce Bank and other members and to the public, including Ponce Financial Group, Inc. stockholders, in a subscription offering and, if necessary, in a community offering and/or in a separate public offering through a syndicate of broker-dealers, referred to in this proxy statement/prospectus as the syndicated offering. Following the conversion and offering, Ponce Bank MHC and PDL Community Bancorp will no longer exist, and Ponce Financial Group, Inc. will be the parent company of Ponce Bank and Mortgage World.

The conversion and offering cannot be completed unless the stockholders of PDL Community Bancorp approve the plan of conversion. PDL Community Bancorp's stockholders will vote on the plan of conversion at PDL Community Bancorp's special meeting. This document is the proxy statement used by PDL Community Bancorp's board of directors to solicit proxies for the special meeting. It is also the prospectus of Ponce Financial Group, Inc. regarding the shares of Ponce Financial Group, Inc. common stock to be issued to PDL Community Bancorp's stockholders in the share exchange. This document does not serve as the prospectus relating to the offering by Ponce

Financial Group, Inc. of its shares of common stock in the subscription offering and any community offering, syndicated offering, which will be made pursuant to a separate prospectus.

In connection with the conversion and offering, Ponce Financial Group, Inc. intends fund the Foundation with a contribution of 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered, and $1.0 million in cash, for a total contribution of up to $5.2 million. The funding of the Foundation must be approved by the stockholders of PDL Community Bancorp. However, stockholder approval of the funding of Foundation is not a condition to the completion of the conversion and offering.

Our Organizational Structure

[same as prospectus]

Business Strategy

[same as prospectus]

Reasons for the Conversion

[same as prospectus]

See "Proposal 1 — Approval of the Plan of Conversion and Reorganization" for a more complete discussion of our reasons for conducting the conversion and offering.

Conditions to Completion of the Conversion

[same as prospectus]

How We Determined the Offering Range, the Exchange Ratio and the $10.00 per share Stock Price

[same as prospectus]

Effect of Ponce Bank MHC's Assets on Minority Stock Ownership

[same as prospectus]

The Exchange of Existing Shares of PDL Community Bancorp Common Stock

[same as prospectus]

How We Intend to Use the Proceeds From the Offering

[same as prospectus]

Market for Common Stock

[same as prospectus]

Our Dividend Policy

[same as prospectus]

Purchases and Ownership by Directors and Executive Officers

We expect our directors and executive officers, together with their associates, to subscribe for 119,500 shares of common stock in the offering. The purchase price paid by them will be the same $10.00 per share price paid by all other persons who purchase shares of common stock in the offering. Following the conversion, our directors and executive officers, together with their associates, are expected to beneficially own 557,272 shares of common stock, or 3.45% of our total outstanding shares of common stock at the minimum of the offering range, which includes shares they currently own that will be exchanged for shares of Ponce Financial.

See "Subscriptions by Directors and Executive Officers" for more information on the proposed purchases of shares of common stock by our directors and executive officers.

Benefits to Management and Potential Dilution to Stockholders Resulting from the Conversion

[same as prospectus]

Tax Consequences

[same as prospectus]

Emerging Growth Company Status

[same as prospectus]

Changes in Stockholders' Rights for Existing Stockholders of PDL Community Bancorp

As a result of the conversion, existing stockholders of PDL Community Bancorp will become stockholders of Ponce Financial Group, Inc. Some rights of stockholders of Ponce Financial Group, Inc. will be reduced compared to the rights stockholders currently have in PDL Community Bancorp. The reduction in stockholder rights results from differences between the federal and Maryland chartering documents and bylaws, and from distinctions between federal and Maryland law. Many of the differences in stockholder rights under the articles of incorporation and bylaws of Ponce Financial Group, Inc. are not mandated by Maryland law but have been chosen by management as being in the best interests of Ponce Financial Group, Inc. and all of its stockholders. The differences in stockholder rights in the articles of incorporation and bylaws of Ponce Financial Group, Inc. include the following: (i) greater lead time required for stockholders to submit proposals for certain provisions of new business or to nominate directors; (ii) approval by at least 80% of outstanding shares required to amend the bylaws and certain provisions of the articles of incorporation; and (iii) a limit on voting rights of shares beneficially owned in excess of 10% of Ponce Financial Group, Inc.'s outstanding voting stock. See "Comparison of Stockholders' Rights For Existing Stockholders of PDL Community Bancorp" for a discussion of these differences.

Dissenters' Rights

Stockholders of PDL Community Bancorp do not have dissenters' rights in connection with the conversion and offering.

Important Risks in Owning Ponce Financial Group, Inc.'s Common Stock

Before you vote on the conversion, you should read the "Risk Factors" section on page [ ] of this proxy statement/prospectus.

RISK FACTORS

You should consider carefully the following risk factors when deciding how to vote on the conversion and before purchasing shares of Ponce Financial Group, Inc. common stock.

Risks Related to Our Business

[same as prospectus]

Risks Related to the Offering and the Exchange

The market value of Ponce Financial Group, Inc.'s common stock received in the share exchange may be less than the market value of PDL Community Bancorp common stock exchanged.

The number of shares of Ponce Financial Group, Inc. common stock you receive will be based on an exchange ratio that will be determined as of the date of completion of the conversion and offering. The exchange ratio will be based on the percentage of PDL Community Bancorp common stock held by the public prior to the completion of the conversion and offering, the final independent appraisal of Ponce Financial Group, Inc. common stock prepared by RP Financial, LC. and the number of shares of common stock sold in the offering. The exchange ratio will ensure that existing public stockholders of PDL Community Bancorp common stock will own the same percentage of Ponce Financial Group, Inc. common stock after the conversion and offering as they owned of PDL Community Bancorp common stock immediately prior to completion of the conversion and offering (excluding any new shares purchased by them in the offering, their receipt of cash in lieu of fractional exchange shares, and the effect of shares issued to the Foundation and as adjusted for assets held by Ponce Bank MHC). The exchange ratio will not depend on the market price of PDL Community Bancorp common stock.

The exchange ratio ranges from 0.9342 shares at the minimum and 1.4535 shares at the adjusted maximum of the offering range, Ponce Financial Group, Inc. common stock per share of PDL Community Bancorp common stock. Shares of Ponce Financial Group, Inc. common stock issued in the share exchange will have an initial value of $10.00 per share. Depending on the exchange ratio and the market value of PDL Community Bancorp common stock at the time of the exchange, the initial market value of the Ponce Financial Group, Inc. common stock that you receive in the share exchange could be less than the market value of the PDL Community Bancorp common stock that you currently own. Based on the most recent closing price of PDL Community Bancorp common stock prior to the date of this proxy statement /prospectus, which was $, unless at least shares of Ponce Financial Group, Inc. common stock are sold in the offering (which is between the and the of the offering range), the initial value of the Ponce Financial Group, Inc. common stock you receive in the share exchange would be less than the market value of the PDL Community Bancorp common stock you currently own.

There may be a decrease in stockholders' rights for existing stockholders of PDL Community Bancorp.

As a result of the conversion, existing stockholders of PDL Community Bancorp will become stockholders of Ponce Financial Group, Inc. In addition to the provisions discussed above that may discourage takeover attempts that may be favored by stockholders, some rights of stockholders of Ponce Financial Group, Inc. will be reduced compared to the rights stockholders currently have in PDL Community Bancorp. The reduction in stockholder rights results from distinctions between the federal and Maryland chartering documents and bylaws, and from differences between federal and Maryland law. Many of the differences in stockholder rights under the articles of incorporation and bylaws of Ponce Financial Group, Inc. are not mandated by Maryland law but have been chosen by management as being in the best interests of Ponce Financial Group, Inc. and all of its stockholders. The difference in stockholder rights in the articles of incorporation and bylaws of Ponce Financial Group, Inc. include the following: (i) greater lead time required for stockholders to submit proposals for certain provisions of new business or to nominate directors; (ii) approval by at least 80% of the outstanding shares of capital stock entitled to vote generally is required to amend the bylaws and certain provisions of the articles of incorporation and (iii) a limit on voting rights of shares beneficially owned in excess of 10% of Ponce Financial Group, Inc.'s outstanding voting stock. See "Comparison of Stockholders' Rights For Existing Stockholders of PDL Community Bancorp" for a discussion of these differences.

[Remaining risks same as prospectus]

INFORMATION ABOUT THE SPECIAL MEETING

General

This proxy statement/prospectus is being furnished to you in connection with the solicitation by the board of directors of PDL Community Bancorp of proxies to be voted at the special meeting of stockholders to be held at [meeting location], on [meeting date], at [meeting time], Eastern Time, and any adjournment or postponement thereof.

The purpose of the special meeting is to consider and vote upon the Plan of Conversion and Reorganization of Ponce Bank MHC (referred to herein as the "plan of conversion") and the funding of the Foundation with a contribution of 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered and $1.0 million in cash, for a total contribution of up to $5.2 million.

In addition, stockholders will vote on a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposals. Stockholders also will vote on informational proposals with respect to the articles of incorporation of Ponce Financial Group, Inc.

Voting in favor of or against the plan of conversion includes a vote for or against the conversion of Ponce Bank MHC to a stock holding company as contemplated by the plan of conversion. Voting in favor of the plan of conversion will not obligate you to purchase any shares of common stock in the offering and will not affect the balance, interest rate or federal deposit insurance of any deposits at Ponce Bank.

Who Can Vote at the Meeting

You are entitled to vote your PDL Community Bancorp common stock if our records show that you held your shares as of the close of business on [record date]. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by your broker or nominee. As the beneficial owner, you have the right to direct your broker or nominee how to vote.

As of the close of business on [record date], there were [ ] shares of PDL Community Bancorp common stock outstanding. Each share of common stock has one vote.

Attending the Meeting

If you are a stockholder as of the close of business on [record date], you may attend the meeting. However, if you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or a letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of PDL Community Bancorp common stock held in street name in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Quorum; Vote Required

The special meeting will be held only if there is a quorum. A quorum exists if a majority of the outstanding shares of common stock entitled to vote, represented in person or by proxy, is present at the meeting. Ponce Bank MHC will be attending the special meeting, therefore a quorum is assured. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Proposal 1: Approval of the Plan of Conversion and Reorganization. We must obtain the affirmative vote of the holders of (i) two-thirds of the outstanding common stock of PDL Community Bancorp entitled to be cast at the special meeting, including shares held by Ponce Bank MHC, and (ii) a majority of the outstanding shares of common stock of PDL Community Bancorp entitled to be cast at the special meeting, other than shares held by Ponce Bank MHC.

Proposal 1 must also be approved by the members of Ponce Bank MHC (depositors and certain borrowers of Ponce Bank) at a special meeting of members called for that purpose. Members will receive separate informational materials from Ponce Bank MHC regarding the conversion.

Proposal 2: Funding of the Foundation. We must obtain the affirmative vote of the holders of a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders, and the affirmative vote of the holders of a majority of the total number of votes entitled to be cast at the special meeting by PDL Community Bancorp stockholders other than Ponce Bank MHC. However, stockholder approval of the funding of the Foundation is not a condition to the completion of the conversion and offering.

Proposal 2 must also be approved by the members of Ponce Bank MHC at a special meeting called for that purpose. Members will receive separate informational materials from Ponce Bank MHC regarding the funding of the Foundation.

Proposal 3: Approval of the adjournment of the special meeting. We must obtain the affirmative vote of at least a majority of the votes cast by PDL Community Bancorp stockholders entitled to vote at the special meeting to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of conversion.

Informational Proposals 4a through 4c: Approval of certain provisions in Ponce Financial Group, Inc.'s articles of incorporation. The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are summarized as informational proposals were approved as part of the process in which the board of directors of PDL Community Bancorp approved the plan of conversion. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion and the funding of the Foundation. While we are asking you to vote with respect to each of the informational proposals, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of Ponce Financial Group, Inc., if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Other Matters. We must obtain the affirmative vote of the majority of the votes cast by holders of outstanding shares of common stock of PDL Community Bancorp. At this time, we know of no other matters that may be presented at the special meeting.

Shares Held by Ponce Bank MHC and Our Directors and Executive Officers

As of [,2021], Ponce Bank MHC beneficially owned 9,545,388 shares of PDL Community Bancorp common stock. This equals approximately 56.1% of our outstanding shares. We expect that Ponce Bank MHC will vote all of its shares in favor of Proposal 1 — Approval of the Plan of Conversion and Reorganization, Proposal 2 —Funding of the Foundation, Proposal 3 — Approval of the adjournment of the special meeting, and Informational Proposals 4a through 4c.

As of [, 2021], our directors and executive officers beneficially owned 468,605 shares of PDL Community Bancorp common stock. This equals [ ]% of our outstanding shares and [ ]% of shares held by persons other than Ponce Bank MHC.

Voting by Proxy

Our board of directors is sending you this proxy statement/prospectus to request that you allow your shares of PDL Community Bancorp common stock to be represented at the special meeting by the persons named in the enclosed proxy card. All shares of PDL Community Bancorp common stock represented at the meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by our board of directors. Our board of directors recommends that you vote **"FOR"** approval of the plan of conversion, **"FOR"** the funding of the Foundation, **"FOR"** approval of the adjournment of the special meeting, if necessary, and **"FOR"** each of the Informational Proposals 4a through 4c.

If any matters not described in this proxy statement/prospectus are properly presented at the special meeting, the board of directors will use their judgment to determine how to vote your shares. We do not know of any other matters to be presented at the special meeting.

If your PDL Community Bancorp common stock is held in street name, you will receive instructions from your broker, bank or other nominee that you must follow to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form provided by your broker, bank or other nominee that accompanies this proxy statement/prospectus.

Revocability of Proxies

Stockholders who execute proxies in the form solicited hereby retain the right to revoke them in the manner described below. Unless so revoked, the shares represented by such proxies will be voted at the special meeting and all adjournments thereof. Proxies solicited on behalf of the Board of Directors of PDL Community Bancorp will be voted in accordance with the directions given thereon. **Please sign and return your proxy card in the postage paid envelope provided. Where no instructions are indicated on the proxy card, signed proxies will be voted "FOR" approval of the plan of conversion, "FOR" the funding of the Foundation, "FOR" approval of the adjournment of the special meeting, if necessary, and "FOR" each of the Informational Proposals 4a through 4c.**

Proxies may be revoked by sending written notice of revocation to the Corporate Secretary of PDL Community Bancorp at the address shown above, by filing a duly executed proxy bearing a later date, by following the Internet or telephone instructions on the enclosed proxy card or by voting in person at the special meeting. The presence at the special meeting of any stockholder who had given a proxy shall not revoke such proxy unless the stockholder delivers his or her ballot in person at the special meeting or delivers a written revocation to our Corporate Secretary prior to the voting of such proxy.

If you have any questions about giving your proxy or require assistance, please call Frank Perez, Executive Vice President and Chief Financial Officer, at (718) 931-9000.

If you are a stockholder whose shares are not registered in your name, you will need appropriate documentation from your record holder to vote in person at the special meeting.

Solicitation of Proxies

This proxy statement/prospectus and the accompanying proxy card are being furnished to you in connection with the solicitation of proxies for the special meeting by the board of directors. PDL Community Bancorp will pay the costs of soliciting proxies from its stockholders. To the extent necessary to permit approval of the plan of conversion and the other proposals being considered, [proxy solicitor], our proxy solicitor, and directors, officers or employees of PDL Community Bancorp, Ponce Bank and Mortgage World may solicit proxies by mail, telephone and other forms of communication. We will reimburse such persons for their reasonable out-of-pocket expenses incurred in connection with such solicitation. For its services as information agent and stockholder proxy solicitor, we will pay [proxy solicitor] $ [ ] plus out-of-pocket expenses and charges for telephone calls made and received in connection with the solicitation. No additional compensation will be paid to our directors, officers or employees for such services.

We will also reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you.

Participants in the Employee Stock Ownership Plan

If you participate in Ponce Bank Employee Stock Ownership Plan, you will receive a Vote Authorization Form for the Employee Stock Ownership Plan that reflects all of the shares you may direct the trustees to vote on your behalf under the Employee Stock Ownership Plan. Under the terms of the Employee Stock Ownership Plan, the Employee Stock Ownership Plan trustee votes all shares held by the Employee Stock Ownership Plan, but each Employee Stock Ownership Plan participant may direct the trustee how to vote the proportionate interest of shares of our common stock allocated or deemed allocated to his or her account. The Employee Stock Ownership Plan trustee, subject to the exercise of its fiduciary responsibilities, will vote all unallocated shares of our common stock held by the Employee Stock Ownership Plan and allocated or deemed allocated shares for which no voting instructions are received in the same proportion as shares for which it has received timely voting instructions, subject to a determination that such vote is in the best interest of Employee Stock Ownership Plan participants. The deadline for returning your Employee Stock Ownership Plan Vote Authorization Form is , 2021 at 11:59 p.m. Eastern time. The telephone and Internet voting deadline for Employee Stock Ownership Plan participants is also 11:59 p.m. Eastern time on , 2021.

The board of directors recommends that you promptly sign and mark the enclosed proxy in favor of the above described proposals, including the adoption of the plan of conversion and the funding of the Foundation, and promptly return it in the enclosed envelope. Voting the proxy card will not prevent you from voting in person at the special meeting. For information on submitting your proxy, please refer to the instructions on the enclosed proxy card.

Your prompt vote is very important. Failure to vote will have the same effect as voting against the plan of conversion.

PROPOSAL 1 — APPROVAL OF THE PLAN OF CONVERSION AND REORGANIZATION

The boards of directors of PDL Community Bancorp and Ponce Bank MHC have approved the plan of Conversion and reorganization of Ponce Bank MHC, referred to herein as the "plan of conversion." The plan of conversion must also be approved by the members of Ponce Bank MHC (depositors and certain borrowers of Ponce Bank) and the stockholders of PDL Community Bancorp. A special meeting of members and a special meeting of stockholders have been called for this purpose. The Board of Governors of the Federal Reserve System has conditionally approved the plan of conversion; however, such conditional approval does not constitute a recommendation or endorsement of the plan of conversion by the Board of Governors of the Federal Reserve System.

General

Pursuant to the plan of conversion, our organization will convert from the mutual holding company form of organization to the fully stock form. Currently, Ponce Bank and Mortgage World are wholly-owned subsidiaries of PDL Community Bancorp and Ponce Bank MHC owns approximately 56.1% of PDL Community Bancorp's common stock. The remaining 43.9% of PDL Community Bancorp's common stock is owned by public stockholders of which [ ]% are owned by directors and executive officers of PDL Community Bancorp and Ponce Bank MHC, [ ]% are owned by Ponce Bank's employee stock ownership plan and [ ]% are held by the Foundation. As a result of the conversion, a newly formed company, Ponce Financial Group, Inc., will become the holding company of Ponce Bank and Mortgage World. Each share of PDL Community Bancorp common stock owned by the public will be exchanged for between 0.9342 shares at the minimum and 1.4535 shares at the adjusted maximum of the offering range, of Ponce Financial Group, Inc. common stock, so that PDL Community Bancorp's existing public stockholders will own the same percentage of Ponce Financial Group, Inc. common stock as they owned of PDL Community Bancorp's common stock immediately prior to the conversion (excluding any new shares purchased by them in the offering, their receipt of cash in lieu of fractional exchange shares, and the effect of shares issued to the Foundation and as adjusted to reflect assets held by Ponce Bank MHC). The actual number of shares that you will receive will depend on the percentage of PDL Community Bancorp common stock held by the public immediately prior to the completion of the conversion, the final independent appraisal of Ponce Financial Group, Inc. and the number of shares of Ponce Financial Group, Inc. common stock sold in the offering described in the following paragraph. It will not depend on the market price of PDL Community Bancorp common stock.

Concurrently with the exchange offer, Ponce Financial Group, Inc. is offering up to 13,886,250 shares of common stock for sale, representing the 56.1% ownership interest of Ponce Bank MHC in PDL Community Bancorp, to eligible account holders of Ponce Bank, Ponce Bank's employee stock ownership plan, supplemental eligible account holders of Ponce Bank and other members. Shares not purchased in the subscription offering may be offered for sale to the general public. After the conversion and offering are completed, Ponce Bank and Mortgage World will be wholly-owned subsidiaries of Ponce Financial Group, Inc., and 100% of the common stock of Ponce Financial Group, Inc. will be owned by public stockholders. As a result of the conversion and offering, PDL Community Bancorp and Ponce Bank MHC will cease to exist.

We also intend to fund the Foundation with a contribution of 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered and $1.0 million in cash, for a total contribution of up to $5.2 million, pursuant to the plan of conversion.

Ponce Financial Group, Inc. intends to retain between $21.7 million and $34.9 million of the net proceeds of the offering and to invest between $43.0 million and $67.6 million of the net proceeds in Ponce Bank, between $12.9 million and $20.3 million of the net proceeds in Mortgage World, loan to the employee stock ownership plan between $7.4 million and $11.4 million to purchase shares of Ponce Financial and contribute $1.0 to the Foundation. The conversion will be consummated only upon the sale and issuance of at least the minimum number of shares of our common stock offered (not including shares that we will contribute to the Foundation) pursuant to the plan of conversion and reorganization.

The plan of conversion provides that we will offer shares of common stock in a "subscription offering" in the following descending order of priority:

(i) To depositors who had accounts at Ponce Bank with aggregate balances of at least $50 at the close of business on April 30, 2020.

(ii) To the tax-qualified employee benefit plans Ponce Bank (the employee stock ownership plan), which will receive, without payment therefor, nontransferable subscription rights to purchase in the aggregate up to 10% of the shares of common stock sold in the offering and issued to the Foundation. We expect our employee stock ownership plan to purchase 8% of the shares of common stock sold in the stock offering and issued to the Foundation, although we reserve the right to have the employee stock ownership plan purchase more than 8% of the shares sold in the offering and issued to the Foundation to the extent necessary to complete the offering at the minimum of the offering range.

(iii) To depositors who had accounts at Ponce Bank with aggregate balances of at least $50 at the close of business on [supplemental eligibility record date].

(iv) To depositors of Ponce Bank at the close of business on [other record date] and each borrower of Ponce Bank as of April 11, 1985, who maintained such borrowings with Ponce Bank as of the close of business on [other record date].

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given first to natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, New York , Queens and Kings and the New Jersey County of Hudson. To the extent shares of common stock remain available, we may also offer the shares to PDL Community Bancorp's public stockholders as of [record date]. The community offering, if held, may begin concurrently, during or after the subscription offering. We also may offer for sale shares of common stock not purchased in the subscription offering or the community offering through a syndicated offering. Janney Montgomery Scott LLC will act as sole book-running manager for the syndicated offering. We have the right to accept or reject, in our sole discretion, orders received in the community offering or syndicated offering. Any determination to accept or reject stock orders in the community offering or syndicated offering will be based on the facts and circumstances available to management at the time of the determination.

We determined the number of shares of common stock to be offered in the offering based upon an independent valuation of the estimated pro forma market value of Ponce Financial Group, Inc. All shares of common stock to be sold in the offering will be sold at $10.00 per share. Investors will not be charged a commission to purchase shares of common stock in the offering. The independent valuation will be updated and the final number of shares of common stock to be issued in the offering will be determined at the completion of the offering. See "—Stock Pricing and Number of Shares to be Issued" for more information as to the determination of the estimated pro forma market value of the common stock.

A copy of the plan of conversion is available for inspection at each branch office of Ponce Bank, Mortgage World and at the Federal Reserve Bank of Philadelphia. The plan of conversion is also filed as an exhibit to Ponce Bank MHC's application for conversion, of which this proxy statement/prospectus is a part, copies of which may be obtained from the Board of Governors of the Federal Reserve System. The plan of conversion is also filed as an exhibit to the registration statement we have filed with the Securities and Exchange Commission, of which this proxy statement/prospectus is a part, copies of which may be obtained from the Securities and Exchange Commission or online at the Securities and Exchange Commission's website. See "Where You Can Find Additional Information."

The board of directors recommends that you vote "FOR" the Plan of Conversion and Reorganization of Ponce Bank MHC.

[Remaining sections same as Prospectus under "The Conversion and Offering," with the following to be added]

Exchange of Existing Stockholders' Stock Certificates

The conversion of existing outstanding shares of PDL Community Bancorp common stock into the right to receive shares of Ponce Financial Group, Inc. common stock will occur automatically at the completion of the conversion. As soon as practicable after the completion of the conversion, our exchange agent will send a transmittal form to each public stockholder of PDL Community Bancorp who holds physical stock certificates. The transmittal form will contain instructions on how to surrender certificates evidencing PDL Community Bancorp common stock in exchange for shares of Ponce Financial Group, Inc. common stock in book entry form, to be held electronically on the books of our transfer agent. Ponce Financial Group, Inc. will not issue stock certificates. We expect that a statement reflecting your ownership of shares of common stock of Ponce Financial Group, Inc. common stock will be distributed within five business days after the exchange agent receives properly executed transmittal forms, PDL Community Bancorp stock certificates and other required documents. Shares held by public stockholders in street name (such as in a brokerage account) will be exchanged automatically upon the completion of the conversion; no transmittal forms will be mailed relating to these shares.

No fractional shares of Ponce Financial Group, Inc. common stock will be issued to any public stockholder of PDL Community Bancorp when the conversion is completed. For each fractional share that would otherwise be issued to a stockholder who holds a stock certificate, we will pay by check an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be entitled by the $10.00 offering purchase price per share. Payment for fractional shares will be made as soon as practicable after the receipt by the exchange agent of the transmittal forms and the surrendered PDL Community Bancorp stock certificates. If your shares of common stock are held in street name, you will automatically receive cash in lieu of fractional shares in your account.

You should not forward your stock certificates until you have received transmittal forms, which will include forwarding instructions. After the conversion, stockholders will not receive shares of Ponce Financial Group, Inc. common stock and will not be paid dividends on the shares of Ponce Financial Group, Inc. common stock until existing certificates representing shares of PDL Community Bancorp common stock are surrendered for exchange in compliance with the terms of the transmittal form. When stockholders surrender their certificates, any unpaid dividends will be paid without interest. For all other purposes, however, each certificate that represents shares of PDL Community Bancorp common stock outstanding at the effective date of the conversion will be considered to evidence ownership of shares of Ponce Financial Group, Inc. common stock into which those shares have been converted by virtue of the conversion.

If a certificate for PDL Community Bancorp common stock has been lost, stolen or destroyed, our exchange agent will issue a new stock certificate upon receipt of appropriate evidence as to the loss, theft or destruction of the certificate, appropriate evidence as to the ownership of the certificate by the claimant, and appropriate and customary indemnification, which is normally effected by the purchase of a bond from a surety company at the stockholder's expense.

All shares of Ponce Financial Group, Inc. common stock that we issue in exchange for existing shares of PDL Community Bancorp common stock will be considered to have been issued in full satisfaction of all rights pertaining to such shares of common stock, subject, however, to our obligation to pay any dividends or make any other distributions with a record date prior to the effective date of the conversion that may have been declared by us on or prior to the effective date, and which remain unpaid at the effective date.

PROPOSAL 2 —FUNDING OF THE FOUNDATION

General

In furtherance of our commitment to our local community and communities we intend to contribute cash and shares of common stock to the Foundation, as further described below.

By further enhancing our visibility and reputation in our local community, we believe that the contribution to the Foundation will enhance the long-term value of our community banking franchise. The stock offering presents us with a unique opportunity to provide a substantial and continuing benefit to our communities through the Foundation.

Purpose of the Foundation

We intend to contribute to the Foundation 3% of the shares sold in the concurrent offering, up to 416,588 shares of common stock at the adjusted maximum of the shares to be offered, and $1.0 million in cash, for a total contribution of up to $5.2 million. The purpose of the Foundation is to provide financial support to charitable organizations in the communities in which we operate and to enable our communities to share in our long-term growth. The Foundation is dedicated completely to community activities and the promotion of charitable causes. The Foundation also supports our on-going obligations to the community under the CRA. Ponce Bank received a satisfactory rating in its most recent CRA examination by the OCC.

Funding the Foundation with shares of our common stock is also intended to allow our communities to share in our potential growth and success after the stock offering is completed because the Foundation will benefit directly from any increases in the value of our common stock. In addition, the Foundation will maintain close ties with Ponce Bank, thereby forming a partnership within the communities in which Ponce Bank operates.

Structure of the Foundation

The Foundation is incorporated under Delaware law as a non-stock, nonprofit corporation. The certificate of incorporation of the Foundation provides that the corporation is organized exclusively for charitable purposes as set forth in Section 501(c)(3) of the Internal Revenue Code. The Foundation's certificate of incorporation also provides that no part of the net earnings of the Foundation will inure to the benefit of, or be distributable to, its members, directors or officers or to private individuals.

The board of directors of the Foundation are responsible for establishing the Foundation's grant and donation policies, consistent with the purposes for which it was established. As directors of a nonprofit corporation, directors of the Foundation are at all times be bound by their fiduciary duty to advance the Foundation's charitable goals, to protect its assets and to act in a manner consistent with the charitable purposes for which the Foundation was established. The directors of the Foundation will also be responsible for directing the activities of the Foundation, including the management and voting of the shares of our common stock held by the Foundation. However, as required by Federal Reserve Board's regulations, all shares of our common stock held by the Foundation will be voted in the same ratio as all other shares of our common stock on all proposals considered by our stockholders.

The Foundation's place of business is located at our administrative offices. The board of directors of the Foundation has appointed such officers and employees as have been deemed necessary to manage its operations. To the extent applicable, we will comply with the affiliates restrictions set forth in Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board's regulations governing transactions between Ponce Bank and the Foundation.

The Foundation will receive additional working capital from the cash and stock contribution and:

(i) any dividends that may be paid on our shares of common stock in the future;

(ii) within the limits of applicable federal and state laws, loans collateralized by the shares of common stock; or

(iii) the proceeds of the sale of any of the shares of common stock in the open market from time to time.

As a private foundation under Section 501(c)(3) of the Internal Revenue Code, the Foundation is required to distribute annually in grants or donations a minimum of 5% of the average fair market value of its net investment assets.

Tax Considerations

Ponce Financial Group, Inc., PDL Community Bancorp, Ponce Bank MHC, Ponce Bank and Mortgage World are authorized by law to make charitable contributions. We believe that the stock offering presents a unique opportunity to fund a charitable foundation given the substantial amount of additional capital being raised. In making such a determination, we considered the dilutive impact to our stockholders of the contribution of shares of common stock to the Foundation. See "Capitalization" and "Historical and Pro Forma Regulatory Capital Compliance."

We believe that our contribution of cash and shares of our common stock to the Foundation should not constitute an act of self-dealing and that we should be entitled to a federal tax deduction in the amount of the fair market value of the cash and stock at the time of the contribution. We are permitted to deduct for charitable purposes only an amount equal to 10% of our annual pre-tax income in any one year, and, under the CARES Act, up to 25% of our taxable income in 2021 and 2022. We are permitted under the Internal Revenue Code to carry the excess contribution over the five-year period following the contribution to the Foundation. Based on $[ ] million of normalized taxable income before income tax expense in the year ended December 31, 2020 and assuming that our taxable income before income tax expense remained at that level in future years following our conversion and stock offering, we estimate that we would be able to deduct for federal income tax purposes $[ ] million of the contribution to the Foundation over six years. This would result in after-tax expense of $[ ] million, and not $[ ] million based on full deductibility of the $[ ] million contribution. Even if the contribution is deductible, we may not have sufficient earnings to be able to use the deduction in full. Any decision to make additional contributions to the Foundation in the future would be based on an assessment of, among other factors, our financial condition at that time, the interests of our stockholders and depositors, and the financial condition and operations of the foundation.

As a private foundation, earnings and gains, if any, from the sale of common stock or other assets are exempt from federal and state income taxation. However, investment income, such as interest, dividends and capital gains, is generally taxed at a rate of [ ]%, although we may qualify for the lower [ ]% special rate. The Foundation is required to file an annual return with the Internal Revenue Service within four and one-half months after the close of its fiscal year. The Foundation is required to make its annual return available for public inspection. The annual return for a private foundation includes, among other things, an itemized list of all grants made or approved, showing the amount of each grant, the recipient, any relationship between a grant recipient and the foundation's managers and a concise statement of the purpose of each grant.

Regulatory Requirements Imposed on the Foundation

Federal Reserve Board regulations require that our directors who serve on the Foundation's board cannot participate in our board's discussions concerning contributions to the Foundation, and cannot vote on the matter.

Federal Reserve Board regulations provide that the Federal Reserve Board will generally not object if a well-capitalized savings bank contributes to a charitable foundation an aggregate amount of 8% or less of the shares or proceeds issued in a stock offering. Ponce Bank qualifies as a well-capitalized savings bank for purposes of this limitation, and the contribution to the Foundation will not exceed this limitation.

Federal Reserve Board regulations impose the following requirements on the Foundation:

- the Foundation's primary purpose must be to serve and make grants in our local community;
- the Federal Reserve Board may examine the Foundation at the foundation's expense;
- the Foundation must comply with all supervisory directives imposed by the Federal Reserve Board;
- the Foundation must provide annually to the Federal Reserve Board a copy of the annual report that the Foundation submits to the Internal Revenue Service;
- the Foundation must operate according to written policies adopted by its board of directors, including a conflict of interest policy;
- the Foundation may not engage in self-dealing and must comply with all laws necessary to maintain its tax-exempt status under the Internal Revenue Code; and
- the Foundation must vote its shares of our common stock in the same ratio as all of the other shares voted on each proposal considered by our stockholders.

The board of directors recommends that you vote "FOR" the funding of the Foundation.

PROPOSAL 3 — ADJOURNMENT OF THE SPECIAL MEETING

If there are not sufficient votes to constitute a quorum or to approve the plan of conversion and/or the funding of the Foundation at the time of the special meeting, the proposals may not be approved unless the special meeting is adjourned to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received by PDL Community Bancorp at the time of the special meeting to be voted for an adjournment, if necessary, PDL Community Bancorp has submitted the question of adjournment to its stockholders as a separate matter for their consideration. The board of directors of PDL Community Bancorp recommends that stockholders vote "FOR" the adjournment proposal. If it is necessary to adjourn the special meeting, no notice of the adjourned special meeting is required to be given to stockholders (unless the adjournment is for more than 30 days or if a new record date is fixed), other than an announcement at the special meeting of the hour, date and place to which the special meeting is adjourned.

The board of directors recommends that you vote "FOR" the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the plan of conversion and/or the funding of the Foundation.

PROPOSALS 4a THROUGH 4c — INFORMATIONAL PROPOSALS RELATED TO THE ARTICLES OF INCORPORATION OF PONCE FINANCIAL GROUP, INC.

By their approval of the plan of conversion as set forth in Proposal 1, the board of directors of PDL Community Bancorp has approved each of the informational proposals numbered 4a through 4c, all of which relate to provisions included in the articles of incorporation of Ponce Financial Group, Inc. Each of these informational proposals is discussed in more detail below.

As a result of the conversion, the public stockholders of PDL Community Bancorp, whose rights are presently governed by the charter and bylaws of PDL Community Bancorp, will become stockholders of Ponce Financial Group, Inc., whose rights will be governed by the articles of incorporation and bylaws of Ponce Financial Group, Inc. The following informational proposals address the material differences between the governing documents of the two companies. This discussion is qualified in its entirety by reference to the charter and bylaws of PDL Community Bancorp and the articles of incorporation and bylaws of Ponce Financial Group, Inc. See "Where You Can Find Additional Information" for procedures for obtaining a copy of those documents.

The provisions of Ponce Financial Group, Inc.'s articles of incorporation that are summarized as informational proposals 4a through 4c were approved as part of the process in which the board of directors of PDL Community Bancorp approved the plan of conversion and the funding of the Foundation. These proposals are informational in nature only, because the Board of Governors of the Federal Reserve System's regulations governing mutual-to-stock conversions do not provide for votes on matters other than the plan of conversion. PDL Community Bancorp's stockholders are not being asked to approve these informational proposals at the special meeting. While we are asking you to vote with respect to each of the informational proposals set forth below, the proposed provisions for which an informational vote is requested will become effective if stockholders approve the plan of conversion, regardless of whether stockholders vote to approve any or all of the informational proposals. The provisions of Ponce Financial Group, Inc.'s articles of incorporation and bylaws that are summarized as informational proposals may have the effect of deterring or rendering more difficult attempts by third parties to obtain control of Ponce Financial Group, Inc., if such attempts are not approved by the board of directors, or may make the removal of the board of directors or management, or the appointment of new directors, more difficult.

Informational Proposal 4a. — Approval of a Provision in Ponce Financial Group, Inc.'s Articles of Incorporation Requiring a Super-Majority Vote to Amend Certain Provisions of the Articles of Incorporation of Ponce Financial Group, Inc. No amendment of the charter of PDL Community Bancorp may be made unless it is first proposed by the board of directors, then preliminarily approved by the Board of Governors of the Federal Reserve System, and thereafter approved by the holders of a majority of the total votes eligible to be cast at a legal meeting. Under the Maryland General Corporation Law and Ponce Financial Group, Inc.'s articles of incorporation, the board of directors may increase or decrease the number of authorized shares without stockholder approval. Otherwise, the articles of incorporation of Ponce Financial Group, Inc. generally may be amended by the holders of a majority of the shares entitled to vote; provided, however, that any amendment of Section C, D, E or F of Article Fifth (Preferred Stock, Restrictions on Voting Rights of the Corporation's Equity Securities, Majority Vote and Quorum), Article 7 (Directors), Article 8 (Bylaws), Article 9 (Evaluation of Certain Offers), Article 10 (Indemnification, etc. of Directors and Officers), Article 11 (Limitation of Liability), Article 12 (Selection of Forum) and Article 13 (Amendment of the Articles of Incorporation) must be approved by the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote, except that the board of directors may amend the articles of incorporation without any action by the stockholders to increase or decrease the aggregate number of shares of capital stock.

These limitations on amendments to specified provisions of Ponce Financial Group, Inc.'s articles of incorporation are intended to ensure that the referenced provisions are not limited or changed upon a simple majority vote. While this limits the ability of stockholders to amend those provisions, Ponce Bank MHC, as a 56.1% stockholder, currently can effectively block any stockholder proposed change to the charter.

The requirement of a super-majority stockholder vote to amend specified provisions of Ponce Financial Group, Inc.'s articles of incorporation could have the effect of discouraging a tender offer or other takeover attempt where the ability to make fundamental changes through amendments to the articles of incorporation is an important element of the takeover strategy of the potential acquiror. The board of directors believes that the provisions limiting certain amendments to the articles of incorporation will put the board of directors in a stronger position to negotiate with third parties with respect to transactions potentially affecting the corporate structure of Ponce Financial Group, Inc. and the fundamental rights of its stockholders, and to preserve the ability of all stockholders to have an effective voice in the outcome of such matters.

The board of directors recommends that you vote "FOR" the approval of a provision in Ponce Financial Group, Inc.'s articles of incorporation requiring a super-majority vote to approve certain amendments to Ponce Financial Group, Inc.'s articles of incorporation.

Informational Proposal 4b. — Approval of a Provision in Ponce Financial Group, Inc. 's Articles of Incorporation Requiring a Super-Majority Vote of Stockholders to Approve Stockholder Proposed Amendments to Ponce Financial Group, Inc.'s Bylaws. An amendment to PDL Community Bancorp's bylaws proposed by stockholders must be approved by the holders of a majority of the total votes eligible to be cast at a legal meeting subject to applicable approval by the Board of Governors of the Federal Reserve System. The articles of incorporation of Ponce Financial Group, Inc. provides that stockholders may only amend the bylaws if such proposal is approved by the affirmative vote of the holders of at least 80% of the outstanding shares entitled to vote.

The requirement of a super-majority stockholder vote to amend the bylaws of Ponce Financial Group, Inc. is intended to ensure that the bylaws are not limited or changed upon a simple majority vote of stockholders. While this limits the ability of stockholders to amend the bylaws, Ponce Bank MHC, as a 56.1% stockholder, currently can effectively block any stockholder proposed change to the bylaws. Also, the board of directors of both PDL Community Bancorp and Ponce Financial Group, Inc. may by a majority vote amend either company’s bylaws.

This provision in Ponce Financial Group, Inc.’s articles of incorporation could have the effect of discouraging a tender offer or other takeover attempt where the ability to make fundamental changes through amendments to the bylaws is an important element of the takeover strategy of the potential acquiror. The board of directors believes that the provision limiting amendments to the bylaws will put the board of directors in a stronger position to negotiate with third parties with respect to transactions potentially affecting the corporate structure of Ponce Financial Group, Inc. and the fundamental rights of its stockholders, and to preserve the ability of all stockholders to have an effective voice in the outcome of such matters.

The board of directors recommends that you vote “FOR” the approval of the provision in Ponce Financial Group, Inc.’s articles of incorporation requiring a super-majority vote of stockholders to approve stockholder proposed amendments to Ponce Financial Group, Inc.’s bylaws.

Informational Proposal 4c. — Approval of a Provision in Ponce Financial Group. Inc.’s Articles of Incorporation to Limit the Voting Rights of Shares Beneficially Owned in Excess of 10% of Ponce Financial Group Inc.’s Outstanding Voting Stock. The articles of incorporation of Ponce Financial Group, Inc. provide that in no event shall any person, who directly or indirectly beneficially owns in excess of 10% of the then-outstanding shares of common stock as of the record date for the determination of stockholders entitled or permitted to vote on any matter, be entitled or permitted to vote in respect of the shares held in excess of the 10% limit. Beneficial ownership is determined pursuant to the federal securities laws and includes, but is not limited to, shares as to which any person and his or her affiliates (i) have the right to acquire pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options and (ii) have or share investment or voting power (but shall not be deemed the beneficial owner of any voting shares solely by reason of a revocable proxy granted for a particular meeting of stockholders, and that are not otherwise beneficially, or deemed by Ponce Financial Group, Inc. to be beneficially, owned by such person and his or her affiliates).

The foregoing restriction does not apply to any employee benefit plans of Ponce Financial Group, Inc. or any subsidiary or a trustee of a plan.

The provision in Ponce Financial Group, Inc.’s articles of incorporation limiting the voting rights of beneficial owners of more than 10% of Ponce Financial Group, Inc.’s outstanding voting stock is intended to limit the ability of any person to acquire a significant number of shares of Ponce Financial Group, Inc. common stock and thereby gain sufficient voting control so as to cause Ponce Financial Group, Inc. to effect a transaction that may not be in the best interests of Ponce Financial Group, Inc. and its stockholders generally. This provision will not prevent a stockholder from seeking to acquire a controlling interest in Ponce Financial Group, Inc. , but it will prevent a stockholder from voting more than 10% of the outstanding shares of common stock unless that stockholder has first persuaded the board of directors of the merits of the course of action proposed by the stockholder. The board of directors of Ponce Financial Group, Inc. believes that fundamental transactions generally should be first considered and approved by the board of directors as it generally believes that it is in the best position to make an initial assessment of the merits of any such transactions and that its ability to make the initial assessment could be impeded if a single stockholder could acquire a sufficiently large voting interest so as to control a stockholder vote on any given proposal. This provision in Ponce Financial Group, Inc.’s articles of incorporation makes an acquisition, merger or other similar corporate transaction less likely to occur, even if such transaction is supported by most stockholders, because it can prevent a holder of shares in excess of the 10% limit from voting the excess shares in favor of the transaction. Thus, it may be deemed to have an anti-takeover effect.

The board of directors recommends that you vote “FOR” the approval of a provision in Ponce Financial Group, Inc.’s articles of incorporation to limit the voting rights of shares beneficially owned in excess of 10% of Ponce Financial Group, Inc.’s outstanding voting stock.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA
[Same as prospectus]

FORWARD-LOOKING STATEMENTS
[Same as prospectus]

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING
[Same as prospectus]

OUR DIVIDEND POLICY
[Same as prospectus]

MARKET FOR THE COMMON STOCK
[Same as prospectus]

HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE
[Same as prospectus]

CAPITALIZATION
[Same as prospectus]

PRO FORMA DATA
[Same as prospectus]

BUSINESS OF PONCE FINANCIAL GROUP, INC. AND PDL COMMUNITY BANCORP
[Same as prospectus]

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
[Same as prospectus]

REGULATION AND SUPERVISION
[Same as prospectus]

TAXATION
[Same as prospectus]

MANAGEMENT
[Same as prospectus]

COMPENSATION
[Same as prospectus]

BENEFICIAL OWNERSHIP OF COMMON STOCK
[Same as prospectus]

SUBSCRIPTIONS BY DIRECTORS AND EXECUTIVE OFFICERS
[Same as prospectus]

THE CONVERSION AND OFFERING
[Same as prospectus]

PONCE DE LEON FOUNDATION
[Same as prospectus]

COMPARISON OF STOCKHOLDERS' RIGHTS FOR EXISTING STOCKHOLDERS OF PDL COMMUNITY BANCORP
[Same as prospectus]

RESTRICTIONS ON ACQUISITION OF PONCE FINANCIAL GROUP, INC.
[Same as prospectus]

DESCRIPTION OF CAPITAL STOCK OF PONCE FINANCIAL GROUP, INC. FOLLOWING THE CONVERSION
[Same as prospectus]

TRANSFER AGENT
[Same as prospectus]

EXPERTS
[Same as prospectus]

LEGAL MATTERS
[Same as prospectus]

WHERE YOU CAN FIND ADDITIONAL INFORMATION
[Same as prospectus]

STOCKHOLDER PROPOSALS

In order to be eligible for inclusion in our proxy materials for our 2022 Annual Meeting of Stockholders, any stockholder proposal to take action at such meeting must be received at our executive office, 2244 Westchester Avenue, Bronx, New York 10462, no later than . Any such proposals shall be subject to the requirements of the proxy rules adopted under the Exchange Act.

ADVANCE NOTICE OF BUSINESS TO BE CONDUCTED AT AN ANNUAL MEETING

Provisions of PDL Community Bancorp's Bylaws. Under PDL Community Bancorp's Bylaws, a stockholder must follow certain procedures to nominate persons for election as directors or to introduce an item of business at a meeting of stockholders. These procedures provide, generally, that stockholders desiring to make nominations for directors, or to bring a proper subject of business before the meeting, must do so by a written notice timely received (generally not less than five days in advance of such meeting, subject to certain exceptions) by the Secretary of PDL Community Bancorp.

Provisions of Ponce Financial Group, Inc.'s Bylaws. Ponce Financial Group, Inc.'s Bylaws provide an advance notice procedure for certain business, or nominations to the Board of Directors, to be brought before an annual meeting of stockholders. In order for a stockholder to properly bring business before an annual meeting, or to propose a nominee to the board of directors, Ponce Financial Group, Inc.'s Secretary must receive written notice not earlier than the 100th day nor later than the 90th day prior to date of the annual meeting; provided, however, that in the event the date of the annual meeting is advanced more than 30 days before the anniversary of the preceding year's annual meeting stockholder, then, to be timely, notice by the stockholder must be so received not later than the tenth day following the day on which public announcement of the date of such meeting is first made.

The notice with respect to stockholder proposals that are not nominations for director must set forth as to each matter such stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address of such stockholder as they appear on Ponce Financial Group, Inc.'s books and of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class or series and number of shares of capital stock of Ponce Financial Group, Inc. which are owned beneficially or of record by such stockholder and such beneficial owner;

(iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business; and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

The notice with respect to director nominations must include (i) as to each individual whom the stockholder proposes to nominate for election as a director, (A) all information relating to such person that would indicate such person's qualification under Article 2, Section 12 of Ponce Financial Group Inc.'s Bylaws, including an affidavit that such person would not be disqualified under the provisions of Article 2, Section 12 of the Bylaws and (B) all other information relating to such individual that is required to be disclosed in connection with solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation; and (ii) as to the stockholder giving the notice, (A) the name and address of such stockholder as they appear on Ponce Financial Group, Inc.'s books and of the beneficial owner, if any, on whose behalf the nomination is made; (B) the class or series and number of shares of capital stock of Ponce Financial Group, Inc. which are owned beneficially or of record by such stockholder and such beneficial owner; (C) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder; (D) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; and (E) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934 or any successor rule or regulation. Such notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected.

The 2022 annual meeting of stockholders is expected to be held , 2022. If the conversion is completed, advance written notice for certain business, or nominations to the Board of Directors, to be brought before the next annual meeting must be given to us no earlier than and no later than , 2022. If notice is received before or after , 2022, it will be considered untimely, and we will not be required to present the matter at the stockholders meeting. If the conversion is not completed, advance written notice for certain business, or nominations to the Board of Directors, to be brought before the next annual meeting must be given to us by , 2022. If notice is received after , 2022, it will be considered untimely, and we will not be required to present the matter at the stockholders meeting.

Nothing in this proxy statement/prospectus shall be deemed to require us to include in our proxy statement and proxy relating to an annual meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the Securities and Exchange Commission in effect at the time such proposal is received.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING

The Notice of Special Meeting of Stockholders, Proxy Statement/Prospectus and Proxy Card are available at www.proxydocs.com/PDLB.

OTHER MATTERS

As of the date of this document, the board of directors is not aware of any business to come before the special meeting other than the matters described above in the proxy statement/prospectus. However, if any matters should properly come before the special meeting, it is intended that the holders of the proxies will act in accordance with their best judgment.

PART II: INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

			Amount
*	Registrant's Legal Fees and Expenses	$	1,500,000
*	Registrant's Accounting Fees and Expenses		79,800
*	Marketing Agent Fees		200,000
*	Records Management Fees and Expenses		50,000
*	Appraisal Fees and Expenses		175,000
*	Printing, Postage, Mailing and EDGAR Fees		160,976
*	Filing Fees (Nasdaq, FINRA and SEC)		109,064
*	Transfer Agent Fees and Expenses		16,060
*	Business Plan Fees and Expenses		60,000
*	Proxy Solicitor Fees and Expenses		12,000
*	Other		73,500
*	Total	$	2,436,400

* Estimated

Item 14. Indemnification of Directors and Officers

Articles 10 and 11 of the Articles of Incorporation of Ponce Financial Group, Inc. (the “Corporation”) set forth circumstances under which directors, officers, employees and agents of the Corporation may be insured or indemnified against liability which they incur in their capacities as such:

ARTICLE 10. Indemnification, etc. of Directors and Officers.

A. Indemnification. The Corporation shall indemnify (1) its current and former directors and officers, whether serving the Corporation or at its request any other entity, to the fullest extent required or permitted by the MGCL now or hereafter in force, including the advancement of expenses under the procedures and to the fullest extent permitted by law, and (2) other employees and agents to such extent as shall be authorized by the Board of Directors and permitted by law; provided, however, that, except as provided in Section B of this Article 10 with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

B. Procedure. If a claim under Section A of this Article 10 is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be reimbursed the expense of prosecuting or defending such suit. It shall be a defense to any action for advancement of expenses that the Corporation has not received both (i) an undertaking as required by law to repay such advances in the event it shall ultimately be determined that the standard of conduct has not been met and (ii) a written affirmation by the indemnitee of his good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard for indemnification set forth in the MGCL. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the MGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article 10 or otherwise shall be on the Corporation.

C. Non-Exclusivity. The rights to indemnification and to the advancement of expenses conferred in this Article 10 shall not be exclusive of any other right that any Person may have or hereafter acquire under any statute, these Articles, the Corporation's Bylaws, any agreement, any vote of stockholders or the Board of Directors, or otherwise.

D. Insurance. The Corporation may maintain insurance, at its expense, to insure itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such Person against such expense, liability or loss under the MGCL.

E. Miscellaneous. The Corporation shall not be liable for any payment under this Article 10 in connection with a claim made by any indemnitee to the extent such indemnitee has otherwise actually received payment under any insurance policy, agreement, or otherwise, of the amounts otherwise indemnifiable hereunder. The rights to indemnification and to the advancement of expenses conferred in Sections A and B of this Article 10 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

F. Limitations Imposed by Federal Law. Notwithstanding any other provision set forth in this Article 10, in no event shall any payments made by the Corporation pursuant to this Article 10 exceed the amount permissible under applicable federal law, including, without limitation, Section 18(k) of the Federal Deposit Insurance Act and the regulations promulgated thereunder.

Any repeal or modification of this Article 10 shall not in any way diminish any rights to indemnification or advancement of expenses of such director or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this Article 10 is in force.

ARTICLE 11. Limitation of Liability. An officer or director of the Corporation, as such, shall not be liable to the Corporation or its stockholders for money damages, except (A) to the extent that it is proved that the Person actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received; or (B) to the extent that a judgment or other final adjudication adverse to the Person is entered in a proceeding based on a finding in the proceeding that the Person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding; or (C) to the extent otherwise provided by the MGCL. If the MGCL is amended to further eliminate or limit the personal liability of officers and directors, then the liability of officers and directors of the Corporation shall be eliminated or limited to the fullest extent permitted by the MGCL, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification.

Item 15. Recent Sales of Unregistered Securities

Not Applicable.

Item 16. Exhibits and Financial Statement Schedules:

The exhibits and financial statement schedules filed as part of this registration statement are as follows:

(a) List of Exhibits

1.1 Engagement Letter between PDL Community Bancorp and Janney Montgomery Scott LLC *

1.2 Form of Agency Agreement between Ponce Bank MHC, PDL Community Bancorp, Ponce Bank and Ponce Financial Group, Inc., and Janney Montgomery Scott LLC **

2.1 Plan of Conversion and Reorganization *

3.1 Articles of Incorporation of Ponce Financial Group, Inc. *

3.2 Bylaws of Ponce Financial Group, Inc. *

4.0	Form of Common Stock Certificate of Ponce Financial Group, Inc.**
5.0	Opinion of Locke Lord LLP regarding legality of securities being registered **
8.1	Form of Federal Tax Opinion of Crowe LLP **
8.2	Form of State Tax Opinion of Crowe LLP **
10.1	Ponce Bank Employee Stock Ownership Plan (attached as Exhibit 10.1 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.2	Ponce Bank ESOP Equalization Plan (attached as Exhibit 10.2 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.3	Ponce De Leon Federal Deferred Compensation Plan (attached as Exhibit 10.3 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.4	Employment Agreement, dated as of March 23, 2017, by and between Ponce de Leon Federal Bank and Carlos P. Naudon (attached as Exhibit 10.4 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.5	Employment Agreement entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Carlos P. Naudon (attached as Exhibit 10.5 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.6	Employment Agreement, dated March 23, 2017, by and between Ponce De Leon Federal Bank and Steven Tsavaris (attached as Exhibit 10.6 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.7	Employment Agreement entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Steven Tsavaris (attached as Exhibit 10.7 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.8	Employment Agreement, dated March 31, 2017, by and between Ponce De Leon Federal Bank and Frank Perez (attached as Exhibit 10.8 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.9	Employment Agreement entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Frank Perez (attached as Exhibit 10.9 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.10	Specimen Form of Restricted Stock Unit Award Agreement for Employees (attached as Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.11	Specimen Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (attached as Exhibit 10.2 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.12	Specimen Form of Stock Option Agreement for Employees (attached as Exhibit 10.3 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.13	Specimen Form of Stock Option Agreement for Non-Employee Directors (attached as Exhibit 10.4 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
21.1	Subsidiaries of the Registrant *
23.1	Consent of Locke Lord LLP (contained in Opinions included as Exhibit 5) **

23.2	Consent of RP Financial, LC. *
23.3	Consent of Mazars USA LLP *
24	Power of Attorney (set forth on signature page)
99.1	Appraisal Agreement between Ponce Bank and RP Financial, LC *
99.2	Letter of RP Financial, LC. with respect to Subscription Rights *
99.3	Appraisal Report of RP Financial, LC.*
99.4	Marketing Materials **
99.5	Stock Order and Certification Form **
99.6	Letter of RP Financial, LC. with respect to Liquidation Account **
99.7	Form of PDL Community Bancorp Stockholder Proxy Card **

* **Filed herewith.**
** **To be filed by amendment.**

(b) Financial Statement Schedules

No financial statement schedules are filed because the required information is not applicable or is included in the consolidated financial statements or related notes.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(5) That, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(6) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(8) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the County of Bronx, State of New York on August 2, 2021.

PONCE FINANCIAL GROUP, INC.

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President and Chief Executive Officer
(Duly Authorized Representative)

POWER OF ATTORNEY

We, the undersigned directors and officers of Ponce Financial Group, Inc. (the "Company") hereby severally constitute and appoint Carlos P. Naudon as our true and lawful attorney and agent, to do any and all things in our names in the capacities indicated below which said Carlos P. Naudon may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the registration statement on Form S-1 relating to the offering of the Company's common stock, including specifically, but not limited to, power and authority to sign for us in our names in the capacities indicated below the registration statement and any and all amendments (including post-effective amendments) thereto; and we hereby approve, ratify and confirm all that said Carlos P. Naudon shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Carlos P. Naudon Carlos P. Naudon	President, Chief Executive Officer and Director	August 2, 2021
/s/ Frank Perez Frank Perez	Executive Vice President and Chief Financial Officer	August 2, 2021
/s/ Steven A. Tsavaris Steven A. Tsavaris	Executive Chairman and Director	August 2, 2021
/s/ James Demetriou James Demetriou	Director	August 2, 2021
/s/ William Feldman William Feldman	Director	August 2, 2021
/s/ Julio Gurman Julio Gurman	Director	August 2, 2021
/s/ Maria Alvarez Maria Alvarez	Director	August 2, 2021
/s/ Nick Lugo Nick Lugo	Director	August 2, 2021

Exhibit 1.1

May 13, 2021

PDL Community Bancorp 2244
Westchester Avenue
Bronx, NY 10462
Attention: Carlos P. Naudon
Chief Executive Officer, President & Director Ladies and Gentlemen:
The

Ponce Bank Mutual

Holding Company **PDL Community Bancorp** **Ponce Bank**

is

contemplated that all of PDLB s common stock to be outstanding after giving effect to the Reorganization and

the Bank, the , and that NewCo will offer and sell shares of its common

Direct Community Offering and/o

agreed to between the Company and Janney with respect to the Reorganization, the Plan and the Offering.

(1) Advisory/Marketing Agent Services.

As the Company's exclusive financial advisor and marketing agent, Janney will provide financial advice to the Company and will assist the Company in connection with the Reorganization, the Plan, the Offering and related matters. In this regard, Janney services will include the following:

Advising the Company on the financial and securities market implications of the Plan;

Assisting the Company in structuring and marketing the Offering;

Reviewing all Offering documents, including the Prospectus, stock order forms and marketing materials (it being understood that the preparation and filing of any and all such documents will be the responsibility of the Company and its counsel);

Assisting the Company in analyzing proposals from outside vendors in connection with the Offering, as needed;

Assisting the Company in scheduling and preparing meetings with potential investors, as necessary; and

Providing such other general advice and assistance as may be reasonably necessary to promote the successful completion of the Offering.

(2) Records Agent Services.

In connection with the Offering, the Company agrees that Janney will also serve as Records Agent for the Company. As Records Agent, and as the Bank may reasonably request, Janney will provide the following services:

Consolidation of deposit accounts into a central file and calculation of eligible votes;

Design and prepare Proxy Forms for the Member Vote and Stock Order Forms for the Subscription Offering and Direct Community Offering and, if necessary, the Syndicated Community Offering;

Organize and supervise the Stock Information Center;

Provide proxy and ballot tabulation services for the Bank's Special Meeting of Members, including acting as or supporting the Inspector of Election; and

Provide necessary subscription services to distribute, collect and tabulate stock orders in the Subscription Offering and Direct Community Offering.

The Company acknowledges and agrees that, as Records Agent hereunder, Janney (a) shall have no duties or obligations other than those specifically set forth herein; (b) shall be regarded as making no representations and having no responsibilities as to the validity, sufficiency, value or genuineness of any order form or any stock certificates or the shares represented thereby, and shall not be required to and shall make no representations as to the validity, value or genuineness of the offer; (c) shall not be liable to any person, firm or corporation including the Company by reason of any error of judgment or for any act done by it in good faith, or for any mistake of law or fact in connection with this Agreement and the performance hereof unless caused by or arising out of its own willful misconduct, bad faith or gross negligence; (d) shall not be obliged to take any legal action hereunder which might in its judgment involve any expense or liability, unless it shall have been furnished with reasonable indemnity satisfactory to it; and (e) may rely on and shall be protected in acting in reliance upon any certificate, instrument, opinion, notice, letter, telex, telegram, or other document or security delivered to it and in good faith believed by it to be genuine and to have been signed by the proper party or parties.

(3) Compensation.

The Company agrees to compensate Janney for its services hereunder as follows:

(a) Management Fee. The Company will pay to Janney a management fee of $50,000 (the "Management Fee") incash payable as follows: $25,000 upon the execution of this Agreement and $25,000 upon the initial filing of a Registration Statement with the SEC. The Management Fee will be refundable to the Company to the extent not actually incurred by Janney.

(b) Success Fee. The Company will pay to Janney a Success Fee equal to 1.0% of the processes raise in the subscription part of the Offering. All fees payable to Janney hereunder shall be payable in cash at the time of closing of the Offering. No fee shall be payable for any shares purchased by or on behalf of (i) any employee benefit plan or trust of the Company established for the benefit of its directors, officers and employees, (ii) any charitable foundation established by the Company (or any shares contributed to such a charitable foundation), and (iii) any director, trustee, officer or employee of the Company or members of their immediate families (whether directly or through a personal trust). The amount of the Management Fee paid to Janney will be credited, on a dollar for dollar basis, toward the Success Fee incurred hereunder.

(c) Syndicated Community Offering. If any shares of common stock remain available after the expiration of the Subscription Offering and Direct Community Offering, Janney will act as sole book running manager and may seek to form a syndicate of registered dealers to assist in the sale of such common stock on a best efforts basis, subject to the terms and conditions set forth in a selected dealers agreement to be entered into between the Company and Janney. With respect to any shares of the Common Stock sold by Janney or any other FINRA member firm in the Syndicated Community Offering, the Company agrees to pay a commission of 6.0% of the aggregate Purchase Price of the shares sold in the Syndicated Community Offering. Janney will endeavor to distribute the common stock among dealers in a fashion that best meets the distribution objectives of the Company and the requirements of the Plan, which may result in limiting the allocation of stock to certain selected dealers. It is understood that in no event shall Janney be obligated to take or purchase any shares of the common stock in the Offering.

(d) Records Agent Fees. For the Records Agent services outlined above, the Company agrees to pay Janney a cash fee of $50,000. This fee is based on the requirements of the current banking regulations, the Plan, as currently contemplated, and the expectation that member data will be processed as of three key record dates. Any material changes in the regulations or the Plan, or delays requiring duplicate or replacement processing due to changes to record dates, may result in additional fees not to exceed $10,000. All Records Agent fees under this Agreement shall be payable as follows (a) $5,000 upon the execution of this Agreement, which shall be non-refundable and (b) the balance upon mailing subscription documents.

(4) Expenses.

The Company will pay all of its fees, disbursements and expenses in connection with the Offering customarily borne by issuers, including without limitation, (a) the cost of obtaining all securities and bank regulatory approvals, including any required Securities and Exchange Commission ("SEC") or Financial Industry Regulatory Authority ("FINRA") filing fees; (b) the cost of printing and distributing the offering materials; (c) the costs of blue sky qualification (including fees and expenses of blue sky counsel) of the shares in the various states; (d) NASDAQ listing fees or OTC Markets Group fees; (e) DTCC clearing eligibility fees; (f) all fees and disbursements of the Company's counsel, accountants and other advisors; (g) operational expenses for the Stock Information Center and (h) Syndicated Community Offering expenses associated with the Offering. In the event Janney incurs any such fees and expenses on behalf of the Company, the Company will reimburse Janney for such fees and expenses whether or not the Offering is consummated.

In addition, whether or not the proposed Offering is consummated and in addition to any fees payable to Janney pursuant to Section 3 above, the Company will reimburse Janney for all of its reasonable out-of-pocket expenses incurred in connection with, or arising out of, Janney activities under, or contemplated by, its engagement hereunder, including without limitation Janney travel costs, meals and lodging, photocopying, data processing fees and expenses, advertising and communications expenses, which will not exceed $15,000. In addition, Janney will be reimbursed for fees and expenses of its legal counsel not to exceed $125,000. These expenses assume no unusual circumstances or delays, or a re- solicitation in connection with the Offering. Janney and the Company acknowledge that such expense cap may be increased by an additional amount not to exceed $25,000 by mutual consent, including in the event of a material delay of the Offering which would require an update of the financial information in tabular form to reflect a period later than set forth in the original filing of the offering document. All expense reimbursements to be made to Janney hereunder shall be made by the Company promptly upon submission by Janney to the Company of invoices therefor.

(5) Due Diligence Review, Certain Covenants, Acknowledgments and Representations and Warranties of the Company.

In connection with the Offering:

Janney obligation to perform the services contemplated by this letter shall be subject to the satisfactory completion of such investigation and inquiries relating to the Company and its directors, officers, agents and employees as Janney and its counsel in their sole discretion may deem appropriate under the circumstances ("Due Diligence . In this regard, the Company agrees that, at its expense, it will make available to Janney all information that Janney requests, and will allow Janney the opportunity to discuss with the Company's management the financial condition, business and operations of the Company (collectively the Thethat Company acknowledges Janney will rely upon the accuracy and completeness of all the Information received from the Company and its directors, officers, employees, agents, independent accountants and counsel.

The Company will cause appropriate Offering documents to be filed with all regulatory agencies, including the SEC, FINRA, and/or the appropriate federal and/or state bank regulatory agencies. In addition, Janney and the Company agree that the Company's counsel shall serve as counsel with respect to blue sky matters in connection with the Offering. The Company shall cause such counsel to prepare a Blue Sky Memorandum related to the Offering, including Janney participation therein, and shall furnish Janney a copy thereof addressed to Janney or upon which such counsel shall state Janney may rely.

In effecting the Offering, the Company agrees (a) to comply with applicable federal and state securities laws, rules and regulations, as well as applicable laws and regulations of other jurisdictions to which it is subject, (b) that all representations and warranties made by the Company to Investors in connection with the Offering shall be deemed also to be made to Janney for its benefit and, (c) that it shall cause all opinions of counsel delivered by or on behalf of the Company to Investors in connection with the Offering also to be addressed and delivered to Janney, or to cause such counsel to deliver to Janney a letter authorizing it to rely upon such opinions.

The Company represents and warrants to Janney that all Information included or incorporated by reference in the Prospectus or otherwise made available to Janney by or on behalf of the Company to be communicated to possible investors in connection with the Offering will be complete and correct and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, as of (i) the date thereof and (ii) except for those statements for which written supplemental corrections or additions have been made or given to the Investors participating in such closing, as of each closing of such Offering.

The Company will promptly notify Janney of any material development affecting the Company or the occurrence of any event or other change known to the Company that could result in any of the foregoing Information or other documents containing an untrue statement of a material fact or omitting to state any material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

The Company acknowledges and agrees that, in rendering its services hereunder, Janney will be using and relying on the Information (as well as information available from public sources and other sources deemed reliable by Janney) without independent investigation or verification thereof or independent appraisal or evaluation of the Company or its subsidiaries and affiliates, or any of their respective businesses or assets. Janney does not and will not assume responsibility for the accuracy or completeness of the Prospectus or any other information regarding the Company.

The Company acknowledges and agrees that any advice rendered or material provided by Janney during the term of this Agreement or during the process of the Offering was and is intended solely for the benefit and confidential use of the Board of Directors of the Company and will not be reproduced, summarized, described or referred to or given to any other person or entity for any purpose without Janney prior written consent.

The Company represents and warrants to Janney that there are no brokers, representatives or other persons which have an interest in compensation due to Janney from any transaction contemplated herein.

The Company represents, warrants and covenants to Janney that it will use the net proceeds from the Offering for the purposes described in the Prospectus.

(6) Indemnification.

In consideration of Janney agreement to act on behalf of the Company in connection with the matters contemplated by this Agreement, except as otherwise provided herein, the Company agrees to indemnify and hold harmless Janney and its affiliates and its and their respective officers, directors, employees and agents and each other person, if any, controlling Janney or any of its affiliates (Janney and each such other person being an "Indemnified Person") from and against any losses, claims, damages or liabilities reasonably related to, arising out of or in connection with, the engagement hereunder, and will reimburse each Indemnified Person for all costs and expenses (including reasonable fees and expenses of counsel) as they are incurred, in connection with investigating, preparing, pursuing or defending any action, claim, suit, investigation, inquiry or proceeding related to, arising out of or in connection with the engagement hereunder, whether in process, pending, or threatened, and whether or not any Indemnified Person is a party. The Company will not, however, be responsible for losses, claims, damages or liabilities (or fees and expenses relating thereto) that are finally judicially determined to have resulted from the bad faith, willful misconduct or gross negligence of any Indemnified Person, in which case Janney shall also repay any amounts reimbursed by the Company pursuant to the expense reimbursement provision above. The Company also agrees that no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement hereunder, except for any such liability for losses, claims, damages or liabilities incurred by the Company that are finally judicially determined to have resulted solely from the bad faith, willful misconduct or gross negligence of such Indemnified Person.

The Company will not, without Janney prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination does not include a statement or acknowledgment as to, or an admission of, fault, culpability or failure to act by or on behalf of any indemnified party. No Indemnified Person seeking indemnification, reimbursement or contribution under this Agreement will, without the Company's prior written consent, which consent may not be unreasonably withheld, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to in the preceding paragraph. Janney will not enter into any settlement for which the Company could be liable without the Company's prior written consent, not to be unreasonably withheld or delayed.

If the indemnification provided for in this Section 6 is judicially determined to be unavailable (other than in accordance with the second sentence of the first paragraph hereof) to an Indemnified Person in respect of any losses, claims, damages or liabilities referred to herein, then, in lieu of indemnifying such Indemnified Person hereunder, the Company shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (and expenses relating thereto)
(i) in such proportion as is appropriate to reflect the relative benefits to Janney, on the one hand, and the Company, on the other hand, of this Agreement or (ii) if the allocation provided by clause (i) above is not available, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of each of Janney, on the one hand, and the Company, on the other hand, as well as any other relevant equitable considerations; provided, however, in no event shall Janney aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received by Janney under this Agreement. For the purposes of this Agreement, the relative benefits to the Company and Janney hereunder shall be deemed to be in the same proportion as (a) the total consideration received or contemplated to be received by the Company in the Offering, whether or not the Offering is consummated, bears to (b) the fees paid to Janney in connection with the Offering. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(7) <u>Announcements</u>.

Janney may, at its own expense, place announcements or advertisements, in form customary in the industry, in financial and other newspapers, periodicals and websites describing its services to the Company hereunder.

(8) <u>No Rights of Equityholders, Creditors</u>.

This Agreement does not create, and will not be construed as creating, rights enforceable by any person or entity not a party hereto, except those entitled thereto by virtue of Section 6. The Company acknowledges and agrees that (a) Janney will act hereunder as an independent contractor and is being retained to assist the Company in its efforts to effect the Offering and not to advise the Company on, or to express any opinion as to, the wisdom, desirability or prudence of consummating the Offering, (b) Janney is not and will not be construed as a fiduciary of the Company or any of its subsidiaries or their respective affiliates and will have no duties or liabilities to the equityholders or creditors of the Company or to any other person or entity by virtue of this Agreement and the retention of Janney hereunder, all of which duties and liabilities are hereby expressly waived, and (c) nothing contained herein shall be construed to obligate Janney to purchase, as principal, any of the Securities offered for sale by the Company in the Offering. Neither equityholders nor creditors of the Company or any of its subsidiaries or of any of their respective affiliates are intended beneficiaries hereunder. The Company confirms that it and its subsidiaries and their respective affiliates will rely on their own counsel, accountants and other similar expert advisors for legal, accounting, tax and other similar advice.

(9) Confidentiality.

Except as contemplated in connection with the performance of its services under this Agreement, as authorized by the Company or as required by law, regulation or legal process, Janney agrees that it will treat as confidential all material, non-public information relating to the Company obtained in connection withitsengagement hereunder (the "Confidential Information"); provided, however, that Janney may disclose such information to its agents and advisors who are assisting or advising Janney in performing its services hereunder and who have agreed to be bound by the terms and conditions of this paragraph. As used in this paragraph, the term "Confidential Information" shall not include information which (a) is or becomes generally available to the public other than as a result of a disclosure by Janney, (b) was available to Janney on a non-confidential basis prior to its disclosure to Janney by the Company, or (c) becomes available to Janney on a non-confidential basis from a person other than the Company who is not otherwise known to Janney to be bound not to disclose such information pursuant to a contractual, legal or fiduciary obligation.

(10) Definitive Agreement.

This Agreement reflects Janney present intention of proceeding to work with the Company on its proposed Offering. No legal and binding obligation is created on the part of the Company or Janney with respect to the subject matter hereof, except as to (i) the agreement to maintain the confidentiality of Confidential Information set forth in Section 9, (ii) the payment of certain fees as set forth in Section 3, (iii) the payment of expenses as set forth in Section 4, (iv) the representations set forth in Section 5, (v) the indemnification and contribution provisions set forth in Section 6 and (iv) those terms set forth in a mutually agreed upon Agency Agreement between Janney and the Company to be executed prior to commencement of the Offering, all of which shall constitute the binding obligations of the parties hereto and which shall survive the termination of this Agreement or the completion of the services furnished hereunder and shall remain operative and in full force and effect.

Janney execution of such Agency Agreement shall also be subject to (a) the satisfactory completion of Janney Due Diligence Review, (b) the preparation of Offering materials that are satisfactory to Janney, (c) compliance with all relevant legal and regulatory requirements to the reasonable satisfaction of Janney and its counsel, (d) receipt of internal approvals, (e) agreement that the price established by the independent appraiser for the Offering is reasonable under market conditions at the time of the proposed Offering, and (f) satisfactory market conditions at the time of the proposed Offering.

(11) Other Activities.

It is understood and agreed that Janney may, from time to time, make a market in, have a long or short position, buy and sell or otherwise effect transactions for customer accounts and for their own accounts in the securities of, or perform investment banking or other services for, the Company and other entities which are or may be the subject of the engagement contemplated by this Agreement. This is to confirm that possible investors identified or contacted by Janney in connection with the Offering could include entities in respect of which Janney may have rendered or may in the future render services.

(12) Assignment.

Neither party hereto may assign, in whole or in part, this Agreement or any rights or obligations hereunder, without the prior written consent of the other party hereto. Any attempted assignment in violation of this section shall be void.

(13) Governing Law; Jurisdiction.

This Agreement shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of Georgia without giving effect to its conflicts of laws principles or rules. Each of Janney and the Company agrees that any dispute arising out of or relating to this Agreement and/or the transactions contemplated hereby or thereby, including, without limitation, any such dispute between the Company and any present or former officer, director, employee or agent of Janney, each of whom is intended to be a third-party beneficiary of the agreement contained in this paragraph, shall be resolved through litigation in the federal court located in Atlanta, Georgia or, in the event such court lacks subject matter jurisdiction, in the state court located there, and the parties hereby irrevocably consent to personal jurisdiction in the courts thereto. Parties hereby waive, to the fullest extent permitted by applicable law, any right to trial by jury with respect to any action or proceeding arising out of or related to this Agreement.

(14) Counterparts.

For the convenience of the parties, Agreement may be executed in counterparts, each of which shall be, and shall be deemed to be, an original instrument and which, when taken together, shall constitute one and the same agreement.

(15) Notices.

All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication if addressed to the intended recipient as set forth below shall be deemed to be duly given either when personally delivered or two days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one day after it is delivered to a commercial overnight courier for next day delivery, or upon confirmation if delivered by email:

If to Company:	If to JANNEY:
PDL Community Bancorp 2244 Westchester Avenue Bronx, NY 10462 Attention: Carlos P. Naudon Email: carlos.naudon@poncebank.net	Greg Gersack Head of Equity Capital Markets Janney Montgomery Scott, LLC 20 N. Wacker Drive, Suite 2035 Chicago, IL 60606 Email: ggersack@janney.com

Any party may give any notice, request, demand, claim, or other communication hereunder using any other means, but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it is actually received by the party for whom it is intended. Any party may change the address to which such notices, requests, demands, claims, or other communications are to be delivered by giving the other parties notice in the manner herein set forth.

(16) Amendment; Complete Understanding.

This Agreement (a) may only be modified or amended in a writing executed by the Company and Janney, (b) contains the entire agreement between the Company and Janney with respect to the subject matter hereof and thereof and (c) supersedes any and all prior or contemporaneous arrangements, understandings and agreements, written or oral, between the Company and Janney relating to the subject matter hereof and thereof.

(17) Term

This Agreement shall automatically expire twelve (12) months from the date of this Agreement, unless extended in writing by Janney and the Company. Either the Company or Janney may terminate this
shall extend for six (6) months from the earlier of the date of termination or expiration of this Agreement.

If the foregoing correctly sets forth our agreement, please so indicate by signing a copy of this Agreement and returning them, together with a check made payable to Janney Montgomery Scott, LLC in the amount of $17,500 in accordance with Sections 3(a) and (d) above, to Robert A. Kotecki at 20 N. Wacker Drive, Suite 2035, Chicago, IL 60606. We look forward to working with you towards the successful conclusion of this engagement and continuing to develop our long-term relationship with the Company.

Very truly yours,

Janney Montgomery Scott, LLC

By: _

Dan Flaherty, CFA
Managing Director

By:
Greg Gersack
Head of Equity Capital Markets

ACCEPTED and AGREED as of the_ day of May, 2021.

PDLB Bancorp, Inc.

By:
Carlos P. Naudon
President & Chief Executive Officer

Exhibit 2.1

PLAN OF CONVERSION AND REORGANIZATION

OF

PONCE BANK MUTUAL HOLDING COMPANY

May 25, 2021

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PLAN OF CONVERSION AND REORGANIZATION
OF
PONCE BANK MUTUAL HOLDING COMPANY

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Exhibit A Form of Agreement of Merger between Ponce Bank Mutual Holding Company and PDL Community Bancorp

Exhibit B Form of Agreement of Merger between PDL Community Bancorp and PDL Community Financial Corp.

PLAN OF CONVERSION AND REORGANIZATION OF PONCE BANK MUTUAL HOLDING COMPANY

1. INTRODUCTION

This Plan of Conversion and Reorganization (the "Plan") provides for the conversion of Ponce Bank Mutual Holding Company, a federal mutual holding company (the "Mutual Holding Company"), from the mutual to the capital stock form of organization. The Mutual Holding Company currently owns a majority of the common stock of PDL Community Bancorp., a federal stock corporation (the "Mid-Tier Holding Company"), which owns 100% of the common stock of Ponce Bank (the "Bank"), a federally-chartered stock savings association. A new stock holding company (the "Holding Company") will be established as part of the Conversion, will succeed to all the rights and obligations of the Mutual Holding Company and the Mid-Tier Holding Company, and will issue Holding Company Common Stock in the Conversion. The purpose of the Conversion is to convert the Mutual Holding Company to the capital stock form of organization which will provide the Bank and the Holding Company with additional capital to grow and to respond to changing regulatory and market conditions. The Conversion will also provide the Bank and the Holding Company greater flexibility to effect corporate transactions, including mergers, acquisitions and branch expansions. The Holding Company Common Stock will be offered for sale in the Offering upon the terms and conditions set forth herein. The subscription rights granted to Participants in the Subscription Offering are set forth in Sections 8 through 11 hereof. All sales of Holding Company Common Stock in the Community Offering, in the Syndicated Community Offering or in the Firm Commitment Underwritten Offering, or in any other manner permitted by the Bank Regulators, will be at the sole discretion of the Board of Directors of the Bank and the Holding Company. As part of the Conversion, each Minority Stockholder will receive Holding Company Common Stock in exchange for Minority Shares. The Conversion will have no impact on depositors, borrowers or other customers of the Bank except for their member rights in the Mutual Holding Company. After the Conversion, the Bank's insured deposits will continue to be insured by the FDIC to the extent provided by applicable law.

In furtherance of the Bank's commitment to its community, this Plan contemplates that a contribution of Holding Company Common Stock and/or cash, subject to regulatory limitations, will be made to the Foundation. The funding of the Foundation is intended to enhance the Bank's existing community reinvestment activities in a manner that will allow the Bank's local communities to share in the growth and profitability of the Holding Company and the Bank over the long term.

This Plan has been adopted by the Boards of Directors of the Mutual Holding Company, the Mid-Tier Holding Company and the Bank. This Plan also must be approved by at least (i) a majority of the total votes eligible to be cast by Voting Members at the Special Meeting of Members, (ii) two-thirds of the total votes eligible to be cast by Stockholders at the Meeting of Stockholders, and (iii) a majority of the total votes eligible to be cast by Minority Stockholders at the Meeting of Stockholders. Approval of this Plan by the Voting Members shall constitute approval of each of the transactions necessary to implement this Plan, including the MHC Merger and the Mid-Tier Merger, by Voting Members in their capacity as members of the Mutual Holding Company. The Federal Reserve must approve this Plan before it is presented to Voting Members and Stockholders of the Mid-Tier Holding Company for their approval.

2. DEFINITIONS

For the purposes of this Plan, the following terms have the following meanings:

Account Holder – Any Person holding a Deposit Account in the Bank.

Acting in Concert – The term Acting in Concert means (i) knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not pursuant to an express agreement; or (ii) a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise. A person or company which acts in concert with another person or company ("other party") shall also be deemed to be acting in concert with any person or company who is also acting in concert with that other party, except that any Tax-Qualified Employee Stock Benefit Plan will not be deemed to be acting in concert with its trustee or a person who serves in a similar capacity solely for the purpose of determining whether stock held by the trustee and stock held by the plan will be aggregated.

Affiliate – Any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another Person.

Appraised Value Range – The range of the estimated consolidated pro forma market value of the Holding Company, which shall also be equal to the estimated pro forma market value of the total number of shares of Conversion Stock to be issued in the Conversion, as determined by the Independent Appraiser prior to the Subscription Offering and as it may be amended from time to time thereafter. The maximum and minimum of the Appraised Value Range may vary as much as 15% above and 15% below, respectively, the midpoint of the Appraised Value Range.

Articles of Combination – The Articles of Combination filed with the Federal Reserve and any similar documents filed with the Bank Regulators in connection with the consummation of any merger relating to the Conversion.

Articles of Merger – The Articles of Merger filed with the Secretary of State of the State of Maryland and any similar documents in connection with the consummation of any merger relating to the Conversion.

Associate – The term Associate when used to indicate a relationship with any Person, means (i) any corporation or organization (other than the Mutual Holding Company, the Mid-Tier Holding Company, the Bank or a majority-owned subsidiary of the Mutual Holding Company, the Mid-Tier Holding Company or the Bank) if the person is a senior officer or partner or beneficially owns, directly or indirectly, 10% or more of any class of equity securities of the corporation or organization, (ii) any trust or other estate, if the person has a substantial beneficial interest in the trust or estate or is a trustee or fiduciary of the trust or estate except that for the purposes of this Plan relating to subscriptions in the Offering and the sale of Subscription Shares following the Conversion, a person who has a substantial beneficial interest in any Non-Tax-Qualified Employee Stock Benefit Plan or any Tax-Qualified Employee Stock Benefit Plan, or who is a trustee or fiduciary of such plan, is not an Associate of such plan, and except that, for purposes of aggregating total shares that may be held by Officers and Directors the term "Associate" does not include any Tax-Qualified Employee Stock Benefit Plan, and (iii) any person who is related by blood or marriage to such person and (A) who lives in the same home as such person or (B) who is a Director or Officer of the Mutual Holding Company, the Mid-Tier Holding Company, the Bank or the Holding Company, or any of their parents or subsidiaries.

Bank – Ponce Bank, Bronx, New York.

Bank Liquidation Account – The account established by the Bank representing the liquidation interests received by Eligible Account Holders and Supplemental Eligible Account Holders in connection with the Conversion.

Bank Regulators – The Federal Reserve and other bank regulatory agencies, if any, responsible for reviewing and approving the Conversion, including the ownership of the Bank by the Holding Company and the mergers required to effect the Conversion.

Code – The Internal Revenue Code of 1986, as amended.

Community – Bronx - Bronx County; Manhattan – New York County; Queens – Queens County; and Brooklyn – Kings County, New York and Hudson County, New Jersey.

Community Offering – The offering of Subscription Shares not subscribed for in the Subscription Offering for sale to certain members of the general public directly by the Holding Company. The Community Offering may occur concurrently with the Subscription Offering, any Syndicated Community Offering or both, or upon conclusion of the Subscription Offering.

Control – (including the terms “controlling,” “controlled by,” and “under common control with”) means the direct or indirect power to direct or exercise a controlling influence over the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise as described in 12 C.F.R. Part 238.

Conversion – The conversion and reorganization of the Mutual Holding Company to stock form pursuant to this Plan, and all steps incident or necessary thereto, including the Offering and the Exchange Offering.

Conversion Stock – The Subscription Shares, the Exchange Shares and the Foundation Shares.

Deposit Account – Any withdrawable account, including, without limitation, savings, time, demand, NOW accounts, money market, certificate and passbook accounts.

Director – A member of the Board of Directors of the Bank, the Mid-Tier Holding Company, the Holding Company or the Mutual Holding Company, as appropriate in the context.

Eligible Account Holder – Any Person holding a Qualifying Deposit on the Eligibility Record Date for purposes of determining subscription rights and establishing subaccount balances in the Liquidation Account.

Eligibility Record Date – The date for determining Eligible Account Holders of the Bank, which is April 30, 2020.

Employees – All Persons who are employed by the Bank, the Mid-Tier Holding Company, the Mutual Holding Company, Mortgage World Bankers Inc. or the Holding Company.

Employee Plans – Any one or more Tax-Qualified Employee Stock Benefit Plans of the Bank, its subsidiaries or the Holding Company, including any KSOP.

Exchange Offering – The offering of Holding Company Common Stock to Minority Stockholders in exchange for Minority Shares.

Exchange Ratio – The rate at which shares of Holding Company Common Stock are exchanged for Minority Shares upon consummation of the Conversion. The Exchange Ratio (which shall be rounded to four decimal places) shall be determined such that as of the closing of the Conversion the rate will result in the Minority Stockholders owning in the aggregate the same percentage of the outstanding shares of Holding Company Common Stock immediately upon completion of the Conversion as the percentage of Mid-Tier Holding Company common stock owned by them in the aggregate immediately prior to the consummation of the Conversion before giving effect to (a) cash in lieu of any fractional shares and (b) any Subscription Shares purchased by Minority Stockholders in the Offering; provided that, the exchange ratio will be adjusted to reflect assets held by the Mutual Holding Company (other than shares of stock of Mid-Tier Holding Company).

Exchange Shares – The shares of Holding Company Common Stock issued to Minority Stockholders in the Exchange Offering.

FDIC – The Federal Deposit Insurance Corporation.

Federal Reserve – The Board of Governors of the Federal Reserve System.

Firm Commitment Underwritten Offering – The offering, at the sole discretion of the Holding Company, of Subscription Shares not subscribed for in the Subscription Offering and any Community Offering or Syndicated Community Offering, to members of the general public through one or more underwriters. A Firm Commitment Underwritten Offering may occur following the Subscription Offering and any Community Offering or Syndicated Community Offering.

Foundation –Ponce De Leon Foundation, a charitable foundation which qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended that will receive Holding Company Common Stock and/or cash in connection with the Offering.

Foundation Shares – Shares of Holding Company Common Stock issued to the Foundation in connection with the Conversion.

Holding Company – The Maryland corporation formed for the purpose of acquiring all of the shares of capital stock of the Bank in connection with the Conversion. Shares of Holding Company Common Stock will be issued in the Conversion to Participants, Minority Stockholders and others in the Conversion.

Holding Company Common Stock – The common stock, par value $0.01 per share, of the Holding Company.

Independent Appraiser – The appraiser retained by the Mutual Holding Company, Mid-Tier Holding Company and the Bank to prepare an appraisal of the pro forma market value of the Holding Company.

KSOP – The Bank's KSOP, Employee Stock Ownership Plan with 401K Provisions.

Liquidation Account – The account established by the Holding Company representing the liquidation interests received by Eligible Account Holders and Supplemental Eligible Account Holders in connection with the Conversion in exchange for their interests in the Mutual Holding Company immediately prior to the Conversion.

Majority Ownership Interest – A fraction, the numerator of which is equal to the number of shares of Mid–Tier Holding Company common stock owned by the Mutual Holding Company immediately prior to the completion of the Conversion, and the denominator of which is equal to the total number of shares of Mid–Tier Holding Company common stock issued and outstanding immediately prior to the completion of the Conversion.

Meeting of Stockholders – The special or annual meeting of stockholders of the Mid-Tier Holding Company and any adjournments thereof held to consider and vote upon this Plan.

Member – Any Person who qualifies as a member of the Mutual Holding Company pursuant to its charter.

MHC Merger – The merger of the Mutual Holding Company with and into the Mid-Tier Holding Company, with the Mid-Tier Holding Company as the surviving entity, which merger shall occur immediately prior to completion of the Conversion, as set forth in this Plan.

Mid-Tier Holding Company – PDL Community Bancorp, the federal corporation that owns 100% of the Bank's common stock and any successor thereto.

Mid-Tier Merger – The merger of the Mid-Tier Holding Company with the Holding Company, with the Holding Company as the resulting entity, which merger shall occur immediately following the MHC Merger and prior to the completion of the Conversion, as set forth in this Plan.

Minority Shares – Any outstanding common stock of the Mid-Tier Holding Company, or shares of common stock of the Mid-Tier Holding Company issuable upon the exercise of options or grant of stock awards, owned by persons other than the Mutual Holding Company.

Minority Stockholder – Any owner of Minority Shares.

Mutual Holding Company – Ponce Bank Mutual Holding Company, the mutual holding company of the Mid-Tier Holding Company.

Offering – The offering and issuance, pursuant to this Plan, of Holding Company Common Stock in a Subscription Offering, Community Offering and/or Syndicated Community Offering or Firm Commitment Underwritten Offering, as the case may be. The term "Offering" does not include Holding Company Common Stock issued in the Exchange Offering.

Offering Range – The range of the number of shares of Holding Company Common Stock offered for sale in the Offering multiplied by the Subscription Price. The Offering Range shall be equal to the Appraised Value Range multiplied by the Majority Ownership Interest (as adjusted to reflect assets held by Mutual Holding Company other than shares of stock of the Mid-Tier Holding Company). The maximum and minimum of the Offering Range may vary as much as 15% above and 15% below, respectively, the midpoint of the Offering Range.

Officer – The term Officer means the president, any vice-president (but not an assistant vice-president, second vice-president, or other vice president having authority similar to an assistant or second vice-president), the secretary, the treasurer, the comptroller, and any other person performing similar functions with respect to any organization whether incorporated or unincorporated. The term Officer also includes the chairman of the Board of Directors if the chairman is authorized by the charter or bylaws of the organization to participate in its operating management or if the chairman in fact participates in such management.

Order Form – Any form (together with any cover letter and acknowledgments) sent to any Participant or Person containing among other things a description of the alternatives available to such Person under this Plan and by which any such Person may make elections regarding subscriptions for Subscription Shares.

Other Member – Any Person holding a Deposit Account with a positive balance on the Voting Record Date who is not an Eligible Account Holder or Supplemental Eligible Account Holder, and any borrower who qualifies as a Voting Member.

Participant – Any Eligible Account Holder, Employee Plan, Supplemental Eligible Account Holder or Other Member.

Person – An individual, a corporation, a partnership, an association, a joint-stock company, a limited liability company, a trust, an unincorporated organization, or a government or political subdivision of a government.

Plan – This Plan of Conversion and Reorganization of the Mutual Holding Company as it exists on the date hereof and as it may hereafter be amended in accordance with its terms.

Prospectus – The one or more documents used in offering the Conversion Stock.

Qualifying Deposit – The aggregate balance of all Deposit Accounts in the Bank of (i) an Eligible Account Holder at the close of business on the Eligibility Record Date, provided such aggregate balance is not less than $50, or (ii) a Supplemental Eligible Account Holder at the close of business on the Supplemental Eligibility Record Date, provided such aggregate balance is not less than $50.

Resident – Any Person who occupies a dwelling within the Community, has a present intent to remain within the Community for a period of time, and manifests the genuineness of that intent by establishing an ongoing physical presence within the Community together with an indication that such presence within the Community is something other than merely transitory in nature. To the extent the Person is a corporation or other business entity, to be a Resident the principal place of business or headquarters of the corporation or business entity must be in the Community. To the extent a Person is a personal benefit plan, the circumstances of the beneficiary shall apply with respect to this definition. In the case of all other benefit plans, circumstances of the trustee shall be examined for purposes of this definition. The Mutual Holding Company and the Bank may utilize deposit or loan records or such other evidence provided to it to make a determination as to whether a Person is a resident. In all cases, however, such a determination shall be in the sole discretion of the Mutual Holding Company and the Bank. A Person must be a “Resident” for purposes of determining whether such person “resides” in the Community as such term is used in this Plan.

SEC – The United States Securities and Exchange Commission.

Special Meeting of Members – The special or annual meeting of Voting Members and any adjournments thereof held to consider and vote upon this Plan.

Stockholder – Any owner of outstanding common stock of the Mid-Tier Holding Company, including the Mutual Holding Company.

Subscription Offering – The offering of Subscription Shares to Participants.

Subscription Price – The price per Subscription Share to be paid by Participants and others in the Offering. The Subscription Price will be $10.00 unless otherwise determined by the Board of Directors of the Holding Company and fixed prior to the commencement of the Subscription Offering.

Subscription Shares – Shares of Holding Company Common Stock offered for sale in the Offering. Subscription Shares do not include Exchange Shares.

Supplemental Eligible Account Holder – Any Person, other than Directors and Officers of the Mutual Holding Company, the Bank and the Mid-Tier Holding Company (unless the Federal Reserve grants a waiver permitting a Director or Officer to be included) and their Associates, holding a Qualifying Deposit on the Supplemental Eligibility Record Date, who is not an Eligible Account Holder.

Supplemental Eligibility Record Date – The date for determining Supplemental Eligible Account Holders, which shall be the last day of the calendar quarter preceding Federal Reserve approval of the application for conversion. The Supplemental Eligibility Record Date will only occur if the Federal Reserve has not approved the Conversion within 15 months after the Eligibility Record Date.

Syndicated Community Offering – The offering, at the sole discretion of the Holding Company, of Subscription Shares not subscribed for in the Subscription Offering and the Community Offering, to members of the general public through a syndicate of broker-dealers. The Syndicated Community Offering may occur concurrently with the Subscription Offering and any Community Offering.

Tax-Qualified Employee Stock Benefit Plan – Any defined benefit plan or defined contribution plan, such as an employee stock ownership plan, stock bonus plan, profit-sharing plan or other plan, which, with its related trust, meets the requirements to be "qualified" under Section 401 of the Code. A "Non-Tax-Qualified Employee Stock Benefit Plan" is any defined benefit plan or defined contribution plan which is not so qualified.

Voting Member – Any Person who at the close of business on the Voting Record Date is entitled to vote as a member of the Mutual Holding Company.

Voting Record Date – The date fixed by the Directors for determining eligibility to vote at the Special Meeting of Members and/or the Meeting of Stockholders.

3. PROCEDURES FOR CONVERSION

A. After approval of the Plan by the Boards of Directors of the Bank, the Mid-Tier Holding Company and the Mutual Holding Company, the Plan together with all other requisite material shall be submitted to the Bank Regulators for approval. Notice of the adoption of the Plan by the Boards of Directors of the Bank, the Mutual Holding Company and the Mid-Tier Holding Company will be published in a newspaper having general circulation in each community in which an office of the Bank is located, and copies of the Plan will be made available at each office of the Bank for inspection by depositors. The Mutual Holding Company will publish a notice of the filing with the Bank Regulators of an application to convert in accordance with the provisions of the Plan as well as notices required in connection with any holding company, merger or other applications required to complete the Conversion.

B. Promptly following approval by the Bank Regulators, this Plan will be submitted to a vote of the Voting Members at the Special Meeting of Members and of the Stockholders at the Meeting of Stockholders. The Mutual Holding Company will mail to all Voting Members, at their last known address appearing on the records of the Bank as of the Voting Record Date, a proxy statement in either long or summary form describing this Plan, which will be submitted to a vote of Voting Members at the Special Meeting of Members. The Mid-Tier Holding Company will mail to all Minority Stockholders a proxy statement describing this Plan, which will be submitted to a vote of Stockholders at the Meeting of Stockholders. The Holding Company also will mail to all Participants a Prospectus and Order Form for the purchase of

Subscription Shares. In addition, all Participants will receive, or will be given the opportunity to request by either telephone or by letter addressed to the Bank's Secretary, a copy of this Plan as well as the articles of incorporation or bylaws of the Holding Company. This Plan must be approved by at least (i) a majority of the total votes eligible to be cast by Voting Members at the Special Meeting of Members, (ii) two-thirds of the total votes eligible to be cast by Stockholders at the Meeting of Stockholders, and (iii) a majority of the total votes eligible to be cast by Minority Stockholders at the Meeting of Stockholders. Upon such approval of this Plan, the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank will take all other necessary steps pursuant to applicable laws and regulations to consummate the Conversion. The Conversion must be completed within 24 months of the approval of this Plan by Voting Members, unless a longer time period is permitted by governing laws and regulations.

C. The period for the Subscription Offering will be not less than 20 days nor more than 45 days from the date Participants are first mailed a Prospectus and Order Form, unless extended. Any shares of Holding Company Common Stock for which subscriptions have not been received in the Subscription Offering may be issued in a Community Offering, and/or a Syndicated Community Offering or a Firm Commitment Underwritten Offering, or in any other manner permitted by the Bank Regulators. All sales of shares of Holding Company Common Stock must be completed within 45 days after the last day of the Subscription Offering, unless the offering period is extended by the Mutual Holding Company and the Holding Company with the approval of the Bank Regulators.

D. The Conversion will be effected as follows, or in any other manner that is consistent with the purposes of this Plan and applicable laws and regulations. The choice of which method to use to effect the Conversion will be made by the Boards of Directors of the Mutual Holding Company, the Mid-Tier Holding Company and the Bank immediately prior to the closing of the Conversion. Each of the steps set forth below shall be deemed to occur in such order as is necessary to consummate the Conversion pursuant to this Plan, the intent of the Boards of Directors of the Mutual Holding Company, the Mid-Tier Holding Company and the Bank, and applicable federal and state regulations and policy. Approval of this Plan by Voting Members and Stockholders of the Mid-Tier Holding Company also shall constitute approval of each of the transactions necessary to implement this Plan.

(1) The Holding Company will be organized as a first-tier stock subsidiary of the Mid-Tier Holding Company.

(2) The Mutual Holding Company will merge with the Mid-Tier Holding Company with the Mid-Tier Holding Company as the surviving entity pursuant to the Agreement of Merger attached hereto as Exhibit A, whereby the shares of Mid-Tier Holding Company common stock held by the Mutual Holding Company will be canceled and Members will constructively receive liquidation interests in the Mid-Tier Holding Company in exchange for their ownership interests in the Mutual Holding Company.

(3) Immediately after the MHC Merger, the Mid-Tier Holding Company will merge with the Holding Company with the Holding Company as the surviving entity pursuant to the Agreement of Merger attached hereto as Exhibit B, whereby the Bank will become the wholly-owned subsidiary of the Holding Company. As part of the Mid-Tier Merger, the liquidation interests in the Mid-Tier Holding Company constructively received by Members as part of the MHC Merger will automatically, without further action on the part of the holders thereof, be exchanged for interests in the Liquidation Account, and each of the Minority Shares shall automatically, without further action on the part of the holders thereof, be converted into and become the right to receive Holding Company Common Stock based upon the Exchange Ratio.

(4) Immediately after the Mid-Tier Merger, the Holding Company will offer for sale the Holding Company Common Stock in the Offering.

(5) The Holding Company will contribute at least 50% of the net proceeds of the Offering to the Bank in constructive exchange for additional shares of common stock of the Bank and in exchange for the Bank Liquidation Account.

E. As part of the Conversion, each of the Minority Shares outstanding immediately prior to consummation of the Conversion shall automatically, without further action on the part of the holders thereof, be converted into and become the right to receive Holding Company Common Stock based upon the Exchange Ratio. The basis for exchange of Minority Shares for Holding Company Common Stock shall be fair and reasonable. Options to purchase shares of Mid-Tier Holding Company common stock which are outstanding immediately prior to the consummation of the Conversion shall be converted into options to purchase shares of Holding Company Common Stock, with the number of shares subject to the option and the exercise price per share to be adjusted based upon the Exchange Ratio so that the aggregate exercise price remains unchanged, and with the duration of the option remaining unchanged.

F. The Holding Company shall register the Conversion Stock with the SEC and any appropriate state securities authorities. In addition, the Mid-Tier Holding Company shall prepare preliminary proxy materials as well as other applications and information for review by the SEC in connection with the solicitation of Stockholder approval of this Plan.

G. All assets, rights, interests, privileges, powers, franchises and property (real, personal and mixed) of the Mid-Tier Holding Company and the Mutual Holding Company shall be automatically transferred to and vested in the Holding Company by virtue of the Conversion without any deed or other document of transfer. The Holding Company, without any order or action on the part of any court or otherwise and without any documents of assumption or assignment, shall hold and enjoy all of the properties, franchises and interests, including appointments, powers, designations, nominations and all other rights and interests as the agent or other fiduciary in the same manner and to the same extent as such rights, franchises, and interests and powers were held or enjoyed by the Mid-Tier Holding Company and the Mutual Holding Company. The Holding Company shall be responsible for all of the liabilities, restrictions and duties of every kind and description of the Mid-Tier Holding Company and the Mutual Holding Company immediately prior to the Conversion, including liabilities for all debts, obligations and contracts of the Mid-Tier Holding Company and the Mutual Holding Company, matured or unmatured, whether accrued, absolute, contingent or otherwise and whether or not reflected or reserved against on balance sheets, books of accounts or records of the Mid-Tier Holding Company and the Mutual Holding Company.

H. The home office and branch offices of the Bank shall be unaffected by the Conversion. The executive offices of the Holding Company shall be located at the current offices of the Mutual Holding Company and Mid-Tier Holding Company.

4. HOLDING COMPANY APPLICATIONS AND APPROVALS

The Boards of Directors of the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank will take all necessary steps to convert the Mutual Holding Company to stock form, form the Holding Company and complete the Offering. The Mutual Holding Company, Mid-Tier Holding Company, Bank and Holding Company shall make timely applications to the Bank Regulators and filings with the SEC for any requisite regulatory approvals to complete the Conversion.

5. SALE OF SUBSCRIPTION SHARES

The Subscription Shares will be offered simultaneously in the Subscription Offering to the Participants in the respective priorities set forth in this Plan. The Subscription Offering may begin as early as the mailing of the proxy statement for the Special Meeting of Members. The Holding Company Common Stock will not be insured by the FDIC. The Bank will not extend credit to any Person to purchase shares of Holding Company Common Stock.

Any shares of Holding Company Common Stock for which subscriptions have not been received in the Subscription Offering may be issued in the Community Offering, subject to the terms and conditions of this Plan. The Community Offering, if any, will involve an offering of unsubscribed shares directly to the general public with a first preference given to those natural persons and trusts of natural persons residing in the Community and the next preference given to Minority Stockholders as of the Voting Record Date. The Community Offering may begin at any time during or after the Subscription Offering. The offer and sale of Holding Company Common Stock prior to the Special Meeting of Members, however, is subject to the approval of this Plan by the Voting Members and the Stockholders of the Mid-Tier Holding Company, including Minority Stockholders.

If feasible, any shares of Holding Company Common Stock remaining unsold after the Subscription Offering and any Community Offering may be offered for sale in a Syndicated Community Offering or a Firm Commitment Underwritten Offering, or in any manner approved by the Bank Regulators that will achieve a widespread distribution of the Holding Company Common Stock. The issuance of Holding Company Common Stock in the Subscription Offering and any Community Offering will be consummated simultaneously on the date the sale of Holding Company Common Stock is consummated in any Syndicated Community Offering or Firm Commitment Underwritten Offering, and only if the required minimum number of shares of Holding Company Common Stock has been issued.

6. PURCHASE PRICE AND NUMBER OF SUBSCRIPTION SHARES

The total number of shares of Conversion Stock to be offered in the Conversion will be determined jointly by the Boards of Directors of the Mutual Holding Company, the Mid-Tier Holding Company and the Holding Company immediately prior to the commencement of the Subscription Offering, and will be based on the Appraised Value Range and the Subscription Price. The Offering Range will be equal to the Appraised Value Range multiplied by the Majority Ownership Interest, as adjusted to reflect certain assets held by Mutual Holding Company. The estimated pro forma consolidated market value of the Holding Company will be subject to adjustment within the Appraised Value Range if necessitated by market or financial conditions, with the receipt of any required approvals of the Bank Regulators, and the maximum of the Appraised Value Range may be increased by up to 15% subsequent to the commencement of the Subscription Offering to reflect changes in market and financial conditions or demand for the shares. The number of shares of Conversion Stock issued in the Conversion will be equal to the estimated pro forma consolidated market value of the Holding Company, as may be amended, divided by the Subscription Price, and the number of Subscription Shares issued in the Offering will be equal to the product of (i) the estimated pro forma consolidated market value of the Holding Company, as may be amended, divided by the Subscription Price, and (ii) the Majority Ownership Interest, as adjusted to reflect certain assets held by Mutual Holding Company.

In the event that the Subscription Price multiplied by the number of shares of Conversion Stock to be issued in the Conversion is below the minimum of the Appraised Value Range, or materially above the maximum of the Appraised Value Range, a resolicitation of purchasers may be required, *provided* that up to a 15% increase above the maximum of the Appraised Value Range will not be deemed material so as to require a resolicitation. Any such resolicitation shall be effected in such manner and within such time as the Mutual Holding Company, Mid-Tier Holding Company, the Holding Company and the Bank shall establish, if all required regulatory approvals are obtained.

Notwithstanding the foregoing, shares of Conversion Stock will not be issued unless, prior to the consummation of the Conversion, the Independent Appraiser confirms to the Bank, the Mutual Holding Company, the Holding Company, and the Bank Regulators, that, to the best knowledge of the Independent Appraiser, nothing of a material nature has occurred which, taking into account all relevant factors, would cause the Independent Appraiser to conclude that the number of shares of Conversion Stock issued in the Conversion multiplied by the Subscription Price is incompatible with its estimate of the aggregate consolidated pro forma market value of the Holding Company. If such confirmation is not received, the Holding Company may cancel the Offering and the Exchange Offering, extend the Offering and establish a new Subscription Price and/or Appraised Value Range, hold a new Offering and Exchange Offering after canceling the Offering and the Exchange Offering, or take such other action as the Bank Regulators may permit. The Holding Company Common Stock to be issued in the Conversion shall be fully paid and non-assessable.

7. RETENTION OF CONVERSION PROCEEDS BY THE HOLDING COMPANY

The Holding Company may retain up to 50% of the net proceeds of the Offering. The Holding Company believes that the Offering proceeds will provide economic strength to the Holding Company and the Bank for the future in a highly competitive and regulated financial services environment, and would support the growth in the operations of the Holding Company and the Bank through increased lending, acquisitions of financial service organizations, continued diversification into other related businesses and other business and investment purposes, including the possible payment of dividends and possible future repurchases of the Holding Company Common Stock as permitted by applicable federal and state regulations and policy.

8. SUBSCRIPTION RIGHTS OF ELIGIBLE ACCOUNT HOLDERS (FIRST PRIORITY)

A. Each Eligible Account Holder shall have nontransferable subscription rights to subscribe in the Subscription Offering for up to the greater of $300,000 of Holding Company Common Stock, 0.10% of the total number of shares of Holding Company Common Stock issued in the Offering, or fifteen times the product (rounded down to the next whole number) obtained by multiplying the number of Subscription Shares offered in the Offering by a fraction of which the numerator is the amount of the Eligible Account Holder's Qualifying Deposit and the denominator is the total amount of Qualifying Deposits of all Eligible Account Holders, in each case on the Eligibility Record Date, subject to the purchase limitations specified in Section 14.

B. In the event that Eligible Account Holders exercise subscription rights for a number of Subscription Shares in excess of the total number of such shares eligible for subscription, the Subscription Shares shall be allocated among the subscribing Eligible Account Holders so as to permit each subscribing Eligible Account Holder to purchase a number of shares sufficient to make his or her total allocation of Subscription Shares equal to the lesser of 100 shares or the number of shares for which such Eligible Account Holder has subscribed. Any remaining shares will be allocated among the subscribing Eligible Account Holders whose subscriptions remain unsatisfied in the proportion that the amount of the Qualifying Deposit of each Eligible Account Holder whose subscription remains unsatisfied bears to the total amount of the Qualifying Deposits of all Eligible Account Holders whose subscriptions remain unsatisfied. If the amount so allocated exceeds the amount subscribed for by any one or more Eligible Account Holders, the excess shall be reallocated (one or more times as necessary) among those Eligible Account Holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated.

C. Subscription rights as Eligible Account Holders received by Directors and Officers and their Associates that are based on deposits made by such persons during the 12 months preceding the Eligibility Record Date shall be subordinated to the subscription rights of all other Eligible Account Holders, except as permitted by the Bank Regulators.

9. SUBSCRIPTION RIGHTS OF EMPLOYEE PLANS (SECOND PRIORITY)

The Employee Plans shall have subscription rights to purchase in the aggregate up to 10% of the Subscription Shares issued in the Offering and contributed to the Foundation, including any Subscription Shares to be issued as a result of an increase in the maximum of the Offering Range after commencement of the Subscription Offering and prior to completion of the Conversion. Consistent with applicable laws and regulations and practices and policies, the Employee Plans may use funds contributed by the Holding Company or the Bank and/or borrowed from an independent financial institution to exercise such subscription rights, and the Holding Company and the Bank may make scheduled discretionary contributions thereto, provided that such contributions do not cause the Holding Company or the Bank to fail to meet any applicable regulatory capital requirements. The Employee Plans shall not be deemed to be Associates or Affiliates of or Persons Acting in Concert with any Director or Officer of the Holding Company or the Bank. Alternatively, if permitted by the Bank Regulators, the Employee Plans may purchase all or a portion of such shares in the open market after the completion of the Conversion.

10. SUBSCRIPTION RIGHTS OF SUPPLEMENTAL ELIGIBLE ACCOUNT HOLDERS (THIRD PRIORITY)

A. Each Supplemental Eligible Account Holder shall have nontransferable subscription rights to subscribe for in the Subscription Offering up to the greater of $300,000 of Holding Company Common Stock, 0.10% of the total number of shares of Holding Company Common Stock issued in the Offering, or fifteen times the product (rounded down to the next whole number) obtained by multiplying the number of Subscription Shares offered in the Offering by a fraction of which the numerator is the amount of the Supplemental Eligible Account Holder's Qualifying Deposit and the denominator is the total amount of Qualifying Deposits of all Supplemental Eligible Account Holders, in each case on the Supplemental Eligibility

Record Date, subject to the availability of sufficient shares after filling in full all subscription orders of Eligible Account Holders and Employee Plans and subject to the purchase limitations specified in Section 14.

B. In the event that Supplemental Eligible Account Holders exercise subscription rights for a number of Subscription Shares in excess of the total number of such shares eligible for subscription, the Subscription Shares shall be allocated among the subscribing Supplemental Eligible Account Holders so as to permit each subscribing Supplemental Eligible Account Holder, to the extent possible, to purchase a number of shares sufficient to make his or her total allocation of Subscription Shares equal to the lesser of 100 shares or the number of shares for which such Supplemental Eligible Account Holder has subscribed. Any remaining shares will be allocated among the subscribing Supplemental Eligible Account Holders whose subscriptions remain unsatisfied in the proportion that the amount of the Qualifying Deposit of such Supplemental Eligible Account Holder whose subscription remains unsatisfied bears to the total amount of the Qualifying Deposits of all Supplemental Eligible Account Holders whose subscriptions remain unsatisfied. If the amount so allocated exceeds the amount subscribed for by any one or more Supplemental Eligible Account Holders, the excess shall be reallocated (one or more times as necessary) among those Supplemental Eligible Account Holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated.

11. SUBSCRIPTION RIGHTS OF OTHER MEMBERS (FOURTH PRIORITY)

A. Each Other Member shall have nontransferable subscription rights to subscribe for in the Subscription Offering up to the greater of $300,000 of Holding Company Common Stock or 0.10% of the total number of shares of Holding Company Common Stock issued in the Offering, subject to the availability of sufficient shares after filling in full all subscription orders of Eligible Account Holders, Employee Plans and Supplemental Eligible Account Holders and subject to the purchase limitations specified in Section 14.

B. In the event that such Other Members subscribe for a number of Subscription Shares which, when added to the Subscription Shares subscribed for by the Eligible Account Holders, Employee Plans and Supplemental Eligible Account Holders, is in excess of the total number of Subscription Shares to be issued, the available shares will be allocated among Other Members so as to permit each such subscribing Other Member, to the extent possible, to purchase a number of shares sufficient to make his or her total allocation of Subscription Shares equal to the lesser of 100 shares or the number of shares for which each such Other Member has subscribed. Any remaining shares will be allocated among the subscribing Other Members whose subscriptions remain unsatisfied in the proportion that the amount of the subscription of each such Other Member bears to the total amount of the subscriptions of all Other Members whose subscriptions remain unsatisfied.

12. COMMUNITY OFFERING

If subscriptions are not received for all Subscription Shares offered for sale in the Subscription Offering, shares for which subscriptions have not been received may be offered for sale in the Community Offering through a direct community marketing program which may use a broker, dealer, consultant or investment banking firm experienced and expert in the sale of savings institutions securities. Such entities may be compensated on a fixed fee basis or on a commission basis, or a combination thereof. In the event orders for Holding Company Common Stock in the Community Offering exceed the number of shares available for sale, shares may be allocated (to the extent shares remain available) first to cover orders of natural persons (including trusts of natural persons) residing in the Community, next to cover orders of Minority Stockholders as of the Voting Record Date, and thereafter to cover orders of other members of the general public. In the event orders for Holding Company Common Stock exceed the number of shares available for sale in a category pursuant to the purchase priorities described in the preceding sentence, shares will be allocated within the category so that each member of that category will receive the lesser of 100 shares or the amount ordered and thereafter remaining shares will be allocated on an equal number of shares basis per order. In connection with the allocation, orders received for Holding Company Common Stock in the Community Offering will first be filled up to a maximum of two percent (2%) of the shares sold in the Offering, and thereafter any remaining shares will be allocated on an equal number of shares basis per order. The Mutual Holding Company and the Holding Company shall use their best efforts consistent with this Plan to distribute Holding

Company Common Stock sold in the Community Offering in such a manner as to promote the widest distribution practicable of such stock. The Holding Company reserves the right to reject any or all orders, in whole or in part, that are received in the Community Offering. Any Person may purchase up to $500,000 of Holding Company Common Stock in the Community Offering, subject to the purchase limitations specified in Section 14.

13. SYNDICATED COMMUNITY OFFERING OR FIRM COMMITMENT UNDERWRITTEN OFFERING

If feasible, the Board of Directors may determine to offer Subscription Shares not sold in the Subscription Offering or the Community Offering, if any, for sale in a Syndicated Community Offering, subject to such terms, conditions and procedures as may be determined by the Mutual Holding Company and the Holding Company, in a manner that will achieve the widest distribution of Holding Company Common Stock, subject to the right of the Holding Company to accept or reject in whole or in part any orders in the Syndicated Community Offering. In the Syndicated Community Offering, any Person may purchase up to $500,000 of Holding Company Common Stock, subject to the purchase limitations specified in Section 14. In addition, unless otherwise approved by the Federal Reserve, orders received for Holding Company Common Stock in the Syndicated Community Offering will first be filled up to a maximum of two percent (2%) of the shares sold in the Offering, and thereafter any remaining shares will be allocated on an equal number of shares basis per order. Provided that the Subscription Offering has begun, the Holding Company may begin the Syndicated Community Offering at any time. The Holding Company reserves the right to reject any or all orders, in whole or in part, that are received in the Syndicated Community Offering.

Alternatively, if feasible, the Board of Directors may determine to offer Subscription Shares not sold in the Subscription Offering or any Community Offering for sale in a Firm Commitment Underwritten Offering subject to such terms, conditions and procedures as may be determined by the Mutual Holding Company and the Holding Company, subject to the right of the Holding Company to accept or reject in whole or in part any orders in the Firm Commitment Underwritten Offering. Provided the Subscription Offering has begun, the Holding Company may begin the Firm Commitment Underwritten Offering at any time.

If for any reason a Syndicated Community Offering or Firm Commitment Underwritten Offering of shares of Holding Company Common Stock not sold in the Subscription Offering or any Community Offering cannot be effected, or in the event that any insignificant residue of shares of Holding Company Common Stock is not sold in the Subscription Offering, Community Offering, or any Syndicated Community Offering or Firm Commitment Underwritten Offering, the Holding Company will use its best efforts to make other arrangements for the disposition of unsubscribed shares aggregating at least the minimum of the Offering Range. Such other purchase arrangements will be subject to receipt of any required approval of the Bank Regulators.

14. LIMITATIONS ON PURCHASES

The following limitations shall apply to all purchases and issuances of shares of Conversion Stock:

A. The maximum purchase of Holding Company Common Stock in the Subscription Offering by a Person or group of Persons through a single deposit account is $300,000 (30,000 shares). The maximum number of shares of Holding Company Common Stock that may be subscribed for or purchased in all categories in the Offering by any Person or Participant, together with any Associate or group of Persons Acting in Concert, shall not exceed $500,000 (50,000 shares) of Holding Company Common Stock, except that the Employee Plans may subscribe for up to 10% of the Holding Company Common Stock issued in the Offering and contributed to the Foundation (including shares issued in the event of an increase in the maximum of the Offering Range of 15%).

B. The maximum number of shares of Holding Company Common Stock that may be issued to or purchased in all categories of the Offering by Officers and Directors and their Associates in the aggregate shall not exceed 25% of the shares of Conversion Stock and contributed to the Foundation.

C. The maximum number of shares of Holding Company Common Stock that may be subscribed for or purchased in all categories of the Offering by any Person or Participant together with purchases by any

Associate or group of Persons Acting in Concert, combined with Exchange Shares received by any such Person or Participant together with any Associate or group of Persons Acting in Concert, shall not exceed 9.9% of the shares of Conversion Stock, except that this ownership limitation shall not apply to the Employee Plans.

D. A minimum of 25 shares of Holding Company Common Stock must be purchased by each Person or Participant purchasing shares in the Offering to the extent those shares are available; *provided*, *however*, that in the event the minimum number of shares of Holding Company Common Stock purchased times the Subscription Price exceeds $500, then such minimum purchase requirement shall be reduced to such number of shares which when multiplied by the price per share shall not exceed $500, as determined by the Board.

E. If the number of shares of Holding Company Common Stock otherwise allocable pursuant to Sections 8 through 13, inclusive, to any Person or that Person's Associates would be in excess of the maximum number of shares permitted as set forth above, the number of shares of Holding Company Common Stock allocated to each such person shall be reduced to the lowest limitation applicable to that Person, and then the number of shares allocated to each group consisting of a Person and that Person's Associates shall be reduced so that the aggregate allocation to that Person and his or her Associates complies with the above limits.

Depending upon market or financial conditions, the Boards of Directors of the Holding Company and the Mutual Holding Company, with the receipt of any required approvals of the Bank Regulators and without further approval of Voting Members, may decrease or increase the purchase limitations in this Plan, *provided* that the maximum purchase limitations may not be increased to a percentage in excess of 5% of the shares issued in the Offering except as provided below. If the Mutual Holding Company and the Holding Company increase the maximum purchase limitations, the Mutual Holding Company and the Holding Company are only required to resolicit Participants who subscribed for the maximum purchase amount in the Subscription Offering and may, in the sole discretion of the Mutual Holding Company and the Holding Company, resolicit certain other large purchasers. In the event of such a resolicitation, the Mutual Holding Company and the Holding Company shall have the right, in their sole discretion, to require such persons to supply immediately available funds for the purchase of additional shares of Holding Company Common Stock. Such persons will be prohibited from paying with a personal check, but the Mutual Holding Company and the Holding Company may allow payment by wire transfer. In the event that the maximum purchase limitation is increased to 5% of the shares issued in the Offering, such limitation may be further increased to 9.99%, *provided* that orders for Holding Company Common Stock exceeding 5% of the shares of Holding Company Common Stock issued in the Offering shall not exceed in the aggregate 10% of the total shares of Holding Company Common Stock issued in the Offering. Requests to purchase additional shares of the Holding Company Common Stock in the event that the purchase limitation is so increased will be determined by the Board of Directors of the Holding Company in its sole discretion.

In the event of an increase in the total number of shares offered in the Offering due to an increase in the maximum of the Offering Range of up to 15% (the "Adjusted Maximum"), the additional shares may be used to fill the Employee Plans orders before all other orders and then will be allocated in accordance with the priorities set forth in this Plan.

For purposes of this Section 14, (i) Directors, Officers and Employees of the Bank, the Mid-Tier Holding Company, the Mutual Holding Company and the Holding Company or any of their subsidiaries shall not be deemed to be Associates or a group affiliated with each other or otherwise Acting in Concert solely as a result of their capacities as such, (ii) shares purchased by Tax-Qualified Employee Stock Benefit Plans shall not be attributable to the individual trustees or beneficiaries of any such plan for purposes of determining compliance with the limitations set forth in paragraphs A. and B. of this Section 14, and (iii) shares purchased by a Tax-Qualified Employee Stock Benefit Plan pursuant to instructions of an individual in an account in such plan in which the individual has the right to direct the investment, including any plan of the Bank qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended, shall be aggregated and included in that individual's purchases and not attributed to the Tax-Qualified Employee Stock Benefit Plan.

Each Person purchasing Holding Company Common Stock in the Offering shall be deemed to confirm that such purchase does not conflict with the above purchase limitations contained in this Plan.

15. PAYMENT FOR SUBSCRIPTION SHARES

All payments for Holding Company Common Stock subscribed for in the Subscription Offering and Community Offering must be delivered in full to the Bank or Holding Company, together with a properly completed and executed Order Form, on or prior to the expiration date of the Offering; *provided, however*, that if the Employee Plans subscribe for shares in the Subscription Offering, such plans will not be required to pay for the shares at the time they subscribe but rather may pay for such shares of Holding Company Common Stock subscribed for by such plans at the Subscription Price upon consummation of the Conversion. Subscription funds will be held in a segregated account at the Bank.

Except as set forth in Section 14.E, above, payment for Holding Company Common Stock subscribed for shall be made by personal check, money order or bank draft. Alternatively, subscribers in the Subscription and Community Offerings may pay for the shares for which they have subscribed by authorizing the Bank on the Order Form to make a withdrawal from the designated types of Deposit Accounts at the Bank in an amount equal to the aggregate Subscription Price of such shares. Such authorized withdrawal shall be without penalty as to premature withdrawal. If the authorized withdrawal is from a certificate account, and the remaining balance does not meet the applicable minimum balance requirement, the certificate shall be canceled at the time of withdrawal, without penalty, and the remaining balance will earn interest at the passbook rate. Funds for which a withdrawal is authorized will remain in the subscriber’s Deposit Account but may not be used by the subscriber during the Offering. Thereafter, the withdrawal will be given effect only to the extent necessary to satisfy the subscription (to the extent it can be filled) at the Subscription Price per share. Interest will continue to be earned on any amounts authorized for withdrawal until such withdrawal is given effect. Interest on funds received by check, draft or money order will be paid by the Bank at not less than the passbook rate. Such interest will be paid from the date payment is processed by the Bank until consummation or termination of the Offering. If for any reason the Offering is not consummated, all payments made by subscribers in the Subscription and Community Offerings will be refunded to them, with interest. In case of amounts authorized for withdrawal from Deposit Accounts, refunds will be made by canceling the authorization for withdrawal. The Bank is prohibited by regulation from knowingly making any loans or granting any lines of credit for the purchase of stock in the Offering, and therefore, will not do so.

16. MANNER OF EXERCISING SUBSCRIPTION RIGHTS THROUGH ORDER FORMS

As soon as practicable after the registration statement prepared by the Holding Company has been declared effective by the SEC and the stock offering materials have been approved by the Bank Regulators, Order Forms will be distributed to the Eligible Account Holders, Employee Plans, Supplemental Eligible Account Holders and Other Members at their last known addresses appearing on the records of the Bank for the purpose of subscribing for shares of Holding Company Common Stock in the Subscription Offering and will be made available for use by those Persons to whom a Prospectus is delivered. Each Order Form will be preceded or accompanied by a Prospectus describing the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company, the Bank, the Holding Company Common Stock and the Offering. Each Order Form will contain, among other things, the following:

A. A specified date by which all Order Forms must be received by the Mutual Holding Company or the Holding Company, or its agent, which date shall be not less than 20 days, nor more than 45 days, following the date on which the Order Forms are first mailed to Participants by the Mutual Holding Company or the Holding Company, and which date will constitute the termination of the Subscription Offering unless extended;

B. The Subscription Price per share for shares of Holding Company Common Stock to be sold in the Offering;

C. A description of the minimum and maximum number of Subscription Shares which may be subscribed for pursuant to the exercise of subscription rights or otherwise purchased in the Subscription and Community Offering;

D. Instructions as to how the recipient of the Order Form is to indicate thereon the number of Subscription Shares for which such Person elects to subscribe and the available alternative methods of payment therefor;

E. An acknowledgment that the recipient of the Order Form has received a final copy of the Prospectus prior to execution of the Order Form;

F. A statement to the effect that all subscription rights are nontransferable, will be void at the end of the Subscription Offering, and can only be exercised by delivering to the Mutual Holding Company or the Holding Company or their agent within the subscription period such properly completed and executed Order Form, together with payment in the full amount of the aggregate purchase price as specified in the Order Form for the shares of Holding Company Common Stock for which the recipient elects to subscribe in the Subscription Offering (or by authorizing on the Order Form that the Bank withdraw said amount from the subscriber's Deposit Account(s) at the Bank); and

G. A statement to the effect that the executed Order Form, once received by the Mutual Holding Company or the Holding Company, may not be modified or amended by the subscriber without the consent of the Holding Company.

Notwithstanding the above, the Mutual Holding Company and the Holding Company reserve the right in their sole discretion to accept or reject orders received on photocopied or facsimiled order forms.

17. UNDELIVERED, DEFECTIVE OR LATE ORDER FORM; INSUFFICIENT PAYMENT

In the event Order Forms (a) are not delivered or are not timely delivered by the United States Postal Service, (b) are not received back by the Mutual Holding Company or Holding Company or are received by the Mutual Holding Company or Holding Company or their agent after the expiration date specified thereon, (c) are defectively filled out or executed, (d) are not accompanied by the full required payment for the shares of Holding Company Common Stock subscribed for (including cases in which deposit accounts from which withdrawals are authorized are insufficient to cover the amount of the required payment), or (e) are not mailed pursuant to a "no mail" order placed in effect by the account holder, the subscription rights of the Participant to whom such rights have been granted will lapse as though such Participant failed to return the completed Order Form within the time period specified thereon; *provided, however*, that the Holding Company may, but will not be required to, waive any immaterial irregularity on any Order Form or require the submission of corrected Order Forms or the remittance of full payment for subscribed shares by such date as the Holding Company may specify. The interpretation by the Holding Company of terms and conditions of this Plan and of the Order Forms will be final, subject to the authority of the Bank Regulators.

18. RESIDENTS OF FOREIGN COUNTRIES AND CERTAIN STATES

The Holding Company will make reasonable efforts to comply with the securities laws of all states in the United States in which Persons entitled to subscribe for shares of Holding Company Common Stock pursuant to this Plan reside. However, no such Person will be issued subscription rights or be permitted to purchase shares of Holding Company Common Stock in the Subscription Offering if such Person resides in a foreign country; or in a state of the United States with respect to which any of the following apply: (a) a small number of Persons otherwise eligible to subscribe for shares under this Plan reside in such state; (b) the issuance of subscription rights or the offer or sale of shares of Holding Company Common Stock to such Persons would require the Holding Company under the securities laws of such state, to register as a broker, dealer, salesman or agent or to register or otherwise qualify its securities for sale in such state; or (c) such registration or qualification would be impracticable for reasons of cost or otherwise.

19. ESTABLISHMENT OF LIQUIDATION ACCOUNTS

A Liquidation Account shall be established by the Holding Company at the time of the Conversion in an amount equal to the product of (i) the Majority Ownership Interest and (ii) the Mid-Tier Holding Company's total stockholders' equity as reflected in the latest statement of financial condition contained in the final Prospectus used in the Conversion, plus the value of the net assets of the Mutual Holding Company as reflected in the latest statement of financial condition of the Mutual Holding Company prior to the effective date of the Conversion (excluding its ownership of Mid-Tier Holding Company common stock). Following the Conversion, the Liquidation Account will be maintained for the benefit of the Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain their Deposit Accounts at the Bank. Each Eligible Account Holder and Supplemental Eligible Account Holder shall, with respect to his Deposit Account, hold a related inchoate interest in a portion of the Liquidation Account balance in relation to his Deposit Account balance at the Eligibility Record Date or Supplemental Eligibility Record Date, respectively, or to such balance as it may be subsequently reduced, as hereinafter provided. The Holding Company also shall cause the Bank to establish and maintain the Bank Liquidation Account for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain their Deposit Accounts at the Bank.

In the unlikely event of a complete liquidation of (i) the Bank or (ii) the Bank and the Holding Company (and only in such event) following all liquidation payments to creditors (including those to Account Holders to the extent of their Deposit Accounts), each Eligible Account Holder and Supplemental Eligible Account Holder shall be entitled to receive a liquidating distribution from the Liquidation Account, in the amount of the then adjusted subaccount balance for such Account Holder's Deposit Account, before any liquidation distribution may be made to any holders of the Holding Company's capital stock. A merger, consolidation or similar combination with another depository institution or holding company thereof, in which the Holding Company and/or the Bank is not the surviving entity, shall not be deemed to be a complete liquidation for this purpose. In such transactions, the Liquidation Account shall be assumed by the surviving holding company or institution.

In the unlikely event of a complete liquidation of either (i) the Bank or (ii) the Bank and the Holding Company (and only in such event) following all liquidation payments to creditors of the Bank (including those to Account Holders to the extent of their Deposit Accounts), at a time when the Bank has a positive net worth and the Holding Company does not have sufficient assets (other than the stock of the Bank) at the time of liquidation to fund its obligations under the Liquidation Account, the Bank, with respect to the Bank Liquidation Account shall immediately pay directly to each Eligible Account Holder and Supplemental Eligible Account Holder an amount necessary to fund the Holding Company's remaining obligations under the Liquidation Account before any liquidating distribution may be made to any holders of the Bank's capital stock and without making such amount subject to the Holding Company's creditors. Each Eligible Account Holder and Supplemental Eligible Account Holder shall be entitled to receive a distribution from the Liquidation Account with respect to the Holding Company, in the amount of the then adjusted subaccount balance for his Deposit Account then held, before any distribution may be made to any holders of the Holding Company's capital stock.

In the event of a complete liquidation of the Holding Company where the Bank is not also completely liquidating, or in the event of a sale or other disposition of the Holding Company apart from the Bank, each Eligible Account Holder and Supplemental Eligible Account Holder shall be treated as surrendering such Person's rights to the Liquidation Account and receiving from the Holding Company an equivalent interest in the Bank Liquidation Account. Each such holder's interest in the Bank Liquidation Account shall be subject to the same rights and terms as if the Bank Liquidation Account were the Liquidation Account (except that the Holding Company shall cease to exist).

The initial subaccount balance for a Deposit Account held by an Eligible Account Holder and Supplemental Eligible Account Holder shall be determined by multiplying the opening balance in the Liquidation Account by a fraction, the numerator of which is the amount of the Qualifying Deposits of such Account Holder and the denominator of which is the total amount of all Qualifying Deposits of all Eligible Account Holders and Supplemental Eligible Account Holders. For Deposit Accounts in existence at both the Eligibility Record Date and the Supplemental Eligibility Record Date, separate initial subaccount balances shall be determined on the basis of the Qualifying Deposits in such Deposit Account on each such record date. Such initial subaccount balance shall not be increased, but shall be subject to downward adjustment as described below.

If, at the close of business on any annual closing date, commencing on or after the effective date of the Conversion, the deposit balance in the Deposit Account of an Eligible Account Holder or Supplemental Eligible Account Holder is less than the lesser of (i) the balance in the Deposit Account at the close of business on any other annual closing date subsequent to the Eligibility Record Date or Supplemental Eligibility Record Date, or (ii) the amount of the Qualifying Deposit in such Deposit Account as of the Eligibility Record Date or Supplemental Eligibility Record

Date, the subaccount balance for such Deposit Account shall be adjusted by reducing such subaccount balance in an amount proportionate to the reduction in such deposit balance. In the event of such downward adjustment, the subaccount balance shall not be subsequently increased, notwithstanding any subsequent increase in the deposit balance of the related Deposit Account. If any such Deposit Account is closed, the related subaccount shall be reduced to zero.

The creation and maintenance of the Liquidation Account and the Bank Liquidation Account shall not operate to restrict the use or application of any capital of the Holding Company or the Bank, except that neither the Holding Company nor the Bank shall declare or pay a cash dividend on, or repurchase any of, its capital stock if the effect thereof would cause its equity to be reduced below: (i) the amount required for the Liquidation Account or the Bank Liquidation Account, as applicable; or (ii) the regulatory capital requirements of the Holding Company (to the extent applicable) or the Bank. Neither the Holding Company nor the Bank shall be required to set aside funds in connection with its obligations hereunder relating to the Liquidation Account and the Bank Liquidation Account, respectively. Eligible Account Holders and Supplemental Eligible Account Holders do not retain any voting rights in either the Holding Company or the Bank based on their liquidation subaccounts.

The amount of the Bank Liquidation Account shall equal at all times the amount of the Liquidation Account, and the Bank Liquidation Account shall be reduced by the same amount and upon the same terms as any reduction in the Liquidation Account. In no event will any Eligible Account Holder or Supplemental Eligible Account Holder be entitled to a distribution that exceeds such holder’s subaccount balance in the Liquidation Account.

For the three-year period following the completion of the Conversion, the Holding Company will not without prior Federal Reserve approval (i) sell or liquidate the Holding Company, or (ii) cause the Bank to be sold or liquidated. Upon the written request of the Federal Reserve the Holding Company shall, or upon the prior written approval of the Federal Reserve the Holding Company may, at any time after two years from the completion of the Conversion, transfer the Liquidation Account to the Bank, at which time the Liquidation Account shall be assumed by the Bank and the interests of Eligible Account Holders and Supplemental Eligible Account Holders will be solely and exclusively established in the Bank Liquidation Account. In the event such transfer occurs, the Holding Company shall be deemed to have transferred the Liquidation Account to the Bank and such Liquidation Account shall be subsumed into the Bank Liquidation Account and shall not be subject in any manner or amount to the claims of the Holding Company’s creditors. Approval of this Plan by the Members shall constitute approval of the transactions described herein.

20. CONTRIBUTION TO THE FOUNDATION

As part of the Conversion, the Holding Company, Bank and the Mutual Holding Company intend to donate shares of Holding Company Common Stock and cash to the Foundation, in such amounts, subject to regulatory limits, as shall be approved by the Board of Directors. This contribution to the Foundation is intended to enhance the Bank’s existing community reinvestment activities, and to share with the communities in which the Bank conducts its business a part of the Bank’s financial success as a community minded, financial services institution. The contribution of Holding Company Common Stock to the Foundation accomplishes this goal as it enables the community to share in the growth and profitability of the Holding Company and the Bank over the long term.

The Foundation is dedicated to the promotion of charitable purposes including community development, grants or donations to support housing assistance, not-for-profit community groups and other types of organizations or civic-minded projects. The Foundation will annually distribute total grants to assist charitable organizations or to fund projects within its local community of not less than 5% of the average fair market value of Foundation assets each year, less certain expenses. In order to serve the purposes for which it was formed and maintain its Section 501(c)(3) qualification, the Foundation may sell, on an annual basis, a limited portion of the Foundation Shares.

For a period of five years following the Conversion, except for temporary periods resulting from death, resignation, removal or disqualification, (i) at least one director of the Foundation will be an independent director who is unaffiliated with the Holding Company and the Bank who is from the Bank’s local community and who has experience with local community charitable organizations and grant making, and (ii) at least one director shall be a person who is also a member of the Board of Directors of the Bank. The board of directors of the Foundation will be responsible for establishing the policies of the Foundation with respect to grants or donations, consistent with the stated purposes of the Foundation.

The contribution to the Foundation as part of the Conversion must be approved by a majority of the total number of votes eligible to be cast by Voting Members and by the Minority Stockholders.

21. VOTING RIGHTS OF STOCKHOLDERS

Following consummation of the Conversion, the holders of the voting capital stock of the Holding Company shall have the exclusive voting rights with respect to the Holding Company.

22. RESTRICTIONS ON RESALE OR SUBSEQUENT DISPOSITION

A. All Subscription Shares purchased by Directors or Officers of the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company or the Bank in the Offering shall be subject to the restriction that, except as provided in this Section or as may be approved by the Bank Regulators, no interest in such shares may be sold or otherwise disposed of for value for a period of one year following the date of purchase in the Offering.

B. The restriction on disposition of Subscription Shares set forth above in this Section shall not apply to the following:

(1) Any exchange of such shares in connection with a merger or acquisition involving the Bank or the Holding Company, as the case may be, which has been approved by the appropriate state and federal regulatory agencies; and

(2) Any disposition of such shares following the death of the person to whom such shares were initially sold under the terms of this Plan.

C. With respect to all Subscription Shares subject to restrictions on resale or subsequent disposition, each of the following provisions shall apply:

(1) Each certificate representing shares restricted by this section shall bear a legend giving notice of the restriction;

(2) Instructions shall be issued to the stock transfer agent for the Holding Company not to recognize or effect any transfer of any certificate or record of ownership of any such shares in violation of the restriction on transfer; and

(3) Any shares of capital stock of the Holding Company issued with respect to a stock dividend, stock split, or otherwise with respect to ownership of outstanding Subscription Shares subject to the restriction on transfer hereunder shall be subject to the same restriction as is applicable to such Subscription Shares.

23. REQUIREMENTS FOR STOCK PURCHASES BY DIRECTORS AND OFFICERS FOLLOWING THE CONVERSION

For a period of three years following the Conversion, no Officer, Director or their Associates shall purchase, without the prior written approval of the Bank Regulators, any outstanding shares of Holding Company Common Stock except from a broker-dealer registered with the SEC. This provision shall not apply to negotiated transactions involving more than 1% of the outstanding shares of Holding Company Common Stock, the exercise of any options pursuant to a stock option plan or purchases of Holding Company Common Stock made by or held by any Tax-Qualified Employee Stock Benefit Plan or Non-Tax-Qualified Employee Stock Benefit Plan of the Bank or the Holding Company (including the Employee Plans) which may be attributable to any Officer or Director. As used herein, the term “negotiated transaction” means a transaction in which the securities are offered and the terms and arrangements relating to any sale are arrived at through direct communications between the seller or any person acting on its behalf and the purchaser or his investment representative. The term "investment representative" shall mean a professional investment advisor acting as agent for the purchaser and independent of the seller and not acting on behalf of the seller in connection with the transaction.

24. TRANSFER OF DEPOSIT ACCOUNTS

Each person holding a Deposit Account at the Bank at the time of Conversion shall retain an identical Deposit Account at the Bank following Conversion in the same amount and subject to the same terms and conditions (except as to voting and liquidation rights) applicable to such Deposit Account in the Bank immediately prior to completion of the Conversion.

25. REGISTRATION AND MARKETING

Within the time period required by applicable laws and regulations, the Holding Company will register the securities issued in connection with the Conversion pursuant to the Securities Exchange Act of 1934 and will not deregister such securities for a period of at least three years thereafter, except that the requirement to maintain the registration of such securities for three years may be fulfilled by any successor to the Holding Company. In addition, the Holding Company will use its best efforts to encourage and assist a market-maker to establish and maintain a market for the Conversion Stock and to list those securities on a national or regional securities exchange.

26. TAX RULINGS OR OPINIONS

Consummation of the Conversion is expressly conditioned upon prior receipt by the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank of either a ruling, an opinion of counsel or a letter of advice from their tax advisor regarding the federal and state income tax consequences of the Conversion to the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company, the Bank and the Account Holders and Voting Members receiving subscription rights in the Conversion.

27. STOCK BENEFIT PLANS AND EMPLOYMENT AGREEMENTS

A. The Holding Company and the Bank are authorized to adopt Tax-Qualified Employee Stock Benefit Plans in connection with the Conversion, including without limitation, an ESOP. Existing as well as any newly created Tax-Qualified Employee Stock Benefit Plans may purchase shares of Holding Company Common Stock in the Offering, to the extent permitted by the terms of such benefit plans and this Plan.

B. As a result of the Conversion, the Holding Company shall be deemed to have ratified and approved all employee stock benefit plans maintained by the Bank and the Mid-Tier Holding Company and shall have agreed to issue (and reserve for issuance) Holding Company Common Stock in lieu of common stock of the Mid-Tier Holding Company pursuant to the terms of such benefit plans. Upon consummation of the Conversion, the Mid-Tier Holding Company common stock held by such benefit plans shall be converted into Holding Company Common Stock based upon the Exchange Ratio. Also upon consummation of the Conversion, (i) all rights to purchase, sell or receive Mid-Tier Holding Company common stock and all rights to elect to make payment in Mid-Tier Holding Company common stock under any agreement between the Bank or the Mid-Tier Holding Company and any Director, Officer or Employee thereof or under any plan or program of the Bank or the Mid-Tier Holding Company, shall automatically, by operation of law, be converted into and shall become an identical right to purchase, sell or receive Holding Company Common Stock and an identical right to make payment in Holding Company Common Stock under any such agreement between the Bank or the Mid-Tier Holding Company and any Director, Officer or Employee thereof or under such plan or program of the Bank, and (ii) rights outstanding under all stock option plans shall be assumed by the Holding Company and thereafter shall be rights only for shares of Holding Company Common Stock, with each such right being for a number of shares of Holding Company Common Stock based upon the Exchange Ratio and the number of shares of Mid-Tier Holding Company common stock that were available thereunder immediately prior to consummation of the Conversion, with the price adjusted to reflect the Exchange Ratio but with no change in any other term or condition of such right.

C. The Holding Company and the Bank are authorized to adopt stock option plans, restricted stock award plans and other Non-Tax-Qualified Employee Stock Benefit Plans, provided that such plans conform to any applicable regulations. The Holding Company and the Bank intend to implement a stock option plan and a restricted stock award plan no earlier than six months after completion of the Conversion. Stockholder approval of these plans will be required. If adopted within 12 months following the completion of the Conversion, the stock option plan will reserve a number of shares equal to up to 10% of the shares sold in the Offering and the stock award plan will reserve a number of shares equal to up to 4% of the shares sold in the Offering for awards to employees and directors at no cost to the recipients (unless the Bank's tangible capital is less than 10% upon completion of the Offering in which case the stock award plan will reserve a number of shares equal to up to 3% of the shares sold in the Offering), subject to adjustment, if any, as may be required by Federal Reserve regulations or policy in effect to reflect stock options or restricted stock granted by the Mid-Tier Holding Company prior to the completion of the Conversion. (Non-Tax-Qualified Employee Stock Benefit Plans implemented more than one year following the completion of the Conversion are not subject to the restrictions set forth in the preceding sentence.) Shares for such plans may be issued from authorized but unissued shares, treasury shares or repurchased shares.

D. The Holding Company and the Bank are authorized to enter into employment agreements and/or change in control agreements with their executive officers.

28. RESTRICTIONS ON ACQUISITION OF BANK AND HOLDING COMPANY

A. (1)The charter of the Bank may contain a provision stipulating that no person, except the Holding Company, for a period of five years following the closing date of the Conversion, may directly or indirectly acquire or offer to acquire the beneficial ownership of more than 10% of any class of equity security of the Bank, without the prior written approval of the Federal Reserve. In addition, such charter may also provide that for a period of five years following the closing date of the Conversion, shares beneficially owned in violation of the above-described charter provision shall not be entitled to vote and shall not be voted by any person or counted as voting stock in connection with any matter submitted to stockholders for a vote. In addition, special meetings of the stockholders relating to changes in control or amendment of the charter may only be called by the Board of Directors, and shareholders shall not be permitted to cumulate their votes for the election of Directors.

(2) For a period of three years from the date of consummation of the Conversion, no person, other than the Holding Company, shall directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of the Bank without the prior written consent of the Federal Reserve. Nothing in this Plan shall prohibit the Holding Company from taking actions permitted under 12 C.F.R. 239.63(f).

B. The Articles of Incorporation of the Holding Company may contain a provision stipulating that in no event shall any record owner of any outstanding shares of Holding Company Common Stock who beneficially owns in excess of 10% of such outstanding shares be entitled or permitted to any vote with respect to any shares held in excess of 10%. In addition, the Articles of Incorporation and Bylaws of the Holding Company may contain provisions which provide for, or prohibit, as the case may be, staggered terms of the directors, noncumulative voting for directors, limitations on the calling of special meetings, a fair price provision for certain business combinations and certain notice requirements.

C. For the purposes of this section:

(1) The term "person" includes an individual, a firm, a corporation or other entity;

(2) The term “offer” includes every offer to buy or acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tenders of, a security or interest in a security for value;

(3) The term “acquire” includes every type of acquisition, whether effected by purchase, exchange, operation of law or otherwise; and

(4) The term “security” includes non-transferable subscription rights issued pursuant to a plan of conversion as well as a “security” as defined in 15 U.S.C. § 77b(a)(1).

29. PAYMENT OF DIVIDENDS AND REPURCHASE OF STOCK

A. The Holding Company shall comply with applicable regulations in the repurchase of any shares of its capital stock following consummation of the Conversion. The Holding Company shall not declare or pay a cash dividend on, or repurchase any of, its capital stock, if such dividend or repurchase would reduce its capital below the amount then required for the Liquidation Account.

B. The Bank shall not declare or pay a cash dividend on, or repurchase any of, its capital stock if the effect thereof would cause its regulatory capital to be reduced below its applicable regulatory capital requirements.

30. ARTICLES OF INCORPORATION AND BYLAWS

By voting to approve this Plan, Voting Members will be voting to adopt the Articles of Incorporation and Bylaws for the Holding Company.

31. CONSUMMATION OF CONVERSION AND EFFECTIVE DATE

The Effective Date of the Conversion shall be the date upon which the Articles of Combination shall be filed with the Federal Reserve and the Articles of Merger shall be filed with the Secretary of State of the State of Maryland. The Articles of Combination and the Articles of Merger shall be filed after all requisite regulatory, member and stockholder approvals have been obtained, all applicable waiting periods have expired, and sufficient subscriptions and orders for Subscription Shares have been received. The closing of the sale of all shares of Holding Company Common Stock sold in the Offering and the Exchange Offering shall occur simultaneously on the effective date of the closing.

32. EXPENSES OF CONVERSION

The Mutual Holding Company, the Mid-Tier Holding Company, the Bank and the Holding Company may retain and pay for the services of legal, financial and other advisors to assist in connection with any or all aspects of the Conversion, including the Offering, and the contribution to the Foundation, and such parties shall use their best efforts to assure that such expenses shall be reasonable.

33. AMENDMENT OR TERMINATION OF PLAN

If deemed necessary or desirable, this Plan may be substantively amended as a result of comments from the Bank Regulators or otherwise at any time prior to the meetings of Voting Members and Mid-Tier Holding Company stockholders to vote on this Plan by the Board of Directors of the Mutual Holding Company, and at any time thereafter by the Board of Directors of the Mutual Holding Company with the concurrence of the Bank Regulators. Any amendment to this Plan made after approval by Voting Members and Mid-Tier Holding Company stockholders with the approval of the Bank Regulators shall not necessitate further approval by Voting Members unless otherwise required by the Bank Regulators. The Board of Directors of the Mutual Holding Company may terminate this Plan at any time prior to the Special Meeting of Members and the Meeting of Stockholders to vote on this Plan, and at any time thereafter with the concurrence of the Bank Regulators.

By adoption of this Plan, Voting Members of the Mutual Holding Company authorize the Board of Directors of the Mutual Holding Company to amend or terminate this Plan under the circumstances set forth in this Section.

34. CONDITIONS TO CONVERSION

Consummation of the Conversion pursuant to this Plan is expressly conditioned upon the following:

A. Prior receipt by the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank of rulings of the United States Internal Revenue Service and the state taxing authorities, or opinions of counsel or tax advisers as described in Section 27 hereof;

B. The issuance of the Subscription Shares offered in the Conversion;

C. The issuance of Exchange Shares; and

D. The completion of the Conversion within the time period specified in Section 3 of this Plan.

35. INTERPRETATION

All interpretations of this Plan and application of its provisions to particular circumstances by a majority of the Board of Directors of the Mutual Holding Company shall be final, subject to the authority of the Bank Regulators.

EXHIBIT A

**FORM OF AGREEMENT OF MERGER BETWEEN
PONCE BANK MUTUAL HOLDING COMPANY AND
PDL COMMUNITY BANCORP**

**AGREEMENT OF MERGER BETWEEN
PONCE BANK MUTUAL HOLDING COMPANY
AND
PDL COMMUNITY BANCORP**

THIS AGREEMENT OF MERGER (the "MHC Merger Agreement") dated as of __________, _____, is made by and between Ponce Bank Mutual Holding Company, a federal mutual holding company (the "Mutual Holding Company") and PDL Community Bancorp, a federal corporation (the "Mid-Tier Holding Company"). Capitalized terms have the respective meanings given them in the Plan of Conversion and Reorganization (the "Plan") of the Mutual Holding Company, unless otherwise defined herein.

R E C I T A L S:

1. The Mutual Holding Company is a federal mutual holding company that owns 55.1% of the common stock of the Mid-Tier Holding Company.

2. The Mid-Tier Holding Company is a federal corporation that owns 100% of the common stock of the Bank.

3. At least two-thirds of the members of the boards of directors of the Mutual Holding Company and the Mid-Tier Holding Company have approved this MHC Merger Agreement whereby the Mutual Holding Company shall merge with the Mid-Tier Holding Company with the Mid-Tier Holding Company as the surviving or resulting corporation (the "MHC Merger"), and have authorized the execution and delivery thereof.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto have agreed as follows:

1. **Merger**. At and on the Effective Date of the MHC Merger, the Mutual Holding Company will merge with the Mid-Tier Holding Company with the Mid-Tier Holding Company as the resulting entity ("Resulting Corporation") whereby the shares of Mid-Tier Holding Company common stock held by the Mutual Holding Company will be canceled and members of the Mutual Holding Company will constructively receive liquidation interests in Mid-Tier Holding Company in exchange for their ownership interests in the Mutual Holding Company.

2. **Effective Date**. The MHC Merger shall not be effective until and unless the Plan is approved by the Board of Governors of the Federal Reserve System (the "Federal Reserve") after approval of this MHC Merger Agreement by at least (i) two-thirds of the votes eligible to be cast by the Stockholders of the Mid-Tier Holding Company, (ii) a majority of the votes eligible to be cast by Minority Stockholders, and (iii) a majority of the votes eligible to be cast by Voting Members, and the Articles of Combination shall have been filed with the Federal Reserve with respect to the MHC Merger. Approval of the Plan by the Voting Members shall constitute approval of the MHC Merger Agreement by the Voting Members. Approval of the Plan by Minority Stockholders of the Mid-Tier Holding Company, including the Minority Stockholders, shall constitute approval of the MHC Merger Agreement by such stockholders.

3. **Name**. The name of the Resulting Corporation shall be PDL Community Bancorp.

4. **Offices**. The main office of the Resulting Corporation shall be 2244 Westchester Avenue, Bronx, New York 10462.

5. **Directors and Officers**. The directors and officers of the Mid-Tier Holding Company immediately prior to the Effective Date shall be the directors and officers of the Resulting Corporation after the Effective Date.

6. **Rights and Duties of the Resulting Corporation**. At the Effective Date, the Mutual Holding Company shall be merged with and into the Mid-Tier Holding Company with the Mid-Tier Holding Company as the Resulting Corporation. The business of the Resulting Corporation shall be that of a federally chartered corporation as provided in its Charter. All assets, rights, interests, privileges, powers, franchises and property (real, personal and mixed) of the Mid-Tier Holding Company and the Mutual Holding Company shall be transferred automatically to and vested in the Resulting Corporation by virtue of the MHC Merger without any deed or other document of transfer. The Resulting Corporation, without any order or action on the part of any court or otherwise and without any documents of assumption or assignment, shall hold and enjoy all of the properties, franchises and interests, including appointments, powers, designations, nominations and all other rights and interests as the agent or other fiduciary in the same manner and to the same extent as such rights, franchises, and interests and powers were held or enjoyed by the Mid-Tier Holding Company and the Mutual Holding Company. The Resulting Corporation shall be responsible for all of the liabilities, restrictions and duties of every kind and description of the Mid-Tier Holding Company and the Mutual Holding Company immediately prior to the MHC Merger, including liabilities for all debts, obligations and contracts of the Mid-Tier Holding Company and the Mutual Holding Company, matured or unmatured, whether accrued, absolute, contingent or otherwise and whether or not reflected or reserved against on balance sheets, books of accounts or records of the Mid-Tier Holding Company or the Mutual Holding Company. The stockholders of the Mid-Tier Holding Company shall possess all voting rights with respect to the shares of stock of the Resulting Corporation. All rights of creditors and other obligees and all liens on property of the Mid-Tier Holding Company and the Mutual Holding Company shall be preserved and shall not be released or impaired.

7. **Rights of Stockholders**. At the Effective Date, the shares of Mid-Tier Holding Company common stock held by the Mutual Holding Company will be canceled and members of the Mutual Holding Company will constructively receive liquidation interests in the Mid-Tier Holding Company in exchange for their ownership interests in the Mutual Holding Company. Minority Stockholders' rights will remain unchanged.

8. **Other Terms**. All terms used in this MHC Merger Agreement shall, unless defined herein, have the meanings set forth in the Plan. The Plan is incorporated herein by this reference and made a part hereof to the extent necessary or appropriate to effect and consummate the terms of this MHC Merger Agreement and the Conversion.

IN WITNESS WHEREOF, the Mutual Holding Company and the Mid-Tier Holding Company have caused this MHC Merger Agreement to be executed as of the date first above written.

ATTEST:	**Ponce Bank Mutual Holding Company** (a federal mutual holding company)
Corporate Secretary	By: Steven A. Tsavaris Chairman of the Board and Chief Executive Officer
ATTEST:	**PDL Community Bancorp** (a federal corporation)
Corporate Secretary	By: Carlos P. Naudon President and Chief Executive Officer

EXHIBIT B

**FORM OF AGREEMENT OF MERGER BETWEEN
PDL COMMUNITY BANCORP,
A FEDERAL CORPORATION AND
PDL COMMUNITY FINANCIAL CORP.,
A MARYLAND CORPORATION**

**AGREEMENT OF MERGER BETWEEN
PDL COMMUNITY BANCORP,
A FEDERAL CORPORATION AND
PDL COMMUNITY FINANCIAL CORP., A MARYLAND CORPORATION**

THIS AGREEMENT OF MERGER (the "Mid-Tier Merger Agreement"), dated as of __________, ____, is made by and between **PDL COMMUNITY BANCORP,** a federal corporation (the "Mid-Tier Holding Company") and, **PDL COMMUNITY FINANCIAL CORP.** a Maryland corporation (the "Holding Company"). Capitalized terms have the respective meanings given them in the Plan of Conversion and Reorganization of Ponce Bank Mutual Holding Company (the "Plan") unless otherwise defined herein.

R E C I T A L S:

1. The Mid-Tier Holding Company is a federal corporation that owns 100% of the common stock of the Bank.

2. The Holding Company has been organized to succeed to the operations of the Mid-Tier Holding Company.

3. At least two-thirds of the members of the boards of directors of the Mid-Tier Holding Company and the Holding Company have approved this Mid-Tier Merger Agreement whereby the Mid-Tier Holding Company will be merged with the Holding Company with the Holding Company as the resulting corporation (the "Mid-Tier Merger"), and authorized the execution and delivery thereof.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto have agreed as follows:

1. **Merger**. At and on the Effective Date of the Mid-Tier Merger, the Mid-Tier Holding Company will merge with the Holding Company with the Holding Company as the resulting corporation (the "Resulting Corporation"), whereby the Bank will become the wholly-owned subsidiary of the Holding Company. As part of the Mid-Tier Merger, the members of Ponce Bank Mutual Holding Company who constructively received liquidation interests in Mid-Tier Holding Company will exchange the liquidation interests in the Mid-Tier Holding Company that they constructively received in the MHC Merger for an interest in the Liquidation Account and the stockholders of the Mid-Tier Holding Company (Minority Stockholders immediately prior to the Conversion) will exchange their shares of Mid-Tier Holding Company Common Stock for Holding Company Common Stock in the Exchange Offering pursuant to the Exchange Ratio.

2. **Effective Date**. The Mid-Tier Merger shall not be effective until and unless the Plan is approved by the Board of Governors of the Federal Reserve System (the "Federal Reserve") after approval by at least (i) two-thirds of the votes eligible to be cast by Stockholders of the Mid-Tier Holding Company, (ii) a majority of the votes eligible to be cast by Minority Stockholders, and (iii) a majority of the votes eligible to be cast by Voting Members, and the Articles of Combination shall have been filed with the Federal Reserve and Articles of Merger have been filed with the Secretary of State of the State of Maryland with respect to the Mid-Tier Merger. Approval of the Plan by the Voting Members shall constitute approval of the Mid-Tier Merger Agreement by the Voting Members in their capacity as members of Ponce Bank Mutual Holding Company. Approval of the Plan by the stockholders of the

Mid-Tier Holding Company, including the Minority Stockholders, shall constitute approval of the Mid-Tier Merger Agreement by such stockholders.

3. **Name.** The name of the Resulting Corporation shall be PDL Community Financial Corp.

4. **Offices**. The main office of the Resulting Corporation shall be 2244 Westchester Avenue, Bronx, New York 10462.

5. **Directors and Officers**. The directors and officers of the Mid-Tier Holding Company immediately prior to the Effective Date shall be the directors and officers of the Resulting Corporation after the Effective Date.

6. **Rights and Duties of the Resulting Corporation**. At the Effective Date, the Mid-Tier Holding Company shall merge with the Holding Company, with the Holding Company as the Resulting Corporation. The business of the Resulting Corporation shall be that of a Maryland corporation as provided in its Articles of Incorporation. All assets, rights, interests, privileges, powers, franchises and property (real, personal and mixed) of the Mid-Tier Holding Company and the Holding Company shall be transferred automatically to and vested in the Resulting Corporation by virtue of the Mid-Tier Merger without any deed or other document of transfer. The Resulting Corporation, without any order or action on the part of any court or otherwise and without any documents of assumption or assignment, shall hold and enjoy all of the properties, franchises and interests, including appointments, powers, designations, nominations and all other rights and interests as the agent or other fiduciary in the same manner and to the same extent as such rights, franchises, and interests and powers were held or enjoyed by the Mid-Tier Holding Company and the Holding Company. The Resulting Corporation shall be responsible for all of the liabilities, restrictions and duties of every kind and description of the Mid-Tier Holding Company and the Holding Company immediately prior to the Mid-Tier Merger, including liabilities for all debts, obligations and contracts of the Mid-Tier Holding Company and the Holding Company, matured or unmatured, whether accrued, absolute, contingent or otherwise and whether or not reflected or reserved against on balance sheets, books of accounts or records of the Mid-Tier Holding Company or the Holding Company. The stockholders of the Holding Company shall possess all voting rights with respect to the shares of stock of the Resulting Corporation. All rights of creditors and other obligees and all liens on property of the Mid-Tier Holding Company and the Holding Company shall be preserved and shall not be released or impaired.

7. **Rights of Members and Stockholders**. At the Effective Date, the members of Ponce Bank Mutual Holding Company immediately prior to the Conversion will exchange the liquidation rights in the Mid-Tier Holding Company that they constructively received in the MHC Merger for interests in the Liquidation Account, and the stockholders of Mid-Tier Holding Company (Minority Stockholders immediately prior to the Conversion) will exchange their shares of Mid-Tier Holding Company Common Stock for Holding Company Common Stock in the Exchange Offering pursuant to the Exchange Ratio.

8. **Other Terms**. All terms used in this Mid-Tier Merger Agreement shall, unless defined herein, have the meanings set forth in the Plan. The Plan is incorporated herein by this reference and made a part hereof to the extent necessary or appropriate to effect and consummate the terms of this Mid-Tier Merger Agreement and the Conversion.

IN WITNESS WHEREOF, the Mid-Tier Holding Company and the Holding Company have caused this Mid-Tier Merger Agreement to be executed as of the date first above written.

ATTEST:	**PDL Community Bancorp**
	By:
Corporate Secretary	Carlos P. Naudon President and Chief Executive Officer
ATTEST:	**PDL Community Financial Corp.**
	By:
Corporate Secretary	Carlos P. Naudon President and Chief Executive Officer

Exhibit 3.1

ARTICLES OF INCORPORATION

PONCE FINANCIAL GROUP, INC.

The undersigned, Frank Perez, whose address is 2244 Westchester Avenue, Bronx, New York 10462, being at least eighteen years of age, acting as incorporator, does hereby form a corporation under the general laws of the State of Maryland, having the following Articles of Incorporation (the "Articles"):

ARTICLE 1. Name. The name of the corporation is Ponce Financial Group, Inc. (herein the "Corporation").

ARTICLE 2. Principal Office. The address of the principal office of the Corporation in the State of Maryland is c/o CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 820, Baltimore, MD 21202.

ARTICLE 3. Purpose. The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force.

ARTICLE 4. Resident Agent. The name and address of the registered agent of the Corporation in the State of Maryland is CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 820, Baltimore, MD 21202. Said resident agent is a Maryland corporation.

ARTICLE 5. Capital Stock

A. **Authorized Stock.** The total number of shares of capital stock of all classes that the Corporation has authority to issue is Three Hundred Million (300,000,000) shares, consisting of:

1. 1. One Hundred Million (100,000,000) shares of preferred stock, par value one cent ($0.01) per share (the "Preferred Stock"); and

2. 2. Two Hundred Million (200,000,000) shares of common stock, par value one cent ($0.01) per share (the "Common Stock").

The aggregate par value of all the authorized shares of capital stock is Three Million dollars ($3,000,000). Except to the extent required by governing law, rule or regulation, the shares of capital stock may be issued from time to time by the Board of Directors without further approval of the stockholders of the Corporation. The Corporation shall have the authority to purchase its capital stock out of funds lawfully available therefor, which funds shall include, without limitation, the Corporation's unreserved and unrestricted capital surplus. The Board of Directors, pursuant to a resolution approved by a majority of the Whole Board (rounded up to the nearest whole number), and without action by the stockholders, may amend these Articles to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue. For the purposes of these Articles, the term "Whole Board" shall mean the total number of directors that the Corporation would have if there were no vacancies on the Board of Directors at the time any such resolution is presented to the Board of Directors for adoption.

B. **Common Stock.** Except as provided under the terms of any series of Preferred Stock and as limited by Section D of this Article 5, the exclusive voting power shall be vested in the Common Stock. Except as otherwise provided in these Articles, each holder of the Common Stock shall be entitled to one vote for each share of Common Stock standing in the holder's name on the books of the Corporation. Subject to any rights and preferences of any series of Preferred Stock, holders of Common Stock shall be entitled to such dividends as may be declared by the Board of Directors out of funds lawfully available therefor. Upon the liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them, respectively, after: (i) payment or provision for payment of the Corporation's debts and liabilities; (ii) distributions or provision for distributions in settlement of the Liquidation Account established by the Corporation as described in Section G of this Article 5; and (iii) distributions or provisions for distributions to holders of any class or series of stock having a preference over the Common Stock in the liquidation, dissolution or winding up of the Corporation.

C. **Preferred Stock.** The Board of Directors is hereby expressly authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, to establish from time to time the number of shares to be included in each such series, and to fix the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the shares of each such series. The number of authorized shares of the Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required by law or pursuant to the terms of such Preferred Stock. The power of the stockholders to increase or decrease the authorized shares of the Preferred Stock shall not limit any of the powers of the Board of Directors provided under these Articles.

D. Restrictions on Voting Rights of the Corporation's Equity Securities.

1. Notwithstanding any other provision of these Articles, in no event shall the record owner (or if more than one record owner, all such record owners taken as a group) of any outstanding Common Stock that is beneficially owned, directly or indirectly, by a Person who, as of any record date for the determination of stockholders entitled to vote on any matter, beneficially owns in excess of 10% of the then-outstanding shares of Common Stock (the "Limit"), be entitled, or permitted to any vote in respect of the shares held in excess of the Limit. The number of votes that may be cast by any particular record owner by virtue of the provisions hereof in respect of Common Stock beneficially owned by such Person owning shares in excess of the Limit (a "Holder in Excess") shall be a number equal to the total number of votes that a single record owner of all Common Stock owned by such Holder in Excess would be entitled to cast after giving effect to the provisions hereof, multiplied by a fraction, the numerator of which is the number of shares of such class or series that are both (i) beneficially owned by such Holder in Excess and (ii) owned of record by such particular record owner and the denominator of which is the total number of shares of Common Stock beneficially owned by such Holder in Excess. The provisions of this Section D of this Article 5 shall not be applicable if, before the Holder in Excess acquired beneficial ownership of such shares in excess of the Limit, such acquisition was approved by a majority of the "Unaffiliated Directors." For this purpose, the term "Unaffiliated Director" means any member of the Board of Directors who is unaffiliated with the Holder in Excess and was a member of the Board of Directors prior to the time that the Holder in Excess became such, and any director who is thereafter chosen to fill any vacancy on the Board of Directors and who is elected and who, in either event, is unaffiliated with the Holder in Excess and in connection with his or her initial assumption of office is recommended for appointment or election by a majority of the Unaffiliated Directors then serving on the Board of Directors.

2. The following definitions shall apply to this Section D of this Article 5.

(a) An "affiliate" of a specified Person shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

(b) "Beneficial ownership" shall be determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934 (or any successor rule or statutory provision), or, if said Rule 13d-3 shall be rescinded and there shall be no successor rule or statutory provision thereto, pursuant to said Rule 13d-3 as in effect on December 31, 2020; provided, however, that a Person shall, in any event, also be deemed the "beneficial owner" of any Common Stock:

(1) that such Person or any of its affiliates beneficially owns, directly or indirectly; or

(2) that such Person or any of its affiliates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding (but shall not be deemed to be the beneficial owner of any voting shares solely by reason of an agreement, contract, or other arrangement with the Corporation to effect any transaction of the type described in clause (i) or (ii) of the first sentence of Article 9 hereof) or upon the exercise of conversion rights, exchange rights, warrants, or options or otherwise, or (ii) sole or shared voting or investment power with respect thereto pursuant to any agreement, arrangement, understanding, relationship or otherwise (but shall not be deemed to be the beneficial owner of any voting shares solely by reason of a revocable proxy granted for a particular meeting of stockholders, pursuant to a public solicitation of proxies for such meeting, with respect to shares of which neither such Person nor any such affiliate is otherwise deemed the beneficial owner); or

(3) that are beneficially owned, directly or indirectly, by any other Person with which such first mentioned Person or any of its affiliates acts as a partnership, limited partnership, syndicate or other group pursuant to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the Corporation; and provided further, however, that (i) no director or officer of the Corporation (or any affiliate of any such director or officer) shall, solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed, for any purposes hereof, to beneficially own any Common Stock beneficially owned by any other such director or officer (or any affiliate thereof), and (ii) neither any employee stock ownership or similar plan of the Corporation or any subsidiary of the Corporation nor any trustee with respect thereto (or any affiliate of such trustee) shall, solely by reason of such capacity of such trustee, be deemed, for any purposes hereof, to beneficially own any Common Stock held under any such plan. For purposes of computing the percentage of beneficial ownership of Common Stock of a Person, the outstanding Common Stock shall include shares deemed owned by such Person through application of this subsection but shall not include any other shares of Common Stock that may be issuable by the Corporation pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise. For all other purposes, the outstanding Common Stock shall include only Common Stock then outstanding and shall not include any Common Stock that may be issuable by the Corporation pursuant to any agreement, or upon the exercise of conversion rights, warrants or options, or otherwise.

(c) A "Person" shall mean any individual, firm, corporation, or other entity.

(d) The Board of Directors shall have the power to construe and apply the provisions of this Section D and to make all determinations necessary or desirable to implement such provisions including, but not limited to, matters with respect to (i) the number of shares of Common Stock beneficially owned by any Person, (ii) whether a Person is an affiliate of another, (iii) whether a Person has an agreement, arrangement, or understanding with another as to the matters referred to in the definition of beneficial ownership, (iv) the application of any other definition or operative provision of this Section D to the given facts, or (v) any other matter relating to the applicability or effect of this Section D.

3. The Board of Directors shall have the right to demand that any Person reasonably believed by the Board of Directors to be a Holder in Excess (or holder of record of Common Stock beneficially owned by any Holder in Excess) supply the Corporation with complete information as to (i) the record owner(s) of all shares beneficially owned by such Holder in Excess, and (ii) any other factual matter relating to the applicability or effect of this section as may reasonably be requested of such Holder in Excess. The Board of Directors shall further have the right to receive from any Holder in Excess reimbursement for all expenses incurred by the Board in connection with its investigation of any matters relating to the applicability or effect of this section on such Holder

in Excess, to the extent such investigation is deemed appropriate by the Board of Directors as a result of the Holder in Excess refusing to supply the Corporation with the information described in the previous sentence.

4. Any constructions, applications, or determinations made by the Board of Directors pursuant to this Section D in good faith and on the basis of such information and assistance as was then reasonably available for such purpose, shall be conclusive and binding upon the Corporation and its stockholders.

5. In the event any provision (or portion thereof) of this Section D shall be found to be invalid, prohibited or unenforceable for any reason, the remaining provisions (or portions thereof) of this Section D shall remain in full force and effect, and shall be construed as if such invalid, prohibited or unenforceable provision had been stricken herefrom or otherwise rendered inapplicable, it being the intent of the Corporation and its stockholders that each such remaining provision (or portion thereof) of this Section D remain, to the fullest extent permitted by law, applicable and enforceable as to all stockholders, including Holders in Excess, notwithstanding any such finding.

E. **Majority Vote For Certain Actions.** With respect those actions as to which any provision of the Maryland General Corporation Law (“MGCL”) requires stockholder authorization by a greater proportion than a majority of the total number of shares of all classes of capital stock or of the total number of shares of any class of capital stock, any such action shall be valid and effective if authorized by the affirmative vote of the holders of a majority of the total number of shares of all classes outstanding and entitled to vote thereon, except as otherwise provided in these Articles.

F. **Quorum**. Except as otherwise provided by law or expressly provided in these Articles, the presence, in person or by proxy, of the holders of record of shares of capital stock of the Corporation entitling the holders thereof to cast a majority of the votes (after giving effect, if required, to the provisions of Article 5, Section D) entitled to be cast by the holders of shares of capital stock of the Corporation entitled to vote shall constitute a quorum at all meetings of the stockholders, and every reference in these Articles to a majority or other proportion of capital stock (or the holders thereof) for purposes of determining any quorum requirement or any requirement for stockholder consent or approval shall be deemed to refer to such majority or other proportion of the votes (or the holders thereof) then entitled to be cast in respect of such capital stock.

G. **Liquidation Account.** Under regulations of the Board of Governors of the Federal Reserve System, the Corporation must establish and maintain a liquidation account (the “Liquidation Account”) for the benefit of certain Eligible Account Holders and Supplemental Eligible Account Holders as defined in the Plan of Conversion and Reorganization of Ponce Bank Mutual Holding Company, as may be amended from time to time (the “Plan of Conversion”). In the event of a complete liquidation involving (i) the Corporation or (ii) Ponce Bank, a federally-chartered savings bank that will be a wholly-owned subsidiary of the Corporation, the Corporation must comply with the regulations of the Board of Governors of the Federal Reserve System and the provisions of the Plan of Conversion with respect to the amount and priorities of each Eligible Account Holder’s and Supplemental Eligible Account Holder’s interests in the Liquidation Account. The interest of an Eligible Account Holder or Supplemental Eligible Account Holder in the Liquidation Account does not entitle such account holders to voting rights.

ARTICLE 6. Preemptive Rights and Appraisal Rights.

A. **Preemptive Rights.** Except for preemptive rights approved by the Board of Directors pursuant to a resolution approved by a majority of the directors then in office, no holder of the capital stock of the Corporation or series of stock or of options, warrants or other rights to purchase shares of any class or series of stock or of other securities of the Corporation shall have any preemptive right to purchase or subscribe for any unissued capital stock of any class or series, or any unissued bonds, certificates of indebtedness, debentures or other securities convertible into or exchangeable for capital stock of any class or series or carrying any right to purchase stock of any class or series.

B. **Appraisal Rights.** Holders of shares of stock shall not be entitled to exercise any rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the MGCL or any successor statute unless the Board of Directors, pursuant to a resolution approved by a majority of the directors then in office, shall determine that such rights apply with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise such rights.

ARTICLE 7. Directors. The following provisions are made a part of these Articles for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. **Management of the Corporation.** The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. All powers of the Corporation may be exercised by or under the authority of the Board of Directors, except as conferred on or as reserved to the stockholders by law or by these Articles or the Bylaws of the Corporation; provided, however, that any limitations on the Board of Director's management or direction of the affairs of the Corporation shall reserve the directors' full power to discharge their fiduciary duties.

B. **Number, Class and Terms of Directors; No Cumulative Voting.** The number of directors constituting the Board of Directors of the Corporation shall initially be seven (7), which number may be increased or decreased in the manner provided in the Bylaws of the Corporation; provided, however, that such number shall never be less than the minimum number of directors required by the MGCL now or hereafter in force. The directors, other than those who may be elected by the holders of any series of Preferred Stock, shall be divided into three classes, with the term of office of the first class ("Class I") to expire at the conclusion of the first annual meeting of stockholders, the term of office of the second class ("Class II") to expire at the conclusion of the annual meeting of stockholders one year thereafter and the term of office of the third class ("Class III") to expire at the conclusion of the annual meeting of stockholders two years thereafter, with each director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election or for such shorter period of time as the Board of Directors may determine, with each director to hold office until his or her term expires and until his or her successor shall have been duly elected and qualified.

The names of the individuals who will serve as the initial directors of the Corporation until their successors are elected and qualify are as follows:

Class I Directors:	**Term to Expire in**
Maria Alvarez	2022
Julio Gurman	2022
Carlos P. Naudon	2022
Class II Directors:	**Term to Expire in**
William Feldman	2023
Steven A. Tsavaris	2023
Class III Directors:	**Term to Expire in**
James C. Demetriou	2024
Nick R. Lugo	2024

Stockholders shall not be permitted to cumulate their votes in the election of directors. A plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director.

C. **Vacancies.** Any vacancies in the Board of Directors may be filled in the manner provided in the Bylaws of the Corporation.

D. **Removal.** Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of 80% of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (after giving effect to the provisions of Article 5 hereof) voting together as a single class.

E. **Stockholder Proposals and Nominations of Directors.** Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation. Stockholder proposals to be presented in connection with a special meeting of stockholders shall be presented by the Corporation only to the extent required by Section 2-502 of the MGCL and the Bylaws of the Corporation.

ARTICLE 8. Bylaws. The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation. In addition to any vote of the holders of any class or series of stock of the Corporation required by law or by these Articles, the affirmative vote of the holders of at least 80% of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (after giving effect to the provisions of Article 5 hereof), voting together as a single class, shall be required for the adoption, amendment or repeal of any provisions of the Bylaws of the Corporation by the stockholders.

ARTICLE 9. Evaluation of Certain Offers. The Board of Directors, when evaluating (i) any offer of another Person (as defined below) to (A) make a tender or exchange offer for any equity security of the Corporation, (B) merge or consolidate the Corporation with another corporation or entity, or (C) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation or (ii) any other actual or proposed transaction that would or may involve a change in control of the Corporation (whether by purchases of shares of stock or any other securities of the Corporation in the open market or otherwise, tender offer, merger, consolidation, share exchange, dissolution, liquidation, sale of all or substantially all of the assets of the Corporation, proxy solicitation or otherwise), may, in connection with the exercise of its business judgment in determining what is in the best interests of the Corporation and its stockholders and in making any recommendation to the Corporation’s stockholders, give due consideration to all relevant factors, including, but not limited to: (A) the economic effect, both immediate and long-term, upon the Corporation’s stockholders, including stockholders, if any, who do not participate in the transaction; (B) the social and economic effect on the present and future employees, creditors and customers of, and others dealing with, the Corporation and its subsidiaries and on the communities in which the Corporation and its subsidiaries operate or are located; (C) whether the proposal is acceptable based on the historical, current or projected future operating results or financial condition of the Corporation; (D) whether a more favorable price could be obtained for the Corporation’s stock or other securities in the future; (E) the reputation and business practices of the other entity to be involved in the transaction and its management and affiliates as they would affect the employees of the Corporation and its subsidiaries; (F) the future value of the stock or any other securities of the Corporation or the other entity to be involved in the proposed transaction; (G) any antitrust or other legal and regulatory issues that are raised by the proposal; (H) the business and historical, current or expected future financial condition or operating results of the other entity to be involved in the transaction, including, but not limited to, debt service and other existing financial obligations, financial obligations to be incurred in connection with the proposed transaction, and other likely financial obligations of the other entity to be involved in the proposed transaction; and (I) the ability of the Corporation to fulfill its objectives as a financial institution holding company and on the ability of its subsidiary financial institution(s) to fulfill the objectives of a federally insured financial institution under applicable statutes and regulations. If the Board of Directors determines that any proposed transaction of the type described in clause (i) or (ii) of the immediately preceding sentence should be rejected, it may take any lawful action to defeat such transaction, including, but not limited to, any or all of the following: advising stockholders not to accept the proposal; instituting litigation against the party making the proposal; filing complaints with governmental and regulatory authorities; acquiring the stock or any of the securities of the Corporation; selling or otherwise issuing authorized but unissued stock or other securities or granting options or rights with respect thereto; and obtaining a more favorable offer from another individual or entity. This Article 9 sets forth certain factors that may be considered by the Board of Directors, but does not create any implication concerning the factors that must be considered, or any other factors that may or may not be considered, by the Board of Directors regarding any proposed transaction of the type described in clause (i) or (ii) of the first sentence of this Article 9.

For purposes of this Article 9, a “Person” shall include an individual, a group acting in concert, a corporation, a partnership, an association, a joint venture, a pool, a joint stock company, a trust, an unincorporated organization or similar company, a syndicate or any other group or entity formed for the purpose of acquiring, holding or disposing of securities.

ARTICLE 10. Indemnification, etc. of Directors and Officers.

A. **Indemnification.** The Corporation shall indemnify (1) its current and former directors and officers, whether serving the Corporation or at its request any other entity, to the fullest extent required or permitted by the MGCL now or hereafter in force, including the advancement of expenses under the procedures and to the fullest extent permitted by law, and (2) other employees and agents to such extent as shall be authorized by the Board of Directors and permitted by law; provided, however, that, except as provided in Section B of this Article 10 with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

B. **Procedure.** If a claim under Section A of this Article 10 is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be reimbursed the expense of prosecuting or defending such suit. It shall be a defense to any action for advancement of expenses that the Corporation has not received both (i) an undertaking as required by law to repay such advances in the event it shall ultimately be determined that the standard of conduct has not been met and (ii) a written affirmation by the indemnitee of his good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard for indemnification set forth in the MGCL. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the MGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article 10 or otherwise shall be on the Corporation.

C. **Non-Exclusivity.** The rights to indemnification and to the advancement of expenses conferred in this Article 10 shall not be exclusive of any other right that any Person may have or hereafter acquire under any statute, these Articles, the Corporation’s Bylaws, any agreement, any vote of stockholders or the Board of Directors, or otherwise.

D. **Insurance.** The Corporation may maintain insurance, at its expense, to insure itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such Person against such expense, liability or loss under the MGCL.

E. **Miscellaneous.** The Corporation shall not be liable for any payment under this Article 10 in connection with a claim made by any indemnitee to the extent such indemnitee has otherwise actually received payment under any insurance policy, agreement, or otherwise, of the amounts otherwise indemnifiable hereunder. The rights to indemnification and to the advancement of expenses conferred in Sections A and B of this Article 10 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

F. **Limitations Imposed by Federal Law**. Notwithstanding any other provision set forth in this Article 10, in no event shall any payments made by the Corporation pursuant to this Article 10 exceed the amount permissible under applicable federal law, including, without limitation, Section 18(k) of the Federal Deposit Insurance Act and the regulations promulgated thereunder.

Any repeal or modification of this Article 10 shall not in any way diminish any rights to indemnification or advancement of expenses of such director or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this Article 10 is in force.

ARTICLE 11. Limitation of Liability. An officer or director of the Corporation, as such, shall not be liable to the Corporation or its stockholders for money damages, except (A) to the extent that it is proved that the Person actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received; or (B) to the extent that a judgment or other final adjudication adverse to the Person is entered in a proceeding based on a finding in the proceeding that the Person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding; or (C) to the extent otherwise provided by the MGCL. If the MGCL is amended to further eliminate or limit the personal liability of officers and directors, then the liability of officers and directors of the Corporation shall be eliminated or limited to the fullest extent permitted by the MGCL, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification.

ARTICLE 12. Selection of Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the MGCL, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the state of Maryland, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. The provisions of this Article 12 shall not apply to claims arising under the federal securities laws. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article 12.

ARTICLE 13. Amendment of the Articles of Incorporation. The Corporation reserves the right to amend or repeal any provision contained in these Articles in the manner prescribed by the MGCL, including any amendment altering the terms or contract rights, as expressly set forth in these Articles, of any of the Corporation's outstanding stock by classification, reclassification or otherwise, and no stockholder approval shall be required if the approval of stockholders is not required for the proposed amendment or repeal by the MGCL, and all rights conferred upon stockholders are granted subject to this reservation.

The Board of Directors, pursuant to a resolution approved by a majority of the Whole Board (rounded up to the nearest whole number), and without action by the stockholders, may amend these Articles to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

No proposed amendment or repeal of any provision of these Articles shall be submitted to a stockholder vote unless the Board of Directors shall have (1) approved the proposed amendment or repeal, (2) determined that it is advisable, and (3) directed that it be submitted for consideration at either an annual or special meeting of the stockholders pursuant to a resolution approved by the Board of Directors. Any proposed amendment or repeal of any provision of these Articles may be abandoned by the Board of Directors at any time before its effective time upon the adoption of a resolution approved by a majority of the Whole Board (rounded up to the nearest whole number).

The amendment or repeal of any provision of these Articles shall be approved by at least two-thirds of all votes entitled to be cast by the holders of shares of capital stock of the Corporation entitled to vote on the matter (after giving due effect to the provisions of Article 5 of these Articles), except that the proposed amendment or repeal of any provision of these Articles need only be approved by the vote of a majority of all the votes entitled to be cast by the holders of shares of capital stock of the Corporation entitled to vote on the matter (after giving due effect to the provisions of Article 5 of these Articles) if the amendment or repeal of such provision is approved by the Board of Directors pursuant to a resolution approved by at least two-thirds of the Whole Board (rounded up to the nearest whole number).

Notwithstanding any other provision of these Articles or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by these Articles, the affirmative vote of the holders of at least 80% of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (after giving effect to the provisions of Article 5), voting together as a single class, shall be required to amend or repeal this Article 13, Section C, D, E or F of Article 5, Article 7 (other than the removal of the list of the initial directors), Article 8, Article 9, Article 10, Article 11 or Article 12.

ARTICLE 14. Name and Address of Incorporator. The name and mailing address of the sole incorporator are as follows:

Frank Perez
2244 Westchester Avenue
Bronx, New York 10462

[Remainder of Page Intentionally Left Blank]

I, THE UNDERSIGNED, being the incorporator, for the purpose of forming a corporation under the laws of the State of Maryland, do make, file and record these Articles of Incorporation, do certify that the facts herein stated are true, and, accordingly, have hereto set my hand this 2nd day of July, 2021.

Frank Perez, Incorporator

Exhibit 3.2

PONCE FINANCIAL GROUP, INC.

BYLAWS

ARTICLE I.
STOCKHOLDERS

Section 1. Annual Meeting.

Ponce Financial Group, Inc. (the "Corporation") shall hold an annual meeting of its stockholders to elect directors and to transact any other business within its powers, at such place, on such date and at such time as the Board of Directors shall fix. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate act.

Section 2. Special Meetings.

Special meetings of stockholders of the Corporation may be called by the President, the Chief Executive Officer, the Chairperson of the Board, or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors that the Corporation would have if there were no vacancies on the Board of Directors (hereinafter the "Whole Board"). Special meetings of the stockholders shall be called by the Secretary at the request of stockholders only on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting. Such written request shall state the purpose or purposes of the meeting and the matters proposed to be acted upon at the meeting, and shall be delivered at the principal office of the Corporation addressed to the President or the Secretary. The Secretary shall inform the stockholders who make the request of the reasonably estimated cost of preparing and mailing a notice of the meeting and, upon payment of these costs to the Corporation, notify each stockholder entitled to notice of the meeting. The Board of Directors shall have the sole power to fix (i) the record date for determining stockholders entitled to request a special meeting of stockholders and the record date for determining stockholders entitled to notice of and to vote at the special meeting and (ii) the date, time and place of the special meeting and the means of remote communication, if any, by which stockholders and proxy holders may be considered present in person and may vote at the special meeting.

Section 3. Notice of Meetings; Adjournment or Postponement.

Not less than 10 nor more than 90 days before each stockholders' meeting, the Secretary shall give notice of the meeting in writing or by electronic transmission to each stockholder entitled to vote at the meeting and to each other stockholder entitled to notice of the meeting. The notice shall state the time and place of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and may vote at the meeting, and, if the meeting is a special meeting or notice of the purpose is required by statute, the purpose of the meeting. Notice is given to a stockholder when it is personally delivered to the stockholder, left at the stockholder's residence or usual place of business, mailed to the stockholder at his or her address as it appears on the records of the Corporation, or transmitted to the stockholder by an electronic transmission to any address or number of the stockholder at which the stockholder receives electronic transmissions. If the Corporation has received a request from a stockholder that notice not be sent by electronic transmission, the Corporation may not provide notice to the stockholder by electronic transmission. Notwithstanding the foregoing provisions, each person who is entitled to notice waives notice if such person, before or after the meeting, delivers a written waiver or waiver by electronic transmission which is filed with the records of the stockholders' meetings, or if such person is present at the meeting in person or by proxy.

A meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice to a date not more than 120 days after the original record date. A meeting may be adjourned by a resolution adopted by a majority of the Whole Board or by the vote of a majority of the stockholders present at the meeting, whether or not a quorum is present at such meeting. At any adjourned meeting, any business may be transacted that might have been transacted at the original meeting.

A meeting of stockholders may be postponed to a date not more than 120 days after the original record date. A meeting may be postponed by a resolution adopted by a majority of the Whole Board. Notice of the date, time and place to which the meeting is postponed shall be given not less than ten days prior to such date and otherwise in the manner set forth in this Section 3. At any postponed meeting, any business may be transacted that might have been transacted at the meeting as originally scheduled.

If a meeting shall be adjourned or postponed to a date not more than 120 days after the original record date, a new record date need not be established, and the original record date may be used for the purpose of determining which stockholders are entitled to notice of, and to vote at, the adjourned or postponed meeting. Any writing authorizing another person to act as proxy at a meeting of stockholders shall remain valid for use at any adjournment or postponement of such meeting unless such proxy is revoked or a later dated proxy is provided by such stockholder.

As used in these Bylaws, the term “electronic transmission” shall have the meaning given to such term by Section 1-101 of the Maryland General Corporation Law (the “MGCL”) or any successor provision.

Section 4. Quorum.

Unless the Articles of the Corporation provide otherwise, where a separate vote by a class or classes is required, a majority of the shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairperson of the meeting or the holders of a majority of the shares of stock who are present at the meeting, in person or by proxy, may, in accordance with Section 3 of this Article I, adjourn the meeting to another place, date or time.

Section 5. Organization and Conduct of Business.

The Chairperson of the Board of Directors of the Corporation, or in his or her absence, the Vice Chairperson of the Board, or in his or her absence, the Chief Executive Officer, or in his or her absence, such other person as may be designated by a majority of the Whole Board, shall call to order any meeting of the stockholders and act as chairperson of the meeting. In the absence of the Secretary, the secretary of the meeting shall be such person as the chairperson of the meeting appoints. The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her to be in order.

Section 6. Advance Notice Provisions for Business to be Transacted at Annual Meetings and Elections of Directors.

(a) At any annual meeting of the stockholders, unless otherwise required by law, only such business shall be conducted as shall have been brought before the meeting: (i) as specified in the Corporation’s notice of the meeting; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the Corporation who (1) is a stockholder of record on the date such stockholder gives the notice provided for in this Section 6(a) and on the record date for the determination of stockholders entitled to vote at such annual meeting, and (2) complies with the notice procedures set forth in this Section 6(a). For business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of the immediately preceding sentence, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such business must otherwise be a proper matter for action by stockholders.

To be timely, a stockholder’s notice must be delivered or mailed to and received by the Secretary at the principal executive office of the Corporation not less than 90 days nor more than 100 days prior to the anniversary of the prior year’s annual meeting of stockholders; *provided*, *however,* that if the date of the annual meeting is advanced more than 30 days prior to the anniversary of the prior year’s annual meeting of stockholders, such written notice shall be timely only if delivered or mailed to and received by the Secretary of the Corporation at the principal executive office of the Corporation no earlier than the day on which public disclosure of the date of such annual meeting is first made and not later than the tenth day following the earlier of the day notice of the meeting was mailed to stockholders or such public disclosure was made.

With respect to the first annual meeting of stockholders of the Corporation following the Corporation becoming the sole stockholder of Ponce Bank, notice by the stockholder shall be timely if delivered or mailed to and received by the Secretary of the Corporation not later than the close of business on the later of (i) the 100th day prior to the date of the annual meeting and (ii) the 10th day following the day on which public disclosure of the date of the annual meeting is first made.

The advance notice periods provided in this paragraph, once established by the initial notice or public disclosure of a date for the annual meeting of stockholders, shall remain in effect regardless of whether a subsequent notice or public disclosure shall provide that the meeting shall have been adjourned or that the date of the meeting shall have been postponed or otherwise changed from the date provided in the initial notice or public disclosure.

A stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address of such stockholder as they appear on the Corporation's books and of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder and any such beneficial owner; (iv) a description of all arrangements or understandings between such stockholder or beneficial owner and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business; and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

Notwithstanding anything in these Bylaws to the contrary, no business shall be brought before or conducted at an annual meeting except in accordance with the provisions of this Section 6(a). The chairperson of the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 6(a) and, if he or she should so determine, he or she shall so declare to the meeting and any such business so determined to be not properly brought before the meeting shall not be transacted.

At any special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting pursuant to the Corporation's notice of the meeting.

(b) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders at which directors are to be elected only: (i) by or at the direction of the Board of Directors or; (ii) by any stockholder of the Corporation who (1) is a stockholder of record on the date such stockholder gives the notice provided for in this Section 6(b) and on the record date for the determination of stockholders entitled to vote at such meeting, and (2) complies with the notice procedures set forth in this Section 6(b). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made by timely notice in writing to the Secretary of the Corporation.

To be timely, a stockholder's notice must be delivered or mailed to and received by the Secretary at the principal executive office of the Corporation not less than 90 days nor more than 100 days prior to the anniversary of the prior year's annual meeting of stockholders; *provided*, *however,* that if the date of the annual meeting is advanced more than 30 days prior to the anniversary of the prior year's annual meeting of stockholders, such written notice shall be timely only if delivered or mailed to and received by the Secretary of the Corporation at the principal executive office of the Corporation no earlier than the day on which public disclosure of the date of such annual meeting is first made and not later than the tenth day following the earlier of the day notice of the meeting was mailed to stockholder or such public disclosure was made.

With respect to the first annual meeting of stockholders of the Corporation following the Corporation becoming the sole stockholder of Ponce Bank, notice by the stockholder shall be timely if delivered or mailed to and received by the Secretary of the Corporation not later than the close of business on the later of (i) the 100th day prior to the date of the annual meeting and (ii) the 10th day following the day on which public disclosure of the date of the annual meeting is first made.

The advance notice periods provided in this paragraph, once established by the initial notice or public disclosure of a date for the annual meeting of stockholders, shall remain in effect regardless of whether a subsequent notice or public disclosure shall provide that the meeting shall have been adjourned or that the date of the meeting shall have been postponed or otherwise changed from the date provided in the initial notice or public disclosure.

A stockholder's notice must be in writing and set forth (a) as to each person whom the stockholder proposes to nominate for election as a director, (i) all information relating to such person that would indicate such person's qualification to serve on the Board of Directors of the Corporation; (ii) an affidavit that such person would not be disqualified under the provisions of Article II, Section 12 of these Bylaws; (iii) such information relating to such person that is required to be disclosed in connection with solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor rule or regulation; and (iv) a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected; and (b) as to the stockholder giving the notice: (i) the name and address of such stockholder as they appear on the Corporation's books and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder and such beneficial owner; (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder; (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice; and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act or any successor rule or regulation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 6(b). The chairperson of the meeting shall, if the facts so warrant, determine that a nomination was not made in accordance with such provisions and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(c) For purposes of subsections (a) and (b) of this Section 6, the term "public disclosure" shall mean disclosure (i) in a press release issued through a nationally recognized news service, (ii) in a document publicly filed or furnished by the Corporation with the U.S. Securities and Exchange Commission or (iii) on a website maintained by the Corporation. The timely notice requirements provided in subsections (a) and (b) of this Section 6 shall apply to all stockholder nominations for election as a director and all stockholder proposals for business to be conducted at an annual meeting regardless of whether such proposal is submitted for inclusion in the Corporation's proxy materials pursuant to Rule 14a-8 of Regulation 14A under the Exchange Act.

Section 7. Proxies and Voting.

Unless the Articles of the Corporation provide for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of stockholders; however, a share is not entitled to be voted if any installment payable on it is overdue and unpaid. In all elections for directors, directors shall be determined by a plurality of the votes cast, and except as otherwise required by law or as provided in the Articles of the Corporation, all other matters voted on by stockholders shall be determined by a majority of the votes cast on the matter.

A stockholder may vote the stock the stockholder owns of record either in person or by proxy. A stockholder may sign a writing authorizing another person to act as proxy. Signing may be accomplished by the stockholder or the stockholder's authorized agent signing the writing or causing the stockholder's signature to be affixed to the writing by any reasonable means, including facsimile signature. A stockholder may authorize another person to act as proxy by transmitting, or authorizing the transmission of, an authorization for the person to act as the proxy to the person authorized to act as proxy or to any other person authorized to receive the proxy authorization on behalf of the person authorized to act as the proxy, including a proxy solicitation firm or proxy support service organization. The authorization may be transmitted by a telegram, cablegram, datagram, electronic mail or any other electronic or telephonic means. Unless a proxy provides otherwise, it is not valid more than 11 months after its date. A proxy is revocable by a stockholder at any time without condition or qualification unless the proxy states that it is irrevocable and the proxy is coupled with an interest. A proxy may be made irrevocable for as long as it is coupled with an interest. The interest with which a proxy may be coupled includes an interest in the stock to be voted under the proxy or another general interest in the Corporation or its assets or liabilities.

Section 8. Conduct of Voting

The Board of Directors shall, in advance of any meeting of stockholders, appoint one or more persons as inspectors of election, to act at the meeting or any adjournment thereof and make a written report thereof, in accordance with applicable law. If one or more inspectors are not so elected, the chairperson of the meeting shall make such appointment at the meeting of stockholders. At all meetings of stockholders, the proxies and ballots shall be received, and all questions relating to the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided or determined by the inspector of election. All voting, including on the election of directors but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his or her proxy or the chairperson of the meeting, a written vote shall be taken. Every written vote shall be taken by ballot, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. No candidate for election as a director at a meeting shall serve as an inspector at such meeting.

Section 9. Control Share Acquisition Act.

Notwithstanding any other provision of the Articles of the Corporation or these Bylaws, Title 3, Subtitle 7 of the MGCL (or any successor statute) shall not apply to any acquisition by any person of shares of stock of the Corporation. This Section 9 may be repealed by a majority of the Whole Board, in whole or in part, at any time, whether before or after an acquisition of Control Shares (as defined in Section 3-701(d) of the MGCL, or any successor provision) and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent Control Share Acquisition (as defined in Section 3-701(d) of the MGCL, or any successor provision).

ARTICLE II.
BOARD OF DIRECTORS

Section 1. General Powers, Number and Term of Office.

The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation shall, by virtue of the Corporation’s election made hereby to be governed by Section 3-804(b) of the MGCL, be fixed from time to time exclusively by vote of the Board of Directors; provided, however, that such number shall never be less than the minimum number of directors required by the MGCL now or hereafter in force. The Board of Directors shall annually elect a Chairperson of the Board from among its members and shall designate the Chairperson of the Board or his or her designee to preside at its meetings. The Board of Directors may also annually elect a Vice Chairperson. In the absence of the Chairperson of the Board, the Vice Chairperson of the Board shall preside at the meetings of the Board of Directors, and in his or her absence the Chief Executive Officer who is also a member of the Board of Directors shall preside at the meetings, and in his or her absence such other person as may be designated by a majority of the Whole Board shall preside at the meetings of the Board of Directors.

The directors, other than those who may be elected by the holders of any series of preferred stock of the Corporation, shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the first annual meeting of stockholders, the term of office of the second class to expire at the annual meeting of stockholders one year thereafter and the term of office of the third class to expire at the annual meeting of stockholders two years thereafter, with each director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the first annual meeting, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election or for such shorter period of time as the Board of Directors may determine, with each director to hold office until his or her successor shall have been duly elected and qualified.

Section 2. Vacancies and Newly Created Directorships.

By virtue of the Corporation's election made hereby to be subject to Section 3-804(c) of the MGCL, any vacancies in the Board of Directors resulting from an increase in the size of the Board of Directors or the death, resignation or removal of a director may be filled only by the affirmative vote of two-thirds of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places or by means of remote communication, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required. Any regular meeting of the Board of Directors may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by one-third (1/3) of the directors then in office (rounded up to the nearest whole number), the Chairperson of the Board, the Vice Chairperson of the Board, the Chief Executive Officer or the President, and shall be held at such place or by means of remote communication, on such date, and at such time as they or he or she shall fix. Notice of the place, date, and time of each such special meeting shall be given to each director who has not waived notice by mailing and post-marking written notice not less than five days before the meeting, or by facsimile or other electronic transmission of the same not less than 24 hours before the meeting. Any director may waive notice of any special meeting, either before or after such meeting, by delivering a written waiver or a waiver by electronic transmission that is filed with the records of the meeting. Attendance of a director at a special meeting shall constitute a waiver of notice of such meeting, except where the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted nor the purpose of any special meeting of the Board of Directors need be specified in the notice of such meeting. Any special meeting of the Board of Directors may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 5. Quorum.

At any meeting of the Board of Directors, a majority of the Whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference Telephone.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided in these Bylaws or the Corporation's Articles or required by law. Action may be taken by the Board of Directors without a meeting if a unanimous consent which sets forth the action is given in writing or by electronic transmission by each member of the Board of Directors and filed in paper or electronic form with the minutes of proceedings of the Board of Directors.

Section 8. Powers.

All powers of the Corporation may be exercised by or under the authority of the Board of Directors except as provided by the Corporation's Articles of Incorporation. Consistent with the foregoing, the Board of Directors shall have, among other powers, the unqualified power:

(i) To declare dividends from time to time in accordance with law;

(ii) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(iii) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

(iv) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(v) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(vi) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;

(vii) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and

(viii) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs.

Section 9. Compensation of Directors.

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors.

Section 10. Resignation.

Any director may resign at any time by giving written notice of such resignation to the President or the Secretary at the principal office of the Corporation. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof.

Section 11. Presumption of Assent.

A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to such action unless such director announces his or her dissent at the meeting and (a) such director's dissent is entered in the minutes of the meeting, (b) such director files his or her written dissent to such action with the secretary of the meeting before the adjournment thereof, or (c) such director forwards his or her written dissent within 24 hours after the meeting is adjourned, by certified mail, return receipt requested, bearing a postmark from the United States Postal Service, to the secretary of the meeting or the

Secretary of the Corporation. Such right to dissent shall not apply to a director who voted in favor of such action or failed to make his or her dissent known at the meeting.

Section 12. Director Qualifications

(a) No person shall be eligible for election or appointment to the Board of Directors: (i) if a financial or securities regulatory agency has, within the past ten (10) years from the date of election or appointment, issued a cease and desist, consent or other formal order, other than a civil money penalty, against such person, which order is subject to public disclosure by such agency; (ii) if such person has been convicted of a crime involving dishonesty or breach of trust which is punishable by imprisonment for a term exceeding one year under state or federal law; (iii) if such person is currently charged in any information, indictment, or other complaint with the commission of or participation in such a crime; or (iv) other than the persons appointed as directors in connection with the formation of the Corporation and other than persons who are also executive officers of the Corporation or of the Corporation's banking subsidiary, Ponce Bank, if such person did not, at the time of his or her first election or appointment to the Board of Directors of the Corporation or Ponce Bank, maintain his or her principal residence (as determined by reference to such person's most recent tax returns, copies of which shall be provided to the Corporation for the sole purpose of determining compliance with this clause (iv)) within a county in which the Corporation or any subsidiary thereof maintains an office, or in any county contiguous to a county in which the Corporation or any subsidiary thereof maintains an office for a period of at least one year prior to the date of his or her purported nomination, election or appointment to the Board of Directors. No person may serve on the Board of Directors if such person: (i) is at the same time, a director, officer, employee or 10% or more stockholder of a bank, savings institution, credit union, mortgage banking company, consumer loan company or similar organization, other than a subsidiary of the Corporation, that engages in business activities or solicits customers, whether through a physical presence or electronically, in the same market area as the Corporation or any of its subsidiaries; (ii) does not agree in writing to comply with all of the Corporation's policies applicable to directors including but not limited to its confidentiality policy, and confirm in writing his or her qualifications hereunder; (iii) is a party to any agreement or arrangement with a party other than the Corporation or a subsidiary that (x) provides him or her with material benefits which are tied to or contingent on the Corporation entering into a merger, sale of control or similar transaction in which it is not the surviving institution, (y) materially limits his or her voting discretion as a member of the Board of Directors of the Corporation, or (z) materially impairs his or her ability to discharge his or her fiduciary duties with respect to the fundamental strategic direction of the Corporation; or (iv) is the nominee or representative, as those terms are defined in the regulations of the Board of Governors of the Federal Reserve System, 12 C.F.R §212.2(n), of a company or other entity of which any of the directors, partners, trustees or 10% stockholders would not be eligible for election or appointment to the Board of Directors under this Section 12(a).

(b) No person shall be elected to serve as a director after reaching the age of [seventy-five] years unless the board determines, by a vote of at least two-thirds of its disinterested members, that such director possesses skills and experience that (1) materially benefit the Board of Directors in the exercise of its powers and duties, (2) are not possessed to any comparable degree by any other member of the Board of Directors, and (3) are not reasonably replaceable. Except as otherwise provided by the Executive Committee of the Board of Directors, the term of office of any director that is an employee of the Corporation or any subsidiary of the Corporation shall expire on the date on which his or her employment with the Corporation or such subsidiary of the Corporation terminates for any reason other than retirement.

The Board of Directors shall have the power to construe and apply the provisions of this Section 12 and to make all determinations necessary or desirable to implement such provisions.

Section 13. Attendance at Board Meetings.

The Board of Directors shall have the right to remove any director from the board upon a director's unexcused absence from (i) three consecutive regularly scheduled meetings of the Board of Directors, or (ii) [five] regularly scheduled meetings of the Board of Directors in any fiscal year of the Corporation.

ARTICLE III.
COMMITTEES

Section 1. Committees of the Board of Directors.

(a) *General Provisions.* The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, and such other committees as the Board of Directors deems necessary or desirable. The Board of Directors may delegate to any committee so appointed any of the powers and authorities of the Board of Directors to the fullest extent permitted by the MGCL and any other applicable law.

(b) *Composition.* Each committee shall be composed of one or more directors or any other number of members specified in these Bylaws or required by applicable regulations or stock exchange rules. The Chairperson of the Board may recommend committees, committee memberships, and committee chairs to the Board of Directors. The Board of Directors shall have the power at any time to appoint the chairperson and the members of any committee, change the membership of any committee, to fill all vacancies on committees, to designate alternate members to replace or act in the place of any absent or disqualified member of a committee, or to dissolve any committee. A member of a committee may resign from that committee at any time by giving written notice of such resignation to the Chairperson of the Board. Unless otherwise specified therein, such resignation from the committee shall take effect upon receipt thereof.

(c) *Issuance of Stock*. If the Board of Directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number of shares to be issued, a committee of the Board of Directors, in accordance with that general authorization or any stock option or other plan or program adopted by the Board of Directors, may authorize or fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued, including all terms and conditions required or permitted to be established or authorized by the Board of Directors. Any committee so designated may exercise the power and authority of the Board of Directors if the resolution that designated the committee or a supplemental resolution of the Board of Directors shall so provide.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if a unanimous consent which sets forth the action is given in writing or by electronic transmission by each member of the committee and filed in paper or electronic form with the minutes of the proceedings of such committee. The members of any committee may conduct any meeting thereof by conference telephone or other communications equipment in accordance with the provisions of Section 6 of Article II.

ARTICLE IV.
OFFICERS

Section 1. Generally.

(a) The Board of Directors as soon as may be practicable after the annual meeting of stockholders shall choose a Chairperson of the Board, Chief Executive Officer, President, one or more Vice Presidents, a Secretary and a Chief Financial Officer/Treasurer and from time to time may choose such other officers as it may deem proper. Any number of offices may be held by the same person, except that no person may concurrently serve as both President and Vice President of the Corporation.

(b) The term of office of all officers shall be until the next annual election of officers and until their respective successors are chosen, but any officer may be removed from office at any time by the affirmative vote of a majority of the Whole Board.

(c) All officers chosen by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

Section 2. Chairperson of the Board of Directors.

The Chairperson of the Board of Directors of the Corporation shall perform all duties and have all powers which are commonly incident to the office of Chairperson of the Board or which are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation that are authorized.

Section 3. Vice Chairperson of the Board of Directors.

If appointed, the Vice Chairperson of the Board of Directors of the Corporation shall perform all duties and have all powers which are commonly incident to the office of Chairperson of the Board, with such duties to be performed and powers to be held in the absence of the Chairperson of the Board, or which are delegated to him or her by the Board of Directors.

Section 4. Chief Executive Officer.

The Chief Executive Officer, subject to the control of the Board of Directors, shall serve in general executive capacity and have general power over the management and oversight of the administration and operation of the Corporation’s business and general supervisory power and authority over its policies and affairs. The Chief Executive Officer shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect.

Section 5. President.

The President shall perform the duties of the Chief Executive Officer in the Chief Executive Officer’s absence or during his or her disability to act. In addition, the President shall perform the duties and exercise the powers usually incident to their respective office and/or such other duties and powers as may be properly assigned to the President from time to time by the Board of Directors or the Chief Executive Officer.

Section 6. Vice President.

The Vice President or Vice Presidents (including Executive Vice Presidents or other levels of Vice President designated by the Board of Directors), if any, shall perform the duties of the Chief Executive Officer in the absence of both the Chief Executive Officer and the President, or during their disability to act. In addition, the Vice Presidents shall perform the duties and exercise the powers usually incident to their respective office and/or such other duties and powers as may be properly assigned to the Vice Presidents from time to time by the Board of Directors or the Chief Executive Officer.

Section 7. Secretary.

The Secretary or an Assistant Secretary shall issue notices of meetings, shall keep the minutes of meetings, shall have charge of the seal and the corporate books, shall perform such other duties and exercise such other powers as are usually incident to such offices and/or such other duties and powers as are properly assigned thereto by the Board of Directors, the Chairperson of the Board or the Chief Executive Officer.

Section 8. Chief Financial Officer/Treasurer.

The Chief Financial Officer/Treasurer shall have charge of all monies and securities of the Corporation, other than monies and securities of any division of the Corporation that has a treasurer or financial officer appointed by the Board of Directors, and shall keep regular books of account. The funds of the Corporation shall be deposited in the name of the Corporation by the Chief Financial Officer/Treasurer with such banks or trust companies or other entities as the Board of Directors from time to time shall designate. The Chief Financial Officer/Treasurer shall sign or countersign such instruments as require his or her signature, shall perform all such duties and have all such powers as are usually incident to such office and/or such other duties and powers as are properly assigned to him or her by the Board of Directors or the Chief Executive Officer, and may be required to give bond for the faithful performance of his or her duties in such sum and with such surety as may be required by the Board of Directors.

Section 9. Other Officers.

The Board of Directors may designate and fill such other offices in its discretion and the persons holding such other offices shall have such powers and shall perform such duties as the Board of Directors or Chief Executive Officer may from time to time assign.

Section 10. Action with Respect to Securities of Other Corporations

Stock of other corporations or associations, registered in the name of the Corporation, may be voted by the Chief Executive Officer, the President, a Vice President, or a proxy appointed by either of them. The Board of Directors, however, may by resolution appoint some other person to vote such shares, in which case such person shall be entitled to vote such shares upon the production of a certified copy of such resolution.

ARTICLE V.
STOCK

Section 1. Certificates of Stock.

The Board of Directors may determine to issue certificated or uncertificated shares of capital stock and other securities of the Corporation. For certificated stock, each stockholder is entitled to certificates which represent and certify the shares of stock he or she holds in the Corporation. Each stock certificate shall include on its face the name of the Corporation, the name of the stockholder or other person to whom it is issued, and the class of stock and number of shares it represents. It shall also include on its face or back (a) a statement of any restrictions on transferability and a statement of the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the stock of each class which the Corporation is authorized to issue, of the differences in the relative rights and preferences between the shares of each series of preferred stock which the Corporation is authorized to issue, to the extent they have been set, and of the authority of the Board of Directors to set the relative rights and preferences of subsequent series of preferred stock or (b) a statement which provides in substance that the Corporation will furnish a full statement of such information to any stockholder on request and without charge. Such request may be made to the Secretary or to the Corporation’s transfer agent. Upon the issuance of uncertificated shares of capital stock, the Corporation shall send the stockholder a written statement of the same information required above with respect to stock certificates. Each stock certificate shall be in such form, not inconsistent with law or with the Corporation’s Articles, as shall be approved by the Board of Directors or any officer or officers designated for such purpose by resolution of the Board of Directors. Each stock certificate shall be signed by the Chairperson of the Board, the President, or a Vice-President, and countersigned by the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer. Each certificate may be sealed with the actual corporate seal or a facsimile of it or in any other form and the signatures may be either manual or facsimile signatures. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. A certificate may not be issued until the stock represented by it is fully paid.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

Section 3. Record Dates or Closing of Transfer Books.

The Board of Directors may, and shall have the power to, set a record date or direct that the stock transfer books be closed for a stated period for the purpose of making any proper determination with respect to stockholders, including which stockholders are entitled to notice of a meeting, vote at a meeting, receive a dividend, or be allotted other rights. The record date may not be prior to the close of business on the day the record date is fixed nor, subject to Section 3 of Article I of these Bylaws, more than 90 days before the date on which the action requiring the determination will be taken; the transfer books may not be closed for a period longer than 20 days; and, in the case of a meeting of stockholders, the record date or the closing of the transfer books shall be at least ten days before the date of the meeting. Any shares of the Corporation's own stock acquired by the Corporation between the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders and the time of the meeting may be voted at the meeting by the holder of record as of the record date and shall be counted in determining the total number of outstanding shares entitled to be voted at the meeting.

Section 4. Lost, Stolen or Destroyed Certificates.

The Board of Directors of the Corporation may determine the conditions for issuing a new stock certificate in place of one which is alleged to have been lost, stolen, or destroyed, or the Board of Directors may delegate such power to any officer or officers of the Corporation or to the transfer agent designated to transfer shares of the stock of the Corporation. In their discretion, the Board of Directors or such officer or officers may require the owner of the certificate to give a bond, with sufficient surety, to indemnify the Corporation against any loss or claim arising as a result of the issuance of a new certificate. In their discretion, the Board of Directors or such officer or officers may refuse to issue such new certificate without the order of a court having jurisdiction over the matter.

Section 5. Stock Ledger.

The Corporation shall maintain a stock ledger which contains the name and address of each stockholder and the number of shares of stock of each class which the stockholder holds. The stock ledger may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. The original or a duplicate of the stock ledger shall be kept at the offices of a transfer agent for the particular class of stock or, if none, at the principal executive office of the Corporation.

Section 6. Regulations.

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI.
MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal.

The Board of Directors may provide a suitable seal, bearing the name of the Corporation, which shall be in the charge of the Secretary. The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof. If the Corporation is required to place its corporate seal to a document, it is sufficient to meet the requirement of any law, rule, or regulation relating to a corporate seal to place the word "(seal)" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

Section 3. Books and Records.

The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its stockholders and Board of Directors and of any committee when exercising any of the powers of the Board of Directors. The books and records of the Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction. The original or a certified copy of these Bylaws shall be kept at the principal office of the Corporation.

Section 4. Reliance upon Books, Reports and Records.

Each director, each member of any committee designated by the Board of Directors, and each officer and agent of the Corporation shall, in the performance of his or her duties, in addition to any protections conferred upon him or her by law, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director, committee member, officer or agent reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 5. Fiscal Year.

The fiscal year of the Corporation shall commence on the first day of January and end on the last day of December in each year.

Section 6. Time Periods.

In applying any provision of these Bylaws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded and the day of the event shall be included.

Section 7. Checks, Drafts, Etc.

All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Corporation, shall be signed by any officer, employee or agent of the Corporation that is authorized by the Board of Directors.

Section 8. Mail.

Any notice or other document that is required by these Bylaws to be mailed shall be deposited in the United States mail, postage prepaid.

Section 9. Contracts and Agreements.

To the extent permitted by applicable law, and except as otherwise prescribed by the Articles or these Bylaws, the Board of Directors may authorize any officer, employee or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge, or verify an instrument required by law to be executed, acknowledged, or verified by more than one officer.

ARTICLE VII.
AMENDMENTS

These Bylaws may be adopted, amended or repealed as provided in the Articles of the Corporation.

Exhibit 21.1

Subsidiaries of the Registrant

(a) Subsidiaries of Ponce Financial Group, Inc.:

Subsidiary Name	State of Incorporation or Organization
Ponce Bank	Federal
Mortgage World Bankers, Inc.	New York

(b) Subsidiaries of Ponce Bank:

Subsidiary Name	State of Incorporation or Organization
Ponce De Leon Mortgage Corporation	New York
PFS Services Inc.	New York

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August 2, 2021

Boards of Directors
Ponce Bank Mutual Holding Company
PDL Community Bancorp
Ponce Financial Group, Inc.
Ponce Bank
2244 Westchester Avenue
Bronx, New York 10462

Members of the Boards of Directors:

We hereby consent to the use of our firm's name in the Application for Conversion on Form FR MM-AC, and any amendments thereto, to be filed with the Federal Reserve Board, and in the Registration Statement on Form S-1, and any amendments thereto, to be filed with the Securities and Exchange Commission. We also hereby consent to the inclusion of, summary of and references to our Valuation Appraisal Report and any Valuation Appraisal Report Updates in such filings including the prospectus and proxy statement/prospectus of Ponce Financial Group, Inc. We also consent to the reference to our firm under the heading "Experts" in the prospectus and proxy statement/prospectus.

Sincerely,

RP Financial, LC.

RP® FINANCIAL, LC.

Exhibit 23.3

Consent of Independent Registered Public Accounting Firm

We hereby consent to the use in the Prospectus constituting part of the Registration Statement on Form S-1 of Ponce Financial Group, Inc. to be filed on August 2, 2021, of our report dated March 26, 2021, relating to the consolidated financial statements of PDL Community Bancorp and Subsidiaries as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, which appears in such Prospectus. We also consent to the reference to our Firm under the caption “Experts” in such Prospectus.

/s/ Mazars USA LLP
New York, New York
August 2, 2021

Mazars USA LLP is an independent member firm of Mazars Group.

Exhibit 99.1

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May 11, 2021

Mr. Carlos P. Naudon
President and Chief Operating Officer PDL
Community Bancorp / Ponce Bank 2244
Westchester Avenue
Bronx, NY 10462

Dear Mr. Naudon:

This letter sets forth the agreement between Ponce Bank, Bronx, New York (the "Bank"), a federally-chartered bank wholly-owned by PDL Community Bancorp ("Bancorp"), which in turn is majority-owned by Ponce Bank Mutual Holding Company, a mutual holding company (the "MHC"), collectively "PDLB" or the "Company," and RP® Financial, LC. ("RP Financial"), whereby RP Financial will provide the independent conversion appraisal services in conjunction with PDLB's second step conversion offering.

The scope, timing and fee structure for these appraisal services are described below. These appraisal services will be directed by the undersigned, with the assistance of Gregory E. Dunn, Director of RP Financial, and other consulting staff.

Description of Appraisal Services

Pursuant to this appraisal engagement, RP Financial will conduct financial due diligence of PDLB, including senior management interviews and a review of historical and pro forma financial information to be included in the prospectus and other related documents. This review provides necessary insight into operations, financial condition, profitability, market area, risks, strategic plan and other matters for the purpose of determining the pro forma market value.

RP Financial will prepare a detailed written valuation report of the Company consistent with applicable regulatory appraisal guidelines and standard pro forma valuation practices. The appraisal report will include an analysis of the Company's financial condition and operating results, as well as an assessment of interest rate, credit, liquidity, and other key risks. The appraisal report will incorporate an evaluation of the Company's business strategies, recent and pending transactions, market area, future prospects, and intended use of offering proceeds. RP Financial will select a peer group of relatively comparable public banking companies for the purpose of determining appropriate valuation adjustments based on key fundamental characteristics of the Company and the public peer group.

We will review pertinent sections of the Company's prospectus and conduct discussions with representatives of the Company and its other conversion advisors to obtain necessary data and information for the appraisal report, including key deal elements such as dividend policy, use of proceeds, reinvestment rate, tax rate, offering expenses, characteristics of stock plans, and, to the extent appropriate, other matters.

The original appraisal report and required interim appraisal update reports will conclude with a pro forma midpoint market value that will establish the resulting valuation and offering ranges consistent with the conversion regulations.

The original appraisal may be periodically updated, subject to Company authorization, including one potential update prior to the prospectus being declared effective and the required update at the close of the offering. In the event of a syndicated community offering, it may be necessary to prepare an update reflecting the close of the subscription offering and prior to the pricing phase of the syndicated community offering. Updates may also be required if significant changes in the Company's financial characteristics or the stock market environment impacts the appraised value. It is typical that there are two updates but as many as three or four updates may be required if there is a syndicated community offering and/or if there are significant changes in the Company's financial characteristics and/or the stock market environment.

RP Financial agrees to deliver the original appraisal report and updates, in writing, to the Company at the above address. Upon authorization by the Company, updates will be filed promptly with the regulatory agencies reflecting the circumstances that require such updates.

RP Financial will present the appraisal report and subsequent updates to the Company's Board, as appropriate, with such review including the appraisal methodology, valuation adjustments, peer group selection and key assumptions. Such presentation may be made telephonically or by videoconference, especially if travel is unsafe, impractical or prohibited during the current pandemic.

Fee Structure and Payment Schedule

The Company agrees to pay RP Financial the following fees for preparation and delivery of the original appraisal report and subsequent appraisal update reports:

- $15,000 upon execution of this letter of agreement engaging RP Financial's appraisal services;
- $110,000 upon RP Financial's delivery of the original appraisal report to accompany the filing of the regulatory application;
- $20,000 upon delivery of the first update, reflecting the updated financial statements incorporated into the prospectus, as authorized by the Company; and
- $15,000 upon delivery of each subsequent appraisal update, as authorized by the Company.

The Company also agrees to reimburse RP Financial for reasonable out-of-pocket expenses incurred in preparation of the original appraisal and subsequent updates. Such out-of- pocket expenses will likely include printing, communications, shipping, computer, and data services, and will not exceed $10,000 in the aggregate without the Company's authorization to exceed this level. If RP Financial is required to travel to the Company's offices for meetings, the

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Company will also reimburse RP Financial's direct costs for such travel, and such costs will not be subject to the reimbursable expense cap noted above. It is understood that if it is unsafe to travel or there if there are prohibitions from traveling to the Company's offices for meetings during the current pandemic, RP Financial will conduct meetings with Company by telephone or videoconference.

In the event the Company shall, for any reason, discontinue the second step conversion prior to delivery of the completed original appraisal report or subsequent updates and payment of the corresponding fees, the Company agrees to compensate RP Financial according to RP Financial's standard billing rates for consulting services based on accumulated and verifiable time expenses, not to exceed the respective fee caps noted above, after applying full credit to the initial engagement fee towards such payment, together with reasonable out-of-pocket expenses, subject to the cap on such expenses as set forth above. RP Financial's standard billing rates range from $75 per hour for research associates to $500 per hour for managing directors.

If unforeseen events occur that materially change the nature or content of the appraisal services described herein, the terms of this engagement shall be subject to renegotiation by the Company and RP Financial. Such unforeseen events may include, but not be limited to: material changes to the structure of the conversion, conversion regulations, appraisal guidelines or processing procedures as they relate to conversion appraisals; material changes in management or procedures, operating policies or philosophies; and/or excessive delays or suspension of regulatory processing of the application such that completion of the conversion requires the preparation of a new appraisal.

<u>Covenants, Representations and Warranties</u>

The Company and RP Financial agree to the following:

1. The Company agrees to make available or to supply to RP Financial such information with respect to its business and financial condition as RP Financial may reasonably request in order to provide the aforesaid valuation. Such information heretofore or hereafter supplied or made available to RP Financial shall include, but not be limited to: annual audited financial statements, unaudited internal financial and other management reports, quarterly securities and regulatory filings, business plan and budget, recent and pending material agreements and pro forma impact, debt and preferred stock instruments, off balance sheet assets or liabilities, commitments and contingencies, unrealized gains or losses, financial and other reports pertaining to the activities of the Company's two wholly-owned subsidiaries, the Bank and Mortgage World Bankers, Inc., financial and other reports pertaining to the Bank's activities as a designated Minority Depository Institution ("MDI") and a Community Development Financial Institution ("CDFI"), and other corporate books and records pertaining to the Company's organization and operations. All information provided by the Company to RP Financial shall remain strictly confidential (unless such information is otherwise made available to the public), and if the conversion is not consummated or the services of RP Financial are terminated hereunder, RP Financial shall promptly return to the Company the original and any copies of such information.

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2. RP Financial represents that it will comply with any and all federal, state and local laws, regulations and ordinances governing or relating to the privacy, security, confidentiality or integrity of personal information, data, and confidential information ("Privacy Laws"). RP Financial shall implement such physical, administrative, and technical safeguards as shall be necessary to ensure the security and confidentiality of any personal information, data, and confidential information it receives, including maintaining written policies and procedures detailing its compliance with any applicable Privacy Laws. Such written policies and procedures shall be made available to the Company for review upon request. The Company represents and warrants to RP Financial that any information provided to RP Financial does not and will not, to the best of the Company's knowledge, at the times it is provided to RP Financial, contain any untrue statement of a material fact or in response to informational requests by RP Financial fail to state a material fact necessary to make the statements therein not false or misleading in light of the circumstances under which they were made.

3. (a) The Company agrees that it will indemnify and hold harmless RP Financial, any affiliates of RP Financial, the respective members, officers, agents and employees of RP Financial or their successors and assigns who act for or on behalf of RP Financial in connection with the services called for under this agreement (hereinafter referred to as "RP Financial"), from and against any and all losses, claims, damages and liabilities (including, but not limited to, reasonable attorneys' fees, and all losses and expenses in connection with claims under the federal securities laws) attributable to (i) any untrue statement or alleged untrue statement of a material fact contained in the financial statements or other information furnished or otherwise provided by the Company to RP Financial, either orally or in writing; (ii) the omission or alleged omission of a material fact from the financial statements or other information furnished or otherwise made available by the Company to RP Financial; or (iii) any action or omission to act by the Company, or the Company's respective officers, directors, employees or agents, which action or omission is undertaken in bad faith or is negligent. The Company will be under no obligation to indemnify RP Financial hereunder if a court determines that RP Financial was negligent or acted in bad faith with respect to any actions or omissions of RP Financial related to a matter for which indemnification is sought hereunder. Reasonable time devoted by RP Financial to situations for which RP Financial is deemed entitled to indemnification hereunder, shall be an indemnifiable cost payable by the Company at the normal hourly professional rate chargeable by such employee.

Notwithstanding anything in this agreement to the contrary, RP Financial shall notify the Company immediately via telephone, to be followed up in writing, of any actual, suspected, or threatened security incident involving confidential information, and shall cooperate fully in investigating and responding to each successful or attempted security breach. RP Financial will defend, indemnify and hold the Company harmless from and against all third party claims, losses, damages and liabilities arising out of a security breach and shall pay for all costs associated with responding to such breach, including without limitation, all legal, forensic, public relations, consultancy and other expert fees incurred by Bank, the costs of any and all notifications that Bank sends to individuals whose information was affected by any incident, and the cost of an annual credit monitoring services subscription for all such individuals.

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(b) RP Financial shall give written notice to the Company of such claim or facts within thirty days of the assertion of any claim or discovery of material facts upon which RP Financial intends to base a claim for indemnification hereunder, including the name of counsel that RP Financial intends to engage in connection with any indemnification related matter. In the event the Company elects, within seven days of the receipt of the original notice thereof, to contest such claim by written notice to RP Financial, the Company shall not be obligated to make payments under Section 3(c), but RP Financial will be entitled to be paid any amounts payable by the Company hereunder within five days after the final non-appealable determination of such contest either by written acknowledgement of the Company or a decision of a court of competent jurisdiction or alternative adjudication forum, unless it is determined in accordance with Section 3(c) hereof that RP Financial is not entitled to indemnity hereunder. If the Company does not so elect to contest a claim for indemnification by RP Financial hereunder, RP Financial shall (subject to the Company's receipt of the written statement and undertaking under Section 3(c) hereof) be paid promptly and in any event within thirty days after receipt by the Company of detailed billing statements or invoices for which RP Financial is entitled to reimbursement under Section 3(c) hereof.

(c) Subject to the Company's right to contest under Section 3(b) hereof, the Company shall pay for or reimburse the reasonable expenses, including reasonable attorneys' fees, incurred by RP Financial in advance of the final disposition of any proceeding within thirty days of the receipt of such request if RP Financial furnishes the Company: (1) a written statement of RP Financial's good faith belief that it is entitled to indemnification hereunder; (2) a written undertaking to repay the advance if it ultimately is determined in a final, non-appealable adjudication of such proceeding that it or he is not entitled to such indemnification; and (3) a detailed invoice of the expenses for which reimbursement is sought.

(d) In the event the Company does not pay any indemnified loss or make advance reimbursements of expenses in accordance with the terms of this agreement, RP Financial shall have all remedies available at law or in equity to enforce such obligation.

This agreement constitutes the entire understanding of the Company and RP Financial concerning the subject matter addressed herein, and such contract shall be governed and construed in accordance with the State of New York. This agreement may not be modified, supplemented or amended except by written agreement executed by both parties.

The Company (inclusive of its subsidiaries) and RP Financial are not affiliated, and neither the Company nor RP Financial has an economic interest in, or is held in common with, the other and has not derived a significant portion of its gross revenues, receipts or net income for any period from transactions with the other. RP Financial represents and warrants that it is not aware of any fact or circumstance that would cause it not to be "independent" within the meaning of the conversion regulations of the federal banking agencies or otherwise prohibit or restrict in anyway RP Financial from serving in the role of independent appraiser for the Company.

* * * * * * * * * * *

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Please acknowledge your agreement to the foregoing by signing below and returning to RP Financial a signed copy of this letter, together with the engagement fee of $15,000.

Sincerely,

Ronald S. Riggins
President and Managing Director

Agreed to and Accepted by: Carlos P. Naudon
President and Chief Operating Officer For: Ponce Bank, subsidiary of PDL Community Bancorp
Date Executed:

Exhibit 99.2

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August 2, 2021

Boards of Directors
Ponce Bank Mutual Holding Company
PD Community Bancorp
Ponce Financial Group, Inc.
Ponce Bank
2244 Westchester Avenue
Bronx, New York 10462

Re: Plan of Conversion and Reorganization
Ponce Bank Mutual Holding Company
PDL Community Bancorp

Members of the Boards of Directors:

All capitalized terms not otherwise defined in this letter have the meanings given such terms in the plan of conversion and reorganization (the "Plan") adopted by the Boards of Directors of Ponce Bank Mutual Holding Company (the "MHC") and PDL Community Bancorp, a federally chartered corporation. The Plan provides for the conversion of the MHC into the capital stock form of organization. Pursuant to the Plan, a new Maryland stock holding company named Ponce Financial Group, Inc. (the "Company") will be organized and will sell shares of common stock in a public offering. When the conversion is completed, all of the capital stock of Ponce Bank will be owned by the Company and all of the common stock of the Company will be owned by public stockholders.

We understand that in accordance with the Plan, subscription rights to purchase shares of common stock in the Company are to be issued to: (1) Eligible Account Holders; (2) Tax-Qualified Plans including Ponce Bank's employee stock ownership plan (the "ESOP"); (3) Supplemental Eligible Account Holders; and (4) Other Members. Based solely upon our observation that the subscription rights will be available to such parties without cost, will be legally non-transferable and of short duration, and will afford such parties the right only to purchase shares of common stock at the same price as will be paid by members of the general public in the community or syndicated offerings but without undertaking any independent investigation of state or federal law or the position of the Internal Revenue Service with respect to this issue, we are of the belief that, as a factual matter:

(1) the subscription rights will have no ascertainable market value; and

(2) the price at which the subscription rights are exercisable will not be more or less than the pro forma market value of the shares upon issuance.

Changes in the local and national economy, the legislative and regulatory environment, the stock market, interest rates, and other external forces (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability and may materially impact the value of thrift stocks as a whole or the Company's value alone. Accordingly, no assurance can be given that persons who subscribe to shares of common stock in the subscription offering will thereafter be able to buy or sell such shares at the same price paid in the subscription offering.

Sincerely,

RP Financial, LC.

RP Financial, LC.

Washington Headquarters
1311-A Dolley Madison Boulevard
Suite 2A
McLean, VA 22101
www.rpfinancial.com

Telephone: (703) 528-1700
Fax No.: (703) 528-1788
Toll-Free No.: (866) 723-0594
E-Mail: mail@rpfinancial.com

Exhibit 99.3

PRO FORMA VALUATION REPORT
SECOND-STEP CONVERSION

Ponce Financial Group, Inc. | Bronx, New York

PROPOSED HOLDING COMPANY FOR:
Ponce Bank | Bronx, New York

Dated as of June 1, 2021

RP FINANCIAL, LC.
Advisory | Planning | Valuation

1311-A Dolley Madison Boulevard
Suite 2A
McLean, Virginia 22101
703.528.1700
rpfinancial.com

RP® FINANCIAL, LC.
Advisory | Planning | Valuation

June 1, 2021

Boards of Directors
Ponce Bank Mutual Holding Company
PDL Community Bancorp
Ponce Financial Group, Inc.
Ponce Bank
2244 Westchester Avenue
Bronx, New York 10462

Members of the Boards of Directors:

At your request, we have completed and hereby provide an independent appraisal ("Appraisal") of the estimated pro forma market value of the common stock which is to be issued in connection with the mutual-to-stock conversion transaction described below.

This Appraisal is furnished pursuant to the requirements stipulated in the Code of Federal Regulations and has been prepared in accordance with the "Guidelines for Appraisal Reports for the Valuation of Savings and Loan Associations Converting from Mutual to Stock Form of Organization" (the "Valuation Guidelines") of the Office of Thrift Supervision ("OTS") and accepted by the Federal Reserve Board ("FRB"), the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comptroller of the Currency ("OCC"), and applicable regulatory interpretations thereof.

Description of Plan of Conversion

On May 25, 2021, the Boards of Directors of Ponce Bank Mutual Holding Company (the "MHC") and PDL Community Bancorp, Inc. ("PDLB") adopted a plan of conversion and reorganization whereby the MHC will convert to stock form. As a result of the conversion, PDLB, which currently owns all of the issued and outstanding common stock of Ponce Bank (the "Bank"), will be succeeded by a new Maryland corporation with the name of Ponce Financial Group, Inc. ("Ponce Financial" or the "Company"). Following the conversion, the MHC will no longer exist. For purposes of this document, the existing consolidated entity will hereinafter also be referred to as Ponce Financial or the Company, unless otherwise identified as PDLB. As of March 31, 2021, the MHC had a majority ownership interest in, and its principal asset consisted of, approximately 56.09% of the common stock (the "MHC Shares") of PDLB. The remaining 43.91% of PDLB's common stock is owned by public stockholders.

It is our understanding that Ponce Financial will offer its stock, representing the majority ownership interest held by the MHC, in a subscription offering to Eligible Account Holders, Tax-Qualified Plan consisting of the Bank's employee stock ownership plan (the "ESOP"), Supplemental Eligible Account Holders and Other Members. To the extent that shares remain available for purchase after satisfaction of all subscriptions received in the subscription offering, the shares may be offered for sale to the public at large in a community

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E-Mail: mail@rpfinancial.com

offering and a syndicated offering. Upon completing the mutual-to- stock conversion and stock offering (the “second-step conversion”), the Company will be 100% owned by public shareholders, the publicly-held shares of PDLB will be exchanged for shares in the Company at a ratio that retains their ownership interest at the time the conversion is completed and the MHC assets will be consolidated with the Company.

The plan of conversion provides for a contribution to the Ponce De Leon Foundation (the “Foundation”). The Foundation contribution will be funded with 3.0% of the number of shares of common stock sold in the second-step stock offering and $1.0 million of cash funded by the net proceeds retained by the Company. The purpose of the Foundation is to provide financial support to charitable organizations in the communities in which Ponce Bank operates and to enable those communities to share in the Bank’s long-term growth. The Foundation is dedicated completely to community activities and the promotion of charitable causes.

<u>RP® Financial, LC.</u>

RP® Financial, LC. (“RP Financial”) is a financial consulting firm serving the financial services industry nationwide that, among other things, specializes in financial valuations and analyses of business enterprises and securities, including the pro forma valuation for savings institutions converting from mutual-to-stock form. The background and experience of RP Financial is detailed in Exhibit V- 1. We believe that, except for the fee we will receive for the Appraisal, we are independent of the Company, PDLB, the Bank, the MHC and the other parties engaged by the Bank or the Company to assist in the second-step conversion process.

<u>Valuation Methodology</u>

In preparing our Appraisal, we have reviewed the regulatory applications of the Company, the Bank and the MHC, including the prospectus as filed with the FRB and the Securities and Exchange Commission (“SEC”). We have conducted a financial analysis of the Company, the Bank and the MHC that has included a review of audited financial information for the years ended December 31, 2016 through December 31, 2020, a review of various unaudited information and internal financial reports through March 31, 2021, and due diligence related discussions with the Company’s management; Mazars USA, LLP, the Company’s independent auditor; Locke Lord LLP, the Company’s conversion counsel and Janney Montgomery Scott LLC, the Company’s marketing advisor in connection with the stock offering. All assumptions and conclusions set forth in the Appraisal were reached independently from such discussions. In addition, where appropriate, we have considered information based on other available published sources that we believe are reliable. While we believe the information and data gathered from all these sources are reliable, we cannot guarantee the accuracy and completeness of such information.

We have investigated the competitive environment within which Ponce Financial operates and have assessed Ponce Financial’s relative strengths and weaknesses. We have kept abreast of the changing regulatory and legislative environment for financial institutions and analyzed the potential impact on Ponce Financial and the industry as a whole. We have analyzed the potential effects of the stock conversion on Ponce Financial’s operating characteristics and financial performance as they relate to the pro forma market value of Ponce Financial. We have analyzed the assets held by the MHC, which will be consolidated with

Ponce Financial's assets and equity pursuant to the completion of the second-step conversion. We have reviewed the economic and demographic characteristics of the Company's primary market area. We have compared Ponce Financial's financial performance and condition with selected publicly-traded thrifts in accordance with the Valuation Guidelines, as well as all publicly-traded thrifts and thrift holding companies. We have reviewed the current conditions in the securities markets in general and the market for thrift stocks in particular, including the market for existing thrift issues, initial public offerings by thrifts and thrift holding companies and second-step conversion offerings. We have excluded from such analyses thrifts subject to announced or rumored acquisition, and/or institutions that exhibit other unusual characteristics.

The Appraisal is based on Ponce Financial's representation that the information contained in the regulatory applications and additional information furnished to us by Ponce Financial and its independent auditor, legal counsel and other authorized agents are truthful, accurate and complete. We did not independently verify the financial statements and other information provided by Ponce Financial, or its independent auditor, legal counsel and other authorized agents nor did we independently value the assets or liabilities of Ponce Financial. The valuation considers Ponce Financial only as a going concern and should not be considered as an indication of Ponce Financial's liquidation value.

Our appraised value is predicated on a continuation of the current operating environment for Ponce Financial and for all thrifts and their holding companies. Changes in the local, state and national economy, the legislative and regulatory environment for financial institutions and mutual holding companies, the stock market, interest rates, and other external forces (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability and may materially impact the value of thrift stocks as a whole or the value of Ponce Financial's stock alone. It is our understanding that there are no current plans for selling control of Ponce Financial following completion of the second-step conversion. To the extent that such factors can be foreseen, they have been factored into our analysis.

The estimated pro forma market value is defined as the price at which Ponce Financial's common stock, immediately upon completion of the second-step stock offering, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.

In preparing the pro forma pricing analysis we have taken into account the pro forma impact of the MHC's net assets (i.e., unconsolidated equity) that will be consolidated with the Company and thus will increase equity. After accounting for the impact of the MHC's net assets, the public shareholders' ownership interest was reduced by approximately 0.02%. Accordingly, for purposes of the Company's pro forma valuation, the public shareholders' pro forma ownership interest was reduced from 43.91% to 43.89% and the MHC's ownership interest was increased from 56.09% to 56.11%.

Valuation Conclusion

It is our opinion that, as of June 1, 2021, the estimated aggregate pro forma valuation of the shares of the Company to be issued and outstanding at the end of the conversion offering – including (1) newly-issued shares representing the MHC's current ownership interest in the Company; (2) exchange shares issued to existing public shareholders of PDLB; and (3) shares issued to the Foundation – was $190,282,790 at the midpoint, equal to 19,028,279 shares at $10.00 per share. The resulting range of value and pro forma shares, all based on $10.00 per share, are as follows: $161,740,370 or 16,174,037 shares at the minimum, $218,825,210 or 21,882,521 shares at the maximum and $251,648,990 or 25,164,899 shares at the super maximum.

Based on this valuation and taking into account the ownership interest represented by the shares owned by the MHC, the midpoint of the offering range is $105,000,000 equal to 10,500,000 shares at $10.00 per share. The resulting offering range and offering shares, all based on $10.00 per share, are as follows: $89,250,000 or 8,925,000 shares at the minimum, $120,750,000 or 12,075,000 shares at the maximum and $138,862,500 or 13,886,250 shares at the super maximum.

Establishment of the Exchange Ratio

The conversion regulations provide that in a conversion of a mutual holding company, the minority stockholders are entitled to exchange the public shares for newly issued shares in the fully converted company. The Boards of Directors of the MHC and PDLB have independently determined the exchange ratio, which has been designed to preserve the current aggregate percentage ownership in the Company (adjusted for the dilution resulting from the consolidation of the MHC's unconsolidated equity into the Company). The exchange ratio to be received by the existing minority shareholders of the Company will be determined at the end of the offering, based on the total number of shares sold in the offering and the final appraisal. Based on the valuation conclusion herein, the resulting offering value and the $ 10.00 per share offering price, the indicated exchange ratio at the midpoint is 1.0991 shares of the Company's stock for every one share held by public shareholders. Furthermore, based on the offering range of value, the indicated exchange ratio is 0.9342 at the minimum, 1.2639 at the maximum and 1.4535 at the super maximum. RP Financial expresses no opinion on the proposed exchange of newly issued Company shares for the shares held by the public stockholders or on the proposed exchange ratio.

Limiting Factors and Considerations

The valuation is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing shares of the common stock. Moreover, because such valuation is determined in accordance with applicable regulatory guidelines and is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common stock in the conversion offering, or prior to that time, will thereafter be able to buy or sell such shares at prices related to the foregoing valuation of the estimated pro forma market value thereof. The appraisal reflects only a valuation range as of this date for the pro forma market value of Ponce Financial immediately upon issuance of the stock and does not take into account any trading activity with respect to the purchase and sale of common stock in the secondary market on the date of issuance of such securities or at anytime thereafter following the completion of the second-step conversion.

RP Financial’s valuation was based on the financial condition, operations and shares outstanding of PDLB as of March 31, 2021, the date of the financial data included in the prospectus. The proposed exchange ratio to be received by the current public stockholders of PDLB and the exchange of the public shares for newly issued shares of Ponce Financial’s common stock as a full public company was determined independently by the Boards of Directors of the MHC and PDLB. RP Financial expresses no opinion on the proposed exchange ratio to public stockholders or the exchange of public shares for newly issued shares.

RP Financial is not a seller of securities within the meaning of any federal and state securities laws and any report prepared by RP Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities. RP Financial maintains a policy which prohibits RP Financial, its principals or employees from purchasing stock of its client institutions.

This valuation may be updated as provided for in the conversion regulations and guidelines. These updates will consider, among other things, any developments or changes in the financial performance and condition of Ponce Financial, management policies, and current conditions in the equity markets for thrift shares, both existing issues and new issues. These updates may also consider changes in other external factors which impact value including, but not limited to: various changes in the legislative and regulatory environment for financial institutions, the stock market and the market for thrift stocks, and interest rates. Should any such new developments or changes be material, in our opinion, to the valuation of the shares, appropriate adjustments to the estimated pro forma market value will be made. The reasons for any such adjustments will be explained in the update at the date of the release of the update. The valuation will also be updated at the completion of Ponce Financial’s stock offering.

Respectfully submitted,
RP® FINANCIAL, LC.

Ronald S. Riggins
President and Managing Director

Gregory E. Dunn
Director

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PONCE BANK
Bronx, New York

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I. OVERVIEW AND FINANCIAL ANALYSIS

Introduction

Ponce Bank, or the "Bank", established in 1960, is a federally-chartered stock savings association headquartered in Bronx, New York. Ponce Bank serves the New York City metropolitan area through its headquarters office and 13 full service branch offices. The Bank's branch network covers a four-county market area in New York: Bronx County (4 branches), Queens County (3 branches), Kings County (3 branches) and New York County (2 branches). Ponce Bank also maintains one branch location in Hudson County, New Jersey. A map of Ponce Bank's full serve branch office locations is provided in Exhibit I-1. Ponce Bank is a member of the Federal Home Loan Bank ("FHLB") system and its deposits are insured up to the maximum allowable amount by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is designated as a Minority Depository Institution ("MDI") and a Community Development Financial Institution ("CDFI") under applicable regulations and is a certified Small Business Administration ("SBA") lender.

PDL Community Bancorp, Inc. ("PDLB") is the federally chartered mid-tier holding company of the Bank and Mortgage World Bankers, Inc. ("Mortgage World"), a licensed New York State mortgage banker. PDLB completed its initial public offering on September 29, 2017, pursuant to which it sold 8,308,362 shares or 45.0% of its outstanding common stock to the public and issued 9,545,388 shares or 51.7% of its common stock outstanding to Ponce Bank Mutual Holding Company (the "MHC"), the mutual holding company parent of PDLB. Additionally, PDLB issued 609,279 shares of common stock or 3.3% of its common stock outstanding to The Ponce De Leon Foundation (the "Foundation"). The MHC and PDLB are subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board" or the "FRB"). At March 31, 2021, PDLB had total consolidated assets of $1.434 billion, deposits of $1.139 billion and equity of $161.2 million or 11.24% of total assets. PDLB's audited financial statements for the most recent period are included by reference as Exhibit I-2.

Plan of Conversion

On May 25, 2021, the respective Board of Directors of PDLB and the MHC adopted a plan of conversion and reorganization, whereby the MHC will convert to stock form. As a result of the conversion, PDLB, which currently owns all of the issued and outstanding common stock of the Bank, will be succeeded by Ponce Financial Group, Inc. (“Ponce Financial” or the “Company”), a newly formed Maryland corporation. Following the conversion, the MHC will no longer exist. For purposes of this document, the existing consolidated entity will also hereinafter be also referred to as Ponce Financial or the Company, unless otherwise identified as PDLB. As of March 31, 2021, the MHC had a majority ownership interest of approximately 56.09% in and its principal asset consisted of 9,545,388 common stock shares of PDLB (the “MHC Shares”). The remaining 7,472,864 shares or approximately 43.91% of PDLB’s common stock was owned by public shareholders.

It is our understanding that Ponce Financial will offer its stock, representing the majority ownership interest held by the MHC, in a subscription offering to Eligible Account Holders, Tax-Qualified Plan consisting of the Bank’s employee stock ownership plan (the “ESOP”), Supplemental Eligible Account Holders and Other Members. To the extent that shares remain available for purchase after satisfaction of all subscriptions received in the subscription offering, the shares may be offered for sale to the public at large in a community offering and a syndicated offering. Upon completing the mutual-to-stock conversion and stock offering (the “second-step conversion”), the Company will be 100% owned by public shareholders, the publicly-held shares of PDLB will be exchanged for shares in the Company at a ratio that retains their ownership interest at the time the conversion is completed and the MHC assets will be consolidated with the Company.

The plan of conversion provides for a contribution to the Foundation. The Foundation contribution will be funded with 3.0% of the number of shares of common stock sold in the second-step stock offering and $1.0 million of cash funded by the net proceeds retained by the Company. The purpose of the Foundation is to provide financial support to charitable organizations in the communities in which Ponce Bank operates and to enable those communities to share in the Bank’s long-term growth. The Foundation is dedicated completely to community activities and the promotion of charitable causes.

Strategic Overview

Ponce Financial maintains a local community banking emphasis, with a primary strategic objective of meeting the borrowing and savings needs of its local customer base. The Company is pursuing a strategy of strengthening its community bank franchise dedicated to meeting the banking needs of business and retail customers in the communities that are served by the Company. Growth strategies are emphasizing loan growth that is primarily targeting growth of multi-family and commercial real estate loans, as well as loans originated through the Company’s community lending programs as an authorized direct lender under SBA and a CDFI. Pursuant to implementation of lending growth strategies, the Company has been in the process of selling selected office facilities at gains to the net book value of the properties for purposes of adding liquidity and capital to provide an additional funding source and to increase leverage capacity.

On July 10, 2020, the Company completed its acquisition of Mortgage World. Mortgage World is a mortgage banking company subject to regulation and examination by the New York State Department of Financial Services. Mortgage World is headquartered in Astoria, New York, with a primary market area in the New York City metropolitan area. In addition to its headquarters office, Mortgage World maintains five office locations in the New York cities of Garden City, Brooklyn and Flushing and the New Jersey cities of Englewood Cliffs and Bergenfield.

The Company’s objective is to fund asset growth primarily through deposit growth, emphasizing growth of lower cost core deposits. Core deposit growth is expected to be in part facilitated by growth of commercial lending relationships, pursuant to which the Company is seeking to establish a full-service banking relationship with its commercial loan customers through offering a full range of commercial loan products that can be packaged with lower cost commercial deposit products.

Cash and investments serve as a supplement to the Company’s lending activities, in which cash and cash equivalents currently account for the largest portion of the Company’s cash and investment holdings for purposes of managing liquidity and interest rate risk. The investment portfolio consists of corporate debt securities, U.S. Government bonds and mortgage-backed securities that are guaranteed or insured by government sponsored enterprises (“GSEs”) or backed by Ginnie Mae.

Deposits have consistently served as the primary funding source for the Company, supplemented with borrowings as an alternative funding source for purposes of managing funding costs and interest rate risk, as well as funding Mortgage World’s operations. Core deposits, consisting of transaction and savings account deposits, constitute the largest portion of the Company’s deposit base. Borrowings currently held by the Company consist of FHLB advances and warehouse lines of credit maintained by Mortgage World for the purpose of funding the origination and sale of residential mortgage loans.

Ponce Financial's earnings base is largely dependent upon net interest income and operating expense levels. The Company has experienced net interest margin compression during recent years, as the result a narrowing yield-cost spread. Comparatively, the Company experienced net interest margin expansion during the first quarter of 2021, as the result of a widening yield-cost spread. Overall, the Company has maintained a relatively strong net interest margin over the past five and one-quarter years, which has been facilitated through lending diversification into loans with relatively high yields. Operating expense ratios have increased in recent years, primarily in connection with implementation of strategic initiatives discussed below and the acquisition of Mortgage World's mortgage banking operations. Non-interest operating income has been a growing contributor to the Company's earnings, which has been mostly attributable to revenues generated by Mortgage World. Loan loss provisions have had a varied impact on the Company's earnings over the past five and one-quarter years, based on loan growth, credit quality trends and more recently to address the economic uncertainty resulting from the Covid-19 pandemic.

In recent years the Company has pursued implementation of strategic initiatives to upgrade infrastructure, add experienced bankers, lending and relationship staff, adopt electronic banking services and restructure its retail business model ("Vision 2020"). As part of Vision 2020, the Company partnered with Sales Force to deploy applications throughout the organization including retail services, lending processes, back-office operations, digital banking and loan underwriting. The infrastructure upgrade has focused primarily on implementing technology, cybersecurity and network progression while establishing a Virtual Private Network ("VPN")

A key component of the Company's business plan is to complete a second-step conversion offering. The Company's strengthened capital position will increase operating flexibility and facilitate implementation of planned growth strategies, including increasing lending capacity to the Company's current loan customers as well as to prospective loans customers of the Company. Additionally, in the near term, the second-step offering will serve to substantially increase regulatory capital and liquidity and, thereby, facilitate building and maintaining loss reserves while also providing the Company with greater flexibility to work with borrowers affected by the Covid-19 pandemic. The Company's strengthened capital position will also provide more of a cushion against potential credit quality related losses in future periods. Ponce Financial's higher capital position resulting from the infusion of stock proceeds will also serve to reduce interest rate risk, particularly through enhancing the Company's interest-earning assets/interest-bearing liabilities ("IEA/IBL") ratio. The additional funds realized from the stock offering will serve to raise the level of interest-earning assets funded with equity and, thereby, reduce the ratio of interest-earning assets funded with interest-bearing liabilities as the balance of interest-bearing liabilities will initially remain relatively unchanged following the conversion, which may facilitate a reduction in Ponce Financial's funding costs. Ponce Financial's strengthened capital position will also position the Company to pursue additional expansion opportunities. Such expansion could potentially include establishing or acquiring additional banking offices to gain a market presence in nearby markets that are complementary to the Company's existing branch network. As a fully-converted institution, the Company's stronger capital position and greater capacity to offer stock as consideration for an acquisition may also facilitate increased opportunities to grow through acquisitions. At this time, the Company has no specific plans for expansion through acquisitions.

The projected uses of proceeds are highlighted below.

- Ponce Financial. The Company is expected to retain up to 50% of the net offering proceeds. At present, funds at the Company level, net of the loan to the ESOP, are expected to be invested initially into liquid funds, in which some or all may be held as a deposit at the Bank, and into Mortgage World's operations. Over time, the funds may be utilized for various corporate purposes, possibly including acquisitions, infusing additional equity into the Bank, repurchases of common stock and the payment of cash dividends.
- Ponce Bank. Approximately 50% of the net stock proceeds will be infused into the Bank in exchange for all of the Bank's stock. Cash proceeds (i.e., net proceeds less deposits withdrawn to fund stock purchases) infused into the Bank are anticipated to become part of general operating funds and are expected to be primarily utilized to fund loan growth over time.

Overall, it is the Company's objective to pursue growth that will serve to increase returns, while, at the same time, growth will not be pursued that could potentially compromise the overall risk associated with Ponce Financial's operations.

Balance Sheet Trends

Table 1.1 shows the Company's historical balance sheet data for the past five and one-quarter years. From yearend 2016 through March 31, 2021, Ponce Financial's assets increased at a 16.65% annual rate. Asset growth was largely driven by loan growth and was primarily funded by deposit growth. A summary of Ponce Financial's key operating ratios over the past five and one-quarter years is present in Exhibit I-3.

Table 1.1
Ponce Financial Group, Inc.
Historical Balance Sheet Data

	At December 31,										At March 31,		12/31/16-3/31/21 Annual
	2016		2017		2018		2019		2020		2021		Growth Rate
	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Pct (%)
Total Amount of:	$744,983	100.00%	$925,522	100.00%	$1,059,901	100.00%	$1,053,756	100.00%	$1,355,231	100.00%	$1,433,707	100.00%	16.65%
Assets													
Cash and cash equivalents	11,716	1.57%	59,724	6.45%	69,778	6.58%	27,677	2.63%	72,078	5.32%	90,122	6.29%	61.62%
Investment securities	52,690	7.07%	28,897	3.12%	27,144	2.56%	21,504	2.04%	19,241	1.42%	32,661	2.28%	-10.64%
Loans held for sale	2,143	0.29%	—	0.00%	—	0.00%	1,030	0.10%	35,406	2.61%	13,725	0.96%	101.61%
Loans receivable, net	642,148	86.20%	798,703	86.30%	918,509	86.66%	955,737	90.70%	1,158,640	85.49%	1,230,458	85.82%	16.53%
FHLB stock	964	0.13%	1,511	0.16%	2,915	0.28%	5,735	0.54%	6,426	0.47%	6,057	0.42%	54.10%
Deposits	$643,078	86.32%	$713,985	77.14%	$ 809,758	76.40%	$ 782,043	74.21%	$1,029,579	75.97%	$1,138,546	79.41%	14.39%
Borrowings	3,000	0.40%	36,400	3.93%	69,404	6.55%	104,404	9.91%	148,699	10.97%	121,595	8.48%	138.95%
Equity	$ 92,992	12.48%	$164,785	17.80%	$ 169,172	15.96%	$ 158,402	15.03%	$ 159,544	11.77%	$ 161,204	11.24%	13.82%
Loans/Deposits		99.86%		111.87%		113.43%		122.21%		112.54%		108.07%	
Number of Offices		14		14		14		14		20		20	

(1) Ratios are as a percent of ending assets.

Sources: Ponce Financial's prospectus, audited and unaudited financial statements, and RP Financial calculations.

Ponce Financial’s loans receivable portfolio increased at a 16.53% annual rate from yearend 2016 through March 31, 2021, which provided for a slight decrease in the loans-to-assets ratio from 86.20% at yearend 2016 to 85.82% at March 31, 2021.

Trends in the Company’s loan portfolio composition since yearend 2016 show that the concentration of 1-4 family mortgage loans comprising total loans decreased from 49.88% of total loans receivable at yearend 2016 to 33.53% of total loans receivable at March 31, 20201. Commercial real estate loans also decreased from 18.64% of total loans receivable at yearend 2016 to 17.28% of total loans receivable at March 31, 2021. Comparatively, from yearend 2016 through March 31, 2021, the concentration of multi-family loans increased slightly to equal 25.28% of total loans receivable at March 31, 2021 and construction and land loans increased from 4.66% of total loans receivable to 9.57% of total loans receivable. Over the same time period, the relative concentrations of commercial business loans increased from 2.41% of total loans receivable to 11.40% of total loans receivable and consumer loans increased from 0.13% of total loans receivable to 2.94% of total loans receivable. Additionally, loans held for sale, fluctuated from a zero balance at year ends 2017 and 2018 to a high of $35.4 million at yearend 2020 and equaled $13.7 million or 0.96% of assets at March 31, 2021.

The intent of the Company’s investment policy is to provide adequate liquidity and to generate a favorable return within the context of supporting overall credit and interest rate risk objectives. It is anticipated that proceeds retained at the holding company level will initially be invested into liquid funds held as a deposit at the Bank and into Mortgage World’s operations. Since yearend 2016, the Company’s level of cash and investment securities (inclusive of FHLB stock) ranged from a low of 5.21% of assets at yearend 2019 to a high of 9.74% of assets at yearend 2017 and equaled 8.99% of assets at March 31, 2021. As of March 31, 2021, the Company held investment securities totaling $32.7 million or 2.28% of assets. Mortgage-backed securities totaling $16.1 million comprised the most significant component of the Company’s investment securities portfolio at March 31, 2021. Other investments held by the Company at March 31, 2021 consisted of corporate bonds ($13.6 million) and U.S. Government bonds ($3.0 million). As of March 31, 2021, $30.9 million of the investment securities portfolio was maintained as available for sale and $1.7 million was maintained as held to maturity. As of

March 31, 2021, the available for sale investment portfolio had a net unrealized gain of $97,000. Exhibit I-4 provides historical detail of the Company's investment portfolio. As of March 31, 2021, the Company also held $90.1 million of cash and cash equivalents and $6.1 million of FHLB stock.

Ponce Financial's funding needs have been addressed through a combination of deposits, borrowings and internal cash flows. From yearend 2016 through March 31, 2021, the Company's deposits increased at a 14.39% annual rate. Total deposits increased throughout the period covered in Table 1.1, with the exception of 2019. Deposits as a percent of assets ranged from a low of 74.21% at yearend 2019 to a high of 86.32% at yearend 2016. As of March 31, 2021, deposits equaled 79.41% of assets. Transaction and savings account deposits comprise the largest concentration of the Company's deposits and accounted for 61.65% of the Company's average total deposits during the three months ended March 31, 2021, with the remaining 38.35% of total deposits consisting of CDs.

Borrowings serve as an alternative funding source for the Company to address funding needs for growth, funding Mortgage World's operations and to support management of deposit costs and interest rate risk. Over the five and one-quarter year period covered in Table 1.1, borrowings ranged from a low of $3.0 million or 0.40% of assets at yearend 2016 to a high of $148.7 million or 10.97% of assets at yearend 2020. As of March 31, 2021, borrowings totaled $121.6 million or 8.48% of assets and consisted of FHLB advances ($109.3 million), warehouse lines of credit ($11.7 million) and mortgage loan fundings payable ($676,000).

The Company's equity increased at a 13.82% annual rate from yearend 2016 through March 31, 2021, with most of the growth occurring in 2017 in connection with the capital raised in the Company's first-step public stock offering. Stronger asset growth relative to capital growth provided for a decrease in the Company's equity-to-assets ratio from 12.48% at yearend 2016 to 11.24% at March 31, 2021. The Bank maintained capital surpluses relative to all of its regulatory capital requirements at March 31, 2021. The addition of stock proceeds will serve to strengthen the Company's capital position, as well as support growth opportunities. At the same time, the significant increase in Ponce Financial's pro forma capital position will initially depress its ROE.

Income and Expense Trends

Table 1.2 shows the Company's historical income statements for the years ended December 31, 2016 through December 31, 2020 and for the twelve months ended March 31, 2021. During the period covered in Table 1.2, the Company's reported earnings ranged from a net loss of $5.1 million or 0.49% of average assets during 2019 to a high of $7.5 million or 0.59% of average assets during the twelve months ended March 31, 2021. Net interest income and operating expenses represent the primary components of the Company's earnings, while non-interest operating income has been a growing contributor to the Company's earnings. Loan loss provisions and non-operating income and losses have had a varied impact on the Company's earnings during the period covered in Table 1.2

For the period covered in Table 1.2, the Company's net interest income to average assets ratio ranged from a low of 3.51% during 2020 to a high of 3.83% during 2016. The Company's net interest income to average assets ratio increased slightly to 3.54% during the twelve months ended March 31, 2021. The decrease in the Company's net interest income ratio from 2016 to 2020 occurred mostly during 2019 and 2020, as the result of interest rate spread compression. Interest rate spread compression during 2019 was due to a more significant increase in the cost of interest-bearing liabilities compared to the increase in the yield on interest earning asset, while interest rate spread compression during 2020 was due to a more significant decrease in the yield on interest-earning assets relative to the decrease in the cost of interest-bearing liabilities. The slight increase in the net interest income ratio during the twelve months ended March 31, 2021 was facilitated by a higher interest rate spread during the first quarter of 2021 compared to the year ago quarter, which was the result of a more significant decrease in the cost of interest-bearing liabilities relative to the decrease in the yield on interest-earning assets. Overall, during the past five and one-quarter years, the Company's interest rate spread decreased from a high of 3.82% during 2016 to a low of 3.37% during 2020. For the three months ended March 31, 2021, the Company's interest rate spread equaled 3.76% compared to 3.51% for the three months ended March 31, 2020. The Company's net interest rate spreads and yields and costs for the past five and one-quarter years are set forth in Exhibit I-3 and Exhibit I-5.

Pursuant to the Company's acquisition of Mortgage World in 2020, non-interest operating income has become a more significant contributor to the Company's earnings in 2020 and the first quarter of 2021. Throughout the period shown in Table 1.2, sources of non-interest

Table 1.2
Ponce Financial Group, Inc.
Historical Income Statements

	For the Year Ended December 31,										For the 12 Months Ended 03/31/2021	
	2016		2017		2018		2019		2020			
	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)	Amount ($000)	Pct(1) (%)
Interest income	$ 33,741	4.65%	$ 38,989	4.56%	$ 46,156	4.76%	$ 50,491	4.85%	$ 53,339	4.46%	$ 55,486	4.37%
Interest expense	(5,936)	-0.82%	(6,783)	-0.79%	(9,490)	-0.98%	(12,358)	-1.19%	(11,369)	-0.95%	(10,548)	-0.83%
Net interest income	$ 27,805	3.83%	$ 32,206	3.77%	$ 36,666	3.78%	$ 38,133	3.66%	$ 41,970	3.51%	$ 44,938	3.54%
Provision for loan losses	57	0.01%	(1,716)	-0.20%	(1,249)	-0.13%	(258)	-0.02%	(2,443)	-0.20%	(1,983)	-0.16%
Net interest income after provisions	$ 27,862	3.84%	$ 30,490	3.57%	$ 35,417	3.65%	$ 37,875	3.63%	$ 39,527	3.31%	$ 42,955	3.38%
Non-interest operating income	$ 2,431	0.34%	$ 3,104	0.36%	$ 2,938	0.30%	$ 2,683	0.26%	$ 4,950	0.41%	$ 6,050	0.48%
Gain on sale of mortgage loans	0	0.00%	0	0.00%	0	0.00%	0	0.00%	4,120	0.34%	5,628	0.44%
Operating expense	(27,863)	-3.84%	(30,264)	-3.54%	(34,557)	-3.56%	(36,677)	-3.52%	(47,539)	-3.98%	(49,632)	-3.90%
Net operating income	$ 2,430	0.34%	$ 3,330	0.39%	$ 3,798	0.39%	$ 3,881	0.37%	$ 1,058	0.09%	$ 5,001	0.39%
Non-Operating Income/(Losses)												
Charitable foundation contribution	—	0.00%	($ 6,293)	-0.74%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Loss on termination of pension plan	—	0.00%	—	0.00%	—	0.00%	($ 9,930)	-0.95%	—	0.00%	—	0.00%
Gain on sale of property	—	0.00%	—	0.00%	—	0.00%	—	0.00%	$ 4,177	0.35%	$ 4,840	0.38%
Net non-operating income(losses)	$ 0	0.00%	($ 6,293)	-0.74%	$ 0	0.00%	($ 9,930)	-0.95%	4,177	0.35%	4,840	0.38%
Net income before tax	$ 2,430	0.34%	($ 2,963)	-0.35%	$ 3,798	0.39%	($ 6,049)	-0.58%	$ 5,235	0.44%	$ 9,841	0.77%
Income tax provision	(1,005)	-0.14%	(1,424)	-0.17%	(1,121)	-0.12%	924	0.09%	(1,382)	-0.12%	(2,323)	-0.18%
Net income (loss)	$ 1,425	0.20%	($ 4,387)	-0.51%	$ 2,677	0.28%	($ 5,125)	-0.49%	$ 3,853	0.32%	$ 7,518	0.59%
Adjusted Earnings												
Net income	$ 1,425	0.20%	($ 4,387)	-0.51%	$ 2,677	0.28%	($ 5,125)	-0.49%	$ 3,853	0.32%	$ 7,518	0.59%
Add(Deduct): Non-operating income	0	0.00%	6,293	0.74%	0	0.00%	9,930	0.95%	(4,177)	-0.35%	(4,840)	-0.38%
Tax effect (2)	0	0.00%	(2,140)	-0.25%	0	0.00%	(2,284)	-0.22%	961	0.08%	1,113	0.09%
Adjusted earnings	$ 1,425	0.20%	($ 234)	-0.03%	$ 2,677	0.28%	$ 2,521	0.24%	$ 637	0.05%	$ 3,791	0.30%
Expense Coverage Ratio (3)	1.00x		1.06x		1.06x		1.04x		0.88x		0.91x	
Efficiency Ratio (4)	92.09%		85.71%		87.25%		89.80%		93.43%		87.44%	

(1) Ratios are as a percent of average assets.
(2) Assumes a 34.0% effective tax rate for 2016 and 2017 and a 23.0% effective tax rate for 2018 through the twelve months ended March 31,2021
(3) Expense coverage ratio calculated as net interest income before provisions for loan losses divided by operating expenses.
(4) Efficiency ratio calculated as operating expenses divided by the sum of net interest income before provisions for loan losses plus non-interest operating income.

Sources: Ponce Financial's prospectus, audited and unaudited financial statements and RP Financial calculations.

operating income ranged from a low of $2.4 million or 0.34% of average assets during 2016 to a high of $11.7 million or 0.92% of average assets during the twelve months ended March 31, 2021. In addition to gains on the sale of mortgage loans, non-interest operating income generated through Mortgage World include loan origination fees, brokerage commissions and other non-interest operating income. For the twelve months ended March 31, 2021, Mortgage World's non-interest operating income totaled $8.6 million, which accounted for approximately 73% of the Company's non-interest operating income during the twelve month period. Other sources of non-operating income for the Company consist primarily of fees and service charges and other non-interest operating income.

Operating expenses represent the other major component of the Company's earnings, ranging from a low of $27.9 million or 3.84% of average assets during 2016 to a high of $49.6 million or 3.90% of average assets during the twelve months ended March 31, 2021. The upward trend in the Company's operating expenses since 2016 reflects the Company's investment in personnel and infrastructure to facilitate implementation of growth strategies. Higher operating expenses have also been the result of acquiring Mortgage World's operations and absorbing the cost of being a public company.

Overall, the general trends in the Company's net interest income ratio and operating expense ratio showed a decrease in core earnings, as indicated by the Company's expense coverage ratios (net interest income divided by operating expenses). Ponce Financial's expense coverage ratio equaled 1.00 times during 2016, versus a ratio of 0.91 times during the twelve months ended March 31, 2021. The decrease in the expense coverage ratio was largely related to the acquisition of Mortgage World, which had a fairly significant impact on operating expenses and a nominal impact on net interest income. Comparatively, largely as the result of non-operating income generated by Mortgage World, Ponce Financial's efficiency ratio (operating expenses as a percent of the sum of net interest income and other operating income) of 92.09% during 2016 was less favorable compared to its efficiency ratio of 87.44% during the twelve months ended March 31,2021.

During the period covered in Table 1.2, the amount of loan loss provisions recorded by the Company ranged from a recovery of $57,000 or 0.01% of average assets during 2016 to loan loss provisions of $2.4 million or 0.20% of average assets during 2020. For the twelve months ended March 31, 2021, loan loss amounted to $2.0 million or 0.16% of average assets. The higher loan loss provisions established during 2020 and the twelve months ended March

31, 2021 were the result of loan growth, as well as the economic uncertainty associated with the Covid-19 pandemic and the resulting impact it could have on the Company's credit quality. As of March 31, 2021, the Company maintained valuation allowances of $15.5 million, equal to 1.24% of total loans and 126.07% of non-performing loans. As of March 31, 2021, non-performing loans totaled $12.3 million or 0.99% of total loans. Exhibit I-6 sets forth the Company's loan loss allowance activity during the past five and one-quarter years.

Non-operating income and losses have had a varied impact on the Company's earnings over the past five and one-quarter years. No non-operating income or losses were recorded in 2016 and 2018. In 2017, the Company recorded an expense of $6.3 million or 0.74% of average assets for the contribution to the charitable Foundation, which was done in connection with the Company's first-step public stock offering. In 2019, the termination of the Company's pension plan resulted in a non-operating loss of $9.9 million or 0.95% of average assets. In 2020 and for the twelve months ended March 31, 2021, the Company recorded gains on the sale of property equal to $4.2 million or 0.35% of average assets and $4.8 million or 0.38% of average assets, respectively. Overall, the items that comprise the Company's non-operating income and losses are not viewed to be part of the Company's core or recurring earnings base.

The Company's effective tax rate ranged from a tax benefit of 15.28% during 2019 to a tax expense of 48.06% during 2017 and equaled 23.61% during the twelve months ended March 31, 2021. The relatively high effective tax rate recorded for 2017 includes a reduction in the value of Ponce Financial's deferred tax assets and a corresponding charge to income tax expense of $2.1 million as a result of the enactment of the Tax Cuts and Jobs Act of 2017, which reduced the maximum federal corporate income tax rate to 21% from 35%. As set forth in the prospectus, the Company's effective marginal tax rate is 23.0%.

Interest Rate Risk Management

The Company analyzes its sensitivity to changes in interest rates in two ways: 1) the change in net interest income caused by a change in interest rates; and 2) the change in market value of portfolio equity caused by changes in the values of assets and liabilities, which fluctuate due to changes in interest rates. The market value of portfolio equity, also referred to as the economic value of equity ("EVE"), is defined as the present value of expected cash flows from existing assets, minus the present value of expected cash flows from existing liabilities adjusted for the value of off-balance sheet contracts. As shown in Exhibit I-7, the Company's interest rate risk analysis as of March 31, 2021 indicated that in the event of a 200 basis point increase in interest rates over a one year period, assuming a permanent parallel and immediate shifts in the yield curve over such period, net interest income would decrease by 2.33% and EVE would decrease by 3.99%, which were within policy limits.

The Company pursues a number of strategies to manage interest rate risk, particularly with respect to seeking to limit the repricing mismatch between interest rate sensitive assets and liabilities. The Company manages interest rate risk from the asset side of the balance sheet through investing in investment securities with adjustable interest rates, maintaining most of the investment securities portfolio as available for sale, maintaining a relatively high level of liquidity in the prevailing low interest rate environment, emphasizing origination of adjustable rate and shorter term fixed rate loans for retention in the Company's loan portfolio and selling originations of longer term fixed rate 1-4 family permanent mortgage loans in the secondary market. As of March 31, 2021, of the Company's total loans due after March 31, 2022, adjustable rate loans comprised 69.30%% of total loans receivable (see Exhibit I-8). On the liability side of the balance sheet, management of interest rate risk has been pursued through emphasizing growth of lower costing and less interest rate sensitive transaction and savings accounts, seeking to extend CD maturities through offering attractive rates on certain longer term CDs and utilizing fixed rate FHLB advances with terms of more than one year. Transaction and savings account deposits comprised 61.43% of the Company's total deposits at March 31, 2021.

The infusion of stock proceeds will serve to further limit the Company's interest rate risk exposure, as most of the net proceeds will be redeployed into interest-earning assets and the increase in the Company's capital position will lessen the proportion of interest rate sensitive liabilities funding assets.

Lending Activities and Strategy

Pursuant to the Company's strategic plan, the Company is pursuing a diversified lending strategy emphasizing commercial real estate/multi-family loans and commercial business loans as the primary areas of targeted loan growth. Historically, Ponce Financial's lending activities emphasized the origination of 1-4 family permanent mortgage loans and such loans continue to comprise a significant component of the Company's loan portfolio. Other areas of lending diversification for the Company include construction loans and consumer loans. The origination of 1-4 family permanent mortgage loans is expected to remain a highly active area of lending for the Company, particularly with respect to loan production generated through Mortgage World.

However, growth of the 1-4 family loan portfolio will be constrained by the sale of most originations of longer term, fixed rate 1-4 family permanent mortgage loans. Exhibit I-9 provides historical detail of Ponce Financial's loan portfolio composition for the past five and one-quarter years and Exhibit I-10 provides the contractual maturity of the Company's loan portfolio by loan type as of March 31, 2021.

1-4 Family Residential Loans. Ponce Financial offers both fixed rate and adjustable rate 1-4 family permanent mortgage loans with terms of up to 30 years. Loans originated by Ponce Financial are generally retained for portfolio, while loans originated by Mortgage World are sold to investors, including Ponce Bank. The Bank generally limits owner-occupied 1-4 family loans to loan-to-value ("LTV") ratios of up to 80% for a refinance and 90% for a purchase. Investor-owned 1-4 family loans are generally originated up to a maximum LTV ratio of 70% on purchases and 65% on refinances. A minimum debt-coverage ratio of 1.2 times is required for investor owned 1-4 family loans. Adjustable rate loans offered by the Bank generally have repricing terms of 5/1 or 5/5 and are indexed to the comparable term FHLB of New York advance rate. As of March 31, 2021, the Company's outstanding balance of 1-4 family loans equaled $417.9 million or 33.52% of total loans receivable and consisted of $317.9 million of investor-owned loans and $100.0 million of owner-occupied loans.

Home Equity Loans and Lines of Credit. Included in the Company's 1-4 family loan portfolio are home equity loans and lines of credit, which totaled $11.1 million at March 31, 2021. Home equity loans are originated with comparable terms as 1-4 family permanent mortgage loans. Home equity lines of credit are tied to the prime rate as published in *The Wall Street Journal* and are offered for terms of a five-to-ten year draw period followed by a 15 year repayment period. The Bank will originate home equity loans and lines of credit up to a maximum LTV ratio of 75%, inclusive of other liens on the property.

Commercial Real Estate and Multi-Family Loans. Commercial real estate and multi-family loans consist largely of loans originated by the Company, which are collateralized by properties in the Company's regional lending area. Ponce Financial generally originates commercial real estate and multi-family loans up to a LTV ratio of 75% (70% on the refinance of commercial real estate properties) and generally requires a minimum debt-coverage ratio of 1.2 times. In connection with the Covid-19 pandemic, the Company adopted temporary guidelines which lowered LTV ratios by 5% and increased debt coverage ratios by 10%. Currently, the Company still requires the higher debt coverage ratios, but no longer requires lower LTV ratios.

Commercial real estate and multi-family loans are originated with amortization terms of up to 30 years. Loan terms offered on commercial real estate and multi-family loans generally consist of adjustable rate loans, which are indexed to the 5-year FHLB of New York advance rate. Properties securing the commercial real estate and multi-family loan portfolio include office buildings, industrial and warehouses, retail and wholesale, apartments, churches, service, doctor, dentist, daycare and schools, restaurants, hotels and motels, medical, nursing homes and hospitals. At March 31, 2021, the Company's largest commercial real estate loan had an outstanding balance of $10.9 million and was performing in accordance with its original terms. At March 31, 2021, the Company's largest multi-family loan had an outstanding balance of $12.3 million and was performing in accordance with its original terms. As of March 31, 2021, the Company's outstanding balance of commercial real estate and multi-family loans totaled $530.4 million equal to 42.55% of total loans outstanding and included $315.1 million of multi-family loans.

Construction Loans. Construction loans originated by the Company consist primarily of loans to finance the construction of multi-family properties and, to a lesser extent, to finance the construction of commercial properties and 1-4 family residences. Construction loans are generally offered as fixed rate interest only loans during the construction period, which is typically up to 24 months. Construction loans are generally offered up to a maximum LTV ratio of 65% of the appraised value of the completed property and a maximum loan-to-cost ratio of 70%. The Company's 1-4 family construction lending activities consist of originations to professional developers, contractors and builders, and individuals. As of March 31, 2021, the Company's outstanding balance of construction loans equaled $119.3 million or 9.57% of total loans receivable.

Commercial Business Loans. The commercial business loan portfolio is generated through extending loans to businesses operating in the local market area. Currently, most of the commercial business loans held in the Company's loan portfolio consist of loans generated through the Payroll Protection Program ("PPP"). Expansion of commercial business lending activities is a desired area of loan growth for the Company, pursuant to which the Company is seeking to become a full service community bank to its commercial loan customers through offering a full range of commercial loan products that can be packaged with lower cost commercial deposit products. Commercial business loans offered by the Company consist of lines of credit and term loans, with terms of generally no more than seven years. Commercial business loans are typically indexed to *The Wall Street Journal* prime rate. The commercial business loan portfolio consists substantially of loans secured by business assets such as accounts receivable, inventory, equipment and real estate. As of March 31, 2021, the Company's outstanding balance of commercial business loans equaled $142.1 million or 11.40% of total loans receivable and included $132.5 million of PPP loans.

Consumer Loans. Historically, consumer lending has been a very limited area of lending diversification for the Company, with such loans consisting of passbook loans and other secured and unsecured personal loans. In 2020, the Company entered into a consumer lending partnership with Grain Technologies, LLC. ("Grain"). Grain provides a line of credit using a mobile application generated nationally to the underbanked and new generations entering the financial services market that uses non-traditional underwriting methodologies. As of March 31, 2021, the Company held $36.7 million of consumer loans or 2.94% of total loans receivable and included $35.9 million of loans originated and serviced by the Company pursuant to its arrangement with Grain.

Exhibit I-11 provides a summary of Ponce Bank's lending activities over the past five and one-quarter years. Total loans originated ranged from a low of $162.8 million during 2016 to a high of $372.8 million during 2020. The increase in loans originated was primarily realized through increased originations of commercial business loans, multi-family loans and construction loans. The increase in commercial business loan originations was driven by originations of PPP loans, as PPP loans accounted for $85.3 million of the $89.1 million of commercial business loans originated during 2020. Consumer loans originated under the Bank's arrangement with Grain accounted for $25.5 million of the $26.0 million of consumer loans originated during 2020. The Bank did not purchase any loans over the past five and one-quarter years, while loans sold ranged from zero during 2016 to $6.8 million during 2018. Loan growth was recorded in each of past five years and in the first quarter of 2021, with net loan activity ranging from $36.3 million during 2019 to $206.0 million during 2020.

Asset Quality

Over the past five and one-quarter years, Ponce Financial's balance of non-performing assets ranged from a low of $6.8 million or 0.64% of assets at December 31, 2018 to a high of $12.3 million or 0.86% of assets at March 31, 2021. As shown in Exhibit I-12, non-performing assets at March 31, 2021 consisted entirely of non-accruing loans. Loans secured by 1-4 family residences comprised the largest concentration of the non-accruing loan balance, with the second largest concentration consisting of loans secured by commercial properties.

To track the Company's asset quality and the adequacy of valuation allowances, the Company has established detailed asset classification policies and procedures which are consistent with regulatory guidelines. Detailed asset classifications are reviewed on a regular basis by senior management and the Board. Pursuant to these procedures, when needed, the Company establishes additional valuation allowances to cover anticipated losses in classified or non-classified assets. As of March 31, 2021, the Company maintained loan loss allowances of $15.5 million, equal to 1.24% of total loans receivable and 126.07% of non-performing loans.

Funding Composition and Strategy

Deposits have consistently served as the Company's primary funding source and at March 31, 2021 deposits accounted for 90.35% of Ponce Financial's combined balance of deposits and borrowings. Exhibit I-13 sets forth the Company's deposit composition for the past three and one-quarter years. Transaction and savings account deposits constituted 61.65% of average total deposits during the three months ended March 31, 2021, as compared to 41.68% of average total deposits during 2018. The increase in the concentration of core deposits comprising total deposits during the three months ended March 31, 2021 compared to during 2018 was due to growth of core deposits and a decline in CDs.

The balance of the Company's deposits consists of CDs, which equaled 38.35% of average total deposits during the three months ended March 31, 2021 compared to 58.32% of average total deposits during 2018. Ponce Financial's current CD composition reflects a higher concentration of short-term CDs (maturities of one year or less). The CD portfolio totaled $439.2 million at March 31, 2021 and 58.10% of the CDs were scheduled to mature in one year or less. Exhibit I-14 sets forth the maturity schedule of the Company's CDs as of March 31, 2021. As of March 31, 2021, jumbo CDs (CD accounts with balances of $100,000 or more) amounted to $220.4 million or 50.18% of total CDs. The Company held $96.0 million of brokered CDs at March 31, 2021.

Borrowings serve as an alternative funding source for the Company to address funding needs for growth, funding Mortgage World's operations and to support management of deposit costs and interest rate risk. As of March 31, 2021, the Company's borrowings totaled $121.6 million and consisted of FHLB advances ($109.3 million), two warehouse lines of credit for purposes of funding Mortgage World's origination and sale of loans ($11.7 million) and mortgage loan fundings payable ($676,000). Exhibit I-15 provides further detail of the Company's borrowings activities during the past three and one-quarter years.

<u>Subsidiaries</u>

The Company has two subsidiaries, Ponce Bank and Mortgage World. The Bank maintains two subsidiaries:

Ponce de Leon Mortgage Corp. is a New York state chartered mortgage brokerage entity, whose employees are registered in New York and New Jersey.

PFS Services Corp. owned one of the Bank's properties as of March 31, 2021.

<u>Legal Proceedings</u>

From time to time, the Company is involved in routine legal proceedings in the ordinary course of business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to the Company's financial condition, results of operations and cash flows.

II. MARKET AREA

Introduction

Headquartered in Bronx, New York, Ponce Financial serves the New York City metropolitan area through its headquarters office and 13 full service branch offices. The Company's branch network covers a four-county market area in New York: Bronx County (4 branches), Queens County (3 branches), Kings County (3 branches) and New York County (2 branches). Ponce Financial also maintains one branch location in Hudson County, New Jersey. The New York City metropolitan also constitutes the primary market area for Mortgage World. In addition to its executive offices in Astoria, New York, Mortgage World maintains five office locations in the New York cities of Garden City, Brooklyn and Flushing and the New Jersey cities of Englewood Cliffs and Bergenfield. Exhibit II-1 provides information on the Company's office facilities.

With operations in a major metropolitan area, the Company's competitive environment includes a significant number of commercial banks, thrifts and other financial services companies, some of which have a regional or national presence. These institutions also have greater resources at their disposal than the Company. The New York metropolitan area has a highly developed economy, with a relatively high concentration of highly skilled workers who are employed in a number of different industry clusters including financial services, healthcare and technology.

Future growth opportunities for Ponce Financial depend on the future growth and stability of the local and regional economy, demographic growth trends, and the nature and intensity of the competitive environment. These factors have been briefly examined to help determine the growth potential that exists for the Company, the relative economic health of the Company's market area, and the resultant impact on value.

National Economic Factors

The future success of the Company's operations is partially dependent upon various national and local economic trends. In assessing national economic trends over the past few quarters, manufacturing activity for October 2020 expanded at its quickest pace in more than two years with an index reading of 59.3. Comparatively, October service sector activity declined to an index reading of 56.6. U.S. employers added 638,000 jobs in October and the October unemployment rate dropped to 6.9%. October existing home sales rose to a 14-year high with an increase of 4.3% from September existing home sales, as low borrowing costs and a shift in living preferences during the pandemic fueled a surge in home purchases. November manufacturing and service activity slowed to respective index readings of 57.5 and 55.9. The U.S. economy added 245,000 jobs in November, which was less than expected, and the November unemployment rate dropped to 6.7%. November retail sales dropped 1.1%, amid a surge in coronavirus infections and new business restrictions. Existing home sales declined 2.5% in November, versus an 11.0% decline in November new home sales. Manufacturing activity for December accelerated to an index reading of 60.7, while service sector activity for December accelerated to an index reading of 57.2. U.S. payrolls for December declined by 140,000 which was the first decline since April. The December unemployment rate remained at 6.7%. Retail sales for December were down 0.7%. Existing and new home sales for December increased by 0.7% and 1.6%, respectively. Fourth quarter GDP increased at a 4.0% annualized rate, while GDP for all of 2020 contracted 3.5%.

January 2021 manufacturing activity slowed to an index reading of 58.7, while service sector activity for January accelerated to an index reading of 58.7. U.S. employers added 49,000 jobs in January and the January unemployment rate fell to 6.3%. January retail sales jumped 5.3%, as consumer spending was boosted by stimulus checks. January sales for new and existing homes increased by 4.3% and 0.6%, respectively. Manufacturing activity expanded in February to an index reading of 60.8, which was at a three-year high. Comparatively, February service sector activity slowed to an index reading of 55.3. The U.S. economy added 372,000 jobs in February, which was the most jobs added in four months, and the February unemployment rate dropped to 6.2%. February existing home sales dropped 6.6%, as a lack of housing supply limited home purchases. Likewise, tight inventories and record cold weather translated into new home sales falling 18.2% in February. March manufacturing activity surged to a 37-year high with an index reading of 64.7, while service sector activity for March rose to a record high index reading of 63.7. Stimulus checks, easing social distancing standards and administration of more Covid-19 vaccines helped to spur a 9.8% increase in retail sales for March. With the supply of existing home sales remaining tight, March existing home sales declined 3.7%. Comparatively, March new home sales surged 20.7%, which was the highest level since August 2006. First quarter GDP increased at a 6.4% annual rate.

Both manufacturing and service sector activity expanded at slower rates in April 2021, with respective readings of 60.7 and 62.7. U.S. employers added 266,000 jobs in April, which was well below expectations, and the April unemployment rate increased to 6.1%. Retail sales for April were unchanged from March retail sales. Existing and new home sales for April dropped 2.7% and 5.9%, respectively, as limited inventory and record high prices limited potential buyers. Initial weekly jobless claims fell to consecutive pandemic lows in the final two weeks of May, declining from 444,000 claims in the third week of May to 406,000 in the fourth week of May.

In terms of interest rates trends over the past few quarters, economic reports indicating the U.S. economy was continuing to improve and hopes of a new coronavirus relief deal pushed the 10-year Treasury yield above 0.75% in early-October 2020, which was followed by long-term Treasury yields stabilizing through mid-October. After increasing to a yield of 0.85% heading into late-October, the 10-year Treasury edged lower at the beginning of the last week of October as a surge in coronavirus cases added to worries about the economic outlook in the absence of a stimulus deal. Stronger-than-expected third quarter GDP growth pushed the 10-year Treasury yield up to 0.88% at the end of October. After edging lower with the release of the October employment report, long-term Treasury yields surged higher in the second week of November on news that a coronavirus vaccine being developed was 90% effective. Long-term Treasury yields edged lower going into the second half of November, as states implemented new lockdown measures amid a resurgence of coronavirus infections. Promising results for multiple Covid-19 vaccines and signs that U.S. lawmakers were committed to completing a new Covid-19 relief package contributed to long-term Treasury yields edging higher in early-December, which was followed by interest rates stabilizing for the balance of 2020. At its final meeting of the year in mid-December, the Federal Reserve left its benchmark rate at near zero and made no changes to its asset purchase program.

Interest rates remained stable at the start of 2021 and then edged higher following the Georgia Senate election run-offs in early-January, as the 10-year Treasury yield climbed above 1.0% on expectations that additional fiscal stimulus would be forthcoming with Democrats taking control of the Senate. The 10-year Treasury yield stabilized around 1.10% going into the last week of January and then edged lower at the end of January, amid concerns of delays in distribution of the Covid-19 vaccine and the ability to end lockdowns or other restrictions. The Federal Reserve concluded its late-January meeting leaving its benchmark rate near zero and keeping its easy money policies in place. Expectations of more stimulus pushed long-term

Treasury yields higher at the end of January and the first week of February, which provided for some steepening of the yield curve. With data pointing towards that the recovering U.S. economy was gaining traction, the upward trend in long-term Treasury yields continued through mid-March as the 10-year Treasury yield rose to its highest level in a year. The Federal Reserve concluded its mid-March meeting with no change in its target rate and vowed to maintain its easy monetary policies until the economy showed further recovery, while also highlighting an improved economic outlook. Long-term Treasury yields stabilized at the end of the first quarter, with the 10-year Treasury yield equaling 1.74% as of March 31, 2021.

Long-term Treasury yields edged lower during the first half of April 2021 and then settled into a narrow range for the balance of April. At the conclusion of its late-April meeting, the Federal Reserve held its key interest rate near zero and said it plans to continue to support the economic recovery, while acknowledging recent progress in growth and employment. The stable interest rate environment continued through the first full week of May, as markets reacted to April's employment report which showed lower-than-expected job growth. Long-term Treasury yields edged higher heading into mid-May after data showed consumer prices surged in April, which was followed by long-term Treasury yields pulling back slightly through the end of May. As of June 1, 2021, the bond equivalent yields for U.S. Treasury bonds with terms of one and ten years equaled 0.04% and 1.62%, respectively, versus comparable year ago yields of 0.17% and 0.66%. Exhibit II-2 provides historical interest rate trends.

Based on the consensus outlook of economists surveyed by The Wall Street Journal in April 2021, GDP growth was projected to increase 6.4% in 2021 and then decrease to 3.2% in 2022. The U.S. unemployment rate was forecasted to equal 5.6% in June 2021 and then decrease to 4.8% in December 2021. An average of 547,000 jobs were projected to be added per month over the next four quarters. On average, the economists forecasted that the federal funds rate would equal 0.12% in June 2021 and then edge up to 0.16% in December 2021. On average, the economists forecasted that the 10-year Treasury yield would equal 1.77% in June 2021 and then increase to 1.93% in December 2021.

The May 2021 mortgage finance forecast from the Mortgage Bankers Association (the "MBA") was for 2021 existing home sales to increase by 8.3% from 2020 sales and 2021 new home sales were forecasted to increase by 12.7% from sales in 2020. The 2021 median sale prices for existing and new homes were forecasted to increase by 3.1% and 1.5%, respectively. Total mortgage production was forecasted to decrease in 2021 to $3.400 trillion, compared to $3.828 trillion in 2020. The forecasted decrease in 2021 originations was based on a 15.6% increase in purchase volume and a 27.2% decrease in refinancing volume. Purchase mortgage originations were forecasted to total $1.656 trillion in 2021, versus refinancing volume totaling $1.744 trillion. Housing starts for 2021 were projected to increase by 12.6% to total 1.571 million.

Market Area Demographics

Demographic and economic growth trends, measured by changes in population, number of households, age distribution and median household income, provide key insight into the health of the market area served by Ponce Financial (see Table 2.1). The primary market area counties are densely populated markets, ranking among the largest populations in New Jersey and New York. Kings County (Brooklyn) has the largest population among the four primary market area counties and is the largest county in New York, followed by Queens County and New York County as the second and third largest counties in New York. Bronx County is the fifth largest county in New York and Hudson County is the fourth largest county in New Jersey. All five of primary market area counties served by Ponce Financial's branches, as well as the state of New York, experienced population shrinkage during the 2016 to 2021 period. All four of the New York primary market area counties, as well as the state of New York, also recorded a decline in households during the past five years, while Hudson County recorded a slight increase in households during the past five years. Comparatively, annual population and household growth rates for the U.S. equaled 0.5% and 0.6%, respectively. The New York primary market area counties, as well as the state of New York, are projected to experience little change in population and households over the next five years, while Hudson County is projected to record population and household growth that will be slightly less than the comparable projected U.S. growth rates. Age distribution measures reflect that the primary market area counties have somewhat similarly-aged populations relative to the state of New York and the U.S.

Income measures show New York County is a relatively affluent market. Comparatively, income measures for Bronx County, which has a relatively broad socioeconomic spectrum, were well below the comparable state measures as well as the other four primary market area counties. Projected income growth rates for the primary market area counties were generally slightly stronger or consistent with the projected income growth rates for New York and the U.S., with the highest income growth rates projected for the counties of Hudson and Kings and the lowest income growth rates projected for the counties of New York and Bronx.

Table 2.1
Ponce Financial Group, Inc.
Summary Demographic Data

	Year			Growth Rate	
	2016	2021	2026	2016-2021 (%)	2021-2026 (%)
Population (000)					
USA	322,431	330,946	340,574	0.5%	0.6%
New York	19,853	19,402	19,339	-0.5%	-0.1%
Bronx, NY	1,456	1,415	1,415	-0.6%	0.0%
Kings, NY	2,658	2,552	2,550	-0.8%	0.0%
New York, NY	1,648	1,630	1,638	-0.2%	0.1%
Queens, NY	2,352	2,243	2,231	-0.9%	-0.1%
Hudson, NJ	679	675	686	-0.1%	0.3%
Households (000)					
USA	122,265	125,733	129,596	0.6%	0.6%
New York	7,544	7,402	7,397	-0.4%	0.0%
Bronx, NY	510	496	496	-0.6%	0.0%
Kings, NY	982	950	954	-0.7%	0.1%
New York, NY	797	789	794	-0.2%	0.1%
Queens, NY	822	783	778	-1.0%	-0.1%
Hudson, NJ	267	267	273	0.1%	0.4%
Median Household Income ($)					
USA	55,551	67,761	73,868	4.1%	1.7%
New York	60,445	74,462	83,994	4.3%	2.4%
Bronx, NY	33,942	43,015	47,779	4.9%	2.1%
Kings, NY	49,716	68,871	79,563	6.7%	2.9%
New York, NY	74,526	93,854	104,246	4.7%	2.1%
Queens, NY	59,327	75,973	87,352	5.1%	2.8%
Hudson, NJ	59,589	82,696	95,829	6.8%	3.0%
Per Capita Income ($)					
USA	30,002	37,689	41,788	4.7%	2.1%
New York	34,045	43,801	49,170	5.2%	2.3%
Bronx, NY	17,828	23,001	26,126	5.2%	2.6%
Kings, NY	27,827	39,799	46,294	7.4%	3.1%
New York, NY	63,858	80,041	86,845	4.6%	1.6%
Queens, NY	27,453	36,387	41,948	5.8%	2.9%
Hudson, NJ	33,956	49,580	57,450	7.9%	3.0%
2021 Age Distribution (%)	0-14 Yrs.	15-34 Yrs.	35-54 Yrs.	55-69 Yrs.	70+ Yrs.
USA	18.3	26.8	25.1	18.4	11.4
New York	17.2	26.9	25.2	19.0	11.8
Bronx, NY	20.7	29.1	25.1	15.8	9.2
Kings, NY	19.8	28.5	26.2	15.7	9.9
New York, NY	12.6	31.5	27.3	16.5	12.2
Queens, NY	17.2	25.4	27.4	18.7	11.2
Hudson, NJ	18.1	30.2	28.3	15.0	8.4
2021 HH Income Dist. (%)	Less Than 25,000	$25,000 to 50,000	$50,000 to 100,000	$100,000+	
USA	18.0	20.3	29.0	32.7	
New York	18.4	17.5	26.0	38.1	
Bronx, NY	33.6	22.3	25.5	18.7	
Kings, NY	22.4	17.6	23.9	36.2	
New York, NY	19.8	12.7	19.8	47.7	
Queens, NY	15.7	18.4	28.1	37.7	
Hudson, NJ	17.0	15.9	24.9	42.2	

Source: S&P Global Market Intelligence

The relative affluence of New York County is further evidenced by a comparison of household income distribution measures, as New York County maintains a relatively high percentage of households with incomes over $100,000 relative to the U.S and New York. Comparatively, Bronx County maintains a relatively high percentage of households with incomes of less than $25,000 and a relatively low percentage of households with income over $100,000.

Local Economy

The markets served by the Company have large and diverse economies. Comparative employment data in Table 2.2 shows that employment in services constitutes the primary source of employment in all of the primary area counties with the exception of Bronx County. Jobs in the education/healthcare/social services sector were the largest source of employment in Bronx County, as well as the state of New York, and was the second largest employment sector in the other three New York primary market area counties. Finance/insurance/real estate jobs were the second largest source of jobs in Hudson County and service jobs were the second largest source of jobs for Bronx County and the state of New York. The prominence of Wall Street jobs on the primary market area economy is highlighted by the relatively high concentration of jobs that are in finance/insurance/real estate sector, with such jobs constituting the third largest employment for all of the New York primary market area counties and the state of New York.

Table 2.2
Ponce Financial Group, Inc.
Primary Market Area Employment Sectors
(Percent of Labor Force)

Employment Sector	New York (%)	Bronx New York (%)	Kings New York (%)	New York New York (%)	Queens New York (%)	Hudson New Jersey (%)
Services	26.3%	25.0%	28.3%	34.0%	27.3%	28.7%
Education, Healthcare, Soc. Serv.	27.8%	32.4%	28.2%	22.9%	24.2%	18.5%
Government	2.3%	3.6%	2.7%	4.0%	2.8%	2.1%
Wholesale/Retail Trade	8.2%	5.0%	5.4%	4.7%	5.5%	10.0%
Finance/Insurance/Real Estate	15.8%	13.9%	13.7%	19.1%	14.6%	19.9%
Manufacturing	5.0%	5.5%	5.3%	4.4%	6.4%	4.3%
Construction	5.7%	4.9%	5.1%	2.0%	7.5%	5.3%
Information	2.9%	1.5%	4.4%	6.2%	2.5%	3.5%
Transportation/Utility	5.6%	8.1%	6.8%	2.7%	9.1%	7.4%
Agriculture	0.5%	0.1%	0.1%	0.1%	0.1%	0.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The market area served by the Company, characterized primarily as the New York MSA, has a highly developed and diverse economy, Banking and professional services constitute major sources of employment in the Company's market area. Tourism also is a prominent component of the market area's economy, as New York City annually ranks as one of the nation's top tourist destinations. Table 2.3 lists in detail the major employers in the New York metropolitan area.

Table 2.3
Ponce Financial Group, Inc.
Market Area Largest Employers

Employer	**Industry**
JP Morgan Chase & Co.	Banking
Citigroup Inc.	Banking
AMB Industries Inc.	Facility Mangaement
Pfizer Inc.	Pharmaceutical
Ichan Enterprises LP	Conglomerate
Philip Morris International Inc	Tobacco
Omnicom Group, Inc.	Communications
PwC	Professional Services
Alcoa Corporation	Industrial
Marsh & McLennan Companies, Inc.	Professional Services

Source: Money Inc

Unemployment Trends

Comparative unemployment rates for the primary market area counties, as well as for the U.S, and New York, are shown in Table 2.4. May 2021 unemployment rates for the primary market area counties ranged from a low of 7.5% for New York County to a high of 13.5% for Bronx County. May 2021 unemployment rates for all of the primary market counties were higher than the comparable U.S. and New York unemployment rates of 5.5% and 6.9%, respectively. Pursuant to the ongoing economic recovery from the Covid-19 pandemic, May 2021 unemployment rates for all of the primary market area counties, the state of New York and the U.S. were lower compared to a year ago.

Table 2.4
Ponce Financial Group, Inc.
Unemployment Trends

Region	Unemployment Rate		Net
	May 2020	May 2021	Change
USA	13.0%	5.5%	-7.5%
New York	15.7%	6.9%	-8.8%
Bronx, NY	24.6%	13.5%	-11.1%
Kings, NY	20.4%	10.0%	-10.4%
New York, NY	15.2%	7.5%	-7.7%
Queens, NY	21.8%	9.7%	-12.1%
Hudson, NJ	17.7%	7.6%	-10.1%

Source: S&P Global Market Intelligence

Market Area Deposit Characteristics and Competition

The Company's retail deposit base is closely tied to the New York metropolitan market area and, in particular, to the markets that are nearby to the Company's branch locations. Table 2.5 displays deposit market trends from June 30, 2015 through June 30, 2020 for the primary market counties. Additional data is also presented for the state of New York. The data indicates that commercial banks gained deposit market share in all five of the primary market area counties during the five year period covered in Table 2.5. Similar to the states of New York, commercial banks maintained a significantly larger market share of deposits than savings institutions in all five of the Company's primary market area counties.

Ponce Financial's largest holding and highest market share of deposits is in Bronx County, where the Company is headquartered and maintains its largest branch presence. The Company's $270.9 million of deposits at the Bronx County branches represented a 1.7% market share of bank and thrift deposits at June 30, 2020. The Company's deposit market share in the remaining four counties was nominal, based on deposit market shares of 0.3% or less in those four counties.

Table 2.5
Ponce Financial Group, Inc.
Deposit Summary

	As of June 30,						
	2015			2020			Deposit Growth Rate 2015-2020
	Deposits	Market Share	No. of Branches	Deposits	Market Share	No. of Branches	
	(Dollars in Thousands)						(%)
New York	$1,339,440,000	100.0%	5,270	$2,141,550,000	100.0%	4,634	9.8%
Commercial Banks	1,272,782,000	95.0%	4,449	2,071,807,000	96.7%	4,011	10.2%
Savings Institutions	66,658,000	5.0%	813	69,743,000	3.3%	623	0.9%
Bronx	$ 11,529,000	100.0%	153	$ 15,746,000	100.0%	140	6.4%
Commercial Banks	9,731,000	84.4%	126	13,673,000	86.8%	115	7.0%
Savings Institutions	1,798,000	15.6%	27	2,073,000	13.2%	25	2.9%
Ponce Financial	228,969	2.0%	4	270,916	1.7%	4	3.4%
Kings	$ 44,979,000	100.0%	371	$ 67,774,000	100.0%	358	8.5%
Commercial Banks	38,387,000	85.3%	285	63,317,000	93.4%	303	10.5%
Savings Institutions	6,592,000	14.7%	86	4,457,000	6.6%	55	-7.5%
PDL Community Bancorp	103,433	0.2%	3	100,974	0.1%	3	-0.5%
New York	$ 879,056,000	100.0%	699	$1,485,790,000	100.0%	632	11.1%
Commercial Banks	873,620,000	99.4%	652	1,478,120,000	99.5%	589	11.1%
Savings Institutions	5,436,000	0.6%	40	7,670,000	0.5%	36	7.1%
Ponce Financial	61,264	0.0%	2	339,175	0.0%	2	40.8%
Queens	$ 53,366,000	100.0%	441	$ 71,649,000	100.0%	404	6.1%
Commercial Banks	42,166,000	79.0%	328	61,524,000	85.9%	324	7.8%
Savings Institutions	11,200,000	21.0%	113	10,125,000	14.1%	80	-2.0%
Ponce Financial	168,997	0.3%	3	200,313	0.3%	3	3.5%
Hudson, NJ	$ 27,545,000	100.0%	166	$ 43,327,000	100.0%	155	9.5%
Commercial Banks	23,931,000	86.9%	123	41,001,000	94.6%	31	11.4%
Savings Institutions	3,614,000	13.1%	43	2,326,000	5.4%	124	-8.4%
Ponce Financial	35,593	0.1%	1	40,671	0.1%	1	2.7%

Source: FDIC.

As implied by the Company's low market shares of deposits, the Company faces significant competition. Among the Company's competitors are much larger and more diversified institutions, which have greater resources than maintained by Ponce Financial. Financial institution competitors in the Company's primary market area include other locally based thrifts and banks, as well as regional, super regional and money center banks. Table 2.6 lists the Company's largest competitors in the five counties currently served by its branches, based on deposit market share.

Table 2.6
Ponce Financial Group, Inc.
Market Area Deposit Competitors - As of June 30, 2020

Location	Name	Market Share (%)	Rank
Bronx County	JPMorgan Chase & Co. (NY)	37.82	
	Citigroup Inc. (NY)	16.45	
	Apple Financial Holdings Inc. (NY)	7.93	
	The Toronto-Dominion Bank	6.57	
	Capital One Financial Corp. (VA)	6.20	
	Ponce Financial	**1.72**	**12 of 24**
Kings County	JPMorgan Chase & Co. (NY)	33.31	
	Citigroup Inc. (NY)	10.71	
	Banco Santander S.A.	8.31	
	The Toronto-Dominion Bank	7.80	
	Signature Bank (NY)	6.93	
	Ponce Financial	**0.15**	**28 of 41**
New York County	JPMorgan Chase & Co. (NY)	48.85	
	The Bank New York Mellon (NY)	13.35	
	HSBC Holdings plc	8.82	
	Bank of America Corporation (NC)	7.19	
	Citigroup Inc. (NY)	5.72	
	Ponce Financial	**0.03**	**46 of 85**
Queens County	JPMorgan Chase & Co. (NY)	27.91	
	Citigroup Inc. (NY)	13.80	
	The Toronto-Dominion Bank	8.06	
	Capital One Financial Corp. (VA)	7.56	
	New York Community Bancorp (NY)	5.53	
	Ponce Financial	**0.28**	**35 of 55**
Hudson County	Bank of America Corporation (NC)	58.65	
	JPMorgan Chase & Co. (NY)	8.79	
	The Toronto-Dominion Bank	5.02	
	Capital One Financial Corp. (VA)	3.21	
	BCB Bancorp Inc. (NJ)	2.70	
	Ponce Financial	0.09	24 of 27

Source: S&P Global Market Intelligence

III. PEER GROUP ANALYSIS

This chapter presents an analysis of Ponce Financial's operations versus a group of comparable savings institutions (the "Peer Group") selected from the universe of all publicly-traded savings institutions in a manner consistent with the regulatory valuation guidelines. The basis of the pro forma market valuation of Ponce Financial is derived from the pricing ratios of the Peer Group institutions, incorporating valuation adjustments for key differences in relation to the Peer Group. Since no Peer Group can be exactly comparable to Ponce Financial, key areas examined for differences are: financial condition; profitability, growth and viability of earnings; asset growth; primary market area; dividends; liquidity of the shares; marketing of the issue; management; and effect of government regulations and regulatory reform.

Peer Group Selection

The Peer Group selection process is governed by the general parameters set forth in the regulatory valuation guidelines. Accordingly, the Peer Group is comprised of only those publicly-traded savings institutions whose common stock is either listed on the NYSE or NASDAQ, since their stock trading activity is regularly reported and generally more frequent than non-publicly traded and closely-held institutions. Institutions that are not listed on the NYSE or NASDAQ are inappropriate, since the trading activity for thinly-traded or closely-held stocks are typically highly irregular in terms of frequency and price and thus may not be a reliable indicator of market value. We have also excluded from the Peer Group those companies under acquisition or subject to rumored acquisition, mutual holding companies and recent conversions, since their pricing ratios are subject to unusual distortion and/or have limited trading history. A recent listing of the universe of all publicly-traded savings institutions is included as Exhibit III-1.

Ideally, the Peer Group, which must have at least 10 members to comply with the regulatory valuation guidelines, should be comprised of locally- or regionally-based institutions with comparable resources, strategies and financial characteristics. There are approximately 42 fully-converted, publicly-traded institutions nationally and, thus, it is typically the case that the Peer Group will be comprised of institutions with relatively comparable characteristics. To the extent that differences exist between the converting institution and the Peer Group, valuation adjustments will be applied to account for the differences. Since Ponce Financial will be a full public company upon completion of the offering, we considered only full public companies to be viable candidates for inclusion in the Peer Group. From the universe of publicly-traded thrifts, we selected ten institutions with characteristics similar to those of Ponce Financial. In the selection process, we applied two "screens" to the universe of all public companies that were eligible for consideration:

- Screen #1 Mid-Atlantic and New England institutions with assets between $725 million and $3.0 billion, tangible equity/assets ratios of greater than 8.0% and positive core earnings. Nine companies met the criteria for Screen #1 and seven were included in the Peer Group: ESSA Bancorp, Inc. of Pennsylvania, Hingham Institution for Savings of Massachusetts, PCSB Financial Corporation of New York, Provident Bancorp, Inc. of Massachusetts, Prudential Bancorp, Inc. of Pennsylvania, Randolph Bancorp, Inc. of Massachusetts and Western New England Bancorp, Inc. of Massachusetts. Severn Bancorp, Inc. of Maryland was excluded from the Peer Group, as the result of being the target of an announced acquisition. William Penn Bancorp of Pennsylvania was excluded from the Peer Group, as the result of completing its second-step stock offering within the past year. Exhibit III-2 provides financial and public market pricing characteristics of all publicly-traded Mid-Atlantic and New England thrifts.

- Screen #2 Midwest institutions with assets between $725 million and $3.0 billion, tangible equity/assets ratios of greater than 8.0% and positive core earnings. Three companies met the criteria for Screen #2 and all three were included in the Peer Group: IF Bancorp, Inc. of Illinois, HMN Financial, Inc. of Minnesota and Waterstone Financial, Inc. of Wisconsin. Exhibit III-3 provides financial and public market pricing characteristics of all publicly-traded Midwest thrifts.

Table 3.1 shows the general characteristics of each of the ten Peer Group companies and Exhibit III-4 provides summary demographic and deposit market share data for the primary market areas served by each of the Peer Group companies. While there are expectedly some differences between the Peer Group companies and Ponce Financial, we believe that the Peer Group companies, on average, provide a good basis for valuation subject to valuation adjustments. The following sections present a comparison of Ponce Financial's financial condition, income and expense trends, loan composition, interest rate risk and credit risk versus the Peer Group as of the most recent publicly available date. Comparative data for all publicly-traded thrifts has been included in the Chapter III tables as well.

In addition to the selection criteria used to identify the Peer Group companies, a summary description of the key comparable characteristics of each of the Peer Group companies relative to Ponce Financial's characteristics is detailed below.

- ESSA Bancorp, Inc. of Pennsylvania. Comparable due to similar impact of loan loss provisions on earnings, similar concentrations of 1-4 family loans, commercial real estate loans and commercial business loans as a percent of assets and similar ratio of non-performing assets as a percent of assets.

Table 3.1
Peer Group of Publicly-Traded Thrifts
As of March 31, 2021 or the Most Recent Date Available

Ticker	Financial Institution	Exchange	Region	City	State	Total Assets ($Mil)	Offices	Fiscal Mth End	Conv. Date	As of June 1, 2021 Stock Price ($)	Market Value ($Mil)
ESSA	ESSA Bancorp, Inc.	NASDAQGS	MA	Stroudsburg	PA	$1,970	23	Sep	4/3/2007	$ 16.01	$ 161
HIFS	Hingham Institution for Savings	NASDAQGM	NE	Hingham	MA	$2,844	9	Dec	12/13/1988	$295.74	$ 634
HMNF	HMN Financial, Inc.	NASDAQGM	MW	Rochester	MN	$ 971	14	Dec	6/30/1994	$ 20.74	$ 95
IROQ	IF Bancorp, Inc.	NASDAQCM	MW	Watseka	IL	$ 745	8	Jun	7/7/2011	$ 22.59	$ 69
PCSB	PCSB Financial Corporation	NASDAQCM	MA	Yorktown Heigh	NY	$1,855	16	Jun	4/20/2017	$ 18.32	$ 273
PVBC	Provident Bancorp, Inc.	NASDAQCM	NE	Amesbury	MA	$1,552	7	Dec	7/15/2015	$ 16.39	$ 275
PBIP	Prudential Bancorp, Inc.	NASDAQGM	MA	Philadelphia	PA	$1,204	10	Sep	3/29/2005	$ 13.90	$ 109
RNDB	Randolph Bancorp, Inc.	NASDAQGM	NE	Stoughton	MA	$ 738	5	Dec	7/1/2016	$ 22.32	$ 110
WSBF	Waterstone Financial, Inc.	NASDAQGS	MW	Wauwatosa	WI	$2,198	16	Dec	10/4/2005	$ 19.95	$ 476
WNEB	Western New England Bancorp, Inc.	NASDAQGS	NE	Westfield	MA	$2,464	27	Dec	12/27/2001	$ 8.46	$ 208

Source: S&P Global Market Intelligence.

- Hingham Institution for Savings of Massachusetts. Comparable due to similar interest-earning asset composition, similar concentrations of deposits and borrowings funding assets, similar net interest income to average assets ratio and similar concentration of multi-family loans as a percent of assets.
- HMN Financial, Inc. of Minnesota. Comparable due to similar size of branch network, similar impact of loan loss provisions on earnings and similar concentration of commercial business loans as a percent of assets.
- IF Bancorp, Inc. of Illinois. Comparable due to similar concentrations of deposits and borrowings funding assets, similar earnings contribution from sources of non-interest operating income and similar concentration of commercial real estate loans as a percent of assets.
- PCSB Financial Corporation of New York. Comparable due to New York MSA market area, similar size of branch network, similar concentrations of deposits and borrowings funding assets and similar return on average assets ratio.
- Provident Bancorp, Inc. of Massachusetts. Comparable due to completed second-step offering in 2019, similar asset size, similar interest-earning asset composition, similar concentration of deposits funding assets, similar impact of loan loss provisions on earnings and similar ratio of non-performing assets as a percent of assets.
- Prudential Bancorp, Inc. Pennsylvania. Comparable due to completed second-step conversion in 2013, similar size of branch network, similar asset size, similar return on average assets ratio, similar impact of loan loss provisions on earnings, similar concentration of commercial real estate loans as a percent of assets and similar ratio of non-performing assets as a percent of assets.
- Randolph Bancorp, Inc. of Massachusetts. Comparable due to similar concentrations of deposits and borrowings funding assets, similar impact of loan loss provisions on earnings, similar concentration of commercial real estate loans as a percent of assets and similar ratio of non-performing assets as a percent of assets.
- Waterstone Financial, Inc. of Wisconsin. Comparable due to completed second-step conversion in 2014, similar size of branch network, similar impact of loan loss provisions on earnings and similar concentrations of 1-4 family loans, multi-family loans and commercial real estate loans as a percent of assets.
- Western New England Bancorp, Inc. of Massachusetts. Similar return on average assets ratio, similar impact of loan loss provisions on earnings and similar concentration of 1-4 family loans as a percent of assets.

In aggregate, the Peer Group companies maintained a slightly higher level of tangible equity compared to the industry average (12.34% of assets versus 11.52% for all public companies), generated higher earnings as a percent of average assets (1.57% core ROAA versus 1.08% for all public companies) and earned a higher ROE (11.79% core ROE versus 8.76% for all public companies). Overall, the Peer Group’s average P/TB ratio and average core P/E multiple were below the respective averages for all publicly-traded thrifts.

	All Publicly-Traded	Peer Group
Financial Characteristics (Averages)	$ 4,625	$ 1,654
Assets ($Mil)		
Market capitalization ($Mil)	$ 647	$ 237
Tangible equity/assets (%)	11.52%	12.34%
Core return on average assets (%)	1.08	1.57
Core return on average equity (%)	8.76	11.79
Pricing Ratios (Averages)(1)		
Core price/earnings (x)	14.28x	13.00x
Price/tangible book (%)	126.45	114.62%
Price/assets (%)	14.24	14.31

(1) As of June 1, 2021.

Ideally, the Peer Group companies would be comparable to Ponce Financial in terms of all of the selection criteria, but the universe of publicly-traded thrifts does not provide for an appropriate number of such companies. However, in general, the companies selected for the Peer Group were fairly comparable to Ponce Financial, as will be highlighted in the following comparative analysis. Comparative data for all publicly-traded thrifts has been included in the Chapter III tables as well.

Financial Condition

Table 3.2 shows comparative balance sheet measures for Ponce Financial and the Peer Group, reflecting the expected similarities and some differences given the selection procedures outlined above. The Company's and the Peer Group's ratios reflect balances as of March 31, 2021. Ponce Financial's equity-to-assets ratio of 11.24% was below the Peer Group's average net worth ratio of 12.58%. The Company's pro forma capital position will increase with the addition of stock proceeds, which will provide the Company with an equity-to-assets ratio that exceeds the Peer Group's ratio. Tangible equity-to-assets ratios for the Company and the Peer Group equaled 11.24% and 12.34%, respectively. The increase in Ponce Financial's pro forma capital position will be favorable from a risk perspective and in terms of future earnings potential that could be realized through leverage and lower funding costs. At the same time, the Company's higher pro forma capitalization will initially depress return on equity. Both Ponce Financial's and the Peer Group's capital ratios reflected capital surpluses with respect to the regulatory capital requirements.

Table 3.2
Balance Sheet Composition and Growth Rates
Comparable Institution Analysis
As of March 31, 2021

			Balance Sheet as a Percent of Assets										Balance Sheet Annual Growth Rates							Regulatory Capi	
			Cash & Equival.	MBS & Invest	BOLI	Net Loans (1)	Deposits	Borrowed Funds	Sub. Debt	Total Equity	Goodwill & Intang	Tangible Equity	Assets	MBS, Cash Invests	Loans	Deposits	Borrows. & Subdebt	Total Equity	Tangible Equity	Tier 1 Leverage	Tier 1 Risk-Based
Ponce Financial Group, Inc.		NY																			
March 31, 2021			6.29%	2.70%	0.00%	86.78%	79.41%	8.48%	0.00%	11.24%	0.00%	11.24%	24.57%	-1.64%	27.74%	37.22%	-20.15%	3.51%	3.51%	10.78%	14.54%
All Non-MHC Public Thrifts																					
Averages			11.26%	14.72%	1.57%	69.02%	77.40%	8.02%	0.44%	12.83%	0.91%	11.52%	16.15%	62.27%	7.09%	23.49%	-18.40%	12.60%	14.69%	11.25%	15.91%
Medians			9.42%	12.25%	1.71%	70.11%	79.26%	5.10%	0.00%	11.61%	0.32%	10.57%	12.77%	55.30%	6.07%	22.92%	-18.23%	4.59%	5.10%	10.67%	13.47%
Comparable Group																					
Averages			9.09%	13.54%	1.71%	72.90%	78.51%	7.43%	0.00%	12.58%	0.23%	12.34%	10.00%	42.95%	6.00%	22.14%	-42.53%	8.24%	8.30%	11.35%	16.04%
Medians			8.79%	9.94%	1.63%	72.96%	81.37%	5.13%	0.00%	11.02%	0.06%	11.02%	9.16%	35.63%	5.35%	21.02%	-37.26%	3.83%	4.01%	10.73%	15.69%
Comparable Group																					
ESSA	ESSA Bancorp, Inc.	PA	15.79%	8.69%	1.88%	70.45%	88.34%	0.34%	0.00%	10.08%	0.73%	9.35%	0.75%	-3.04%	2.18%	31.07%	-98.33%	2.55%	2.91%	9.62%	12.65%
HIFS	Hingham Institution for Savings	MA	7.54%	2.92%	0.45%	88.18%	79.94%	8.69%	0.00%	10.84%	0.00%	10.84%	7.14%	3.18%	8.08%	32.73%	-63.51%	24.03%	24.03%	10.96%	13.47%
HMNF	HMN Financial, Inc.	MN	11.88%	18.59%	0.00%	66.82%	88.08%	0.31%	0.00%	10.82%	0.09%	10.73%	23.86%	114.89%	4.26%	26.27%	-21.11%	10.55%	10.76%	10.00%	13.97%
IROQ	IF Bancorp, Inc.	IL	4.80%	24.14%	1.24%	67.67%	82.80%	4.52%	0.00%	11.20%	0.00%	11.20%	8.95%	30.55%	2.01%	15.78%	-45.56%	5.10%	5.10%	11.24%	NA
PCSB	PCSB Financial Corporation	NY	9.13%	19.04%	1.37%	68.00%	78.41%	5.73%	0.00%	14.63%	0.34%	14.29%	9.36%	30.44%	3.32%	13.65%	-9.69%	-0.41%	-0.39%	12.76%	17.72%
PVBC	Provident Bancorp, Inc.	MA	8.56%	2.29%	2.38%	84.29%	82.82%	1.16%	0.00%	15.09%	0.00%	15.09%	22.53%	120.88%	15.84%	43.84%	-86.14%	0.64%	0.64%	9.99%	18.77%
PBIP	Prudential Bancorp, Inc.	PA	11.41%	32.15%	2.73%	51.57%	65.92%	21.01%	0.00%	10.82%	0.53%	10.29%	-4.99%	-17.39%	8.52%	8.51%	-28.97%	-1.50%	-1.50%	10.49%	16.55%
RNDB	Randolph Bancorp, Inc.	MA	7.44%	7.82%	1.17%	79.27%	75.90%	8.13%	0.00%	13.66%	0.00%	13.66%	13.07%	40.71%	9.37%	10.94%	15.40%	27.74%	27.77%	12.15%	15.69%
WSBF	Waterstone Financial, Inc.	WI	9.03%	8.60%	2.91%	75.47%	55.49%	22.66%	0.00%	19.59%	0.03%	19.57%	6.87%	52.78%	0.00%	12.30%	-6.10%	15.83%	15.87%	17.44%	22.93%
WNEB	Western New England Bancorp, Inc.	MA	5.36%	11.20%	2.98%	77.27%	87.44%	1.74%	0.00%	9.05%	0.62%	8.42%	12.47%	56.50%	6.45%	26.27%	-81.29%	-2.17%	-2.16%	8.81%	12.60%

(1) Includes loans held for sale.

Source: S&P Global Market Intelligence and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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The interest-earning asset compositions for the Company and the Peer Group were somewhat similar, with loans constituting the largest concentration of interest-earning assets for both Ponce Financial and the Peer Group. The Company's loans-to-assets ratio of 86.78% was higher than the comparable Peer Group ratio of 72.90%. Comparatively, the Company's cash and investments-to-assets ratio of 8.99% was lower than the comparable Peer Group ratio of 22.63%. Overall, Ponce Financial's interest-earning assets amounted to 95.77% of assets, which approximated the comparable Peer Group ratio of 95.53%. The Peer Group's non-interest earning assets included bank-owned life insurance ("BOLI") equal to 1.71% of assets and goodwill/intangibles equal to 0.23% of assets, while the Company maintained zero balances for both BOLI and goodwill/intangibles.

Ponce Financial's funding liabilities reflected a funding composition that was somewhat similar to that of the Peer Group's funding composition. The Company's deposits equaled 79.41% of assets, which was slightly above the Peer Group's ratio of 78.51%. The Company also maintained a slightly higher level of borrowings than the Peer Group, as indicated by borrowings-to-assets ratios of 8.48% and 7.43% for Ponce Financial and the Peer Group, respectively. Total interest-bearing liabilities maintained by the Company and the Peer Group, as a percent of assets, equaled 87.89% and 85.94%, respectively.

A key measure of balance sheet strength for a thrift institution is its interest-earning assets/interest-bearing liabilities ("IEA/IBL") ratio. Presently, the Company's IEA/IBL ratio is lower than the Peer Group's ratio, based on IEA/IBL ratios of 108.97% and 111.16%, respectively. The additional capital realized from stock proceeds should serve to provide Ponce Financial with an IEA/IBL ratio that exceeds the Peer Group's ratio, as the increase in capital provided by the infusion of stock proceeds will serve to lower the level of interest-bearing liabilities funding assets and will be primarily deployed into interest-earning assets.

The growth rate section of Table 3.2 shows annual growth rates for key balance sheet items. Ponce Financial's and the Peer Group's growth rates are based on annual growth for the twelve months ended March 31, 2021. Ponce Financial recorded a 24.57% increase in assets, versus asset growth of 10.00% recorded by the Peer Group. Asset growth for Ponce Financial included a 27.74% increase in loans, which was in part funded by a 1.64% decline in cash and investments. Asset growth for the Peer Group included a 6.00% increase in loans and a 42.95% increase in cash and investments.

A 37.22% increase in deposits funded the Company's asset growth, as well as a 20.15% reduction in borrowings. Similarly, asset growth for the Peer Group was funded through deposit growth of 22.14%, which also funded a 42.53% reduction in the Peer Group's borrowings. The Company's tangible capital increased by 3.51%, which was less the Peer Group's tangible capital growth rate of 8.30%. The Company's post-conversion capital growth rate will initially be constrained by maintenance of a higher pro forma capital position. Additionally, implementation of any stock repurchases and initiation of any dividend payments, pursuant to regulatory limitations and guidelines, could also slow the Company's capital growth rate in the longer term following the stock offering.

Income and Expense Components

Table 3.3 displays statements of operations for the Company and the Peer Group. The Company's and the Peer Group's ratios are based on earnings for the twelve months ended March 31, 2021. Ponce Financial and the Peer Group reported net income to average assets ratios of 0.59% and 1.62%, respectively. Higher ratios of net interest income and non-operating income represented earnings advantages for the Company, while a higher ratio of non-interest operating income and a lower operating expense ratio represented earnings advantages for the Peer Group.

The Company's higher net interest income to average assets ratio was realized through a higher interest income ratio, which was facilitated by a higher yield earned on interest-earning assets (4.59% versus 3.67% for the Peer Group). Likewise, the Peer Group's lower interest expense ratio was facilitated by a lower cost of funds (0.87% versus 1.16% for the Company). Overall, Ponce Financial and the Peer Group reported net interest income to average assets ratios of 3.54% and 2.85%, respectively.

In another key area of core earnings strength, the Company maintained a higher level of operating expenses than the Peer Group. For the period covered in Table 3.3, the Company and the Peer Group reported operating expense to average assets ratios of 3.90% and 3.13%, respectively. The Peer Group's lower operating expense ratio was in part realized through maintaining a comparatively lower number of employees relative to its asset size. Assets per full time equivalent employee equaled $7.708 million for the Company, versus $10.211 million for the Peer Group.

When viewed together, net interest income and operating expenses provide considerable insight into a thrift's earnings strength, since those sources of income and expenses are typically the most prominent components of earnings and are generally more predictable than losses and gains realized from the sale of assets or other non-recurring

Table 3.3
Income as Percent of Average Assets and Yields, Costs, Spreads
Comparable Institution Analysis
For the 12 Months Ended March 31, 2021 or the Most Recent 12 Months Available

				Net Interest Income					Non-Interest Income			NonOp Items			Yields, Costs, and Spreads				
			Net Income (%)	Income (%)	Expense (%)	NII (%)	Loss Provis. on IEA (%)	NII After Provis. (%)	Gain on Sale of Loans (%)	Other Non-Int Income (%)	Total Non-Int Expense (%)	Net Gains/ Losses (1) (%)	Extrao. Items (%)	Provision for Taxes (%)	Yield On IEA (%)	Cost Of IBL (%)	Yld-Cost Spread (%)	MEMO: Assets/ FTE Emp. ($000)	MEMO: Effective Tax Rate (%)
Ponce Financial Group, Inc.		NY																	
March 31, 2021			0.59%	4.37%	0.83%	3.54%	0.16%	3.38%	0.44%	0.48%	3.90%	0.38%	0.00%	0.18%	4.59%	1.16%	3.43%	$ 7,708	23.61%
All Non-MHC Public Thrifts																			
Averages			1.04%	3.50%	0.61%	2.90%	0.18%	2.70%	1.01%	0.39%	2.71%	0.04%	0.00%	0.31%	3.73%	0.82%	2.91%	$ 8,749	22.35%
Medians			0.83%	3.41%	0.55%	2.79%	0.15%	2.65%	0.08%	0.38%	2.45%	0.00%	0.00%	0.25%	3.66%	0.76%	2.87%	$ 7,592	22.84%
Comparable Group																			
Averages			1.62%	3.50%	0.65%	2.85%	0.15%	2.69%	2.19%	0.31%	3.13%	0.08%	0.00%	0.52%	3.67%	0.87%	2.80%	$ 10,211	23.08%
Medians			0.94%	3.43%	0.58%	2.73%	0.20%	2.60%	0.08%	0.32%	2.32%	0.01%	0.00%	0.36%	3.61%	0.73%	2.70%	$ 7,963	23.58%
Comparable Group																			
ESSA	ESSA Bancorp, Inc.	PA	0.83%	3.13%	0.52%	2.60%	0.22%	2.39%	0.14%	0.46%	2.01%	0.03%	0.00%	0.18%	3.30%	0.72%	2.58%	$ 7,997	17.79%
HIFS	Hingham Institution for Savings	MA	2.36%	3.88%	0.54%	3.34%	0.05%	3.28%	0.00%	0.04%	0.79%	0.70%	0.00%	0.87%	3.94%	0.68%	3.26%	$ 33,859	26.86%
HMNF	HMN Financial, Inc.	MN	1.38%	3.58%	0.27%	3.31%	0.19%	3.13%	1.14%	0.61%	2.97%	0.01%	0.00%	0.54%	3.69%	0.43%	3.26%	$ 5,955	28.27%
IROQ	IF Bancorp, Inc.	IL	0.79%	3.42%	0.70%	2.72%	0.01%	2.71%	0.23%	0.57%	2.47%	0.06%	0.00%	0.31%	3.53%	0.88%	2.65%	$ 6,902	27.93%
PCSB	PCSB Financial Corporation	NY	0.67%	3.22%	0.63%	2.59%	-0.02%	2.61%	0.00%	0.17%	1.93%	0.01%	0.00%	0.18%	3.36%	0.88%	2.48%	$ 11,296	21.61%
PVBC	Provident Bancorp, Inc.	MA	1.05%	4.34%	0.34%	4.00%	0.23%	3.77%	0.00%	0.25%	2.44%	-0.12%	0.00%	0.41%	4.54%	0.63%	3.91%	$ 9,519	27.96%
PBIP	Prudential Bancorp, Inc.	PA	0.64%	3.21%	1.37%	1.84%	0.20%	1.64%	0.02%	0.17%	1.38%	0.28%	0.00%	0.08%	3.40%	1.62%	1.78%	$ 12,286	11.29%
RNDB	Randolph Bancorp, Inc.	MA	3.49%	3.27%	0.53%	2.74%	0.23%	2.52%	8.16%	0.46%	6.57%	-0.07%	0.00%	1.00%	3.48%	0.73%	2.75%	$ 3,765	22.29%
WSBF	Waterstone Financial, Inc.	WI	4.40%	3.51%	1.01%	2.51%	0.20%	2.30%	12.19%	0.00%	8.51%	-0.13%	0.00%	1.46%	3.79%	1.39%	2.40%	$ 2,603	24.87%
WNEB	Western New England Bancorp, Inc.	MA	0.62%	3.45%	0.61%	2.84%	0.24%	2.60%	0.01%	0.40%	2.20%	0.00%	0.00%	0.18%	3.69%	0.72%	2.97%	$ 7,929	21.94%

(1) Net gains/losses includes gain/loss on sale of securities and nonrecurring income and expense.

Source: S&P Global Market Intelligence and RP ® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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activities. In this regard, as measured by their expense coverage ratios (net interest income divided by operating expenses), the Company's earnings were the same as the Peer Group's earnings. Expense coverage ratios for Ponce Financial and the Peer Group both equaled 0.91x.

Sources of non-interest operating income provided a larger contribution to the Peer Group's earnings, with such income amounting to 0.92% and 2.50% of Ponce Financial's and the Peer Group's average assets, respectively. Taking non-interest operating income into account in comparing the Company's and the Peer Group's earnings, Ponce Financial's efficiency ratio (operating expenses, as a percent of the sum of non-interest operating income and net interest income) of 87.44% was less favorable than the Peer Group's efficiency ratio of 58.50%.

Loan loss provisions had a similar impact on the Company's and the Peer Group's earnings, as loan loss provisions established by the Company and the Peer Group equaled 0.16% and 0.15% of average assets, respectively

The Company and the Peer Group recorded net non-operating gains equal to 0.38% and 0.08% of average assets, respectively. Typically, gains and losses generated from the sale of assets and other non-operating activities are viewed as earnings with a relatively high degree of volatility, and, thus, are not considered to be part of an institution's core earnings. Extraordinary items were not a factor in either the Company's or the Peer Group's earnings.

The Company recorded an effective tax rate of 23.61%, which approximated the Peer Group's effective tax rate of 23.08%. As indicated in the prospectus, the Company's effective marginal tax rate is equal to 23.00%.

<u>Loan Composition</u>

Table 3.4 presents data related to the Company's and the Peer Group's loan portfolio compositions (including the investment in mortgage-backed securities). In comparison to the Peer Group, the Company's loan portfolio composition reflected a slightly lower combined concentration of 1-4 family permanent mortgage loans and mortgage-backed securities (31.22% of assets versus 34.32% for the Peer Group), as the Peer Group's higher concentration of mortgage-backed securities was partially offset by the Company's higher concentration of 1-4 family loans. Loan servicing intangibles constituted a more significant balance sheet item for

Table 3.4
Loan Portfolio Composition and Related Information
Comparable Institution Analysis
As of March 31, 2021

			Portfolio Composition as a Percent of Assets								
			MBS (%)	1-4 Family (%)	Constr. & Land (%)	Multi-Family (%)	Comm RE (%)	Commerc. Business (%)	Consumer (%)	RWA/ Assets (%)	Servicing Assets ($000)
Ponce Financial Group, Inc.		NY									
	March 31, 2021		1.12%	30.10%	8.32%	21.98%	15.02%	9.91%	2.56%	70.12%	$ 0
All Non-MHC Public Thrifts											
	Averages		8.52%	26.30%	3.73%	11.09%	16.71%	9.85%	2.22%	67.10%	$ 2,951
	Medians		6.73%	23.92%	2.66%	5.60%	15.14%	6.52%	0.18%	69.32%	$ 167
Comparable Group											
	Averages		8.58%	25.74%	4.60%	9.90%	21.10%	11.73%	0.59%	69.22%	$ 2,844
	Medians		7.64%	23.51%	4.00%	5.81%	21.33%	7.87%	0.22%	69.41%	$ 413
Comparable Group											
ESSA	ESSA Bancorp, Inc.	PA	3.89%	33.95%	4.42%	5.77%	16.59%	9.31%	1.28%	NA	$ 639
HIFS	Hingham Institution for Savings	MA	0.00%	36.14%	5.37%	22.86%	24.11%	0.30%	0.01%	80.50%	$ 0
HMNF	HMN Financial, Inc.	MN	13.74%	17.77%	4.54%	4.48%	29.93%	9.27%	1.87%	68.68%	$ 3,114
IROQ	IF Bancorp, Inc.	IL	21.30%	16.69%	3.38%	14.20%	19.47%	13.77%	1.01%	NA	$ 930
PCSB	PCSB Financial Corporation	NY	10.80%	13.91%	0.81%	10.79%	35.61%	6.48%	0.02%	70.13%	$ 0
PVBC	Provident Bancorp, Inc.	MA	0.95%	3.13%	2.41%	2.82%	23.39%	53.51%	0.26%	52.64%	$ 0
PBIP	Prudential Bancorp, Inc.	PA	15.47%	17.53%	14.46%	4.36%	12.39%	3.49%	0.04%	61.81%	$ 0
RNDB	Randolph Bancorp, Inc.	MA	5.46%	54.49%	4.06%	1.84%	15.33%	3.24%	1.19%	77.30%	$14,744
WSBF	Waterstone Financial, Inc.	WI	4.37%	34.56%	2.60%	26.03%	11.00%	2.18%	0.03%	75.19%	$ 8,831
WNEB	Western New England Bancorp, Inc.	MA	9.82%	29.25%	3.93%	5.85%	23.18%	15.73%	0.18%	67.53%	$ 186

Source:S&P Global Market Intelligence and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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the Peer Group, equal to an average of $2.8 million for the Peer Group compared to a zero balance for the Company.

Diversification into higher risk and higher yielding types of lending was more significant for the Company. The Company's loan portfolio composition reflected higher concentrations of construction/land loans (8.32% of assets versus 4.60% of assets for the Peer Group), multi-family loans (21.98% of assets versus 9.90% of assets for the Peer Group) and consumer loans (2.56% of assets versus 0.59% for the Peer Group). Comparatively, the Peer Group maintained higher concentrations of commercial real estate loans (21.10% of assets versus 15.02% of assets for the Company) and commercial business loans (11.73% of assets versus 9.91% of assets for the Company). In total, construction/land, commercial real estate, multi-family, commercial business and consumer loans comprised 57.79% and 47.92% of the Company's and the Peer Group's assets, respectively. Overall, the Company's asset composition provided for a similar risk weighted assets-to-assets ratio of 70.12% compared to 69.22% for the Peer Group.

Interest Rate Risk

Table 3.5 reflects various key ratios highlighting the relative interest rate risk exposure of the Company versus the Peer Group. In terms of balance sheet composition, Ponce Financial's interest rate risk characteristics implied a slightly higher degree of interest rate risk exposure relative to the comparable measures for the Peer Group. In particular, the Company's tangible equity-to-assets ratio and IEA/IBL ratio were lower than the respective Peer Group ratios. At the same time, the Company's slightly lower ratio of non-interest earning assets as a percent of assets implied a slightly lesser degree of balance sheet interest rate risk exposure for the Company. On a pro forma basis, the infusion of stock proceeds should serve to strengthen the Company's balance sheet interest rate risk characteristics, given the increases that will be realized in Company's tangible equity-to-assets and IEA/IBL ratios.

To analyze interest rate risk associated with the net interest margin, we reviewed quarterly changes in net interest income as a percent of average assets for Ponce Financial and the Peer Group. In general, the comparative fluctuations in the Company's and the Peer Group's net interest income ratios implied that a greater degree of interest rate risk was associated with the Company's net interest margin, based on the interest rate environment that prevailed during the period covered in Table 3.5. The stability of the Company's net interest margin should be enhanced by the infusion of stock proceeds, as interest rate sensitive

Table 3.5
Interest Rate Risk Measures and Net Interest Income Volatility
Comparable Institution Analysis
As of March 31, 2021 or the Most Recent Date Available.

			Balance Sheet Measures			Quarterly Change in Net Interest Income					
			Tangible Equity/ Assets (%)	IEA/ IBL (%)	Non-Earn Assets/ Assets (%)	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019
						(change in net interest income is annualized in basis points)					
Ponce Financial Group, Inc.		NY									
March 31, 2021			11.2%	109.0%	4.2%	16	15	28	-46	11	-11
All Non-MHC Public Thrifts											
Average			11.5%	110.6%	5.0%	-3	6	0	-16	-4	-6
Median			10.6%	108.8%	8.2%	-3	8	-2	-13	-4	-5
Comparable Group											
Average			12.4%	111.3%	4.5%	-5	15	4	-6	-5	-4
Median			11.0%	111.0%	4.9%	-2	12	3	-9	-5	-2
Comparable Group											
ESSA	ESSA Bancorp, Inc.	PA	9.4%	107.0%	5.1%	5	18	10	-14	-8	4
HIFS	Hingham Institution for Savings	MA	10.8%	111.3%	1.4%	11	-3	30	33	2	2
HMNF	HMN Financial, Inc.	MN	10.7%	110.1%	2.7%	-21	11	-11	-18	-4	-20
IROQ	IF Bancorp, Inc.	IL	11.2%	110.6%	3.4%	-5	11	-2	1	11	-12
PCSB	PCSB Financial Corporation	NY	14.3%	114.3%	3.8%	0	1	-3	-17	-3	-9
PVBC	Provident Bancorp, Inc.	MA	15.1%	113.3%	4.9%	-27	19	5	-13	-13	2
PBIP	Prudential Bancorp, Inc.	PA	10.3%	109.4%	4.9%	3	13	4	-7	-15	-4
RNDB	Randolph Bancorp, Inc.	MA	13.7%	112.5%	5.5%	-3	18	-7	-5	3	-9
WSBF	Waterstone Financial, Inc.	WI	19.6%	119.1%	6.9%	1	12	1	-6	-15	0
WNEB	Western New England Bancorp, Inc.	MA	8.4%	105.2%	6.2%	-12	47	9	-11	-7	2

NA=Change is greater than 100 basis points during the quarter.

Source: S&P Global Market Intelligence and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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liabilities will be funding a lower portion of Ponce Financial's assets and the proceeds will be substantially deployed into interest-earning assets.

Credit Risk

Overall, based on a comparison of credit risk measures, the Company's implied credit risk exposure was viewed to be slightly greater than the Peer Group's implied credit risk exposure. As shown in Table 3.6, the Company's ratios for non-performing/assets and non-performing loans/loans equaled 1.32% and 1.51%, respectively, versus comparable measures of 0.77% and 1.08% for the Peer Group. These ratios include accruing loans that are classified as troubled debt restructurings, which accounted for 35% of the Company's non-performing loan balance. The Company's and Peer Group's loss reserves as a percent of non-performing loans equaled 82.14% and 175.43%, respectively. Loss reserves maintained as percent of loans receivable equaled 1.24% for the Company, versus 1.14% for the Peer Group. Net loan charge-offs were a slightly larger factor for the Peer Group, as net loan charge-offs for the Peer Group equaled 0.02% of loans compared to a nominal net recovery for the Company.

Summary

Based on the above analysis, RP Financial concluded that the Peer Group forms a reasonable basis for determining the pro forma market value of the Company. Such general characteristics as asset size, capital position, interest-earning asset composition, funding composition, core earnings measures, loan composition, credit quality and exposure to interest rate risk all tend to support the reasonability of the Peer Group from a financial standpoint. Those areas where differences exist will be addressed in the form of valuation adjustments to the extent necessary.

Table 3.6
Credit Risk Measures and Related Information
Comparable Institution Analysis
As of March 31, 2021

			REO/ Assets (%)	NPAs & 90+Del/ Assets (1) (%)	NPLs/ Loans (2) (%)	Rsrves/ Loans HFI (%)	Rsrves/ NPLs (2) (%)	Rsrves/ NPAs & 90+Del (1) (%)	Net Loan Chargeoffs (3) ($000)	NLCs/ Loans (%)
Ponce Financial Group, Inc.		NY								
March 31, 2021			0.00%	1.32%	1.51%	1.24%	82.14%	82.14%	-$ 41	0.00%
All Non-MHC Public Thrifts										
Averages			0.03%	0.72%	1.02%	1.16%	175.74%	153.51%	$ 3,357	0.07%
Medians			0.01%	0.54%	0.76%	1.17%	119.34%	117.83%	$ 222	0.02%
Comparable Group										
Averages			0.01%	0.77%	1.08%	1.14%	175.43%	151.53%	$ 194	0.02%
Medians			0.00%	0.66%	0.84%	1.23%	119.02%	117.83%	$ 165	0.01%
Comparable Group										
ESSA	ESSA Bancorp, Inc.	PA	0.02%	1.55%	2.14%	1.22%	57.02%	56.29%	$ 225	0.02%
HIFS	Hingham Institution for Savings	MA	0.00%	0.06%	0.07%	0.70%	NA	NA	-$ 420	-0.02%
HMNF	HMN Financial, Inc.	MN	0.07%	0.33%	0.38%	1.55%	401.43%	320.63%	$ 567	0.08%
IROQ	IF Bancorp, Inc.	IL	0.03%	0.21%	0.24%	1.24%	518.87%	409.21%	$ 218	0.04%
PCSB	PCSB Financial Corporation	NY	0.00%	0.29%	0.38%	0.63%	166.60%	144.74%	$ 112	0.01%
PVBC	Provident Bancorp, Inc.	MA	0.00%	1.50%	2.10%	0.98%	46.93%	46.93%	$ 893	0.00%
PBIP	Prudential Bancorp, Inc.	PA	0.00%	1.08%	2.07%	1.33%	63.99%	63.99%	$ 8	0.00%
RNDB	Randolph Bancorp, Inc.	MA	0.02%	1.38%	1.69%	1.32%	65.49%	64.64%	$ 49	0.01%
WSBF	Waterstone Financial, Inc.	WI	0.01%	0.69%	0.89%	1.33%	119.02%	117.83%	-$ 69	0.00%
WNEB	Western New England Bancorp, Inc.	MA	0.00%	0.62%	0.79%	1.10%	139.53%	139.53%	$ 360	0.02%

(1) NPAs are defined as nonaccrual loans, accruing loans 90 days or more past due, performing TDRs, and OREO.
(2) NPLs are defined as nonaccrual loans, accruing loans 90 days or more past due and performing TDRs.
(3) Net loan chargeoffs are shown on a last twelve month basis.

Source: S&P Global Market Intelligence and RP® Financial, LC. calculations. The information provided in this table has been obrained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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IV. VALUATION ANALYSIS

<u>Introduction</u>

This chapter presents the valuation analysis and methodology, prepared pursuant to the regulatory valuation guidelines, and valuation adjustments and assumptions used to determine the estimated pro forma market value of the common stock to be issued in conjunction with the Company's conversion transaction.

<u>Appraisal Guidelines</u>

The federal regulatory appraisal guidelines required by the FRB, the OCC, the FDIC and state banking agencies specify the pro forma market value methodology for estimating the pro forma market value of a converting thrift. Pursuant to this methodology: (1) a peer group of comparable publicly-traded institutions is selected; (2) a financial and operational comparison of the subject company to the peer group is conducted to discern key differences; and (3) a valuation analysis in which the pro forma market value of the subject company is determined based on the market pricing of the peer group as of the date of valuation, incorporating valuation adjustments for key differences. In addition, the pricing characteristics of recent conversions, both at conversion and in the aftermarket, must be considered.

<u>RP Financial Approach to the Valuation</u>

The valuation analysis herein complies with such regulatory approval guidelines. Accordingly, the valuation incorporates a detailed analysis based on the Peer Group, discussed in Chapter III, which constitutes "fundamental analysis" techniques. Additionally, the valuation incorporates a "technical analysis" of recently completed stock conversions, particularly second-step conversions, including closing pricing and aftermarket trading of such offerings. It should be noted that these valuation analyses cannot possibly fully account for all the market forces which impact trading activity and pricing characteristics of a particular stock on a given day.

The pro forma market value determined herein is a preliminary value for the Company's to-be-issued stock. Throughout the conversion process, RP Financial will: (1) review changes in Ponce Financial's operations and financial condition; (2) monitor Ponce Financial's operations and financial condition relative to the Peer Group to identify any fundamental changes; (3) monitor the external factors affecting value including, but not limited to, local and national economic conditions, interest rates, and the stock market environment, including the market for thrift stocks and PDLB's stock specifically; and (4) monitor pending conversion offerings, particularly second-step conversions, (including those in the offering phase), both regionally and nationally. If during the second-conversion process material changes occur, RP Financial will determine if updated valuation reports should be prepared to reflect such changes and their related impact on value, if any. RP Financial will also prepare a final valuation update at the closing of the offering to determine if the prepared valuation analysis and resulting range of value continues to be appropriate.

The appraised value determined herein is based on the current market and operating environment for the Company and for all thrifts. Subsequent changes in the local and national economy, the legislative and regulatory environment, the stock market, interest rates, and other external forces (such as natural disasters or major world events), which may occur from time to time (often with great unpredictability) may materially impact the market value of all thrift stocks, including Ponce Financial's value or Ponce Financial's value alone. To the extent a change in factors impacting the Company's value can be reasonably anticipated and/or quantified, RP Financial has incorporated the estimated impact into the analysis.

Valuation Analysis

A fundamental analysis discussing similarities and differences relative to the Peer Group was presented in Chapter III. The following sections summarize the key differences between the Company and the Peer Group and how those differences affect the pro forma valuation. Emphasis is placed on the specific strengths and weaknesses of the Company relative to the Peer Group in such key areas as financial condition, profitability, growth and viability of earnings, asset growth, primary market area, dividends, liquidity of the shares, marketing of the issue, management and the effect of government regulations and/or regulatory reform. We have also considered the market for thrift stocks, in particular new issues, to assess the impact on value of the Company coming to market at this time.

1. Financial Condition

The financial condition of an institution is an important determinant in pro forma market value because investors typically look to such factors as liquidity, capital, asset composition and quality and funding sources in assessing investment attractiveness. The similarities and differences in the Company's and the Peer Group's financial strengths are noted as follows:

- Overall A/L Composition. In comparison to the Peer Group, the Company's interest-earning asset composition showed a higher concentration of loans and a lower concentration of cash and investments. Diversification into higher risk and higher yielding types of loans was more significant for the Company, while the Company also maintained a higher concentration of 1-4 family loans. Overall, in comparison to the Peer Group, the Company's interest-earning asset composition provided for higher yield earned on interest-earning assets with a similar risk weighted assets-to-assets ratio. Ponce Financial's funding composition reflected slightly higher levels of deposits and borrowings relative to the comparable Peer Group measures, which translated into a higher cost of funds for the Company. Overall, as a percent of assets, the Company maintained a similar level of interest-earning assets and a slightly higher level of interest-bearing liabilities compared to the Peer Group's ratios, which resulted in a lower IEA/IBL ratio for the Company. After factoring in the impact of the net stock proceeds, the Company's IEA/IBL ratio should exceed the Peer Group's IEA/IBL ratio. On balance, RP Financial concluded that asset/liability composition was a slightly positive factor in our adjustment for financial condition.

- Credit Quality. The Company's ratios for non-performing assets as a percent of assets and non-performing loans as a percent of loans were higher than the comparable ratios for the Peer Group. In comparison to the Peer Group, the Company maintained lower loss reserves as a percent of non-performing loans and slightly higher loss reserves as a percent of loans. Net loan charge-offs as a percent of loans were similar for the Company and the Peer Group. The Company's risk weighted assets-to-assets ratio was similar to the Peer Group's ratio. Overall, RP Financial concluded that credit quality was a slightly negative factor in our adjustment for financial condition.

- Balance Sheet Liquidity. The Company operated with a lower level of cash and investment securities relative to the Peer Group (8.99% of assets versus 22.63% for the Peer Group). Following the infusion of stock proceeds, the Company's cash and investments ratio is expected to increase as the net proceeds realized from the second-step offering will be initially deployed into cash and investments. The Company was viewed as having similar future borrowing capacity relative to the Peer Group, based on the fairly similar levels of borrowings currently funding the Company's and the Peer Group's assets. Overall, RP Financial concluded that balance sheet liquidity was a neutral factor in our adjustment for financial condition.

- Funding Liabilities. The Company's interest-bearing funding composition reflected slightly higher concentrations of deposits and borrowings relative to the comparable Peer Group ratios, which translated into a higher cost of funds for the Company. Total interest-bearing liabilities as a percent of assets were higher for the Company. Following the stock offering, the increase in the Company's capital position will reduce the level of interest-bearing liabilities funding the Company's assets. Overall, RP Financial concluded that funding liabilities was a neutral factor in our adjustment for financial condition.

- Capital. The Company currently operates with a slightly lower tangible equity-to-assets ratio than the Peer Group. Following the stock offering, Ponce Financial's pro forma tangible capital position will exceed the Peer Group's tangible equity-to-assets ratio. Also, consideration was given to the potential increase in capital that may be realized from the gains on sale of some of the Company's office properties. The increase in the Company's pro forma capital position will result in greater leverage potential and reduce the level of interest-bearing liabilities utilized to fund assets. At the same time, the Company's more significant capital surplus will likely result in a lower ROE. On balance, RP Financial concluded that capital strength was a slightly positive factor in our adjustment for financial condition.

On balance, Ponce Financial's balance sheet strength was considered to be more favorable relative to the Peer Group's balance sheet strength and, thus, a slight upward adjustment was applied for the Company's financial condition.

2. Profitability, Growth and Viability of Earnings

Earnings are a key factor in determining pro forma market value, as the level and risk characteristics of an institution's earnings stream and the prospects and ability to generate future earnings heavily influence the multiple that the investment community will pay for earnings. The major factors considered in the valuation are described below.

- Reported Earnings. The Company's reported earnings were lower than the Peer Group's on a ROAA basis (0.59% of average assets versus 1.62% for the Peer Group). The Company maintained earnings advantages with respect to higher net interest income and non-operating income ratios, while the Peer Group maintained earnings advantages with respect to a higher non-interest operating income ratio and a lower operating expense ratio. Reinvestment of stock proceeds into interest-earning assets will serve to increase the Company's earnings, with the benefit of reinvesting proceeds expected to be somewhat offset by implementation of additional stock benefit plans in connection with the second-step offering. Overall, the Company's pro forma reported earnings were considered to be less favorable than the Peer Group's reported earnings and, thus, RP Financial concluded that this was a slightly negative factor in our adjustment for profitability, growth and viability of earnings.
- Core Earnings. Net interest income, operating expenses, non-interest operating income and loan loss provisions were reviewed in assessing the relative strengths and weaknesses of the Company's and the Peer Group's core earnings. The Company maintained a higher net interest income ratio, a higher operating expense ratio and a lower level of non-interest operating income. The Company's higher net interest income and operating expense ratios translated into an expense coverage ratio that equaled the Peer Group's expense coverage ratio of 0.91x. Comparatively, the Company's efficiency ratio of 87.44% was less favorable than the Peer Group's efficiency ratio of 58.50%. Loan loss provisions had a similar impact on the Company's and the Peer Group's earnings. After adjusting for non-operating losses and gains, the Company's ROAA ratio remained below the comparable Peer Group ratio. Overall, these measures, as well as the expected earnings benefits the Company should realize from the redeployment of stock proceeds into interest-earning assets and leveraging of post-conversion capital, which will be somewhat negated by expenses associated with the stock benefit plans, indicate that the Company's pro forma core earnings will remain slightly less favorable than the Peer Group's core earnings. Therefore, RP Financial concluded that this was a slightly negative factor in our adjustment for profitability, growth and viability of earnings.

- Interest Rate Risk. Quarterly changes in the Company's and the Peer Group's net interest income to average assets ratios indicated a greater degree of volatility was associated with the Company's net interest margin. Other measures of interest rate risk, such as capital, IEA/IBL and non-interest earning asset ratios were slightly more favorable for the Peer Group, with the exception of the Company's lower ratio of non-interest earning assets. On a pro forma basis, the infusion of stock proceeds can be expected to provide the Company with higher equity-to-assets and IEA/ILB ratios and perhaps provide greater stability in the quarterly net interest margin. On balance, RP Financial concluded that interest rate risk was a neutral factor in our adjustment for profitability, growth and viability of earnings.
- Credit Risk. Loan loss provisions were a similar factor in the Company's and the Peer Group's earnings (0.16% of average assets versus 0.15% of average assets for the Peer Group). In terms of future exposure to credit quality related losses, lending diversification into higher risk types of loans was more significant for the Company Group. The Company's credit quality measures generally implied a greater degree of credit risk exposure relative to the comparable credit quality measures indicated for the Peer Group. Overall, RP Financial concluded that credit risk was a slightly negative factor in our adjustment for profitability, growth and viability of earnings.
- Earnings Growth Potential. Several factors were considered in assessing earnings growth potential. First, the Company maintained a higher interest rate spread than the Peer Group, which would tend to facilitate continuation of a higher net interest margin for the Company going forward based on the current prevailing interest rate environment. The reinvestment of the net proceeds will add to net interest income, but the initial reinvestment yields are expected to reduce the overall spread. Second, the infusion of stock proceeds will provide the Company with greater growth potential through leverage than currently maintained by the Peer Group. Third, the Peer Group's higher ratio of non-interest operating income and lower operating expense ratio were viewed as advantages to sustain earnings growth during periods when net interest margins come under pressure as the result of adverse changes in interest rates. Overall, earnings growth potential was considered to be a slightly positive factor in our adjustment for profitability, growth and viability of earnings.
- Return on Equity. Currently, the Company's core ROE is lower than the Peer Group's core ROE. As the result of the increase in capital that will be realized from the infusion of net stock proceeds into the Company's equity, the Company's pro forma return equity on a core earnings basis will remain lower than the Peer Group's core ROE. Accordingly, this was a slightly negative factor in the adjustment for profitability, growth and viability of earnings.

On balance, Ponce Financial's pro forma earnings strength was considered to be less favorable than the Peer Group's earnings strength and, thus, a slight downward adjustment was applied for profitability, growth and viability of earnings.

3. Asset Growth

Comparative asset growth rates for the Company and the Peer Group showed respective increases of 24.57% and 10.00%. The Company's asset growth was realized through a 27.74% increase in loans, which was partially funded by a 1.64% decrease in cash and investments. Comparatively, asset growth for the Peer Group consisted of a 42.95% increase in cash and investments and a 6.00% increase in loans. On a pro forma basis, the Company's tangible equity-to-assets ratio will exceed the Peer Group's tangible equity-to-assets ratio, indicating greater leverage capacity for the Company. On balance, a slight upward adjustment was applied for asset growth.

4. Primary Market Area

The general condition of an institution's market area has an impact on value, as future success is in part dependent upon opportunities for profitable activities in the local market served. Ponce Financial serves the New York metropolitan area through the headquarters office and 13 full service branches. Operating in a densely populated market area provides the Company with growth opportunities, but such growth must be achieved in a highly competitive market environment. The Company competes against significantly larger institutions that provide a larger array of services and have significantly larger branch networks than maintained by Ponce Financial.

The Peer Group companies generally operate in markets with smaller populations compared to Bronx County. Population growth for the primary market area counties served by the Peer Group companies reflected a range of growth rates, but, overall, population growth rates in the markets served by the Peer Group companies were stronger than Bronx County's recent historical and projected population growth rates. Bronx County has a lower per capita income compared to the Peer Group's average per capita income and, on average, the Peer Group's primary market area counties were more affluent markets within their respective states compared to Bronx County's per capita income as a percent of New York's per capita income (94.5% for the Peer Group versus 52.5% for Bronx County). The average and median deposit market shares maintained by the Peer Group companies were greater than the Company's market share of deposits in Bronx County. Overall, the degree of competition faced by the Peer Group companies was viewed as less than the Company's competitive environment in Bronx County, while the growth potential in the markets served by the Peer Group companies was for the most part viewed to be slightly more favorable than provided by the Company's primary market area. Summary demographic and deposit market share data for the Company and the Peer Group companies is provided in Exhibit III-4. As shown in Table 4.1, the average unemployment rate for the primary market area counties served by the Peer Group companies was well below the unemployment rate reflected for Bronx County. On balance, we concluded that a slight downward adjustment was appropriate for the Company's market area.

Table 4.1
Market Area Unemployment Rates
Ponce Financial Group, Inc. and the Peer Group Companies(1)

	County	May 2021 Unemployment
Ponce Financial Group, Inc. - NY	Bronx	13.5%
Peer Group Average		6.0%
Prudential Bancorp, Inc. – PA	Philadelphia	8.7
Hingham Institution for Savings - MA	Plymouth	6.4
HMN Financial, Inc. – MN	Olmstead	3.0
ESSA Bancorp, Inc. – PA	Monroe	7.1
Waterstone Financial, Inc. - WI	Milwaukee	5.8
IF Bancorp, Inc. – IL	Iroquois	3.8
Randolph Bancorp, Inc. - MA	Norfolk	5.6
Western New England Bancorp, Inc. - MA Hampden		8.2
PCSB Financial Corporation - NY	Westchester	4.8
Provident Bancorp, Inc. – MA	Essex	6.9

(1) Unemployment rates are not seasonally adjusted.

Source: S&P Global Market Intelligence.

5. Dividends

The Company currently does not pay a dividend. Initially, following the second-step conversion, the Company expects to pay quarterly dividends of $0.02 per share or $0.08 per share annually, which equals a yield of 0.8% based on a price of $10.00 per share. The initial dividend and future declarations of dividends by the Board of Directors will depend upon a number of factors, including investment opportunities, growth objectives, financial condition, profitability, tax considerations, minimum capital requirements, regulatory limitations, stock market characteristics and general economic conditions.

Eight out of the ten Peer Group companies pay regular cash dividends, with implied dividend yields ranging from 0.66% to 4.01%. The average dividend yield on the stocks of the Peer Group institutions was 1.57% as of June 1, 2021. Comparatively, as of June 1, 2021, the average dividend yield on the stocks of all fully-converted publicly-traded thrifts equaled 2.19%.

Overall, following the second-step conversion, the Company will have the capacity to pay a dividend comparable to the Peer Group's average dividend yield based on pro forma earnings and capitalization. On balance, we concluded that no adjustment was warranted for this factor.

6. Liquidity of the Shares

The Peer Group is by definition composed of companies that are traded in the public markets. All of the Peer Group companies trade on NASDAQ. Typically, the number of shares outstanding and market capitalization provides an indication of how much liquidity there will be in a particular stock. The market capitalization of the Peer Group companies ranged from $68.7 million to $633.6 million as of June 1, 2021, with average and median market values of $236.8 million and $181.1 million, respectively. The shares issued and outstanding of the Peer Group companies ranged from 2.1 million to 23.9 million, with average and median shares outstanding equal to 11.0 million and 8.9 million, respectively. The Company's second-step stock offering is expected to provide for a pro forma market value that will be similar to the Peer Group's average market capitalization and at the high end or exceed the Peer Group's range of shares outstanding. Following the second-step conversion, the Company's stock will be traded on the NASDAQ Capital Market. Overall, we anticipate that the Company's stock will have a fairly comparable trading market as the Peer Group companies on average and, therefore, concluded no adjustment was necessary for this factor.

7. Marketing of the Issue

We believe that four separate markets exist for thrift stocks, including those coming to market such as Ponce Financial: (A) the after-market for public companies, in which trading activity is regular and investment decisions are made based upon financial condition, earnings, capital, ROE, dividends and future prospects; (B) the new issue market in which converting thrifts are evaluated on the basis of the same factors, but on a pro forma basis without the benefit of prior operations as a fully-converted company; (C) the acquisition market for thrift and bank franchises based in New York; and (D) the market for the public stock of PDLB. All of these markets were considered in the valuation of the Company's to-be-issued stock.

A. <u>The Public Market</u>

The value of publicly-traded thrift stocks is easily measurable, and is tracked by most investment houses and related organizations. Exhibit IV-1 provides pricing and financial data on all publicly-traded thrifts. In general, thrift stock values react to market stimuli such as interest rates, inflation, perceived industry health, projected rates of economic growth, regulatory issues and stock market conditions in general. Exhibit IV-2 displays historical stock market trends for various indices and includes historical stock price index values for publicly-traded thrifts and commercial banks. Exhibit IV-3 displays various stock price indices as of June 1, 2021.

In terms of assessing general stock market conditions, the performance of the overall stock market has generally shown an upward trend in recent quarters. Stocks started out the third quarter of 2020 trading mixed ahead of the release of the June employment report and then rallied higher with the release of the June employment report, which showed the U.S. economy added more jobs than expected. Volatility prevailed in the broader stock market through mid-July, as investors weighed hopes of a Covid-19 vaccine after two companies received “fast track” designations for the development of their coronavirus vaccine candidates against a resurgence in Covid-19 positive cases that was providing for an uneven reopening of the U.S. economy. Stocks retreated heading into the last week of July, as the first weekly increase in new unemployment claims since March raised concerns that mounting coronavirus infections and a renewed wave of mandated lockdowns could slow an economic recovery. The broader stock market continued to trade unevenly in the final week of July, as investors reacted to mixed second quarter earnings reports by some large companies, a record decline in second quarter GDP and the Federal Reserve’s reiteration that it would continue to support the U.S. economy. Overall, technology stocks were the strongest performing stocks during July, as the NASDAQ closed out July at a new record high. Progress in Congressional negotiations for a new coronavirus relief package and initial weekly unemployment claims falling to their lowest level since the coronavirus hit the U.S. in March fueled stock market gains during the first week of August. The Dow Jones Industrial Average (“DJIA”) extended its winning streak to seven sessions on August 10th, as investors assessed the likelihood of another round of stimulus spending and the slowing pace of new coronavirus infections. Led by advances in technology shares, the broader stock market continued to surge higher through the second half of August with the NASDAQ and S&P 500 posting a number of new record highs. Overall, the month of August was the best month for U.S. stocks since April, with stimulus from the U.S. Government, signs of economic revival and progress toward a coronavirus vaccine fueling the gains in the broader stock market. An upbeat report on August manufacturing activity helped to extend the stock market rally into early-September, as the DJIA closed above 29000 for the first time since February. A sell-off in technology stocks led the stock market lower going into the second week of September, as NASDAQ fell into correction territory amid concerns that technology shares had become overvalued. Stocks rebounded heading into mid-September, as technology stocks led the broader stock market higher on large acquisitions announced by Oracle and Nvidia. A decline in oil and gold prices pressured economically sensitive shares lower going in the second half of September, which was followed by a one-day sell-off in technology shares as hopes for additional fiscal stimulus dimmed and investors continued to question the valuation of tech stocks. Stocks regained some lost ground in the final week of the third quarter, which was led by a rebound in economically sensitive shares.

Stocks traded lower at the start of the fourth quarter of 2020, as investors reacted to the September employment report that showed job growth was less than expected. News of President Trump's improving health propelled stocks higher at the beginning of the second week of October, which was followed by a one-day sell-off caused by a halt in negotiations for a new economic relief package. Stocks rallied higher following the one-day sell-off on revived hopes for a new stimulus deal, as Democratic and White House negotiators resumed negotiations for a coronavirus relief bill. Mixed earnings reports at the start of the third quarter earnings season pressured stocks lower going into mid-October. The sell-off in the broader stock market sharpened during the second half of October, as a surge in coronavirus cases added to worries about the economic outlook in the absence of a stimulus deal. Better-than-expected economic data for third quarter GDP growth and October manufacturing activity contributed to stocks rallying ahead of the election in early-November. The stock market rallied continued on Election Day and the following day, as Wall Street reacted to election results that indicated a Biden presidency gridlocked by a Republican-controlled Senate. News of promising results for two Covid-19 vaccines bolstered stock markets gains through the end of November, which included the DJIA closing above 30000 for the first time. Overall, for the month of November, the DJIA increased 12%, marking its best month since January 1987, while the NASDAQ and S&P 500 posted respective gains of 12% and 11%. Signs of progress on a stimulus relief package and the effectiveness rates for the forthcoming Covid-19 vaccines helped to sustain the broader stock market rally through the first week of December, with the NASDAQ and S&P 500 closing at new record highs. Stocks retreated going into mid-December, as negotiations over a coronavirus relief package stalled. As Congress neared a deal on a new coronavirus relief package, all three major U.S. stock indexes closed at record highs going into the second half of December. Stocks paused after closing at new record highs, as Covid-19 concerns overshadowed Congress's approval of a coronavirus relief package. All three major U.S. stock indexes closed at record highs in the final week of 2020, as the rollout of the coronavirus vaccine and passage of a new stimulus package buoyed investors' sentiment.

A wave of new Covid-19 infections prompted a sell-off in the broader stock at the at the start of 2021, which was followed by stocks rallying higher on expectations that there would be a big boost in government spending under a Democrat-controlled Senate. Stocks fell in mid-January, as initial jobless claims posted their biggest weekly increase since the Covid-19 pandemic hit in March. After all three major U.S. stock indexes closed at record highs going into the second half of January, all three major U.S. stock indexes suffered their sharpest losses in late-January amid concerns about how effectively the Covid-19 vaccine was being distributed. Robust fourth quarter earnings posted by some large-cap stocks and a decline in initial jobless claims for a third straight week contributed to stocks rallying higher in the first week of February. All three major U.S. stock indexes closed at record highs going into mid-February, as expectations of a new round of stimulus aid, strong corporate earnings and progress with the rollout of the Covid-19 vaccine fueled stock market gains. The DJIA closed at a new record high at the conclusion of the Federal Reserve's policy meeting on February 24th, as the Federal Reserve signaled that it was committed to keeping east-monetary policies unchanged. Led by a decline in technology shares, stocks retreated at the end of February on inflation concerns and rising Treasury yields. The DJIA surged to several record highs during the first half of March, as investors rotated into cyclical stocks following a stronger-than-expected employment report for February and progress on a new stimulus bill. Comparatively, with long-term Treasury yields continuing to rise, the NASDAQ fell into correction territory in the second week of March. After the Federal Reserve pledged to maintain its easy-money policies, the DJIA closed above 33000 for the first time heading into the second half of March. As long-term Treasury yields continued to rise, technology and other high growth stocks experienced further selling pressure heading into the second half of March. Stocks retreated going into late-March and then rallied on signs that the U.S. economy was positioned for a period of rapid growth. For the first quarter overall, the DJIA was up 7.8%, the S&P 500 gained 5.8% and the NASDAQ added 2.8%.

Led by rebound in technology stocks, the S&P 500 closed above 4000 for the first time at the start of the second quarter of 2021. March jobs data, which showed stronger-than-expected job growth, and a rebound in March service sector activity powered the DJIA and S&P 500 to record highs in the second week of April, as investors bet that economic growth would pick up with more people getting Covid-19 vaccines and increased government spending. Some strong first quarter earnings reports pushed the DJIA and S&P 500 to more record highs in mid-April, which was followed by stocks trading lower across all sectors heading into the second half of April. Stocks traded unevenly heading into the last week of April, as investors weighed fresh evidence that a strong economic recovery was underway against rising Covid-19 infection levels in some countries and consideration by the Biden administration to raise capital gain taxes. For the month of April, the DJIA, S&P 500 and NASDAQ posted monthly gains of 2.7%, 5.2% and 5.4% respectively.

Economically sensitive shares led the stock market higher at the start of May, as investors reacted to data showing economic growth was picking up and continuation of a strong earnings season. A lackluster April jobs report sparked a rebound in technology shares and other growth stocks, while the DJIA and S&P 500 closed at record highs on May 7th. Stock market turbulence prevailed heading into mid-May, with the broader stock market selling off after a sharp increase in April consumer prices heightened inflation concerns and then ended the week rallying higher. Economically sensitive shares led the market lower going in the second half of May, as the Federal Reserve signaled an eventual shift away from its easy-money pandemic policies amid evidence of mounting inflation and a robust economic recovery. Two consecutive weeks of initial weekly jobless claims hitting new pandemic lows contributed to stocks rallying in late-May, with the DJIA and S&P 500 recording gains for the month of May versus a slight decline in the NASDAQ and, thereby, snapping a six-month winning streak. On June 1, 2021, the DJIA closed at 34575.31, an increase of 34.3% from one year ago and an increase of 13.0% year-to-date, and the NASDAQ closed at 13736.48, an increase of 43.0% from one year ago and an increase of 6.6% year-to-date. The S&P 500 Index closed at 4202.04 on June 1, 2021, an increase of 36.4% from one year ago and an increase of 11.9% year-to-date.

The market for thrift stocks has also generally been positive in recent quarters. Financial shares pulled back in early-July 2020 amid a dramatic surge in confirmed coronavirus infections in the south and west regions of the U.S., which forced several states to pause or reverse plans to reopen businesses. Growing optimism of a Covid-19 vaccine being developed in the near term contributed to financial shares trading higher along with the broader stock market heading into mid-July, which was followed by a slight pullback in financial shares as big bank second quarter earnings reports warned of a protracted downturn for the U.S. economy. Financial shares traded unevenly throughout the second half of July, in light of uncertainty over the outlook for the U.S. economy and related impact on credit quality. After trading lower the first few trading days of August, financial shares participated in the broader stock market rally going into mid-August. Financial shares diverged from the broader stock market rally in the second half of August and into early-September, as economic uncertainty revolving around the Covid-19 pandemic weighed on the shares of economically sensitive stocks. After trading higher with the release of the better-than-expected employment report for August 2020, thrift stocks retreated in the second week of September. Financial shares edged higher at the conclusion of the Federal Reserve's mid-September policy meeting, whereby the Federal Reserve pledged to support the economic recovery by setting a higher bar to raise interest rates and by signaling it expected to hold rates near zero for at least three more years. The sell-off in economically sensitive shares going into the second half of September translated into market losses for bank and thrift stocks, which was followed by an uptick in financial shares at the close of the third quarter.

The positive trend in thrift stocks continued through the first two weeks of October 2020, as economically sensitive stocks climbed on hopes for passage of a new coronavirus stimulus bill. Despite better-than-expected third quarter earnings results posted by some big banks at the start of the third quarter earnings season, financial shares traded lower in mid-October. Financial shares rallied going into late-October, as news that weekly initial jobless claims fell by 55,000 pushed the 10-year Treasury yield up to 0.85%. Financial shares sold-off along with the broader stock market during the last week of October, as rising coronavirus cases shook investors' confidence in the economic recovery. Financial shares also participated in the broader stock market rally during the first two trading days of November and on Election Day, but then diverged from the broader stock market rally the day following the election as investors bet that the election results and a potentially long period of vote counting would delay and potentially reduce another round of stimulus. Amid building hopes that drug-makers were on the brink of pushing out vaccines effective enough to fight the coronavirus, economically sensitive stocks, such as bank stocks, were among the strongest performing sectors for the balance of November. After trading lower on last day of November, the positive trend in thrift stocks resumed through the first half of December on signs of a progress in negotiations over a coronavirus relief package. Amid a surge in coronavirus infections and the Federal Reserve leaving its benchmark interest rate near zero, thrift shares edged lower going into final week of 2020 and then rebounded in the last week of 2020 after President Trump signed a Covid-19 relief bill.

Thrift shares traded flat at the start of 2021 and then rallied higher in the second week of January on expectations of additional stimulus after Democrats took control of the Senate. Thrift shares reversed course and trended lower in the second half of January on concerns over the lingering economic impact of the coronavirus and related impact on loan demand and credit quality. A decline in coronavirus cases across the U.S. helped thrift shares to rebound in the first week of February. Expectations of more stimulus, some positive economic reports and rising bond yields contributed to thrift shares trading higher going into late-February. After trading lower in late-February on inflation concerns, thrift shares rallied during the first half of March. The SNL Thrift Index for all publicly-traded thrifts was up 9.1% during the first half of March, as investors rotated into economically shares on signs that the U.S. economy was gaining traction in light of the favorable jobs report for March, the signing of a $1.9 trillion relief package and more people getting vaccinated. Thrift shares pulled back towards the close of the first quarter on concerns about the strength of the economic recovery, the Federal Reserve's ending of a yearlong reprieve that eased capital requirements for big banks and a large investment fund unwound billions of dollars in holdings.

Strong job growth reflected in the March employment data and an improving economic outlook propelled thrift stocks higher at the start of the second quarter of 2021. Despite favorable first quarter earnings posted by Wall Street's big banks, financial shares edged lower in mid-April as investors focused on the lack of loan growth and net interest margins coming under further pressure. A pick-up in bank merger activity contributed to financial shares trading higher going into the last week of April, which was followed by thrift shares pulling back in the last week of April on signs that inflation was accelerating. Signs that economic growth was accelerating helped to lift thrift shares in early-May. After spiking lower on signs that inflation was heating up, thrift shares powered higher to close out the second week of trading in May as investors saw value in bank stocks that underperformed the broader stock market during 2020 and were trading at relatively low P/E multiples compared to the S&P 500. After financial shares retreated in late-May, as the Federal Reserve's top supervisory official came under criticism during his semi-annual congressional testimony, bank and thrift stocks traded higher to closeout May and the start of June on news that initial weekly jobless claims hit a new pandemic low for a second consecutive week. On June 1, 2021, the SNL Thrift Index for all publicly-traded thrifts closed at 1,005.5, an increase of 54.3% from one year ago and an increase of 23.1% year-to-date.

B. The New Issue Market

In addition to thrift stock market conditions in general, the new issue market for converting thrifts is also an important consideration in determining the Company's pro forma market value. The new issue market is separate and distinct from the market for seasoned thrift stocks in that the pricing ratios for converting issues are computed on a pro forma basis, specifically: (1) the numerator and denominator are both impacted by the conversion offering amount, unlike existing stock issues in which price change affects only the numerator; and (2) the pro forma pricing ratio incorporates assumptions regarding source and use of proceeds, effective tax rates, stock plan purchases, etc. which impact pro forma financials, whereas pricing for existing issues are based on reported financials. The distinction between pricing of converting and existing issues is perhaps no clearer than in the case of the price/book ("P/B") ratio in that the P/B ratio of a converting thrift will typically result in a discount to book value whereas in the current market for existing thrifts the P/B ratio may reflect a premium to book value. Therefore, it is appropriate to also consider the market for new issues, both at the time of the conversion and in the aftermarket.

As shown in Table 4.2, three second-step conversion offerings have been completed during the past twelve months. Two of the second-step conversion offerings were completed in January 2021 and one was completed in March 2021. The average closing pro forma price/tangible book ratio of the three second-step conversion offerings equaled 70.5%. On average, the three second-step conversion offerings reflected price appreciation of 5.6% after the first week of trading. As of June 1, 2021, the three second-step conversion offerings reflected a 12.6% increase in price on average from their IPO prices.

C. The Acquisition Market

Also considered in the valuation was the potential impact on Ponce Financial's stock price of recently completed and pending acquisitions of other thrift and bank

Table 4.2
Pricing Characteristics and After-Market Trends
Conversions Completed in Trailing 12 Months

Institutional Information: Institution	Conversion Date	Ticker	Pre-Conversion Data – Financial Info.: Assets ($Mil)	Equity/ Assets (%)	Asset Quality: NPAs/ Assets (%)	Res. Cov. (%)	Offering Information – Excluding Foundation: Gross Proc. ($Mil.)	% Offer (%)	% of Mid. (%)	Exp./ Proc. (%)	Contribution to Char. Found.: Form	% of Public Off. Inc. Fdn. (%)	Insider Purchases – % Off Incl. Fdn.+Merger Shares – Benefit Plans: ESOP (%)	Recog. Plans (%)	Stk Option (%)	Mgmt.& Dirs. (%)(1)
Standard Conversions																
Eastern Bankshares, Inc., MA*	10/15/20	EBC-NASDAQ	$13,997	12.10%	0.04%	211%	$1,797.1	100%	118%	1.6%	**S**	**4.0%**	8.0%	4.0%	10.0%	0.1%
Systematic Savings Bank, MO	10/14/20	SSSB-OTCPink	$ 40	12.64%	8.00%	NM	$ 6.0	100%	132%	14.3%	**N.A.**	**N.A.**	0.0%	0.0%	0.0%	18.0%
Averages - Standard Conversions:			**$ 7,018**	**12.37%**	**4.02%**	**211%**	**$ 901.5**	**100%**	**125%**	**7.9%**	**N.A.**	**N.A.**	**4.0%**	**2.0%**	**5.0%**	**9.1%**
Medians - Standard Conversions:			**$ 7,018**	**12.37%**	**4.02%**	**211%**	**$ 901.5**	**100%**	**125%**	**7.9%**	**N.A.**	**N.A.**	**4.0%**	**2.0%**	**5.0%**	**9.1%**
Second Step Conversions																
William Penn Bancorporation, PA*	3/25/21	WMPN-NASDAQ	$ 737	13.70%	0.67%	75%	$ 126.4	83%	115%	2.0%	N.A.	N.A.	8.0%	4.0%	10.0%	1.0%
Affinity Bancshares, Inc., GA*	1/21/21	AFBI-NASDAQ	$ 888	8.93%	0.56%	154%	$ 37.0	54%	132%	4.1%	N.A.	N.A.	8.0%	4.0%	10.0%	3.5%
Generations Bancorp NY, Inc.	1/13/21	GBNY-NASDAQ	$ 368	8.10%	1.08%	54%	$ 14.8	60%	98%	8.8%	N.A.	N.A.	8.0%	4.0%	10.0%	3.1%
Averages - Second Step Conversions:			**$ 664**	**10.24%**	**0.77%**	**94%**	**$ 59.4**	**66%**	**115%**	**5.0%**	**N.A.**	**N.A.**	**8.0%**	**4.0%**	**10.0%**	**2.5%**
Medians - Second Step Conversions			**$ 737**	**8.93%**	**0.67%**	**75%**	**$ 37.0**	**60%**	**115%**	**4.1%**	**N.A.**	**N.A.**	**8.0%**	**4.0%**	**10.0%**	**3.1%**
Mutual Holding Companies																
Marathon Bancorp, Inc., WI*	4/20/21	MBBC-OTCPink	$ 174	12.39%	0.22%	562%	$ 10.0	45%	124%	12.2%	N.A.	N.A.	8.7%	4.4%	10.9%	7.0%
Averages - MHC Conversions:			**$ 174**	**12.39%**	**0.22%**	**562%**	**$ 10.0**	**45%**	**124%**	**12.2%**	**N.A.**	**N.A.**	**8.7%**	**4.4%**	**10.9%**	**7.0%**
Medians - MHC Conversions			**$ 174**	**12.39%**	**0.22%**	**562%**	**$ 10.0**	**45%**	**124%**	**12.2%**	**N.A.**	**N.A.**	**8.7%**	**4.4%**	**10.9%**	**7.0%**
Averages - All Conversions			**$ 2,701**	**11.31%**	**1.76%**	**211%**	**$ 331.9**	**74%**	**120%**	**7.2%**	**N.A.**	**N.A.**	**6.8%**	**3.4%**	**8.5%**	**5.4%**
Medians - All Conversions			**$ 552**	**12.25%**	**0.62%**	**154%**	**$ 25.9**	**72%**	**121%**	**6.5%**	**N.A.**	**N.A.**	**8.0%**	**4.0%**	**10.0%**	**3.3%**

Institution	Initial Div. Yield (%)	Pro Forma Data – Pricing Ratios(2)(5): P/ TB (%)	Core P/E (x)	P/A (%)	Financial Charac.: Core ROA (%)	TE/ A (%)	Core ROE (%)	IPO Price ($)	Post-IPO Pricing Trends – Closing Price: First Trading Day ($)	% Chg (%)	After First Week(3) ($)	% Chg (%)	After First Month(4) ($)	% Chg (%)	**Thru 6/1/2021 ($)**	% Chg (%)
Standard Conversions																
Eastern Bankshares, Inc., MA*	0.00%	65.0%	22.8x	12.0%	0.5%	19.0%	2.5%	$10.00	$ 12.15	21.5%	$ 12.48	24.8%	$ 13.62	36.2%	**$ 22.21**	122.1%
Systematic Savings Bank, MO	0.00%	58.6%	46.5x	13.2%	0.3%	22.5%	1.3%	$10.00	$ 10.00	0.0%	$ 10.00	0.0%	$ 10.00	0.0%	**$ 10.00**	0.0%
Averages - Standard Conversions:	**0.00%**	**61.8%**	**34.7x**	**12.6%**	**0.4%**	**20.8%**	**1.9%**	**$10.00**	**$ 11.08**	**10.8%**	**$ 11.24**	**12.4%**	**$ 11.81**	**18.1%**	**$ 16.11**	**61.1%**
Medians - Standard Conversions:	**0.00%**	**61.8%**	**34.7x**	**12.6%**	**0.4%**	**20.8%**	**1.9%**	**$10.00**	**$ 11.08**	**10.8%**	**$ 11.24**	**12.4%**	**$ 11.81**	**18.1%**	**$ 16.11**	**61.1%**
Second Step Conversions																
William Penn Bancorporation, PA*	1.29%	74.5%	106.6x	17.9%	0.2%	24.3%	0.7%	$10.00	$ 11.41	14.1%	$ 11.36	13.6%	$ 11.39	13.9%	**$ 11.28**	12.8%
Affinity Bancshares, Inc., GA*	0.00%	75.3%	17.6x	7.5%	0.4%	10.2%	3.6%	$10.00	$ 10.85	8.5%	$ 10.75	7.5%	$ 11.30	13.0%	**$ 12.55**	25.5%
Generations Bancorp NY, Inc.	0.00%	61.7%	15.0x	6.5%	0.4%	10.5%	4.0%	$10.00	$ 10.05	0.5%	$ 9.56	-4.4%	$ 9.48	-5.2%	**$ 9.95**	-0.5%
Averages - Second Step Conversions:	**0.43%**	**70.5%**	**46.4x**	**10.6%**	**0.3%**	**15.0%**	**2.7%**	**$10.00**	**$ 10.77**	**7.7%**	**$ 10.56**	**5.6%**	**$ 10.72**	**7.2%**	**$ 11.26**	**12.6%**
Medians - Second Step Conversions	**0.00%**	**74.5%**	**17.6x**	**7.5%**	**0.4%**	**10.5%**	**3.6%**	**$10.00**	**$ 10.85**	**8.5%**	**$ 10.75**	**7.5%**	**$ 11.30**	**13.0%**	**$ 11.28**	**12.8%**
Mutual Holding Companies																
Marathon Bancorp, Inc., WI*	0.00%	55.8%	35.4x	11.6%	0.4%	16.0%	2.6%	$10.00	$ 10.10	1.00%	$ 10.27	2.7%	$ 10.40	4.0%	**$ 10.45**	4.5%
Averages - MHC Conversions:	**0.00%**	**55.8%**	**35.4x**	**11.6%**	**0.4%**	**16.0%**	**2.6%**	**$10.00**	**$ 10.10**	**1.0%**	**$ 10.27**	**2.7%**	**$ 10.40**	**4.0%**	**$ 10.45**	**4.5%**
Medians - MHC Conversions	**0.00%**	**55.8%**	**35.4x**	**11.6%**	**0.4%**	**16.0%**	**2.6%**	**$10.00**	**$ 10.10**	**1.0%**	**$ 10.27**	**2.7%**	**$ 10.40**	**4.0%**	**$ 10.45**	**4.5%**
Averages - All Conversions	**0.21%**	**65.1%**	**40.7x**	**11.4%**	**0.4%**	**17.1%**	**2.4%**	**$10.00**	**$ 10.76**	**7.6%**	**$ 10.74**	**7.4%**	**$ 11.03**	**10.3%**	**$ 12.74**	**27.4%**
Medians - All Conversions	**0.00%**	**63.4%**	**29.1x**	**11.8%**	**0.4%**	**17.5%**	**2.6%**	**$10.00**	**$ 10.48**	**4.8%**	**$ 10.51**	**5.1%**	**$ 10.85**	**8.5%**	**$ 10.87**	**8.6%**

Note: * - Appraisal performed by RP Financial; BOLD = RP Financial assisted in the business plan preparation, “NT”—Not Traded; “NA”—Not Applicable, Not Available; C/S-Cash/Stock.

(1) As a percent of MHC offering for MHC transactions.
(2) Does not take into account the adoption of SOP 93-6.
(3) Latest price if offering is less than one week old.
(4) Latest price if offering is more than one week but less than one month old.
(5) Mutual holding company pro forma data on full conversion basis.
(6) Simultaneously completed acquisition of another financial institution.
(7) Simultaneously converted to a commercial bank charter.
(8) Former credit union.

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institutions operating in New York. As shown in Exhibit IV-4, there were 17 acquisitions of New York based bank and savings institutions completed from the beginning of 2017 through June 1, 2021 and there are currently three acquisitions pending for a New York based bank or savings institutions. The recent acquisition activity involving New York bank and savings institutions may imply a certain degree of acquisition speculation for the Company's stock. To the extent that acquisition speculation may impact the Company's offering, we have largely taken this into account in selecting companies for the Peer Group that could be subject to the same type of acquisition speculation that may influence Ponce Financial's stock. However, since converting thrifts are subject to a three-year regulatory moratorium from being acquired, acquisition speculation in Ponce Financial's stock would tend to be less compared to the stocks of the Peer Group companies.

D. Trading in PDLB's Stock

Since PDLB's minority stock currently trades under the symbol "PDLB" on the NASDAQ Global Select Market, RP Financial also considered the recent trading activity in the valuation analysis. PDLB had a total of 17,018,252 shares issued and outstanding at March 31, 2021, of which 7,472,864 shares were held by public shareholders and traded as public securities. The Company's stock has had a 52 week trading range of $8.11 to $14.40 per share and its closing price on June 1, 2021 was $13.78 per share. There are significant differences between the Company's minority stock (currently being traded) and the conversion stock that will be issued by the Company. Such differences include different liquidity characteristics, a different return on equity for the conversion stock and the stock is currently traded based on its MHC ownership structure. Since the pro forma impact has not been publicly disseminated to date, it is appropriate to discount the current trading level. As the pro forma impact is made known publicly, the trading level will become more informative.

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In determining our valuation adjustment for marketing of the issue, we considered trends in both the overall thrift market, the new issue market including the new issue market for second-step conversions, the acquisition market and recent trading activity in the Company's minority stock. Taking these factors and trends into account, RP Financial concluded that no adjustment was appropriate in the valuation analysis for purposes of marketing of the issue.

8. Management

The Company's management team appears to have experience and expertise in all of the key areas of the Company's operations. Exhibit IV-5 provides summary resumes of the Company's Board of Directors and senior management. The financial characteristics of the Company suggest that the Board and senior management have been effective in implementing an operating strategy that can be well managed by the Company's present organizational structure. The Company currently does not have any senior management positions that are vacant.

Similarly, the returns, equity positions and other operating measures of the Peer Group companies are indicative of well-managed financial institutions, which have Boards and management teams that have been effective in implementing competitive operating strategies. Therefore, on balance, we concluded no valuation adjustment relative to the Peer Group was appropriate for this factor.

9. Effect of Government Regulation and Regulatory Reform

As a fully-converted regulated institution, Ponce Financial will operate in substantially the same regulatory environment as the Peer Group members — all of whom are adequately capitalized institutions and are operating with no apparent restrictions. Exhibit IV-6 reflects the Bank's pro forma regulatory capital ratios. On balance, no adjustment has been applied for the effect of government regulation and regulatory reform.

Summary of Adjustments

Overall, based on the factors discussed above, we concluded that the Company's pro forma market value should reflect the following valuation adjustments relative to the Peer Group:

Key Valuation Parameters:	Valuation Adjustment
Financial Condition	Slight Upward
Profitability, Growth and Viability of Earnings	Slight Downward
Asset Growth	Slight Upward
Primary Market Area	Slight Downward
Dividends	No Adjustment
Liquidity of the Shares	No Adjustment
Marketing of the Issue	No Adjustment
Management	No Adjustment
Effect of Govt. Regulations and Regulatory Reform	No Adjustment

Valuation Approaches

In applying the accepted valuation methodology promulgated by the FRB, i.e., the pro forma market value approach, we considered the three key pricing ratios in valuing the Company's to-be-issued stock — price/earnings ("P/E"), price/book ("P/B"), and price/assets ("P/A") approaches — all performed on a pro forma basis including the effects of the stock proceeds. In computing the pro forma impact of the conversion and the related pricing ratios, we have incorporated the valuation parameters disclosed in the Company's prospectus for reinvestment rate, effective tax rate, stock benefit plan assumptions and expenses (summarized in Exhibits IV-7 and IV-8). In our estimate of value, we assessed the relationship of the pro forma pricing ratios relative to the Peer Group and recent conversion offerings.

RP Financial's valuation placed an emphasis on the following:

- P/E Approach. The P/E approach is generally the best indicator of long-term value for a stock and we have given it significant weight among the valuation approaches. Given certain similarities between the Company's and the Peer Group's earnings composition and overall financial condition, the P/E approach was carefully considered in this valuation. At the same time, recognizing that (1) the earnings multiples will be evaluated on a pro forma basis for the Company; and (2) the Peer Group companies have had the opportunity to realize the benefit of reinvesting and leveraging their offering proceeds, we also gave weight to the other valuation approaches.
- P/B Approach. P/B ratios have generally served as a useful benchmark in the valuation of thrift stocks, particularly in the context of a public offering, as the earnings approach involves assumptions regarding the use of proceeds. RP Financial considered the P/B approach to be a valuable indicator of pro forma value, taking into account the pricing ratios under the P/E and P/A approaches. We have also modified the P/B approach to exclude the impact of intangible assets (i.e., price/tangible book value or "P/TB"), in that the investment community frequently makes this adjustment in its evaluation of this pricing approach.
- P/A Approach. P/A ratios are generally a less reliable indicator of market value, as investors typically assign less weight to assets and attribute greater weight to book value and earnings. Furthermore, this approach as set forth in the regulatory valuation guidelines does not take into account the amount of stock purchases funded by deposit withdrawals, thus understating the pro forma P/A ratio. At the same time, the P/A ratio is an indicator of franchise value, and, in the case of highly capitalized institutions, high P/A ratios may limit the investment community's willingness to pay market multiples for earnings or book value when ROE is expected to be low.

- Trading of PDLB stock. Converting institutions generally do not have stock outstanding. PDLB, however, has public shares outstanding due to the mutual holding company form of ownership and first-step minority stock offering. Since PDLB's stock is currently traded on the NASDAQ Global Select Market, it is an indicator of the Company's current market value and therefore received some weight in our valuation. Based on the June 1, 2021 closing stock price of $13.78 per share and the 17,018,252 shares of PDLB common stock outstanding, the Company's implied market value of $234.5 million was considered in the valuation process. However, since the Company's conversion stock will have different characteristics than the minority shares, and the pro forma information has not been publicly disseminated to date, the current trading price of PDLB's stock was somewhat discounted herein but will become more important towards the closing of the offering.

The Company has adopted "Employers' Accounting for Employee Stock Ownership Plans" ("ASC 718-40"), which causes earnings per share computations to be based on shares issued and outstanding excluding unreleased ESOP shares. For purposes of preparing the pro forma pricing analyses, we have reflected all shares issued in the offering, including all ESOP shares, to capture the full dilutive impact, particularly since the ESOP shares are economically dilutive, receive dividends and can be voted. However, we did consider the impact of ASC 718-40 in the valuation.

In preparing the pro forma pricing analysis we have taken into account the pro forma impact of the MHC's net assets (i.e., unconsolidated equity) that will be consolidated with the Company and, thus, will increase equity. At March 31, 2021, the MHC had net assets of $90,000, which has been added to the Company's March 31, 2021 pro forma equity to reflect the consolidation of the MHC into the Company's operations. Exhibit IV-9 shows that after accounting for the impact of the MHC's net assets, the public shareholders' ownership interest was reduced by approximately 0.02%. Accordingly, for purposes of the Company's pro forma valuation, the public shareholders' ownership interest was reduced from 43.91% to 43.89% and the MHC's ownership interest was increased from 56.09% to 56.11%.

Based on the application of the three valuation approaches, taking into consideration the valuation adjustments discussed above, RP Financial concluded that as of June 1, 2021, the aggregate pro forma market value of Ponce Financial's conversion stock, including shares issued to the Foundation, equaled $190,282,790 at the midpoint, equal to 19,028,279 shares at $10.00 per share. The $10.00 per share price was determined by the Boards of Directors of PDLB and the MHC. The midpoint and resulting valuation range is based on the sale of an 56.11% ownership interest to the public, which provides for a $105,000,000 public offering at the midpoint value.

1. Price-to-Earnings ("P/E"). The application of the P/E valuation method requires calculating the Company's pro forma market value by applying a valuation P/E multiple to the pro forma earnings base. In applying this technique, we considered both reported earnings and a recurring earnings base, that is, earnings adjusted to exclude any one-time non-operating items, plus the estimated after-tax earnings benefit of the reinvestment of the net proceeds. The Company's reported earnings equaled $7.518 million for the twelve months ended March 31, 2021. In deriving Ponce Financial's core earnings, the only adjustment made to reported earnings was eliminating gain on sale of property of $4.840 million. As shown below, on a tax effected basis, assuming an effective marginal tax rate of 23.0% for the earnings adjustments, the Company's core earnings were determined to equal $3.791 million for the twelve months ended March 31, 2021.

	Amount ($000)
Net income(loss)	$ 7,518
Deduct: Gain on sale of property(1)	(3,727)
Core earnings estimate	$ 3,791

(1) Tax effected at 23.0%.

Based on the Company's reported earnings and incorporating the impact of the pro forma assumptions discussed previously, the Company's pro forma reported and core P/E multiples at the $190.3 million midpoint value equaled 29.66x and 70.75x, respectively, indicating premiums of 145.33% and 444.23% relative to the Peer Group's average reported and core earnings multiples of 12.09x and 13.00x, respectively (see Table 4.3). In comparison to the Peer Group's median reported and core earnings multiples of 11.17x and 12.95x, respectively, the Company's pro forma reported and core P/E multiples at the midpoint value indicated premiums of 165.53% and 446.33%, respectively. The Company's pro forma P/E ratios based on reported earnings at the minimum and the super maximum equaled 24.59x and 41.47x, respectively, and based on core earnings at the minimum and the super maximum equaled 56.73x and 107.46x respectively.

2. Price-to-Book ("P/B"). The application of the P/B valuation method requires calculating the Company's pro forma market value by applying a valuation P/B ratio, as derived from the Peer Group's P/B ratio, to the Company's pro forma book value. Based on the $190.3 million midpoint valuation, the Company's pro forma P/B and P/TB ratios both equaled 76.16%. In comparison to the average P/B and P/TB ratios for the Peer Group of 112.47% and 114.62%,

Table 4.3
Market Pricing Versus Peer Group
Ponce Financial Group, Inc.
As of June 1, 2021

		Market Capitalization		Per Share Data		Pricing Ratios(2)					Dividends(3)			Financial Characteristics(5)				Reported		Core			
		Price/ Share	Market Value	Core 12 Month EPS(1)	Book Value/ Share	P/E	P/B	P/A	P/TB	P/Core	Amount/ Share	Yield	Payout Ratio(4)	Total Assets	Equity/ Assets	Tang. Eq./ T. Assets	NPAs/ Assets	ROAA	ROAE	ROAA	ROAE	Exchange Ratio	Offering Size
		($)	($Mil)	($)	($)	(x)	(%)	(%)	(%)	(x)	($)	(%)	(%)	($Mil)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(x)	($Mil)
Ponce Financial Group, Inc.	NY																						
Super Maximum		$ 10.00	$ 251.65	$ 0.09	$ 11.11	41.47x	90.01%	16.21%	90.01%	107.46x	$ 0.00	0.00%	0.00%	$ 1,552	18.01%	18.01%	1.22%	0.39%	2.17%	0.15%	0.84%	1.4535x	$ 138.86
Maximum		$ 10.00	$ 218.83	$ 0.12	$ 12.05	34.99x	82.99%	14.24%	82.99%	86.57x	$ 0.00	0.00%	0.00%	$ 1,536	17.16%	17.16%	1.23%	0.41%	2.37%	0.16%	0.96%	1.2639x	$ 120.75
Midpoint		$ 10.00	$ 190.28	$ 0.14	$ 13.13	29.66x	76.16%	12.50%	76.16%	70.75x	$ 0.00	0.00%	0.00%	$ 1,522	16.41%	16.41%	1.24%	0.42%	2.57%	0.18%	1.08%	1.0991x	$ 105.00
Minimum		$ 10.00	$ 161.74	$ 0.18	$ 14.60	24.59x	68.49%	10.72%	68.49%	56.73x	$ 0.00	0.00%	0.00%	$ 1,509	15.65%	15.65%	1.25%	0.44%	2.79%	0.19%	1.21%	0.9342x	$ 89.25
All Non-MHC Public Thrifts(6)																							
Averages		$ 27.52	$ 646.78	$ 2.30	$ 20.95	13.52	114.11%	14.24%	126.45%	14.28	$ 0.48	2.19%	46.74%	$ 4,625	12.83%	11.61%	0.73%	1.04%	8.42%	1.08%	8.76%		
Median		$ 16.35	$ 186.68	$ 1.14	$ 16.88	13.42	105.02%	13.33%	112.14%	13.67	$ 0.36	2.01%	34.71%	$ 1,718	11.61%	10.60%	0.54%	0.83%	7.09%	0.88%	7.22%		
All Non-MHC State of NY(6)																							
Averages		$ 16.93	$1,128.67	$ 0.77	$ 17.32	14.10	93.77%	9.31%	107.44%	17.37	$ 0.58	2.95%	45.24%	$11,214	10.49%	9.44%	0.86%	0.52%	4.36%	0.42%	3.31%		
Medians		$ 13.18	$ 161.82	$ 0.88	$ 17.03	11.57	93.47%	8.77%	106.38%	13.70	$ 0.60	3.60%	48.88%	$ 1,271	10.21%	8.67%	0.55%	0.67%	6.95%	0.66%	5.76%		
Comparable Group																							
Averages		$ 45.44	$ 236.81	$ 4.06	$ 30.14	12.09x	112.47%	14.31%	114.62%	13.00x	$ 0.44	1.57%	19.10%	$ 1,654	12.58%	12.37%	0.75%	1.62%	12.42%	1.57%	11.79%		
Medians		$ 19.14	$ 181.13	$ 1.64	$ 17.79	11.17x	100.80%	12.96%	105.29%	12.95x	$ 0.26	1.32%	19.27%	$ 1,703	11.02%	11.02%	0.65%	0.94%	7.54%	0.98%	7.48%		
Comparable Group																							
ESSA ESSA Bancorp, Inc.	PA	$ 16.01	$ 160.03	$ 1.53	$ 18.51	10.26x	86.51%	8.72%	93.30%	10.43x	$ 0.48	3.00%	29.49%	$ 1,970	10.08%	9.42%	1.27%	0.83%	8.21%	0.81%	8.08%		
HIFS Hingham Institution for Savings	MA	$295.74	$ 633.59	$ 22.69	$144.12	9.96x	205.20%	22.25%	205.20%	13.03x	$ 1.96	0.66%	8.56%	$ 2,844	10.84%	10.84%	0.06%	2.36%	23.21%	1.81%	17.74%		
HMNF HMN Financial, Inc.	MN	$ 20.74	$ 94.75	$ 2.66	$ 22.11	7.80x	93.78%	10.14%	94.53%	7.79x	$ 0.00	0.00%	0.00%	$ 971	10.82%	10.74%	0.37%	1.38%	12.33%	1.38%	12.34%		
IROQ IF Bancorp, Inc.	IL	$ 22.59	$ 68.73	$ 1.75	$ 25.76	12.08x	87.66%	9.82%	87.66%	12.88x	$ 0.30	1.33%	16.04%	$ 745	11.20%	11.20%	0.20%	0.79%	6.87%	0.74%	6.45%		
PCSB PCSB Financial Corporation	NY	$ 18.32	$ 273.42	$ 0.80	$ 16.99	22.90x	107.82%	15.77%	110.37%	22.95x	$ 0.24	1.31%	22.50%	$ 1,855	14.63%	14.34%	0.29%	0.67%	4.38%	0.67%	4.37%		
PVBC Provident Bancorp, Inc.	MA	$ 16.39	$ 239.39	$ 0.92	$ 12.61	19.51x	130.02%	19.62%	130.02%	17.90x	$ 0.16	0.98%	15.48%	$ 1,552	15.09%	15.09%	1.50%	1.05%	6.31%	1.14%	6.88%		
PBIP Prudential Bancorp, Inc.	PA	$ 13.90	$ 109.24	$ 0.64	$ 16.40	14.63x	84.77%	9.17%	89.15%	21.71x	$ 0.28	2.01%	29.47%	$ 1,204	10.82%	10.34%	1.12%	0.64%	5.96%	0.43%	3.99%		
RNDB Randolph Bancorp, Inc.	MA	$ 22.32	$ 110.15	$ 4.90	$ 18.80	4.63x	118.71%	16.22%	118.75%	4.56x	$ 0.00	0.00%	0.00%	$ 738	13.66%	13.66%	1.38%	3.49%	26.37%	3.55%	26.80%		
WSBF Waterstone Financial, Inc.	WI	$ 19.95	$ 476.59	$ 4.08	$ 17.07	5.00x	116.87%	22.90%	117.04%	4.89x	$ 0.80	4.01%	36.09%	$ 2,198	19.59%	19.57%	0.69%	4.40%	24.03%	4.50%	24.58%		
WNEB Western New England Bancorp, Inc.	MA	$ 8.46	$ 202.23	$ 0.61	$ 9.07	14.10x	93.32%	8.44%	100.22%	13.81x	$ 0.20	2.36%	33.33%	$ 2,464	9.05%	8.48%	0.62%	0.62%	6.49%	0.64%	6.64%		

(1) Core income, on a diluted per-share basis. Core income is net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain on the sale of securities, amortization of intangibles, goodwill and nonrecurring items. Assumed tax rate is 35%.
(2) P/E = Price to earnings; P/B = Price to book; P/A = Price to assets; P/TB = Price to tangible book value; and P/Core = Price to core earnings. P/E and P/Core =NM if the ratio is negative or above 35x.
(3) Indicated 12 month dividend, based on last quarterly dividend declared.
(4) Indicated 12 month dividend as a percent of trailing 12 month earnings.
(5) Equity and tangible equity equal common equity and tangible common equity, respectively. ROAA (return on average assets) and ROAE (return on average equity) are indicated ratios based on trailing 12 month earnings and average equity and assets balances.
(6) Excludes from averages and medians those companies the subject of actual or rumored acquisition activities or unusual operating characteristics.

Source: S&P Global Market Intelligence and RP Financial, LC. calculations. The information provided in this report has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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respectively, the Company's ratios reflected discounts of 32.28% on a P/B basis and 33.55% on a P/TB basis. In comparison to the Peer Group's median P/B and P/TB ratios of 100.80% and 105.29%, respectively, the Company's pro forma P/B and P/TB ratios at the midpoint value reflected discounts of 24.44% on a P/B basis and 27.67% on a P/TB basis. At the super maximum of the range, the Company's P/B and P/TB ratios equaled 90.01%. In comparison to the Peer Group's average P/B and P/TB ratios, the Company's P/B and P/TB ratios at the super maximum of the range reflected discounts of 19.97% and 21.47%, respectively. In comparison to the Peer Group's median P/B and P/TB ratios, the Company's P/B and P/TB ratios at the super maximum of the range reflected discounts of 10.70% and 14.51%, respectively.

3. Price-to-Assets ("P/A"). The P/A valuation methodology determines market value by applying a valuation P/A ratio to the Company's pro forma asset base, conservatively assuming no deposit withdrawals are made to fund stock purchases. In all likelihood there will be deposit withdrawals, which results in understating the pro forma P/A ratio which is computed herein. At the $190.3 million midpoint of the valuation range, the Company's value equaled 12.50% of pro forma assets. Comparatively, the Peer Group companies exhibited an average P/A ratio of 14.31%, which implies a discount of 12.65% has been applied to the Company's pro forma P/A ratio. In comparison to the Peer Group's median P/A ratio of 12.96%, the Company's pro forma P/A ratio at the midpoint value reflects a discount of 3.55%.

Comparison to Recent Offerings

As indicated at the beginning of this chapter, RP Financial's analysis of recent conversion offering pricing characteristics at closing and in the aftermarket has been limited to a "technical" analysis and, thus, the pricing characteristics of recent conversion offerings cannot be a primary determinate of value. Particular focus was placed on the P/TB approach in this analysis, since the P/E multiples do not reflect the actual impact of reinvestment and the source of the stock proceeds (i.e., external funds vs. deposit withdrawals). As discussed previously, two second-step offerings were completed in January 2021 and one was completed in March 2021. In comparison to the 70.50% average closing pro P/TB ratio of the three second-step offerings, the Company's pro forma P/TB ratio of 76.16% at the midpoint value reflects an implied premium of 8.03%. At the super maximum of the offering range, the Company's P/TB ratio of 90.01% reflects an implied premium of 27.67% relative to the three second-step offerings average P/TB ratio at closing.

Valuation Conclusion

Based on the foregoing, it is our opinion that, as of June 1, 2021, the estimated aggregate pro forma valuation of the shares of the Company to be issued and outstanding at the end of the conversion offering – including (1) newly-issued shares representing the MHC's current ownership interest in the Company; (2) exchange shares issued to existing public shareholders of the Company; and (3) shares issued to the Foundation—was $190,282,790 at the midpoint, equal to 19,028,279 shares at a per share value of $10.00. The resulting range of value and pro forma shares, all based on $10.00 per share, are shown below.

	Total Shares	Exchange Shares Issued to Public Shareholders	Offering Shares	Foundation Shares	Exchange Ratio
Shares					
Maximum, as Adjusted	25,164,899	10,862,061	13,886,250	416,588	1.4535x
Maximum	21,882,521	9,445,271	12,075,000	362,250	1.2639x
Midpoint	19,028,279	8,213,279	10,500,000	315,000	1.0991x
Minimum	16,174,037	6,981,287	8,925,000	267,750	0.9342x
Distribution of Shares					
Maximum, as Adjusted	100.00%	43.16%	55.18%	1.66%	
Maximum	100.00%	43.16%	55.18%	1.66%	
Midpoint	100.00%	43.16%	55.18%	1.66%	
Minimum	100.00%	43.16%	55.18%	1.66%	
Aggregate Market Value at $10.00 per share					
Maximum, as Adjusted	$251,648,990	$108,620,610	$138,862,500	$4,165,880	
Maximum	$218,825,210	$ 94,452,710	$120,750,000	$3,622,500	
Midpoint	$190,282,790	$ 82,132,790	$105,000,000	$3,150,000	
Minimum	$161,740,370	$ 69,812,870	$ 89,250,000	$2,677,500	

The pro forma valuation calculations relative to the Peer Group are shown in Table 4.3 and are detailed in Exhibit IV-7 and Exhibit IV-8.

Establishment of the Exchange Ratio

Conversion regulations provide that in a conversion of a mutual holding company, the minority shareholders are entitled to exchange the public shares for newly issued shares in the fully converted company. The Boards of Directors of the MHC and PDLB have independently determined the exchange ratio, which has been designed to preserve the current aggregate percentage ownership in the Company (adjusted for the dilution resulting from the consolidation of the MHC's unconsolidated equity into the Company). The exchange ratio to be received by the existing minority shareholders of the Company will be determined at the end of the offering, based on the total number of shares sold in the second-step conversion offering and the final appraisal. Based on the valuation conclusion herein, the resulting offering value and the $10.00 per share offering price, the indicated exchange ratio at the midpoint is 1.0991 shares of the Company for every one public share held by public shareholders. Furthermore, based on the offering range of value, the indicated exchange ratio is 0.9342 at the minimum, 1.2639 at the maximum and 1.4535 at the super maximum. RP Financial expresses no opinion on the proposed exchange of newly issued Company shares for the shares held by the public shareholders or on the proposed exchange ratio.

EXHIBITS

LIST OF EXHIBITS

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EXHIBIT I-1

Ponce Financial Group, Inc.
Map of Office Locations

Exhibit I-1
Ponce Financial Group, Inc.
Map of Office Locations

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EXHIBIT I-2

Ponce Financial Group, Inc.
Audited Financial Statements
[Incorporated by Reference]

EXHIBIT I-3

Ponce Financial Group, Inc.
Key Operating Ratios

Exhibit I-3
Ponce Financial Group, Inc.
Key Operating Ratios

	At or For the Three Months Ended March 31,		At or For the Years Ended December 31,				
	2021	2020	2020	2019	2018	2017	2016
Performance Ratios:							
Return on average assets	0.72%	(0.46%)	0.32%	(0.49%)	0.28%	(0.51%)	0.20%
Return on average equity	6.16%	(3.07%)	2.42%	(3.08%)	1.60%	(3.52%)	1.53%
Net interest rate spread (2)	3.76%	3.51%	3.37%	3.40%	3.57%	3.76%	3.82%
Net interest margin (3)	4.00%	3.87%	3.69%	3.79%	3.92%	4.02%	4.02%
Noninterest expense to average assets	3.82%	4.07%	3.98%	4.47%	3.56%	4.28%	3.84%
Efficiency ratio (4)	76.94%	102.62%	86.09%	114.19%	87.26%	103.53%	92.15%
Average interest-earning assets to average interest- bearing liabilities	133.25%	129.16%	131.65%	132.25%	134.52%	130.35%	123.84%
Average equity to average assets	11.77%	14.85%	13.31%	15.96%	17.26%	14.58%	12.81%
Capital Ratios:							
Total capital to risk weighted assets (bank only)	15.80%	17.84%	15.95%	18.62%	19.39%	20.73%	19.21%
Tier 1 capital to risk weighted assets (bank only)	14.54%	16.59%	14.70%	17.37%	18.14%	19.48%	17.96%
Common equity Tier 1 capital to risk-weighted assets (bank only)	14.54%	16.59%	14.70%	17.37%	18.14%	19.48%	17.96%
Tier 1 capital to average assets (bank only)	10.78%	12.76%	11.19%	12.92%	13.66%	14.67%	13.32%
Asset Quality Ratios:							
Allowance for loan losses as a percentage of total loans	1.24%	1.37%	1.27%	1.28%	1.36%	1.37%	1.57%
Allowance for loan losses as a percentage of nonperforming loans	126.07%	138.47%	127.28%	106.30%	186.77%	97.05%	132.15%
Net (charge-offs) recoveries to average outstanding loans	(0.02%)	0.00%	0.01%	(0.06%)	0.04%	(0.12%)	0.13%
Non-performing loans as a percentage of total loans	0.99%	1.00%	1.00%	1.20%	0.73%	1.41%	1.19%
Non-performing loans as a percentage of total assets	0.86%	0.85%	0.86%	1.10%	0.64%	1.23%	1.04%
Total non-performing assets as a percentage of total assets	0.86%	0.85%	0.86%	1.10%	0.64%	1.23%	1.04%
Total non-performing assets, accruing loans past due 90 days or more, and accruing troubled debt restructured loans as a percentage of total assets	1.32%	1.49%	1.35%	1.92%	1.63%	2.72%	3.50%
Other:							
Number of offices (5)	20	14	20	14	14	14	14
Number of full-time equivalent employees (6)	236	184	227	183	181	177	174

(1) Annualized where appropriate.
(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by average total interest-earning assets.
(4) Efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.
(5) Number of offices at March 31, 2021 and December 31, 2020 included 6 offices due to acquisition of Mortgage World.
(6) Number of full-time equivalent employees at March 31, 2021 and December 31, 2020 included 46 full-time equivalent employees related to Mortgage World.

Source: Ponce Financial's prospectus.

EXHIBIT I-4

Ponce Financial Group, Inc.
Investment Portfolio Composition

Exhibit I-4
Ponce Financial Group, Inc.
Investment Portfolio Composition

	At March 31,		At December 31,									
	2021		2020		2019		2018		2017		2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)											
Available-for -Sale Securities:												
U.S. Government and Federal Agencies	$ —	$ —	$ —	$ —	$ 16,373	$16,354	$ 20,924	$20,515	$ 24,911	$24,552	$ 41,906	$41,559
U.S. Government Bonds	$ 2,978	$ 2,988	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
US Treasury	—	—	—	—	—	—	4,997	4,995	—	—	—	—
Corporate Bonds	13,408	13,557	10,381	10,463	—	—	—	—	—	—	—	—
Certificates of Deposit	—	—	—	—	—	—	—	—	—	—	500	500
Mortgage-Backed Securities												
FHLMC Certificates	—	—	3,201	3,196	—	—	—	—	—	—	192	216
Collateralized Mortgage Obligations	7,044	6,975	—	—	—	—	—	—	—	—	—	—
FNMA Certificates	7,161	7,161	3,506	3,567	4,680	4,659	778	759	1,118	1,103	3,600	3,606
GNMA Certificates	241	248	263	272	482	491	870	875	3,205	3,242	6,744	6,809
Total available-for-sale securities	$ 30,832	$30,929	$ 17,351	$17,498	$ 21,535	$21,504	$ 27,569	$27,144	$ 29,234	$28,897	$ 52,942	$52,690
Held-to-Maturity Securities:												
FHLMC Certificates	$ 1,732	$ 1,661	$ 1,743	$ 1,722	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total held-to-maturity securities	$ 1,732	$ 1,661	$ 1,743	$ 1,722	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Source: Ponce Financial's prospectus.

EXHIBIT I-5

Ponce Financial Group, Inc.
Yields and Costs

Exhibit I-5

Ponce Financial Group, Inc.
Yields and Costs

	For the Three Months Ended March 31,					
	2021			2020		
	Average Outstanding Balance	Interest	Average Yield/Rate (1)	Average Outstanding Balance	Interest	Average Yield/Rate (1)
	(Dollars in thousands)					
Interest-earning assets:						
Loans (2)	$1,239,127	$14,925	4.88%	$ 975,499	$12,782	5.27%
Securities (3)	22,516	176	3.17%	18,218	83	1.83%
Other (4)	46,581	76	0.66%	38,220	165	1.73%
Total interest-earning assets	1,308,224	15,177	4.70%	1,031,937	13,030	5.07%
Non-interest-earning assets	63,951			37,467		
Total assets	$1,372,175			$1,069,404		
Interest-bearing liabilities:						
NOW/IOLA	$ 33,085	$ 38	0.47%	$ 29,026	$ 38	0.53%
Money market	277,104	304	0.44%	160,471	618	1.54%
Savings	126,961	39	0.12%	113,710	35	0.12%
Certificates of deposit	405,980	1,219	1.22%	379,154	1,827	1.93%
Total deposits	843,130	1,600	0.77%	682,361	2,518	1.48%
Advance payments by borrowers	8,899	1	0.05%	7,980	1	0.05%
Borrowings	129,755	684	2.14%	108,640	587	2.17%
Total interest-bearing liabilities	981,784	2,285	0.94%	798,981	3,106	1.56%
Non-interest-bearing liabilities:						
Non-interest-bearing demand	215,116	—		108,646	—	
Other non-interest-bearing liabilities	13,754	—		2,968	—	
Total non-interest-bearing liabilities	228,870	—		111,614	—	
Total liabilities	1,210,654	2,285		910,595	3,106	
Total equity	161,521			158,809		
Total liabilities and total equity	$1,372,175		0.94%	$1,069,404		1.56%
Net interest income		$12,892			$ 9,924	
Net interest rate spread (5)			3.76%			3.51%
Net interest-earning assets (6)	$ 326,440			$ 232,956		
Net interest margin (7)			4.00%			3.87%
Average interest-earning assets to interest-bearing liabilities			133.25%			129.16%

(1) Annualized where appropriate.
(2) Loans include loans and mortgage loans held for sale, at fair value.
(3) Securities include available-for-sale securities and held-to-maturity securities.
(4) Includes FHLBNY demand account and FHLBNY stock dividends.
(5) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
(6) Net interest-earning assets represent total interest-earning assets less total interest-earning liabilities.
(7) Net interest margin represents net interest income divided by average total interest-earning assets.

Exhibit I-5 (continued)
Ponce Financial Group, Inc.
Yields and Costs

	For the Years Ended December 31,					
	2020			2019		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans (1)	$1,068,785	$52,389	4.90%	$ 946,159	$49,306	5.21%
Securities (2)	16,473	515	3.13%	24,778	362	1.46%
Other (3)	53,683	435	0.81%	35,517	823	2.32%
Total interest-earning assets	1,138,941	53,339	4.68%	1,006,454	50,491	5.02%
Non-interest-earning assets	56,415			35,504		
Total assets	$1,195,356			$1,041,958		
Interest-bearing liabilities:						
NOW/IOLA	$ 29,792	$ 153	0.51%	$ 27,539	$ 122	0.44%
Money market	207,454	1,869	0.90%	124,729	2,548	2.04%
Savings	118,956	148	0.12%	119,521	153	0.13%
Certificates of deposit	379,276	6,576	1.73%	403,010	7,677	1.90%
Total deposits	735,478	8,746	1.19%	674,799	10,500	1.56%
Advance payments by borrowers	8,463	4	0.05%	8,608	4	0.05%
Borrowings	121,193	2,619	2.16%	77,621	1,854	2.39%
Total interest-bearing liabilities	865,134	11,369	1.31%	761,028	12,358	1.62%
Non-interest-bearing liabilities:						
Non-interest-bearing demand	164,555	—		110,745	—	
Other non-interest-bearing liabilities	6,603	—		3,900	—	
Total non-interest-bearing liabilities	171,158	—		114,645	—	
Total liabilities	1,036,292	11,369		875,673	12,358	
Total equity	159,064			166,285		
Total liabilities and total equity	$1,195,356		1.31%	$1,041,958		1.62%
Net interest income		$41,970			$38,133	
Net interest rate spread (4)			3.37%			3.40%
Net interest-earning assets (5)	$ 273,807			$ 245,426		
Net interest margin (6)			3.69%			3.79%
Average interest-earning assets to interest-bearing liabilities			131.65%			132.25%

(1) Loans include loans and mortgage loans held for sale, at fair value.
(2) Securities include available-for-sale securities and held-to-maturity securities.
(3) Includes FHLBNY demand account and FHLBNY stock dividends.
(4) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
(5) Net interest-earning assets represent total interest-earning assets less total interest-earning liabilities.
(6) Net interest margin represents net interest income divided by average total interest-earning assets.

Source: Ponce Financial's prospectus.

EXHIBIT I-6

Ponce Financial Group, Inc.
Loan Loss Allowance Activity

Exhibit I-6
Ponce Financial Group, Inc.
Loan Loss Allowance Activity

	For the Three Months Ended March 31,		For the Years Ended December 31,				
	2021	2020	2020	2019	2018	2017	2016
			(Dollars in thousands)				
Allowance at beginning of the period	$14,870	$12,329	$12,329	$12,659	$11,071	$10,205	$ 9,484
Provision (recovery) for loan losses	686	1,146	2,443	258	1,249	1,716	(57)
Charge-offs:							
Mortgage loans:							
1-4 family residential							
Investor-owned	—	—	—	(8)	—	—	(38)
Owner-occupied	—	—	—	—	—	—	—
Multifamily residential	—	—	—	—	—	—	(3)
Nonresidential properties	—	—	—	—	—	—	—
Construction and land	—	—	—	—	—	—	(85)
Nonmortgage loans:							
Business	—	—	—	(724)	(34)	(1,423)	—
Consumer	(50)	—	(6)	—	(14)	(6)	(13)
Total charge-offs	(50)	—	(6)	(732)	(48)	(1,429)	(139)
Recoveries:							
Mortgage loans:							
1-4 family residential							
Investor-owned	—	—	—	23	1	25	18
Owner-occupied	—	—	—	—	250	176	142
Multifamily residential	—	—	—	—	—	2	1
Nonresidential properties	—	2	4	9	9	9	9
Construction and land	—	—	—	—	—	2	5
Nonmortgage loans:							
Business	2	7	95	110	122	359	733
Consumer	—	—	5	2	5	6	9
Total recoveries	2	9	104	144	387	579	917
Net recoveries (charge-offs)	(48)	9	98	(588)	339	(850)	778
Allowance at end of the period	$15,508	$13,484	$14,870	$12,329	$12,659	$11,071	$10,205
Allowance for loan losses as a percentage of nonperforming loans	126.07%	138.47%	127.28%	106.30%	186.77%	97.05%	132.15%
Allowance for loan losses as a percentage of total loans	1.24%	1.37%	1.27%	1.28%	1.36%	1.37%	1.57%
Net recoveries (charge-offs) to average loans outstanding during the period	(0.02%)	0.00%	0.01%	(0.06%)	0.04%	(0.12%)	0.13%

Source: Ponce Financial's prospectus.

EXHIBIT I-7

Ponce Financial Group, Inc.
Interest Rate Risk Analysis

Exhibit I-7
Ponce Financial Group, Inc.
Interest Rate Risk Analysis

Rate Shift (1)	Net Interest Income Year 1 Forecast (Dollars in thousands)	Year 1 Change from Level
+400	$ 47,318	(7.74%)
+300	48,888	(4.68%)
+200	50,095	(2.33%)
+100	50,933	(0.69%)
Level	51,289	— %
-100	50,316	(1.90%)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets (3)	
		Amount	Percent	EVE Ratio (4)	Increase (Decrease) (basis points)
	(Dollars in thousands)				
+400	$153,943	$(19,157)	(11.07%)	11.39%	(1,107)
+300	160,540	(12,560)	(7.26%)	11.68%	(726)
+200	166,189	(6,911)	(3.99%)	11.89%	(399)
+100	170,914	(2,186)	(1.26%)	12.02%	(126)
Level	173,100	—	—%	11.98%	—
-100	184,496	11,396	6.58%	12.56%	658

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

Source: Ponce Financial's prospectus.

EXHIBIT I-8

Ponce Financial Group, Inc.
Fixed and Adjustable Rate Loans

Exhibit I-8
Ponce Financial Group, Inc.
Fixed and Adjustable Rate Loans

	Due After March 31, 2022		
	Fixed	Adjustable (In thousands)	Total
Mortgage loans:			
1-4 family residential			
Investor-owned	$ 66,372	$246,377	$ 312,749
Owner-occupied	45,488	53,479	98,967
Multifamily residential	72,372	241,710	314,082
Nonresidential properties	33,464	178,058	211,522
Construction and land	—	31,779	31,779
Total mortgage loans	217,696	751,403	969,099
Nonmortgage loans:			
Business loans (1)	132,514	2,610	135,124
Consumer loans (2)	—	36,632	36,632
Total nonmortgage loans	132,514	39,242	171,756
Total	$350,210	$790,645	$1,140,855

(1) Includes $132.5 million of PPP loans at March 31, 2021.
(2) Includes $35.9 million of loans related to Grain at March 31, 2021.

Source: Ponce Financial's prospectus.

EXHIBIT I-9

Ponce Financial Group, Inc.
Loan Portfolio Composition

Exhibit I-9
Ponce Financial Group, Inc.
Loan Portfolio Composition

	At March 31, 2021		At December 31, 2020		2019		2018		2017		2016	
	Amount	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
	(Dollars in thousands)											
Mortgage loans:												
1-4 family residential												
Investor-owned	$ 317,895	25.51%	$ 319,596	27.27%	$ 305,272	31.60%	$ 303,197	32.61%	$ 287,158	35.51%	$ 227,409	34.90%
Owner-occupied	99,985	8.02%	98,795	8.43%	91,943	9.52%	92,788	9.98%	100,854	12.47%	97,631	14.98%
Multifamily residential	315,078	25.28%	307,411	26.23%	250,239	25.90%	232,509	25.01%	188,550	23.31%	158,200	24.28%
Nonresidential properties	215,340	17.28%	218,929	18.68%	207,225	21.45%	196,917	21.18%	151,193	18.70%	121,500	18.64%
Construction and land	119,339	9.57%	105,858	9.03%	99,309	10.28%	87,572	9.42%	67,240	8.31%	30,340	4.66%
Total mortgage loans	1,067,637	85.66%	1,050,589	89.64%	953,988	98.75%	912,983	98.20%	794,995	98.30%	635,080	97.46%
Nonmortgage loans:												
Business loans (1)	142,135	11.40%	94,947	8.10%	10,877	1.13%	15,710	1.69%	12,873	1.59%	15,719	2.41%
Consumer loans (2)	36,706	2.94%	26,517	2.26%	1,231	0.12%	1,068	0.11%	886	0.11%	843	0.13%
Total nonmortgage loans	178,841	14.34%	121,464	10.36%	12,108	1.25%	16,778	1.80%	13,759	1.70%	16,562	2.54%
	1,246,478	100.00%	1,172,053	100.00%	966,096	100.00%	929,761	100.00%	808,754	100.00%	651,642	100.00%
Net deferred loan origination costs	(512)		1,457		1,970		1,407		1,020		711	
Allowance for losses on loans	(15,508)		(14,870)		(12,329)		(12,659)		(11,071)		(10,205)	
Loans, net	$1,230,458		$1,158,640		$ 955,737		$ 918,509		$ 798,703		$ 642,148	

(1) As of March 31, 2021 and December 31, 2020, business loans include $132.5 million and $85.3 million, respectively, of PPP loans.
(2) As of March 31, 2021 and December 31, 2020, consumer loans include $35.9 million and $25.5 million, respectively, related to Grain.

Source: Ponce Financial's prospectus.

EXHIBIT I-10

Ponce Financial Group, Inc.
Contractual Maturity by Loan Type

Exhibit I-10
Ponce Financial Group, Inc.
Contractual Maturity by Loan Type

	March 31, 2021			
	One year or less	More than one year to five years	More than five years	Total
	(In thousands)			
Mortgage loans:				
1-4 family residential				
Investor-owned	$ 5,146	$ 11,574	$301,175	$ 317,895
Owner-occupied	1,018	2,760	96,207	99,985
Multifamily residential	996	17,644	296,438	315,078
Nonresidential properties	3,818	24,162	187,360	215,340
Construction and land	87,560	31,779	—	119,339
Total mortgage loans	98,538	87,919	881,180	1,067,637
Nonmortgage loans:				
Business loans (1)	7,011	133,172	1,952	142,135
Consumer loans (2)	74	36,632	—	36,706
Total nonmortgage loans	7,085	169,804	1,952	178,841
Total	$105,623	$ 257,723	$883,132	$1,246,478

(1) Includes $132.5 million of PPP loans at March 31, 2021.
(2) Includes $35.9 million of loans originated through Grain at March 31, 2021.

Source: Ponce Financial's prospectus.

EXHIBIT I-11

Ponce Financial Group, Inc.
Loan Originations, Purchases, Sales and Repayments

Exhibit I-11
Ponce Financial Group, Inc.
Loan Originations, Purchases, Sales and Repayments

	Three Months Ended March 31,	Years Ended December 31,				
	2021	2020	2019	2018	2017	2016
				(in thousands)		
Total loans at beginning of the period	$1,172,053	$ 966,096	$ 929,761	$ 808,754	$ 651,642	$576,611
Loans originated:						
Mortgage loans:						
1-4 family residential						
Investor-owned	4,343	36,522	32,827	38,738	85,333	57,167
Owner-occupied	3,353	15,090	9,117	6,430	15,278	14,741
Multifamily residential	9,469	90,481	53,288	66,674	51,451	51,876
Nonresidential properties	5,815	34,154	37,975	72,926	56,327	31,408
Construction and land	25,250	81,465	69,240	55,295	69,011	5,693
Total mortgage loans	48,230	257,712	202,447	240,063	277,400	160,885
Nonmortgage loans:						
Business (1)	55,958	89,110	1,175	5,101	17,873	1,222
Consumer (2)	10,469	25,999	755	697	597	718
Total nonmortgage loans	66,427	115,109	1,930	5,798	18,470	1,940
Total loans originated	114,657	372,821	204,377	245,861	295,870	162,825
Loans purchased:						
Mortgage loans:						
1-4 family residential	—	—	—	—	—	—
Investor-owned	—	—	—	—	—	—
Owner-occupied	—	—	—	—	—	—
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	—	—	—	—	—	—
Construction and land	—	—	—	—	—	—
Total mortgage loans	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—	—
Total loans purchased	—	—	—	—	—	—
Loans sold:						
Mortgage loans:						
1-4 family residential						
Investor-owned	(1,029)	(781)	(3,520)	(1,759)	(139)	—
Owner-occupied	—	—	—	(2,502)	(819)	—
Multifamily residential	—	(2,748)	—	(535)	—	—
Nonresidential properties	—	(510)	(196)	(2,045)	(2,010)	—
Construction and land	—	—	—	—	—	—
Total mortgage loans	(1,029)	(4,039)	(3,716)	(6,841)	(2,968)	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—	—
Total loans sold	(1,029)	(4,039)	(3,716)	(6,841)	(2,968)	—
Principal repayments and other	(39,203)	(162,825)	(164,326)	(118,013)	(135,790)	(87,794)
Net loan activity	74,425	205,957	36,335	121,007	157,112	75,031
Total loans at end of the period	$1,246,478	$1,172,053	$ 966,096	$ 929,761	$ 808,754	$651,642

(1) As of March 31, 2021 and December 31, 2020, business loans include $132.5 million and $85.3 million, respectively, of PPP loans.
(2) As of March 31, 2021 and December 31, 2020, consumer loans include $35.9 million and $25.5 million, respectively, of loans originated pursuant to the Bank’s arrangement with Grain.

Source: Ponce Financial’s prospectus.

EXHIBIT I-12

Ponce Financial Group, Inc.
Non-Performing Assets

Exhibit I-12
Ponce Financial Group, Inc.
Non-Performing Assets

	At March 31,	At December 31,				
	2021	2020	2019	2018	2017	2016
	(Dollars in thousands)					
Nonaccrual loans:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ 2,907	$ 2,808	$ 2,312	$ 205	$ 1,034	$ 809
Owner-occupied	1,585	1,053	1,009	1,092	2,624	1,463
Multifamily residential	946	946	—	16	521	—
Nonresidential properties	3,761	3,776	3,555	706	1,387	1,614
Construction and land	—	—	1,118	1,115	1,075	1,145
Nonmortgage loans:						
Business	—	—	—	—	147	22
Consumer	—	—	—	—	—	—
Total nonaccrual loans (not including non-accruing troubled debt restructured loans)	$ 9,199	$ 8,583	$ 7,994	$ 3,134	$ 6,788	$ 5,053
Non-accruing troubled debt restructured loans:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ 246	$ 249	$ 467	$ 1,053	$ 1,144	$ 1,240
Owner-occupied	2,195	2,197	2,491	1,987	2,693	646
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	661	654	646	604	783	783
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total non-accruing troubled debt restructured loans	3,102	3,100	3,604	3,644	4,620	2,669
Total nonaccrual loans	$12,301	$11,683	$11,598	$ 6,778	$11,408	$ 7,722
Total nonperforming assets	$12,301	$11,683	$11,598	$ 6,778	$11,408	$ 7,722
Accruing loans past due 90 days or more:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ —	$ —	$ —	$ —	$ 7	$ —
Owner-occupied	—	—	—	—	—	—
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	—	—	—	—	—	—
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total accruing loans past due 90 days or more	$ —	$ —	$ —	$ —	$ 7	$ —
Accruing troubled debt restructured loans:						
Mortgage loans:						
1-4 family residential						
Investor-owned	$ 3,362	$ 3,378	$ 5,191	$ 5,192	$ 6,559	$ 6,422
Owner-occupied	2,466	2,505	2,090	3,456	4,756	7,271
Multifamily residential	—	—	—	—	—	—
Nonresidential properties	750	754	1,306	1,438	1,958	4,066
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	—	—	14	374	477	593
Consumer	—	—	—	—	—	—
Total accruing troubled debt restructured loans	$ 6,578	$ 6,637	$ 8,601	$10,460	$13,750	$18,352
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans	$18,879	$18,320	$20,199	$17,238	$25,165	$26,074
Total nonperforming loans to total gross loans	99.00%	1.00%	1.20%	0.73%	1.41%	1.20%
Total nonperforming assets to total assets	86.00%	0.86%	1.10%	0.64%	1.23%	1.04%
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans to total assets	1.32%	1.35%	1.92%	1.63%	2.72%	3.50%

Source: Ponce Financial's prospectus.

EXHIBIT I-13

Ponce Financial Group, Inc.
Deposit Composition

Exhibit I-13
Ponce Financial Group, Inc.
Deposit Composition

	For the Three Months Ended March 31, 2021			For the Years Ended December 31, 2020			2019			2018		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)											
Deposit type:												
NOW/IOLA	$ 33,085	3.13%	0.47%	$ 29,792	3.31%	0.51%	$ 27,539	3.51%	0.44%	$ 28,182	3.74%	0.36%
Money market	277,104	26.19%	0.44%	207,454	23.05%	0.90%	124,729	15.88%	2.04%	60,113	7.97%	1.17%
Savings	126,961	12.00%	0.12%	118,956	13.22%	0.12%	119,521	15.22%	0.13%	125,395	16.63%	0.61%
Certificates of deposit	405,980	38.35%	1.22%	379,276	42.14%	1.73%	403,010	51.30%	1.90%	439,737	58.32%	1.73%
Interest-bearing deposits	843,130	79.67%	0.77%	735,478	81.72%	1.19%	674,799	85.90%	1.56%	653,427	86.66%	1.31%
Non-interest bearing demand	215,116	20.33%	—%	164,555	18.28%	—%	110,745	14.10%	—%	100,628	13.34%	—%
Total deposits	$1,058,246	100.00%	0.61%	$900,033	100.00%	0.97%	$ 785,544	100.00%	1.34%	$754,055	100.00%	1.14%

Source: Ponce Financial’s prospectus.

EXHIBIT I-14

Ponce Financial Group, Inc.
Maturity of Time Deposits

Exhibit I-14
Ponce Financial Group, Inc.
Maturity of Time Deposits

	Period to Maturity					
	Less Than or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three in Years	Total	Percent of Total
	(Dollars in thousands)					
Interest Rate Range:						
0.05% - 0.99%	$ 139,125	$13,165	$ 552	$ 82,962	$235,804	53.69%
1.00% - 1.49%	46,025	15,483	9,346	4,241	75,095	17.11%
1.50%- 1.99%	25,567	5,977	2,391	6,094	40,029	9.11%
2.00% - 2.49%	36,591	30,233	2,255	3,718	72,797	16.58%
2.50% - 2.99%	7,031	1,482	505	3,486	12,504	2.85%
3.00% and greater	829	—	945	1,169	2,943	0.66%
Total	$ 255,168	$66,340	$15,994	$101,670	$439,172	100.00%

Source: Ponce Financial's prospectus.

EXHIBIT I-15

Ponce Financial Group, Inc.
Borrowing Activity

Exhibit I-15
Ponce Financial Group, Inc.
Borrowing Activity

	At or For the Three Months March 31, 2021	2020	2019	2018	2017	2016
		At or For the Years December 31,				
			(Dollars in	Thousands)		
FHLBNY Advances:						
Balance outstanding at end of period	$109,255	$117,255	$104,404	$ 44,404	$16,400	$ 3,000
Average amount outstanding during the period	109,255	116,947	81,404	32,157	9,738	1,145
Maximum outstanding at any month-end during the period	109,255	152,284	169,404	44,404	55,000	12,000
Weighted average interest rate during the period	2.02%	2.03%	2.32%	1.87%	1.08%	0.61%
Weighted average interest rate at the end of the period	2.02%	1.90%	2.21%	2.72%	2.02%	0.78%
Correspondent Borrowings:						
Balance outstanding at end of period	$ —	$ —	$ —	$ 25,000	$20,000	$ —
Average amount outstanding during the period	—	—	—	2,729	548	—
Maximum outstanding at any month-end during the period	—	—	—	25,000	20,000	—
Weighted average interest rate during the period	—	—	—	2.26%	1.64%	—
Weighted average interest rate at the end of the period	—	—	—	2.64%	1.64%	—
Warehouse Lines of Credit:						
Balance outstanding at end of period	$ 11,664	$ 29,961	$ —	$ —	$ —	$ —
Average amount outstanding during the period	6,875	8,461	—	—	—	—
Maximum outstanding at any month-end during the period	17,385	29,961	—	—	—	—
Weighted average interest rate during the period	3.38%	3.34%	—	—	—	—
Weighted average interest rate at the end of the period	3.37%	3.37%	—	—	—	—

Source: Ponce Financial's prospectus.

EXHIBIT II-1

Description of Office Properties

Exhibit II-1
Ponce Financial Group, Inc.
Description of Office Properties

Location	Leased or Owned	Year Acquired or Leased	Net Book Value of Real Property (In thousands)
Main Office:			
2244 Westchester Avenue (1)	**Owned**	1995	$ 10,006
Bronx, NY 10462			
Other Properties:			
980 Southern Blvd.	**Leased**	1990	1,017
Bronx, NY 10459			
37-60 82nd Street	**Owned**	2006	8,006
Jackson Heights, NY 11372 51 East 170th Street	**Leased**	2018	852
Bronx, NY 10452 169-174 Smith Street	**Owned**	1988	38
Brooklyn, NY 11201 1925 Third Avenue	**Leased**	2019	1,727
New York, NY 1996 2244 Westchester Avenue (1)	**Owned**	1995	811
Bronx, NY 10462 5560 Broadway (2)	**Owned**	1998	1,128
Bronx, NY 10463 3405-3407 Broadway	**Leased**	2001	427
Astoria, NY 11106 3821 Bergenline Avenue	**Leased**	2021	—
Union City, NJ 07087 1900-1960 Ralph Avenue	**Leased**	2007	471
Brooklyn, NY 11234 20-47 86th Street	**Owned**	2010	3,590
Brooklyn, NY 11214 100-20 Queens Blvd	**Leased**	2010	374
Forest Hills, NY 11375			
319 First Avenue	**Leased**	2010	759
New York, NY 10003 32-75 Steinway Street	**Leased**	2020	242
Astoria, NY 11103			
375 Sylvan Avenue	**Leased**	2020	—
Englewood Cliffs, NJ 07632			
26-58 Coney Island Avenue	**Leased**	2020	10
Brooklyn, NY 11223			
42 South Washington Avenue	**Leased**	2020	3
Bergenfield, NJ 07621			
135-14 Northern Blvd.	**Leased**	2020	—
Flushing, NY 11354			
			$ 29,461

(1) On May 19, 2021, PFS Services Corp., a subsidiary of Ponce Bank, signed a letter of intent to enter into the sale of the real property located at 2244 Westchester Avenue, Bronx, New York. Concurrent with the sale, Ponce Bank and the purchaser will enter into a fifteen-year agreement whereby the Bank lease back the real property.

(2) On June 4, 2021, Ponce Bank completed the sale of the real property located at 5560 Broadway, Bronx, New York. Concurrent with the sale of the real property, the Ponce Bank and the purchaser entered into a fifteen-year agreement whereby the Bank lease back the real property.

Source: Ponce Financial's prospectus.

EXHIBIT II-2

Historical Interest Rates

Exhibit II-2
Historical Interest Rates(1)

Year/Qtr. Ended	Prime Rate	90 Day T-Note	One Year T-Note	10 Year T-Note
2008: Quarter 1	5.25%	1.38%	1.55%	3.45%
Quarter 2	5.00%	1.90%	2.36%	3.99%
Quarter 3	5.00%	0.92%	1.78%	3.85%
Quarter 4	3.25%	0.11%	0.37%	2.25%
2009: Quarter 1	3.25%	0.21%	0.57%	2.71%
Quarter 2	3.25%	0.19%	0.56%	3.53%
Quarter 3	3.25%	0.14%	0.40%	3.31%
Quarter 4	3.25%	0.06%	0.47%	3.85%
2010: Quarter 1	3.25%	0.16%	0.41%	3.84%
Quarter 2	3.25%	0.18%	0.32%	2.97%
Quarter 3	3.25%	0.18%	0.32%	2.97%
Quarter 4	3.25%	0.12%	0.29%	3.30%
2011: Quarter 1	3.25%	0.09%	0.30%	3.47%
Quarter 2	3.25%	0.03%	0.19%	3.18%
Quarter 3	3.25%	0.02%	0.13%	1.92%
Quarter 4	3.25%	0.02%	0.12%	1.89%
2012: Quarter 1	3.25%	0.07%	0.19%	2.23%
Quarter 2	3.25%	0.09%	0.21%	1.67%
Quarter 3	3.25%	0.10%	0.17%	1.65%
Quarter 4	3.25%	0.05%	0.16%	1.78%
2013: Quarter 1	3.25%	0.07%	0.14%	1.87%
Quarter 2	3.25%	0.04%	0.15%	2.52%
Quarter 3	3.25%	0.02%	0.10%	2.64%
Quarter 4	3.25%	0.07%	0.13%	3.04%
2014: Quarter 1	3.25%	0.05%	0.13%	2.73%
Quarter 2	3.25%	0.04%	0.11%	2.53%
Quarter 3	3.25%	0.02%	0.13%	2.52%
Quarter 4	3.25%	0.04%	0.25%	2.17%
2015: Quarter 1	3.25%	0.03%	0.26%	1.94%
Quarter 2	3.25%	0.01%	0.28%	2.35%
Quarter 3	3.25%	0.00%	0.33%	2.06%
Quarter 4	3.50%	0.16%	0.65%	2.27%
2016: Quarter 1	3.50%	0.21%	0.59%	1.78%
Quarter 2	3.50%	0.26%	0.45%	1.49%
Quarter 3	3.50%	0.29%	0.59%	1.60%
Quarter 4	3.75%	0.51%	0.85%	2.45%
2017: Quarter 1	4.00%	0.76%	1.03%	2.40%
Quarter 2	4.25%	1.03%	1.24%	2.31%
Quarter 3	4.25%	1.06%	1.31%	2.33%
Quarter 4	4.50%	1.39%	1.76%	2.40%
2018: Quarter 1	4.75%	1.73%	2.09%	2.74%
Quarter 2	5.00%	1.93%	2.33%	2.85%
Quarter 3	5.25%	2.19%	2.59%	3.05%
Quarter 4	5.50%	2.45%	2.63%	2.69%
2019: Quarter 1	5.50%	2.40%	2.40%	2.41%
Quarter 2	5.00%	2.12%	1.92%	2.00%
Quarter 3	4.75%	1.88%	1.75%	1.68%
Quarter 4	4.75%	1.55%	1.59%	1.92%
2020: Quarter 1	3.25%	0.11%	0.17%	0.70%
Quarter 2	3.25%	0.16%	0.16%	0.66%
Quarter 3	3.25%	0.10%	0.12%	0.69%
Quarter 4	3.25%	0.09%	0.10%	0.93%
2021: Quarter 1	3.25%	0.05%	0.07%	1.74%
As of June 1, 2021	3.25%	0.02%	0.04%	1.62%

(1) End of period data.

Sources: Federal Reserve and The Wall Street Journal.

EXHIBIT III-1

Characteristics of Publicly-Traded Thrifts

Exhibit III-1
Characteristics of Publicly-Traded Thrifts
June 1, 2021

Ticker	Financial Institution	Exchange	Region	City	State	Total Assets ($Mil)	Offices	Fiscal Mth End	Conv. Date	As of June 1, 2021 Stock Price ($)	Market Value ($Mil)
AFBI	Affinity Bancshares, Inc.	NASDAQCM	SE	Covington	GA	$ 797	3	Dec	4/27/17	$ 12.55	$ 86
AX	Axos Financial, Inc.	NYSE	WE	Las Vegas	NV	$14,828	1	Jun	3/14/05	$ 48.26	$2,859
BYFC	Broadway Financial Corporation	NASDAQCM	WE	Los Angeles	CA	$ 480	4	Dec	1/8/96	$ 2.56	$ 48
CFFN	Capitol Federal Financial, Inc.	NASDAQGS	MW	Topeka	KS	$ 9,698	54	Sep	3/31/99	$ 13.06	$1,770
CARV	Carver Bancorp, Inc.	NASDAQCM	MA	New York	NY	$ 686	7	Mar	10/24/94	$ 9.14	$ 29
CBMB	CBM Bancorp, Inc.	NASDAQCM	MA	Baltimore	MD	$ 240	4	Dec	9/27/18	$ 14.60	$ 51
CNNB	Cincinnati Bancorp, Inc.	NASDAQCM	MW	Cincinnati	OH	$ 241	6	Dec	10/14/15	$ 13.90	$ 41
ESBK	Elmira Savings Bank	NASDAQCM	MA	Elmira	NY	$ 659	12	Dec	3/1/85	$ 14.18	$ 50
ESSA	ESSA Bancorp, Inc.	NASDAQGS	MA	Stroudsburg	PA	$ 1,970	23	Sep	4/3/07	$ 16.01	$ 160
FFBW	FFBW, Inc.	NASDAQCM	MW	Brookfield	WI	$ 338	6	Dec	10/10/17	$ 11.22	$ 70
FNWB	First Northwest Bancorp	NASDAQGM	WE	Port Angeles	WA	$ 1,736	12	Dec	1/29/15	$ 17.75	$ 162
FSBW	FS Bancorp, Inc.	NASDAQCM	WE	Mountlake Terrace	WA	$ 2,176	23	Dec	7/9/12	$ 71.29	$ 295
GBNY	Generations Bancorp NY, Inc.	NASDAQCM	MA	Seneca Falls	NY	$ 382	10	Dec	7/10/06	$ 9.95	$ 25
HONE	HarborOne Bancorp, Inc.	NASDAQGS	NE	Brockton	MA	$ 4,606	29	Dec	6/29/16	$ 14.90	$ 784
HIFS	Hingham Institution for Savings	NASDAQGM	NE	Hingham	MA	$ 2,844	9	Dec	12/13/88	$295.74	$ 634
HMNF	HMN Financial, Inc.	NASDAQGM	MW	Rochester	MN	$ 971	14	Dec	6/30/94	$ 20.74	$ 95
HFBL	Home Federal Bancorp, Inc. of Louisiana	NASDAQCM	SW	Shreveport	LA	$ 563	8	Jun	1/18/05	$ 17.25	$ 54
HVBC	HV Bancorp, Inc.	NASDAQCM	MA	Doylestown	PA	$ 596	6	Dec	1/11/17	$ 20.66	$ 45
IROQ	IF Bancorp, Inc.	NASDAQCM	MW	Watseka	IL	$ 745	8	Jun	7/7/11	$ 22.59	$ 69
KRNY	Kearny Financial Corp.	NASDAQGS	MA	Fairfield	NJ	$ 7,358	49	Jun	2/23/05	$ 13.11	$1,022
MSVB	Mid-Southern Bancorp, Inc.	NASDAQCM	MW	Salem	IN	$ 245	3	Dec	4/8/98	$ 15.45	$ 46
NYCB	New York Community Bancorp, Inc.	NYSE	MA	Westbury	NY	$57,657	238	Dec	11/23/93	$ 12.18	$5,664
NFBK	Northfield Bancorp, Inc. (Staten Island, NY)	NASDAQGS	MA	Woodbridge	NJ	$ 5,577	38	Dec	11/7/07	$ 16.76	$ 860
NWBI	Northwest Bancshares, Inc.	NASDAQGS	MA	Warren	PA	$14,270	171	Dec	11/4/94	$ 14.35	$1,826
PCSB	PCSB Financial Corporation	NASDAQCM	MA	Yorktown Heights	NY	$ 1,855	16	Jun	4/20/17	$ 18.32	$ 273
PVBC	Provident Bancorp, Inc.	NASDAQCM	NE	Amesbury	MA	$ 1,552	7	Dec	7/15/15	$ 16.39	$ 239
PROV	Provident Financial Holdings, Inc.	NASDAQGS	WE	Riverside	CA	$ 1,189	14	Jun	6/27/96	$ 17.70	$ 133
PFS	Provident Financial Services, Inc.	NYSE	MA	Jersey City	NJ	$13,130	100	Dec	1/15/03	$ 25.47	$1,952
PBIP	Prudential Bancorp, Inc.	NASDAQGM	MA	Philadelphia	PA	$ 1,204	10	Sep	3/29/05	$ 13.90	$ 109
RNDB	Randolph Bancorp, Inc.	NASDAQGM	NE	Stoughton	MA	$ 738	5	Dec	7/1/16	$ 22.32	$ 110
RVSB	Riverview Bancorp, Inc.	NASDAQGS	WE	Vancouver	WA	$ 1,549	16	Mar	10/26/93	$ 7.07	$ 158
STXB	Spirit of Texas Bancshares, Inc.	NASDAQGS	SW	Conroe	TX	$ 3,170	37	Dec	5/3/18	$ 22.98	$ 394
SBT	Sterling Bancorp, Inc. (Southfield, MI)	NASDAQCM	MW	Southfield	MI	$ 3,694	30	Dec	11/16/17	$ 4.96	$ 249
TBNK	Territorial Bancorp Inc.	NASDAQGS	WE	Honolulu	HI	$ 2,140	30	Dec	7/13/09	$ 26.42	$ 242
TSBK	Timberland Bancorp, Inc.	NASDAQGM	WE	Hoquiam	WA	$ 1,699	24	Sep	1/12/98	$ 29.68	$ 248
TBK	Triumph Bancorp, Inc.	NASDAQGS	SW	Dallas	TX	$ 6,100	65	Dec	11/6/14	$ 84.47	$2,084
TRST	TrustCo Bank Corp NY	NASDAQGS	MA	Glenville	NY	$ 6,046	147	Dec		$ 37.80	$ 729
WSBF	Waterstone Financial, Inc.	NASDAQGS	MW	Wauwatosa	WI	$ 2,198	16	Dec	10/4/05	$ 19.95	$ 477
WNEB	Western New England Bancorp, Inc.	NASDAQGS	NE	Westfield	MA	$ 2,464	27	Dec	12/27/01	$ 8.46	$ 202
WMPN	William Penn Bancorp	NASDAQCM	MA	Bristol	PA	$ 817	14	Jun	4/15/08	$ 11.28	$ 171
WSFS	WSFS Financial Corporation	NASDAQGS	MA	Wilmington	DE	$14,730	94	Dec	11/26/86	$ 54.02	$2,568
WVFC	WVS Financial Corp.	NASDAQGM	MA	Pittsburgh	PA	$ 314	6	Jun	11/29/93	$ 16.30	$ 28
BCOW	1895 Bancorp of Wisconsin, Inc.	NASDAQCM	MW	Greenfield	WI	$ 517	6	Dec	1/8/19	$ 14.87	$ 70
BSBK	Bogota Financial Corp.	NASDAQCM	MA	Teaneck	NJ	$ 844	7	Dec	1/15/20	$ 10.05	$ 140
CLBK	Columbia Financial, Inc.	NASDAQGS	MA	Fair Lawn	NJ	$ 9,040	61	Dec	4/19/18	$ 17.69	$1,929
FSEA	First Seacoast Bancorp	NASDAQCM	NE	Dover	NH	$ 465	5	Dec	7/16/19	$ 9.42	$ 56
GCBC	Greene County Bancorp, Inc.	NASDAQCM	MA	Catskill	NY	$ 2,143	19	Jun	12/30/98	$ 30.00	$ 255
KFFB	Kentucky First Federal Bancorp	NASDAQGM	MW	Hazard	KY	$ 333	7	Jun	3/2/05	$ 6.93	$ 57
LSBK	Lake Shore Bancorp, Inc.	NASDAQGM	MA	Dunkirk	NY	$ 706	12	Dec	4/3/06	$ 14.77	$ 84
MGYR	Magyar Bancorp, Inc.	NASDAQGM	MA	New Brunswick	NJ	$ 759	7	Sep	1/23/06	$ 13.96	$ 81
OFED	Oconee Federal Financial Corp.	NASDAQCM	SE	Seneca	SC	$ 534	8	Jun	1/13/11	$ 25.58	$ 143
PDLB	PDL Community Bancorp	NASDAQGM	MA	Bronx	NY	$ 1,434	14	Dec	9/29/17	$ 13.78	$ 232
PBFS	Pioneer Bancorp, Inc.	NASDAQCM	MA	Albany	NY	$ 1,788	23	Jun	7/17/19	$ 11.75	$ 295
RBKB	Rhinebeck Bancorp, Inc.	NASDAQCM	MA	Poughkeepsie	NY	$ 1,197	17	Dec	1/16/19	$ 10.57	$ 114
TFSL	TFS Financial Corporation	NASDAQGS	MW	Cleveland	OH	$14,465	37	Sep	4/20/07	$ 22.35	$6,187

Source: S&P Global Market Intelligence.

EXHIBIT III-2

Public Market Pricing of Mid-Atlantic and New England Thrifts

Exhibit III-2
Public Market Pricing of Mid-Atlantic and New England Institutions
As of June 1, 2021

			Market Capitalization		Per Share Data		Pricing Ratios(2)					Dividends(3)			Financial Characteristics(5)							
			Price/ Share	Market Value	Core 12 Month EPS(1)	Book Value/ Share	P/E	P/B	P/A	P/TB	P/Core	Amount/ Share	Yield	Payout Ratio(4)	Total Assets	Equity/ Assets	Tang. Eq./ T. Assets	NPAs/ Assets	Reported ROAA	Reported ROAE	Core ROAA	Core ROAE
			($)	($Mil)	($)	($)	(x)	(%)	(%)	(%)	(x)	($)	(%)	(%)	($Mil)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
All Non-MHC Public Companies(6)																						
Averages			$ 27.52	$ 646.78	$ 2.30	$ 20.95	13.52	114.1%	14.2%	126.5%	14.28	$ 0.48	2.19%	47%	$ 4,625	12.83%	11.61%	0.73%	1.04%	8.42%	1.08%	8.76%
Median			$ 16.35	$ 186.68	$ 1.14	$ 16.88	13.42	105.0%	13.3%	112.1%	13.67	$ 0.36	2.01%	35%	$ 1,718	11.61%	10.60%	0.54%	0.83%	7.09%	0.88%	7.22%
Comparable Group																						
Averages			$ 30.72	$ 797.04	$ 2.26	$ 22.77	13.98x	108.03%	13.35%	121.82%	15.06x	$ 0.55	2.50%	50.98%	$ 6,350	12.59%	11.58%	0.80%	0.94%	7.96%	0.91%	7.55%
Medians			$ 15.46	$ 220.81	$ 0.98	$ 16.69	14.10x	105.51%	13.70%	115.77%	14.16x	$ 0.44	2.41%	46.31%	$ 1,912	11.90%	10.47%	0.82%	0.82%	6.92%	0.86%	7.19%
Comparable Group																						
CARV	Carver Bancorp, Inc.	NY	$ 9.14	$ 29.44	($ 1.49)	$ 9.43	NM	96.93%	4.11%	96.93%	NM	$ 0.00	0.00%	NA	$ 686	6.76%	6.76%	1.95%	-0.74%	-9.86%	-0.85%	-11.28%
CBMB	CBM Bancorp, Inc.	MD	$ 14.60	$ 51.48	$ 0.24	$ 14.15	NM	103.21%	21.47%	103.21%	NM	NA	NA	192.31%	$ 240	20.80%	20.80%	0.48%	0.38%	1.67%	0.35%	1.53%
ESBK	Elmira Savings Bank	NY	$ 14.18	$ 50.23	$ 1.24	$ 17.33	11.44x	81.84%	7.62%	102.38%	11.45x	$ 0.60	4.23%	48.39%	$ 659	9.32%	7.60%	NA	0.66%	7.20%	0.66%	7.22%
ESSA	ESSA Bancorp, Inc.	PA	$ 16.01	$ 160.03	$ 1.53	$ 18.51	10.26x	86.51%	8.72%	93.30%	10.43x	$ 0.48	3.00%	29.49%	$ 1,970	10.08%	9.42%	1.27%	0.83%	8.21%	0.81%	8.08%
GBNY	Generations Bancorp NY, Inc.	NY	$ 9.95	$ 25.39	$ 0.38	$ 17.06	11.57x	58.31%	6.40%	60.66%	26.07x	NA	NA	NA	$ 382	10.98%	10.60%	NA	0.57%	6.71%	0.25%	2.92%
HVBC	HV Bancorp, Inc.	PA	$ 20.66	$ 44.95	$ 3.37	$ 18.32	6.04x	112.78%	7.54%	112.78%	6.14x	NA	NA	NA	$ 596	6.69%	6.69%	0.53%	1.26%	19.65%	1.24%	19.34%
KRNY	Kearny Financial Corp.	NJ	$ 13.11	$ 1,022.36	$ 0.73	$ 12.98	18.73x	100.98%	14.60%	126.56%	18.02x	$ 0.40	3.05%	50.00%	$ 7,358	14.46%	11.88%	1.08%	0.81%	5.33%	0.85%	5.54%
NYCB	New York Community Bancorp, Inc.	NY	$ 12.18	$ 5,664.48	$ 0.96	$ 13.53	10.88x	90.01%	9.91%	146.48%	12.68x	$ 0.68	5.58%	60.71%	$ 57,657	11.79%	7.91%	0.10%	1.01%	8.24%	0.88%	7.15%
NFBK	Northfield Bancorp, Inc. (Staten Island, NY)	NJ	$ 16.76	$ 859.84	$ 1.14	$ 14.60	16.12x	114.76%	15.53%	121.51%	14.76x	$ 0.52	3.10%	44.23%	$ 5,577	13.53%	12.88%	0.28%	0.94%	6.89%	1.03%	7.54%
NWBI	Northwest Bancshares, Inc.	PA	$ 14.35	$ 1,826.08	$ 1.01	$ 12.11	16.88x	118.47%	12.79%	160.10%	14.22x	$ 0.80	5.57%	90.59%	$ 14,270	10.80%	8.22%	1.72%	0.78%	6.96%	0.92%	8.25%
PCSB	PCSB Financial Corporation	NY	$ 18.32	$ 273.42	$ 0.80	$ 16.99	22.90x	107.82%	15.77%	110.37%	22.95x	$ 0.24	1.31%	22.50%	$ 1,855	14.63%	14.34%	NA	0.67%	4.38%	0.67%	4.37%
PFS	Provident Financial Services, Inc.	NJ	$ 25.47	$ 1,952.27	$ 1.80	$ 21.17	14.55x	120.29%	15.09%	167.56%	14.16x	$ 0.92	3.61%	52.57%	$ 13,130	12.55%	9.34%	0.82%	1.08%	8.43%	1.11%	8.65%
PBIP	Prudential Bancorp, Inc.	PA	$ 13.90	$ 109.24	$ 0.64	$ 16.40	14.63x	84.77%	9.17%	89.15%	21.71x	$ 0.28	2.01%	29.47%	$ 1,204	10.82%	10.34%	1.12%	0.64%	5.96%	0.43%	3.99%
TRST	TrustCo Bank Corp NY	NY	$ 37.80	$ 729.09	$ 2.76	$ 29.61	13.70x	127.68%	12.06%	127.80%	13.70x	$ 1.36	3.60%	49.37%	$ 6,046	9.44%	9.44%	0.55%	0.93%	9.49%	0.93%	9.49%
WMPN	William Penn Bancorp	PA	$ 11.28	$ 171.12	$ 0.28	$ 14.17	NM	79.58%	20.93%	81.81%	NM	$ 0.13	1.14%	113.10%	$ 817	26.31%	25.78%	0.86%	0.25%	1.89%	0.53%	3.93%
WSFS	WSFS Financial Corporation	DE	$ 54.02	$ 2,567.68	$ 3.34	$ 37.27	15.75x	144.92%	17.42%	210.55%	16.19x	$ 0.52	0.96%	14.29%	$ 14,730	12.01%	8.58%	0.34%	1.23%	9.23%	1.19%	8.95%
WVFC	WVS Financial Corp.	PA	$ 16.30	$ 28.33	$ 0.77	$ 20.24	20.63x	80.55%	9.87%	80.55%	21.20x	$ 0.40	2.45%	50.63%	$ 314	12.25%	12.25%	0.00%	0.41%	3.73%	0.40%	3.62%
HONE	HarborOne Bancorp, Inc.	MA	$ 14.90	$ 784.19	$ 1.13	$ 12.41	13.42x	120.02%	18.19%	134.22%	13.18x	$ 0.20	1.34%	12.61%	$ 4,606	15.16%	13.77%	1.02%	1.36%	8.61%	1.39%	8.78%
HIFS	Hingham Institution for Savings	MA	$295.74	$ 633.59	$ 22.69	$144.12	9.96x	205.20%	22.25%	205.20%	13.03x	$ 1.96	0.66%	8.56%	$ 2,844	10.84%	10.84%	0.06%	2.36%	23.21%	1.81%	17.74%
PVBC	Provident Bancorp, Inc.	MA	$ 16.39	$ 239.39	$ 0.92	$ 12.61	19.51x	130.02%	19.62%	130.02%	17.90x	$ 0.16	0.98%	15.48%	$ 1,552	15.09%	15.09%	NA	1.05%	6.31%	1.14%	6.88%
RNDB	Randolph Bancorp, Inc.	MA	$ 22.32	$ 110.15	$ 4.90	$ 18.80	4.63x	118.71%	16.22%	118.75%	4.56x	NA	NA	NA	$ 738	13.66%	13.66%	1.38%	3.49%	26.37%	3.55%	26.80%
WNEB	Western New England Bancorp, Inc.	MA	$ 8.46	$ 202.23	$ 0.61	$ 9.07	14.10x	93.32%	8.44%	100.22%	13.81x	$ 0.20	2.36%	33.33%	$ 2,464	9.05%	8.48%	NA	0.62%	6.49%	0.64%	6.64%
MHCs																						
BSBK	Bogota Financial Corp.	NJ	$ 10.05	$ 140.09	$ 0.37	$ 9.92	20.10x	101.33%	17.18%	101.61%	26.96x	NA	NA	NA	$ 844	16.95%	16.92%	NA	0.85%	4.99%	0.63%	3.70%
CLBK	Columbia Financial, Inc.	NJ	$ 17.69	$ 1,929.12	$ 0.71	$ 9.17	26.40x	192.85%	21.33%	210.81%	24.88x	NA	NA	NA	$ 9,040	11.06%	10.21%	NA	0.81%	7.03%	0.86%	7.46%
GCBC	Greene County Bancorp, Inc.	NY	$ 30.00	$ 255.40	$ 2.47	$ 16.34	12.15x	183.63%	11.92%	183.63%	12.15x	$ 0.48	1.60%	19.43%	$ 2,143	6.49%	6.49%	0.25%	1.16%	15.81%	1.16%	15.81%
LSBK	Lake Shore Bancorp, Inc.	NY	$ 14.77	$ 83.79	$ 0.93	$ 14.82	15.71x	99.65%	12.14%	99.65%	15.93x	$ 0.52	3.52%	54.26%	$ 706	12.18%	12.18%	0.45%	0.81%	6.45%	0.80%	6.37%
MGYR	Magyar Bancorp, Inc.	NJ	$ 13.96	$ 81.12	$ 0.62	$ 10.24	19.39x	136.37%	10.69%	136.37%	22.68x	NA	NA	NA	$ 759	7.84%	7.84%	1.85%	0.56%	7.32%	0.48%	6.26%
PDLB	PDL Community Bancorp	NY	$ 13.78	$ 231.63	$ 0.30	$ 9.47	29.96x	145.47%	16.36%	145.47%	NM	NA	NA	NA	$ 1,434	11.24%	11.24%	1.32%	0.59%	4.71%	0.39%	3.08%
PBFS	Pioneer Bancorp, Inc.	NY	$ 11.75	$ 294.62	$ 0.18	$ 8.80	NM	133.48%	17.07%	139.09%	NM	NA	NA	NA	$ 1,788	12.79%	12.33%	1.07%	0.39%	2.70%	0.27%	1.92%
RBKB	Rhinebeck Bancorp, Inc.	NY	$ 10.57	$ 113.58	$ 0.75	$ 10.68	13.91x	99.01%	9.83%	101.35%	14.06x	NA	NA	NA	$ 1,197	9.93%	9.72%	0.53%	0.72%	7.05%	0.72%	6.97%
FSEA	First Seacoast Bancorp	NH	$ 9.42	$ 56.33	$ 0.23	$ 9.78	31.40x	96.31%	12.23%	96.31%	NM	NA	NA	NA	$ 465	12.70%	12.70%	0.01%	0.37%	2.95%	0.29%	2.28%

(1) Core income, on a diluted per-share basis. Core income is net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain on the sale of securities, amortization of intangibles, goodwill and nonrecurring items. Assumed tax rate is 35%.
(2) P/E = Price to earnings; P/B = Price to book; P/A = Price to assets; P/TB = Price to tangible book value; and P/Core = Price to core earnings. P/E and P/Core =NM if the ratio is negative or above 35x.
(3) Indicated 12 month dividend, based on last quarterly dividend declared.
(4) Indicated 12 month dividend as a percent of trailing 12 month earnings.
(5) Equity and tangible equity equal common equity and tangible common equity, respectively. ROAA (return on average assets) and ROAE (return on average equity) are indicated ratios based on trailing 12 month earnings and average equity and assets balances.

(6) Excludes from averages and medians those companies the subject of actual or rumored acquisition activities or unusual operating characteristics.

Source: SNL Financial, LC. and RP Financial, LC. calculations. The information provided in this report has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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EXHIBIT III-3

Public Market Pricing of Midwest Thrifts

Exhibit III-3
Public Market Pricing of Midwest Institutions
As of June 1, 2021

			Market Capitalization		Per Share Data		Pricing Ratios(2)					Dividends(3)			Financial Characteristics(5)							
			Price/ Share ($)	Market Value ($Mil)	Core 12 Month EPS(1) ($)	Book Value/ Share ($)	P/E (x)	P/B (%)	P/A (%)	P/TB (%)	P/Core (x)	Amount/ Share ($)	Yield (%)	Payout Ratio(4) (%)	Total Assets ($Mil)	Equity/ Assets (%)	Tang. Eq./ T. Assets (%)	NPAs/ Assets (%)	Reported ROAA (%)	Reported ROAE (%)	Core ROAA (%)	Core ROAE (%)
All Non-MHC Public Companies(6)																						
Averages			$27.52	$ 646.78	$ 2.30	$20.95	13.52	114.1%	14.2%	126.5%	14.28	$ 0.48	2.19%	47%	$ 4,625	12.83%	11.61%	0.73%	1.04%	8.42%	1.08%	8.76%
Median			$16.35	$ 186.68	$ 1.14	$16.88	13.42	105.0%	13.3%	112.1%	13.67	$ 0.36	2.01%	35%	$ 1,718	11.61%	10.60%	0.54%	0.83%	7.09%	0.88%	7.22%
Comparable Group																						
Averages			$15.23	$ 351.98	$ 1.57	$15.46	11.30x	99.82%	16.21%	100.36%	11.47x	$ 0.26	1.45%	58.28%	$ 2,266	16.27%	14.37%	0.86%	1.30%	8.17%	1.39%	9.02%
Medians			$14.67	$ 82.24	$ 1.68	$14.74	8.32x	95.16%	17.93%	95.73%	8.29x	$ 0.21	1.05%	30.87%	$ 858	15.48%	13.06%	0.54%	0.80%	6.42%	0.80%	6.45%
Comparable Group																						
CFFN	Capitol Federal Financial, Inc.	KS	$13.06	$1,769.56	$ 0.56	$ 9.21	23.32x	141.79%	18.69%	143.36%	23.53x	$ 0.34	2.60%	155.36%	$ 9,698	13.18%	13.06%	NA	0.81%	5.97%	0.80%	5.92%
CNNB	Cincinnati Bancorp, Inc.	OH	$13.90	$ 41.24	$ 1.68	$14.40	8.32x	96.54%	17.17%	96.92%	8.29x	NA	NA	NA	$ 241	17.78%	17.72%	0.54%	2.01%	13.50%	2.02%	13.55%
FFBW	FFBW, Inc.	WI	$11.22	$ 69.74	NA	$13.60	NM	82.52%	24.21%	83.96%	NM	NA	NA	NA	$ 338	29.33%	NA	0.46%	0.66%	2.27%	NA	NA
HMNF	HMN Financial, Inc.	MN	$20.74	$ 94.75	$ 2.66	$22.11	7.80x	93.78%	10.14%	94.53%	7.79x	$ 0.00	0.00%	NA	$ 971	10.82%	10.74%	0.37%	1.38%	12.33%	1.38%	12.34%
IROQ	IF Bancorp, Inc.	IL	$22.59	$ 68.73	$ 1.75	$25.76	12.08x	87.66%	9.82%	87.66%	12.88x	$ 0.30	1.33%	16.04%	$ 745	11.20%	11.20%	0.20%	0.79%	6.87%	0.74%	6.45%
MSVB	Mid-Southern Bancorp, Inc.	IN	$15.45	$ 46.27	$ 0.37	$15.09	NM	102.35%	20.01%	102.35%	NM	$ 0.12	0.78%	25.64%	$ 245	19.55%	19.55%	0.81%	0.53%	2.40%	0.49%	2.23%
SBT	Sterling Bancorp, Inc. (Southfield, MI)	MI	$ 4.96	$ 248.94	($ 0.12)	$ 6.44	NM	77.05%	6.71%	77.05%	NM	$ 0.00	0.00%	NA	$ 3,694	8.71%	8.71%	2.98%	-0.17%	-1.99%	-0.17%	-1.96%
WSBF	Waterstone Financial, Inc.	WI	$19.95	$ 476.59	$ 4.08	$17.07	5.00x	116.87%	22.90%	117.04%	4.89x	$ 0.80	4.01%	36.09%	$ 2,198	19.59%	19.57%	0.69%	4.40%	24.03%	4.50%	24.58%
MHCs																						
BCOW	1895 Bancorp of Wisconsin, Inc.	WI	$14.87	$ 69.67	$ 0.12	$12.38	NM	120.07%	13.93%	120.07%	NM	NA	NA	NA	$ 517	11.60%	11.60%	NA	0.31%	2.77%	0.13%	1.14%
KFFB	Kentucky First Federal Bancorp	KY	$ 6.93	$ 56.91	($ 0.17)	$ 6.31	NM	109.87%	17.14%	111.92%	NM	$ 0.40	5.77%	NA	$ 333	15.60%	15.36%	NA	-3.71%	-22.65%	-0.44%	-2.67%
TFSL	TFS Financial Corporation	OH	$22.35	$6,187.03	NA	$ 6.07	NM	368.18%	43.36%	370.29%	NM	$ 1.12	5.01%	350.00%	$14,465	11.78%	11.72%	1.02%	0.60%	5.27%	NA	NA

(1) Core income, on a diluted per-share basis. Core income is net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain on the sale of securities, amortization of intangibles, goodwill and nonrecurring items. Assumed tax rate is 35%.
(2) P/E = Price to earnings; P/B = Price to book; P/A = Price to assets; P/TB = Price to tangible book value; and P/Core = Price to core earnings. P/E and P/Core =NM if the ratio is negative or above 35x.
(3) Indicated 12 month dividend, based on last quarterly dividend declared.
(4) Indicated 12 month dividend as a percent of trailing 12 month earnings.
(5) Equity and tangible equity equal common equity and tangible common equity, respectively. ROAA (return on average assets) and ROAE (return on average equity) are indicated ratios based on trailing 12 month earnings and average equity and assets balances.
(6) Excludes from averages and medians those companies the subject of actual or rumored acquisition activities or unusual operating characteristics.

Source: SNL Financial, LC. and RP Financial, LC. calculations. The information provided in this report has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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EXHIBIT III-4

Peer Group Market Area Comparative Analysis

Exhibit III-4
Peer Group Market Area Comparative Analysis

Institution	County	Population 2016	Population 2021	Proj. Pop. 2026	2016-2021 % Change	2021-2026 % Change	Per Capita Income 2021 Amount	Per Capita Income % State Average	Deposit Market Share(1)
Prudential Bancorp, Inc.	Philadelphia, PA	1,569,473	1,588,749	1,606,225	0.2%	0.2%	30,040	79.7%	1.02%
Hingham Institution for Savings	Plymouth, MA	511,963	525,369	539,355	0.5%	0.5%	49,722	98.4%	10.91%
HMN Financial, Inc.	Olmsted, MN	152,655	160,589	167,296	1.0%	0.8%	43,936	104.6%	6.04%
ESSA Bancorp, Inc.	Monroe, PA	164,857	171,166	172,658	0.8%	0.2%	32,216	85.5%	28.72%
Waterstone Financial, Inc.	Milwaukee, WI	958,242	942,546	941,193	-0.3%	0.0%	30,901	85.1%	1.42%
IF Bancorp, Inc.	Iroquois, IL	28,599	26,613	25,608	-1.4%	-0.8%	28,928	74.2%	22.22%
Randolph Bancorp, Inc.	Norfolk, MA	699,079	711,405	729,065	0.4%	0.5%	60,544	119.8%	1.65%
Western New England Bancorp, Inc.	Hampden, MA	469,440	465,407	468,105	-0.2%	0.1%	32,565	64.5%	13.11%
PCSB Financial Corporation	Westchester, NY	979,959	967,400	970,003	-0.3%	0.1%	60,382	137.9%	0.41%
Provident Bancorp, Inc.	Essex, MA	777,791	793,814	813,863	0.4%	0.5%	48,443	95.9%	2.29%
	Averages:	**631,206**	**635,306**	**643,337**	**0.1%**	**0.2%**	**41,768**	**94.5%**	**8.78%**
	Medians:	**605,521**	**618,387**	**634,210**	**0.3%**	**0.2%**	**38,251**	**90.7%**	**4.17%**
Ponce Financial Group, Inc.	**Bronx, NY**	**1,456,268**	**1,414,709**	**1,415,085**	**-0.6%**	**0.0%**	**23,001**	**52.5%**	**1.72%**

(1) Total institution deposits in headquarters county as percent of total county deposits as of June 30, 2020.

Sources: S&P Global Market Intelligence and FDIC.

EXHIBIT IV-1

Stock Prices:
As of June 1, 2021

Exhibit IV-1A
Weekly Thrift Market Line - Part One
Prices As of June 1, 2021

			Market Capitalization			Price Change Data						Current Per Share Financials					
			Price/ Share(1)	Shares Outstanding	Market Capitalization	52 Week (1) High	52 Week (1) Low	Last Wk	% Change From Last Wk	% Change From 52 Wks (2)	% Change From MRY (2)	LTM EPS (3)	LTM Core EPS (3)	BV/ Share	TBV/ Share (4)	Assets/ Share	Assets
			($)	(000)	($Mil)	($)	($)	($)	(%)	(%)	(%)	($)	($)	($)	($)	($)	
Companies																	
AFBI	Affinity Bancshares, Inc.	SE	12.55	6,873	86.3	12.91	6.53	12.52	0.24	75.52	26.78	0.89	NA	16.76	14.02	116.01	797,268
AX	Axos Financial, Inc.	WE	48.26	59,238	2,858.8	54.36	18.97	45.13	6.94	122.40	28.59	3.43	3.69	22.72	20.72	250.31	14,827,874
BYFC	Broadway Financial Corporation	WE	2.56	38,751	99.2	7.23	1.09	2.28	12.28	82.86	38.38	-0.15	NA	1.62	1.62	12.38	479,594
CFFN	Capitol Federal Financial, Inc.	MW	13.06	135,494	1,769.6	14.38	8.75	12.60	3.65	13.47	4.48	0.56	0.56	9.21	9.11	71.58	9,698,019
CARV	Carver Bancorp, Inc.	MA	9.14	3,221	29.4	22.97	1.63	7.90	15.70	431.40	40.83	-1.36	-1.49	9.43	9.43	213.12	686,399
CBMB	CBM Bancorp, Inc.	MA	14.60	3,526	51.5	15.15	11.56	14.60	0.00	21.67	9.94	0.26	0.24	14.15	14.15	68.02	239,819
CNNB	Cincinnati Bancorp, Inc.	MW	13.90	2,967	41.2	14.32	8.60	13.90	0.00	51.09	16.32	1.67	1.68	14.40	14.34	81.13	240,708
ESBK	Elmira Savings Bank	MA	14.18	3,542	50.2	16.00	10.30	13.62	4.11	23.30	23.30	1.24	1.24	17.33	13.85	0.00	659,300
ESSA	ESSA Bancorp, Inc.	MA	16.01	10,085	160.0	18.23	11.05	15.52	3.16	18.59	6.73	1.56	1.53	18.51	17.16	0.00	1,969,789
FFBW	FFBW, Inc.	MW	11.22	6,624	69.7	11.50	7.86	11.25	-0.27	23.43	11.98	0.29	NA	13.60	NA	0.00	337,751
FNWB	First Northwest Bancorp	WE	17.75	9,473	161.5	18.74	9.45	17.65	0.57	33.86	13.78	1.36	1.14	17.86	17.86	0.00	1,736,293
FSBW	FS Bancorp, Inc.	WE	71.29	4,153	295.5	73.62	32.78	68.15	4.61	76.90	30.09	10.54	10.61	56.77	55.14	0.00	2,175,586
GBNY	Generations Bancorp NY, Inc.	MA	9.95	2,552	25.4	11.75	6.67	9.90	0.51	24.38	-4.51	0.86	0.38	17.06	16.40	0.00	381,940
HONE	HarborOne Bancorp, Inc.	NE	14.90	52,630	784.2	15.14	7.48	14.33	3.98	87.89	37.20	1.11	1.13	12.41	11.10	0.00	4,605,958
HIFS	Hingham Institution for Savings	NE	295.74	2,142	633.6	325.90	154.57	286.00	3.41	83.29	36.92	29.69	22.69	144.12	144.12	0.00	2,844,114
HMNF	HMN Financial, Inc.	MW	20.74	4,568	94.7	20.85	13.06	20.70	0.19	47.83	20.58	2.66	2.66	22.11	21.94	0.00	971,305
HFBL	Home Federal Bancorp, Inc. of Louisiana	SW	17.25	3,126	53.7	20.75	11.13	17.95	-3.89	43.75	19.46	1.50	1.50	15.47	15.47	0.00	563,260
HVBC	HV Bancorp, Inc.	MA	20.66	2,176	44.9	20.75	11.00	20.00	3.30	66.48	20.33	3.42	3.37	18.32	18.32	0.00	595,730
IROQ	IF Bancorp, Inc.	MW	22.59	3,043	68.7	23.00	15.03	21.53	4.90	41.29	2.52	1.87	1.75	25.76	25.76	0.00	745,446
KRNY	Kearny Financial Corp.	MA	13.11	77,983	1,022.4	13.77	6.91	12.64	3.72	54.60	24.15	0.70	0.73	12.98	10.36	0.00	7,357,994
MSVB	Mid-Southern Bancorp, Inc.	MW	15.45	2,996	46.3	16.59	11.75	15.25	1.29	23.47	7.19	0.39	0.37	15.09	15.09	0.00	244,855
NYCB	New York Community Bancorp, Inc.	MA	12.18	465,064	5,664.5	13.23	7.72	11.66	4.46	20.24	15.45	1.12	0.96	13.53	8.32	0.00	57,656,892
NFBK	Northfield Bancorp, Inc. (Staten Island, NY)	MA	16.76	51,303	859.8	17.25	8.72	16.39	2.26	54.04	35.93	1.04	1.14	14.60	13.79	0.00	5,576,924
NWBI	Northwest Bancshares, Inc.	MA	14.35	127,253	1,826.1	15.48	8.84	13.68	4.90	45.39	12.64	0.85	1.01	12.11	8.96	0.00	14,270,356
PCSB	PCSB Financial Corporation	MA	18.32	14,924	273.4	20.75	11.01	17.61	4.03	38.16	14.93	0.80	0.80	16.99	16.60	0.00	1,854,674
PVBC	Provident Bancorp, Inc.	NE	16.39	16,804	239.4	17.41	7.21	15.90	3.08	95.82	36.58	0.84	0.92	12.61	12.61	0.00	1,551,892
PROV	Provident Financial Holdings, Inc.	WE	17.70	7,517	133.0	18.23	11.40	16.60	6.63	38.82	12.67	0.78	0.78	16.73	16.73	0.00	1,189,296
PFS	Provident Financial Services, Inc.	MA	25.47	76,650	1,952.3	25.70	11.76	24.34	4.64	95.32	41.82	1.75	1.80	21.17	15.20	0.00	13,130,445
PBIP	Prudential Bancorp, Inc.	MA	13.90	7,859	109.2	15.86	9.53	13.92	-0.14	24.89	0.36	0.95	0.64	16.40	15.59	0.00	1,204,032
RNDB	Randolph Bancorp, Inc.	NE	22.32	4,935	110.1	24.70	8.96	21.59	3.38	139.48	1.18	4.82	4.90	18.80	18.80	0.00	738,188
RVSB	Riverview Bancorp, Inc.	WE	7.07	22,351	158.0	7.79	3.77	6.83	3.51	45.17	34.41	0.47	0.47	6.78	5.54	0.00	1,549,158
STXB	Spirit of Texas Bancshares, Inc.	SW	22.98	17,146	394.0	24.50	10.40	22.59	1.73	89.14	36.79	2.15	2.30	21.34	16.24	0.00	3,170,212
SBT	Sterling Bancorp, Inc. (Southfield, MI)	MW	4.96	50,190	248.9	5.95	2.68	4.60	7.83	79.71	9.25	-0.12	-0.12	6.44	6.44	0.00	3,694,027
TBNK	Territorial Bancorp Inc.	WE	26.42	9,144	241.6	30.04	19.23	25.21	4.80	6.66	9.95	2.08	1.94	26.43	26.43	0.00	2,139,561
TSBK	Timberland Bancorp, Inc.	WE	29.68	8,363	248.2	30.75	16.01	28.77	3.16	66.65	22.34	3.23	3.26	23.75	21.76	0.00	1,699,244
TBK	Triumph Bancorp, Inc.	SW	84.47	24,675	2,084.3	97.49	21.26	80.78	4.57	246.61	73.99	4.02	3.39	28.90	21.34	0.00	6,099,628
TRST	TrustCo Bank Corp NY	MA	37.80	19,288	729.1	41.47	25.25	37.30	1.34	21.15	13.34	2.76	2.76	29.61	29.58	0.00	6,046,457
WSBF	Waterstone Financial, Inc.	MW	19.95	23,860	476.6	21.41	13.08	19.41	2.78	39.90	6.00	3.99	4.08	17.07	17.04	0.00	2,198,011
WNEB	Western New England Bancorp, Inc.	NE	8.46	24,577	202.2	9.24	4.92	8.13	4.06	53.82	22.79	0.60	0.61	9.07	8.44	0.00	2,463,529
WMPN	William Penn Bancorp	MA	11.28	15,171	171.1	11.97	7.98	11.30	-0.18	41.37	-3.27	0.11	0.28	14.17	13.79	0.00	817,427
WSFS	WSFS Financial Corporation	MA	54.02	47,532	2,567.7	55.18	24.59	50.80	6.34	93.76	20.37	3.43	3.34	37.27	25.66	0.00	14,730,452
WVFC	WVS Financial Corp.	MA	16.30	1,742	28.3	16.60	13.00	16.00	1.88	25.39	13.78	0.79	0.77	20.24	20.24	0.00	314,233
MHCs																	
BCOW	1895 Bancorp of Wisconsin, Inc.	MW	14.87	4,685	69.7	16.65	7.82	14.09	5.54	69.75	49.30	0.32	0.12	12.38	12.38	0.00	
BSBK	Bogota Financial Corp.	MA	10.05	13,940	140.1	10.75	7.01	9.99	0.60	17.13	12.79	0.50	0.37	9.92	9.89	0.00	
CLBK	Columbia Financial, Inc.	MA	17.69	109,051	1,929.1	18.81	10.27	17.06	3.69	25.91	13.69	0.67	0.71	9.17	8.39	0.00	
FSEA	First Seacoast Bancorp	NE	9.42	5,979	56.3	10.00	6.08	9.64	-2.28	47.06	6.09	0.30	0.23	9.78	9.78	0.00	
GCBC	Greene County Bancorp, Inc.	MA	30.00	8,513	255.4	30.00	20.12	27.00	11.11	34.95	17.69	2.47	2.47	16.34	16.34	0.00	
KFFB	Kentucky First Federal Bancorp	MW	6.93	8,212	56.9	8.16	5.65	6.89	0.58	-1.84	9.66	-1.47	-0.17	6.31	6.19	0.00	
LSBK	Lake Shore Bancorp, Inc.	MA	14.77	5,672	83.8	16.00	10.60	14.35	2.93	28.22	13.62	0.94	0.93	14.82	14.82	0.00	
MGYR	Magyar Bancorp, Inc.	MA	13.96	5,811	81.1	15.05	7.50	13.35	4.57	56.85	44.81	0.72	0.62	10.24	10.24	0.00	
OFED	Oconee Federal Financial Corp.	SE	25.58	5,574	142.6	28.00	20.70	25.16	1.67	16.27	1.11	0.71	0.69	15.66	15.17	0.00	
PDLB	PDL Community Bancorp	MA	13.78	16,809	231.6	14.88	8.01	11.54	19.41	53.79	31.11	0.46	0.30	9.47	9.47	0.00	
PBFS	Pioneer Bancorp, Inc.	MA	11.75	25,074	294.6	13.34	8.02	11.65	0.86	25.94	11.16	0.25	0.18	8.80	8.45	0.00	
RBKB	Rhinebeck Bancorp, Inc.	MA	10.57	10,746	113.6	13.10	6.26	10.39	1.73	57.53	23.63	0.76	0.75	10.68	10.43	0.00	
TFSL	TFS Financial Corporation	MW	22.35	276,825	6,187.0	22.53	13.32	21.03	6.28	46.56	26.77	0.32	NA	6.07	6.04	0.00	

(1) Average of High/Low or Bid/Ask price per share.
(2) Or since offering price if converted of first listed in the past 52 weeks. Percent change figures are actual year-to-date and are not annualized.
(3) EPS (earnings per share) is based on actual trailing 12 month data and is not shown on a pro forma basis.
(4) Excludes intangibles (such as goodwill, value of core deposits, etc.).
(5) ROA (return on assets) and ROE (return on equity) are indicated ratios based on trailing 12 month common earnings and average common equity and total assets balances.
(6) Annualized based on last regular quarterly cash dividend announcement.
(7) Indicated dividend as a percent of trailing 12 month earnings.
(8) Excluded from averages due to actual or rumored acquisition activities or unusual operating characteristics.
(9) For MHC institutions, market value reflects share price multiplied by public (non-MHC) shares.

Exhibit IV-1B
Weekly Thrift Market Line - Part Two
Prices As of June 1, 2021

			Key Financial Ratios						Asset Quality Ratios		Pricing Ratios					Dividend Data (6)		
			Equity/ Assets(1)	Tang Equity/ Assets(1)	Reported Earnings ROA(5)	Reported Earnings ROE(5)	Core Earnings ROA(5)	Core Earnings ROE(5)	NPAs/ Assets	Rsvs/ NPLs	Price/ Earnings	Price/ Book	Price/ Assets	Price/ Tang Book	Price/ Core Earnings	Div/ Share	Dividend Yield	Payout Ratio (7)
			(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(x)	(%)	(%)	(%)	(x)	($)	(%)	(%)
Companies																		
AFBI	Affinity Bancshares, Inc.	SE	14.46	12.38	0.81	7.61	NA	NA	NA	NA	14.10	74.86	10.82	89.54	NA	NA	NA	NM
AX	Axos Financial, Inc.	WE	9.08	8.34	1.53	16.32	1.64	17.57	0.96	101.84	14.07	212.45	19.28	232.89	13.06	NA	NA	NM
BYFC	Broadway Financial Corporation	WE	9.40	9.40	-0.83	-8.33	NA	NA	0.97	68.99	NM	158.45	14.89	158.45	NA	0.00	0.00	NM
CFFN	Capitol Federal Financial, Inc.	MW	13.18	13.06	0.81	5.97	0.80	5.92	NA	NA	23.32	141.79	18.69	143.36	23.53	0.34	2.60	155.36
CARV	Carver Bancorp, Inc.	MA	6.76	6.76	-0.74	-9.86	-0.85	-11.28	1.95	38.65	NM	96.93	4.11	96.93	NM	0.00	0.00	NM
CBMB	CBM Bancorp, Inc.	MA	20.80	20.80	0.38	1.67	0.35	1.53	0.48	458.09	56.15	103.21	21.47	103.21	61.74	NA	NA	192.31
CNNB	Cincinnati Bancorp, Inc.	MW	17.78	17.72	2.01	13.50	2.02	13.55	0.54	129.69	8.32	96.54	17.17	96.92	8.29	NA	NA	NM
ESBK	Elmira Savings Bank	MA	9.32	7.60	0.66	7.20	0.66	7.22	NA	90.93	11.44	81.84	7.62	102.38	11.45	0.60	4.23	48.39
ESSA	ESSA Bancorp, Inc.	MA	10.08	9.42	0.83	8.21	0.81	8.08	1.27	69.46	10.26	86.51	8.72	93.30	10.43	0.48	3.00	29.49
FFBW	FFBW, Inc.	MW	29.33	NA	0.66	2.27	NA	NA	0.46	179.51	38.69	82.52	24.21	83.96	NA	NA	NA	NM
FNWB	First Northwest Bancorp	WE	10.49	10.49	0.82	6.99	0.69	5.87	0.23	356.54	13.05	99.38	10.42	99.38	15.52	0.24	1.35	16.91
FSBW	FS Bancorp, Inc.	WE	11.05	10.76	2.26	21.28	2.27	21.43	0.41	304.95	6.76	125.58	13.87	129.28	6.72	1.08	1.51	9.01
GBNY	Generations Bancorp NY, Inc.	MA	10.98	10.60	0.57	6.71	0.25	2.92	NA	NA	11.57	58.31	6.40	60.66	26.07	NA	NA	NM
HONE	HarborOne Bancorp, Inc.	NE	15.16	13.77	1.36	8.61	1.39	8.78	1.02	119.67	13.42	120.02	18.19	134.22	13.18	0.20	1.34	12.61
HIFS	Hingham Institution for Savings	NE	10.84	10.84	2.36	23.21	1.81	17.74	0.06	NM	9.96	205.20	22.25	205.20	13.03	1.96	0.66	8.56
HMNF	HMN Financial, Inc.	MW	10.82	10.74	1.38	12.33	1.38	12.34	0.37	342.64	7.80	93.78	10.14	94.53	7.79	0.00	0.00	NM
HFBL	Home Federal Bancorp, Inc. of Louisiana	SW	9.26	9.26	0.97	10.07	0.97	10.07	0.48	304.23	11.54	111.49	10.32	111.49	11.54	0.33	1.91	22.07
HVBC	HV Bancorp, Inc.	MA	6.69	6.69	1.26	19.65	1.24	19.34	0.53	62.97	6.04	112.78	7.54	112.78	6.14	NA	NA	NM
IROQ	IF Bancorp, Inc.	MW	11.20	11.20	0.79	6.87	0.74	6.45	0.20	499.29	12.08	87.66	9.82	87.66	12.88	0.30	1.33	16.04
KRNY	Kearny Financial Corp.	MA	14.46	11.88	0.81	5.33	0.85	5.54	1.08	80.42	18.73	100.98	14.60	126.56	18.02	0.40	3.05	50.00
MSVB	Mid-Southern Bancorp, Inc.	MW	19.55	19.55	0.53	2.40	0.49	2.23	0.81	84.17	39.61	102.35	20.01	102.35	42.20	0.12	0.78	25.64
NYCB	New York Community Bancorp, Inc.	MA	11.79	7.91	1.01	8.24	0.88	7.15	0.10	411.38	10.88	90.01	9.91	146.48	12.68	0.68	5.58	60.71
NFBK	Northfield Bancorp, Inc. (Staten Island, NY)	MA	13.53	12.88	0.94	6.89	1.03	7.54	0.28	273.88	16.12	114.76	15.53	121.51	14.76	0.52	3.10	44.23
NWBI	Northwest Bancshares, Inc.	MA	10.80	8.22	0.78	6.96	0.92	8.25	1.72	50.80	16.88	118.47	12.79	160.10	14.22	0.80	5.57	90.59
PCSB	PCSB Financial Corporation	MA	14.63	14.34	0.67	4.38	0.67	4.37	NA	180.97	22.90	107.82	15.77	110.37	22.95	0.24	1.31	22.50
PVBC	Provident Bancorp, Inc.	NE	15.09	15.09	1.05	6.31	1.14	6.88	NA	NA	19.51	130.02	19.62	130.02	17.90	0.16	0.98	15.48
PROV	Provident Financial Holdings, Inc.	WE	10.57	10.57	0.49	4.67	0.49	4.67	0.84	83.42	22.69	105.80	11.19	105.80	22.69	0.56	3.16	71.79
PFS	Provident Financial Services, Inc.	MA	12.55	9.34	1.08	8.43	1.11	8.65	0.82	81.71	14.55	120.29	15.09	167.56	14.16	0.92	3.61	52.57
PBIP	Prudential Bancorp, Inc.	MA	10.82	10.34	0.64	5.96	0.43	3.99	1.12	62.09	14.63	84.77	9.17	89.15	21.71	0.28	2.01	29.47
RNDB	Randolph Bancorp, Inc.	NE	13.66	13.66	3.49	26.37	3.55	26.80	1.38	65.49	4.63	118.71	16.22	118.75	4.56	NA	NA	NM
RVSB	Riverview Bancorp, Inc.	WE	9.79	8.14	0.74	6.91	0.75	6.98	NA	NA	15.04	104.24	10.20	127.54	14.88	0.20	2.83	42.55
STXB	Spirit of Texas Bancshares, Inc.	SW	11.54	9.03	1.25	10.57	1.34	11.32	0.31	163.60	10.69	107.67	12.42	141.52	9.98	0.36	1.57	11.63
SBT	Sterling Bancorp, Inc. (Southfield, MI)	MW	8.71	8.71	-0.17	-1.99	-0.17	-1.96	2.98	65.49	NM	77.05	6.71	77.05	NM	0.00	0.00	NM
TBNK	Territorial Bancorp Inc.	WE	11.76	11.76	0.91	7.72	0.85	7.19	0.22	69.91	12.70	99.98	11.76	99.98	13.65	0.92	3.48	49.04
TSBK	Timberland Bancorp, Inc.	WE	11.68	10.81	1.74	14.49	1.76	14.64	0.32	259.90	9.19	124.99	14.60	136.38	9.09	0.84	2.83	28.48
TBK	Triumph Bancorp, Inc.	SW	12.53	9.74	1.80	14.81	1.52	12.57	0.54	159.15	21.01	292.33	34.71	395.83	24.92	NA	NA	NM
TRST	TrustCo Bank Corp NY	MA	9.44	9.44	0.93	9.49	0.93	9.49	0.55	152.73	13.70	127.68	12.06	127.80	13.70	1.36	3.60	49.37
WSBF	Waterstone Financial, Inc.	MW	19.59	19.57	4.40	24.03	4.50	24.58	0.69	119.02	5.00	116.87	22.90	117.04	4.89	0.80	4.01	36.09
WNEB	Western New England Bancorp, Inc.	NE	9.05	8.48	0.62	6.49	0.64	6.64	NA	NA	14.10	93.32	8.44	100.22	13.81	0.20	2.36	33.33
WMPN	William Penn Bancorp	MA	26.31	25.78	0.25	1.89	0.53	3.93	0.86	52.01	98.98	79.58	20.93	81.81	39.72	0.13	1.14	113.10
WSFS	WSFS Financial Corporation	MA	12.01	8.58	1.23	9.23	1.19	8.95	0.34	431.41	15.75	144.92	17.42	210.55	16.19	0.52	0.96	14.29
WVFC	WVS Financial Corp.	MA	12.25	12.25	0.41	3.73	0.40	3.62	0.00	NM	20.63	80.55	9.87	80.55	21.20	0.40	2.45	50.63
MHCs																		
BCOW	1895 Bancorp of Wisconsin, Inc.	MW	11.60	11.60	0.31	2.77	0.13	1.14	NA	161.33	46.47	120.07	13.93	120.07	122.92	NA	NA	NM
BSBK	Bogota Financial Corp.	MA	16.95	16.92	0.85	4.99	0.63	3.70	NA	NA	20.10	101.33	17.18	101.61	26.96	NA	NA	NM
CLBK	Columbia Financial, Inc.	MA	11.06	10.21	0.81	7.03	0.86	7.46	NA	NA	26.40	192.85	21.33	210.81	24.88	NA	NA	NM
FSEA	First Seacoast Bancorp	NE	12.70	12.70	0.37	2.95	0.29	2.28	0.01	NM	31.40	96.31	12.23	96.31	41.06	NA	NA	NM
GCBC	Greene County Bancorp, Inc.	MA	6.49	6.49	1.16	15.81	1.16	15.81	0.25	371.37	12.15	183.63	11.92	183.63	12.15	0.48	1.60	19.43
KFFB	Kentucky First Federal Bancorp	MW	15.60	15.36	-3.71	-22.65	-0.44	-2.67	NA	NA	NM	109.87	17.14	111.92	NM	0.40	5.77	NM
LSBK	Lake Shore Bancorp, Inc.	MA	12.18	12.18	0.81	6.45	0.80	6.37	0.45	193.93	15.71	99.65	12.14	99.65	15.93	0.52	3.52	54.26
MGYR	Magyar Bancorp, Inc.	MA	7.84	7.84	0.56	7.32	0.48	6.26	1.85	59.34	19.39	136.37	10.69	136.37	22.68	NA	NA	NM
OFED	Oconee Federal Financial Corp.	SE	16.40	15.97	0.79	4.60	0.77	4.48	0.56	44.84	36.03	163.38	26.80	168.66	36.98	0.40	1.56	56.34
PDLB	PDL Community Bancorp	MA	11.24	11.24	0.59	4.71	0.39	3.08	1.32	82.14	29.96	145.47	16.36	145.47	45.62	NA	NA	NM
PBFS	Pioneer Bancorp, Inc.	MA	12.79	12.33	0.39	2.70	0.27	1.92	1.07	121.33	47.00	133.48	17.07	139.09	66.62	NA	NA	NM
RBKB	Rhinebeck Bancorp, Inc.	MA	9.93	9.72	0.72	7.05	0.72	6.97	0.53	179.12	13.91	99.01	9.83	101.35	14.06	NA	NA	NM
TFSL	TFS Financial Corporation	MW	11.78	11.72	0.60	5.27	NA	NA	1.02	45.84	69.84	368.18	43.36	370.29	NA	1.12	5.01	350.00

(1) Average of High/Low or Bid/Ask price per share.
(2) Or since offering price if converted of first listed in the past 52 weeks. Percent change figures are actual year-to-date and are not annualized.
(3) EPS (earnings per share) is based on actual trailing 12 month data and is not shown on a pro forma basis.
(4) Exludes intangibles (such as goodwill, value of core deposits, etc.).
(5) ROA (return on assets) and ROE (return on equity) are indicated ratios based on trailing 12 month common earnings and average common equity and total assets balances.
(6) Annualized based on last regular quarterly cash dividend announcement.
(7) Indicated dividend as a percent of trailing 12 month earnings.
(8) Excluded from averages due to actual or rumored acquisition activities or unusual operating characteristics.
(9) For MHC institutions, market value reflects share price multiplied by public (non-MHC) shares.

Source: S&P Global Market Intelligence and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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EXHIBIT IV-2

Historical Stock Price Indices

Exhibit IV-2
Historical Stock Price Indices(1)

Year/Qtr. Ended		DJIA	S&P 500	NASDAQ Composite	SNL Thrift Index	SNL Bank Index
2008:	Quarter 1	12262.9	1322.7	2279.1	1001.5	442.5
	Quarter 2	11350.0	1280.0	2293.0	822.6	332.2
	Quarter 3	10850.7	1166.4	2082.3	760.1	414.8
	Quarter 4	8776.4	903.3	1577.0	653.9	268.3
2009:	Quarter 1	7608.9	797.9	1528.6	542.8	170.1
	Quarter 2	8447.0	919.3	1835.0	538.8	227.6
	Quarter 3	9712.3	1057.1	2122.4	561.4	282.9
	Quarter 4	10428.1	1115.1	2269.2	587.0	260.8
2010:	Quarter 1	10856.6	1169.4	2398.0	626.3	301.1
	Quarter 2	9744.0	1030.7	2109.2	564.5	257.2
	Quarter 3	9744.0	1030.7	2109.2	564.5	257.2
	Quarter 4	11577.5	1257.6	2652.9	592.2	290.1
2011:	Quarter 1	12319.7	1325.8	2781.1	578.1	293.1
	Quarter 2	12414.3	1320.6	2773.5	540.8	266.8
	Quarter 3	10913.4	1131.4	2415.4	443.2	198.9
	Quarter 4	12217.6	1257.6	2605.2	481.4	221.3
2012:	Quarter 1	13212.0	1408.5	3091.6	529.3	284.9
	Quarter 2	12880.1	1362.2	2935.1	511.6	257.3
	Quarter 3	13437.1	1440.7	3116.2	557.6	276.8
	Quarter 4	13104.1	1426.2	3019.5	565.8	292.7
2013:	Quarter 1	14578.5	1569.2	3267.5	602.3	318.9
	Quarter 2	14909.6	1606.3	3404.3	625.3	346.7
	Quarter 3	15129.7	1681.6	3771.5	650.8	354.4
	Quarter 4	16576.7	1848.4	4176.6	706.5	394.4
2014:	Quarter 1	16457.7	1872.3	4199.0	718.9	410.8
	Quarter 2	16826.6	1960.2	4408.2	723.9	405.2
	Quarter 3	17042.9	1972.3	4493.4	697.7	411.0
	Quarter 4	17823.1	2058.9	4736.1	738.7	432.8
2015:	Quarter 1	17776.1	2067.9	4900.9	749.3	418.8
	Quarter 2	17619.5	2063.1	4986.9	795.7	448.4
	Quarter 3	16284.7	1920.0	4620.2	811.7	409.4
	Quarter 4	17425.0	2043.9	5007.4	809.1	431.5
2016:	Quarter 1	17685.1	2059.7	4869.9	788.1	381.4
	Quarter 2	17930.0	2098.9	4842.7	780.9	385.6
	Quarter 3	18308.2	2168.3	5312.0	827.2	413.7
	Quarter 4	19762.6	2238.8	5383.1	966.7	532.7
2017:	Quarter 1	20663.2	2362.7	5911.7	918.9	535.8
	Quarter 2	21349.6	2423.4	6140.4	897.1	552.4
	Quarter 3	22405.1	2519.4	6496.0	939.3	573.2
	Quarter 4	24719.2	2673 6	6903.4	937.6	617.7
2018:	Quarter 1	24103.1	2640.9	7063.5	941.5	606.8
	Quarter 2	24271.4	2718.4	7510.3	961.2	597.8
	Quarter 3	26458.3	2914.0	8046.4	905.6	597.8
	Quarter 4	23327.5	2506.9	6635.3	772.0	502.9
2019:	Quarter 1	25928.7	2834.4	7729.3	837.8	543.8
	Quarter 2	26600.0	2941.8	8006.2	845.3	573.0
	Quarter 3	26916.8	2976.7	7999.3	890.5	584.5
	Quarter 4	28538.4	3230.8	8972.6	920.7	663.9
2020:	Quarter 1	21917.2	2584.6	7700.1	632.8	392.9
	Quarter 2	25812.9	3100.3	10058.8	658.5	430.8
	Quarter 3	27781.7	3363.0	11167.5	605.8	417.8
	Quarter 4	30606.5	3756.1	12888.3	816.7	558.8
2021:	Quarter 1	32981.6	3972.9	13246.9	961.6	690.9
As of June 1, 2021		34575.3	4202.0	13736.5	1005.5	757.9

(1) End of period data.

Sources: S&P Global Market Intelligence and The Wall Street Journal.

EXHIBIT IV-3

Stock Price Indices as of June 1, 2021

S&P Global Market Intelligence

Index Summary (Current Data)

Industry Banking

Geography All

Index Name	Current Value	As Of	Day's Change	Day's Change (%)
SNL Banking Indexes				
SNL U.S. Bank and Thrift	727.19	6/1/2021	7.45	1.04
SNL U.S. Bank	757.94	6/1/2021	7.78	1.04
SNL U.S. Thrift	1,005.51	6/1/2021	9.32	0.94
SNL TARP Participants	183.13	6/1/2021	3.02	1.67
KBW Nasdaq Bank Index	134.82	6/1/2021	1.20	0.89
KBW Nasdaq Regional Bank Index	129.29	6/1/2021	1.22	0.95
S&P 500 Bank	431.28	6/1/2021	4.13	0.97
NASDAQ Bank	4,841.41	6/1/2021	42.10	0.88
S&P 500 Commercial Banks	616.15	6/1/2021	5.90	0.97
S&P 500 Diversified Banks	731.09	6/1/2021	8.16	1.13
S&P 500 Regional Banks	154.87	6/1/2021	0.69	0.44
SNL Asset Size Indexes				
SNL U.S. Bank < $250M	46.37	5/21/2021	1.73	3.88
SNL U.S. Bank $250M-$500M	567.12	6/1/2021	7.31	1.31
SNL U.S. Thrift < $250M	103.56	6/1/2021	0.00	0.00
SNL U.S. Thrift $250M-$500M	6,193.66	6/1/2021	1.09	0.02
SNL U.S. Bank < $500M	1,291.99	6/1/2021	16.66	1.31
SNL U.S. Thrift < $500M	2,148.59	6/1/2021	(17.91)	(0.83)
SNL U.S. Bank $500M-$1B	1,366.41	6/1/2021	12.68	0.94
SNL U.S. Thrift $500M-$1B	4,089.07	6/1/2021	27.75	0.68
SNL U.S. Bank $1B-$5B	1,354.22	6/1/2021	11.03	0.82
SNL U.S. Thrift $1B-$5B	2,927.73	6/1/2021	20.06	0.69
SNL U.S. Bank $5B-$10B	1,748.31	6/1/2021	21.11	1.22
SNL U.S. Thrift $5B-$10B	101.90	6/1/2021	(0.03)	(0.03)
SNL U.S. Bank > $10B	614.53	6/1/2021	6.30	1.04
SNL U.S. Thrift > $10B	180.29	6/1/2021	2.65	1.49
SNL Market Cap Indexes				
SNL Micro Cap U.S. Bank	636.03	6/1/2021	2.12	0.33
SNL Micro Cap U.S. Thrift	1,250.71	6/1/2021	5.25	0.42
SNL Micro Cap U.S. Bank & Thrift	746.05	6/1/2021	2.58	0.35
SNL Small Cap U.S. Bank	803.84	6/1/2021	6.41	0.80
SNL Small Cap U.S. Thrift	759.34	6/1/2021	(2.51)	(0.33)
SNL Small Cap U.S. Bank & Thrift	822.61	6/1/2021	5.79	0.71
SNL Mid Cap U.S. Bank	485.31	6/1/2021	4.32	0.90
SNL Mid Cap U.S. Thrift	337.73	6/1/2021	3.91	1.17
SNL Mid Cap U.S. Bank & Thrift	475.72	6/1/2021	4.34	0.92
SNL Large Cap U.S. Bank	488.70	6/1/2021	5.09	1.05
SNL Large Cap U.S. Thrift	121.29	6/1/2021	1.54	1.28
SNL Large Cap U.S. Bank & Thrift	492.79	6/1/2021	5.14	1.05
SNL Geographic Indexes				
SNL Mid-Atlantic U.S. Bank	769.72	6/1/2021	7.98	1.05
SNL Mid-Atlantic U.S. Thrift	3,391.98	6/1/2021	24.18	0.72
SNL Midwest U.S. Bank	787.18	6/1/2021	4.51	0.58
SNL Midwest U.S. Thrift	3,682.32	6/1/2021	46.23	1.27
SNL New England U.S. Bank	684.51	6/1/2021	6.64	0.98
SNL New England U.S. Thrift	4,124.48	6/1/2021	14.57	0.35
SNL Southeast U.S. Bank	546.56	6/1/2021	6.68	1.24
SNL Southeast U.S. Thrift	660.54	6/1/2021	5.34	0.81
SNL Southwest U.S. Bank	1,380.21	6/1/2021	14.64	1.07
SNL Southwest U.S. Thrift	94.93	6/1/2021	0.60	0.63
SNL Western U.S. Bank	1,521.64	6/1/2021	16.08	1.07
SNL Western U.S. Thrift	212.21	6/1/2021	3.42	1.64
SNL Stock Exchange Indexes				
SNL U.S. Bank NYSE	664.81	6/1/2021	7.11	1.08
SNL U.S. Thrift NYSE	140.00	6/1/2021	2.49	1.81
SNL U.S. Bank NYSE American	854.56	6/1/2021	8.01	0.95
SNL U.S. Bank NASDAQ	1,091.68	6/1/2021	9.30	0.86
SNL U.S. Thrift NASDAQ	2,982.01	6/1/2021	15.77	0.53
SNL U.S. Bank Pink	508.27	6/1/2021	0.58	0.11
SNL U.S. Thrift Pink	443.36	6/1/2021	1.34	0.30
SNL Bank TSX	1,427.69	6/1/2021	11.62	0.82
SNL OTHER Indexes				
SNL U.S. Thrift MHCs	6,978.08	6/1/2021	28.75	0.41
SNL Pink Asset Size Indexes				
SNL U.S. Bank Pink < $100M	289.68	6/1/2021	(0.83)	(0.29)
SNL U.S. Bank Pink $100M-$500M	573.50	6/1/2021	0.44	0.08
SNL U.S. Bank Pink > $500M	440.06	6/1/2021	0.53	0.12

Broad Market Indexes				
DJIA	34,575.31	6/1/2021	45.86	0.13
S&P 500	4,202.04	6/1/2021	(2.07)	(0.05)
S&P 400 Mid Cap	2,744.72	6/1/2021	17.28	0.63
S&P 600 Small Cap	1,393.44	6/1/2021	21.51	1.57
S&P 500 Financials	634.27	6/1/2021	4.14	0.66
SNL U.S. Financial Institutions	1,345.14	6/1/2021	7.76	0.58
MSCI US IMI Financials	2,275.23	6/1/2021	15.06	0.67
NASDAQ	13,736.48	6/1/2021	(12.26)	(0.09)
NASDAQ Finl	6,227.86	6/1/2021	9.28	0.15
NYSE	16,643.32	6/1/2021	87.66	0.53
Russell 1000	2,363.89	6/1/2021	(0.63)	(0.03)
Russell 2000	2,294.74	6/1/2021	25.77	1.14
Russell 3000	2,512.80	6/1/2021	1.28	0.05
S&P TSX Composite	19,976.01	6/1/2021	245.02	1.24

Intraday data is available for certain exchanges. In all cases, the data is at least 15 minutes delayed.

*- Intraday data is not currently available. Data is as of the previous close.
**- Non-publicly traded institutions and institutions outside of your current subscription are not included in custom indexes. Data is as of the previous close.

All SNL indexes are market-value weighted; i.e., an institution’s effect on an index is proportional to that institution’s market capitalization.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other

EXHIBIT IV-4

New York Bank and Thrift Acquisitions 2017 - Present

Exhibit IV-4
New York Bank and Thrift Acquisitions 2017-Present

						Target Financials at Announcement							Deal Terms and Pricing at Announcement							
Announce Date	Complete Date	Buyer Name		Target Name		Total Assets ($000)	E/A (%)	TE/A (%)	ROAA (%)	ROAE (%)	NPAs/ Assets (%)	Rsrvs/ NPLs (%)	Deal Value ($M)	Value/ Share ($)	P/B (%)	P/TB (%)	P/E (x)	P/A (%)	Pre Cde (%
04/19/2021	Pending	Webster Financial Corp.	CT	Sterling Bancorp	NY	29,914,282	15.44	10.12	1.03	6.83	0.74	149.16	5136.0	26.562	114.08	188.72	17.03	17.17	N
03/16/2021	Pending	DLP Real Estate Capital, Inc.	FL	Sunnyside Bancorp, Inc.	NY	96,640	12.31	12.31	-0.40	-3.11	0.99	48.17	12.3	15.550	103.75	103.75	NA	12.77	0
10/16/2020	Pending	First Citizens BancShares Inc.	NC	CIT Group Inc.	NY	60,865,000	9.47	9.05	-0.87	-8.15	NA	NA	2158.6	21.906	41.20	43.56	NA	3.55	-7
08/27/2020	05/26/2021	Hanover Bancorp Inc.	NY	Savoy Bank	NY	596,948	7.11	7.08	1.14	11.93	0.89	190.48	63.0	6.543	148.49	149.20	13.03	10.55	16
07/01/2020	02/01/2021	Dime Community Bancshares Inc.	NY	Bridge Bancorp, Inc.	NY	6,150,664	8.17	6.53	0.94	9.73	0.51	137.21	498.2	14.800	NA	NA	NA	NA	N
10/25/2019	10/30/2020	Flushing Financial Corp.	NY	Empire Bancorp, Inc.	NY	1,012,542	8.02	NA	0.35	4.68	NA	NA	111.4	14.242	134.62	141.00	30.96	11.00	3
12/18/2019	07/17/2020	CNB Financial Corp.	PA	Bank of Akron	NY	388,877	9.88	9.88	1.30	13.00	1.21	124.19	65.8	219.255	171.21	171.21	13.92	16.91	9
01/09/2020	07/07/2020	Norwood Financial Corp.	PA	UpState New York Bancorp, Inc.	NY	435,907	10.39	10.39	1.19	11.65	0.93	173.71	80.0	36.233	177.94	177.94	17.29	18.42	18
12/23/2019	07/01/2020	Northfield Bancorp Inc.	NJ	VSB Bancorp, Inc.	NY	375,704	10.14	10.14	0.95	10.30	0.58	79.69	64.4	33.300	161.62	161.62	16.32	17.14	9
10/21/2019	06/12/2020	Community Bank System Inc.	NY	Steuben Trust Corporation	NY	576,601	11.06	11.05	1.25	11.96	0.55	517.24	108.8	64.033	170.63	170.80	15.36	18.87	11
12/19/2019	05/01/2020	Evans Bancorp Inc.	NY	FSB Bancorp, Inc.	NY	324,810	9.83	9.83	0.00	0.02	0.32	166.28	34.6	17.829	108.40	108.40	NM	10.65	1
07/24/2019	04/03/2020	Investors Bancorp Inc	NJ	Gold Coast Bancorp, Inc.	NY	572,323	8.07	8.07	0.45	5.65	NA	NA	63.6	15.838	134.91	134.91	25.14	11.12	5
08/09/2019	01/01/2020	OceanFirst Financial Corp.	NJ	Country Bank Holding Company, Inc.	NY	783,352	8.62	NA	NA	NA	NA	NA	102.2	46280.000	151.00	151.00	9.80	13.05	7
09/20/2018	08/09/2019	Hanover Bancorp Inc.	NY	Chinatown Federal Savings Bank	NY	131,610	19.39	19.39	0.01	0.03	2.15	27.17	28.8	140.762	112.84	112.84	NM	21.88	3
01/22/2019	07/12/2019	Community Bank System Inc.	NY	Kinderhook Bank Corp.	NY	631,996	8.97	8.08	0.86	10.04	NA	NA	93.2	62.000	161.47	186.68	17.13	14.74	N
07/12/2018	01/02/2019	ConnectOne Bancorp, Inc.	NJ	Greater Hudson Bank	NY	519,643	10.13	10.13	-0.59	-5.13	1.09	131.33	76.3	NA	144.96	144.96	NA	14.69	6
04/23/2018	10/15/2018	RBB Bancorp	CA	First American International Corp.	NY	889,618	9.23	9.23	0.95	10.62	0.30	357.42	115.3	52.321	177.21	177.21	15.57	12.96	N
03/05/2018	09/29/2018	Seneca-Cayuga Bncp Inc. (MHC)	NY	Medina Savings and Loan Association	NY	53,925	6.90	6.90	0.06	0.95	0.31	284.85	NA	NA	NA	NA	NA	NA	N
03/15/2017	11/10/2017	Kinderhook Bank Corp.	NY	Patriot Federal Bank	NY	141,246	8.73	8.61	0.37	4.09	0.55	231.02	14.6	9.945	118.10	119.86	28.65	10.30	2
03/07/2017	10/02/2017	Sterling Bancorp	NY	Astoria Financial Corporation	NY	14,558,652	11.77	10.64	0.48	4.23	1.70	37.04	2229.7	NA	140.74	159.36	31.17	15.32	9
				Average:		5,951,017	10.18	9.86	0.50	5.23	0.85	177.00			137.40	144.61	19.34	13.95	6
				Median:		574,462	9.65	9.85	0.48	5.65	0.74	149.16			142.85	150.10	17.03	13.87	6

Source: S&P Global Market Intelligence.

EXHIBIT IV-5

Ponce Financial Group, Inc.
Director and Senior Management Summary Resumes

Exhibit IV-5
Ponce Financial Group, Inc.
Director and Senior Management Summary Resumes

Business Experience and Qualifications of Directors

Maria Alvarez. Ms. Alvarez, age 56, has served as a director since 2019. Ms. Alvarez is a member of the Board of Directors of the Foundation. Ms. Alvarez is and has been the Executive Director of the New York StateWide Senior Action Council, Inc. since 2010. Since 2008, Ms. Alvarez has also been the Executive Director of the Brooklyn-wide Interagency Council on Aging Educational Fund, Inc.

***Julio Gurman*.** Mr. Gurman, age 84, has served as a director since 1994. Mr. Gurman is an investor in and manager of commercial and residential real estate properties in the New York metropolitan area. Mr. Gurman is a co-investor/manager of the same 12 properties as Mr. Feldman and Mr. Lugo.

***Carlos P. Naudon*.** Mr. Naudon, age 70, has served as a director since 2014. Mr. Naudon served as President and Chief Operating Officer of Ponce De Leon Federal Bank beginning in 2015 and presently serves as President and Chief Executive Officer of Ponce Bank. Mr. Naudon is President and Chief Executive Officer of New Ponce and PDL Community Bancorp and President and Chief Operating Officer of Ponce Bank MHC. Mr. Naudon is a member of the Board of Directors of the Foundation. Prior to becoming President of Ponce De Leon Federal Bank, Mr. Naudon served as a consultant and compliance counsel to Ponce De Leon Federal Bank. Mr. Naudon owns Banking Spectrum, Inc., now a banking publishing company, formerly a bank consulting company. Until 2015, Mr. Naudon was a partner in the law firm of Allister & Naudon. Both of the foregoing firms were established in 1984 to provide services to banking institutions. Mr. Naudon, a retired CPA, was Of Counsel to the law firm Cullen & Dykman from 2015 to 2019. Mr. Naudon has also previously served in many board positions at other companies, public and private. Before retiring from his consulting and law firms in 2015, Mr. Naudon was a frequent lecturer and speaker on banking issues, corporate governance, quality assurance and performance incentives. Mr. Naudon has current and previous service in various healthcare and community organizations and serves on the board of the Brooklyn Hospital Center of which he was the Chairman of the Board until 2018. Mr. Naudon is a member of the New York State Bar Association, the New York City Hispanic Chamber of Commerce and other professional associations.

William Feldman. Mr. Feldman, age 78, has served as a director since 1993. Mr. Feldman is a member of the Board of Directors of the Foundation. Mr. Feldman has been investing in and managing commercial and residential real estate properties in the New York metropolitan area for over 30 years. At the present time, Mr. Feldman is managing 12 properties, with ownership interests varying between 12.5% and 50.0%, held by The Feldman Living Trust. Until 2018, Mr. Feldman served as the President of the Southern Boulevard Business Improvement District, a not-for-profit entity whose mission is to increase the economic growth and stability of the Southern Boulevard shopping area. Mr. Feldman currently serves as a member of its Board of Directors. Prior to 2013, Mr. Feldman owned several men's clothing stores.

***Steven A. Tsavaris*.** Mr. Tsavaris, age 71, has served as a director since 1990. In 2013, Mr. Tsavaris became Chairman of the Board and Chief Executive Officer of Ponce De Leon Federal Bank. Mr. Tsavaris currently serves as Executive Chairman, a salaried officer, of Ponce Bank. Mr. Tsavaris is Chairman of the Board and Chief Executive Officer of Ponce Bank MHC and Executive Chairman, a salaried officer, of New Ponce and PDL Community Bancorp. Mr. Tsavaris joined Ponce De Leon Federal Bank as an Executive Vice President in 1995, became President in 1999, and was made Chief Executive Officer in 2011. Mr. Tsavaris is the Chairman of the Board of Directors of the Foundation and Executive Chairman of Mortgage World.

James C. Demetriou**.** Mr. Demetriou, age 74, has served as a director since 2009. Mr. Demetriou is a member of the Board of Directors of the Foundation. Mr. Demetriou is the President and Chief Executive Officer of First Management Corp., a property management company located in Astoria, New York, established in 1985 and which has a portfolio of over 130 residential, cooperative, condominium and commercial buildings. Mr. Demetriou is also a partner in the accounting firm, J. Demetriou & Co., established in 1970. In addition, Mr. Demetriou has been a New York licensed real estate broker and sponsoring broker of Archway Realty, Inc., in Astoria, New York since 1985. Furthermore, Mr. Demetriou is the President and Founder of Foxx Capital Funding, Inc. a New York licensed mortgage broker established in 1999.

Nick R. Lugo**.** Mr. Lugo, age 78, has served as a director since 1999 and serves as Vice Chairman of the Board of Directors of Ponce Bank MHC, PDL Community Bancorp, New Ponce and Ponce Bank. Mr. Lugo is a member of the Board of Directors of the Foundation. Mr. Lugo is an investor in real estate properties located in the New York area and holds these investments in several limited liability companies. Mr. Lugo is also President of Nick Lugo Travel Corp., which he founded in 1980. In addition, Mr. Lugo is also the owner and publisher of LaVoz Hispana, a weekly newspaper. Mr. Lugo also founded in 2006 the New York City Hispanic Chamber of Commerce and serves as its Chairman and President. Mr. Lugo is a Director of the Southern Boulevard Business Improvement District.

Executive Officer Who is Not a Director

Frank Perez. Mr. Perez, age 53, was appointed Executive Vice President and Chief Financial Officer of Ponce De Leon Federal Bank in January 2017. Mr. Perez is Executive Vice President and Chief Financial Officer of New Ponce, PDL Community Bancorp, Ponce Bank MHC and Ponce Bank. Mr. Perez is also Treasurer of the Foundation. Mr. Perez is a certified public accountant (inactive) and has over 23 years of experience in the banking industry. Prior to joining Ponce De Leon Federal Bank, Mr. Perez was, from January 2015 until July 2016, Executive Vice President and Chief Financial Officer of First Volunteer Bank, Chattanooga, Tennessee, a privately held bank. From May 2012 until January 2015, Mr. Perez was the Executive Vice President and Chief Financial Officer of First Financial Service Corporation, the bank holding company for First Federal Savings Bank of Elizabethtown, Elizabethtown, Kentucky.

Source: Ponce Financial's prospectus.

EXHIBIT IV-6

Ponce Financial Group, Inc.
Pro Forma Regulatory Capital Ratios

Exhibit IV-6
Ponce Financial Group, Inc.

	Ponce Bank Historical At March 31, 2021		Pro Forma at March 31, 2021, Based Upon the Sale in the Offering (1)							
			8,925,000 Shares (Minimum of Offering Range)		10,500,000 Shares (Midpoint of Offering Range)		12,075,000 Shares (Maximum of Offering Range)		13,886,250 Shares (Adjusted Maximum of Offering Range) (2)	
	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)	Amount	Percent of Assets (3)
					(Dollars in thousands)					
Equity	$144,864	10.20%	$176,836	12.08%	$182,692	12.42%	$188,548	12.75%	$195,283	13.12%
Tier 1 leverage capital	144,836	10.78%	176,808	12.75%	182,664	13.10%	188,520	13.45%	195,255	13.84%
Leverage requirement	67,160	5.00%	69,310	5.00%	69,701	5.00%	70,091	5.00%	70,539	5.00%
Excess	77,676	5.78%	107,498	7.75%	112,963	8.10%	118,429	8.45%	124,716	8.84%
Tier 1 risk-based capital(4)	144,836	14.54%	176,808	17.60%	182,664	18.16%	188,520	18.71%	195,255	19.34%
Risk-based requirement	79,677	8.00%	80,365	8.00%	80,490	8.00%	80,614	8.00%	80,758	8.00%
Excess	65,159	6.54%	96,443	9.60%	102,174	10.16%	107,906	10.71%	114,497	11.34%
Tier 1 risk-based capital(4)	157,326	15.80%	189,298	18.84%	195,154	19.40%	201,010	19.95%	207,745	20.58%
Risk-based requirement	99,596	10.00%	100,456	10.00%	100,612	10.00%	100,768	10.00%	100,947	10.00%
Excess	57,730	5.80%	88,842	8.84%	94,542	9.40%	100,242	9.95%	106,798	10.58%
Common equity tier 1 capital	144,836	14.54%	176,808	17.60%	182,664	18.16%	188,520	18.71%	195,255	19.34%
Common equity tier 1 capital requirement	64,737	6.50%	65,296	6.50%	65,398	6.50%	65,499	6.50%	65,616	6.50%
Excess	80,099	8.04%	111,512	11.10%	117,266	11.66%	123,021	12.21%	129,639	12.84%
Reconciliation of capital infused into Ponce Bank:										
Net proceeds			43,003		50,806		58,609		67,582	
Less: Common stock acquired by employee stock ownership plan			(7,354)		(8,652)		(9,950)		(11,442)	
Less: Common stock acquired by stock-based benefit plan			(3,677)		(4,326)		(4,975)		(5,721)	
Pro forma increase			31,972		37,828		43,684		50,419	

(1) Pro forma capital levels assume that the employee stock ownership plan purchases 8.0% of the shares of common stock sold in the stock offering and issued to the Foundation. Pro forma generally accepted accounting principles ("GAAP") capital and regulatory capital have been reduced by the amount required to fund this plan. See "Management" for a discussion of the employee stock ownership plan.

(2) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

(3) Equity and Tier 1 leverage capital levels are shown as a percentage of total average assets. Risk-based capital levels are shown as a percentage of risk-weighted assets.

(4) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk weighting.

Source: Ponce Financial's prospectus.

EXHIBIT IV-7

Ponce Financial Group, Inc.
Pro Forma Analysis Sheet

EXHIBIT IV-7
PRO FORMA ANALYSIS SHEET
Ponce Financial Group, Inc.
Prices as of June 1, 2021

Valuation Midpoint Pricing Multiples		Symbol	Subject at Midpoint	Peer Group Mean	Peer Group Median	New York Mean	New York Median	All Public Mean	All Public Median
Price-earnings multiple	=	P/E	29.66 x	12.09x	11.17x	14.10x	11.57x	13.52x	13.42x
Price-core earnings multiple	=	P/CE	70.75 x	13.00x	12.95x	17.37x	13.70x	14.28x	13.67x
Price-book ratio	=	P/B	76.16%	112.47%	100.80%	93.77%	93.47%	114.11%	105.02%
Price-tangible book ratio	=	P/TB	76.16%	114.62%	105.29%	107.44%	106.38%	126.45%	112.14%
Price-assets ratio	=	P/A	12.50%	14.31%	12.96%	9.31%	8.77%	14.24%	13.33%

Valuation Parameters				Adjusted	
Pre-Conversion Earnings (Y)	$ 7,518,638	(12 Mths 3/21(2)	ESOP Stock (% of Offering + Foundation) (E)	8.00%	
Pre-Conversion Core Earnings (YC)	$ 3,791,638	(12 Mths 3/21(2)	Cost of ESOP Borrowings (S)	0.00%	
Pre-Conversion Book Value (B)	$ 161,294,000	(2)	ESOP Amortization (T)	20.00	Years
Pre-Conv. Tang. Book Value (B)	$ 161,294,000	(2)	Stock Program (% of Offering + Foundation (M)	4.00%	
Pre-Conversion Assets (A)	$1,433,797,000	(2)	Stock Programs Vesting (N)	5.00	Years
Reinvestment Rate (R)	0.92%		Fixed Expenses	$2,436,400	
Tax rate (TAX)	23.00%		Variable Expenses (Blended Commission%)	0.91%	
After Tax Reinvest. Rate (R)	0.71%		Percentage Sold (PCT)	56.1099%	
Est. Conversion Expenses (1)(X)	3.23%		MHC Assets	$ 90,000	
Insider Purchases	$ 1,000,000		Options as (% of Offering + Foundation) (O1)	10.00%	
Price/Share	$ 10.00		Estimated Option Value (O2)	35.50%	
Foundation Cash Contribution (FC)	$ 1,000,000		Option Vesting Period (O3)	5.00	Years
Foundation Stock Contribution (FS)	$ 3,150,000		% of Options taxable (O4)	25.00%	
Foundation Tax Benefit (FT)	$ 954,500				

Calculation of Pro Forma Value After Conversion

1. $V = \dfrac{P/E * (Y - FC * R)}{1 - P/E * PCT * ((1-X-E-M-FS)*R - (1-TAX)*(E/T) - (1-TAX)*(M/N)-(1-TAX*O4)*(O1*O2/O3)))}$ V= $190,282,790

2. $V = \dfrac{P/Core\ E * (YC)}{1 - P/Core\ E * PCT * ((1-X-E-M-FS)*R - (1-TAX)*(E/T) - (1-TAX)*(M/N)-(1-TAX*O4)*(O1*O2/O3)))}$ V= $190,282,790

3. $V = \dfrac{P/B * (B-FC+FT)}{1 - P/B * PCT * (1-X-E-M)}$ V= $190,282,790

4. $V = \dfrac{P/TB * (B-FC+FT)}{1 - P/TB * PCT * (1-X-E-M)}$ V= $190,282,790

5. $V = \dfrac{P/A * (A-FC+FT)}{1 - P/A * PCT * (1-X-E-M)}$ V= $190,282,790

Shares

Conclusion	2nd Step Offering Shares	2nd Step Exchange Shares	Full Conversion Shares	Plus: Foundation Shares	Total Market Capitalization Shares	Exchange Ratio
Super Maximum	13,886,250	10,862,061	24,748,311	416,588	25,164,899	1.4535
Maximum	12,075,000	9,445,271	21,520,271	362,250	21,882,521	1.2639
Midpoint	10,500,000	8,213,279	18,713,279	315,000	19,028,279	1.0991
Minimum	8,925,000	6,981,287	15,906,287	267,750	16,174,037	0.9342

Market Value

Conclusion	2nd Step Offering Value	2nd Step Exchange Shares Value	Full Conversion $Value	Foundation $Value	Total Market Capitalization $Value
Super Maximum	$138,862,500	$108,620,610	$247,483,110	$4,165,880	$251,648,990
Maximum	$120,750,000	$ 94,452,710	$215,202,710	3,622,500	$218,825,210
Midpoint	$105,000,000	$ 82,132,790	$187,132,790	3,150,000	$190,282,790
Minimum	$ 89,250,000	$ 69,812,870	$159,062,870	2,677,500	$161,740,370

(1) Estimated offering expenses at midpoint of the offering.
(2) Adjusted to reflect consolidation and reinvesment of $90,000 of MHC net assets.

EXHIBIT IV-8

Ponce Financial Group, Inc.
Pro Forma Effect of Conversion Proceeds

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Financial Group, Inc.
At the Minimum of the Range

1. Fully Converted Value and Exchange Ratio	
Fully Converted Value	$ 161,740,370
Exchange Ratio	0.93422
2nd Step Offering Proceeds	$ 89,250,000
Less: Estimated Offering Expenses	3,243,410
2nd Step Net Conversion Proceeds	$ 86,006,590
2. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	$ 86,006,590
Less: Cash Contribution to Foundation	(1,000,000)
Less: ESOP Stock Purchases (1)	(7,354,200)
Less: RRP Stock Purchases (2)	(3,677,100)
Net Cash Proceeds	$ 73,975,290
Estimated after-tax net incremental rate of return	0.71%
Earnings Increase	$ 524,041
Less: Consolidated interest cost of ESOP borrowings	0
Less: Amortization of ESOP borrowings(3)	(283,137)
Less: RRP Vesting (3)	(566,273)
Less: Option Plan Vesting (4)	(615,156)
Net Earnings Increase	($ 940,525)

3. Pro Forma Earnings	Before Conversion(5)	Net Earnings Increase	After Conversion
12 Months ended March 31, 2021 (reported)	$7,518,638	($940,525)	$6,578,113
12 Months ended March 31, 2021 (core)	$3,791,638	($940,525)	$2,851,113

4. Pro Forma Net Worth	Before Conversion(5)	Net Cash Proceeds	Tax Benefit and Other	After Conversion
March 31, 2021	$ 161,294,000	$73,975,290	$845,825	$ 236,115,115
March 31, 2021 (Tangible)	$ 161,294,000	$73,975,290	$845,825	$ 236,115,115

5.Pro Forma Assets	Before Conversion(5)	Net Cash Proceeds	Tax Benefit and Other	After Conversion
March 31, 2021	$1,433,797,000	$73,975,290	$845,825	$1,508,618,115

(1) Includes ESOP purchases of 8.0% of the second step offering and Foundation shares.
(2) Includes RRP purchases of 4.0% of the second step offering and Foundation shares.
(3) ESOP amortized over 20 years, RRP amortized over 5 years, tax effected at: 23.00%
(4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25% of the options are taxable.
(5) Adjusted to reflect consolidation and reinvestment of net MHC assets.

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Financial Group, Inc.
At the Midpoint of the Range

1. Fully Converted Value and Exchange Ratio	
Fully Converted Value	$ 190,282,790
Exchange Ratio	1.09908
2nd Step Offering Proceeds	$ 105,000,000
Less: Estimated Offering Expenses	3,387,930
2nd Step Net Conversion Proceeds	$ 101,612,070
2. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	$ 101,612,070
Less: Cash Contribution to Foundation	(1,000,000)
Less: ESOP Stock Purchases (1)	(8,652,000)
Less: RRP Stock Purchases (2)	(4,326,000)
Net Cash Proceeds	$ 87,634,070
Estimated after-tax net incremental rate of return	0.71%
Earnings Increase	$ 620,800
Less: Consolidated interest cost of ESOP borrowings	0
Less: Amortization of ESOP borrowings(3)	(333,102)
Less: RRP Vesting (3)	(666,204)
Less: Option Plan Vesting (4)	(723,713)
Net Earnings Increase	($ 1,102,219)

3. Pro Forma Earnings	Before Conversion(5)	Net Earnings Increase	After Conversion
12 Months ended March 31, 2021 (reported)	$7,518,638	($1,102,219)	$6,416,419
12 Months ended March 31, 2021 (core)	$3,791,638	($1,102,219)	$2,689,419

4. Pro Forma Net Worth	Before Conversion (5)	Net Cash Proceeds	Tax Benefit of Foundation	After Conversion
March 31, 2021	$ 161,294,000	$87,634,070	$ 954,500	$ 249,882,570
March 31, 2021 (Tangible)	$ 161,294,000	$87,634,070	$ 954,500	$ 249,882,570

5. Pro Forma Assets	Before Conversion (5)	Net Cash Proceeds	Tax Benefit of Foundation	After Conversion
March 31, 2021	$1,433,797,000	$87,634,070	$ 954,500	$1,522,385,570

(1) Includes ESOP purchases of 8.0% of the second step offering and Foundation shares.
(2) Includes RRP purchases of 4.0% of the second step offering and Foundation shares.
(3) ESOP amortized over 20 years, RRP amortized over 5 years, tax effected at: 23.00%
(4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25% of the options are taxable.
(5) Adjusted to reflect consolidation and reinvestment of net MHC assets.

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Financial Group, Inc.
At the Maximum of the Range

1. Fully Converted Value and Exchange Ratio	
Fully Converted Value	$ 218,825,210
Exchange Ratio	1.26394
2nd Step Offering Proceeds	$ 120,750,000
Less: Estimated Offering Expenses	3,532,450
2nd Step Net Conversion Proceeds	$ 117,217,550
2. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	$ 117,217,550
Less: Cash Contribution to Foundation	(1,000,000)
Less: ESOP Stock Purchases (1)	(9,949,800)
Less: RRP Stock Purchases (2)	(4,974,900)
Net Cash Proceeds	$ 101,292,850
Estimated after-tax net incremental rate of return	0.71%
Earnings Increase	$ 717,559
Less: Consolidated interest cost of ESOP borrowings	0
Less: Amortization of ESOP borrowings(3)	(383,067)
Less: RRP Vesting (3)	(766,135)
Less: Option Plan Vesting (4)	(832,270)
Net Earnings Increase	($ 1,263,913)

3. Pro Forma Earnings	Before Conversion(5)	Net Earnings Increase	After Conversion
12 Months ended March 31, 2021 (reported)	$7,518,638	($1,263,913)	$6,254,725
12 Months ended March 31, 2021 (core)	$3,791,638	($1,263,913)	$2,527,725

4. Pro Forma Net Worth	Before Conversion (5)	Net Cash Proceeds	Tax Benefit of Foundation	After Conversion
March 31, 2021	$ 161,294,000	$101,292,850	$1,063,175	$ 263,650,025
March 31, 2021 (Tangible)	$ 161,294,000	$101,292,850	$1,063,175	$ 263,650,025

5. Pro Forma Assets	Before Conversion (5)	Net Cash Proceeds	Tax Benefit of Foundation	After Conversion
March 31, 2021	$1,433,797,000	$101,292,850	$1,063,175	$1,536,153,025

(1) Includes ESOP purchases of 8.0% of the second step offering and Foundation shares.
(2) Includes RRP purchases of 4.0% of the second step offering and Foundation shares.
(3) ESOP amortized over 20 years, RRP amortized over 5 years, tax effected at: 23.00%
(4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25% of the options are taxable
(5) Adjusted to reflect consolidation and reinvestment of net MHC assets.

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Financial Group, Inc.
At the Super Maximum Value

1. Fully Converted Value and Exchange Ratio	
Fully Converted Value	$ 251,648,990
Exchange Ratio	1.45353
2nd Step Offering Proceeds	$ 138,862,500
Less: Estimated Offering Expenses	3,698,655
2nd Step Net Conversion Proceeds	$ 135,163,845
2. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	$ 135,163,845
Less: Cash Contribution to Foundation	(1,000,000)
Less: ESOP Stock Purchases (1)	(11,442,270)
Less: RRP Stock Purchases (2)	(5,721,135)
Net Cash Proceeds	$ 117,000,439
Estimated after-tax net incremental rate of return	0.71%
Earnings Increase	$ 828,831
Less: Consolidated interest cost of ESOP borrowings	0
Less: Amortization of ESOP borrowings (3)	(440,527)
Less: RRP Vesting (3)	(881,055)
Less: Option Plan Vesting (4)	(957,110)
Net Earnings Increase	($ 1,449,861)

3. Pro Forma Earnings	Before Conversion(5)	Net Earnings Decrease	After Conversion
12 Months ended March 31, 2021 (reported)	$7,518,638	($1,449,861)	$6,068,776
12 Months ended March 31, 2021 (core)	$3,791,638	($1,449,861)	$2,341,776

4. Pro Forma Net Worth	Before Conversion (5)	Net Cash Proceeds	Tax Benefit of Foundation	After Conversion
March 31, 2021	$ 161,294,000	$117,000,439	$1,188,151	$ 279,482,590
March 31, 2021 (Tangible)	$ 161,294,000	$117,000,439	$1,188,151	$ 279,482,590

5. Pro Forma Assets	Before Conversion (5)	Net Cash Proceeds	Tax Benefit of Foundation	After Conversion
March 31, 2021	$1,433,797,000	$117,000,439	$1,188,151	$1,551,985,590

(1) Includes ESOP purchases of 8.0% of the second step offering and Foundation shares.
(2) Includes RRP purchases of 4.0% of the second step offering and Foundation shares.
(3) ESOP amortized over 20 years, RRP amortized over 5 years, tax effected at: 23.00%
(4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25% of the options are taxable.
(5) Adjusted to reflect consolidation and reinvestment of net MHC assets.

EXHIBIT IV-9

Calculation of Minority Ownership Dilution in a Second-Step Offering

Exhibit IV-9
Ponce Financial Group, Inc.
Calculation of Minority Ownership Dilution in a Second-Step Offering
Stock Ownership Data as of March 31, 2021
Financial Data as of March 31, 2021
Reflects Pro Forma Market Value as of June 1, 2021

Key Input Assumptions		
Mid-Tier Stockholders' Equity	$161,204,000	(BOOK)
Aggregate Dividends Waived by MHC	$0	(WAIVED DIVIDENDS)
Minority Ownership Interest	43.9109%	(PCT)
Pro Forma Market Value	$190,282,790	(VALUE)
Market Value of MHC Assets (Other than Stock in Mid-Tier)	$90,000	(MHC ASSETS)

Adjustment for MHC Assets & Waived Dividends - 2 Step Calculation (as required by FDIC & FRB)

Step 1: To Account for Waiver of Dividends $= \dfrac{(\text{BOOK - WAIVED DIVIDENDS}) \times \text{PCT}}{\text{BOOK}}$

= 43.9109%

Step 2: To Account for MHC Assets $= \dfrac{(\text{VALUE - MHC ASSETS}) \times \text{Step 1}}{\text{VALUE}}$

= 43.8901% (rounded)

Current Ownership

MHC Shares	9,545,388	56.09%
Public Shares	7,472,864	43.91%
Total Shares	17,018,252	100.00%

EXHIBIT V-1

RP® Financial, LC.
Firm Qualifications Statement

RP® FINANCIAL, LC.
Advisory | Planning | Valuation

FIRM QUALIFICATION STATEMENT

RP® Financial ("RP®) provides financial and management consulting, merger advisory and valuation services to the financial services industry nationwide. We offer a broad array of services, high quality and prompt service, hands-on involvement by principals and senior staff, careful structuring of strategic initiatives and sophisticated valuation and other analyses consistent with industry practices and regulatory requirements. Our staff maintains extensive background in financial and management consulting, valuation and investment banking. Our clients include commercial banks, thrifts, credit unions, mortgage companies, insurance companies and other financial services companies.

STRATEGIC PLANNING SERVICES

RP®'s strategic planning services are designed to provide effective feasible plans with quantifiable results. We analyze strategic options to enhance shareholder value, achieve regulatory approval or realize other objectives. Such services involve conducting situation analyses; establishing mission/vision statements, developing strategic goals and objectives; and identifying strategies to enhance franchise and/or market value, capital management, earnings enhancement, operational matters and organizational issues. Strategic recommendations typically focus on: capital formation and management, asset/liability targets, profitability, return on equity and stock pricing. Our proprietary financial simulation models provide the basis for evaluating the impact of various strategies and assessing their feasibility and compatibility with regulations.

MERGER ADVISORY SERVICES

RP®'s merger advisory services include targeting potential buyers and sellers, assessing acquisition merit, conducting due diligence, negotiating and structuring merger transactions, preparing merger business plans and financial simulations, rendering fairness opinions, preparing mark-to-market analyses, valuing intangible assets and supporting the implementation of post-acquisition strategies. Our merger advisory services involve transactions of financially healthy companies and failed bank deals. RP® is also expert in de novo charters and shelf charters. Through financial simulations, comprehensive data bases, valuation proficiency and regulatory familiarity, RP®'s merger advisory services center on enhancing shareholder returns.

VALUATION SERVICES

RP®'s extensive valuation practice includes bank and thrift mergers, thrift mutual-to-stock conversions, goodwill impairment, insurance company demutualizations, ESOPs, subsidiary companies, merger accounting and other purposes. We are highly experienced in performing appraisals which conform to regulatory guidelines and appraisal standards. RP® is the nation's leading valuation firm for thrift mutual-to-stock conversions, with appraised values ranging up to $4 billion.

OTHER CONSULTING SERVICES

RP® offers other consulting services including evaluating the impact of regulatory changes (TARP, etc.), branching and diversification strategies, feasibility studies and special research. We assist banks/thrifts in preparing CRA plans and evaluating wealth management activities on a de novo or merger basis. Our other consulting services are facilitated by proprietary valuation and financial simulation models.

KEY PERSONNEL (Years of Relevant Experience & Contact Information)

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