UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from _________ to

Commission File Number: 001-41255

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

Maryland	**87-1893965**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2244 Westchester Avenue Bronx, NY	**10462**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (718) 931-9000

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	PDLB	The NASDAQ Stock Market, LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of November 6, 2024, the registrant had 23,829,075 shares of common stock, $0.01 par value per share, outstanding.

Auditor Firm Id: 686 Auditor Name: Forvis Mazars, LLP Auditor Location: New York, New York, USA

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PART I—FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

Ponce Financial Group, Inc. and Subsidiaries

Consolidated Statements of Financial Condition (Unaudited)
September 30, 2024 and December 31, 2023
(Dollars in thousands, except share data)

	September 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash and due from banks:		
Cash	$ 32,061	$ 28,930
Interest-bearing deposits	123,751	110,260
Total cash and cash equivalents	155,812	139,190
Available-for-sale securities, at fair value (Note 3)	111,005	119,902
Held-to-maturity securities, net of allowance for credit losses of $207 at September 30, 2024 and $398 at December 31, 2023; at amortized cost (fair value 2024 $398,823; 2023 $450,042) (Note 3)	403,736	461,748
Placement with banks	249	249
Mortgage loans held for sale, at fair value (Note 4)	9,566	9,980
Loans receivable, net of allowance for credit losses of $23,966 at September 30, 2024 and $26,154 at December 31, 2023 (Note 5)	2,180,331	1,895,886
Accrued interest receivable	16,890	18,010
Premises and equipment, net	16,843	16,053
Right of use assets (Note 6)	29,785	31,272
Federal Home Loan Bank of New York (FHLBNY) stock, at cost	28,515	19,377
Deferred tax assets	11,845	14,332
Other assets	51,392	24,723
Total assets	$ 3,015,969	$ 2,750,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 7)	$ 1,870,323	$ 1,507,620
Operating lease liabilities	31,343	32,684
Accrued interest payable	2,918	11,965
Advance payments by borrowers for taxes and insurance	13,733	10,778
Borrowings (Note 8)	580,421	684,421
Other liabilities	12,642	11,859
Total liabilities	2,511,380	2,259,327
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 100,000,000 shares authorized, 225,000 shares issued and outstanding as of September 30, 2024 and as of December 31, 2023.	225,000	225,000
Common stock, $0.01 par value; 200,000,000 shares authorized; 24,886,711 shares issued and 23,819,463 shares outstanding as of September 30, 2024 and 24,886,711 shares issued and 23,785,520 shares outstanding as of December 31, 2023	249	249
Treasury stock, at cost; 1,067,248 shares as of September 30, 2024 and 1,101,191 shares as of December 31, 2023	(9,445)	(9,747)
Additional paid-in-capital	208,478	207,106
Retained earnings	105,103	97,420
Accumulated other comprehensive loss (Note 14)	(12,686)	(15,649)
Unearned compensation ─ ESOP; 1,335,424 shares as of September 30, 2024 and 1,435,732 shares as of December 31, 2023	(12,110)	(12,984)
Total stockholders' equity	504,589	491,395
Total liabilities and stockholders' equity	$ 3,015,969	$ 2,750,722

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Ponce Financial Group, Inc. and Subsidiaries

Consolidated Statements of Operations (Unaudited)
Three Months and Nine Months Ended September 30, 2024 and 2023
(Dollars in thousands, except share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest and dividend income:				
Interest on loans receivable	$ 32,945	$ 25,276	$ 94,890	$ 67,991
Interest on deposits due from banks	2,430	1,969	6,883	3,983
Interest and dividend on securities and FHLBNY stock	5,918	6,261	17,978	18,943
Total interest and dividend income	41,293	33,506	119,751	90,917
Interest expense:				
Interest on certificates of deposit	6,926	4,362	19,664	11,468
Interest on other deposits	8,519	5,639	22,448	12,864
Interest on borrowings	6,825	6,963	21,889	18,516
Total interest expense	22,270	16,964	64,001	42,848
Net interest income	19,023	16,542	55,750	48,069
Provision for credit losses (Note 3) (Note 5)	789	535	235	1,348
Net interest income after provision for credit losses	18,234	16,007	55,515	46,721
Non-interest income:				
Service charges and fees	508	516	1,473	1,488
Brokerage commissions	—	17	17	67
Late and prepayment charges	77	899	862	2,000
Income on sale of mortgage loans	218	173	794	354
Grant income	—	3,718	—	3,718
Other	348	304	1,970	1,311
Total non-interest income	1,151	5,627	5,116	8,938
Non-interest expense:				
Compensation and benefits	7,674	7,566	23,242	22,437
Occupancy and equipment	3,786	3,588	11,017	10,882
Data processing expenses	1,099	1,582	3,239	3,982
Direct loan expenses	573	369	1,938	1,126
(Benefit) provision for contingencies	(252)	391	(581)	1,893
Insurance and surety bond premiums	292	255	808	768
Office supplies, telephone and postage	222	301	704	1,189
Professional fees	1,351	1,693	4,443	5,052
Microloans recoveries (Note 5)	(54)	(69)	(172)	(1,329)
Marketing and promotional expenses	180	248	425	679
Directors' fees and regulatory assessment	178	169	533	484
Other operating expenses	1,265	1,223	3,815	3,603
Total non-interest expense	16,314	17,316	49,411	50,766
Income before income taxes	3,071	4,318	11,220	4,893
Provision for income taxes	638	1,728	3,181	2,059
Net income	$ 2,433	$ 2,590	$ 8,039	$ 2,834
Dividends on preferred shares	281	—	356	—
Net income available to common stockholders	$ 2,152	$ 2,590	$ 7,683	$ 2,834
Earnings per common share (Note 10):				
Basic	$ 0.10	$ 0.12	$ 0.34	$ 0.12
Diluted	$ 0.10	$ 0.12	$ 0.34	$ 0.12
Weighted average common shares outstanding (Note 10):				
Basic	22,446,009	22,272,076	22,403,258	22,920,680
Diluted	22,612,028	22,349,217	22,466,178	22,962,956

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Ponce Financial Group, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
Three and Nine Months Ended September 30, 2024 and 2023
(In thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	$ 2,433	$ 2,590	$ 8,039	$ 2,834
Net change in unrealized gain (losses) on securities:				
Unrealized gain (losses)	4,912	(3,644)	3,758	(3,364)
Income (tax) benefit effect	(1,041)	773	(795)	756
Total other comprehensive income (loss), net of tax	3,871	(2,871)	2,963	(2,608)
Total comprehensive income (loss)	6,304	(281)	11,002	226
Less: Dividends on preferred shares	281	—	356	—
Total comprehensive income (loss) available to common stockholders	$ 6,023	$ (281)	$ 10,646	$ 226

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Ponce Financial Group, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Unaudited)
Nine Months Ended September 30, 2024 and 2023
(Dollars in thousands, except share data)

	Preferred Stock		Common Stock		Treasury Stock, At Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated Common Stock of ESOP	Total
	Shares	Amount	Shares	Amount						
Balance, December 31, 2023	225,000	$ 225,000	23,785,520	$ 249	$ (9,747)	$ 207,106	$ 97,420	$ (15,649)	$ (12,984)	$ 491,395
Net income	—	—	—	—	—	—	2,414	—	—	2,414
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(941)	—	(941)
Release of restricted stock units	—	—	4,977	—	45	(45)		—	—	—
ESOP shares committed to be released (33,436 shares)	—	—	—	—	—	6	—	—	291	297
Share-based compensation	—	—	—	—	—	517	—	—	—	517
Balance, March 31, 2024	225,000	$ 225,000	23,790,497	$ 249	$ (9,702)	$ 207,584	$ 99,834	$ (16,590)	$ (12,693)	$ 493,682
Net income	—	—	—	—	—	—	3,192	—	—	3,192
Preferred Stock Dividend		—	—	—	—	—	(75)	—	—	(75)
Other comprehensive income, net of tax	—	—	—	—	—	—	—	33	—	33
Release of restricted stock units	—	—	21,235	—	183	(183)	—	—	—	—
ESOP shares committed to be released (33,436 shares)	—	—	—	—	—	14	—	—	292	306
Share-based compensation	—	—	—	—	—	519	—	—	—	519
Balance, June 30, 2024	225,000	$ 225,000	23,811,732	$ 249	$ (9,519)	$ 207,934	$ 102,951	$ (16,557)	$ (12,401)	$ 497,657
Net income	—	—	—	—	—	—	2,433	—	—	2,433
Preferred Stock Dividend				—	—	—	(281)	—	—	(281)
Other comprehensive income, net of tax	—	—	—	—	—	—	—	3,871	—	3,871
Release of restricted stock units	—	—	7,731	—	74	(74)	—	—	—	—
ESOP shares committed to be released (33,436 shares)	—	—	—	—	—	99	—	—	291	390
Share-based compensation	—	—	—	—	—	519	—	—	—	519
Balance, September 30, 2024	225,000	$ 225,000	23,819,463	$ 249	$ (9,445)	$ 208,478	$ 105,103	$ (12,686)	$ (12,110)	$ 504,589

	Preferred Stock		Common Stock		Treasury Stock, At Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated Common Stock of ESOP	Total
	Shares	Amount	Shares	Amount						
Balance, December 31, 2022	225,000	$ 225,000	24,859,353	$ 249	$ (2)	$ 206,508	$ 92,955	$ (17,860)	$ (14,150)	492,700
Net income	—	—	—	—	—	—	331	—	—	331
Other comprehensive income, net of tax	—	—	—	—	—	—	—	1,231	—	1,231
Impact of CECL adoption, net of tax	—	—	—	—	—	—	1,113	—	—	1,113
Release of restricted stock units	—	—	4,147	—	—	—	—	—	—	—
ESOP shares committed to be released (33,436 shares)	—	—	—	—	—	(29)	—	—	291	262
Share-based compensation	—	—	—	—	—	404	—	—	—	404
Balance, March 31, 2023	225,000	$ 225,000	24,863,500	$ 249	$ (2)	$ 206,883	$ 94,399	$ (16,629)	$ (13,859)	$ 496,041
Net loss	—	—	—	—	—	—	(87)	—	—	(87)
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(968)	—	(968)
Repurchases of common stock			(615,948)		(5,200)					(5,200)
Release of restricted stock units	—	—	21,235	—	—	—	—	—	—	—
ESOP shares committed to be released (33,436 shares)	—	—	—	—	—	—	—	—	292	292
Share-based compensation	—	—	—	—	—	404	—	—	—	404
Balance, June 30, 2023	225,000	$ 225,000	24,268,787	$ 249	$ (5,202)	$ 207,287	$ 94,312	$ (17,597)	$ (13,567)	$ 490,482
Net loss	—	—	—	—	—	—	2,590	—	—	2,590
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(2,871)	—	(2,871)
Repurchases of common stock	—	—	(619,052)	—	(5,809)	—	—	—	—	(5,809)
Release of restricted stock units	—	—	3,865	—	36	(36)	—	—	—	—
ESOP shares committed to be released (33,436 shares)	—	—	—	—	—	(30)	—	—	291	261
Share-based compensation	—	—	—	—	—	405	—	—	—	405
Balance, September 30, 2023	225,000	$ 225,000	23,653,600	$ 249	$ (10,975)	$ 207,626	$ 96,902	$ (20,468)	$ (13,276)	$ 485,058

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Ponce Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
Nine Months Ended September 30, 2024 and 2023
(In thousands)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash Flows From Operating Activities:		
Net income	$ 8,039	$ 2,834
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of premiums/discounts on securities, net	(82)	(90)
Gain on sale of loans	(794)	(277)
Provision for credit losses	235	1,348
Depreciation and amortization	3,484	3,249
ESOP compensation expense	1,028	815
Share-based compensation expense	1,555	1,213
Deferred income taxes	1,691	909
Changes in assets and liabilities:		
Decrease (increase) in mortgage loans held for sale, fair value	2,032	(9,972)
Decrease (increase) in accrued interest receivable	1,120	(1,575)
Increase in other assets	(26,669)	(2,298)
(Decrease) increase in accrued interest payable	(9,047)	6,995
Decrease in operating lease liabilities	(1,897)	(1,646)
Increase in advance payments by borrowers	2,955	4,019
Increase in other liabilities	695	1,825
Net cash (used in) provided by operating activities	(15,655)	7,349
Cash Flows From Investing Activities:		
Net (purchase) and redemption of FHLBNY stock	(9,123)	5,781
Proceeds from maturities, calls and principal repayments on securities	70,940	48,586
Placement with banks	—	498
Net increase in loans	(279,739)	(294,628)
Purchase of loans	(5,956)	—
Purchases of premises and equipment	(2,242)	(370)
Net cash used in investing activities	(226,120)	(240,133)
Cash Flows From Financing Activities:		
Net increase in deposits	362,703	148,720
Repurchase of treasury stock	—	(11,009)
Net (repayments) proceeds from borrowings	(104,000)	157,725
Dividends paid on preferred stock	(306)	—
Net cash provided by financing activities	258,397	295,436
Net increase in cash and cash equivalents	16,622	62,652
Cash and cash equivalents at beginning of period	139,190	54,360
Cash and cash equivalents at end of period	$ 155,812	$ 117,012
Supplemental disclosures of cash flow information:		
Cash paid for interest on deposits and borrowings	$ 73,048	$ 35,853
Cash paid for income taxes	$ 1,363	$ 489
Supplemental Disclosures of Noncash Investing Activities:		
Transferred from loans receivable to mortgage loans held for sale, at fair value	$ 824	$ 6,720

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Ponce Financial Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Note 1. Nature of Business

Basis of Presentation and Consolidation:

Ponce Financial Group, Inc. (hereafter referred to as “we,” “our,” “us,” “Ponce Financial Group, Inc.,” or the “Company”) is the holding company of Ponce Bank (“Ponce Bank” or the “Bank”), a federally chartered stock savings association. The Company’s Consolidated Financial Statements 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 subsidiary Ponce Bank (the “Bank”) and the Bank’s wholly-owned subsidiary, Ponce De Leon Mortgage Corp., which is a mortgage banking entity. All significant intercompany transactions and balances have been eliminated in consolidation.

For further information, refer to the audited Consolidated Financial Statements and Notes included in the Company' Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 19, 2024 (the "2023 Form 10-K").

Reclassification of Prior Periods Presentation: Certain prior periods amounts have been reclassified for consistency with the current period 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. Refer to Deposits (Note 7) for the Three and Nine Months Ended September 30, 2023 for details on the reclassification.

Recent Accounting Pronouncements Not Yet Adopted:

In November 2023, FASB issued ASU 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."* The amendments in this ASU require improved reportable segment information on an annual and interim basis, primarily through enhanced disclosures about significant segment expenses. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2023, and interim periods for fiscal years beginning after December 15, 2024. Early adoptions is permitted. The Company does not expect this standard to have an impact on the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *"Improvements to Income Tax Disclosures (Topic 740)."* The amendment to this update addresses investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This update also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in this update are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance.

In November 2024, the FASB issued ASU 2024-03, *"Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosure (Subtopic 220-40)."* The amendments improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly present expense captions (such as costs of sales and research and development). The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. We are currently evaluating the impact these changes may have on our consolidated financial statements.

Note 2. Preferred Stock

Preferred Stock

On June 7, 2022, the Company closed a private placement (the “Private Placement”) of 225,000 shares of the Company’s Senior Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 (the “Preferred Stock”) for an aggregate purchase price equal to $225.0 million in cash, to the United States Department of the Treasury (the “Treasury”) pursuant to the Emergency Capital Investment Program (“ECIP”). The holders of the Preferred Stock will be entitled to a dividend payable in cash quarterly at an annual rate dependent on certain factors as reported by the Company to Treasury in a quarterly supplemental report. The initial dividend rate is zero percent for the first two years after issuance, and thereafter the floor dividend rate is 0.50% and the ceiling dividend rate is 2.00%, based on achievement of certain qualified lending targets. After 10 years of issuance, the perpetual dividend rate in effect, will be determined based on said floor and ceiling.

Ponce Financial Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

The Company began paying dividends on its Preferred Stock during the quarter ended June 30, 2024, as required by the terms thereof. The Company paid and accrued dividends on its preferred stock in the amount of $0.3 million and $0.4 million for the three and nine months ended September 30, 2024. The Bank exceeded the dividend rate reduction threshold for qualified lending targets designated by the U.S. Treasury Department pursuant to the ECIP. The Bank's "qualified lending" as measured pursuant to ECIP totaled $1.162 billion from June 8, 2023 through March 31, 2024. This reduces the dividend obligation on the Preferred Stock to 0.50% for the quarterly dividends payable through June 15, 2025.

The ECIP investment by the Treasury is part of a program to invest over $8.7 billion into Community Development Financial Institution ("CDFI") or Minority Depository Institution ("MDI"), of which Ponce Bank is both. The ECIP is intended to incentivize CDFIs and MDIs to provide loans, grants, and forbearance to small businesses, minority-owned businesses, and consumers in low-income and underserved communities that may have been disproportionately impacted by the economic effects of the COVID-19 pandemic.

In the event of a liquidation, dissolution or winding up of the Company, the Preferred Stock will be entitled to a liquidation preference, subject to certain limitations, in the amount of the sum of $1,000 per share plus declared and unpaid dividends (without accumulation of undeclared dividends) on each share.

Note 3. Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities at September 30, 2024 and December 31, 2023 are summarized as follows:

	September 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available-for-Sale Securities:				
U.S. Government Bonds	$ 2,993	$ —	$ (124)	$ 2,869
Corporate Bonds	21,766	—	(1,438)	20,328
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations (1)	35,620	—	(4,976)	30,644
FHLMC Certificates	9,310	—	(1,119)	8,191
FNMA Certificates	57,345	—	(8,463)	48,882
GNMA Certificates	91	—	—	91
Total available-for-sale securities	$ 127,125	$ —	$ (16,120)	$ 111,005
Held-to-Maturity Securities:				
U.S. Agency Bonds	$ 25,000	$ —	$ (49)	$ 24,951
Corporate Bonds	57,500	—	(618)	56,882
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations (1)	193,440	454	(2,946)	190,948
FHLMC Certificates	3,441	—	(169)	3,272
FNMA Certificates	108,577	22	(1,967)	106,632
SBA Certificates	15,985	153	—	16,138
Allowance for Credit Losses	(207)	—	—	—
Total held-to-maturity securities	$ 403,736	$ 629	$ (5,749)	$ 398,823

(1) Comprised of Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA") and Ginnie Mae ("GNMA") issued securities.

Ponce Financial Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available-for-Sale Securities:				
U.S. Government Bonds	$ 2,990	$ —	$ (206)	$ 2,784
Corporate Bonds	25,790	—	(2,122)	23,668
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations [(1)]	39,375	—	(6,227)	33,148
FHLMC Certificates	10,163	—	(1,482)	8,681
FNMA Certificates	61,359	—	(9,842)	51,517
GNMA Certificates	104	—	—	104
Total available-for-sale securities	$ 139,781	$ —	$ (19,879)	$ 119,902
Held-to-Maturity Securities:				
U.S. Agency Bonds	$ 25,000	$ —	$ (181)	$ 24,819
Corporate Bonds	82,500	—	(2,691)	79,809
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations [(1)]	212,093	104	(5,170)	207,027
FHLMC Certificates	3,897	—	(244)	3,653
FNMA Certificates	118,944	—	(4,088)	114,856
SBA Certificates	19,712	166	—	19,878
Allowance for Credit Losses	(398)	—	—	—
Total held-to-maturity securities	$ 461,748	$ 270	$ (12,374)	$ 450,042

(1) Comprised of FHLMC, FNMA and GNMA issued securities.

The Company's securities portfolio had 39 and 40 available-for-sale securities and 32 and 33 held-to-maturity securities at September 30, 2024 and December 31, 2023, respectively. There were no available-for-sale and held-to-maturity securities sold during the nine months ended September 30, 2024 and for the year ended December 31, 2023. There was one available-for-sale security in the amount of $4.0 million and one held-to-maturity security in the amount of $25.0 million that matured and/or were called during the nine months ended September 30, 2024. One held-to-maturity security in the amount of $10.0 million matured and/or was called during the year ended December 31, 2023. The Company did not purchase any available-for-sale securities and held-to-maturity securities during the nine months ended September 30, 2024 and during the year ended December 31, 2023.

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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 September 30, 2024 and December 31, 2023:

	September 30, 2024					
	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
	(in thousands)					
Available-for-Sale Securities:						
U.S. Government Bonds	$ —	$ —	$ 2,869	$ (124)	$ 2,869	$ (124)
Corporate Bonds	—	—	20,328	(1,438)	20,328	(1,438)
Mortgage-Backed Securities:						
Collateralized Mortgage Obligations	—	—	30,644	(4,976)	30,644	(4,976)
FHLMC Certificates	—	—	8,191	(1,119)	8,191	(1,119)
FNMA Certificates	—	—	48,882	(8,463)	48,882	(8,463)
Total available-for-sale securities	$ —	$ —	$ 110,914	$ (16,120)	$ 110,914	$ (16,120)
Held-to-Maturity Securities:						
U.S. Agency Bonds	$ —	$ —	$ 24,951	$ (49)	$ 24,951	$ (49)
Corporate Bonds	—	—	56,882	(618)	56,882	(618)
Mortgage-Backed Securities:						
Collateralized Mortgage Obligations	—	—	104,328	(2,946)	104,328	(2,946)
FHLMC Certificates	—	—	3,272	(169)	3,272	(169)
FNMA Certificates	—	—	101,622	(1,967)	101,622	(1,967)
Total held-to-maturity securities	$ —	$ —	$ 291,055	$ (5,749)	$ 291,055	$ (5,749)

	December 31, 2023					
	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
	(in thousands)					
Available-for-Sale Securities:						
U.S. Government Bonds	$ —	$ —	$ 2,784	$ (206)	$ 2,784	$ (206)
Corporate Bonds	—	—	23,668	(2,122)	23,668	(2,122)
Mortgage-Backed Securities:						
Collateralized Mortgage Obligations	—	—	33,148	(6,227)	33,148	(6,227)
FHLMC Certificates	—	—	8,681	(1,482)	8,681	(1,482)
FNMA Certificates	—	—	51,517	(9,842)	51,517	(9,842)
GNMA Certificates	—	—	—	—	—	—
Total available-for-sale securities	$ —	$ —	$ 119,798	$ (19,879)	$ 119,798	$ (19,879)
Held-to-Maturity Securities:						
U.S. Agency Bonds	$ —	$ —	$ 24,819	$ (181)	$ 24,819	$ (181)
Corporate Bonds	3,288	(212)	76,521	(2,479)	79,809	(2,691)
Mortgage-Backed Securities:						
Collateralized Mortgage Obligations	81,875	(725)	112,339	(4,445)	194,214	(5,170)
FHLMC Certificates	—	—	3,653	(244)	3,653	(244)
FNMA Certificates	—	—	114,856	(4,088)	114,856	(4,088)
Total held-to-maturity securities	$ 85,163	$ (937)	$ 332,188	$ (11,437)	$ 417,351	$ (12,374)

At September 30, 2024 and December 31, 2023, the Company had 38 and 40 available-for-sale securities and 24 and 31 held-to-maturity securities at September 30, 2024 and December 31, 2023, respectively, with gross unrealized loss positions. Management reviewed the financial condition of the entities underlying the securities at both September 30, 2024 and December 31, 2023. The unrealized losses related to the Company debt securities were issued by U.S. government-sponsored entities and agencies and corporate bonds. The Company does not believe that the debt securities that were in an unrealized loss position as of September 30, 2024 represents a credit

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loss impairment. The gross unrealized loss positions related to mortgage-backed securities and other obligations issued by the U.S. government agencies or U.S. government-sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Total gross unrealized losses were primarily attributable to changes in interest rates relative to when the investment securities were purchased and not due to the credit quality of the investment securities.

Management reviewed the collectability of the corporate bonds taking into consideration of such factors as the financial condition of the issuers, reported regulatory capital ratios of the issuers, credit ratings, including ratings in effect as of the reporting date. Management believes the unrealized losses on the corporate bonds are primarily attributable to changes in the interest rates and not changes in the credit quality of the issuers of the corporate bonds.

The following is a summary of maturities of securities at September 30, 2024 and December 31, 2023. 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.

	September 30, 2024	
	Amortized Cost	Fair Value
	(in thousands)	
Available-for-Sale Securities:		
U.S. Government Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	—	—
More than one year through five years	2,993	2,869
More than five years through ten years	—	—
	2,993	2,869
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	—	—
More than one year through five years	2,000	1,340
More than five years through ten years	19,765	18,988
	21,765	20,328
Mortgage-Backed Securities	102,367	87,808
Total available-for-sale securities	$ 127,125	$ 111,005
Held-to-Maturity Securities:		
U.S. Agency Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	25,000	24,951
More than one year through five years	—	—
More than five years through ten years	—	—
	25,000	24,951
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ 25,000	$ 24,939
More than three months through one year	10,000	9,935
More than one year through five years	15,000	14,988
More than five years through ten years	7,500	7,020
	57,500	56,882
Mortgage-Backed Securities	321,443	316,990
Allowance for Credit Losses	(207)	—
Total held-to-maturity securities	$ 403,736	$ 398,823

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	December 31, 2023	
	Amortized Cost	Fair Value
	(in thousands)	
Available-for-Sale Securities:		
U.S. Government Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	—	—
More than one year through five years	2,990	2,784
More than five years through ten years	—	—
	2,990	2,784
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	4,000	3,863
More than one year through five years	1,000	536
More than five years through ten years	20,790	19,269
	25,790	23,668
Mortgage-Backed Securities	111,001	93,450
Total available-for-sale securities	$ 139,781	$ 119,902
Held-to-Maturity Securities:		
U.S. Agency Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	—	—
More than one year through five years	25,000	24,819
More than five years through ten years	—	—
	25,000	24,819
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
More than three months through one year	25,000	24,650
More than one year through five years	50,000	48,265
More than five years through ten years	7,500	6,894
	82,500	79,809
Mortgage-Backed Securities	354,646	345,414
Allowance for Credit Losses	(398)	—
Total held-to-maturity securities	$ 461,748	$ 450,042

At September 30, 2024, no securities were pledged as collateral for borrowing activities. At December 31, 2023, 26 available-for-sale securities with a fair value totaling $93.3 million and 17 held-to-maturity securities with an amortized cost totaling $193.3 million were pledged at the Federal Reserve Bank of New York ("FRBNY") as collateral for borrowing activities.

The following table presents the activity in the allowance for credit losses for held-to-maturity securities:

	For the Nine Months Ended September 30, 2024	For the Year Ended December 31, 2023
	(in thousands)	
Allowance for credit losses on securities at beginning of period	$ 398	$ —
Impact on CECL adoption	—	662
Benefit for credit losses	(191)	(264)
Allowance for credit losses on securities at end of period	$ 207	$ 398

At September 30, 2024 and December 31, 2023, the entire allowance for credit losses on securities was allocated to corporate bonds.

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Note 4. Mortgage Loans Held for Sale

The following table provides the fair value and contractual principal balance outstanding of loans held for sale accounted for under the fair value options:

	September 30, 2024	December 31, 2023
	(in thousands)	
Mortgage loans held for sale, at fair value	$ 9,566	$ 9,980
Mortgage loans held for sale, contractual principal outstanding	9,517	9,864
Fair value less unpaid principal balance	$ 49	$ 116

At September 30, 2024 and December 31, 2023, the Company had 15 loans and 19 loans in the amount of $9.6 million and $10.0 million, respectively, that were classified as held for sale and accounted for under the fair value option accounting guidance for financial assets and financial liabilities.

At September 30, 2024 and December 31, 2023, there were $5.2 million and $4.4 million, respectively, in loans held for sale that were greater than 90 days past due and non-accrual with a substandard risk rating.

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Note 5. Loans Receivable and Allowance for Credit Losses

Loans receivable at September 30, 2024 and December 31, 2023 are summarized as follows:

	September 30, 2024	December 31, 2023
	(in thousands)	
Mortgage loans:		
1-4 Family residential		
Investor-Owned	$ 332,380	$ 343,689
Owner-Occupied	145,065	152,311
Multifamily residential	678,029	550,559
Nonresidential properties	383,277	342,343
Construction and land	631,461	503,925
Total mortgage loans	2,170,212	1,892,827
Nonmortgage loans:		
Business loans	28,499	19,779
Consumer loans (1)	4,021	8,966
Total non-mortgage loans	32,520	28,745
Total loans, gross	2,202,732	1,921,572
Net deferred loan origination costs	1,565	468
Allowance for Credit Losses	(23,966)	(26,154)
Loans receivable, net	$ 2,180,331	$ 1,895,886

(1) As of September 30, 2024 and December 31, 2023, consumer loans include $3.0 million and $8.0 million, respectively, of microloans.

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.

For disclosures related to the allowance for credit 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 credit losses.

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.

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- **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 September 30, 2024 and December 31, 2023:

	September 30, 2024						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
	(in thousands)						
Risk Rating:							
Pass	$ 464,585	$ 663,943	$ 380,850	$ 619,268	$ 27,238	$ 4,018	$ 2,159,902
Special mention	5,547	8,305	2,415	7,386	1,227	—	24,880
Substandard	7,313	5,781	12	4,807	34	3	17,950
Total	$ 477,445	$ 678,029	$ 383,277	$ 631,461	$ 28,499	$ 4,021	$ 2,202,732

	December 31, 2023						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
	(in thousands)						
Risk Rating:							
Pass	$ 485,747	$ 546,471	$ 339,726	$ 497,266	$ 19,759	$ 8,966	$ 1,897,935
Special mention	2,150	1,109	2,527	—	—	—	5,786
Substandard	8,103	2,979	90	6,659	20	—	17,851
Total	$ 496,000	$ 550,559	$ 342,343	$ 503,925	$ 19,779	$ 8,966	$ 1,921,572

An aging analysis of loans, as of September 30, 2024 and December 31, 2023, is as follows:

	September 30, 2024						
	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
	(in thousands)						
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 329,899	$ —	$ 2,045	$ 436	$ 332,380	$ 436	$ —
Owner-Occupied	142,777	—	421	1,867	145,065	1,867	—
Multifamily residential	664,695	—	8,649	4,685	678,029	4,685	—
Nonresidential properties	380,862	—	2,415	—	383,277	—	—
Construction and land	623,474	—	3,180	4,807	631,461	4,807	—
Nonmortgage loans:							
Business	27,650	222	447	180	28,499	180	—
Consumer	3,482	263	276	—	4,021	—	—
Total	$ 2,172,839	$ 485	$ 17,433	$ 11,975	$ 2,202,732	$ 11,975	$ —

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	December 31, 2023						
	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
	(in thousands)						
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 342,896	$ —	$ —	$ 793	$ 343,689	$ 793	$ —
Owner-Occupied	150,181	—	—	2,130	152,311	2,130	—
Multifamily residential	546,471	1,109	—	2,979	550,559	2,979	—
Nonresidential properties	342,343	—	—	—	342,343	—	—
Construction and land	497,266	—	—	6,659	503,925	6,659	—
Nonmortgage loans:							
Business	19,240	366	8	165	19,779	165	—
Consumer	7,423	536	1,007	—	8,966	—	—
Total	$ 1,905,820	$ 2,011	$ 1,015	$ 12,726	$ 1,921,572	$ 12,726	$ —

The following schedules detail the composition of the allowance for credit losses on loans and the related recorded investment in loans as of and for the three and nine months ended September 30, 2024 and 2023, and as of and for the year ended December 31, 2023:

	For the Nine Months Ended September 30, 2024							
	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
	(in thousands)							
Allowance for Credit Losses:								
Balance, beginning of period	$ 4,415	$ 2,012	$ 4,365	$ 3,176	$ 4,807	$ 531	$ 6,848	$ 26,154
Provision (benefit) charged to expense	(227)	(185)	302	(35)	2,010	683	(2,122)	426
Charge-offs	—	—	—	(7)	—	(502)	(2,683)	(3,192)
Recoveries	—	—	—	—	—	9	569	578
Balance, end of period	$ 4,188	$ 1,827	$ 4,667	$ 3,134	$ 6,817	$ 721	$ 2,612	$ 23,966
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ 180	$ —	$ 180
Ending balance: collectively evaluated for impairment	4,188	1,827	4,667	3,134	6,817	541	2,612	23,786
Total	$ 4,188	$ 1,827	$ 4,667	$ 3,134	$ 6,817	$ 721	$ 2,612	$ 23,966
Loans:								
Ending balance: individually evaluated for impairment	$ 436	$ 1,867	$ 4,685	$ —	$ 4,807	$ 180	$ —	$ 11,975
Ending balance: collectively evaluated for impairment	331,944	143,198	673,344	383,277	626,654	28,319	4,021	2,190,757
Total	$ 332,380	$ 145,065	$ 678,029	$ 383,277	$ 631,461	$ 28,499	$ 4,021	$ 2,202,732

	For the Three Months Ended September 30, 2024							
	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
	(in thousands)							
Allowance for loan losses:								
Balance, beginning of period	$ 4,188	$ 1,946	$ 4,185	$ 2,297	$ 6,796	$ 987	$ 3,662	$ 24,061
Provision (benefit) charged to expense	—	(119)	482	844	21	183	(610)	801
Losses charged-off	—	—	—	(7)	—	(450)	(634)	(1,091)
Recoveries	—	—	—	—	—	1	194	195
Balance, end of period	$ 4,188	$ 1,827	$ 4,667	$ 3,134	$ 6,817	$ 721	$ 2,612	$ 23,966

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	For the Nine Months Ended September 30, 2023							
	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
	(in thousands)							
Allowance for loan losses:								
Balance, beginning of period	$ 3,863	$ 1,723	$ 8,021	$ 2,724	$ 2,683	$ 120	$ 15,458	$ 34,592
Provision (benefit) charged to expense	33	257	653	(20)	2,276	193	(2,029)	1,363
Impact of CECL adoption	766	146	(3,962)	578	(911)	236	57	(3,090)
Charge-offs	—	—	—	—	—	—	(6,092)	(6,092)
Recoveries	—	—	—	—	—	3	638	641
Balance, end of period	$ 4,662	$ 2,126	$ 4,712	$ 3,282	$ 4,048	$ 552	$ 8,032	$ 27,414
Ending balance: individually evaluated for impairment	$ —	$ 71	$ —	$ —	$ —	$ 204	$ —	$ 275
Ending balance: collectively evaluated for impairment	4,662	2,055	4,712	3,282	4,048	348	8,032	27,139
Total	$ 4,662	$ 2,126	$ 4,712	$ 3,282	$ 4,048	$ 552	$ 8,032	$ 27,414
Loans:								
Ending balance: individually evaluated for impairment	$ 396	$ 2,134	$ —	$ —	$ 6,657	$ 209	$ —	$ 9,396
Ending balance: collectively evaluated for impairment	346,686	149,732	553,694	321,472	404,726	18,207	10,416	1,804,933
Total	$ 347,082	$ 151,866	$ 553,694	$ 321,472	$ 411,383	$ 18,416	$ 10,416	$ 1,814,329

	For the Three Months Ended September 30, 2023							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total
	(in thousands)							
Allowance for loan losses:								
Balance, beginning of period	$ 4,776	$ 2,152	$ 4,738	$ 3,238	$ 3,189	$ 450	$ 9,630	$ 28,173
Provision (benefit) charged to expense	(114)	(26)	(26)	44	859	99	(86)	750
Losses charged-off	—	—	—	—	—	—	(1,592)	(1,592)
Recoveries	—	—	—	—	—	3	80	83
Balance, end of period	$ 4,662	$ 2,126	$ 4,712	$ 3,282	$ 4,048	$ 552	$ 8,032	$ 27,414

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	For the Year Ended December 31, 2023							
	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
	(in thousands)							
Allowance for loan losses:								
Balance, beginning of year	$ 3,863	$ 1,723	$ 8,021	$ 2,724	$ 2,683	$ 120	$ 15,458	$ 34,592
Provision (benefit) charged to expense	(214)	143	306	(126)	3,035	235	(2,142)	1,237
Impact of CECL adoption	766	146	(3,962)	578	(911)	236	57	(3,090)
Charge-offs	—	—	—	—	—	(63)	(7,227)	(7,290)
Recoveries	—	—	—	—	—	3	702	705
Balance, end of year	$ 4,415	$ 2,012	$ 4,365	$ 3,176	$ 4,807	$ 531	$ 6,848	$ 26,154
Ending balance: individually evaluated for impairment	$ —	$ 72	$ —	$ —	$ —	$ 161	$ —	$ 233
Ending balance: collectively evaluated for impairment	4,415	1,940	4,365	3,176	4,807	370	6,848	25,921
Total	$ 4,415	$ 2,012	$ 4,365	$ 3,176	$ 4,807	$ 531	$ 6,848	$ 26,154
Loans:								
Ending balance: individually evaluated for impairment	$ 793	$ 2,130	$ 2,979	$ —	$ 6,659	$ 165	$ —	$ 12,726
Ending balance: collectively evaluated for impairment	342,896	150,181	547,580	342,343	497,266	19,614	8,966	1,908,846
Total	$ 343,689	$ 152,311	$ 550,559	$ 342,343	$ 503,925	$ 19,779	$ 8,966	$ 1,921,572

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 are identified by applying normal loan review procedures in accordance with the allowance for credit 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.

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The following information relates to impaired loans as of and for the nine months ended September 30, 2024 and 2023 and as of and for the year ended December 31, 2023:

As of and For the Nine Months Ended September 30, 2024	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
				(in thousands)			
Mortgage loans:							
1-4 Family residential	$ 2,284	$ 2,303	$ —	$ 2,303	$ —	$ 2,452	$ 19
Multifamily residential	4,603	4,685	—	4,685	—	4,379	5
Nonresidential properties	—	—	—	—	—	317	—
Construction and land	4,807	4,807	—	4,807	—	5,612	1,059
Nonmortgage loans:							
Business	180	—	180	180	180	222	2
Consumer	—	—	—	—	—	—	—
Total	$ 11,874	$ 11,795	$ 180	$ 11,975	$ 180	$ 12,982	$ 1,085

As of and For the Nine Months Ended September 30, 2023	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
				(in thousands)			
Mortgage loans:							
1-4 Family residential	$ 2,517	$ 2,081	$ 449	$ 2,530	$ 71	$ 6,478	$ 40
Multifamily residential	—	—	—	—	—	958	—
Nonresidential properties	—	—	—	—	—	531	—
Construction and land	6,650	6,657	—	6,657	—	8,438	—
Nonmortgage loans:							
Business	209	—	209	209	204	83	—
Consumer	—	—	—	—	—	—	—
Total	$ 9,376	$ 8,738	$ 658	$ 9,396	$ 275	$ 16,488	$ 40

As of and for the Year Ended December 31, 2023	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
				(in thousands)			
Mortgage loans:							
1-4 Family residential	$ 2,906	$ 2,475	$ 448	$ 2,923	$ 72	$ 4,812	$ 82
Multifamily residential	2,966	2,979	—	2,979	—	1,463	151
Nonresidential properties	—	—	—	—	—	198	—
Construction and land	6,650	6,659	—	6,659	—	8,211	—
Nonmortgage loans:							
Business	165	—	165	165	161	104	—
Consumer	—	—	—	—	—	—	—
Total	$ 12,687	$ 12,113	$ 613	$ 12,726	$ 233	$ 14,788	$ 233

The Company adopted Accounting Standards Update ("ASU") 2022-02 on January 1, 2023. Since adoption, the Company modified one loan with borrowers experiencing financial difficulty. These modifications may include a reduction in interest rate, an extension in term, principal forgiveness and/or other than insignificant payment delay. At September 30, 2024, there was one loan with modifications to borrowers experiencing financial difficulty. At December 31, 2023, there were no loans with modifications to borrowers experiencing financial difficulty.

Prior to the adoption of ASU 2022-02 on January 1, 2023, the Company classified certain loans as troubled debt restructuring ("TDR") loans when credit terms to a borrower in financial difficulty were modified, in accordance with ASC 310-40. With the adoption of ASU

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2022-02 as of January 1, 2023, the Company has ceased to recognize or measure for new TDRs but those existing at December 31, 2022 will remain until settled.

At September 30, 2024 and December 31, 2023, there were 19 and 21 troubled debt restructured loans totaling $5.3 million and $5.9 million of which $4.6 million and $5.2 million are on accrual status, respectively. There were no commitments to lend additional funds to borrowers whose loans have been modified in a troubled debt restructuring.

At September 30, 2024, there was one loan in the amount of $0.2 million that was modified to a borrower experiencing financial difficulties. At December 31, 2023, there were no modifications to borrowers experiencing financial difficulties.

Write-off and write-down of Microloans

In 2020, the Company entered into a business arrangement with the FinTech startup company Grain Technologies, Inc. ("Grain"). Grain's product is a mobile application geared to the underbanked, minorities and new generations entering the financial services market. In employing this mobile application, the Bank uses non-traditional underwriting methodologies to provide revolving credit to borrowers who otherwise may gravitate to using alternative non-bank lenders. Under the terms of its former agreement with Grain, the Bank was the lender for Grain-originated microloans with credit lines currently up to $1,500 and, where applicable, the depository for related security deposits. Grain originated and serviced these microloans and is responsible for maintaining compliance with the Bank's origination and servicing standards, as well as applicable regulatory and legal requirements. If a microloan was found to be fraudulent, became 90 days delinquent upon 90 days of origination or defaulted due to a failure of Grain to properly service the microloan, the Bank's applicable standards for origination or servicing were deemed to have not been complied with and the microloan was put back to Grain, who then became responsible for the microloan and any related losses. The microloans put back to Grain were accounted for as an "other asset," specifically referred to herein as the "Grain Receivable."

On November 1, 2023, Ponce Financial Group, Inc. and Grain signed a Perpetual Software License Agreement in order for the Bank to assume the servicing of the remaining microloans. In order to facilitate the transfer of the servicing responsibilities to the Bank, Grain granted the Bank a perpetual right and license to use the Grain software, including the source code to service the remaining loans.

At September 30, 2024, the Bank had 8,428 microloans outstanding with an aggregate balance totaling $3.0 million and which were performing, in management's opinion, comparably to similar portfolios, offset by an $2.6 million allowance for credit losses, resulting in $0.5 million in microloans. From inception of the microloan arrangement through September 30, 2024, 45,322 microloans amounting to $24.0 million have been deemed to be fraudulent and put back to Grain. The Company has written-down a total of $15.3 million, net of recoveries, of the microloans receivable and received $6.8 million in cash. The Bank also opted to use the $1.8 million grant it received from the U.S. Treasury Department's Rapid Response Program to defray the microloans receivable. The application of those amounts resulted in no net receivable. Additionally, the Company wrote-off its equity investment in Grain of $1.0 million during the year ended December 31, 2022. As of September 30, 2024, the Company's total microloans exposure was $0.5 million of the remaining microloans, net of allowance for credit losses, excluding $1.5 million of security deposits by microloan borrowers. The $0.2 million of recoveries for the nine months ended September 30, 2024 and the $1.3 million recoveries for the nine months ended September 30, 2023 related to microloans is included in non-interest expense in the accompanying Consolidated Statements of Operations.

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Total Microloans Exposure as of September 30, 2024
(in thousands)

Microloans Receivable from Grain		
Microloans originated - put back (inception-to-September 30, 2024)	$	23,932
Write-downs, net of recoveries (inception-to-date as of September 30, 2024)		(15,287)
Cash receipts (inception-to-September 30, 2024)		(6,819)
Grant/reserve (inception-to-September 30, 2024)		(1,826)
Net receivable as of September 30, 2024	$	—
Microloans Receivable from Borrowers		
Microloans receivable as of September 30, 2024	$	3,033
Allowance for credit losses as of September 30, 2024 (1)		(2,570)
Microloans, net of allowance for credit losses as of September 30, 2024	$	463
Investments		
Investment in Grain	$	1,000
Investment write-off in the third quarter of 2022		(1,000)
Net investment as of September 30, 2024	$	—
Total exposure related to microloans as of September 30, 2024 (2)	$	463

(1) Excludes $1.5 million of security deposits by microloan borrowers reported in deposits in the accompanying Consolidated Statements of Financial Conditions.

(2) Total remaining exposure to microloan borrowers. These loans are now serviced by the Bank.

Off-Balance Sheet Credit Losses

Also included within the scope of the CECL standard are off-balance sheet loan commitments, which includes the unfunded portion of committed lines of credit and construction loans.

The Company estimates expected credit losses over the contractual period in which the company is exposed to credit risk through a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet exposures is adjusted as a provision for credit loss expense. The Company uses similar assumptions and risk factors that are developed for collectively evaluated financing receivables. This estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments to be funded over its estimated life.

At September 30, 2024 and December 31, 2023, the allowance for off-balance sheet credit losses was $3.0 million and $3.6 million, respectively, which is included in the "Other liabilities" on the Consolidated Statements of Financial Condition. During the three months ended September 30, 2024 and 2023, the Company had $0.3 million in benefit for credit losses and $0.4 million in provision for credit losses, respectively, and $0.6 million in benefit for credit losses and $1.9 million in provision for credit losses for the nine months ended September 30, 2024 and 2023, respectively, for off-balance-sheet items, which are included in "(Benefit) provision for contingencies" on the Consolidated Statements of Operations.

The following table presents the activity in the allowance for off-balance-sheet credit losses:

	For the Nine Months Ended September 30, 2024		For the Year Ended December 31, 2023	
	(in thousands)			
Allowance for credit losses on unfunded commitment at beginning of period	$	3,613	$	354
Impact on CECL adoption		—		948
(Benefit) provision for credit losses		(581)		2,311
Allowance for credit losses on unfunded commitment at end of period	$	3,032	$	3,613

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Note 6. Leases

The Company has 17 operating leases for branches and office spaces (including headquarters) and six operating leases for equipment. Our leases have remaining lease terms ranging from less than one year to approximately 14.3 years, none of which has a renewal option reasonably certain of exercise, which has been reflected in the Company's calculation of lease term.

Certain leases have escalation clauses for operating expenses and real estate taxes. The Company's non-cancelable operating lease agreements expire through 2038.

Supplemental balance sheet information related to leases was as follows:

	September 30, 2024	December 31, 2023
	(Dollars in thousands)	
Operating lease ROU assets	$ 29,785	$ 31,272
Operating lease liabilities	31,343	32,684
Weighted-average remaining lease term-operating leases	12.0 years	12.6 years
Weighted average discount rate-operating leases	4.9 %	4.9 %

The components of lease expense and cash flow information related to leases were as follows:

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2024	2023	2024	2023
		(Dollars in thousands)			
Lease Cost					
Operating lease cost	Occupancy and equipment	$ 1,035	$ 1,029	$ 3,082	$ 3,123
Operating lease cost	Other operating expenses	2	4	24	14
Short-term lease cost	Other operating expenses	7	5	17	15
Variable lease cost	Occupancy and equipment	46	32	122	94
Total lease cost		$ 1,090	$ 1,070	$ 3,245	$ 3,246

The Company's minimum annual rental payments under the terms of the leases are as follows at September 30, 2024:

Years ended December 31:	Minimum Rental (in thousands)
Remainder of 2024	$ 981
2025	3,864
2026	3,716
2027	3,561
2028	3,594
Thereafter	25,474
Total Minimum payments required	41,190
Less: implied interest	9,847
Present value of lease liabilities	$ 31,343

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Note 7. Deposits

Deposits at September 30, 2024 and December 31, 2023 are summarized as follows:

	September 30, 2024	December 31, 2023
	(in thousands)	
Demand [1]	$ 182,737	$ 185,151
Interest-bearing deposits:		
NOW/IOLA accounts [1]	71,445	77,909
Money market accounts	660,168	432,735
Reciprocal deposits	94,145	96,860
Savings accounts	108,941	114,139
Total NOW, money market, reciprocal and savings	934,699	721,643
Certificates of deposit of $250K or more	174,053	132,153
Brokered certificates of deposits [2]	94,531	98,729
Listing service deposits [2]	7,376	14,433
Certificates of deposit less than $250K	476,927	355,511
Total certificates of deposit	752,887	600,826
Total interest-bearing deposits	1,687,586	1,322,469
Total deposits	$ 1,870,323	$ 1,507,620

(1) As of December 31, 2023, $58.2 million were reclassified from demand to NOW/IOLA accounts.

(2) As of September 30, 2024, there were no individual listing service deposits amounting to $250,000 or more. As of December 31, 2023, there were $0.3 million in individual listing service deposits amounting to $250,000 or more. All brokered certificates of deposit individually amounted to less than $250,000.

At September 30, 2024 scheduled maturities of certificates of deposit were as follows:

	(in thousands)
2024	$ 329,489
2025	321,575
2026	49,968
2027	46,753
2028	3,219
Thereafter	1,883
	$ 752,887

Overdrawn deposit accounts that have been reclassified to loans amounted to $0.1 million as of both September 30, 2024 and December 31, 2023.

Note 8. Borrowings

The Bank had outstanding term advances from the FHLBNY at September 30, 2024 and the FHLBNY and the FRBNY at December 31, 2023 as indicated below.

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 $580.4 million and $380.4 million of outstanding term advances from the FHLBNY at September 30, 2024 and December 31, 2023, respectively. The Bank had no overnight line of credit advance from the FHLBNY at September 30, 2024 and December 31, 2023.

FRBNY Advances: The Bank had no term advances outstanding from the FRBNY at September 30, 2024. The Bank had $304.0 million of outstanding term advances from the FRBNY at December 31, 2023.

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Borrowed funds at September 30, 2024 and December 31, 2023 consist of the following and are summarized by maturity and call date below:

	September 30, 2024			December 31, 2023		
	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate
	(Dollars in thousands)					
Term advances ending:						
2024	$ 59,321	$ 59,321	4.00 %	$ 363,321	$ 363,321	4.55 %
2025	50,000	50,000	4.41	50,000	50,000	4.41
2026	200,000	200,000	4.25	—	—	—
2027	212,000	212,000	3.44	212,000	212,000	3.44
2028	9,100	9,100	3.84	9,100	9,100	3.84
Thereafter	50,000	50,000	3.35	50,000	50,000	3.35
	$ 580,421	$ 580,421	3.86 %	$ 684,421	$ 684,421	4.10 %

Interest expense on advances totaled $6.8 million and $7.0 million for the three months ended September 30, 2024 and 2023 and $21.9 million and $18.5 million for the nine months ended September 30, 2024 and 2023, respectively.

Note 9. Derivatives and Hedging

During 2023, the Company entered into two derivative financial instruments contracts to enhance its ability to manage interest rate risk that exist as part of its ongoing operations. The Company manages these risks as part of its asset and liability management process. The Company utilized derivative financial instruments to accommodate the business needs and to hedge the exposure that this creates for the Company. All derivatives are recognized as either assets or liabilities on the balance sheet and are measured at fair value. The Company does not use derivative financial instruments for trading purposes.

Interest Rate Swaps

The Bank is a party to two interest rate swap transactions designated as fair value hedges. One interest rate swap is for a period of two years effective October 12, 2023 and terminates on November 1, 2025 with a notional amount of $150.0 million. The Bank will pay a fixed rate of interest of 4.885% and receive the Secured Overnight Financing Rate ("SOFR") rate. The other interest rate swap is for a period of three years effective October 12, 2023 and terminates on November 1, 2026 with a notional amount of $100.0 million. The Bank will pay a fixed rate of interest of 4.62% and receive the SOFR rate.

The tables present the notional amount and fair value of derivatives designated as hedging instruments, as well as their location on the Consolidated Statements of Financial Condition.

		Fair Value	
	Notional	Loans Receivable	Other Liabilities
		(in thousands)	
As of September 30, 2024			
Derivatives Designated as Hedging Instruments			
Interest rate swap contracts	$ 250,000	$ 4,352	$ 4,352
Total Derivatives	$ 250,000	$ 4,352	$ 4,352

		Fair Value	
	Notional	Loans Receivable	Other Liabilities
		(in thousands)	
As of December 31, 2023			
Derivatives Designated as Hedging Instruments			
Interest rate swap contracts	$ 250,000	$ 4,435	$ 4,435
Total Derivatives	$ 250,000	$ 4,435	$ 4,435

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Note 10. 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 September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
	(Dollars in thousands except share data)			
Net income available to common stockholders	$ 2,152	$ 2,590	$ 7,683	$ 2,834
Common shares outstanding for basic EPS:				
Weighted average common shares outstanding	23,814,505	23,774,317	23,805,066	24,456,108
Less: Weighted average unallocated Employee Stock Ownership Plan (ESOP) shares	1,368,496	1,502,241	1,401,808	1,535,428
Basic weighted average common shares outstanding	22,446,009	22,272,076	22,403,258	22,920,680
Basic earnings per common share	$ 0.10	$ 0.12	$ 0.34	$ 0.12
Potential dilutive common shares:				
Add: Dilutive effect of restricted stock awards and stock options	166,019	77,141	62,920	42,276
Diluted weighted average common shares outstanding	22,612,028	22,349,217	22,466,178	22,962,956
Diluted earnings per common share	$ 0.10	$ 0.12	$ 0.34	$ 0.12

Note 11. 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 September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024	December 31, 2023
	(in thousands)	
Commitments to grant mortgage loans	$ 427,648	$ 529,768
Unfunded commitments under lines of credit	58,855	61,739
	$ 486,503	$ 591,507

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.

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Commitments to Sell Loans at Lock-in Rates: In order to assure itself of a marketplace to sell its loans, The Bank has agreements with investors who will commit to purchase loans at locked-in rates. The Bank has off-balance sheet market risk to the extent that the Bank does not obtain matching commitments from these investors to purchase the loans. This will expose the Bank to the lower of cost or market valuation environment.

Repurchases, Indemnifications and Premium Recaptures: Loans sold by the Bank 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 September 30, 2024.

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.

Unfunded Commitments with Oaktree: In December of 2021, the Bank committed to invest $5.0 million in Oaktree SBIC Fund, L.P. ("Oaktree"). As of September 30, 2024, the total unfunded commitment was $1.9 million.

Unfunded Commitments with Silvergate: In April of 2022, the Company committed to invest $5.2 million in EJF Silvergate Ventures Fund LP ("Silvergate"). As of September 30, 2024, the total unfunded commitment was $1.9 million.

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 residential properties. The loans are expected to be repaid from the borrowers' cash flows.

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 12. 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, Placement 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.

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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.

Loans Held for Sale: Loans held for sale, at fair value, consists of loans originated for sale by the Bank 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. As of September 30, 2024, the fair value carrying amount of mortgages held for sale measured under the fair value option was $9.6 million and the aggregate unpaid principal amounted to $9.5 million.

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.

Derivatives: The Company works directly with a third-party vendor to provide periodic valuations for its interest-rate risk-management agreements to determine fair value of its interest rate swaps executed for interest-rate risk management. The vendor utilizes standard valuation methodologies applicable to interest rate derivatives based on readily observable market data and are therefore considered Level 2 valuations.

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.

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The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023, and indicate the level within the fair value hierarchy utilized to determine the fair value:

Description	Total	September 30, 2024 Level 1	Level 2	Level 3
	(in thousands)			
Available-for-Sale Securities, at fair value:				
U.S. Government Bonds	$ 2,869	$ 2,869	$ —	$ —
Corporate bonds	20,328	—	20,328	—
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations	30,644	—	30,644	—
FHLMC Certificates	8,191	—	8,191	—
FNMA Certificates	48,882	—	48,882	—
GNMA Certificates	91	—	91	—
Mortgage Loans Held for Sale, at fair value	9,566	—	9,566	—
Interest rate swap	4,352	—	4,352	—
	$ 124,923	$ 2,869	$ 122,054	$ —

Description	Total	December 31, 2023 Level 1	Level 2	Level 3
	(in thousands)			
Available-for-Sale Securities, at fair value:				
U.S. Government Bonds	$ 2,784	$ 2,784	$ —	$ —
Corporate bonds	23,668	536	23,132	—
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations	33,148	—	33,148	—
FHLMC Certificates	8,681	—	8,681	—
FNMA Certificates	51,517	—	51,517	—
GNMA Certificates	104	—	104	—
Mortgage Loans Held for Sale, at fair value	9,980	—	9,980	—
Interest rate swap	4,435	—	4,435	—
	$ 134,317	$ 3,320	$ 130,997	$ —

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 September 30, 2024 and December 31, 2023 and indicate the fair value hierarchy utilized to determine the fair value:

	Total	September 30, 2024 Level 1	Level 2	Level 3
	(in thousands)			
Impaired loans	$ 11,975	$ —	$ —	$ 11,975

	Total	December 31, 2023 Level 1	Level 2	Level 3
	(in thousands)			
Impaired loans	$ 12,726	$ —	$ —	$ 12,726

Losses on assets carried at fair value on a nonrecurring basis were *de minimis* for the three and nine months ended September 30, 2024 and 2023, respectively.

Ponce Financial Group, Inc. and Subsidiaries
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As of September 30, 2024 and December 31, 2023, 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
			(in thousands)		
September 30, 2024					
Financial assets:					
Cash and cash equivalents	$ 155,812	$ 155,812	$ —	$ —	$ 155,812
Available-for-sale securities, at fair value	111,005	2,869	108,136	—	111,005
Held-to-maturity securities, at amortized cost, net	403,736	—	398,823	—	398,823
Placement with banks	249	—	249	—	249
Mortgage loans held for sale, at fair value	9,566	—	9,566	—	9,566
Loans receivable, net	2,180,331	—	—	2,153,077	2,153,077
Accrued interest receivable	16,890	—	16,890	—	16,890
FHLBNY stock	28,515	28,515	—	—	28,515
Interest rate swap	4,352	—	4,352	—	4,352
Financial liabilities:					
Deposits:					
Demand deposits	182,737	182,737	—	—	182,737
Interest-bearing deposits	934,699	934,699	—	—	934,699
Certificates of deposit	752,887	—	751,665	—	751,665
Advance payments by borrowers for taxes and insurance	13,733	—	13,733	—	13,733
Borrowings	580,421	—	577,809	—	577,809
Interest rate swap	4,352	—	4,352	—	4,352
Accrued interest payable	2,918	—	2,918	—	2,918

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	Carrying Amount	Fair Value Measurements			
		Level 1	Level 2	Level 3	Total
			(in thousands)		
December 31, 2023					
Financial assets:					
Cash and cash equivalents	$ 139,190	$ 139,190	$ —	$ —	$ 139,190
Available-for-sale securities, at fair value	119,902	3,320	116,582	—	119,902
Held-to-maturity securities, at amortized cost	461,748	—	450,042	—	450,042
Placement with banks	249	—	249	—	249
Mortgage loans held for sale, at fair value	9,980	—	9,980	—	9,980
Loans receivable, net	1,895,886	—	—	1,844,507	1,844,507
Accrued interest receivable	18,010	—	18,010	—	18,010
FHLBNY stock	19,377	19,377	—	—	19,377
Interest rate swap	4,435		4,435		4,435
Financial liabilities:					
Deposits:					
Demand deposits [(1)]	185,151	185,151	—	—	185,151
Interest-bearing deposits [(1)]	721,643	721,643	—	—	721,643
Certificates of deposit	600,826	—	594,234	—	594,234
Advance payments by borrowers for taxes and insurance	10,778	—	10,778	—	10,778
Borrowings	684,421	—	674,155	—	674,155
Interest rate swap	4,435	—	4,435	—	4,435
Accrued interest payable	11,965	—	11,965	—	11,965

(1) As of December 31, 2023, $58.2 million were reclassified from demand deposits to interest-bearing deposits.

The Company recognizes transfers between levels of the valuation hierarchy at the end of the applicable reporting periods. There were no transfers of Level 3 assets in the fair value hierarchy at September 30, 2024 and December 31, 2023. Fair value for Level 3 securities was determined using a third-party pricing service with limited levels of activity and price transparency.

Off-Balance-Sheet Instruments: Loan commitments on which the committed interest rate is less than the current market rate are insignificant at September 30, 2024 and December 31, 2023.

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 2024 and 2023 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 13. Regulatory Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by the Federal Reserve Board, the OCC and the U.S. Department of Housing and Urban Development. 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

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to adjusted total assets (as defined) adjusted total assets (as defined). As of September 30, 2024 and December 31, 2023, the applicable capital adequacy requirements specified below 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 applicable capital buffer for the Bank was 13.6% at September 30, 2024 and 15.3% at December 31, 2023.

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 September 30, 2024 and December 31, 2023 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)			
September 30, 2024						
Ponce Financial Group, Inc.						
Total Capital to Risk-Weighted Assets	$ 544,272	22.87 %	$ 190,349	8.00%	$ 237,936	10.00 %
Tier 1 Capital to Risk-Weighted Assets	517,274	21.74 %	142,762	6.00%	190,349	8.00 %
Common Equity Tier 1 Capital Ratio	292,274	12.28 %	107,071	4.50%	154,658	6.50 %
Tier 1 Capital to Total Assets	517,274	17.81 %	116,180	4.00%	145,225	5.00 %
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 505,271	21.61 %	$ 187,065	8.00%	$ 233,831	10.00 %
Tier 1 Capital to Risk-Weighted Assets	478,273	20.45 %	140,299	6.00%	187,065	8.00 %
Common Equity Tier 1 Capital Ratio	478,273	20.45 %	105,224	4.50%	151,990	6.50 %
Tier 1 Capital to Total Assets	478,273	16.19 %	118,133	4.00%	147,666	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, 2023						
Ponce Financial Group, Inc.						
Total Capital to Risk-Weighted Assets	$ 533,513	25.06 %	$ 170,302	8.00 %	$ 212,878	10.00 %
Tier 1 Capital to Risk-Weighted Assets	507,042	23.82 %	127,727	6.00 %	170,302	8.00 %
Common Equity Tier 1 Capital Ratio	282,042	13.25 %	95,795	4.50 %	138,371	6.50 %
Tier 1 Capital to Total Assets	507,042	19.71 %	102,911	4.00 %	128,639	5.00 %
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 492,622	23.30 %	$ 169,153	8.00 %	$ 211,441	10.00 %
Tier 1 Capital to Risk-Weighted Assets	466,151	22.05 %	126,865	6.00 %	169,153	8.00 %
Common Equity Tier 1 Capital Ratio	466,151	22.05 %	95,149	4.50 %	137,437	6.50 %
Tier 1 Capital to Total Assets	466,151	17.49 %	106,591	4.00 %	133,239	5.00 %

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

As of September 30, 2024 and December 31, 2023, the Bank was in compliance with the applicable minimum capital requirements specified above.

Ponce Financial Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Note 14. Accumulated Other Comprehensive Loss

The accumulated other comprehensive loss is as follows:

	September 30, 2024		
	December 31, 2023	Change	September 30, 2024
		(in thousands)	
Unrealized losses on available-for-sale securities, net	$ (15,649)	$ 2,963	$ (12,686)
Total	$ (15,649)	$ 2,963	$ (12,686)

	December 31, 2023		
	December 31, 2022	Change	December 31, 2023
		(in thousands)	
Unrealized losses on available-for-sale securities, net	$ (17,860)	$ 2,211	$ (15,649)
Total	$ (17,860)	$ 2,211	$ (15,649)

Note 15. 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 and nine months ended September 30, 2024 and 2023 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
		(in thousand)		
Beginning balance	$ 9,303	$ 8,614	$ 8,810	$ 8,318
Originations	248	50	1,840	678
Payments	(49)	(851)	(1,148)	(1,183)
Ending balance	$ 9,502	$ 7,813	$ 9,502	$ 7,813

The Company held deposits in the amount of $9.0 million and $8.4 million from directors, executive officers and non-executive officers at September 30, 2024 and December 31, 2023, respectively.

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

General

Management's discussion and analysis of the financial condition at September 30, 2024 and December 31, 2023, and results of operations for the three and nine months ended September 30, 2024 and 2023, is intended to assist in understanding the financial condition and results of operations of Ponce Financial Group, Inc. (the "Company"). The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto appearing in Part I, Item 1, of this quarterly report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report 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 rising interest rates, 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;
- adverse changes related to the businesses of our partners;
- 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, 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.

Additional factors that may affect the Company's results are discussed in our Annual Report on Form 10-K for the year ended December 31, 2023 under the heading "Risk Factors" filed with the Securities and Exchange Commission ("SEC") on March 19, 2024.

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 were made, whether as a result of new information, future events or otherwise.

Federal Economic Relief Funds To Aid Lending

Emergency Capital Investment Program

On June 7, 2022, the Company closed a private placement (the "Private Placement") of 225,000 shares of the Company's Senior Non-Cumulative Perpetual Preferred Stock, Series A, par value $0.01 (the "Preferred Stock") for an aggregate purchase price equal to $225.0 million in cash, to the United States Department of the Treasury (the "Treasury") pursuant to the Emergency Capital Investment Program ("ECIP"). The holders of the Preferred Stock will be entitled to a dividend payable in cash quarterly at an annual rate dependent on certain factors as reported by the Company to Treasury in a quarterly supplemental report. The initial dividend rate is zero percent for the first two years after issuance, and thereafter the floor dividend rate is 0.50% and the ceiling dividend rate is 2.00%, based on achievement of certain qualified lending targets. After 10 years of issuance, the perpetual dividend rate in effect, will be determined based on said floor and ceiling.

The Company began paying dividends on its Preferred Stock during the quarter ended June 30, 2024, as required by the terms thereof. The Bank exceeded the dividend rate reduction threshold for qualified lending targets designated by the U.S. Treasury Department pursuant to the ECIP. The Bank's "qualified lending" as measured pursuant to ECIP totaled $1.162 billion from June 8, 2023 through March 31, 2024. This reduces the dividend obligation on the Preferred Stock to 0.50% for the quarterly dividends payable through June 2025.

The ECIP investment by the Treasury is part of a program to invest over $8.7 billion into Community Development Financial Institution ("CDFI") or Minority Depository Institution ("MDI"), of which Ponce Bank is both. The ECIP is intended to incentivize CDFIs and MDIs to provide loans, grants, and forbearance to small businesses, minority-owned businesses, and consumers in low-income and underserved communities that may have been disproportionately impacted by the economic effects of the COVID-19 pandemic.

In the event of a liquidation, dissolution or winding up of the Company, the Preferred Stock will be entitled to a liquidation preference, subject to certain limitations, in the amount of the sum of $1,000 per share plus declared and unpaid dividends (without accumulation of undeclared dividends) on each share.

CDFI Equitable Recovery Program

On September 26, 2023, the Bank received a $3.7 million grant from the U.S. Treasury as part of the CDFI Equitable Recovery Program ("ERP") which aims to help CDFI's further their mission of helping low and low-to-moderate income communities recover from the impact of the COVID-19 pandemic.

Bank Enterprise Award Program

On November 6, 2023, the Bank received a $0.5 million grant as part of the Bank Enterprise Award Program from the CDFI. Awards under the Bank Enterprise Award Program are subject to the program terms and must be used for qualified activities, which include providing loans, investments and financial services to residents and businesses in distressed communities.

Derivatives and Hedging

During 2023, the Company entered into two derivative financial instruments contracts to enhance its ability to manage interest rate risk that exist as part of its ongoing operations. The Company manages these risks as part of its asset and liability management process. The Company utilized derivative financial instruments to accommodate the business needs and to hedge the exposure that this creates for the Company. The Company does not use derivative financial instruments for trading purposes.

Interest Rate Swaps

The Bank is a party to two interest rate swap transactions. One interest rate swap is for a period of two years effective October 12, 2023 and terminates on November 1, 2025 with a notional amount of $150.0 million. The Bank will pay a fixed rate of interest of 4.885% and receive the Secured Overnight Financing Rate ("SOFR") rate. The other interest rate swap is for a period of three years effective October 12, 2023 and terminates on November 1, 2026 with a notional amount of $100.0 million. The Bank will pay a fixed rate of interest of 4.62% and receive the SOFR rate.

Banking Development District

The Ponce Bank Westchester Avenue Branch located at 2244 Westchester Avenue in the Castle Hill area of the Bronx was approved as a Banking Development District ("BDD"). New York State's BDD Program, administered by the Department of Financial Services ("DFS"), supports the establishment of bank and credit union branches in areas across New York State where there is a demonstrated need for banking services. To encourage participation, approved BDD branches receive access to subsidized and market rate deposits from New York State. On July 30, 2024, Ponce Bank received total program deposits of $35.0 million.

Coral Gables, Florida Office

On June 1, 2024, Ponce Bank opened its first-ever representative office in the state of Florida located at 1600 Ponce de Leon Drive in the Miami suburb of Coral Gables. This new office is home to a Commercial Relationship Officer who will split time between the new location and his former Bergen County, New Jersey territory. Many of our customers have businesses in Florida or spend their winter months here, and the large Hispanic community fits one of our primary demographics.

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 policy relates to the allowance for credit losses.

The allowance for credit losses is established as probable incurred losses are estimated to have occurred through a provision for credit losses charged to earnings. Credit 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. If our loss rate factor was to increase 10 basis points, our reserve would increase by approximately $2.2 million. Likewise, if our loss rate factor was to decrease 10 basis points, our reserve would decrease by approximately $2.2 million.

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.

Factors Affecting the Comparability of Results

Write-off and Write-Down.

In 2020, the Company entered into a business arrangement with the FinTech startup company Grain. Grain's product is a mobile application geared to the underbanked, minorities and new generations entering the financial services market. In employing this mobile application, the Bank uses non-traditional underwriting methodologies to provide revolving credit to borrowers who otherwise may gravitate to using alternative non-bank lenders. Under the terms of its former agreement with Grain, the Bank was the lender for Grain-originated microloans with credit lines currently up to $1,500 and, where applicable, the depository for related security deposits. Grain originated and serviced these microloans and is responsible for maintaining compliance with the Bank's origination and servicing standards, as well as applicable regulatory and legal requirements. If a microloan was found to be fraudulent, became 90 days delinquent upon 90 days of origination or defaulted due to a failure of Grain to properly service the microloan, the Bank's applicable standards for origination or servicing were deemed to have not been complied with and the microloan was put back to Grain, who then became responsible for the microloan and any related losses. The microloans put back to Grain were accounted for as an "other asset," specifically referred to herein as the "Grain Receivable."

On November 1, 2023, Ponce Financial Group, Inc. and Grain signed a Perpetual Software License Agreement in order for the Bank to assume the servicing of the remaining microloans. In order to facilitate the transfer of the servicing responsibilities to the Bank, Grain granted the Bank a perpetual right and license to use the Grain software, including the source code to service the remaining loans.

At September 30, 2024, the Bank had 8,428 microloans outstanding with an aggregate balance totaling $3.0 million and which were performing, in management's opinion, comparably to similar portfolios, offset by an $2.6 million allowance for credit losses, resulting in $0.5 million in microloans. From inception of the microloan arrangement through September 30, 2024, 45,322 microloans amounting to $24.0 million have been deemed to be fraudulent and put back to Grain. The Company has written-down a total of $15.3 million, net of recoveries, of the microloans receivable and received $6.8 million in cash. The Bank also opted to use the $1.8 million grant it received from the U.S. Treasury Department's Rapid Response Program to defray the microloans receivable. The application of those amounts resulted in no net receivable. Additionally, the Company wrote-off its equity investment in Grain of $1.0 million during the year ended December 31, 2022. As of September 30, 2024, the Company's total microloans exposure was $0.5 million of the remaining microloans, net of allowance for credit losses, excluding $1.5 million of security deposits by microloan borrowers. The $0.2 million of recoveries for the nine months ended September 30, 2024 and the $1.3 million recoveries for the nine months ended September 30, 2023 related to microloans is included in non-interest expense in the accompanying Consolidated Statements of Operations.

Total Microloans Exposure as of September 30, 2024
(in thousands)

Microloans Receivable from Grain		
Microloans originated - put back (inception-to-September 30, 2024)	$	23,932
Write-downs, net of recoveries (inception-to-date as of September 30, 2024)		(15,287)
Cash receipts (inception-to-September 30, 2024)		(6,819)
Grant/reserve (inception-to-September 30, 2024)		(1,826)
Net receivable as of September 30, 2024	$	—
Microloans Receivable from Borrowers		
Microloans receivable as of September 30, 2024	$	3,033
Allowance for credit losses as of September 30, 2024 (1)		(2,570)
Microloans, net of allowance for credit losses as of September 30, 2024	$	463
Investments		
Investment in Grain	$	1,000
Investment write-off in the third quarter of 2022		(1,000)
Net investment as of September 30, 2024	$	—
Total exposure related to microloans as of September 30, 2024 (2)	$	463

(1) Excludes $1.5 million of security deposits by microloan borrowers reported in deposits in the accompanying Consolidated Statements of Financial Conditions.
(2) Total remaining exposure to microloan borrowers. These loans are now serviced by the Bank.

Vision 2025 Evolves

The Company has deployed 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 Salesforce. All Commercial Relationship Officers and Business Development Managers will utilize these capabilities. 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 Raisin Solutions US LLC ("Raisin") (formerly known as SaveBetter, LLC), a fintech startup focusing on deposits. As of September 30, 2024, the Company had $600.6 million in such deposits. The recent regulatory easing of brokered deposit rules enables the Company to classify such deposits as core deposits.

On October 1, 2022, the Company entered into a Membership Interest Purchase Agreement with Bamboo Payment Holding LLC ("Bamboo"), pursuant to which the Company purchased from Bamboo 180 Membership Interest Units representing 19.84% of the total issued and outstanding Membership Interest in Bamboo for an investment of $4.4 million. With over a decade processing payments in Latin America, Bamboo has a diverse network connects Latin American local payment processing to global companies as well as domestic solutions to locally based organizations.

At December 31, 2018, the first year after our initial public offering, the Company had approximately $1.06 billion in assets, $918.5 million in loans and $809.8 million in deposits. The Company has since grown to $3.02 billion in assets, $2.18 billion in loans receivables, net of allowance for credit losses of $24.0 million, and $1.87 billion in deposits at September 30, 2024, all while investing in infrastructure, implementing digital banking, diversifying its product offering and partnering with Fintech companies. Now, the Company believes that it is poised to enhance its presence, locally and in similar communities outside New York, as a leading CDFI and MDI financial institution holding company.

On June 7, 2022, the Company issued 225,000 shares of the Company's Preferred Stock, par value $0.01 for an aggregate purchase price equal to $225.0 million in cash to the Treasury, pursuant to the Treasury's ECIP. Under the ECIP, Treasury provided investment capital directly to depository institutions that are CDFIs or MDIs or their holding companies, to provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, in low-income and underserved communities. Treasury has indicated that the investment will qualify as Tier 1 capital. No dividends will accrue or be due for the first two years after issuance. For years three through ten, depending upon the level of qualified and/or deep impact lending made in targeted communities, as defined in the ECIP guidelines, dividends will be at an annual rate of either 2.0%, 1.25% or 0.5% and, thereafter, will be fixed at one of the foregoing rates. The Company began paying dividends on its Preferred Stock during the quarter ended June 30, 2024, as required by the terms thereof. The Bank exceeded the dividend rate reduction threshold for qualified lending targets designated by the U.S. Treasury Department pursuant to the ECIP. The Bank's "qualified lending" as measured pursuant to ECIP totaled $1.162 billion from June 8, 2023 through March 31, 2024. This reduces the dividend obligation on the Preferred Stock to 0.50% for the quarterly dividends payable through June 2025.

Holders of Preferred Stock generally do not have any voting rights, with the exception of voting rights on certain matters as outlined in the Certificate of Designations. The Company has the option to redeem the shares of Preferred Stock (i) in whole or in part on any dividend payment date on or after June 15, 2027, or (ii) in whole but not in part at any time within ninety days following a Regulatory Capital Treatment Event, as defined below, in each case at a cash redemption price equal to the liquidation amount, with an amount equal to any dividends that have been declared but not paid prior to the redemption date. The Company may not redeem shares of Preferred Stock without having received the prior approval of the appropriate Federal banking agency for the Company, as defined in Section 3(q) of the Federal Deposit Insurance Act, to the extent required under applicable capital rules. Such redemptions are subject to certain conditions and limitations. In the event of a liquidation, dissolution or winding up of the Company, the Preferred Stock will be entitled to a liquidation preference, subject to certain limitations, in the amount of the sum of $1,000 per share plus declared and unpaid dividends (without accumulation of undeclared dividends) on each share.

A "Regulatory Capital Treatment Event" means a good-faith determination that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States or any political subdivision of or in the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Federal Reserve and other appropriate federal bank regulatory agencies) that is enacted or becomes effective after the initial issuance of any share of the Preferred Stock; (ii) any proposed change in those laws, rules or regulations that is announced after the initial issuance of any share of the Preferred Stock; or (iii) any official administrative or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced or becomes effective after the initial issuance of the Preferred Stock, there is more than an insubstantial risk that we will not be entitled to treat the full liquidation preferences of the shares of Preferred Stock then outstanding as "Additional Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy standards of Federal Reserve Regulation Q, 12 C.F.R. Part 217 (or, as and if applicable, the successor capital adequacy guidelines, rules or regulations of the Federal Reserve or the capital adequacy guidelines, rules or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Preferred Stock is outstanding.

Comparison of Financial Condition at September 30, 2024 and December 31, 2023

Total Assets. Total consolidated assets increased $265.2 million, or 9.6%, to $3.02 billion at September 30, 2024 from $2.75 billion at December 31, 2023. The increase in total assets is largely attributable to increases of $284.4 million in net loans receivable, $26.7 million in other assets, $16.6 million in cash and cash equivalent, $9.1 million in Federal Home Loan Bank of New York stock and $0.8 million in net premises and equipment, partially offset by decreases of $58.0 million in held-to-maturity securities, $8.9 million in available-for-sale securities, $2.5 million in deferred tax assets, $1.5 million in right of use assets, $1.1 million in accrued interest receivable and $0.4 million in mortgage loans held for sale.

Cash and Cash Equivalents. Cash and cash equivalents increased $16.6 million, or 11.9%, to $155.8 million at September 30, 2024, compared to $139.2 million at December 31, 2023. The increase in cash and cash equivalents was primarily the result of increases of $362.7 million in net deposits, $70.9 million in maturities, calls and principal repayment on securities, $8.0 million in net income, $3.0 million in advance payments by borrowers, and decreases of $2.0 million in mortgage loans held for sale and $1.7 million in deferred income taxes. The increase in cash and cash equivalents was offset by an increase of $279.7 million in net loans, $104.0 million repayment of borrowings, $26.7 million increase in other assets, $9.1 million in net purchase/redemption of FHLB stock and decreases of $9.0 million in accrued interest payable and $6.0 million in purchase of loans.

Securities. The composition of securities at September 30, 2024 and December 31, 2023 and the amounts maturing of each classification are summarized as follows:

	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)			
Available-for-Sale Securities:				
U.S. Government Bonds:				
Amounts maturing:				
Three months or less	$ —	$ —	$ —	$ —
More than three months through one year	—	—	—	—
More than one year through five years	2,993	2,869	2,990	2,784
More than five years through ten years	—	—	—	—
	2,993	2,869	2,990	2,784
Corporate Bonds:				
Amounts maturing:				
Three months or less	$ —	$ —	$ —	$ —
More than three months through one year	—	—	4,000	3,863
More than one year through five years	2,000	1,340	1,000	536
More than five years through ten years	19,765	18,988	20,790	19,269
	21,765	20,328	25,790	23,668
Mortgage-Backed Securities	102,367	87,808	111,001	93,450
Total Available-for-Sale Securities	$ 127,125	$ 111,005	$ 139,781	$ 119,902
Held-to-Maturity Securities:				
U.S. Agency Bonds:				
Amounts maturing:				
Three months or less	$ —	$ —	$ —	$ —
More than three months through one year	25,000	24,951	—	—
More than one year through five years	—	—	25,000	24,819
More than five years through ten years	—	—	—	—
	25,000	24,951	25,000	24,819
Corporate Bonds:				
Amounts maturing:				
Three months or less	$ 25,000	$ 24,939	$ —	$ —
More than three months through one year	10,000	9,935	25,000	24,650
More than one year through five years	15,000	14,988	50,000	48,265
More than five years through ten years	7,500	7,020	7,500	6,894
	57,500	56,882	82,500	79,809
Mortgage-Backed Securities	321,443	316,990	354,646	345,414
Allowance for Credit Losses	(207)	—	(398)	—
Total Held-to-Maturity Securities	$ 403,736	$ 398,823	$ 461,748	$ 450,042

The Company securities portfolio decreased $8.9 million in available-for-sale and $58.0 million in held-to-maturity during the nine months ended September 30, 2024. The decrease in the securities portfolio was primarily due to changes in principal amount of the securities. There was one available-for-sale security in the amount of $4.0 million and one held-to-maturity security in the amount of $25.0 million that matured and/or were called during the nine months ended September 30, 2024

Gross Loans Receivable. The composition of gross loans receivable at September 30, 2024 and at December 31, 2023 and the percentage of each classification to total loans are summarized as follows:

	September 30, 2024		December 31, 2023		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Dollars	Percent
	(Dollars in thousands)					
Mortgage loans:						
1-4 Family residential						
Investor-Owned	$ 332,380	15.1 %	$ 343,689	17.9 %	$ (11,309)	(3.3 %)
Owner-Occupied	145,065	6.6 %	152,311	7.9 %	(7,246)	(4.8 %)
Multifamily residential	678,029	30.8 %	550,559	28.7 %	127,470	23.2 %
Nonresidential properties	383,277	17.4 %	342,343	17.8 %	40,934	12.0 %
Construction and land	631,461	28.6 %	503,925	26.2 %	127,536	25.3 %
Total mortgage loans	2,170,212	98.5 %	1,892,827	98.5 %	277,385	14.7 %
Nonmortgage loans:						
Business loans	28,499	1.3 %	19,779	1.0 %	8,720	44.1 %
Consumer loans (1)	4,021	0.2 %	8,966	0.5 %	(4,945)	(55.2 %)
	32,520	1.5 %	28,745	1.5 %	3,775	13.1 %
Total	$ 2,202,732	100.0 %	$ 1,921,572	100.0 %	$ 281,160	14.6 %

(1) As of September 30, 2024 and December 31, 2023, consumer loans include $3.0 million and $8.0 million of microloans.

Based on current internal loan reviews, the Company believes that the quality of our underwriting, our weighted average loan-to-value ratio of 57.2% 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.

Multifamily residential loans increased $127.5 million, or 23.2%, and nonresidential properties loans increased $40.9 million, or 12.0%, when compared to December 31, 2023. The majority of the increases in multifamily residential loans and nonresidential properties loans that were refinanced from construction and land loans to a new permanent loan facility.

The majority of the $127.5 million growth in construction and land mortgage loans is related to funding of existing commitments prior to 2024 as opposed to new originations in 2024. Our commitments to grant new mortgage loans decreased by $102.1 million as of September 30, 2024 compared to December 31, 2023. See Note 11 ("Commitments, Contingencies and Credit Risk") of Notes to the Consolidated Financial Statements.

Within the construction and land mortgage loans, as indicated in the composition of gross loans receivable table above, there are 17 projects at 100% completion, with balances of $104.6 million as of September 30, 2024. Of these 17 projects, five have been issued a certificate of occupancy, 10 have been issued a temporary certificate of occupancy and two are pending certificate of occupancy.

Commercial real estate loans, as defined by applicable banking regulations, include multifamily residential, nonresidential properties, and construction and land mortgage loans. At September 30, 2024 and December 31, 2023, approximately 4.4% and 5.3%, respectively, 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.

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 150% guideline for construction and land mortgage loans and up to 450% 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 September 30, 2024 and December 31, 2023, the Bank's construction and land mortgage loans as a percentage of total risk-based capital was 125.4% and 102.5%, respectively. Investor-owned commercial real estate mortgage loans as a percentage of total risk-based capital was 321.3% and 269.1% as of September 30, 2024 and December 31, 2023, respectively. At September 30, 2024, the Bank was above the 100% guidelines established by the banking regulations but under the 150% guidelines set by the Bank for construction and land mortgage loans and above the 300% guideline established by banking regulators but under the 450% guidelines set by the Bank for investor owned commercial real estate mortgage loans. Management believes that it has established the appropriate level of controls to monitor the Bank's lending in these areas.

Loans Held For Sale. Loans held for sale, at fair value, at September 30, 2024 decreased $0.4 million, or 4.1%, to $9.6 million from $10.0 million at December 31, 2023.

Deposits. The composition of deposits at September 30, 2024 and December 31, 2023 and changes in dollars and percentages are summarized as follows:

	September 30, 2024		December 31, 2023		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Dollars	Percent
			(Dollars in thousands)			
Demand [1]	$ 182,737	9.8 %	$ 185,151	12.3 %	$ (2,414)	(1.3 %)
Interest-bearing deposits:						
NOW/IOLA accounts [1]	71,445	3.8 %	77,909	5.2 %	(6,464)	(8.3 %)
Money market accounts	660,168	35.3 %	432,735	28.7 %	227,433	52.6 %
Reciprocal deposits	94,145	5.0 %	96,860	6.4 %	(2,715)	(2.8 %)
Savings accounts	108,941	5.8 %	114,139	7.6 %	(5,198)	(4.6 %)
Total NOW, money market, reciprocal and savings	934,699	49.9 %	721,643	47.9 %	213,056	29.5 %
Certificates of deposit of $250K or more	174,053	9.3 %	132,153	8.7 %	41,900	31.7 %
Brokered certificates of deposit [2]	94,531	5.1 %	98,729	6.6 %	(4,198)	(4.3 %)
Listing service deposits [2]	7,376	0.4 %	14,433	1.0 %	(7,057)	(48.9 %)
Certificates of deposit less than $250K	476,927	25.5 %	355,511	23.5 %	121,416	34.2 %
Total certificates of deposit	752,887	40.3 %	600,826	39.8 %	152,061	25.3 %
Total interest-bearing deposits	1,687,586	90.2 %	1,322,469	87.7 %	365,117	27.6 %
Total deposits	$ 1,870,323	100.0 %	$ 1,507,620	100.0 %	$ 362,703	24.1 %

(1) As of December 31, 2023, $58.2 million were reclassified from demand to NOW/IOLA accounts.

(2) As of September 30, 2024, there were no individual listing service deposits amounting to $250,000 or more. As of December 31, 2023, there were $0.3 million in individual listing service deposits amounting to $250,000 or more. All brokered certificates of deposit individually amounted to less than $250,000.

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 September 30, 2024 and December 31, 2023. The Management Asset/Liability Committee generally meets on a bi-weekly basis to review funding needs, if any, and to ensure the Company operates within the approved limitations.

Borrowings. The Bank had outstanding borrowings at September 30, 2024 of $580.4 million in term advances from the FHLBNY and at December 31, 2023 $380.4 million in term advances from the FHLBNY and $304.0 million in term advances from the FRBNY. The Bank did not have any term advances from the FRBNY at September 30, 2024. Additionally, the Bank had two unsecured lines of credit in the amount of $75.0 million with two correspondent banks for both periods at September 30, 2024 and December 31, 2023, under which there was nothing outstanding at both September 30, 2024 and December 31, 2023.

Stockholders' Equity. The Company's consolidated stockholders' equity increased $13.2 million, or 2.69%, to $504.6 million as of September 30, 2024 from $491.4 million as of December 31, 2023. This increase in stockholders' equity was largely attributable to $8.0 million in net income, $3.0 million in other comprehensive income, $1.6 million impact to additional paid in capital as a result of share-based compensation and $1.0 million from release of ESOP shares, offset by $0.4 million in preferred stock dividend for shares issued pursuant to the ECIP.

Comparison of Results of Operations for the Three Months Ended September 30, 2024 and 2023

The discussion of the Company's results of operations for the three months ended September 30, 2024 and 2023 are presented below. The results of operations for interim periods may not be indicative of future results.

Overview. Net income available to common stockholders was $2.2 million for the three months ended September 30, 2024 compared to net income available to common stockholders of $2.6 million for the three months ended September 30, 2023. Earnings per basic and diluted share was $0.10 for the three months ended September 30, 2024 compared to earnings per basic and diluted share of $0.12 for the three months ended September 30, 2023. The $0.4 million decrease of net income available to common stockholders for the three months ended September 30, 2024 was largely due to a decrease of $4.5 million in non-interest income as a result of a $3.7 million grant reported in the third quarter of 2023, an increase of $0.3 million in provision for credit losses and an increase of $0.3 million in dividend payments on preferred stock, partially offset by an increase of $2.5 million in net interest income and decreases of $1.1 million in provision for income taxes and $ 1.0 million in non-interest expense. Net income for the three months ended September 30, 2024, which excludes $0.3 million in dividend payments and accruals on preferred shares, was $2.4 million.

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

	For the Three Months Ended September 30,		Increase (Decrease)	
	2024	2023	Dollars	Percent
	(Dollars in thousands)			
Interest and dividend income	$ 41,293	$ 33,506	$ 7,787	23.2 %
Interest expense	22,270	16,964	5,306	31.3 %
Net interest income	19,023	16,542	2,481	15.0 %
Provision for credit losses	789	535	254	47.5 %
Net interest income after provision for credit losses	18,234	16,007	2,227	13.9 %
Non-interest income	1,151	5,627	(4,476)	(79.5 %)
Non-interest expense	16,314	17,316	(1,002)	(5.8 %)
Income before income taxes	3,071	4,318	(1,247)	(28.9 %)
Provision for income taxes	638	1,728	(1,090)	(63.1 %)
Net income	$ 2,433	$ 2,590	$ (157)	(6.1 %)
Dividends on preferred shares	281	—	281	— %
Net income available to common stockholders	$ 2,152	$ 2,590	$ (438)	(16.9 %)
Earnings per share:				
Basic	$ 0.10	$ 0.12	$ (0.02)	(17.6 %)
Diluted	$ 0.10	$ 0.12	$ (0.02)	(18.0 %)

Interest and Dividend Income. Interest and dividend income increased $7.8 million, or 23.2%, to $41.3 million for the three months ended September 30, 2024 from $33.5 million for the three months ended September 30, 2023. Interest income on loans receivable, which is the Company's primary source of income, increased $7.7 million, or 30.3%, to $32.9 million for the three months ended September 30, 2024 from $25.3 million for the three months ended September 30, 2023. Interest and dividend income on securities and FHLBNY stock and deposits due from banks increased $0.1 million, or 1.4%, to $8.3 million for the three months ended September 30, 2024 from $8.2 million for the three months ended September 30, 2023.

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

	For the Three Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
1-4 Family residential	$ 7,509	$ 7,610	$ (101)	(1.3 %)
Multifamily residential	7,130	6,883	247	3.6 %
Nonresidential properties	4,889	4,020	869	21.6 %
Construction and land	12,708	6,133	6,575	107.2 %
Business loans	596	321	275	85.7 %
Consumer loans	113	309	(196)	(63.4 %)
Total interest income on loans receivable	$ 32,945	$ 25,276	$ 7,669	30.3 %

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

	For the Three Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
Interest on deposits due from banks	$ 2,430	$ 1,968	$ 462	23.5 %
Interest on securities	5,324	5,821	(497)	(8.5 %)
Dividend on FHLBNY stock	594	441	153	34.7 %
Total interest and dividend income	$ 8,348	$ 8,230	$ 118	1.4 %

Interest Expense. Interest expense increased $5.3 million, or 31.3%, to $22.3 million for the three months ended September 30, 2024 from $17.0 million for the three months ended September 30, 2023, primarily due to an increase in the average cost of funds.

The following table presents expense for the periods indicated:

	For the Three Months Ended September 30, 2024	2023	Change Amount	Percent
	(Dollars in thousands)			
Certificates of deposit	$ 6,926	$ 4,362	$ 2,564	58.8 %
Money market	8,318	5,468	2,850	52.1 %
Savings	25	29	(4)	(13.8 %)
NOW/IOLA	174	141	33	23.4 %
Advance payments by borrowers	2	1	1	100.0 %
Borrowings	6,825	6,963	(138)	(2.0 %)
Total interest expense	$ 22,270	$ 16,964	$ 5,306	31.3 %

Net Interest Income. Net interest income increased $2.5 million, or 15.0%, to $19.0 million for the three months ended September 30, 2024 from $16.5 million for the three months ended September 30, 2023. The $2.5 million increase in net interest income for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was attributable to an increase of $7.8 million in interest and dividend income primarily due to increases in average loans receivable, offset by an increase of $5.3 million in interest expense.

Net interest rate spread increased by 10 basis point to 1.77% for the three months ended September 30, 2024 from 1.67% for the three months ended September 30, 2023. The increase in the net interest rate spread for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was primarily due to an increase in the average yields on interest-earning assets of 53 basis points to 5.75% for the three months ended September 30, 2024 from 5.22% for the three months ended September 30, 2023, offset by an increase in the average rates paid on interest-bearing liabilities of 43 basis points to 3.98% for the three months ended September 30, 2024 from 3.55% for the three months ended September 30, 2023.

Net interest margin increased 7 basis points for the three months ended September 30, 2024 to 2.65% from 2.58% for the three months ended September 30, 2023.

On September 18, 2024, the Federal Reserve announced that the target range for the federal funds rate decreased by 50 basis points to 4.75%-5.00% effective on September 19, 2024. It marked the first rate cut in over four years and signaled a shift in strategy aimed at bolstering the economy and preventing a rise in unemployment. Our net interest income may be positively impacted if the demand for loans increases due to the lower rates, alone or in tandem with lower inflation.

Non-Interest Income. Non-interest income decreased $4.5 million, or 79.5% to $1.2 million for the three months ended September 30, 2024 from $5.6 million for the three months ended September 30, 2023. The decrease in non-interest income for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was attributable to $3.7 million in grants reported in the third quarter of 2023 and a decrease of $0.8 million in late and prepayment charges.

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

	For the Three Months Ended September 30, 2024	2023	Change Amount	Percent
	(Dollars in thousands)			
Service charges and fees	$ 508	$ 516	$ (8)	(1.6 %)
Brokerage commissions	—	17	(17)	(100.0 %)
Late and prepayment charges	77	899	(822)	(91.4 %)
Income on sale of mortgage loans	218	173	45	26.0 %
Grant income	—	3,718	(3,718)	(100.0 %)
Other	348	304	44	14.5 %
Total non-interest income	$ 1,151	$ 5,627	$ (4,476)	(79.5 %)

Non-Interest Expense. Non-interest expense decreased $1.0 million, or 5.8%, to $16.3 million for the three months ended September 30, 2024 from $17.3 million for the three months ended September 30, 2023. The $1.0 million decrease in non-interest expense for the three months ended September 30, 2024, compared to the three months ended September 30, 2023 was attributable to decreases of $0.6 million in provision for contingencies, $0.5 million in data processing expenses and $0.3 million in professional fees, partially offset by increases of $0.2 million in direct loan expenses, $0.2 million in occupancy and equipment and $0.1 million in compensation and benefits.

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

	For the Three Months Ended September 30,		Change	
	2024	2023	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 7,674	$ 7,566	$ 108	1.4 %
Occupancy and equipment	3,786	3,588	198	5.5 %
Data processing expenses	1,099	1,582	(483)	(30.5 %)
Direct loan expenses	573	369	204	55.3 %
(Benefit) provision for contingencies	(252)	391	(643)	(164.5 %)
Insurance and surety bond premiums	292	255	37	14.5 %
Office supplies, telephone and postage	222	301	(79)	(26.2 %)
Professional fees	1,351	1,693	(342)	(20.2 %)
Microloans recoveries	(54)	(69)	15	(21.7 %)
Marketing and promotional expenses	180	248	(68)	(27.4 %)
Directors fees and regulatory assessment	178	169	9	5.3 %
Other operating expenses	1,265	1,223	42	3.4 %
Total non-interest expense	$ 16,314	$ 17,316	$ (1,002)	(5.8 %)

Income Tax Provision. The Company had provision for income taxes of $0.6 million for the three months ended September 30, 2024 compared to a provision for income taxes of $1.7 million for the three months ended September 30, 2023.

Average Balance Sheets

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 September 30,					
	2024			2023		
	Average Outstanding Balance	Interest	Average Yield/Rate (1)	Average Outstanding Balance	Interest	Average Yield/Rate (1)
	(Dollars in thousands)					
Interest-earning assets:						
Loans (2)	$ 2,096,592	32,945	6.25 %	$ 1,777,585	$ 25,276	5.64 %
Securities (3)	548,708	5,324	3.86 %	599,573	5,821	3.85 %
Other (4)	210,057	3,024	5.73 %	169,570	2,409	5.64 %
Total interest-earning assets	2,855,357	41,293	5.75 %	2,546,728	33,506	5.22 %
Non-interest-earning assets	107,153			111,771		
Total assets	$ 2,962,510			$ 2,658,499		
Interest-bearing liabilities:						
NOW/IOLA (5) (6)	$ 74,690	$ 174	0.93 %	$ 69,935	$ 141	0.80 %
Money market (6)	711,385	8,318	4.65 %	485,042	5,468	4.47 %
Savings	109,571	25	0.09 %	118,095	29	0.10 %
Certificates of deposit	655,562	6,926	4.20 %	527,302	4,362	3.28 %
Total deposits	1,551,208	15,443	3.96 %	1,200,374	10,000	3.31 %
Advance payments by borrowers	13,151	2	0.06 %	14,537	1	0.03 %
Borrowings	660,312	6,825	4.11 %	678,676	6,963	4.07 %
Total interest-bearing liabilities	2,224,671	22,270	3.98 %	1,893,587	16,964	3.55 %
Non-interest-bearing liabilities:						
Non-interest-bearing demand (5)	185,543	—		231,299	—	
Other non-interest-bearing liabilities	49,702	—		46,643	—	
Total non-interest-bearing liabilities	235,245	—		277,942	—	
Total liabilities	2,459,916	22,270		2,171,529	16,964	
Total equity	502,594			486,970		
Total liabilities and total equity	$ 2,962,510		3.98 %	$ 2,658,499		3.55 %
Net interest income		$ 19,023			$ 16,542	
Net interest rate spread (7)			1.77 %			1.67 %
Net interest-earning assets (8)	$ 630,686			$ 653,141		
Net interest margin (9)			2.65 %			2.58 %
Average interest-earning assets to interest-bearing liabilities			128.35 %			134.49 %

(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 and FRBNY demand deposits.

(5) Includes reclassification of $47.1 million average outstanding balances from non-interest-bearing demand to NOW/IOLA for the three months ended September 30, 2023.

(6) Includes $0.1 million of interest expense reclassified from money market to NOW/IOLA for the three months ended September 30, 2023.

(7) 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.

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

(9) 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 September 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
	(In thousands)		
Interest-earning assets:			
Loans (1)	$ 4,455	$ 3,214	$ 7,669
Securities (2)	(508)	11	(497)
Other	567	48	615
Total interest-earning assets	4,514	3,273	7,787
Interest-bearing liabilities:			
NOW/IOLA	8	25	33
Money market	2,530	320	2,850
Savings	(2)	(2)	(4)
Certificates of deposit	1,046	1,518	2,564
Total deposits	3,582	1,861	5,443
Advance payments by borrowers	(2)	3	1
Borrowings	(207)	69	(138)
Total interest-bearing liabilities	3,373	1,933	5,306
Change in net interest income	$ 1,141	$ 1,340	$ 2,481

(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.

Comparison of Results of Operations for the Nine Months Ended September 30, 2024 and 2023

The discussion of the Company’s results of operations for the nine months ended September 30, 2024 and 2023 are presented below. The results of operations for interim periods may not be indicative of future results.

Overview. Net income available to common stockholders was $7.7 million for the nine months ended September 30, 2024 compared to net income available to common stockholders of $2.8 million for the nine months ended September 30, 2023. Earnings per basic and diluted share was $0.34 for the nine months ended September 30, 2024 compared to earnings per basic and diluted share of $0.12 for nine months ended September 30, 2023. The $4.8 million increase of net income available to common stockholders from the nine months ended September 30, 2023, was due to an increase of $7.7 million in net interest income and decreases of $1.3 million in non-interest expense and $1.1 million in provision for credit losses, partially offset by a decrease of $3.8 million in non-interest income, as a result of $3.7 million grants received in third quarter of 2023, and increases of $1.1 million in provision for income taxes and $0.4 million in dividends on preferred shares. Net income for the nine months ended September 30, 2024, which excludes $0.4 million in dividends on preferred shares, was $8.0 million.

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

	For the Nine Months Ended September 30, 2024	2023	Increase (Decrease) Dollars	Percent
	(Dollars in thousands)			
Interest and dividend income	$ 119,751	$ 90,917	$ 28,834	31.7 %
Interest expense	64,001	42,848	21,153	49.4 %
Net interest income	55,750	48,069	7,681	16.0 %
Provision for credit losses	235	1,348	(1,113)	(82.6 %)
Net interest income after provision for credit losses	55,515	46,721	8,794	18.8 %
Non-interest income	5,116	8,938	(3,822)	(42.8 %)
Non-interest expense	49,411	50,766	(1,355)	(2.7 %)
Income before income taxes	11,220	4,893	6,327	129.3 %
Provision for income taxes	3,181	2,059	1,122	54.5 %
Net income	8,039	2,834	5,205	183.7 %
Dividends on preferred shares	356	—	356	— %
Net income available to common stockholders	$ 7,683	$ 2,834	$ 4,849	171.1 %
Earnings per share:				
Basic	$ 0.34	$ 0.12	$ 0.22	177.4 %
Diluted	$ 0.34	$ 0.12	$ 0.22	177.1 %

Interest and Dividend Income. Interest and dividend income increased $28.8 million, or 31.7%, to $119.8 million for the nine months ended September 30, 2024 from $90.9 million for the nine months ended September 30, 2023. Interest income on loans receivable, which is the Company's primary source of income, increased $26.9 million, or 39.6%, to $94.9 million for the nine months ended September 30, 2024 from $68.0 million for the nine months ended September 30, 2023.

Total interest and dividend income on securities, FHLBNY stock and deposits due from banks increased $1.9 million, or 8.4%, to $24.9 million for the nine months ended September 30, 2024 from $22.9 million for the nine months ended September 30, 2023. The increase was primarily attributable to increases of $2.9 million in interest on deposits due from banks and $0.2 million in dividend on FHLBNY stock, offset by a decrease of $1.2 million in interest on securities.

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

	For the Nine Months Ended September 30, 2024	2023	Change Amount	Percent
	(Dollars in thousands)			
1-4 Family residential	$ 22,462	$ 21,257	$ 1,205	5.7 %
Multifamily residential	21,026	19,705	1,321	6.7 %
Nonresidential properties	13,697	11,476	2,221	19.4 %
Construction and land	35,633	13,091	22,542	172.2 %
Business loans	1,601	1,259	342	27.2 %
Consumer loans	471	1,203	(732)	(60.9 %)
Total interest income on loans receivable	$ 94,890	$ 67,991	$ 26,899	39.6 %

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

	For the Nine Months Ended September 30, 2024	2023	Change Amount	Percent
	(Dollars in thousands)			
Interest on deposits due from banks	$ 6,883	$ 3,982	$ 2,901	72.9 %
Interest on securities	16,429	17,627	(1,198)	(6.8 %)
Dividend on FHLBNY stock	1,549	1,317	232	17.6 %
Total interest and dividend income	$ 24,861	$ 22,926	$ 1,935	8.4 %

Interest Expense. Interest expense increased $21.2 million, or 49.4%, to $64.0 million for the nine months ended September 30, 2024 from $42.8 million for the nine months ended September 30, 2023, primarily due to an increase in the average cost of funds.

The following table presents interest expense for the periods indicated:

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023	Change Amount	Change Percent
	(Dollars in thousands)			
Certificates of deposit	$ 19,664	$ 11,468	$ 8,196	71.5 %
Money market	21,819	11,637	10,182	87.5 %
Savings	80	88	(8)	(9.1 %)
NOW/IOLA	543	1,133	(590)	(52.1 %)
Advance payments by borrowers	6	6	—	— %
Borrowings	21,889	18,516	3,373	18.2 %
Total interest expense	$ 64,001	$ 42,848	$ 21,153	49.4 %

Net Interest Income. Net interest income increased $7.7 million, or 16.0%, to $55.8 million for the nine months ended September 30, 2024 from $48.1 million for the nine months ended September 30, 2023. The $7.7 million increase in net interest income for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was attributable to an increase of $28.8 million in total interest and dividend income primarily due to increases in average loans receivable, offset by an increase of $21.2 million in interest expense due primarily to a higher average cost of funds on interest bearing liabilities.

Net interest rate spread increased by 3 basis points to 1.77% for the nine months ended September 30, 2024 from 1.74% for the nine months ended September 30, 2023. The increase in the net interest rate spread for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was primarily due to and an increase in the average yields on interest-earning assets of 70 basis points to 5.72% for the nine months ended September 30, 2024 from 5.02% for the nine months ended September 30, 2023 , offset by an increase in the average rates paid on interest-bearing liabilities of 68 basis points to 3.95% for the nine months ended September 30, 2024 from 3.27% for the nine months ended September 30, 2023.

Net interest margin increased 1 basis point for the nine months ended September 30, 2024, to 2.66% from 2.65% for nine months ended September 30, 2023.

Non-Interest Income. Non-interest income decreased $3.8 million, or 42.8%, to $5.1 million for the nine months ended September 30, 2024 from $8.9 million for the nine months ended September 30, 2023. The $3.8 million decrease in non-interest income for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was attributable to $3.7 million related to grants received in the third quarter of 2023 and a decrease of $1.1 million in late and prepayment charges, partially offset by increases of $0.7 million in other non-interest income and $0.4 million in income on sale of mortgage loans.

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

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023	Change Amount	Change Percent
	(Dollars in thousands)			
Service charges and fees	$ 1,473	$ 1,488	$ (15)	(1.0 %)
Brokerage commissions	17	67	(50)	(74.6 %)
Late and prepayment charges	862	2,000	(1,138)	(56.9 %)
Income on sale of mortgage loans	794	354	440	124.3 %
Grant income	—	3,718	(3,718)	(100.0 %)
Other	1,970	1,311	659	50.3 %
Total non-interest income	$ 5,116	$ 8,938	$ (3,822)	(42.8 %)

Non-Interest Expense. Non-interest expense decreased $1.4 million, or 2.7%, to $49.4 million for the nine months ended September 30, 2024 from $50.8 million for the nine months ended September 30, 2023. The $1.4 million decrease in non-interest expense for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023 was attributable to decreases of $2.5 million in provision for contingencies, $0.7 million in data processing expenses, $0.6 million in professional fees and $0.5 million in office supplies, telephone and postage, partially offset by a decrease of $1.2 million in microloans recoveries, increases of $0.8 million in compensation and benefits and $0.8 million in direct loan expenses.

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

	For the Nine Months Ended September 30, 2024	2023	Change Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	$ 23,242	$ 22,437	$ 805	3.6 %
Occupancy and equipment	11,017	10,882	135	1.2 %
Data processing expenses	3,239	3,982	(743)	(18.7 %)
Direct loan expenses	1,938	1,126	812	72.1 %
(Benefit) provision for contingencies	(581)	1,893	(2,474)	(130.7 %)
Insurance and surety bond premiums	808	768	40	5.2 %
Office supplies, telephone and postage	704	1,189	(485)	(40.8 %)
Professional fees	4,443	5,052	(609)	(12.1 %)
Microloans recoveries	(172)	(1,329)	1,157	(87.1 %)
Marketing and promotional expenses	425	679	(254)	(37.4 %)
Directors' fees and regulatory assessment	533	484	49	10.1 %
Other operating expenses	3,815	3,603	212	5.9 %
Total non-interest expense	$ 49,411	$ 50,766	$ (1,355)	(2.7 %)

Income Tax Provision. The Company had a provision for income taxes of $3.2 million for the nine months ended September 30, 2024 compared to a provision for income taxes of $2.1 million for nine months ended September 30, 2023.

Average Balance Sheets

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 Nine Months Ended September 30,					
	2024			2023		
	Average Outstanding Balance	Interest	Average Yield/Rate (1)	Average Outstanding Balance	Interest	Average Yield/Rate (1)
	(Dollars in thousands)					
Interest-earning assets:						
Loans (2)	$ 2,038,879	94,890	6.22 %	$ 1,678,369	$ 67,991	5.42 %
Securities (3)	562,451	16,429	3.90 %	614,987	17,627	3.83 %
Other (4)	196,668	8,432	5.73 %	127,961	5,299	5.54 %
Total interest-earning assets	2,797,998	119,751	5.72 %	2,421,317	90,917	5.02 %
Non-interest-earning assets	106,500			118,609		
Total assets	$ 2,904,498			$ 2,539,926		
Interest-bearing liabilities:						
NOW/IOLA (5) (6)	$ 76,817	$ 543	0.94 %	$ 69,331	$ 1,133	2.18 %
Money market (6)	618,725	21,819	4.71 %	403,171	11,637	3.86 %
Savings	111,636	80	0.10 %	123,218	88	0.10 %
Certificates of deposit	640,369	19,664	4.10 %	522,740	11,468	2.93 %
Total deposits	1,447,547	42,106	3.89 %	1,118,460	24,326	2.91 %
Advance payments by borrowers	13,660	6	0.06 %	14,814	6	0.05 %
Borrowings	703,775	21,889	4.15 %	617,912	18,516	4.01 %
Total interest-bearing liabilities	2,164,982	64,001	3.95 %	1,751,186	42,848	3.27 %
Non-interest-bearing liabilities:						
Non-interest-bearing demand (5)	191,087	—		251,645	—	
Other non-interest-bearing liabilities	51,061	—		43,864	—	
Total non-interest-bearing liabilities	242,148	—		295,509	—	
Total liabilities	2,407,130	64,001		2,046,695	42,848	
Total equity	497,368			493,231		
Total liabilities and total equity	$ 2,904,498		3.95 %	$ 2,539,926		3.27 %
Net interest income		$ 55,750			$ 48,069	
Net interest rate spread (7)			1.77 %			1.74 %
Net interest-earning assets (8)	$ 633,016			$ 670,131		
Net interest margin (9)			2.66 %			2.65 %
Average interest-earning assets to interest-bearing liabilities			129.24 %			138.27 %

(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 and FRBNY demand deposits.

(5) Includes reclassification of $46.5 million average outstanding balances from non-interest-bearing demand to NOW/IOLA for the nine months ended September 30, 2023.

(6) Includes $1.1 million of interest expense reclassified from money market to NOW/IOLA for the nine months ended September 30, 2023.

(7) 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.

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

(9) 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 Nine Months Ended September 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
		(In thousands)	
Interest-earning assets:			
Loans (1)	$ 14,680	$ 12,219	$ 26,899
Securities (2)	(1,491)	293	(1,198)
Other	2,853	280	3,133
Total interest-earning assets	16,042	12,792	28,834
Interest-bearing liabilities:			
NOW/IOLA	123	(713)	(590)
Money market	6,238	3,944	10,182
Savings	(8)	-	(8)
Certificates of deposit	2,594	5,602	8,196
Total deposits	8,947	8,833	17,780
Advance payments by borrowers	(1)	1	—
Borrowings	2,592	781	3,373
Total interest-bearing liabilities	11,539	9,613	21,153
Change in net interest income	$ 4,503	$ 3,179	$ 7,681

(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.

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 Bank’s assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our 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 Bank’s Asset/Liability Committee ("ALCO") is responsible for evaluating the interest rate risk inherent in the Bank’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 Bank currently utilizes a third-party modeling solution that is prepared on a quarterly basis, to evaluate its sensitivity to changing interest rates, given the Bank’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 engages in hedging activities, such as swap transactions. The Bank is a party to two interest rate swap transactions. One interest rate swap is for a period of two years effective October 12, 2023 and terminates on November 1, 2025 with a notional amount of $150.0 million. The Bank will pay a fixed rate of interest of 4.885% and receive the Secured Overnight Financing Rate ("SOFR") rate. The other interest rate swap is for a period of three years effective October 12, 2023 and terminates on November 1, 2026 with a notional amount of $100.0 million. The Bank will pay a fixed rate of interest of 4.62% and receive the SOFR rate (see Note 9 of the Notes to the Consolidated Financial Statements).

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 September 30, 2024, in the event of an instantaneous upward and downward change in rates from management's 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	$ 75,958	(9.60%)
+300	78,123	(7.02%)
+200	80,197	(4.56%)
+100	82,190	(2.18%)
Level	84,025	— %
-100	84,607	0.69%
-200	84,831	0.96%
-300	84,200	0.21%
-400	83,572	(0.54%)

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

Although an instantaneous and severe shift in interest rates was used in this analysis 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 September 30, 2024, 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 September 30, 2024, the EVE modeling calculated the following estimated changes in EVE due to instantaneous upward and downward changes in rates:

				EVE as a Percentage of Present Value of Assets (3)	
		Estimated Increase (Decrease) in EVE			
Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Amount	Percent	EVE Ratio (4)	Increase (Decrease) (basis points)
		(Dollars in thousands)			
+400	$ 372,827	$ (114,133)	(23.44%)	13.44%	(2,344)
+300	407,722	(79,238)	(16.27%)	14.39%	(1,627)
+200	436,856	(50,104)	(10.29%)	15.12%	(1,029)
+100	463,816	(23,144)	(4.75%)	15.76%	(475)
Level	486,960	—	— %	16.26%	—
-100	504,473	17,513	3.60%	16.57%	360
-200	516,696	29,736	6.11%	16.71%	611
-300	532,454	45,494	9.34%	16.93%	934
-400	555,954	68,994	14.17%	17.34%	1,417

(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.

Although an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, management believes that a gradual shift in interest rates would have a more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, EVE 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 the adverse impact of changes in interest rates.

At September 30, 2024, the EVE model indicated that the Bank was in compliance with the Board of Directors' approved Interest Rate Risk Policy.

Most Likely Earnings Simulation Models. Management also analyzes a most-likely earnings simulation scenario that projects the expected change in rates based on a forward yield curve adopted by management using expected balance sheet volumes forecasted by management. Separate growth assumptions are developed for loans, investments, deposits, etc. Other interest rate scenarios analyzed by management may include delayed rate shocks, yield curve steepening or flattening, or other variations in rate movements to further analyze or stress the balance sheet under various interest rate scenarios. Each scenario is evaluated by management and weighted to determine the most likely result. These processes assist management to better anticipate financial results and, as a result, management may determine the need to review other operating strategies and tactics which might enhance results or better position the balance sheet to reduce interest rate risk going forward.

Each of the above analyses may not, on its own, be an accurate indicator of how net interest income will be affected by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as interest rate caps and floors) which limit changes in interest rates. Prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the maturity of certain instruments. The ability of many borrowers to service their debts also may decrease during periods of rising interest rates. The ALCO Committee reviews each of the above interest rate sensitivity analyses along with several different interest rate scenarios as part of its responsibility to provide a satisfactory, consistent level of profitability within the framework of established liquidity, loan, investment, borrowing and capital policies.

Management's model governance, model implementation and model validation processes and controls are subject to review in the Bank's regulatory examinations to ensure they are in compliance with the most recent regulatory guidelines and industry and regulatory practices. Management utilizes a respected, sophisticated third party designed asset liability modeling software to help ensure implementation of management's assumptions into the model are processed as intended in a robust manner. That said, there are numerous assumptions regarding financial instrument behaviors that are integrated into the model. The assumptions are formulated by combining observations gleaned from the Bank's historical studies of financial instruments and the best estimations of how, if at all, these instruments may behave in the future given changes in economic conditions, technology, etc. These assumptions may prove to be inaccurate. Additionally, given the large number of assumptions built into Bank's asset liability modeling software, it is difficult, at best, to compare its results to other banks.

The ALCO Committee may determine that the Company should over time become more or less asset or liability sensitive depending on the underlying balance sheet circumstances and its conclusions regarding interest rate fluctuations in future periods. On September 18, 2024, the Federal Reserve announced that the target range for the federal funds rate decreased by 50 basis points to 4.75%-5.00% effective on September 19, 2024. It marked the first rate cut in over four years and signaled a shift in strategy aimed at bolstering the economy and preventing a rise in unemployment. The decrease in federal funds rate will be in response to lower inflation as well as a cooler job market. In a lower rate environment, the significant competitive pressures in our markets and the potential positive impact of these factors on our deposit and loan pricing, our net interest margin may be positively impacted. Our net interest income may also be positively impacted if the demand for loans increases due to the lower rates, alone or in tandem with lower inflation.

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 interest-earning assets maturing or repricing within a specific time period and the amount of 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 Company's interest-earning assets and its interest-bearing liabilities at September 30, 2024, 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 at September 30, 2024, 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.

	September 30, 2024 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	$ 123,751	$ 123,751	$ 123,751	$ 123,751	$ 123,751	$ —	$ 123,751	$ 32,061	$ 155,812
Securities [1]	42,597	79,136	132,855	186,961	321,398	209,720	531,118	(16,377)	514,741
Placement with banks	249	249	249	249	249	—	249	—	249
Net loans (includes LHFS)	239,202	390,711	751,544	1,265,719	2,015,959	171,675	2,187,634	2,263	2,189,897
FHLBNY stock	—	—	—	—	—	—	—	28,515	28,515
Other assets	—	—	—	—	—	—	—	126,755	126,755
Total	$ 405,799	$ 593,847	$ 1,008,399	$ 1,576,680	$ 2,461,357	$ 381,395	$ 2,842,752	$ 173,217	$ 3,015,969
Liabilities:									
Non-maturity deposits	$ 61,332	$ 122,664	$ 245,328	$ 490,659	$ 876,746	$ 71,371	948,117	$ 169,319	$ 1,117,436
Certificates of deposit	329,489	475,258	643,647	698,801	752,887	—	752,887	—	752,887
Borrowings	59,321	59,321	59,321	309,321	580,421	—	580,421	—	580,421
Other liabilities	—	—	—	—	—	—	—	60,636	60,636
Total liabilities	450,142	657,243	948,296	1,498,781	2,210,054	71,371	2,281,425	229,955	2,511,380
Capital	—	—	—	—	—	—	—	504,589	504,589
Total liabilities and capital	$ 450,142	$ 657,243	$ 948,296	$ 1,498,781	$ 2,210,054	$ 71,371	$ 2,281,425	$ 734,544	$ 3,015,969
Asset/liability gap	$ (44,343)	$ (63,396)	$ 60,103	$ 77,899	$ 251,303	$ 310,024	$ 561,327		
Gap/assets ratio	90.15 %	90.35 %	106.34 %	105.20 %	111.37 %	534.38 %	124.60 %		

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

The following table sets forth the Company's interest-earning assets and its interest-bearing liabilities at December 31, 2023, 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 at December 31, 2023, 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.

	December 31, 2023 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	$ 110,260	$ 110,260	$ 110,260	$ 110,260	$ 110,260	$ —	$ 110,260	$ 28,930	$ 139,190
Securities [1]	26,981	68,513	116,391	208,107	359,754	242,162	601,916	(20,266)	581,650
Placement with banks	249	249	249	249	249	—	249	—	249
Net loans (includes LHFS)	192,336	295,027	500,951	982,210	1,797,535	111,445	1,908,980	(3,114)	1,905,866
FHLBNY stock	19,392	19,392	19,392	19,392	19,392	—	19,392	(15)	19,377
Other assets	—	—	—	—	—	—	—	104,390	104,390
Total	$ 349,218	$ 493,441	$ 747,243	$ 1,320,218	$ 2,287,190	$ 353,607	$ 2,640,797	$ 109,925	$ 2,750,722
Liabilities:									
Non-maturity deposits	$ 43,026	$ 86,052	$ 172,104	$ 344,208	$ 647,511	$ 69,506	$ 717,017	$ 189,777	$ 906,794
Certificates of deposit	220,322	291,437	449,484	508,888	600,826	—	600,826	—	600,826
Borrowings	204,000	304,000	363,321	413,321	634,421	50,000	684,421	—	684,421
Other liabilities	—	—	—	—	—	—	—	67,286	67,286
Total liabilities	467,348	681,489	984,909	1,266,417	1,882,758	119,506	2,002,264	257,063	2,259,327
Capital	—	—	—	—	—	—	—	491,395	491,395
Total liabilities and capital	$ 467,348	$ 681,489	$ 984,909	$ 1,266,417	$ 1,882,758	$ 119,506	$ 2,002,264	$ 748,458	$ 2,750,722
Asset/liability gap	$ (118,130)	$ (188,048)	$ (237,666)	$ 53,801	$ 404,432	$ 234,101	$ 638,533		
Gap/assets ratio	74.72 %	72.41 %	75.87 %	104.25 %	121.48 %	295.89 %	131.89 %		

(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 EVE 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.

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. The Bank had $580.4 million and $380.4 million of outstanding term advances from FHLBNY at September 30, 2024 and December 31, 2023, respectively. The Bank had no overnight line of credit advance from the FHLBNY at September 30, 2024 and December 31, 2023.

Net (cash used) provided by in operating activities was ($15.7) million and $7.3 million for the nine months ended September 30, 2024 and 2023, respectively. Net cash used in investing activities, which consists primarily of disbursements for loan originations, purchase of loans, net purchase and redemption of FHLBNY stock and purchase of equipment offset by principal collections on loans and proceeds from maturities, calls and principal repayments on securities was ($226.1) million and ($240.1) million for the nine months ended September 30, 2024 and 2023, respectively. Net cash provided by financing activities, consisting of activities in borrowing, deposit accounts and dividends paid on preferred stock, was $258.4 million and $295.4 million for the nine months ended September 30, 2024 and 2023, respectively.

The Bank's management 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 September 30, 2024 and December 31, 2023, all regulatory capital requirements were met, resulting in the Company and the Bank being categorized as well capitalized at September 30, 2024 and December 31, 2023. Management is not aware of any conditions or events that would change this categorization.

Material Cash Requirements

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 September 30, 2024 and December 31, 2023, the Company had outstanding commitments to originate loans and extend credit of $486.5 million and $591.5 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 2024 totaled $329.5 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. There have been no material changes in the Company's material cash requirements under its contractual obligations as discussed in its most recent annual report on Form 10-K.

Dividend on Preferred Stock. Pursuant to the terms of its Preferred Stock, the Company is required to pay a quarterly dividend on its Preferred Stock, beginning during the quarter ended June 30, 2024. The floor dividend rate is 0.50% and the ceiling dividend rate is 2.00%, based on achievement of certain qualified lending targets. For quarterly dividends through June 15, 2025, the Company is required to pay quarterly dividends on the Preferred Stock at a rate of 0.50%.

Other Material Cash Requirements. In addition to contractual obligations, the Company's material cash requirements also includes compensation and benefits expenses for its employees, which were $23.2 million for the nine months ended September 30, 2024. The Company also has material cash requirements for occupancy and equipment expenses, excluding depreciation and amortization of $1.4 million, related to rental expenses, general maintenance and cleaning supplies, guard services, software licenses and other miscellaneous expenses, which were $9.6 million for the nine months ended September 30, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is included in Part I, Item 2 of this report under "Management of Market Risk".

Item 4. Controls and Procedures.

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2024. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective.

During the nine months ended September 30, 2024, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not involved in any pending legal proceedings as a plaintiff or a defendant other than routine legal proceeding occurring in the ordinary course of business. At September 30, 2024, the Company was not involved in any legal proceedings the outcome of which management believes would be material to its financial condition or results of operations.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors and other cautionary statements described under the heading "Item 1A. Risk Factors" included in our 2023 Form 10-K and the risk factors and other cautionary statements contained in our other SEC filings, which could materially affect our businesses, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. There have been no material changes in our Risk Factors from those disclosed in Item 1A of our 2023 Form 10-K or our other SEC filings.

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

None

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of Ponce Financial Group, Inc. (attached as Exhibit 3.1 to the Registrant's Form S-1 (File No. 333-258394) filed with the Commission on August 3, 2021).
3.2	Bylaws of Ponce Financial Group, Inc. (attached as Exhibit 3.2 to the Registrant's Form S-1 (File No. 333-258394) filed with the Commission on August 3, 2021).
3.3	Articles Supplementary to the Charter of Ponce Financial Group, Inc. (attached as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-41255) filed with the Commission on June 9, 2022).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*** Filed herewith.**

SIGNATURES

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

	Ponce Financial Group, Inc. (Registrant)
Date: November 7, 2024	By: /s/ Carlos P. Naudon **Carlos P. Naudon** **President and Chief Executive Officer**
Date: November 7, 2024	By: /s/ Sergio J. Vaccaro **Sergio J. Vaccaro** **Executive Vice President and Chief Financial Officer**

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carlos P. Naudon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ponce Financial Group, Inc.;

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

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

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

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

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

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

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

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

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

Date: November 7, 2024

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sergio J. Vaccaro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ponce Financial Group, Inc.;

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

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

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

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

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

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

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

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

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

Date: November 7, 2024

By: /s/ Sergio J. Vaccaro

Sergio J. Vaccaro
Executive Vice President
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Ponce Financial Group, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 7, 2024

By: /s/ Carlos P. Naudon
Carlos P. Naudon
President
Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Ponce Financial Group, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 7, 2024

By: /s/ Sergio J. Vaccaro
Sergio J. Vaccaro
Executive Vice President
Chief Financial Officer