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 March 31, 2021

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: 001-38224

PDL Community Bancorp

(Exact Name of Registrant as Specified in its Charter)

Federal	**82-2857928**
(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

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 ☒

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

As of May 11, 2021, the registrant had 17,327,942 shares of common stock, $0.01 par value per share, outstanding.

Table of Contents

		Page
PART I.	FINANCIAL INFORMATION	1
Item 1.	Consolidated Financial Statements	1
	Consolidated Statements of Financial Condition (Unaudited)	1
	Consolidated Statements of Operations (Unaudited)	2
	Consolidated Statements of Comprehensive Income (Unaudited)	3
	Consolidated Statements of Stockholders' Equity (Unaudited)	4
	Consolidated Statements of Cash Flows (Unaudited)	5
	Notes to Consolidated Financial Statements (Unaudited)	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	47
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	67
Item 4.	Controls and Procedures	67
PART II.	OTHER INFORMATION	68
Item 1.	Legal Proceedings	68
Item 1A.	Risk Factors	68
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	68
Item 3.	Defaults Upon Senior Securities	68
Item 4.	Mine Safety Disclosures	68
Item 5.	Other Information	69
Item 6.	Exhibits	70
Signatures		72

PART I—FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Financial Condition (Unaudited)
March 31, 2021 and December 31, 2020
(Dollars in thousands, except share data)

	March 31, 2021	December 31, 2020
ASSETS		
Cash and due from banks (Note 3):		
Cash	$ 13,551	$ 26,936
Interest-bearing deposits in banks	76,571	45,142
Total cash and cash equivalents	90,122	72,078
Available-for-sale securities, at fair value (Note 4)	30,929	17,498
Held-to-maturity securities, at amortized cost (fair value of $1,661) (Note 4)	1,732	1,743
Placements with banks	2,739	2,739
Mortgage loans held for sale, at fair value	13,725	35,406
Loans receivable, net of allowance for loan losses - 2021 $15,508; 2020 $14,870 (Note 5)	1,230,458	1,158,640
Accrued interest receivable	12,547	11,396
Premises and equipment, net (Note 6)	33,625	32,045
Federal Home Loan Bank of New York stock (FHLBNY), at cost	6,057	6,426
Deferred tax assets (Note 9)	4,569	4,656
Other assets	7,204	12,604
Total assets	$ 1,433,707	$ 1,355,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 7)	$ 1,138,546	$ 1,029,579
Accrued interest payable	66	60
Advance payments by borrowers for taxes and insurance	9,264	7,019
Advances from the Federal Home Loan Bank of New York and others (Note 8)	109,255	117,255
Warehouse lines of credit (Note 8)	11,664	29,961
Mortgage loan fundings payable (Note 8)	676	1,483
Other liabilities	3,032	10,330
Total liabilities	1,272,503	1,195,687
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value; 50,000,000 shares authorized; 18,463,028 shares issued and 17,018,252 shares outstanding as of March 31, 2021 and 18,463,028 shares issued and 17,125,969 shares outstanding as of December 31, 2020	185	185
Treasury stock, at cost; 1,444,776 shares as of March 31, 2021 and 1,337,059 shares as of December 31, 2020 (Note 10)	(19,285)	(18,114)
Additional paid-in-capital	85,470	85,105
Retained earnings	99,993	97,541
Accumulated other comprehensive income (Note 15)	28	135
Unearned compensation ─ ESOP; 518,688 shares as of March 31, 2021 and 530,751 shares as of December 31, 2020 (Note 10)	(5,187)	(5,308)
Total stockholders' equity	161,204	159,544
Total liabilities and stockholders' equity	$ 1,433,707	$ 1,355,231

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Operations (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands, except share data)

	For the Three Months Ended March 31,	
	2021	2020
Interest and dividend income:		
Interest on loans receivable	$ 14,925	$ 12,782
Interest on deposits due from banks	2	66
Interest and dividend on available-for-sale securities and FHLBNY stock	250	182
Total interest and dividend income	15,177	13,030
Interest expense:		
Interest on certificates of deposit	1,219	1,827
Interest on other deposits	382	692
Interest on borrowings	684	587
Total interest expense	2,285	3,106
Net interest income	12,892	9,924
Provision for loan losses (Note 5)	686	1,146
Net interest income after provision for loan losses	12,206	8,778
Non-interest income:		
Service charges and fees	329	248
Brokerage commissions	223	50
Late and prepayment charges	244	119
Income on sale of mortgage loans	1,508	—
Loan origination	539	—
Gain on sale of real property	663	—
Other	387	205
Total non-interest income	3,893	622
Non-interest expense:		
Compensation and benefits	5,664	5,008
Occupancy and equipment	2,634	2,017
Data processing expenses	594	467
Direct loan expenses	1,009	212
Insurance and surety bond premiums	146	121
Office supplies, telephone and postage	409	316
Professional fees	1,262	1,627
Marketing and promotional expenses	38	234
Directors fees	69	69
Regulatory dues	60	46
Other operating expenses	1,030	705
Total non-interest expense	12,915	10,822
Income (loss) before income taxes	3,184	(1,422)
Provision (benefit) for income taxes (Note 9)	732	(209)
Net income (loss)	$ 2,452	$ (1,213)
Earnings (loss) per share (Note 11):		
Basic	$ 0.15	$ (0.07)
Diluted	$ 0.15	$ (0.07)
Weighted average shares outstanding (Note 11):		
Basic	16,548,196	16,800,538
Diluted	16,548,196	16,800,538

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands)

	For the Three Months Ended March 31,	
	2021	2020
Net income (loss)	$ 2,452	$ (1,213)
Net change in unrealized gains (loss) on available-for-sale securities :		
Unrealized gains (loss)	(80)	115
Income tax effect	(27)	(25)
Total other comprehensive income (loss), net of tax	(107)	90
Total comprehensive income (loss)	$ 2,345	$ (1,123)

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Stockholders' Equity (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands, except share data)

	Common Stock		Treasury Stock, At Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unallocated Common Stock of ESOP	Total
	Shares	Amount						
Balance, December 31, 2019	17,451,134	$ 185	$ (14,478)	$ 84,777	$ 93,688	$ 20	$ (5,790)	$ 158,402
Net income	—	—	—	—	(1,213)	—	—	(1,213)
Other comprehensive loss, net of tax	—	—	—	—	—	90	—	90
Treasury stock	(151,394)		(2,012)					(2,012)
ESOP shares committed to be released (12,063 shares)	—	—	—	3	—	—	121	124
Restricted stock awards				323				323
Stock options				29				29
Balance, March 31, 2020	17,299,740	$ 185	$ (16,490)	$ 85,132	$ 92,475	$ 110	$ (5,669)	$ 155,743
Balance, December 31, 2020	17,125,969	$ 185	$ (18,114)	$ 85,105	$ 97,541	$ 135	$ (5,308)	$ 159,544
Net income	—	—	—	—	2,452	—	—	2,452
Other comprehensive income, net of tax	—	—	—	—	—	(107)	—	(107)
Treasury stock	(107,717)	—	(1,171)	—	—	—	—	(1,171)
ESOP shares committed to be released (12,063 shares)	—	—	—	13	—	—	121	134
Restricted stock awards	—	—	—	319	—	—	—	319
Stock options	—	—	—	33	—	—	—	33
Balance, March 31, 2021	17,018,252	$ 185	$ (19,285)	$ 85,470	$ 99,993	$ 28	$ (5,187)	$ 161,204

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

PDL Community Bancorp and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Dollars in thousands)

	Three Months Ended March 31, 2021	2020
Cash Flows From Operating Activities:		
Net income (loss)	$ 2,452	$ (1,213)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of premiums/discounts on securities, net	20	2
Loss on sale of loans	152	—
Gain on sale of real property	(663)	—
Gain on derivatives	(59)	—
Provision for loan losses	686	1,146
Depreciation and amortization	603	602
ESOP compensation	157	156
Share-based compensation expense	352	352
Deferred income taxes	254	(441)
Changes in assets and liabilities:		
Decrease in mortgage loans held for sale, fair value	20,649	—
Increase in accrued interest receivable	(1,151)	(216)
Decrease (increase) in other assets	5,459	(3,506)
Increase (decrease) in accrued interest payable	6	(11)
Increase in advance payments by borrowers	2,245	1,947
Decrease in mortgage loan fundings payable	(807)	—
(Decrease) increase in other liabilities	(7,744)	2,439
Net cash provided by operating activities	22,611	1,257
Cash Flows From Investing Activities:		
Proceeds from redemption of FHLBNY stock	399	2,039
Purchases of FHLBNY Stock	(30)	(4,193)
Purchases of available-for-sale securities	(14,123)	(8,685)
Proceeds from sale of available-for-sale securities	—	8,875
Proceeds from maturities, calls and principal repayments on available-for-sale securities	634	2,148
Proceeds from sales of loans	880	3,530
Net increase in loans	(72,504)	(21,918)
Proceeds from sale of real property	2,417	—
Purchases of premises and equipment	(3,739)	(336)
Net cash used in investing activities	(86,066)	(18,540)
Cash Flows From Financing Activities:		
Net increase in deposits	108,967	47,698
Repurchase of treasury stock	(1,171)	(2,012)
Proceeds from advances from FHLBNY	500	123,630
Repayments of advances from FHLBNY	(8,500)	(75,750)
Net advances on warehouse lines of credit	(18,297)	—
Net cash provided by financing activities	81,499	93,566
Net increase in cash and cash equivalents	18,044	76,283
Cash and Cash Equivalents including restricted cash:		
Beginning	72,078	27,677
Ending	$ 90,122	$ 103,960
Supplemental disclosures of cash flow information:		
Cash paid for interest on deposits and borrowings	$ 2,279	$ 3,117
Cash paid for income taxes	$ 50	$ 91

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

Note 1. Nature of Business and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation:

The unaudited interim Consolidated Financial Statements of PDL Community Bancorp (the "Company") presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by the U.S. generally accepted accounting principles ("GAAP"). In the opinion of management, all adjustments and disclosures considered necessary for the fair presentation of the accompanying Consolidated Financial Statements have been included. Interim results are not necessarily reflective of the results for the entire year. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2020 included in the Company's annual report on Form 10-K.

The unaudited interim Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiaries Ponce Bank (the "Bank") and Mortgage World Bankers, Inc. ("Mortgage World"), and the Bank's wholly-owned subsidiaries. The Bank's subsidiaries consist of PFS Service Corp., which owns one of the Bank's real property, and Ponce De Leon Mortgage Corp., which is a mortgage banking entity. All significant intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations:

The Company is a financial holding company formed on September 29, 2017 in connection with the reorganization of the Bank into a mutual holding company structure. The Company is subject to the regulation and examination by the Board of Governors of the Federal Reserve. The Company's business is conducted through the administrative office and 19 mortgage and banking offices. The banking offices are located in New York City – the Bronx (4 branches), Manhattan (2 branches), Queens (3 branches), Brooklyn (3 branches) and Union City (1 branch), New Jersey. The mortgage offices are located in Nassau County (1), Queens (2) and Brooklyn (1), New York and Englewood Cliffs (1) and Bergenfield (1), New Jersey. The Company's primary market area currently consists of the New York City metropolitan area.

The Bank is a federally chartered stock savings association headquartered in the Bronx, New York. It was originally chartered in 1960 as a federally chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, the Bank changed its name to "Ponce De Leon Federal Savings Bank." In 1997, the Bank changed its name again to "Ponce De Leon Federal Bank." Upon the completion of its reorganization into a mutual holding company structure, the assets and liabilities of Ponce De Leon Federal Bank were transferred to and assumed by the Bank. The Bank is a Minority Depository Institution, a Community Development Financial Institution, and a certified Small Business Administration lender. The Bank is subject to comprehensive regulation and examination by the Office of Comptroller of the Currency (the "OCC").

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

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

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties:

The COVID-19 pandemic continues to disrupt the global and U.S. economies and as well as the lives of individuals throughout the world. The New York City Metropolitan area continues to experience cases of the COVID-19 pandemic. Governments, businesses, and the public are taking unprecedented actions to contain the spread of the COVID-19 pandemic and to mitigate its effects, including vaccinations and quarantines and to certain extent limitation to travel.

The financial impact of the COVID-19 pandemic is still unknown at this time. However, if the pandemic continues for a sustained period of time, it may continue to adversely impact several industries within our geographic footprint and impair the ability of the Company’s customers to fulfill their contractual obligations to the Company. This could cause the Company to experience a material adverse effect on its business operations, loan portfolio, financial condition, and results of operations. During the three months ended March 31, 2021, the provision for loan losses increased by $685,689 primarily due to increases in qualitative reserves as the Company continues to assess the economic impacts the COVID-19 pandemic has on its local economy and its loan portfolio. Therefore, there is a reasonable probability that the Company’s allowance for loan losses as of March 31, 2021 may change thereafter and could result in a material adverse change to the Company’s provision for loan losses, earnings and capital.

Summary of Significant Accounting Policies:

Use of Estimates: In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the consolidated statement of financial condition, and revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of loans held for sale, the valuation of deferred tax assets and investment securities and the estimates relating to the valuation for share-based awards.

Interim Financial Statements: The interim consolidated financial statements at March 31, 2021, and for the three months ended March 31, 2021 and 2020 are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2021, are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2021, or any other period.

Significant Group Concentrations of Credit Risk: Most of the Bank's activities are with customers located within New York City. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and Mortgage World’s ability to sell originated loans in the secondary markets are susceptible to changes in the local market conditions. Note 4 discusses the types of securities that the Bank invests in. Notes 5 and 12 discuss the types of lending that the Bank engages in, and other concentrations.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and amounts due from banks (including items in process of clearing). For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash flows from loans originated by the Company, interest-bearing deposits in financial institutions, and deposits are reported net. Included in cash and cash equivalents are restricted cash from escrows and good faith deposits. Escrows consist of U.S. Department of Housing and Urban Development (“HUD”) upfront mortgage insurance premiums and escrows on unsold mortgages that are held on behalf of borrowers. Good faith deposits consist of deposits received from commercial loan customers for use in various disbursements relating to the closing of a commercial loan. Restricted cash are included in cash and cash equivalents for purposes of the consolidated statement of cash flows.

Securities: Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each statement of financial condition date.

Debt securities that management has the positive intent and ability to hold to maturity, if any, are classified as "held-to-maturity" and recorded at amortized cost. Trading securities, if any, are carried at fair value, with unrealized gains and losses recognized in earnings.

Securities not classified as held-to-maturity or trading, are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of tax. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the consolidated statement of operations and (2) OTTI related to other factors, which is recognized in other comprehensive income.

The credit loss is defined as the difference between the discounted present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. The sale of a held-to-maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Federal Home Loan Bank of New York Stock: The Bank is a member of the FHLBNY. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLBNY stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans Receivable: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at current unpaid principal balances, net of the allowance for loan losses and including net deferred loan origination fees and costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

A loan is moved to nonaccrual status in accordance with the Company's policy typically after 90 days of non-payment. The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan becomes 90 days past due unless the loan is well-secured and in process of collection. Consumer loans are typically charged-off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off if collection of principal or interest is considered doubtful. All nonaccrual loans are considered impaired loans.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash basis or recorded against principal balances, until qualifying for return to accrual. Cash basis interest recognition is only applied on nonaccrual loans with a sufficient collateral margin to ensure no doubt with respect to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and remain current for a period of time (typically six months) and future payments are reasonably assured. Accrued interest receivable is closely monitored for collectability and will be charged-off in a timely manner if deemed uncollectable.

Allowance for Loan Losses: The allowance for loan losses ("ALLL") is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off. The Company's assessment of the economic impact of the COVID-19 pandemic on borrowers indicates that it is likely that it will be a detriment to their ability to repay in the short-term and that the likelihood of long-term detrimental effects depends significantly on the resumption of normalized economic activities, a factor not yet determinable.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are measured for impairment using the fair value of the collateral, present value of cash flows, or the observable market price of the note. Impairment measurement for all collateral dependent loans, excluding accruing troubled debt restructurings, is based on the fair value of collateral, less costs to sell, if necessary. A loan is considered collateral dependent if repayment of the loan is expected to be provided solely by the sale or the operation of the underlying collateral.

When a loan is modified to troubled debt restructured, management evaluates for any possible impairment by using the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs, if repayment under the modified terms becomes doubtful.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced over a rolling 12 quarter average period. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. These risk categories and relevant risk characteristics are as follows:

Residential and Multifamily Mortgage Loans: Residential and multifamily mortgage loans are secured by first mortgages. These loans are typically underwritten with loan-to-value ratios ranging from 65% to 90%. The primary risks involved in residential mortgages are the borrower's loss of employment, or other significant event, that negatively impacts the source of repayment. Additionally, a serious decline in home values could jeopardize repayment in the event that the underlying collateral needs to be liquidated to pay-off the loan.

Nonresidential Mortgage Loans: Nonresidential mortgage loans are primarily secured by commercial buildings, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, restaurants and nursing homes. These loans are typically underwritten at no more than 75% loan-to-value ratio. Although terms vary, commercial real estate loans generally have amortization periods of 15 to 30 years, as well as balloon payments due in 10 to 15 years, and terms which provide that the interest rates are adjusted on a 5-year schedule.

Construction and Land Loans: Construction real estate loans consist of vacant land and property that is in the process of improvement. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that government approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs. Construction real estate loans generally have terms of six months to two years during the construction period with fixed rates or interest rates based on a designated index and generally have a conversion to permanent financing feature.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Business Loans: Business loans are loans for commercial, corporate and business purposes, including issuing letters of credit. These loans are secured by business assets or may be unsecured and repayment is directly dependent on the successful operation of the borrower's business and the borrower's ability to convert the assets to operating revenue. They possess greater risk than most other types of loans because the repayment capacity of the borrower may become inadequate. Business loans generally have terms of five to seven years or less and interest rates that float in accordance with a designated published index. Substantially, all such loans are backed by the personal guarantees of the owners of the business.

Consumer Loans: Consumer loans generally have higher interest rates than mortgage loans. The risk involved in consumer loans is the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans include passbook loans and other secured and unsecured loans that have been made for a variety of consumer purposes.

Mortgage Loans Held for Sale: Mortgage loans held for sale, at fair value, include residential mortgages that were originated in accordance with secondary market pricing and underwriting standards. These loans are originated by Mortgage World which the Company intends to sell on the secondary market. Mortgage loans held for sale are carried at fair value under the fair value option accounting guidance for financial assets and financial liabilities. The gains or losses for the changes in fair value of these loans are included in income on sale of mortgage loans on the consolidated statements of operations. Interest income on mortgage loans held for sale measured under the fair value option is calculated based on the principal amount of the loan and is included in interest on loans receivable on the consolidated statements of operations.

The Bank loans held for sale are earmarked for investor purchase and are reported at the lower of cost or fair value as determined by investor bid prices. Sales of loans occur from time to time as part of strategic business or regulatory compliance initiatives. Bank loans held for sale are sold without recourse and servicing released. When a Bank loan is transferred from portfolio to held-for-sale and the fair value is less than cost, a charge-off is recorded against the allowance for loan losses. Subsequent declines in fair value, if any, are charged against earnings.

Derivative Financial Instruments: The Company, through Mortgage World, uses derivative financial instruments as a part of its price risk management activities. All such derivative financial instruments are designated as free-standing derivative instruments. In accordance with FASB ASC 815-25, Derivatives and Hedging, all derivative instruments are recognized as assets or liabilities on the balance sheet at their fair value. Changes in the fair value of these derivatives are reported in current period earnings.

Additionally, to facilitate the sale of mortgage loans, Mortgage World may enter into forward sale positions on securities, and mandatory delivery positions. Exposure to losses or gains on these positions is limited to the net difference between the calculated amounts to be received and paid. As of March 31, 2021, the Company did not enter into any forward sale or mandatory delivery positions on their financial instruments.

Revenue from Contracts with Customers: The Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company's primary source of revenue is interest income on financial assets and income from mortgage banking activities, which are explicitly excluded from the scope of ASC 606.

COVID-19 Pandemic and the CARES Act: On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. Section 4013 of the CARES Act, "Temporary Relief from Troubled Debt Restructurings," provides banks the option to temporarily suspend certain requirements under GAAP related to troubled debt restructurings ("TDR") for a limited period of time to account for the effects of the COVID-19 pandemic. Additionally, on April 7, 2020, the banking agencies, including the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, issued a statement, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)" ("Interagency Statement"), to encourage banks to work prudently with borrowers and to describe the agencies' interpretation of how accounting rules under ASC 310-40, "Troubled Debt Restructurings by Creditors," apply to certain of the COVID-19 pandemic related modifications. Further, on August 3, 2020, the Federal Financial Institutions Examination Council issued a Joint Statement on Additional Loan Accommodations related to the COVID-19 pandemic, to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods.

Under the CARES Act and related Interagency Statement, the Company may temporarily suspend its delinquency and nonperforming treatment for certain loans that have been granted a payment accommodation that facilitates borrowers' ability to work through the immediate impact of the pandemic. Borrowers who were current prior to becoming affected by the COVID-19 pandemic, then receive payment accommodations as a result of the effects of the COVID-19 pandemic and if all payments are current in accordance with the revised terms of the loan, generally would not be reported as past due. The Company has chosen to utilize this part of the CARES Act as it relates to delinquencies and nonperforming loans and does not report these loans as past due.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Under Section 4013 of the CARES Act, modifications of loan terms do not automatically result in TDRs and the Company generally does not need to categorize the COVID-19 pandemic-related modifications as TDRs. The Company may elect not to categorize loan modifications as TDRs if they are (1) related to the COVID-19 pandemic; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020. The termination date was extended by the Consolidated Appropriations Act of 2021, to the earlier of 60 days after the date of termination of the National Emergency or January 1, 2022. For all other loan modifications, the federal banking agencies have confirmed with staff of the Financial Accounting Standards Board ("FASB") that short-term modifications made on a good faith basis in response to the COVID-19 pandemic to borrowers who were current prior to any relief, are not TDRs.

This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports, including this Form 10-Q. The Company has chosen to utilize this section of the CARES Act and does not report the COVID-19 pandemic related modifications as TDRs.

Under the CARES Act and related Interagency Statement, in regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to the COVID-19 pandemic as past due because of the deferral. A loan's payment date is governed by the due date stipulated in the legal agreement. If a financial institution agrees to a payment deferral, this may result in no contractual payments being past due, and these loans are not considered past due during the period of the deferral. Each financial institution should refer to the applicable regulatory reporting instructions, as well as its internal accounting policies, to determine if loans to distressed borrowers should be reported as nonaccrual assets in regulatory reports. However, during the short-term arrangements, these loans generally should not be reported as nonaccrual. The Company has elected to follow this guidance of the CARES Act and reports loans that have been granted payment deferrals as current so long as they were current at the time the deferral was granted.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset, (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership, (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through either (a) an agreement to repurchase them before their maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Premises and Equipment: Premises and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed and charged to operations using the straight-line method over the estimated useful lives of the respective assets as follows:

	Years
Building	39
Building improvements	15 - 39
Furniture, fixtures, and equipment	3 - 10

Leasehold improvements are amortized over the shorter of the improvements’ estimated economic lives or the related lease terms, including extensions expected to be exercised. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Leasehold improvements in process are not amortized until the assets are placed in operation.

Impairment of Long-Lived Assets: Long-lived assets, including premises and leasehold improvements, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Other Real Estate Owned: Other Real Estate Owned ("OREO") represents properties acquired through, or in lieu of, loan foreclosure or other proceedings. OREO is initially recorded at fair value, less estimated disposal costs, at the date of foreclosure, which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value, less estimated costs of disposal. Any write-down to fair value, at the time of transfer to OREO, is charged to the allowance for loan losses.

Properties are evaluated regularly to ensure that the recorded amounts are supported by current fair values and charges against earnings are recorded as necessary to reduce the carrying amount to fair value, less estimated costs to dispose. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the OREO, while costs relating to holding the property are expensed. Gains or losses are included in operations upon disposal.

Income Taxes: The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income, or other applicable basis of taxation, in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the consolidated statements of operations.

Related Party Transactions: Directors and officers of the Company and their affiliates have been customers of and have had transactions with the Company, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risk of collectability, nor favored treatment or terms, nor present other unfavorable features. Note 16 contains details regarding related party transactions.

Employee Benefit Plans: The Company maintains a KSOP, an Employee Stock Ownership Plan with 401(k) provisions incorporated, a Long-Term Incentive Plan that includes grants of restricted stock units and stock options, and a Supplemental Executive Retirement Plan (the "SERP").

KSOP, the Employee Stock Ownership Plan with 401(k) Provisions: Compensation expense is recorded as shares are committed to be released with a corresponding credit to unearned KSOP equity account at the average fair market value of the shares during the period and the shares become outstanding for earnings per share computations. Compensation expense is recognized ratably over the service period based upon management's estimate of the number of shares expected to be allocated by the KSOP. The difference between the average fair market value and the cost of the shares allocated by the KSOP is recorded as an adjustment to additional paid-in-capital. Unallocated common shares held by the Company's KSOP are shown as a reduction in stockholders' equity and are excluded from weighted-average common shares outstanding for both basic and diluted earnings per share calculations until they are committed to be released. The 401(k) provisions provide for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided.

Stock Options: The Company recognizes the value of shared-based payment transactions as compensation costs in the financial statements over the period that an employee provides service in exchange for the award. The fair value of the share-based payments for stock options is estimated using the Black-Scholes option-pricing model. The Company accounts for forfeitures as they occur during the period.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Restricted Stock Units: The Company recognizes compensation cost related to restricted stock units based on the market price of the stock units at the grant date over the vesting period. The product of the number of units granted and the grant date market price of the Company's common stock determines the fair value of restricted stock units. The Company recognizes compensation expense for the fair value of the restricted stock units on a straight-line basis over the requisite service period.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), which are both recognized as separate components of equity. Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the operations and financial position of the Company.

Fair Value of Financial Instruments: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Segment Reporting: The Company's business is conducted through two business segments: Ponce Bank, which involves the delivery of loan and deposit products to customers, and Mortgage World, which consists of mortgage underwriting and selling such mortgages to investors. Accordingly, all of the financial service operations are considered by management to be aggregated in two reportable operating segments as more fully disclosed in Note 17.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Earnings (Loss) per Share ("EPS"): Basic EPS represents net income (loss) attributable to common shareholders divided by the basic weighted average common shares outstanding. Diluted EPS is computed by dividing net income (loss) attributable to common shareholders by the basic weighted average common shares outstanding, plus the effect of potential dilutive common stock equivalents outstanding during the period. Basic weighted common shares outstanding is weighted average common shares outstanding less weighted average unallocated ESOP shares.

Treasury Stock: Shares repurchased under the Company's share repurchase programs were purchased in open-market transactions and are held as treasury stock. The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders' equity.

Reclassification of Prior Year Presentation: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reporting results of operations and did not affect previously reported amounts in the Consolidated Statements of Operations.

Recent Accounting Pronouncements:

As an emerging growth company ("EGC") as defined in Rule 12b-2 of the Exchange Act, the Company has elected to use the extended transition period to delay the adoption of new or reissued accounting pronouncements applicable to public business entities until such pronouncements are made applicable to nonpublic business entities. As of March 31, 2021, there is no significant difference in the comparability of the consolidated financial statements as a result of this extended transition period.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* This ASU requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. To date, the Company has identified its leased office spaces as within the scope of the guidance. The Company currently leases 14 branches and mortgage offices and the new guidance will result in the establishment of a right to use asset and corresponding lease obligations. The Company continues to evaluate the impact of the guidance, including determining whether other contracts exist that are deemed to be in scope and subsequent related accounting standard updates. The Company has established a project committee and has initiated training on ASU 2016-02. The Company is performing preliminary computations of its right to use asset and corresponding lease obligations for the operating leases of its 14 leased branches and mortgage offices.

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments.*" This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard is to replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, is to apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also reportedly simplifies the accounting model for purchased credit-impaired debt, securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, for public business entities, that are not deemed to be smaller reporting companies as defined by the SEC as of November 15, 2019. As the Company is taking advantage of the extended transition period for complying with new or revised accounting standards assuming it remains an EGC, it will adopt the amendments in this update for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Entities have to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach).

Although early adoption is permitted, the Company does not expect to elect that option. The Company has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. As a result of the required change in approach toward determining estimated credit losses from the current "incurred loss" model to one based on estimated cash flows over a loan's contractual life, adjusted for prepayments (a "life of loan" model), the Company expects that the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration loan portfolios. The Company also expects that the new guidance may result in an allowance for available-for-sale debt securities. The Company has selected the CECL model and has begun running scenarios. In both cases, the extent of the change is indeterminable at this time as it will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time.

In March 2017, the FASB issued ASU 2017-08 *"Receivables – Non-Refundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities."* The ASU requires premiums on callable debt securities to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018 for public business entities. Early adoption is permitted beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted the amendments in this update for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. ASU 2017-08 did not have a material impact on the Company's consolidated financial position, results of operations or disclosures.

In August 2018, the FASB issued ASU 2018-13, "*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*." This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019, and early adoption is permitted. The Company adopted this standard, which had no material effect on the Company's consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In December 2019, the FASB issued ASU 2019-12 "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*." The objective of this update is to simplify the accounting for income taxes by removing certain exceptions to the general principles and improve consistent application and simplify other areas of Topic 740. The amendments in this update are effective for annual periods beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted this standard, which had no material effect on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *"Reference Rate Reform (Topic 848)."* This ASU provides optional means and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of the reference rate reform. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The Company believes this update will not have a material impact on the consolidated financial statements.

Note 2. Business Acquisition

On July 10, 2020, the Company completed its acquisition of 100 percent of the shares of common stock of Mortgage World. The shareholders of Mortgage World received total consideration of $1.8 million in cash. The acquisition was accounted for using the acquisition method of accounting, and accordingly, assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. Mortgage World's results of operations have been included in the Company's Consolidated Statements of Operations since July 10, 2020.

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

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed of Mortgage World:

	Fair Value
	(Dollars in thousands)
Fair value of acquisition consideration	$ 1,755
Assets:	
Cash and cash equivalents	750
Mortgage loans held for sale, at fair value	10,549
Premises and equipment, net	302
Other assets	772
Total assets	$ 12,373
Liabilities:	
Warehouse lines of credit	$ 9,135
Mortgage loans fundings payable	1,237
Other liabilities	246
Total Liabilities	$ 10,618
Net assets	$ 1,755

Note 3. Restrictions on Cash and Due from Banks

The Bank was previously required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The Bank had $10.1 million and $24.5 million in cash to cover its minimum reserve requirement of $0 at March 31, 2021, and December 31, 2020. Effective March 26, 2020, the Federal Reserve Board eliminated reserve requirement for depository institutions to support lending to households and businesses.

Cash and cash equivalents include Mortgage World restricted cash which consists of escrows due to HUD for upfront mortgage insurance premiums and escrows on unsold mortgages that are held on behalf of borrowers and good faith deposits received from commercial loan customers relating to the closing of a commercial loan. As of March 31, 2021 and December 31, 2020, the total amount of restricted cash was $70,172 and $150,407, respectively, and these were reflected on the consolidated statements of financial condition.

Note 4. Available-for-Sale Securities

The amortized cost, gross unrealized gains and losses, and fair value of securities at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-Sale Securities:				
U.S. Government Bonds	$ 2,978	$ 10	$ —	$ 2,988
Corporate Bonds	13,408	158	(9)	13,557
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations	7,044	—	(69)	6,975
FNMA Certificates	7,161	71	(71)	7,161
GNMA Certificates	241	7	—	248
Total available-for-sale securities	$ 30,832	$ 246	$ (149)	$ 30,929
Held-to-Maturity Securities:				
FHLMC Certificates	$ 1,732	$ —	$ (71)	$ 1,661
Total held-to-maturity securities	$ 1,732	$ —	$ (71)	$ 1,661

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-Sale Securities:				
Corporate Bonds	$ 10,381	$ 95	$ (13)	$ 10,463
Mortgage-Backed Securities:				
FHLMC Certificates	3,201	—	(5)	3,196
FNMA Certificates	3,506	61	—	3,567
GNMA Certificates	263	9	—	272
Total available-for-sale securities	$ 17,351	$ 165	$ (18)	$ 17,498
Held-to-Maturity Securities:				
FHLMC Certificates	$ 1,743	$ —	$ (21)	$ 1,722
Total held-to-maturity securities	$ 1,743	$ —	$ (21)	$ 1,722

There was one security classified as held-to-maturity as of March 31, 2021 and December 31, 2020. There were no available-for-sale securities and held-to-maturity securities sold during the three months ended March 31, 2021 and for the year ended December 31, 2020. No securities matured and/or were called during the three months ended March 31, 2021 and $17.8 million matured and/or were called during the year ended December 31, 2020. The Company purchased $14.1 million in available-for-sale securities during the three months ended March 31, 2021 and $13.6 million in available-for-sale securities and $1.7 million in held-to-maturity securities during the year ended December 31, 2020.

Note 4. Available-for-Sale Securities (Continued)

The following table presents the Company's gross unrealized losses and fair values of its securities, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at March 31, 2021 and December 31, 2020:

	March 31, 2021					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More			
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Total Fair Value	Total Unrealized Losses
	(Dollars in thousands)					
Available-for-Sale Securities:						
Corporate Bonds	$ 2,716	$ (9)	$ —	$ —	$ 2,716	$ (9)
Mortgage-Backed						
Collateralized Mortgage Obligations	6,975	(69)	—	—	6,975	(69)
FNMA Certificates	4,070	(71)	—	—	4,070	(71)
Total available-for-sale securities	$ 13,761	$ (149)	$ —	$ —	$ 13,761	$ (149)
Held-to-Maturity Securities:						
FHLMC Certificates	$ 1,661	$ (71)	$ —	$ —	$ 1,661	$ (71)
Total held-to-maturity securities	$ 1,661	$ (71)	$ —	$ —	$ 1,661	$ (71)

	December 31, 2020					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More			
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Total Fair Value	Total Unrealized Losses
	(Dollars in thousands)					
Available-for-Sale Securities:						
Corporate Bonds	$ 1,717	$ (13)	$ —	$ —	$ 1,717	$ (13)
Mortgage-Backed						
FHLMC Certificates	3,196	(5)	—	—	3,196	(5)
Total available-for-sale securities	$ 4,913	$ (18)	$ —	$ —	$ 4,913	$ (18)
Held-to-Maturity Securities:						
FHLMC Certificates	$ 1,722	$ (21)	$ —	$ —	$ 1,722	$ (21)
Total held-to-maturity securities	$ 1,722	$ (21)	$ —	$ —	$ 1,722	$ (21)

The Company’s investment portfolio had twelve and eight available-for-sale securities at March 31, 2021 and December 31, 2020, respectively, and one held-to-maturity security at March 31, 2021 and December 31, 2020. At March 31, 2021 and December 31, 2020, the Company had five and three available-for-sale securities, respectively, and one held-to-maturity security at March 31, 2021 and December 31, 2020 with gross unrealized loss positions. Management reviewed the financial condition of the entities underlying the securities at both March 31, 2021 and December 31, 2020 and determined that they are not other than temporarily impaired because the unrealized losses in those securities relate to market interest rate changes. The Company has the ability to hold them and does not have the intent to sell these securities, and it is not more likely than not that the Company will be required to sell these securities, before recovery of the cost basis. In addition, management also considers the issuers of the securities to be financially sound and believes the Company will receive all contractual principal and interest related to these investments.

Note 4. Available-for-Sale Securities (Continued)

The following is a summary of maturities of securities at March 31, 2021 and December 31, 2020. Amounts are shown by contractual maturity. Because borrowers for mortgage-backed securities have the right to prepay obligations with or without prepayment penalties, at any time, these securities are included as a total within the table.

	March 31, 2021	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Available-for-Sale Securities:		
U.S. Government Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
After three months through one year	—	—
After one year through five years	2,978	2,988
More than five years through ten years	—	—
	2,978	2,988
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
After three months through one year	—	—
After one year through five years	2,656	2,715
More than five years through ten years	10,752	10,842
	13,408	13,557
Mortgage-Backed Securities	14,446	14,384
Total available-for-sale securities	$ 30,832	$ 30,929
Held-to-Maturity Securities:		
FHLMC Certificates	$ 1,732	$ 1,661
Total held-to-maturity securities	$ 1,732	$ 1,661

	December 31, 2020	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Available-for-Sale Securities:		
Corporate Bonds:		
Amounts maturing:		
Three months or less	$ —	$ —
After three months through one year	—	—
After one year through five years	2,651	2,728
More than five years through ten years	7,730	7,735
	10,381	10,463
Mortgage-Backed Securities	6,970	7,035
Total available-for-sale securities	$ 17,351	$ 17,498
Held-to-Maturity Securities:		
FHLMC Certificates	$ 1,743	$ 1,722
Total held-to-maturity securities	$ 1,743	$ 1,722

There were no securities pledged at March 31, 2021 and December 31, 2020.
The held-to-maturity securities held at March 31, 2021 and December 31, 2020 will mature on October 1, 2050.

Note 5. Loans Receivable and Allowance for Loan Losses

Loans receivable at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Mortgage loans:		
1-4 Family residential		
Investor-Owned	$ 317,895	$ 319,596
Owner-Occupied	99,985	98,795
Multifamily residential	315,078	307,411
Nonresidential properties	215,340	218,929
Construction and land	119,339	105,858
Nonmortgage loans:		
Business loans (1)	142,135	94,947
Consumer loans (2)	36,706	26,517
	1,246,478	1,172,053
Net deferred loan origination costs	(512)	1,457
Allowance for loan losses	(15,508)	(14,870)
Loans receivable, net	$ 1,230,458	$ 1,158,640

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

(2) As of March 31, 2021 and December 31, 2020, consumer loans include $35.9 million and $25.5 million, respectively, related to Grain Technologies, LLC ("Grain"). Refer to Management's Discussion and Analysis of Financial Conditions and Results of Operations for further discussion on Grain.

The Company's lending activities are conducted principally in metropolitan New York City. The Company primarily grants loans secured by real estate to individuals and businesses pursuant to an established credit policy applicable to each type of lending activity in which it engages. Although collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrowers' ability to generate continuing cash flows. The Company also evaluates the collateral and creditworthiness of each customer. The credit policy provides that depending on the borrowers' creditworthiness and type of collateral, credit may be extended up to predetermined percentages of the market value of the collateral or on an unsecured basis. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities.

The Company had received U.S. Small Business Administration ("SBA") approval and originated 1,992 PPP loans of which 1,708 loans totaling $132.5 million were outstanding at March 31, 2021. Loans under the PPP that meet SBA requirements may be forgiven in certain circumstances and are 100% guaranteed by the SBA. PPP loans have either a two-year or five-year term, provide for fees of up to 5% of the loan amount and earn interest at an annual rate of 1%.

For disclosures related to the allowance for loan losses and credit quality, the Company does not have any disaggregated classes of loans below the segment level.

Credit-Quality Indicators: Internally assigned risk ratings are used as credit-quality indicators, which are reviewed by management on a quarterly basis.

The objectives of the Company's risk-rating system are to provide the Board of Directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio, to isolate potential problem areas and to provide essential information for determining the adequacy of the allowance for loan losses.

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

Below are the definitions of the internally assigned risk ratings:

- **Strong Pass** – Loans to a new or existing borrower collateralized at least 90 percent by an unimpaired deposit account at the Company.
- **Good Pass** – Loans to a new or existing borrower in a well-established enterprise in excellent financial condition with strong liquidity and a history of consistently high level of earnings, cash flow and debt service capacity.
- **Satisfactory Pass** – Loans to a new or existing borrower of average strength with acceptable financial condition, satisfactory record of earnings and sufficient historical and projected cash flow to service the debt.
- **Performance Pass** – Existing loans that evidence strong payment history but document less than average strength, financial condition, record of earnings, or projected cash flows with which to service the debt.
- **Special Mention** – Loans in this category are currently protected but show one or more potential weaknesses and risks which may inadequately protect collectability or borrower's ability to meet repayment terms at some future date if the weakness or weaknesses are not monitored or remediated.
- **Substandard** – Loans that are inadequately protected by the repayment capacity of the borrower or the current sound net worth of the collateral pledged, if any. Loans in this category have well defined weaknesses and risks that jeopardize the repayment. They are characterized by the distinct possibility that some loss may be sustained if the deficiencies are not remediated.
- **Doubtful** – Loans that have all the weaknesses of loans classified as "Substandard" with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable.

Loans within the top four categories above are considered pass rated, as commonly defined. Risk ratings are assigned as necessary to differentiate risk within the portfolio. Risk ratings are reviewed on an ongoing basis and revised to reflect changes in the borrowers' financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations.

The following tables present credit risk ratings by loan segment as of March 31, 2021 and December 31, 2020:

	March 31, 2021						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
	(Dollars in thousands)						
Risk Rating:							
Pass	$ 406,662	$ 308,716	$ 210,310	$ 112,689	$ 142,135	$ 36,706	$ 1,217,218
Special mention	2,316	—	—	6,650	—	—	8,966
Substandard	8,902	6,362	5,030	—	—	—	20,294
Total	$ 417,880	$ 315,078	$ 215,340	$ 119,339	$ 142,135	$ 36,706	$ 1,246,478

	December 31, 2020						
	Mortgage Loans				Nonmortgage Loans		
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Total Loans
	(Dollars in thousands)						
Risk Rating:							
Pass	$ 406,993	$ 301,015	$ 213,882	$ 88,645	$ 94,947	$ 26,517	$ 1,131,999
Special mention	2,333	—	—	17,213	—	—	19,546
Substandard	9,065	6,396	5,047	—	—	—	20,508
Total	$ 418,391	$ 307,411	$ 218,929	$ 105,858	$ 94,947	$ 26,517	$ 1,172,053

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

An aging analysis of loans, as of March 31, 2021 and December 31, 2020, is as follows:

	March 31, 2021						
	Current	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total**	**Nonaccrual Loans**	**90 Days or More Accruing**
	(Dollars in thousands)						
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 311,271	$ 4,739	$ —	$ 1,885	$ 317,895	$ 3,153	$ —
Owner-Occupied	97,327	380	818	1,460	99,985	3,780	—
Multifamily residential	314,132	—	—	946	315,078	946	—
Nonresidential properties	212,059	—	—	3,281	215,340	4,422	—
Construction and land	119,339	—	—	—	119,339	—	—
Nonmortgage loans:							
Business	141,635	500	—	—	142,135	—	—
Consumer	32,419	2,310	735	1,242	36,706	—	—
Total	$ 1,228,182	$ 7,929	$ 1,553	$ 8,814	$ 1,246,478	$ 12,301	$ —

	December 31, 2020						
	Current	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total**	**Nonaccrual Loans**	**90 Days or More Accruing**
	(Dollars in thousands)						
Mortgage loans:							
1-4 Family residential							
Investor-Owned	$ 313,960	$ 2,222	$ 1,507	$ 1,907	$ 319,596	$ 3,058	$ —
Owner-Occupied	95,775	1,572	348	1,100	98,795	3,250	—
Multifamily residential	305,325	1,140	—	946	307,411	946	—
Nonresidential properties	215,657	—	—	3,272	218,929	4,429	—
Construction and land	105,858	—	—	—	105,858	—	—
Nonmortgage loans:							
Business	94,847	100	—	—	94,947	—	—
Consumer	25,529	497	316	175	26,517	—	—
Total	$ 1,156,951	$ 5,531	$ 2,171	$ 7,400	$ 1,172,053	$ 11,683	$ —

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

The following schedules detail the composition of the allowance for loan losses and the related recorded investment in loans as of March 31, 2021 and 2020, and December 31, 2020:

	For the Three Months Ended March 31, 2021							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
	(Dollars in thousands)							
Allowance for loan losses:								
Balance, beginning of period	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Provision charged to expense	(6)	14	226	(10)	107	(10)	365	686
Losses charged-off	—	—	—	—	—		(50)	(50)
Recoveries	—	—	—	—	—	2	—	2
Balance, end of period	$ 3,844	$ 1,274	$ 5,440	$ 2,184	$ 1,927	$ 246	$ 593	$ 15,508
Ending balance: individually evaluated for impairment	$ 116	$ 127	$ —	$ 41	$ —	$ —	$ —	$ 284
Ending balance: collectively evaluated for impairment	3,728	1,147	5,440	2,143	1,927	246	593	15,224
Total	$ 3,844	$ 1,274	$ 5,440	$ 2,184	$ 1,927	$ 246	$ 593	$ 15,508
Loans:								
Ending balance: individually evaluated for impairment	$ 6,515	$ 6,247	$ 946	$ 5,171	$ —	$ —	$ —	$ 18,879
Ending balance: collectively evaluated for impairment	311,380	93,738	314,132	210,169	119,339	142,135	36,706	1,227,599
Total	$ 317,895	$ 99,985	$ 315,078	$ 215,340	$ 119,339	$ 142,135	$ 36,706	$ 1,246,478

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

	For the Three Months Ended March 31, 2020							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
	(Dollars in thousands)							
Allowance for loan losses:								
Balance, beginning of period	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Provision charged to expense	234	120	398	291	123	(22)	2	1,146
Losses charged-off	—	—	—	—	—	—	—	—
Recoveries	—	—	—	2	—	7	—	9
Balance, end of period	$ 3,737	$ 1,187	$ 4,263	$ 2,142	$ 1,905	$ 239	$ 11	$ 13,484
Ending balance: individually evaluated for impairment	$ 113	$ 145	$ —	$ 31	$ —	$ —	$ —	$ 289
Ending balance: collectively evaluated for impairment	3,624	1,042	4,263	2,111	1,905	239	11	13,195
Total	$ 3,737	$ 1,187	$ 4,263	$ 2,142	$ 1,905	$ 239	$ 11	$ 13,484
Loans:								
Ending balance: individually evaluated for impairment	$ 5,303	$ 5,613	$ —	$ 5,182	$ —	$ —	$ —	$ 16,098
Ending balance: collectively evaluated for impairment	302,903	88,274	259,326	205,043	100,202	11,183	1,288	968,219
Total	$ 308,206	$ 93,887	$ 259,326	$ 210,225	$ 100,202	$ 11,183	$ 1,288	$ 984,317

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

	For the Year Ended December 31, 2020							
	Mortgage Loans					Nonmortgage Loans		Total
	1-4 Family Investor Owned	1-4 Family Owner Occupied	Multifamily	Nonresidential	Construction and Land	Business	Consumer	For the Period
	(Dollars in thousands)							
Allowance for loan losses:								
Balance, beginning of year	$ 3,503	$ 1,067	$ 3,865	$ 1,849	$ 1,782	$ 254	$ 9	$ 12,329
Provision charged to expense	347	193	1,349	341	38	(95)	270	2,443
Losses charged-off	—	—	—	—	—	—	(6)	(6)
Recoveries	—	—	—	4	—	95	5	104
Balance, end of year	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Ending balance: individually evaluated for impairment	$ 118	$ 134	$ —	$ 40	$ —	$ —	$ —	$ 292
Ending balance: collectively evaluated for impairment	3,732	1,126	5,214	2,154	1,820	254	278	14,578
Total	$ 3,850	$ 1,260	$ 5,214	$ 2,194	$ 1,820	$ 254	$ 278	$ 14,870
Loans:								
Ending balance: individually evaluated for impairment	$ 7,468	$ 5,754	$ 946	$ 5,184	$ —	$ —	$ —	$ 19,352
Ending balance: collectively evaluated for impairment	312,128	93,041	306,465	213,745	105,858	94,947	26,517	1,152,701
Total	$ 319,596	$ 98,795	$ 307,411	$ 218,929	$ 105,858	$ 94,947	$ 26,517	$ 1,172,053

Loans are considered impaired when current information and events indicate all amounts due may not be collectable according to the contractual terms of the related loan agreements. Impaired loans, including troubled debt restructurings, are identified by applying normal loan review procedures in accordance with the allowance for loan losses methodology. Management periodically assesses loans to determine whether impairment exists. Any loan that is, or will potentially be, no longer performing in accordance with the terms of the original loan contract is evaluated to determine impairment.

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

The following information relates to impaired loans as of and for the three months ended March 31, 2021 and 2020 and for the year ended December 31, 2020:

For the Three Months Ended March 31, 2021	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
				(Dollars in thousands)			
Mortgage loans:							
1-4 Family residential	$ 13,636	$ 10,302	$ 2,460	$ 12,762	$ 243	$ 12,325	$ 64
Multifamily residential	946	946	—	946	—	420	—
Nonresidential properties	5,627	4,803	368	5,171	41	5,351	8
Construction and land	—		—	—	—	188	—
Nonmortgage loans:							
Business	—	—	—	—	—	2	—
Consumer	—	—	—	—	—	—	—
Total	$ 20,209	$ 16,051	$ 2,828	$ 18,879	$ 284	$ 18,286	$ 72

For the Three Months Ended March 31, 2020	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
				(Dollars in thousands)			
Mortgage loans:							
1-4 Family residential	$ 11,859	$ 8,454	$ 2,462	$ 10,916	$ 258	$ 12,568	$ 57
Multifamily residential	—	—	—	—	—	6	—
Nonresidential properties	5,245	4,810	372	5,182	31	4,419	9
Construction and land	—	—	—	—	—	1,035	—
Nonmortgage loans:							
Business	—	—	—	—	—	129	—
Consumer	—	—	—	—	—	1	—
Total	$ 17,104	$ 13,264	$ 2,834	$ 16,098	$ 289	$ 18,158	$ 66

December 31, 2020	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on a Cash Basis
				(Dollars in thousands)			
Mortgage loans:							
1-4 Family residential	$ 14,118	$ 10,613	$ 2,609	$ 13,222	$ 252	$ 12,306	$ 321
Multifamily residential	946	946	—	946	—	231	34
Nonresidential properties	5,632	4,813	371	5,184	40	5,339	33
Construction and land	—	—	—	—	—	405	—
Nonmortgage loans:							
Business	—	—	—	—	—	8	—
Consumer	—	—	—	—	—	—	—
Total	$ 20,696	$ 16,372	$ 2,980	$ 19,352	$ 292	$ 18,289	$ 388

Note 5. Loans Receivable and Allowance for Loan Losses (Continued)

The loan portfolio also includes certain loans that have been modified to troubled debt restructurings. Under applicable standards, loans are modified to troubled debt restructurings when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, unless it results in a delay in payment that is insignificant. These concessions could include a reduction of interest rate on the loan, payment and maturity extensions, forbearance, or other actions intended to maximize collections. When a loan is modified to a troubled debt restructuring, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful. If management determines that the value of the modified loan in a troubled debt restructuring is less than the recorded investment in the loan, impairment is recognized through a specific allowance estimate or charge-off against the allowance for loan losses.

During the three months ended March 31, 2021, and for the year ended December 31, 2020, there were no loans restructured as a troubled debt restructuring.

At March 31, 2021 and December 31, 2020, there were 32 troubled debt restructured loans totaling $9.7 million of which $6.6 million are on accrual status. There were no commitments to lend additional funds to borrowers whose loans have been modified in a troubled debt restructuring. The financial impact from the concessions made represents specific impairment reserves on these loans, which aggregated to $284,000 and $292,000 at March 31, 2021 and December 31, 2020, respectively.

At March 31, 2021 and at December 31, 2020, 26 loans and 70 loans related to Mortgage World in the amount of $13.7 million and $34.4 million, respectively, were held for sale and accounted for under the fair value option accounting guidance for financial assets and financial liabilities. At December 31, 2020, there was one loan in the amount of $1.0 million held for sale related to the Bank. Refer to Note 13 Fair Value for additional information.

Loan modifications and payment deferrals as a result of the COVID-19 pandemic that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans that do not meet the CARES Act or regulatory guidance criteria are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

Note 6. Premises and Equipment

Premises and equipment at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Land	$ 3,645	$ 3,897
Buildings and improvements	20,181	17,119
Leasehold improvements	23,976	26,104
Furniture, fixtures and equipment	9,295	9,184
	57,097	56,304
Less: accumulated depreciation and amortization	(23,472)	(24,259)
Total premises and equipment	$ 33,625	$ 32,045

Depreciation and amortization expense amounted to $603,211 and $602,267 for the three months ended March 31, 2021 and 2020, respectively, and are included in occupancy and equipment in the accompanying consolidated statements of operations. Compared to December 31, 2020, buildings and improvements increased by $3.1 million to $20.2 million as a result of $3.2 million related to a new building and $367,000 of new improvements offset by $538,000 as a result of sale of real property. Leasehold improvements decreased by $2.1 million to $24.0 million due to the sale of real property. Land decreased by $252,000 to $3.6 million as a result of sale of real property. Furniture, fixtures and equipment increased by $111,000 to $9.3 million primarily as a result of renovations of premises.

Note 7. Deposits

Deposits at March 31, 2021 and December 31, 2020 are summarized as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Demand (1)	$ 242,255	$ 189,855
Interest-bearing deposits:		
NOW/IOLA accounts	32,235	39,296
Money market accounts	157,271	136,258
Reciprocal deposits	137,402	131,363
Savings accounts	130,211	125,820
Total NOW, money market, reciprocal and savings	457,119	432,737
Certificates of deposit of $250K or more	77,418	78,435
Brokered certificates of deposits	86,004	52,678
Listing service deposits (2)	61,133	39,476
Certificates of deposit less than $250K	214,617	236,398
Total certificates of deposit	439,172	406,987
Total interest-bearing deposits	896,291	839,724
Total deposits	$ 1,138,546	$ 1,029,579

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

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

Note 7. Deposits (Continued)

At March 31, 2021 scheduled maturities of certificates of deposit were as follows:

	(Dollars in thousands)
2022	$ 250,430
2023	71,323
2024	28,812
2025	25,468
2026	59,139
Thereafter	4,000
	$ 439,172

Overdrawn deposit accounts that have been reclassified to loans amounted to $61,556 and $101,715 as of March 31, 2021 and December 31, 2020, respectively.

Note 8. Borrowings

FHLBNY Advances: As a member of the FHLBNY, the Bank has the ability to borrow from the FHLBNY based on a certain percentage of the value of the Bank's qualified collateral, as defined in the FHLBNY Statement of Credit Policy, at the time of the borrowing. In accordance with an agreement with the FHLBNY, the qualified collateral must be free and clear of liens, pledges and encumbrances.

The Bank had $109.3 million of outstanding term advances from the FHLBNY at March 31, 2021 and December 31, 2020. The Bank repaid $8.0 million in advances from FHLBNY during the three months ended March 31, 2021. Additionally, the Bank had an unsecured line of credit in the amount of $25.0 million with a correspondent bank at March 31, 2021 and December 31, 2020, of which $0 were outstanding as of March 31, 2021 and December 31, 2020. The Bank also had a guarantee from the FHLBNY through letters of credit of up to $61.5 million at March 31, 2021 and at December 31, 2020.

Borrowed funds at March 31, 2021 and December 31, 2020 consist of the following and are summarized by maturity and call date below:

	March 31, 2021			December 31, 2020		
	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate	Scheduled Maturity	Redeemable at Call Date	Weighted Average Rate
	(Dollars in thousands)					
Correspondent Bank Overnight line of credit advance	$ —	$ —	—%	$ 8,000	$ 8,000	0.34%
FHLBNY Term advances ending:						
2021	3,000	3,000	1.84	3,000	3,000	1.84
2022	77,880	77,880	1.73	77,880	77,880	1.73
2023	28,375	28,375	2.82	28,375	28,375	2.82
	$ 109,255	$ 109,255	2.02	$ 117,255	$ 117,255	1.90%

Interest expense on FHLBNY term advances totaled $543,671 and $581,259 for the three months ended March 31, 2021 and 2020, respectively. Interest expense on FHLBNY overnight advances totaled $308 and $5,233 for the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021 and December 31, 2020, the Bank had eligible collateral of approximately $358.6 million and $336.8 million, respectively, in residential 1-4 family and multifamily mortgage loans available to secure advances from the FHLBNY.

Note 8. Borrowings (Continued)

Warehouse Lines of Credit: Mortgage World maintains two warehouse lines of credit with financial institutions for the purpose of funding the originations and sale of residential mortgages. The lines of credit are repaid with proceeds from the sale of the mortgage loans. The lines are secured by the assets collaterizing underlying mortgages. The agreements with the warehouse lenders provide for certain restrictive covenants such as minimum net worth and liquidity ratios for Mortgage World. All warehouse facilities are guaranteed by Mortgage World. As of March 31, 2021 and December 31, 2020, Mortgage World was in full compliance with all financial covenants.

Warehouse Line of Credit #1

The interest rate is based on the 30-day LIBOR rate plus 3.25%. The effective rate at March 31, 2021 was 3.44%. The line of credit is an evergreen agreement that terminates upon request by either the financial institution or the borrower.

Warehouse Line of Credit #2

The interest rate is based on the 30-day LIBOR rate plus 3.00% for loans funded by wires. The effective rate at March 31, 2021 was 3.19%. The warehouse line of credit is due to expire on June 30, 2021.

Total interest expense on warehouse lines of credit totaled $139,873 for the three months ended March 31, 2021.

	As of March 31, 2021		
	Credit Line Maximum	Unused Line of Credit	Balance
		(Dollars in thousands)	
Warehouse Line of Credit #1	$ 20,000	$ 11,432	$ 8,568
Warehouse Line of Credit #2	5,000	1,904	3,096
Total long-term debt	$ 25,000	$ 13,336	$ 11,664

	As of December 31, 2020		
	Credit Line Maximum	Unused Line of Credit	Balance
		(Dollars in thousands)	
Warehouse Line of Credit #1	$ 29,900	$ 2,171	$ 27,729
Warehouse Line of Credit #2	5,000	$ 2,768	$ 2,232
Total long-term debt	$ 34,900	$ 4,939	$ 29,961

Mortgage Loan Funding Payable: Mortgage loan funding payable consists of liabilities to borrowers in connection with the origination of residential loans originated and intended for sale in the secondary market, that remain unfunded by the Company because there is typically a three day period from when the loans close to when they are funded by the warehouse line of credit. This liability is presented at cost and fully offsets the principal balance of the related loans included in mortgage loans held for sale, at fair value on the consolidated statement of financial condition. At March 31, 2021 and December 31, 2020, the balance of mortgage loan funding payable was $676,170 and $1.5 million, respectively.

Note 9. Income Taxes

The provision (benefit) for income taxes for the three months ended March 31, 2021 and 2020 consists of the following:

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Federal:		
Current	$ 560	$ 158
Deferred	36	(276)
	596	(118)
State and local:		
Current	68	58
Deferred	310	(690)
	378	(632)
Valuation allowance	(242)	541
Provision (benefit) for income taxes	$ 732	$ (209)

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% for the three months ended March 31, 2021 and 2020, respectively, to income before income taxes as a result of the following:

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Income tax, at federal rate	$ 669	$ (299)
State and local tax, net of federal taxes	299	(500)
Valuation allowance, net of the federal benefit	(242)	541
Other	6	49
	$ 732	$ (209)

Management maintains a valuation allowance against its net New York State and New York City deferred tax assets as it is unlikely these deferred tax assets will be utilized to reduce the Company's tax liability in future years. The valuation allowance decreased by $242,000 for the three months ended March 31, 2021 and increased by $541,000 for the three months ended March 31, 2020.

Note 9. Income Taxes (Continued)

Management has determined that it is not required to establish a valuation allowance against any other deferred tax assets since it is more likely than not that the deferred tax assets will be fully utilized in future periods. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods that the temporary differences comprising the deferred tax assets will be deductible.

For federal income tax purposes, a financial institution may carry net operating losses ("NOL") to forward tax years indefinitely. The use of NOL to offset income is limited to 80%. The CARES Act allows NOLs generated in 2018, 2019 and 2020 to be carried back to each of the five preceding tax years. The Company did not generate NOLs in 2018, 2019 or 2020 so no carryback is available. At March 31, 2021, the Company had no federal NOL carryforwards.

The state and city of New York allow for a three-year carryback period and carryforward period of twenty years on net operating losses generated on or after tax year 2015. For tax years prior to 2015, no carryback period is allowed. Ponce De Leon Federal Bank, the predecessor of Ponce Bank, has pre-2015 carryforwards of $772,000 for New York State purposes and $528,000 for New York City purposes. Furthermore, there are post-2015 carryforwards available of $36.0 million for New York State purposes and $20.4 million for New York City purposes. Finally, for New Jersey purposes, losses may only be carried forward 20 years, with no allowable carryback period. At March 31, 2021, the Bank had no New Jersey net operating loss carryforwards

At March 31, 2021 and December 31, 2020, the Company had no unrecognized tax benefits recorded. The Company does not expect that the total amount of unrecognized tax benefits will significantly increase in the next twelve months.

The Company is subject to U.S. federal income tax, New York State income tax, Connecticut income tax, New Jersey income tax, Florida income tax, Pennsylvania income tax and New York City income tax. The Company is no longer subject to examination by taxing authorities for years before 2017.

On March 27, 2020, the CARES Act was signed to help individuals and businesses that have been negatively impacted by the COVID-19 pandemic. Among other provisions, the CARES Act allows net operating losses, which were modified with the Tax Cuts and Jobs Act of 2017, to be carried back five years. It also modifies the useful lives of qualified leasehold improvements, relaxing the excess loss limitations on pass-through and increasing the interest expense limitation. The Company does not expect the CARES Act to have a material tax impact on the Company's consolidated financial statements.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2021 and December 31, 2020 are presented below:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 5,054	$ 4,846
Deferred loan fees	167	—
Interest on nonaccrual loans	711	792
Amortization of intangible assets	65	70
Deferred rent payable	124	120
Depreciation of premises and equipment	—	79
Net operating losses	3,802	3,990
Charitable contribution carryforward	1,273	1,366
Compensation and benefits	483	326
Other	69	78
Total gross deferred tax assets	11,748	11,667
Deferred tax liabilities:		
Depreciation of premises and equipment	903	—
Deferred loan fees	—	475
Unrealized gain on available-for-sale securities	8	25
Other	38	39
Total gross deferred tax liabilities	949	539
Valuation allowance	6,230	6,472
Net deferred tax assets	$ 4,569	$ 4,656

Note 10. Compensation and Benefit Plans

401(k) Provisions:

Prior to January 1, 2021, the Company provided a qualified defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) Plan qualifies under the Internal Revenue Service safe harbor provisions, as defined. Employees are eligible to participate in the 401(k) Plan at the beginning of each quarter (January 1, April 1, July 1, or October 1). The 401(k) Plan provides for elective employee/participant deferrals of income. Discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions may be provided. The Company is currently making a safe harbor contribution of 3%. The 401(k) expenses recorded in the consolidated statements of operations amounted to $86,555 and $267,067 for the three months ended March 31, 2021 and 2020, respectively.

Effective January 1, 2021, the Company amended and restated its ESOP into a KSOP, Employee Stock Ownership Plan with 401(k) Provision, to include substantially the same 401(k) provisions contained in the previously separate 401(k) plan. The Company made a safe harbor contribution of 3% into the 401(k) Plan. There were no changes to the provisions of the previously separately formed ESOP as discussed below.

KSOP, Employee Stock Ownership Plan with 401 (k) Provisions:

In connection with the reorganization, the Company established an ESOP for the exclusive benefit of eligible employees. The ESOP borrowed $7.2 million from the Company sufficient to purchase 723,751 shares (approximately 3.92% of the common stock sold in the Company's initial stock offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Company and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, and then the remainder will be applied to principal. The loan is expected to be repaid over a period of 15 years. Shares purchased with the loan proceeds are held by the trustee in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants, subject to applicable regulations.

Contributions to the ESOP are to be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, compensation expense equal to the average market price of the shares for the respective periods are recognized, and the shares become outstanding for earnings per share computations (see Note 11).

A summary of the ESOP shares as of March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands except share data)	
Shares committed-to-be released	12,063	48,250
Shares allocated to participants	177,520	129,270
Unallocated shares	518,688	530,751
Total	708,271	708,271
Fair value of unallocated shares	$ 5,763	$ 5,578

The Company recognized ESOP related compensation expense, including ESOP equalization expense, of $156,853 and $156,167 for the three months ended March 31, 2021 and 2020, respectively.

Supplemental Executive Retirement Plan:

The Bank maintains a non-qualified supplemental executive retirement plan ("SERP") for the benefit of one key executive officer. The SERP expense recognized for the three months ended March 31, 2021 and 2020 was $15,125.

Note 10. Compensation and Benefit Plans (Continued)

2018 Incentive Plan

The Company's stockholders approved the PDL Community Bancorp 2018 Long-Term Incentive Plan (the "2018 Incentive Plan") at the Special Meeting of Stockholders on October 30, 2018. The maximum number of shares of common stock which can be issued under the 2018 Incentive Plan is 1,248,469. Of the 1,248,469 shares, the maximum number of shares that may be awarded under the 2018 Incentive Plan pursuant to the exercise of stock options or stock appreciation rights ("SARs") is 891,764 shares (all of which may be granted as incentive stock options), and the number of shares of common stock that may be issued as restricted stock awards or restricted stock units is 356,705 shares. However, the 2018 Incentive Plan contains a flex feature that provides that awards of restricted stock and restricted stock units in excess of the 356,705 share limitation may be granted but each share of stock covered by such excess award shall reduce the 891,764 share limitation for awards of stock options and SARs by 3.0 shares of common stock. The Company converted 462,522 awards of stock options into 154,174 restricted stock units in 2018 and 45,000 awards of stock options into 15,000 restricted stock units in 2020.

Under the 2018 Incentive Plan, the Company made grants equal to 674,645 shares on December 4, 2018 which include 119,176 incentive options to executive officers, 44,590 non-qualified options to outside directors, 322,254 restricted stock units to executive officers, 40,000 restricted stock units to non-executive officers and 148,625 restricted stock units to outside directors. During the year ended December 31, 2020, the Company awarded 40,000 incentive options and 15,000 restricted stock units to non-executive officers under the 2018 Incentive Plan. Awards to directors generally vest 20% annually beginning with the first anniversary of the date of grant. Awards to a director with fewer than five years of service at the time of grant vest over a longer period and will not become fully vested until the director has completed ten years of service. Awards to the executive officer who is not a director vest 20% annually beginning on December 4, 2020. As of March 31, 2021 and December 31, 2020, the maximum number of stock options and SARs remaining to be awarded under the Incentive Plan was 189,476 for both periods. As of March 31, 2021 and December 31, 2020, the maximum number of shares of common stock that may be issued as restricted stock or restricted stock units remaining to be awarded under the Incentive Plan was none, for both periods. If the 2018 Incentive Plan's flex feature described above were fully utilized, the maximum number of shares of common stock that may be awarded as restricted stock or restricted stock units would be 63,159 as of March 31, 2021 and December 31, 2020, but would eliminate the availability of stock options and SARs available for award.

The product of the number of units granted and the grant date market price of the Company's common stock determine the fair value of restricted stock units under the Company's 2018 Incentive Plan. Management recognizes compensation expense for the fair value of restricted stock units on a straight-line basis over the requisite service period for the entire award.

Note 10. Compensation and Benefit Plans (Continued)

A summary of the Company's restricted stock unit awards activity and related information for the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

	March 31, 2021		
	Number of Shares		Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	335,919	$	12.66
Granted	—		—
Forfeited	—		—
Vested	—		—
Non-vested at March 31	335,919	$	12.66

	December 31, 2020		
	Number of Shares		Weighted-Average Grant Date Fair Value Per Share
Non-vested, beginning of year	420,744	$	12.78
Granted	15,000		10.05
Forfeited	(3,000)		12.77
Vested	(96,825)		12.77
Non-vested at December 31	335,919	$	12.66

Compensation expense related to restricted stock units was $318,265 and $323,620 for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, the total remaining unrecognized compensation cost related to restricted stock units was $3.8 million, which is expected to be recognized over the next 27 quarters.

A summary of the Company's stock option awards activity and related information for the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

	March 31, 2021		
	Options		Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	203,766	$	12.02
Granted	—		—
Exercised	—		—
Forfeited	—		—
Outstanding at March 31 (1)	203,766	$	12.02
Exercisable at March 31 (1)	55,938	$	12.77

Note 10. Compensation and Benefit Plans (Continued)

	December 31, 2020	
	Options	Weighted-Average Exercise Price Per Share
Outstanding, beginning of year	163,766	$ 12.77
Granted	40,000	8.93
Exercised	—	—
Forfeited	—	—
Outstanding at December 31 (1)	203,766	$ 12.02
Exercisable at December 31 (1)	55,938	$ 12.77

(1) The aggregate intrinsic value, which represents the difference between the price of the Company's common stock at respective periods and the stated exercise price of the underlying options, was $0 for outstanding options and $0 for exercisable options at March 31, 2021 and December 31, 2020.

The weighted-average exercise price for the options as of March 31, 2021 was $12.02 per share and the weighted average remaining contractual life is 7.6 years. The weighted average period over which compensation expenses are expected to be recognized is 4.5 years. There were 55,938 shares exercisable as of March 31, 2021 and December 31, 2020. Total compensation cost related to stock options recognized was $33,088 and $28,712 for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, the total remaining unrecognized compensation cost related to unvested stock options was $453,664, which is expected to be recognized over the next 27 quarters.

The fair value of each option grant is estimated on the date of grant using Black-Scholes option pricing model with the following weighted average assumptions:

	For the Three Months Ended March 31,	
	2021	2020
Dividend yield	0.00%	0.00%
Expected life	6.5 years	6.5 years
Expected volatility	38.51%	16.94%
Risk-free interest rate	0.48%	2.51%
Weighted average grant date fair value	$ 3.77	$ 4.01

The expected volatility is based on the Company's historical volatility. The expected life is an estimate based on management's review of the various factors and calculated using the simplified method for plain vanilla options. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

Treasury Stock:

The Company adopted a share repurchase program effective March 25, 2019 which expired on September 24, 2019. Under the repurchase program, the Company was authorized to repurchase up to 923,151 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this second program, the Company was authorized to repurchase up to 878,835 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The Company's second share repurchase program was terminated on March 27, 2020 in response to the uncertainty related to the unfolding COVID-19 pandemic. On June 1, 2020, the Company adopted a third share repurchase program. Under this third program, the Company was authorized to repurchase up to 864,987 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The Company's third share repurchase program expired on November 30, 2020. On December 14, 2020, the Company adopted a fourth share repurchase program. Under this fourth program, the Company is authorized to repurchase up to 852,302 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The fourth repurchase program may be suspended or terminated at any time without prior notice, and it will expire no later than June 13, 2021.

As of March 31, 2021, the Company had repurchased a total of 1,631,570 shares under the repurchase programs at a weighted average price of $13.27 per share, of which 1,444,776 shares are reported as treasury stock. Of the 1,631,570 shares repurchased, a total of 186,960 shares have been used for grants given to directors, executive officers and non-executive officers under the Company's 2018 Long-Term Incentive Plan pursuant to restricted stock units which vested on December 4, 2020 and 2019. Of the 186,960 shares, 166 shares were retained to satisfy a recipient's taxes and other withholding obligations and these shares remain as part of treasury stock.

Note 11. Earnings Per Share

The following table presents a reconciliation of the number of shares used in the calculation of basic and diluted earnings per common share:

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands except share data)	
Net income (loss)	$ 2,452	$ (1,213)
Common shares outstanding for basic EPS:		
Weighted average common shares outstanding	17,078,813	17,379,406
Less: Weighted average unallocated Employee Stock Ownership Plan (ESOP) shares	530,617	578,868
Basic weighted average common shares outstanding	16,548,196	16,800,538
Basic earnings (loss) per common share	$ 0.15	$ (0.07)
Dilutive potential common shares:		
Add: Dilutive effect of restricted stock awards and stock options	—	—
Diluted weighted average common shares outstanding	16,548,196	16,800,538
Diluted earnings (loss) per common share	$ 0.15	$ (0.07)

Note 12. Commitments, Contingencies and Credit Risk

Financial Instruments With Off-Balance-Sheet Risk: In the normal course of business, financial instruments with off-balance-sheet risk may be used to meet the financing needs of customers. These financial instruments include commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless. The same credit policies are used in making commitments and contractual obligations as for on-balance-sheet instruments. Financial instruments whose contractual amounts represent credit risk at March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
Commitments to grant mortgage loans	$ 119,866	$ 101,722
Commitments to sell loans at lock-in rates	5,995	11,276
Unfunded commitments under lines of credit	38,392	38,261
	$ 164,253	$ 151,259

Commitments to Grant Mortgage Loans: Commitments to grant mortgage loans are agreements to lend to a customer as long as all terms and conditions are met as established in the contract. Commitments generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. Material losses are not anticipated as a result of these transactions.

Note 12. Commitments, Contingencies and Credit Risk (Continued)

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

Repurchases, Indemnifications and Premium Recaptures: Loans sold by Mortgage World under investor programs are subject to repurchase or indemnification if they fail to meet the origination criteria of those programs. In addition, loans sold to investors are also subject to repurchase or indemnifications if the loan is two or three months delinquent during a set period which usually varies from six months to a year after the loan is sold. There are no open repurchase or indemnification requests for loans sold as a correspondent lender or where the Company acted as a broker in the transaction as of March 31, 2021.

Unfunded Commitments Under Lines of Credit: Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extension of credit to existing customers. These lines of credit are uncollateralized and usually contain a specified maturity date and, ultimately, may not be drawn upon to the total extent to which the Company is committed.

Letters of Credit: Letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Letters of credit are largely cash secured.

Concentration by Geographic Location: Loans, commitments to extend credit and letters of credit have been granted to customers who are located primarily in the New York City metropolitan area. Generally, such loans most often are secured by one-to-four family residential. The loans are expected to be repaid from the borrowers' cash flows.

Loan Concentrations: As of March 31, 2021, approximately 6.9% of Mortgage World total originated loan volume was insured and approximately 78.5% of total originated loan volume was sold to three investors. Mortgage World is permitted to close loans in five states and has closed approximately 98.8% of its loan volume in two states.

Lease Commitments: At March 31, 2021, there are noncancelable operating leases for office space that expire on various dates through 2036. Certain of these leases contains an escalation clause providing for increased rental based primarily on increases in real estate taxes.

During the period, the Company entered into a sale-leaseback transaction for a real property with an initial fifteen-year lease agreement at an initial base annual rent of approximately $145,000 subject to annual rent increases of 1.5%. The sale lease-back resulted in a gain of approximately $662,546, net of expenses, which is included in other non-interest income in the accompanying consolidated statements of operations. Under the lease agreement, the Bank has four (4) consecutive options to extend the term of the lease by five (5) years for each such option.

Rental expenses under operating leases, included in occupancy and equipment, totaled $503,240 and $128,642 for the three months ended March 31, 2021 and 2020, respectively.

The projected minimum rental payments under the terms of the leases at March 31, 2021 are as follows:

	(Dollars in thousands)
Remainder of 2021	$ 1,258
2022	1,574
2023	1,526
2024	1,512
2025	1,433
2026	1,170
Thereafter	4,722
	$ 13,195

Legal Matters: The Company is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Company’s financial condition or results of operations.

Note 13. Fair Value

The following fair value hierarchy is used based on the lowest level of input significant to the fair value measurement. There are three levels of inputs that may be used to measure fair values:

> Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Cash and Cash Equivalents, Placements with Banks, Accrued Interest Receivable, Advance Payments by Borrowers for Taxes and Insurance, and Accrued Interest Payable: The carrying amount is a reasonable estimate of fair value. These assets and liabilities are not recorded at fair value on a recurring basis.

Available-for-Sale Securities: These financial instruments are recorded at fair value in the consolidated financial statements on a recurring basis. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using pricing models (e.g., matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency bonds and mortgage-backed securities. Level 3 securities are securities for which significant unobservable inputs are utilized. There were no changes in valuation techniques used to measure similar assets during the period.

FHLBNY Stock: The carrying value of FHLBNY stock approximates fair value since the Bank can redeem such stock with FHLBNY at cost. As a member of the FHLBNY, the Company is required to purchase this stock, which is carried at cost and classified as restricted equity securities.

Loans Receivable: For variable rate loans, which reprice frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolios. The fair value of fixed rate loans is estimated by discounting the future cash flows using estimated market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolios. Impaired loans are valued using a present value discounted cash flow method, or the fair value of the collateral. Loans are not recorded at fair value on a recurring basis.

Mortgage Loans Held for Sale: Mortgage loans held for sale, at fair value, consists of mortgage loans originated for sale by Mortgage World and accounted for under the fair value option. These assets are valued using stated investor pricing for substantially equivalent loans as Level 2. In determining fair value, such measurements are derived based on observable market data, including whole-loan transaction pricing and similar market transactions adjusted for portfolio composition, servicing value and market conditions. Loans held for sale by the Bank are carried at the lower of cost or fair value as determined by investor bid prices.

Under the fair value option, management has elected, on an instrument-by-instrument basis, fair value for substantially all forms of mortgage loans originated for sale on a recurring basis. The fair value carrying amount of mortgages held for sale measured under the fair value option was $13.7 million and the aggregate unpaid principal amounted to $13.5 million.

Interest Rate Lock Commitments: Mortgage World enters into rate lock commitments to extend credit to borrowers for generally up to a 60 day period for origination and/or purchase of loans. To the extent that a loan is ultimately granted and the borrower ultimately accepts the terms of the loan, these loan commitments expose Mortgage World to variability in its fair value due to changes in interest rates.

Note 13. Fair Value (Continued)

The FASB determined that loan commitments related to the origination or acquisition of mortgage loans that will be held for sale must be accounted for as derivative instruments. Such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in net gain or loss on sale of mortgage loans. Fair value is based on active market pricing for substantially similar underlying mortgage loans commonly referred to as best execution pricing or investment commitment pricing, if the loan is committed to an investor through a best efforts contract. In valuing interest rate lock commitments, there are several unobservable inputs such as the fair value of the mortgage servicing rights, estimated remaining cost to originate the loans, and the pull through rate of the open pipeline. Accordingly, such derivative is classified as Level 3.

The approximate notional amounts of Mortgage World's derivative instruments were $6.0 million and $11.3 million at March 31, 2021 and December 31, 2020, respectively. The fair value of derivatives related to interest rate lock commitments not subject to a forward loan sale commitment, amounted to $59,000 and $166,000 as of March 31, 2021 and December 31, 2020 and is included in other assets on the consolidated statements of financial position.

The table below presents the changes in derivatives from interest rate lock commitments that are measured at fair value on a recurring basis:

		(Dollars in thousands)
Balance as of December 31, 2020	$	166
Change in fair value of derivative instrument reported in earnings		(107)
Balance as of March 31, 2021	$	59

Other Real Estate Owned: Other real estate owned represents real estate acquired through foreclosure, and is recorded at fair value less estimated disposal costs on a nonrecurring basis. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the asset is classified as Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the asset is classified as Level 3.

Deposits: The fair values of demand deposits, savings, NOW and money market accounts equal their carrying amounts, which represent the amounts payable on demand at the reporting date. Fair values for fixed-term, fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on certificates of deposit to a schedule of aggregated expected monthly maturities on such deposits. Deposits are not recorded at fair value on a recurring basis.

FHLBNY Advances: The fair value of the advances is estimated using a discounted cash flow calculation that applies current market-based FHLBNY interest rates for advances of similar maturity to a schedule of maturities of such advances. These borrowings are not recorded at fair value on a recurring basis.

Warehouse Lines of Credit: The carrying amounts of warehouse lines of credit and mortgage loan fundings payable approximate fair value and due to their short-term nature are classified as Level 2.

Off-Balance-Sheet Instruments: Fair values for off-balance-sheet instruments (lending commitments and standby letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Off-balance-sheet instruments are not recorded at fair value on a recurring basis.

Note 13. Fair Value (Continued)

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020, and indicate the level within the fair value hierarchy utilized to determine the fair value:

		March 31, 2021		
Description	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)		
Available-for-Sale Securities, at fair value:				
U.S. Government Bonds	$ 2,988	$ —	$ 2,988	$ —
Corporate bonds	13,557	—	13,557	—
Mortgage-Backed Securities:				
Collateralized Mortgage Obligations	6,975	—	6,975	—
FNMA Certificates	7,161	—	7,161	—
GNMA Certificates	248	—	248	—
Mortgage Loans Held for Sale, at fair value	13,725	—	13,725	—
Derivatives from interest rate lock commitments	59	—	—	59
	$ 44,713	$ —	$ 44,654	$ 59

		December 31, 2020		
Description	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)		
Available-for-Sale Securities:				
Corporate bonds	$ 10,463	$ —	$ 10,463	$ —
Mortgage-Backed Securities:				
FHLMC Certificates	3,196	—	3,196	—
FNMA Certificates	3,567	—	3,567	—
GNMA Certificates	272	—	272	—
Mortgage Loans Held for Sale, at fair value	35,406	—	35,406	—
Derivatives from interest rate lock commitments	166	—	—	166
	$ 53,070	$ —	$ 52,904	$ 166

Management’s assessment and classification of an investment within a level can change over time based upon maturity or liquidity of the investment and would be reflected at the beginning of the quarter in which the change occurred.

The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of March 31, 2021 and December 31, 2020 and indicate the fair value hierarchy utilized to determine the fair value:

	March 31, 2021			
	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)		
Impaired loans	$ 18,879	$ —	$ —	$ 18,879

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
		(Dollars in thousands)		
Impaired loans	$ 19,352	$ —	$ —	$ 19,352

Losses on assets carried at fair value on a nonrecurring basis were *de minimis* for the three months ended March 31, 2021 and 2020, respectively.

Note 13. Fair Value (Continued)

As of March 31, 2021 and December 31, 2020, the carrying values and estimated fair values of the Company's financial instruments were as follows:

	Carrying	Fair Value Measurements			
	Amount	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
March 31, 2021					
Financial assets:					
Cash and cash equivalents	$ 90,122	$ 90,122	$ —	$ —	$ 90,122
Available-for-sale securities, at fair value	30,929	—	30,929	—	30,929
Held-to-maturity securities, at amortized costs	1,732	—	1,661	—	1,661
Placements with banks	2,739	—	2,739	—	2,739
Mortgage loans held for sale, at fair value	13,725	—	13,725	—	13,725
Loans receivable, net	1,230,458	—	—	1,244,854	1,244,854
Accrued interest receivable	12,547	—	12,547	—	12,547
FHLBNY stock	6,057	6,057	—	—	6,057
Financial liabilities:					
Deposits:					
Demand deposits	242,255	242,255	—	—	242,255
Interest-bearing deposits	457,119	457,119	—	—	457,119
Certificates of deposit	439,172	—	445,260	—	445,260
Advance payments by borrowers for taxes and insurance	9,264	—	9,264	—	9,264
Advances from FHLBNY	109,255	—	111,123	—	111,123
Warehouse lines of credit	11,664	—	11,664	—	11,664
Mortgage loan fundings payable	676	—	676	—	676
Accrued interest payable	66	—	66	—	66

Note 13. Fair Value (Continued)

	Carrying	Fair Value Measurements			
	Amount	Level 1	Level 2	Level 3	Total
		(Dollars in thousands)			
December 31, 2020					
Financial assets:					
Cash and cash equivalents	$ 72,078	$ 72,078	$ —	$ —	$ 72,078
Available-for-sale securities, at fair value	17,498	—	17,498	—	17,498
Held-to-maturity securities, at amortized costs	1,743	—	1,722	—	1,722
Placements with banks	2,739	—	2,739	—	2,739
Mortgage loans held for sale, at fair value	35,406	—	35,406		35,406
Loans receivable, net	1,158,640	—	—	1,182,971	1,182,971
Accrued interest receivable	11,396	—	11,396	—	11,396
FHLBNY stock	6,426	6,426	—	—	6,426
Financial liabilities:					
Deposits:					
Demand deposits	189,855	189,855	—	—	189,855
Interest-bearing deposits	432,737	432,737	—	—	432,737
Certificates of deposit	406,987	—	411,742	—	411,742
Advance payments by borrowers for taxes and insurance	7,019	—	7,019	—	7,019
Advances from FHLBNY	117,255	—	119,248	—	119,248
Warehouse lines of credit	29,961	—	29,961	—	29,961
Mortgage loan fundings payable	1,483	—	1,483	—	1,483
Accrued interest payable	60	—	60	—	60

Off-Balance-Sheet Instruments: Loan commitments on which the committed interest rate is less than the current market rate are insignificant at March 31, 2021 and December 31, 2020.

The fair value information about financial instruments are disclosed, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The estimated fair value amounts for 2021 and 2020 have been measured as of their respective period-ends and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at each period.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other banks may not be meaningful.

Note 14. Regulatory Capital Requirements

The Company, the Bank and Mortgage World are subject to various regulatory capital requirements administered by the Federal Reserve Board, the OCC, the U.S. Department of Housing and Urban Development, and the NYS Department of Financial Services, respectively. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s operations and financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation require the maintenance of minimum amounts and ratios (set forth in the table below) of total risk-based and Tier 1 capital to risk-weighted assets (as defined), common equity Tier 1 capital (as defined), and Tier 1 capital to adjusted total assets (as defined) adjusted total assets (as defined). As of March 31, 2021 and December 31, 2020, all applicable capital adequacy requirements have been met.

Note 14. Regulatory Capital Requirements (Continued)

The below minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was phased in to 2.5% by 2019. The applicable capital buffer was 7.8% at March 31, 2021 and 7.95% at December 31, 2020.

The most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, common equity risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There were no conditions or events since then that have changed the Bank's category.

The Company's and the Bank's actual capital amounts and ratios as of March 31, 2021 and December 31, 2020 as compared to regulatory requirements are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
March 31, 2021						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 173,715	17.37%	$ 79,996	8.00%	$ 99,995	10.00%
Tier 1 Capital to Risk-Weighted Assets	161,176	16.12%	59,997	6.00%	79,996	8.00%
Common Equity Tier 1 Capital Ratio	161,176	16.12%	44,998	4.50%	64,996	6.50%
Tier 1 Capital to Total Assets	161,176	11.75%	54,887	4.00%	68,609	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 157,325	15.80%	$ 79,677	8.00%	$ 99,596	10.00%
Tier 1 Capital to Risk-Weighted Assets	144,836	14.54%	59,757	6.00%	79,677	8.00%
Common Equity Tier 1 Capital Ratio	144,836	14.54%	44,818	4.50%	64,737	6.50%
Tier 1 Capital to Total Assets	144,836	10.78%	53,728	4.00%	67,160	5.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2020						
PDL Community Bancorp						
Total Capital to Risk-Weighted Assets	$ 171,578	17.68%	$ 77,644	8.00%	$ 97,055	10.00%
Tier 1 Capital to Risk-Weighted Assets	159,410	16.42%	58,233	6.00%	77,644	8.00%
Common Equity Tier 1 Capital Ratio	159,410	16.42%	43,675	4.50%	63,086	6.50%
Tier 1 Capital to Total Assets	159,410	13.34%	47,814	4.00%	59,768	5.00%
Ponce Bank						
Total Capital to Risk-Weighted Assets	$ 153,951	15.95%	$ 77,213	8.00%	$ 96,516	10.00%
Tier 1 Capital to Risk-Weighted Assets	141,850	14.70%	57,909	6.00%	77,213	8.00%
Common Equity Tier 1 Capital Ratio	141,850	14.70%	43,432	4.50%	62,735	6.50%
Tier 1 Capital to Total Assets	141,850	11.19%	50,715	4.00%	63,394	5.00%

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

Note 14. Regulatory Capital Requirements (Continued)

Mortgage World's minimum net worth requirements as of March 31, 2021 and December 31, 2020 are reflected below:

	Minimum Requirement
	(Dollars in thousands)
HUD	$ 1,000
New York Department of Financial Services	250
Other State Banking Departments	250

As of March 31, 2021 and December 31, 2020, Mortgage World is in compliance with all minimum capital requirements.

Note 15. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows:

	March 31, 2021		
	December 31, 2020	Change	March 31, 2020
		(Dollars in thousands)	
Unrealized gains on available-for-sale securities, net	$ 135	$ (107)	$ 28
Total	$ 135	$ (107)	$ 28

	December 31, 2020		
	December 31, 2019	Change	December 31, 2020
		(Dollars in thousands)	
Unrealized gains (losses) on available-for-sale securities, net	$ 20	$ 115	$ 135
Total	$ 20	$ 115	$ 135

Note 16. Transactions with Related Parties

Directors, executive officers and non-executive officers of the Company have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Aggregate loan transactions with related parties for the three months ended March 31, 2021 and 2020 were as follows:

	For the Three Months Ended March 31,	
	2021	2020
	(Dollars in thousands)	
Beginning balance	$ 424	$ 1,260
Originations	10	—
Payments	(10)	(16)
Ending balance	$ 424	$ 1,244

The Company held deposits in the amount of $6.8 million and $6.9 million from directors, executive officers and non-executive officers at March 31, 2021 and December 31, 2020, respectively.

Note 17. Segment Reporting

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

The accounting policies of the reportable segments are the same as those described in the summary of accounting policies. Segment profit and loss is measured by net income on a legal entity basis. Intercompany transactions are eliminated in consolidation.

Note 17. Segment Reporting (Continued)

Information about the reportable segments and reconciliation to the unaudited interim Consolidated Financial Statements at March 31, 2021 and 2020 and for the three months then ended is presented in the tables below.

	For the Three Months Ended March 31, 2021				
	Ponce Bank	Mortgage World	PDL Community Bancorp	Eliminations	Consolidated
	(Dollars in thousands)				
Interest and dividend income	$ 15,027	$ 150	$ 41	$ (41)	$ 15,177
Interest expense	2,186	140	—	(41)	2,285
Net interest income	12,841	10	41	—	12,892
Provision for loan losses	686	—	—	—	686
Net interest income after provision for loan losses	12,155	10	41	—	12,206
Non-interest income:					
Service charges and fees	329	—	—	—	329
Brokerage commissions	—	223	—	—	223
Late and prepayment charges	244	—	—	—	244
Gain on sale of mortgage loans	—	1,508	—	—	1,508
Loan origination	—	539	—	—	539
Gain on sale of real property	663	—	—	—	663
Other	568	88	—	(269)	387
Total non-interest income	1,804	2,358	—	(269)	3,893
Non-interest expense:					
Compensation and benefits	4,072	1,241	351	—	5,664
Occupancy and equipment	2,498	122	14	—	2,634
Data processing expenses	581	13	—	—	594
Direct loan expenses	462	547	—	—	1,009
Insurance and surety bond premiums	146	—	—	—	146
Office supplies, telephone and postage	352	57	—	—	409
Professional fees	777	244	381	(140)	1,262
Marketing and promotional expenses	29	9	—	—	38
Directors fees	69	—	—	—	69
Regulatory dues	60	—	—	—	60
Other operating expenses	954	58	147	(129)	1,030
Total non-interest expense	10,000	2,291	893	(269)	12,915
Income (loss) before income taxes	3,959	77	(852)	—	3,184
Provision for income taxes	1,105	40	(413)	—	732
Equity in undistributed earnings of Ponce Bank and Mortgage World	—	—	2,891	(2,891)	—
Net income (loss)	$ 2,854	$ 37	$ 2,452	$ (2,891)	$ 2,452
Total assets at March 31, 2021	$ 1,414,832	$ 19,694	$ 161,463	$ (162,282)	$ 1,433,707
Total assets at December 31, 2020	$ 1,315,287	$ 38,397	$ 159,811	$ (158,264)	$ 1,355,231

Note 17. Segment Reporting (Continued)

	For the Three Months Ended March 31, 2020				
	Ponce Bank	Mortgage World	PDL Community Bancorp	Eliminations	Consolidated
			(Dollars in thousands)		
Interest and dividend income	$ 13,030	$ —	$ 68	$ (68)	$ 13,030
Interest expense	3,174	—	—	(68)	3,106
Net interest income	9,856	—	68	—	9,924
Provision for loan losses	1,146	—	—	—	1,146
Net interest income after provision for loan losses	8,710	—	68	—	8,778
Non-interest income:					
Service charges and fees	248	—	—	—	248
Brokerage commissions	50	—	—	—	50
Late and prepayment charges	119	—	—	—	119
Gain on sale of mortgage loans	—	—	—	—	—
Loan origination	—	—	—	—	—
Gain on sale of real property	—	—	—	—	—
Other	333	—	—	(128)	205
Total non-interest income	750	—	—	(128)	622
Non-interest expense:					
Compensation and benefits	4,656	—	352	—	5,008
Occupancy and equipment	2,004	—	13	—	2,017
Data processing expenses	467	—	—	—	467
Direct loan expenses	212	—	—	—	212
Insurance and surety bond premiums	121	—	—	—	121
Office supplies, telephone and postage	316	—	—	—	316
Professional fees	1,277	—	350	—	1,627
Marketing and promotional expenses	234	—	—	—	234
Directors fees	69	—	—	—	69
Regulatory dues	46	—	—	—	46
Other operating expenses	692	—	141	(128)	705
Total non-interest expense	10,094	—	856	(128)	10,822
Loss before income taxes	(634)	—	(788)	—	(1,422)
Benefit for income taxes	(58)	—	(151)	—	(209)
Equity in undistributed earnings of Ponce Bank and Mortgage World	—	—	(576)	576	—
Net income (loss)	$ (576)	$ —	$ (1,213)	$ 576	$ (1,213)

Note 18. Subsequent Events

In a privately negotiated transaction, the Company sold 348,739 shares of the Company’s treasury stock to Banc of America Strategic Investments Corporation.

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

General

Management’s discussion and analysis of financial condition and results of operations at March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020, is intended to assist in understanding the financial condition and results of operations of 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. Management is under no duty to and does not assume any obligation to update any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

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

- the scope, duration and severity of the COVID-19 pandemic and its effects on our business and operations, our customers, including their ability to make timely payments on loans, our service providers, and on the economy and financial markets in general;
- changes in consumer spending, borrowing and savings habits;
- general economic conditions, either nationally or in the market areas, that are worse than expected;
- the Company’s ability to manage market risk, credit risk and operational risk in the current economic environment;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- the ability to access cost-effective funding;
- fluctuations in real estate values and real estate market conditions;
- demand for loans and deposits in the market area;
- the Company’s ability to implement and change its business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce the Company’s margins and yields, its mortgage banking revenues, the fair value of financial instruments or the level of loan originations, or increase the level of defaults, losses and prepayments on loans the Company have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of the Company’s loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;

- the inability of third party providers to perform as expected;
- the Company’s ability to enter new markets successfully and capitalize on growth opportunities;
- the Company’s ability to successfully integrate into its operations, Mortgage World and any assets, liabilities, customers, systems and management personnel the Company may acquire and management’s ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- the Company’s ability to retain key employees;
- the Company’s compensation expense associated with equity allocated or awarded to its employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that the Company may own.

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, 2020 under the heading “Risk Factors” filed with the SEC on March 29, 2021.

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 assumes no obligation to update any forward-looking statements except as may be required by applicable law or regulation.

Employees and Human Capital Resources

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

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

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

Non-GAAP Financial Measures

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

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

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

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

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

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

COVID-19 Pandemic and the CARES Act

On March 27, 2020, Congress passed, and the President signed, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to address the economic effects of the COVID-19 pandemic.

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

In conjunction with the PPP, the Board of Governors of the Federal Reserve System (the "Federal Reserve") has created a lending facility for qualified financial institutions. The Paycheck Protection Program Liquidity Facility will extend credit to depository institutions until June 30, 2021, unless the Board and the Department of Treasury determine to extend the Facility at an interest rate of 0.35%. Only loans issued under the PPP can be pledged as collateral to access the facility.

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

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

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 loan losses.

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

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

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

Factors Affecting the Comparability of Results

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

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

Vision 2025 Evolves

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

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

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

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

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

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

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

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

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

The Company anticipates renovating most, if not all of its branches over the next 18 months, at costs significantly less than previous efforts largely as a result of economies of scale, design modifications and adoption of buildout techniques used by non-bank retail organizations. The project to fully renovate our Flatlands branch was completed in late November 2020 on time and within the original budget of $356,000 despite modifications made to the original design and construction process related to the COVID-19 pandemic. Bidding to renovate the Bank’s Riverdale branch into a new flagship recapturing space that had previously been subleased is complete and the project has been awarded for a contract cost of $1.5 million. Construction commenced on this project on March 1, 2021 and has a target completion date of early in the third quarter of 2021. A bid has also been accepted for renovation of the Astoria banking branch. The awarded contract is $315,000 and construction is scheduled to start in May 2021 with a completion target date of mid-June 2021. Architectural drawings have begun for the Smith Street, Brooklyn, Union City, NJ, and Southern Boulevard, Bronx, banking branches with completion target dates within the next 18 months. Bidding for these three locations is targeted for the end of second quarter of 2021. The Company expects to incorporate into its retail branches Mortgage World loan origination personnel and is contemplating creating kiosk branches in certain of Mortgage World’s current locations while creating a full service branch at the site of a Mortgage World mortgage office located in Flushing, Queens, New York. The Mortgage World office located in Flushing, Queens has been purchased using IRS code section 1031 provisions, thus expanding the Company’s reach into one of the most underserved areas of Queens according to recently reported PPP loan penetration data.

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

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

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

Since March 31, 2021 and through May 07, 2021, the Company has received SBA approval for and has funded 1,397 PPP loans totaling $53.9 million, bringing the total PPP loans made by the Company since inception of the PPP to 3,389 loans totaling $198.5 million

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

Total Assets. Total consolidated assets increased $78.5 million, or 5.8%, to $1.43 billion at March 31, 2021 from $1.36 billion at December 31, 2020. The increase in total assets is attributable to increases in net loans receivable of $71.8 million, including $57.7 million in PPP loans, cash and cash equivalents of $18.0 million, available-for-sale securities of $13.4 million, premises and equipment, net, of $1.6 million and accrued interest receivable of $1.2 million. The increase in total assets was reduced by decreases in mortgage loans held for sale, at fair value, of $21.7 million, other assets of $5.4 million, FHLBNY stock of $369,000 and deferred taxes of $87,000.

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

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

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

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

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

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

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

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

The increase in the composition of the loan portfolio was aided by $57.7 million related to PPP loans at March 31, 2021 when compared to December 31, 2020. Based on current internal loan reviews, the Company remains confident that the quality of our underwriting, our weighted average loan-to-value ratio of 56.0% and our customer selection processes have served us well and provided us with a reliable base with which to maintain a well-protected loan portfolio.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

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

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

PDL Community Bancorp Consolidated

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

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

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

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

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

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

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

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

* Represents more than 500%.

Average Balance Sheets

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

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

(1) Annualized where appropriate.

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

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

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

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

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

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

Rate/Volume Analysis

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

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

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

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

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

Net Interest Income Simulation Models. Management utilizes a respected, sophisticated third party designed asset liability modeling software that measures the Bank's earnings through simulation modeling. Earning assets, interest-bearing liabilities and off-balance sheet financial instruments are combined with forecasts of interest rates for the next 12 months and are combined with other factors in order to produce various earnings simulations over that same 12-month period. To limit interest rate risk, the Bank has policy guidelines for earnings risk which seek to limit the variance of net interest income in both gradual and instantaneous changes to interest rates. As of March 31, 2021, in the event of an instantaneous upward and downward change in rates from management's flat interest rate forecast over the next twelve months, assuming a static balance sheet, the following estimated changes are calculated:

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

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

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

Economic Value of Equity Model. While earnings simulation modeling attempts to determine the impact of a changing rate environment to net interest income, the Economic Value of Equity Model ("EVE") measures estimated changes to the economic values of assets, liabilities and off-balance sheet items as a result of interest rate changes. Economic values are determined by discounting expected cash flows from assets, liabilities and off-balance sheet items, which establishes a base case EVE. Rates are then shocked as prescribed by the Interest Rate Risk Policy to measure the sensitivity in EVE values for each of those shocked rate scenarios versus the base case. The Interest Rate Risk Policy sets limits for those sensitivities. At March 31, 2021, the EVE modeling calculated the following estimated changes in EVE due to instantaneous upward and downward changes in rates:

				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	$ 153,943	$ (19,157)	(11.07%)	11.39%	(1,107)
+300	160,540	(12,560)	(7.26%)	11.68%	(726)
+200	166,189	(6,911)	(3.99%)	11.89%	(399)
+100	170,914	(2,186)	(1.26%)	12.02%	(126)
Level	173,100	—	—%	11.98%	—
-100	184,496	11,396	6.58%	12.56%	658

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

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

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

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

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 March 31, 2021, 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 Asset/Liability 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 Asset/Liability Management 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. The Federal Reserve Board decreased the targeted federal funds interest rate by an aggregate of 225 basis points during the second half of 2019 and the first quarter of 2020. The 2020 rate cuts were in response to unprecedented market turmoil as a result of the onset of the COVID-19 pandemic. The Federal Reserve Board has stated that its federal funds interest rate policy will remain accommodative at least through 2023. The Company cannot make any representation as to whether, or how many times, the Federal Reserve Board will decrease or increase the targeted federal funds rate in the future.

GAP Analysis. In addition, management analyzes interest rate sensitivity by monitoring the Company’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 March 31, 2021, 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 March 31, 2021, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans.

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

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

The following table sets forth the Company’s interest-earning assets and its interest-bearing liabilities at December 31, 2020, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at December 31, 2020, 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, 2020 Time to Repricing								
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Five Years Plus	Total Earning Assets & Costing Liabilities	Non Earning Assets & Non Costing Liabilities	Total
	(Dollars in thousands)								
Assets:									
Interest-bearing deposits in banks	$ 72,078	$ 72,078	$ 72,078	$ 72,078	$ 72,078	$ 72,078	$ 72,078	$ —	$ 72,078
Securities (1)	802	1,514	6,183	7,865	10,883	19,094	19,094	147	19,241
Placement with banks	2,739	2,739	2,739	2,739	2,739	2,739	2,739	—	2,739
Net loans (includes LHFS)	182,337	273,469	451,205	710,938	1,147,028	1,195,099	1,195,099	(1,053)	1,194,046
FHLBNY stock	6,426	6,426	6,426	6,426	6,426	6,426	6,426	—	6,426
Other assets	—	—	—	—	—	—	—	60,701	60,701
Total	$ 264,382	$ 356,226	$ 538,631	$ 800,046	$ 1,239,154	$ 1,295,436	$ 1,295,436	$ 59,795	$ 1,355,231
Liabilities:									
Non-maturity deposits	$ 16,445	$ 30,887	$ 59,771	$ 117,545	$ 256,222	$ 449,570	$ 449,570	$ 173,022	$ 622,592
Certificates of deposit	103,737	168,744	271,229	353,272	402,987	406,987	406,987	—	406,987
Other liabilities	8,000	8,000	8,000	120,324	148,699	148,699	148,699	17,409	166,108
Total liabilities	128,182	207,631	339,000	591,141	807,908	1,005,256	1,005,256	190,431	1,195,687
Capital	—	—	—	—	—	—	—	159,544	159,544
Total liabilities and capital	$ 128,182	$ 207,631	$ 339,000	$ 591,141	$ 807,908	$ 1,005,256	$ 1,005,256	$ 349,975	$ 1,355,231
Asset/liability gap	$ 136,200	$ 148,595	$ 199,631	$ 208,905	$ 431,246	$ 290,180	$ 290,180		
Gap/assets ratio	206.26%	171.57%	158.89%	135.34%	153.38%	128.87%	128.87%		

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

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income and economic value tables of equity 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.

Ponce Bank Segment

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

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

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

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

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

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

The following table presents interest expense for the periods indicated:

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

Net Interest Income. Net interest income increased $3.0 million, or 30.3%, to $12.8 million for the three months ended March 31, 2021 from $9.9 million for the three months ended March 31, 2020, primarily as a result of organic loan growth and a lower average cost of funds on interest bearing liabilities.

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

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

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

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

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

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

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

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

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

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

Mortgage World Segment

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

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

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

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

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

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

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 March 31, 2021. 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 three months ended March 31, 2021, 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 March 31, 2021, 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.

For a discussion of the risk factors affecting the Company, see "Risk Factors" in Part I, Item IA of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Annual Report") filed with the SEC on March 29, 2021.

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

The following table sets forth information regarding the shares of common stock repurchased by the Company during the three months ended March 31, 2021:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
January 1, 2021 - January 31, 2021	28,530	$ 10.17	45,250	807,052
February 1, 2021 - February 28, 2021	27,624	$ 10.29	72,874	779,428
March 1, 2021 - March 31, 2021	51,563	$ 11.58	124,437	727,865
Total	**107,717**	**$ 10.88**		

The Company repurchased 107,717 shares of its common stock at an aggregate cost of $1.2 million during the three months ended March 31, 2021, respectively.

The Company adopted a share repurchase program effective March 25, 2019 which expired on September 24, 2019. Under the repurchase program, the Company was authorized to repurchase up to 923,151 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. On November 13, 2019, the Company adopted a second share repurchase program. Under this second program, the Company was authorized to repurchase up to 878,835 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The Company's second share repurchase program was terminated on March 27, 2020 in response to the uncertainty related to the unfolding COVID-19 pandemic. On June 1, 2020, the Company adopted a third share repurchase program. Under this third program, the Company was authorized to repurchase up to 864,987 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The Company's third share repurchase program expired on November 30, 2020. On December 14, 2020, the Company adopted a fourth share repurchase program. Under this fourth program, the Company is authorized to repurchase up to 852,302 shares of the Company's stock, or approximately 5% of the Company's then current issued and outstanding shares. The fourth repurchase program may be suspended or terminated at any time without prior notice, and it will expire no later than June 13, 2021.

As of March 31, 2021, the Company had repurchased a total of 1,631,570 shares under the repurchase programs at a weighted average price of $13.27 per share, of which 1,444,776 were reported as treasury stock. Of the 1,631,570 shares repurchased, 186,960 shares have been used for grants awarded to directors, executive officers and non-executive officers under the Company's 2018 Long-Term Incentive Plan pursuant to restricted stock units which vested on December 4, 2020 and 2019. Of these 186,960 shares, 166 shares were retained to satisfy a recipient's taxes and other withholding obligations and these shares remain as part of treasury stock.

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	Charter of PDL Community Bancorp (attached as Exhibit 3.1 to the Registrant's amendment No. 1 to the Form S-1 (File No. 333-217275) filed with the Commission on May 22, 2017).
3.2	Bylaws of PDL Community Bancorp (attached as Exhibit 3.2 to the Registrant's amendment No. 2 to the Form S-1 (File No. 333-217275) filed with the Commission on July 27, 2017.
4.1	Form of Common Stock Certificate of PDL Community Bancorp (attached as Exhibit 4.1 to the Registrant's amendment No. 2 to the Form S-1 (File No, 333-217275) filed with the Commission on July 27, 2017).
4.2	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (attached as Exhibit 4.2 Form 10-K (File No. 001-38224) filed with the Commission on March 17, 2020).
10.1	Ponce Bank Employee Stock Ownership Plan (attached as Exhibit 10.1 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.2	Ponce Bank ESOP Equalization Plan (attached as Exhibit 10.2 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.3	Ponce De Leon Federal Deferred Compensation Plan (attached as Exhibit 10.3 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.4	Employment Agreement dated as of March 23, 2017, by and between Ponce de Leon Federal Bank and Carlos P. Naudon (attached as Exhibit 10.4 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.5	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Carlos P. Naudon (attached as Exhibit 10.5 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.6	Employment Agreement dated March 23, 2017, by and between Ponce De Leon Federal Bank and Steven Tsavaris (attached as Exhibit 10.6 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.7	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Steven Tsavaris (attached as Exhibit 10.7 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.8	Employment Agreement dated March 31, 2017, by and between Ponce De Leon Federal Bank and Frank Perez (attached as Exhibit 10.8 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.9	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Frank Perez (attached as Exhibit 10.9 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).
10.10	Specimen Form of Restricted Stock Unit Award Agreement for Employees (attached as Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.11	Specimen Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (attached as Exhibit 10.2 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.12	Specimen Form of Stock Option Agreement for Employees (attached as Exhibit 10.3 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
10.13	Specimen Form of Stock Option Agreement for Non-Employee Directors (attached as Exhibit 10.4 to the Registrant's Form 8-K (File No. 001-38224) filed with the Commission on December 12, 2018).
21.1	Subsidiaries of the Registrant (attached as Exhibit 21.1 to the Registrant's Form S-1 (File No. 333-217275) filed with the Commission on April 12, 2017).

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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* 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.

Company Name

Date: May 12, 2021

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

Date: May 12, 2021

By: /s/ Frank Perez
Frank Perez
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 PDL Community Bancorp;

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: May 12, 2021

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, Frank Perez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PDL Community Bancorp;

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: May 12, 2021

By: /s/ Frank Perez

Frank Perez
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 PDL Community Bancorp (the “Company”) on Form 10-Q for the period ending March 31, 2021 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: May 12, 2021

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 PDL Community Bancorp (the “Company”) on Form 10-Q for the period ending March 31, 2021 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: May 12, 2021

By: /s/ Frank Perez
Frank Perez
Executive Vice President
Chief Financial Officer