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DELTA REPORT

10-Q

PFS - PROVIDENT FINANCIAL SERVI
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1806
CHANGES	353
DELETIONS	425
ADDITIONS	1028

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, June 30, 2024

or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-31566
PROVIDENT FINANCIAL SERVICES, INC.

(Exact Name of Registrant as Specified in Its Charter)
Delaware
(State or Other Jurisdiction of Incorporation or Organization)
239 Washington Street
(Address of Principal Executive Offices)
Jersey City
(City)
New Jersey
(State)
07302
(Zip Code)
(732) 590-9200
(Registrant's Telephone Number, Including Area Code)
42-1547151
(I.R.S. Employer Identification No.)

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

Title of each class	Trading Symbol Symbol(s)	Name of each exchange on which registered
Common	PFS	New York Stock Exchange

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 twelve 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 y 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 twelve months (or for such shorter period that the Registrant was required to submit and post such files). Yes y NO "

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☒ Accelerated Filer ☐
Non-Accelerated Filer ☐ Smaller Reporting Company ☐
Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 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 y

As of April 19, 2024 August 1, 2024 there were 83,209,012 137,565,966 shares issued and 75,984,175 130,485,099 shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, including 56,149 36,957 shares held by the First Savings Bank Directors' Deferred Fee Plan not otherwise considered outstanding under U.S. generally accepted accounting principles.

PROVIDENT FINANCIAL SERVICES, INC.
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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY
Consolidated Statements of Financial Condition
March 31, June 30, 2024 (Unaudited) and December 31, 2023
(Dollars in Thousands)

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
ASSETS		
Cash and due from banks		
Cash and due from banks		
Cash and due from banks		
Short-term investments		
Total cash and cash equivalents		
Available for sale debt securities, at fair value		
Held to maturity debt securities, net (fair value of \$341,459 as of March 31, 2024 and \$352,601 as of December 31, 2023)		
Held to maturity debt securities, net (fair value of \$332,691 as of June 30, 2024 (unaudited) and \$352,601 as of December 31, 2023)		
Equity securities, at fair value		
Federal Home Loan Bank stock		
Loans		
Loans held for sale		
Loans held for investment		
Less allowance for credit losses		
Net loans		
Foreclosed assets, net		
Banking premises and equipment, net		
Accrued interest receivable		
Intangible assets		
Bank-owned life insurance		
Other assets		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Liabilities:		

Liabilities:
Deposits:
Deposits:
Deposits:
Demand deposits
Demand deposits
Demand deposits
Savings deposits
Certificates of deposit of \$250,000 or more
Other time deposits
Total deposits
Mortgage escrow deposits
Borrowed funds
Subordinated debentures
Other liabilities
Total liabilities
Stockholders' Equity:
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none issued
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none issued
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none issued
Common stock, \$0.01 par value, 200,000,000 shares authorized, 83,209,012 shares issued and 75,928,193 shares outstanding as of March 31, 2024 and 75,537,186 outstanding as of December 31, 2023
Common stock, \$0.01 par value, 200,000,000 shares authorized, 137,565,966 shares issued and 130,380,393 shares outstanding as of June 30, 2024 and 75,537,186 outstanding as of December 31, 2023
Additional paid-in capital
Retained earnings
Accumulated other comprehensive loss
Accumulated other comprehensive (loss) income
Treasury stock
Unallocated common stock held by the Employee Stock Ownership Plan
Common stock acquired by deferred compensation plans
Deferred compensation plans
Total stockholders' equity
Total liabilities and stockholders' equity

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY
Consolidated Statements of Income
Three and six months ended March 31, 2024June 30, 2024 and 2023 (Unaudited)
(Dollars in Thousands, except per share data)

	Three months ended March 31,					
	Three months ended March 31,					
	Three months ended March 31,					
		Three months ended June 30,	Six months ended June 30,			
	2024	2024	2023	2024	2023	
	2024					
	2024					
Interest and dividend income:						
Interest and dividend income:						
Interest and dividend income:						
Real estate secured loans						
Real estate secured loans						
Real estate secured loans						
Commercial loans						

Commercial loans
Commercial loans
Consumer loans
Consumer loans
Consumer loans
Available for sale debt securities, equity securities and Federal Home Loan Bank stock
Available for sale debt securities, equity securities and Federal Home Loan Bank stock
Available for sale debt securities, equity securities and Federal Home Loan Bank stock
Held to maturity debt securities
Held to maturity debt securities
Held to maturity debt securities
Deposits, Federal funds sold and other short-term investments
Deposits, Federal funds sold and other short-term investments
Deposits, Federal funds sold and other short-term investments
Total interest and dividend income
Total interest and dividend income
Total interest and dividend income
Interest expense:
Interest expense:
Due from banks, Federal funds sold and other short-term investments
Total interest income
Interest expense:
Deposits
Deposits
Deposits
Borrowed funds
Borrowed funds
Borrowed funds
Subordinated debt
Subordinated debt
Subordinated debt
Total interest expense
Total interest expense
Total interest expense
Net interest income
Net interest income
Net interest income
Provision charge for credit losses
Provision charge for credit losses
Provision charge for credit losses
Net interest income after provision charge for credit losses
Net interest income after provision charge for credit losses
Net interest income after provision charge for credit losses
Non-interest income:
Non-interest income:
Non-interest income:
Fees
Fees
Fees
Wealth management income
Wealth management income

Wealth management income
Insurance agency income
Insurance agency income
Insurance agency income
Bank-owned life insurance
Bank-owned life insurance
Bank-owned life insurance
Net loss on securities transactions
Net loss on securities transactions
Net loss on securities transactions
Other income
Other income
Net (loss) gain on securities transactions
Other income
Total non-interest income
Total non-interest income
Total non-interest income
Non-interest expense:
Non-interest expense:
Non-interest expense:
Compensation and employee benefits
Compensation and employee benefits
Compensation and employee benefits
Net occupancy expense
Net occupancy expense
Net occupancy expense
Data processing expense
Data processing expense
Data processing expense
FDIC insurance
FDIC insurance
FDIC insurance
Amortization of intangibles
Amortization of intangibles
Amortization of intangibles
Advertising and promotion expense
Advertising and promotion expense
Advertising and promotion expense
Provision charge (benefit) for credit losses on off-balance sheet credit exposures
Provision charge (benefit) for credit losses on off-balance sheet credit exposures
Provision charge (benefit) for credit losses on off-balance sheet credit exposures
Merger-related expenses
Merger-related expenses
Merger-related expenses
Other operating expenses
Other operating expenses
Other operating expenses
Total non-interest expense
Total non-interest expense
Total non-interest expense
Income before income tax expense



Income before income tax expense
Income before income tax expense
Income tax expense
Income tax expense
Income tax expense
Net income
Net income
Net income
Basic earnings per share
Basic earnings per share
(Loss) Income before income tax expense
Income tax (benefit) expense
Net (loss) income
Basic earnings per share
Weighted average basic shares outstanding
Weighted average basic shares outstanding
Weighted average basic shares outstanding
Diluted earnings per share
Diluted earnings per share
Diluted earnings per share
Weighted average diluted shares outstanding
Weighted average diluted shares outstanding
Weighted average diluted shares outstanding

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

Three and six months ended March 31, 2024 June 30, 2024 and 2023 (Unaudited)

(Dollars in Thousands)

	Three months ended March 31,					
	Three months ended March 31,					
	Three months ended March 31,					
		Three months ended June 30,	Six months ended June 30,			
	2024	2024	2023	2024	2023	
	2024					
	2024					
Net income						
Net income						
Net income						
Other comprehensive income (loss), net of tax:						
Other comprehensive income (loss), net of tax:						
Other comprehensive income (loss), net of tax:						
Net (loss) income						
Other comprehensive income, net of tax:						
Unrealized gains and losses on available for sale debt securities:						
Unrealized gains and losses on available for sale debt securities:						
Unrealized gains and losses on available for sale debt securities:						
Net unrealized (losses) gains arising during the period						
Net unrealized (losses) gains arising during the period						
Net unrealized (losses) gains arising during the period						

Reclassification adjustment for gains included in net income
Reclassification adjustment for gains included in net income
Reclassification adjustment for gains included in net income
Total
Total
Total
Unrealized gains and losses on derivatives:
Unrealized gains and losses on derivatives:
Unrealized gains and losses on derivatives:
Net unrealized gains (losses) arising during the period
Net unrealized gains (losses) arising during the period
Net unrealized gains (losses) arising during the period
Reclassification adjustment for gains included in net income
Reclassification adjustment for gains included in net income
Reclassification adjustment for gains included in net income
Reclassification adjustment for losses included in net income
Total
Total
Unrealized gains and losses on derivatives:
Net unrealized gains arising during the period
Net unrealized gains arising during the period
Net unrealized gains arising during the period
Reclassification adjustment for (gains) included in net income
Total
Amortization related to post-retirement obligations
Amortization related to post-retirement obligations
Amortization related to post-retirement obligations
Total other comprehensive (loss) income
Total other comprehensive (loss) income
Total other comprehensive (loss) income
Total other comprehensive income (loss)
Total comprehensive income
Total comprehensive income
Total comprehensive income

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

Three For the three and six months ended March 31, 2023 June 30, 2023 (Unaudited)

(Dollars in Thousands)

	COMMON	ADDITIONAL	RETAINED	ACCUMULATED OTHER		UNALLOCATED	COMMON STOCK ACQUIRED BY	DEFERRED	TOTAL
	STOCK	PAID-IN CAPITAL	EARNINGS	COMPREHENSIVE (LOSS) INCOME	TREASURYSTOCK	ESOP SHARES	DEFERRED COMP PLANS	COMPENSATION PLANS	STOCKHOLDERS' EQUITY
For the three months ended March 31, 2023									
Balance as of December 31, 2022									
For the three months ended June 30, 2023									
Balance as of March 31, 2023									
Net income									
Other comprehensive income net of tax									
Other comprehensive loss, net of tax									
Cash dividends paid									

Cumulative effect of adopting Accounting Standards Update ("ASU") No. 2022-02, net of tax
Distributions from deferred comp plans
Distributions from deferred comp plans
Distributions from deferred comp plans
Purchase of employee restricted shares to fund statutory tax withholding
Purchase of employee restricted shares to fund statutory tax withholding
Distributions from deferred comp plans
Purchases of treasury stock
Purchase of employee restricted shares to fund statutory tax withholding
Stock option exercises
Stock option exercises
Stock option exercises
Allocation of ESOP shares
Allocation of Stock Award Plan ("SAP") shares
Treasury shares issued due to acquisition
Allocation of stock options
Balance as of March 31, 2023
Allocation of stock options
Allocation of stock options
Balance as of June 30, 2023

For the six months ended June 30, 2023	COMMON STOCK								
	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY DEFERRED COMP PLANS	DEFERRED COMPENSATION PLANS	TOTAL STOCKHOLDERS' EQUITY
Balance as of December 31, 2022	\$ 832	\$ 981,138	\$ 918,158	\$ (165,045)	\$ (127,154)	\$ (10,226)	\$ (3,427)	\$ 3,427	\$ 1,597,703
Net income	—	—	72,539	—	—	—	—	—	72,539
Other comprehensive loss, net of tax	—	—	—	2,552	—	—	—	—	2,552
Cash dividends paid	—	—	(36,727)	—	—	—	—	—	(36,727)
Effect of adopting Cumulative effect of adopting Accounting Standards Update ("ASU") No. 2022-02, net of tax	—	—	433	—	—	—	—	—	433
Distributions from deferred comp plans	—	79	—	—	—	—	277	(277)	79
Purchases of treasury stock	—	—	—	—	—	—	—	—	—
Purchase of employee restricted shares to fund statutory tax withholding	—	—	—	—	(1,671)	—	—	—	(1,671)
Stock option exercises	—	(217)	—	—	1,007	—	—	—	790
Allocation of ESOP shares	—	243	—	—	—	1,623	—	—	1,866
Allocation of SAP shares	—	4,830	—	—	—	—	—	—	4,830
Allocation of stock options	—	77	—	—	—	—	—	—	77
Balance as of June 30, 2023	\$ 832	\$ 986,150	\$ 954,403	\$ (162,493)	\$ (127,818)	\$ (8,603)	\$ (3,150)	\$ 3,150	\$ 1,642,471

See accompanying notes to unaudited consolidated financial statements.

(Dollars in Thousands)

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Allocation of stock options	—	44	—	—	—	—	—	—	44
Balance as of June 30, 2024	\$ 1,376	\$ 1,868,643	\$ 957,979	\$ (139,964)	\$ (129,115)	\$ (3,273)	\$ (2,398)	\$ 2,398	\$ 2,555,646

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows Three months ended March 31, 2024 and 2023 (Unaudited) (Dollars in Thousands)

	Three months ended March 31,	PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY	Consolidated Statements of Cash Flows	Six months ended June 30, 2024 and 2023 (Unaudited)	(Dollars in Thousands)
	Six months ended June 30,				
	Six months ended June 30,				
	Six months ended June 30,				
	2024	2024	2023	2024	2023
Cash flows from operating activities:					
Net income					
Net income					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization of intangibles					
Depreciation and amortization of intangibles					
Depreciation and amortization of intangibles					
Provision charge for credit losses on loans and securities					
Provision (benefit) charge for credit losses on off-balance sheet credit exposures					
Deferred tax expense					
Provision charge for credit losses					
Deferred tax benefit					
Deferred tax benefit					
Deferred tax benefit					
Amortization of operating lease right-of- use assets					
Income on Bank-owned life insurance					
Income on Bank-owned life insurance					
Income on Bank-owned life insurance					
Net amortization of premiums and discounts on securities					
Accretion of net deferred loan fees					
Amortization of premiums on purchased loans, net					
Originations of loans held for sale					

Proceeds from sales of loans originated for sale
ESOP expense
Allocation of stock award expense
Allocation of stock option expense
Net gain on sale of loans
Net gain on sale of loans
Net gain on sale of loans
Net loss on securities transactions
Net loss (gain) on securities transactions
Net gain on sale of premises and equipment
Net gain on sale of foreclosed assets
Decrease (increase) in accrued interest receivable
Increase in accrued interest receivable
(Increase) decrease in other assets
Increase (decrease) in other liabilities
Net cash provided by operating activities
Cash flows from investing activities:
Net decrease in loans
Net decrease in loans
Net decrease in loans
Net decrease (increase) in loans
Net decrease (increase) in loans
Net decrease (increase) in loans
Purchases of loans
Proceeds from sales of foreclosed assets
Proceeds from maturities, calls and paydowns of held to maturity debt securities
Purchases of investment securities held to maturity
Proceeds from maturities, calls and paydowns of available for sale debt securities
Proceeds from maturities, calls and paydowns of available for sale debt securities
Proceeds from sales of available for sale debt securities
Proceeds from maturities, calls and paydowns of available for sale debt securities
Purchases of available for sale debt securities
Proceeds from redemption of Federal Home Loan Bank stock
Purchases of Federal Home Loan Bank stock
BOLI claim benefits received
BOLI claim benefits received
Cash received, net of cash consideration paid for acquisition
BOLI claim benefits received
Proceeds from sales of premises and equipment

Proceeds from sales of premises and equipment
Proceeds from sales of premises and equipment
Purchases of premises and equipment
Net cash provided by investing activities
Net cash provided by (used in) investing activities
Cash flows from financing activities:
Net decrease in deposits
Net decrease in deposits
Net decrease in deposits
Increase in mortgage escrow deposits
Cash dividends paid to stockholders

		Three months ended March 31,	PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY	Consolidated Statements of Cash Flows	Six months ended June 30, 2024 and 2023 (Unaudited)	(Dollars in Thousands)
	Six months ended June 30,					
	Six months ended June 30,					
	Six months ended June 30,					
		2024	2024	2023	2024	2023
Increase in mortgage escrow deposits						
Cash dividends paid to stockholders						
Purchase of treasury stock						
Purchase of treasury stock						
Purchase of treasury stock						
Purchase of employee restricted shares to fund statutory tax withholding						
Stock options exercised						
Proceeds from subordinated debentures						
Proceeds from long-term borrowings						
Payments on long-term borrowings						
Net increase (decrease) in short-term borrowings						
Net cash used in financing activities						
Net (decrease) increase in cash and cash equivalents						
Net (decrease) increase in short-term borrowings						
Net cash (use in) provided by financing activities						
Net increase in cash and cash equivalents						
Cash and cash equivalents at beginning of period						
Restricted cash at beginning of period						

Total cash, cash equivalents and restricted cash at beginning of period

Cash and cash equivalents at end of period

Restricted cash at end of period

Total cash, cash equivalents and restricted cash at end of period

Cash paid during the period for:

Cash paid during the period for:

Cash paid during the period for:

Interest on deposits and borrowings

Interest on deposits and borrowings

Interest on deposits and borrowings

Income taxes

Non-cash investing activities:

Initial recognition of operating lease right-of-use assets

Initial recognition of operating lease right-of-use assets

Initial recognition of operating lease right-of-use assets

Initial recognition of operating lease liabilities

Transfer of loans receivable to foreclosed assets

Acquisitions:

Non-cash assets acquired at fair value:

Non-cash assets acquired at fair value:

Non-cash assets acquired at fair value:

Investment securities

Investment securities

Investment securities

Loans held for sale 1,494

Loans held for investment

Bank-owned life insurance

Goodwill and other intangible assets

Bank premises and equipment

Other assets

Total non-cash assets acquired at fair value

Liabilities assumed

Liabilities assumed

Liabilities assumed

Deposits

Deposits

Deposits

Borrowings

Subordinated debentures

Other Liabilities

Total liabilities assumed

Transfer of loans receivable to foreclosed assets
Transfer of loans receivable to foreclosed assets
Transfer of loans receivable to foreclosed assets
Common stock issued for acquisitions
Common stock issued for acquisitions
Common stock issued for acquisitions

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements include the accounts of Provident Financial Services, Inc. (the "Company") and its wholly owned subsidiary, Provident Bank (the "Bank") and its wholly owned subsidiaries.

In preparing the interim unaudited consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and the consolidated statements of income for the periods presented. Actual results could differ from these estimates. The allowance for credit losses is a material estimate that is particularly susceptible to near-term change.

The interim unaudited consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three and six months ended March 31, 2024 June 30, 2024 are not necessarily indicative of the results of operations that may be expected for all of 2024.

Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Additionally, certain comparative balances on the interim unaudited consolidated financial statements have been reclassified to conform to the current year's presentation.

These unaudited consolidated financial statements should be read in conjunction with the December 31, 2023 Annual Report to Stockholders on Form 10-K.

B. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations for the three and six months ended March 31, 2024 June 30, 2024 and 2023 (dollars in thousands, except per share amounts):

	Three months ended March 31,
	Three months ended June 30,
	2024
	2024
	2024
	Net Income
	Net Income
	Net Income

Net income
Net income
Net income
Net (loss) income
Net (loss) income
Net (loss) income
Basic earnings per share:
Basic earnings per share:
Basic earnings per share:
Income available to common stockholders
Income available to common stockholders
Income available to common stockholders

(Loss) Income available to common stockholders
(Loss) Income available to common stockholders
(Loss) Income available to common stockholders
Dilutive shares
Dilutive shares
Dilutive shares
Diluted earnings per share:
Diluted earnings per share:
Diluted earnings per share:
Income available to common stockholders
Income available to common stockholders
Income available to common stockholders
(Loss) Income available to common stockholders
(Loss) Income available to common stockholders
(Loss) Income available to common stockholders

	Six months ended June 30,					
	2024			2023		
	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount
Net income	\$ 20,596			\$ 72,539		
Basic earnings per share:						
Income available to common stockholders	\$ 20,596	89,108,775	\$ 0.23	\$ 72,539	74,734,795	\$ 0.97
Dilutive shares		7,815			32,053	
Diluted earnings per share:						
Income available to common stockholders	\$ 20,596	89,116,590	\$ 0.23	\$ 72,539	74,766,848	\$ 0.97

Anti-dilutive stock options and awards as of **March 31, 2024** **June 30, 2024** and 2023, totaling **1.4 million** **1.5 million** shares and **984,877** **1.3 million** shares, respectively, were excluded from the earnings per share calculations.

C. Loans Receivable and Allowance for Credit Losses

The impact of utilizing the current expected credit loss ("CECL") methodology approach to calculate the allowance for credit losses on loans is significantly influenced by the composition, characteristics and quality of the Company's loan portfolio, as well as the prevailing economic conditions and forecast utilized. Material changes to these and other relevant factors may result in greater volatility to the allowance for credit losses, and therefore, greater volatility to the Company's reported earnings. For the three and six months ended **March 31, 2024** **June 30, 2024**, an increase in specific reserves on impaired credits, partially offset by an improved economic forecast for the current quarter within our initial CECL model, led to a provisions charge for credit losses, while a decrease in loans approved and awaiting closing led to a provision benefit for credit losses on off-balance sheet loans and commitments to extend credit exposures, of \$65.2 million was recorded as part of the Lakeland merger in accordance with GAAP requirements for accounting for business combinations. See Notes 4 and 10 to the Consolidated Financial Statements for more information on the allowance for credit losses on loans and off-balance sheet credit exposures.

D. Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of identifiable net assets acquired through purchase acquisitions. In accordance with GAAP, goodwill Goodwill with an indefinite useful life is not amortized, but is evaluated for impairment on an annual basis, or more frequently if events or changes in circumstances indicate potential impairment between annual measurement dates. Goodwill is analyzed for impairment at least once a year. As permitted by GAAP, the The Company prepares a qualitative assessment in determining whether goodwill may be impaired. The factors considered in the assessment include macroeconomic conditions, industry and market conditions and overall financial performance of the Company, among others. The Company completed its most recent annual goodwill impairment test as of **July 1, 2023** **July 1, 2024**. As of **March 31, 2024**, the The Company performed a qualitative analysis of goodwill and concluded that no triggering events were identified and therefore a test for impairment between annual tests was not required.

Note 2. Business Combinations

Lakeland Bancorp, Inc. - Merger Agreement

The On May 16, 2024, the Company received all regulatory approvals for completed its previously announced acquisition of merger with Lakeland Bancorp, Inc. ("Lakeland"), subject which added \$10.91 billion to certain conditions total assets, \$7.91 billion to total loans, \$8.62 billion to total deposits and commitments (referred 68 full-service banking offices in New Jersey and New York. The Company expects to as the "Regulatory Conditions"). The Regulatory Conditions include, but are not limited to: prior to consummation close 13 of the acquired Lakeland banking offices and nine legacy Bank branches in the third quarter of 2024 due to geographic overlap.

Under the merger agreement, each share of Lakeland common stock was converted into the Company must complete the issuance of \$200.0 million of Tier 2 qualifying subordinated debt; for three years following consummation right to receive 0.8319 shares of the merger, Provident Bank must maintain regulatory capital ratios at or above 8.50% Company's common stock, a total of 54,356,954 shares converted, plus cash in lieu of fractional shares. The total consideration paid for Tier 1 Leverage Capital and 11.25% for Total Risk Based Capital; and Provident Bank must maintain its commercial real estate concentrations (as a percent the acquisition of capital and reserves) at levels at or below those forecasted in the pro forma financial projections that Provident Bank submitted to the FDIC. Lakeland was \$876.8 million. In connection with the acquisition, Lakeland Bank, a wholly owned subsidiary of Lakeland, will be was merged with and into Provident Bank, a wholly owned subsidiary the Bank.

The acquisition was accounted for under the acquisition method of accounting. Under this method of accounting, the purchase price has been allocated to the respective assets acquired and liabilities assumed based upon their estimated fair values, net of tax. The excess of consideration paid over the estimated fair value of the Company net assets acquired totaled \$190.9 million and was recorded as goodwill.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the merger date, net of cash consideration paid (in thousands):

	As of May 16, 2024
Assets acquired:	
Cash and cash equivalents, net	\$ 194,548
Available for sale debt securities	1,585,993
Federal Home Loan Bank stock	46,113
Loans held for sale	1,494
Loans held for investment	7,906,326
Allowance for credit losses on PCD loans	(17,188)
Loans, net	7,889,138
Bank-owned life insurance	160,646
Banking premises and equipment	60,578
Accrued interest receivable	27,241
Goodwill	190,858
Other intangibles assets	209,915
Other assets	242,011
Total assets acquired	\$ 10,608,535
Liabilities assumed:	
Deposits	8,622,924
Mortgage escrow deposits	5,532
Borrowed funds	785,927
Subordinated debentures	180,198
Other liabilities	137,176
Total liabilities assumed	\$ 9,731,757
Net assets acquired	\$ 876,778

The calculation of goodwill is subject to change for up to one year after the date of acquisition as additional information relative to the closing date estimates and uncertainties become available. As the Company finalizes its review of March 31, 2024, the acquired assets and liabilities, certain adjustments to the recorded carrying values and goodwill may be required.

Fair Value Measurement of Assets Assumed and Liabilities Assumed

The methods used to determine the fair value of the assets acquired and liabilities assumed in the Lakeland acquisition were as follows:

Securities Available for Sale

The estimated fair values of the available for sale debt securities, primarily comprised of U.S. government agency mortgage-backed securities and U.S. government agency and municipal bonds carried on Lakeland's balance sheet was confirmed using open market pricing provided by multiple independent securities brokers. Management reviewed the open market quotes used in pricing the securities and a fair value adjustment was not recorded on the investments. A fair value discount of \$249.7 million was recorded on the investments.

Loans

Loans acquired from Lakeland were recorded at fair value, and there was no carryover related allowance for loan and lease losses. The fair values of loans acquired from Lakeland were estimated using the discounted cash flow method based on the remaining maturity and repricing terms. Cash flows were adjusted for expected losses and prepayments. Projected cash flows were then discounted to present value based on: the relative risk of the cash flows, taking into account the loan type, liquidity risk, the maturity of the loans, servicing costs, and a required return on capital; and monthly principal and interest cash flows were discounted to present value and summed to arrive at the calculated value of the loans. The fair value of the acquired loans receivable had a gross amortized cost basis of \$7.91 billion.

For loans acquired without evidence of more-than-insignificant deterioration in credit quality since origination, the Company recorded interest rate loan fair value and credit fair value adjustments. Loans were grouped into pools based on similar characteristics, such as loan type, fixed or adjustable interest rates, payment type, index rate and caps/floors, and non-accrual status. The loans were valued at the sub-pool level and were pooled at the summary level based on loan type. Market rates for similar loans were obtained from various internal and external data sources and reviewed by management for reasonableness. The average of these market rates was used as the fair value interest rate that a market participant would utilize. A present value approach was utilized to calculate the interest rate fair value discount of \$297.2 million. The Company used historical annual average charge-off percentages for banking institutions identified as peers of the Company and Lakeland combined as a market-participant proxy to develop the life-of-loan loss rates per loan type for the Non-PCD loans. The default and loss rates were then applied to the principal balance to arrive at the projected credit losses for each period, which resulted in a credit fair value discount of \$82.4 million.

Loans acquired that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased credit deteriorated ("PCD") loans. The Company evaluated acquired loans for deterioration in credit quality based on any of, but not limited to, the following: (1) non-accrual status; (2) modifications for borrowers experiencing financial difficulty; (3) risk ratings of watch, special mention, substandard or doubtful; and (4) loans greater than 59 days past due. At the acquisition date, an estimate of expected credit losses was made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics.

This estimate of credit losses was calculated using management's best estimate of projected losses over the remaining life of the loans. This represents the portion of the loan balances that has been deemed uncollectible based on the Company's expectations of future cash flows for each respective PCD loan pool, given the outlook and forecasts. The expected lifetime losses were calculated using historical losses observed at the Bank, Lakeland and peer banks. A \$17.2 million allowance for credit losses was recorded on PCD loans. The interest rate fair value adjustment related to PCD loans will be substantially recognized as interest income on a consolidated level yield amortization or straight line method over the expected life of the loans.

The table below illustrates the fair value adjustments made to the amortized cost basis \$11.00 billion in total assets, order to present the fair value of the loans acquired (in thousands):

Gross amortized cost basis as of May 16, 2024	\$	8,323,589
Interest rate fair value adjustment on all loans		(330,540)
Credit fair value adjustment on non-PCD loans		(82,359)
Charge-offs on PCD Loans at acquisition		(4,364)
Allowance for credit losses on PCD loans		(17,188)
Fair value of acquired loans, net, as of May 16, 2024	\$	7,889,138

The table below is a summary of the PCD loans that were acquired from Lakeland as of the closing date (in thousands):

Gross amortized cost basis as of May 16, 2024	\$	564,147
Charge-offs on PCD Loans at acquisition		(4,364)
Interest component of expected cash flows (accretable difference)		(33,365)
Allowance for credit losses on PCD loans		(17,188)
Net PCD loans	\$	509,230

Banking Premises and Equipment

The Company acquired 68 branches from Lakeland, 29 of which included \$8.30 billion in total loans and \$8.50 billion in total deposits, and operated 67 full-service were owned premises. The Company expects to close 13 of the acquired banking offices in the third quarter of 2024. The fair value of Lakeland's premises was determined based upon independent third-party appraisals performed by licensed appraisers in the market in which the premises are located.

Core Deposit Intangible

The fair value of the core deposit intangible was measured using a discounted cash flow approach by comparing the all-in cost of less rate sensitive deposits against an alternative funding source. The discounted cash flow approach is used because there is no reliable market participant data to support a market approach nor is there an effective measure to utilize the cost approach. To calculate the value of core deposits, deposit account servicing costs (net of deposit fee income) and interest expense on deposits were compared to the cost of alternative funding sources by using an average of Federal Home Loan Bank of New Jersey Under York ("FHLB NY") advance rates and brokered CD rates as disclosed by market sources. The projected cash flows were developed using projected deposit attrition rates. The discount rate was calculated using the merger agreement, each share Capital Assets Pricing Model.

The core deposit intangible totaled \$209.2 million and is being amortized over its estimated life of Lakeland common stock approximately 10 years based on dollar weighted deposit runoff on an annualized basis. The core deposit intangible will be exchanged evaluated annually for 0.8319 shares, or approximately 55 impairment.

Bank Owned Life Insurance ("BOLI")

Lakeland's BOLI cash surrender value was \$160.6 million shares, with no fair value adjustment required.

Time Deposits

The fair value adjustment for time deposits represents a discount from the value of the Company's common stock plus cash in lieu contractual repayments of fractional shares. Provident stockholders will own fixed-maturity deposits using prevailing market interest rates for similar-term time deposits. The time deposit discount of approximately 58% and Lakeland shareholders will own approximately 42% \$1.2 million is being amortized into income on a level yield basis over the contractual life of the combined company deposits.

Borrowings

The fair value of FHLBNY advances was determined based on a discounted cash flow analysis using a discount rate derived from FHLBNY rates as of May 16, 2024. The cash flows of the advances were projected based on the scheduled payments of each advance.

Subordinated Debentures

At the valuation date, Lakeland had three outstanding trust preferred issuances and a subordinated debt issuance with an aggregate balance of \$180.2 million, all of which was assumed by the Company on May 16, 2024. The fair value of trust preferred and subordinated debt issuances was determined based on a discounted cash flow analysis using a discount rate commensurate with yields and terms of comparable issuances. The cash flows were projected through the remaining contractual term of the trust preferred issuance and based on the call date for the subordinated debt issuance.

Merger-Related Expenses

Merger-related expenses, which is a separate line in non-interest expense on the Consolidated Statements of Income, totaled \$2.2 million \$18.9 million and \$21.1 million for the three and six months ended March 31, 2024 June 30, 2024, respectively, compared with \$1.1 million \$2.0 million and \$3.1 million for the three and six months ended March 31, 2023 June 30, 2023.

Note 3. Investment Securities

As of March 31, 2024 June 30, 2024, the Company had \$1.67 billion \$2.63 billion and \$354.7 million \$350.5 million in available for sale debt securities and held to maturity debt securities, respectively. Many factors, including lack of liquidity in the secondary market for certain securities, variations in pricing information, changes in interest rates, regulatory actions, changes in the business environment or any changes in the competitive marketplace, could have an adverse effect on the Company's investment portfolio. The total number of available for sale and held to maturity debt securities in an unrealized loss position as of March 31, 2024 June 30, 2024 totaled 954, 1,168, compared with 808 as of December 31, 2023. The increase in the number of securities in an unrealized loss position as of March 31, 2024 June 30, 2024, was due to the addition of Lakeland securities, combined with higher current market interest rates compared to rates as of December 31, 2023.

Available for Sale Debt Securities

The following tables present the amortized cost, gross unrealized gains, gross unrealized losses and the fair value for available for sale debt securities as of March 31, 2024 June 30, 2024 and December 31, 2023 (in thousands):

	March 31, 2024					June 30, 2024				
	Amortized cost	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
U.S. Treasury obligations										
U.S. Treasury obligations										
U.S. Treasury obligations										
Agency-guaranteed obligations										
Government-agency obligations										
Mortgage-backed securities										
Asset-backed securities										
State and municipal obligations										
Corporate obligations										
	\$									
	\$									
	\$									

	December 31, 2023									
	Amortized cost	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
U.S. Treasury obligations										
U.S. Treasury obligations										
U.S. Treasury obligations										
Agency-guaranteed obligations										
Government-agency obligations										

Mortgage-backed securities	
Asset-backed securities	
State and municipal obligations	
Corporate obligations	
	\$
	\$
	\$

Accrued interest on available for sale debt securities, which is excluded from the amortized cost, totaled \$5.2 million \$9.2 million and \$4.9 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and is presented within total accrued interest receivable on the consolidated statements of financial condition.

The amortized cost and fair value of available for sale debt securities as of March 31, 2024 June 30, 2024, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

		March 31, 2024		June 30, 2024	
	Amortized cost	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less					
Due after one year through five years					
Due after five years through ten years					
Due after ten years					
	\$				

Investments which pay principal on a periodic basis totaling \$1.50 billion \$2.20 billion at amortized cost and \$1.31 billion \$2.02 billion at fair value are excluded from the table above as their expected lives are likely to be shorter than the contractual maturity date due to principal prepayments.

For the three and six months ended March 31, 2024 June 30, 2024, proceeds from sales on securities in the available for sale debt securities portfolio totaled \$568.4 million, with no gains and March 31, 2023 \$3.0 million of losses recognized. For the three and six months ended June 30, 2023, there were no sales of securities were sold or called from the available for sale debt securities portfolio. For the three and six months ended June 30, 2024 and 2023, there were no proceeds from calls on securities in the available for sale debt securities portfolio.

The number of available for sale debt securities in an unrealized loss position as of March 31, 2024 June 30, 2024 totaled 434, 620, compared with 436 as of December 31, 2023. The increase in the number of securities in an unrealized loss position as of June 30, 2024, was primarily due to the addition of Lakeland, combined with higher current market interest rates compared to rates as of December 31, 2023. All securities in an unrealized loss position were investment grade as of March 31, 2024 June 30, 2024.

Held to Maturity Debt Securities

The following tables present the amortized cost, gross unrealized gains, gross unrealized losses and the estimated fair value for held to maturity debt securities, excluding allowances for credit losses of \$15,000 and \$31,000, as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively (in thousands):

	March 31, 2024					June 30, 2024				
	March 31, 2024					June 30, 2024				
	March 31, 2024					June 30, 2024				
	June 30, 2024					June 30, 2024				
	June 30, 2024					June 30, 2024				
	Amortized cost	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
Treasury Obligations										
Agency-sponsored obligations										
Treasury obligations										
Government-agency obligations										
State and municipal obligations										
State and municipal obligations										
State and municipal obligations										
Corporate obligations										
	\$									

	December 31, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Treasury Obligations	\$ 5,146	1	—	5,147
Agency-sponsored obligations	11,058	—	(652)	10,406
State and municipal obligations	339,816	244	(9,700)	330,360
Corporate obligations	7,091	—	(403)	6,688
	<u>\$ 363,111</u>	<u>245</u>	<u>(10,755)</u>	<u>352,601</u>

The allowance for credit losses on held to maturity debt securities as of March 31, 2024 and December 31, 2023 was \$17,000 and \$31,000, respectively, and are excluded from amortized cost in the tables above.

	December 31, 2023			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Treasury obligations	\$ 5,146	1	—	5,147
Government-agency obligations	11,058	—	(652)	10,406
State and municipal obligations	339,816	244	(9,700)	330,360
Corporate obligations	7,091	—	(403)	6,688
	<u>\$ 363,111</u>	<u>245</u>	<u>(10,755)</u>	<u>352,601</u>

Accrued interest on held to maturity debt securities, which is excluded from the amortized cost, totaled \$2.4 \$3.0 million and \$3.1 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and is presented within total accrued interest receivable on the consolidated statements of financial condition.

The Company generally purchases securities for long-term investment purposes, and differences between amortized cost and fair value may fluctuate during the investment period. There were no sales of securities from the held to maturity debt securities portfolio for the three and six months ended March 31, 2024 June 30, 2024 and 2023. For the three and six months ended March 31, 2024 June 30, 2024, proceeds from calls on securities in the held to maturity debt securities portfolio totaled \$1.2 million, and \$2.4 million, respectively. As to these calls on securities, for the three months ended March 31, 2024 June 30, 2024, there were no gross gains and or gross losses, of while for the six months ended June 30, 2024, there were no gross gains, while gross losses totaled \$1,200. For the three and six months ended March 31, 2023 June 30, 2023, proceeds from calls on securities in the held to maturity debt securities portfolio totaled \$3.1 \$3.5 million and \$6.6 million, respectively. As to these calls on securities, for the three months ended June 30, 2023, gross gains totaled \$28,000, with no gross losses, while for the six months ended June 30, 2023, gross gains and totaled \$24,000, with no gross losses of \$5,000. losses.

The amortized cost and fair value of investment securities in the held to maturity debt securities portfolio as of March 31, 2024 by contractual maturity, excluding an allowance for credit losses of \$15,000, as of June 30, 2024 are shown below (in thousands). Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

	March 31, 2024	
	Amortized cost	Fair value
Due in one year or less	\$ 34,403	34,210
Due after one year through five years	181,204	177,227
Due after five years through ten years	114,993	110,547
Due after ten years	24,088	19,475
	<u>\$ 354,688</u>	<u>341,459</u>

The allowance for credit losses on held to maturity debt securities as of March 31, 2024 and December 31, 2023 was \$17,000 and \$31,000, respectively, and are excluded from amortized cost in the table above.

	June 30, 2024	
	Amortized cost	Fair value
Due in one year or less	\$ 39,389	39,125
Due after one year through five years	180,001	174,525
Due after five years through ten years	107,966	100,776
Due after ten years	23,188	18,265
	<u>\$ 350,544</u>	<u>332,691</u>

The number of held to maturity debt securities in an unrealized loss position as of March 31, 2024 June 30, 2024 totaled 520,548, compared with 372 as of December 31, 2023. The increase in the number of securities in an unrealized loss position as of March 31, 2024 June 30, 2024, was due to higher current market interest rates compared to rates as of December 31, 2023.

Management measures expected credit losses on held to maturity debt securities on a collective basis by security type. Management classifies the held to maturity debt securities portfolio into the following security types:

- Agency-sponsored Government-agency obligations;
- Mortgage-backed securities;
- State and municipal obligations; and
- Corporate obligations.

All of the agency obligations held by the Company are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The majority of the state and municipal and corporate obligations carry credit ratings from the rating agencies as of March 31, 2024 June 30, 2024 that were no lower than an A rating and the Company had no securities rated BBB or worse by Moody's Investors Service. Ratings ("Moody's").

Credit Quality Indicators. The following table provides the amortized cost of held to maturity debt securities by credit rating as of March 31, 2024 June 30, 2024 and December 31, 2023 (in thousands):

		March 31, 2024							June 30, 2024						
Total Portfolio	Total Portfolio	AAA	AA	A	BBB	Not Rated	Total	Total Portfolio	AAA	AA	A	BBB	Not Rated	Total	
Treasury obligations															
Agency-sponsored obligations															
Government-agency obligations															
State and municipal obligations															
State and municipal obligations															
State and municipal obligations															
Corporate obligations															
	\$														
December 31, 2023															
December 31, 2023															
December 31, 2023															
Total Portfolio	Total Portfolio	AAA	AA	A	BBB	Not Rated	Total	Total Portfolio	AAA	AA	A	BBB	Not Rated	Total	
Treasury obligations															
Agency-sponsored obligations															
Government-agency obligations															
State and municipal obligations															
State and municipal obligations															
State and municipal obligations															
Corporate obligations															
	\$														

Credit quality indicators are metrics that provide information regarding the relative credit risk of debt securities. As of March 31, 2024 June 30, 2024, the held to maturity debt securities portfolio was comprised of 18% rated AAA, 72% rated AA, 10% rated A, and less than 1% either below an A rating or not rated by Moody's Investors Service or Standard and Poor's. Securities not explicitly rated, such as U.S. Government government issued mortgage-backed securities, were grouped where possible under the credit rating of the issuer of the security.

Note 4. Loans Receivable and Allowance for Credit Losses

Loans receivable as of March 31, 2024 June 30, 2024 and December 31, 2023 are summarized as follows (in thousands):

		March 31, 2024	December 31, 2023
		June 30, 2024	December 31, 2023
Mortgage loans:			
Commercial			
Commercial			
Commercial			

Multi-family
Construction
Residential
Total mortgage loans
Commercial loans
Commercial loans
Commercial loans
Consumer loans
Total gross loans
Total gross loans
Total gross loans
Premiums on purchased loans
Net deferred fees
Net deferred fees
Net deferred fees
Total loans

Accrued interest on loans totaled **\$51.0** **\$81.6** million and \$50.9 million as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, and is presented within total accrued interest receivable on the consolidated statements of financial condition.

The following tables summarize the aging of loans receivable by portfolio segment and class of loans (in thousands):

March 31, 2024								
				Recorded Investment > 90 days accruing	Total Past Due	Current	Total Loans Receivable	Non-accrual loans with no related allowance
	30-59 Days	60-89 Days	Non-accrual					
Mortgage loans:								
Commercial	\$ 5,052	1,148	5,938	—	12,138	4,341,661	4,353,799	5,938
Multi-family	12,069	—	2,355	—	14,424	1,811,464	1,825,888	2,355
Construction	—	—	—	—	—	711,417	711,417	—
Residential	3,568	804	1,647	—	6,019	1,146,166	1,152,185	1,647
Total mortgage loans	20,689	1,952	9,940	—	32,581	8,010,708	8,043,289	9,940
Commercial loans	4,493	332	36,892	—	41,717	2,472,833	2,514,550	25,989
Consumer loans	803	755	760	—	2,318	292,807	295,125	760
Total gross loans	\$ 25,985	3,039	47,592	—	76,616	10,776,348	10,852,964	36,689
December 31, 2023								
				Recorded Investment > 90 days accruing	Total Past Due	Current	Total Loans Receivable	Non-accrual loans with no related allowance
	30-59 Days	60-89 Days	Non-accrual					
Mortgage loans:								
Commercial	\$ 825	—	5,151	—	5,976	4,506,435	4,512,411	5,151
Multi-family	3,815	1,635	744	—	6,194	1,806,306	1,812,500	744
Construction	—	—	771	—	771	652,475	653,246	771
Residential	3,429	1,208	853	—	5,490	1,159,466	1,164,956	853
Total mortgage loans	8,069	2,843	7,519	—	18,431	8,124,682	8,143,113	7,519
Commercial loans	998	198	41,487	—	42,683	2,399,723	2,442,406	36,281
Consumer loans	875	275	633	—	1,783	297,381	299,164	633
Total gross loans	\$ 9,942	3,316	49,639	—	62,897	10,821,786	10,884,683	44,433
June 30, 2024								

				Recorded Investment > 90 days accruing	Total Past Due	Current	Total Loans Receivable	Non-accrual loans with no related allowance
	30-59 Days	60-89 Days	Non-accrual					
Mortgage loans:								
Commercial	\$ 1,707	1,231	3,588	—	6,526	7,331,216	7,337,742	3,588
Multi-family	—	—	7,276	—	7,276	3,182,532	3,189,808	7,276
Construction	—	—	11,698	—	11,698	958,546	970,244	11,698
Residential	1,714	2,193	4,447	—	8,354	2,015,673	2,024,027	4,447
Total mortgage loans	3,421	3,424	27,009	—	33,854	13,487,967	13,521,821	27,009
Commercial loans	3,444	1,146	39,715	—	44,305	4,572,927	4,617,232	28,675
Consumer loans	2,891	648	1,144	—	4,683	621,333	626,016	1,144
Total gross loans	\$ 9,756	5,218	67,868	—	82,842	18,682,227	18,765,069	56,828

				Recorded Investment > 90 days accruing	Total Past Due	Current	Total Loans Receivable	Non-accrual loans with no related allowance
	30-59 Days	60-89 Days	Non-accrual					
Mortgage loans:								
Commercial	\$ 825	—	5,151	—	5,976	4,506,435	4,512,411	5,151
Multi-family	3,815	1,635	744	—	6,194	1,806,306	1,812,500	744
Construction	—	—	771	—	771	652,475	653,246	771
Residential	3,429	1,208	853	—	5,490	1,159,466	1,164,956	853
Total mortgage loans	8,069	2,843	7,519	—	18,431	8,124,682	8,143,113	7,519
Commercial loans	998	198	41,487	—	42,683	2,397,938	2,440,621	36,281
Consumer loans	875	275	633	—	1,783	297,381	299,164	633
Total gross loans	\$ 9,942	3,316	49,639	—	62,897	10,820,001	10,882,898	44,433

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The principal amounts of these non-accrual loans were \$47.6 million \$67.9 million and \$49.6 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. Included in non-accrual loans were \$4.6 million \$9.4 million and \$23.2 million of loans which were less than 90 days past due as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. There were no loans 90

days or greater past due and still accruing interest as of March 31, 2024 June 30, 2024 and December 31, 2023. The amount of cash basis interest income that was recognized on impaired loans for the three and six months ended June 30, 2024 was not material.

The activity in the allowance for credit losses by portfolio segment for the three and six months ended March 31, 2024 June 30, 2024 and 2023 was as follows (in thousands):

Three months ended March 31,	Mortgage loans	Commercial loans	Consumer loans	Total
Three months ended June 30,	Mortgage loans	Commercial loans	Consumer loans	Total
2024				

Balance at beginning of period

Balance at beginning of period

Balance at beginning of period

Provision charge (benefit) to operations

Provision charge (benefit) to operations

Provision charge (benefit) to operations

Recoveries of loans previously charged-off

Recoveries of loans previously charged-off

Initial allowance on credit loans related to PCD loans

Provision charge to operations

Recoveries of loans previously charged-off

Loans charged-off

Balance at end of period

2023

2023

2023

Balance at beginning of period
Balance at beginning of period
Balance at beginning of period
Cumulative effect of adopting ASU 2022-02
Provision charge to operations
Provision charge (benefit) to operations
Recoveries of loans previously charged-off
Recoveries of loans previously charged-off
Recoveries of loans previously charged-off
Loans charged-off
Balance at end of period

Six months ended June 30,	Mortgage loans	Commercial loans	Consumer loans	Total
2024				
Balance at beginning of period	\$ 73,407	31,475	2,318	107,200
Initial allowance on credit loans related to PCD loans	10,628	6,070	490	17,188
Provision charge to operations	51,210	12,963	2,081	66,254
Recoveries of loans previously charged-off	67	1,512	279	1,858
Loans charged-off	—	(4,017)	(152)	(4,169)
Balance at end of period	<u>\$ 135,312</u>	<u>48,003</u>	<u>5,016</u>	<u>188,331</u>
2023				
Balance at beginning of period	\$ 58,218	27,413	2,392	88,023
Cumulative effect of adopting Accounting Standards Update ("ASU") No. 2022-02	(510)	(43)	(41)	(594)
Provision charge (benefit) charge to operations	12,954	3,461	(15)	16,400
Recoveries of loans previously charged-off	6	301	258	565
Loans charged-off	(728)	(1,425)	(168)	(2,321)
Balance at end of period	<u>\$ 69,940</u>	<u>29,707</u>	<u>2,426</u>	<u>102,073</u>

For the three and six months ended **March 31, 2024** June 30, 2024, the Company recorded a \$200,000 \$66.1 million and a \$66.3 million provision for credit losses on loans, compared to a \$6.0 million respectively. The increases in provision for the same period in 2023. The decrease in the both periods was primarily attributable to an initial CECL provision for credit losses was largely a function on loans of \$60.1 million recorded as part of the period-over-period improvement Lakeland merger in the economic forecast within our CECL model, accordance with GAAP requirements for accounting for business combinations. For the three months ended **March 31, 2024** June 30, 2024, net charge-offs totaled \$971,000. \$1.3 million, which was primarily attributable to one commercial loan. For the six months ended June 30, 2024, net charge-offs totaled \$2.3 million, which was primarily attributable to two commercial loans.

The following table summarizes the Company's gross charge-offs recorded during the three months ended **March 31, 2024** June 30, 2024 by year of origination (in thousands):

	2024	2024	2023	2022	2021	2020	Prior to 2020	Total Loans	2024	2023	2022	2021	2020	Prior to 2020	Total Loans
Commercial loans															
Commercial loans															
Commercial loans															
Consumer loans ⁽¹⁾															
Total gross loans															

⁽¹⁾ During the three months ended **March 31, 2024** June 30, 2024, charge-offs on consumer overdraft accounts totaled \$65,000, \$74,000, which are not included in the table above.

The following table summarizes the Company's gross charge-offs recorded during the six months ended June 30, 2024 by year of origination (in thousands):

	2024	2023	2022	2021	2020	Prior to 2020	Total Loans
Commercial loans	\$ —	—	158	2,047	1,606	206	4,017
Consumer loans ⁽¹⁾	13	—	—	—	—	1	14
Total gross loans	<u>\$ 13</u>	<u>—</u>	<u>158</u>	<u>2,047</u>	<u>1,606</u>	<u>207</u>	<u>4,031</u>

(1) During the six months ended June 30, 2024, charge-offs on consumer overdraft accounts totaled \$138,000, which are not included in the table above.

The following table summarizes the Company's gross charge-offs recorded during the three months ended June 30, 2023 by year of origination (in thousands):

	2023	2022	2021	2020	2019	Prior to 2019	Total Loans
Commercial loans	\$ —	—	—	—	—	1,313	1,313
Consumer loans (1)	4	—	—	—	—	3	7
Total gross loans	\$ 4	—	—	—	—	1,316	1,320

(1) During the three months ended June 30, 2023, charge-offs on consumer overdraft accounts totaled \$75,000, which is not included in the table above.

The following table summarizes the Company's gross charge-offs recorded during the six months ended June 30, 2023 by year of origination (in thousands):

	2023	2022	2021	2020	2019	Prior to 2019	Total Loans
Mortgage loans:							
Commercial	\$ —	—	—	—	—	707	707
Residential	—	—	—	—	—	21	21
Total mortgage loans	—	—	—	—	—	728	728
Commercial loans	—	—	—	—	—	1,425	1,425
Consumer loans (1)	9	—	—	—	—	13	22
Total gross loans	\$ 9	—	—	—	—	2,166	2,175

(1) During the six months ended June 30, 2023, charge-offs on consumer overdraft accounts totaled \$146,000, which is not included in the table above.

The Company defines a loan individually evaluated for impairment as a non-homogeneous loan greater than \$1.0 million, for which, based on current information, it is not expected to collect all amounts due under the contractual terms of the loan agreement. As of March 31, 2024 June 30, 2024, there were 14 18 loans totaling \$40.1 million \$54.6 million, compared to 17 loans totaling \$42.3 million as of December 31, 2023, that were individually evaluated for impairment.

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans deemed collateral-dependent, the Company estimates expected credit losses based on the collateral's fair value less any selling costs. A specific allocation of the allowance for credit losses is established for each collateral-dependent loan with a carrying balance greater than the collateral's fair value, less estimated selling costs. In most cases, the Company records a partial charge-off to reduce the loan's carrying value to the collateral's fair value less estimated selling costs. The Company uses third-party appraisals to determine the fair value of the underlying collateral in its analysis of collateral-dependent loans. A third-party appraisal is generally ordered as soon as a loan is designated as a collateral-dependent loan and updated annually, or more frequently if required. At each fiscal quarter end, if a loan is designated as collateral-dependent and the third-party appraisal has not yet been received, an evaluation of all available collateral is made using the best information available at the time, including rent rolls, borrower financial statements and tax returns, prior appraisals, management's knowledge of the market and collateral, and internally prepared collateral valuations based upon market assumptions regarding vacancy and capitalization rates, each as and where applicable. Once the appraisal is received and reviewed, the specific reserves are adjusted to reflect the appraised value and evaluated for charge offs. The Company believes there have not been no any significant time lapses resulting from this process since the receipt of the most recent appraisals.

As of March 31, 2024 June 30, 2024 and December 31, 2023, the Company had collateral-dependent loans with fair values of \$20.9 \$18.4 million and \$24.1 million secured by commercial real estate, respectively.

Loan modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearance, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. In addition, management attempts to obtain additional collateral or guarantor support when modifying such loans. If the borrower has demonstrated performance under the previous terms and our underwriting process shows the borrower has the capacity to continue to perform under the restructured terms, the loan will continue to accrue interest. Non-accruing restructured loans may be returned to accrual status when there has been a sustained period of repayment performance (generally six consecutive months of payments) and both principal and interest are deemed collectible.

The following illustrates the most common loan modifications by loan classes offered by the Company that are required to be disclosed pursuant to the requirements of ASU 2022-02:

Loan Classes	Modification types
Commercial	Term extension, interest rate reductions, payment delay, or combination thereof. These modifications extend the term of the loan, lower the payment amount, or otherwise delay payments during a defined period for the purpose of providing borrowers additional time to return to compliance with the original loan term.
Residential Mortgage/ Home Equity	Forbearance period greater than six months. These modifications require reduced or no payments during the forbearance period for the purpose of providing borrowers additional time to return to compliance with the original loan term as well as term extension and rate adjustment. These modifications extend the term of the loan and provides for an adjustment to the interest rate, which reduces the monthly payment requirement.
Direct Installment	Term extension greater than three months. These modifications extend the term of the loan, which reduces the monthly payment requirement.

In 2023, the Company adopted ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" ("ASU 2022-02"), which eliminated the accounting guidance for troubled debt restructurings while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. This guidance was applied on a modified retrospective basis. Upon adoption of this guidance, the Company no longer establishes a specific reserve for loan modifications to borrowers experiencing financial difficulty. Instead, these loan modifications are included in their respective pool and a projected loss rate is applied to the current loan balance to arrive at the quantitative and qualitative baseline portion of the allowance for credit losses. **As a result, At adoption,** the Company recorded a \$594,000 reduction to the allowance for credit losses, which resulted in a \$433,000 cumulative effect adjustment increase, net of tax, to retained earnings.

The following tables present the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the three and six months ended June 30, 2024 (in thousands):

	For the three months ended June 30, 2024			
	Term Extension	Interest Rate Reduction	Interest Rate Reduction and Term Extension	% of Total Class of Loans and Leases
Commercial loans	—	—	1,609	0.03 %
Total gross loans	\$ —	—	1,609	0.01 %

	For the six months ended June 30, 2024			
	Term Extension	Interest Rate Reduction	Interest Rate Reduction and Term Extension	% of Total Class of Loans and Leases
Commercial loans	—	—	8,796	0.19 %
Total gross loans	\$ —	—	8,796	0.05 %

There were no loan modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2023.

The following table presents the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the **three** ~~six~~ months ended **March 31, 2024** ~~June 30, 2023~~ (in thousands):

For the three months ended March 31, 2024											
	Term Extension	Term Extension	Interest Rate Increase	Interest Rate Reduction and Term Extension	% of Total Class of Loans and Leases	Term Extension	Interest Rate Reduction	Interest Rate Reduction and Term Extension	% of Total Class of Loans and Leases		
Commercial loans											
Commercial loans											
Commercial loans											
Commercial loans	\$ —	7,187	7,187	—	—	0.29	0.29	%	\$ 3,771	—	—
Total gross loans											
Total gross loans											
Total gross loans	\$ —	7,187	7,187	—	—	0.07	0.07	%	\$ 3,771	—	—
Total gross loans											

The following table presents the financial effect of loan modifications made to borrowers experiencing financial difficulty during the three months ended **March 31, 2024** **June 30, 2024** (in thousands):

	Weighted-Average Months of Term Extension	Weighted-Average Rate Increase
Commercial loans	3	1.25 %
Total gross loans	3	1.25 %

	Weighted-Average Months of Term Extension	Weighted-Average Rate Increase
Commercial loans	0	2.00 %
Total gross loans	0	2.00 %

The following table presents the financial effect of loan modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2024 (in thousands):

	Weighted-Average Months of Term Extension	Weighted-Average Rate Increase
Commercial loans	1	1.63 %
Total gross loans	1	1.63 %

The following table presents the financial effect of loan modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2023 (in thousands):

	Weighted-Average Months of Term Extension	Weighted-Average Rate Change
Commercial loans	10	0.28 %
Total gross loans	10	0.28 %

There were no loan modifications made to borrowers experiencing financial difficulty **that subsequently defaulted** during the three **and six** months ended **March 31, 2024** **June 30, 2024** and **June 30, 2023**, **that subsequently defaulted**, respectively.

The following table presents the aging analysis of loan modifications made to borrowers experiencing financial difficulty during the three months ended **March 31, 2024** **June 30, 2024** (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 days or more Past Due	Non-Accrual	Total	Current	30-59 Days Past Due	60-89 Days Past Due	90 days or more Past Due	Non-Accrual	Total
Commercial loans												
Commercial loans												
Commercial loans												
Total gross loans												
Total gross loans												
Total gross loans												

As allowed by CECL, loans The following table presents the aging analysis of loan modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2024 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 days or more Past Due	Non-Accrual	Total
Commercial loans	8,796	—	—	—	—	8,796
Total gross loans	\$ 8,796	—	—	—	—	8,796

The following table presents the aging analysis of loan modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2023 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 days or more Past Due	Non-Accrual	Total
Commercial loans	\$ 5,021	—	—	—	—	5,021
Total gross loans	\$ 5,021	—	—	—	—	5,021

Loans acquired by the Company that experience experienced more-than-insignificant deterioration in credit quality after origination, are classified as Purchased Credit Deteriorated ("PCD") PCD loans. As of March 31, 2024 June 30, 2024, the balance of PCD loans totaled \$160.6 \$697.9 million with a related allowance for credit losses of \$1.6 \$16.4 million. The balance of PCD loans as of December 31, 2023 was \$165.1 million with a related allowance for credit losses of \$1.7 million.

In connection with the Lakeland merger, the Company evaluated acquired loans for deterioration in credit quality based on any of, but not limited to, the following: (1) non-accrual status; (2) modifications for borrowers experiencing financial difficulty; (3) risk ratings of watch, special mention, substandard or doubtful; and (4) loans greater than 59 days past due. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics.

Additionally for PCD loans, an allowance for credit losses was calculated using management's best estimate of projected losses over the remaining life of the loans. This represents the portion of the loan balances that has been deemed uncollectible based on the Company's expectations of future cash flows for each respective PCD loan pool, given the outlook and forecasts inclusive of related fiscal and regulatory interventions. The expected lifetime losses were calculated using historical losses observed at the Bank, Lakeland and peer banks. A \$17.2 million allowance for credit losses was recorded on PCD loans acquired from Lakeland. The interest rate fair value adjustment related to PCD loans will be substantially recognized as interest income on a level yield or straight line method over the expected life of the loans.

The table below is a summary of the PCD loans that were acquired from Lakeland as of the closing date (in thousands):

Gross amortized cost basis as of May 16, 2024	\$	564,147
Charge-offs on PCD Loans at acquisition		(4,364)
Interest component of expected cash flows (accretable difference)		(33,365)
Allowance for credit losses on PCD loans		(17,188)
Net PCD loans	\$	509,230

Management utilizes an internal nine-point risk rating system to summarize its loan portfolio into categories with similar risk characteristics. Loans deemed to be "acceptable quality" are rated 1 through 4, with a rating of 1 established for loans with minimal risk. Loans that are deemed to be of "questionable quality" are rated 5 (watch) or 6 (special mention). Loans with adverse classifications (substandard, doubtful or loss) are rated 7, 8 or 9, respectively. Commercial mortgage, commercial, multi-family and construction loans are rated individually, and each lending officer is responsible for risk rating loans in their portfolio. These risk ratings are then reviewed by the department manager and/or the Chief Lending Officer and by the Credit Department. The risk ratings are also reviewed periodically through loan review examinations which are currently performed by an independent third-party third-parties. Reports by the independent third-party third-parties are presented to the Audit Committee of the Board of Directors.

The following table summarizes the Company's gross loans held for investment by year of origination and internally assigned credit grades as of March 31, 2024 June 30, 2024 and December 31, 2023 (in thousands):

	Gross Loans Held for Investment by Year of Origination as of March 31, 2024							Gross Loans Held for Investment by Year of Origination as of June 30, 2024											
	2024	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving loans to term loans	Total Loans	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving loans to term loans	Total Loans
Commercial																			
Mortgage																			
Special mention																			
Special mention																			
Special mention																			
Substandard																			
Doubtful																			
Loss																			
Total criticized and classified																			
Pass/Watch																			
Total Commercial Mortgage																			
Total Commercial Mortgage																			
Total Commercial Mortgage																			
Multi-family																			
Multi-family																			
Multi-family																			
Special mention																			
Special mention																			
Special mention																			

Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Multi-Family
Construction
Construction
Construction
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch

	Gross Loans Held for Investment by Year of Origination as of March 31, 2024							Gross Loans Held for Investment by Year of Origination as of June 30, 2024											
	2024	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving loans to term loans	Total Loans	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving loans to term loans	Total Loans
Total criticized and classified																			
Pass/Watch																			
Total Multi-Family																			
Construction																			
Construction																			
Construction																			
Special mention																			
Special mention																			
Special mention																			
Substandard																			
Doubtful																			
Loss																			
Total criticized and classified																			
Pass/Watch																			
Total Construction																			
Residential ⁽¹⁾																			
Residential ⁽¹⁾																			
Residential ⁽¹⁾																			
Special mention																			
Special mention																			
Special mention																			
Substandard																			
Doubtful																			
Loss																			
Total criticized and classified																			

Pass/Watch
Total Residential
Total Mortgage
Total Mortgage
Total Mortgage
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Mortgage
Commercial
Commercial
Commercial
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Commercial
Consumer (1)
Consumer (1)
Consumer (1)
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Total criticized and classified
Total criticized and classified
Total criticized and classified
Pass/Watch
Total Consumer
Total Loans
Total Loans
Total Loans
Special mention
Special mention
Special mention
Substandard

Doubtful

Loss

Loss

Loss

Total criticized and classified

Gross Loans Held for Investment by Year of Origination as of March 31, 2024									
	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving loans to term loans	Total Loans
Loss	—	—	—	—	—	—	—	—	—
Total criticized and classified	—	—	—	—	—	332	1,050	133	1,515
Pass/Watch	3,566	27,452	25,786	17,943	3,397	95,074	107,303	13,089	293,610
Total Consumer	\$ 3,566	27,452	25,786	17,943	3,397	95,406	108,353	13,222	295,125
Total Loans									
Special mention	\$ —	—	30,219	5,056	29,177	47,547	12,870	1,853	126,722
Substandard	440	1,813	16,153	20,520	11,123	28,697	20,224	586	99,556
Doubtful	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—
Total criticized and classified	440	1,813	46,372	25,576	40,300	76,244	33,094	2,439	226,278
Pass/Watch	240,542	1,232,158	1,895,722	1,614,202	1,156,277	3,670,024	704,818	112,943	10,626,686
Total Gross Loans	\$ 240,982	1,233,971	1,942,094	1,639,778	1,196,577	3,746,268	737,912	115,382	10,852,964

Gross Loans Held for Investment by Year of Origination as of June 30, 2024									
	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving loans to term loans	Total Loans
Pass/Watch	718,406	2,230,539	3,699,700	2,664,458	2,115,307	5,208,820	1,530,043	106,285	18,273,558
Total Gross Loans	\$ 722,857	2,235,925	3,793,302	2,760,797	2,179,169	5,387,330	1,575,506	110,183	18,765,069

(1) For residential and consumer loans, the Company assigns internal credit grades based on the delinquency status of each loan.

Gross Loans Held for Investment by Year of Origination as of December 31, 2023																			
	2023	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving loans to term loans	Total Loans	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving loans to term loans	Total Loans
Commercial																			
Mortgage																			
Special mention																			
Special mention																			
Special mention																			
Substandard																			
Doubtful																			
Loss																			
Total criticized and classified																			
Pass/Watch																			

Total Commercial
Mortgage
Multi-family
Multi-family
Multi-family
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Multi-Family
Construction
Construction
Construction
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Construction
Residential ⁽¹⁾
Residential ⁽¹⁾
Residential ⁽¹⁾
Special mention
Special mention
Special mention
Substandard
Doubtful

Gross Loans Held for Investment by Year of Origination as of December 31, 2023																			
	2023	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving loans to term loans	Total Loans	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving loans to term loans	Total Loans
Special mention																			
Substandard																			
Doubtful																			
Loss																			
Total criticized and classified																			
Pass/Watch																			
Total Construction																			
Residential ⁽¹⁾																			
Residential ⁽¹⁾																			
Residential ⁽¹⁾																			

Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Residential
Total Mortgage
Total Mortgage
Total Mortgage
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Mortgage
Commercial
Commercial
Commercial
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Commercial
Consumer (1)
Consumer (1)
Consumer (1)
Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch
Total Consumer
Total Loans
Total Loans
Total Loans

Special mention
Special mention
Special mention
Substandard
Doubtful
Loss
Total criticized and classified
Pass/Watch

Gross Loans Held for Investment by Year of Origination as of December 31, 2023									
	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving loans to term loans	Total Loans
Pass/Watch	29,083	26,098	18,101	3,459	14,375	85,383	108,431	13,325	298,255
Total Consumer	\$ 29,083	26,098	18,101	3,459	14,384	85,626	108,998	13,415	299,164
Total Loans									
Special mention	\$ 450	27,934	12,386	30,920	10,710	58,155	28,011	687	169,253
Substandard	4,421	—	20,262	9,235	2,043	23,114	11,559	598	71,232
Doubtful	7,011	—	—	—	—	—	—	—	7,011
Loss	—	—	—	—	—	—	—	—	—
Total criticized and classified	11,882	27,934	32,648	40,155	12,753	81,269	39,570	1,285	247,496
Pass/Watch	1,494,680	1,882,079	1,583,262	1,141,808	950,472	2,789,441	677,268	118,177	10,637,187
Total Gross Loans	\$ 1,506,562	1,910,013	1,615,910	1,181,963	963,225	2,870,710	716,838	119,462	10,884,683

Gross Loans Held for Investment by Year of Origination as of December 31, 2023									
	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving loans to term loans	Total Loans
Total Gross Loans	\$ 1,506,562	1,910,013	1,615,910	1,181,963	963,225	2,868,925	716,838	119,462	10,882,898

(1) For residential and consumer loans, the Company assigns internal credit grades based on the delinquency status of each loan.

Note 5. Deposits

Deposits as of March 31, 2024, June 30, 2024 and December 31, 2023 are summarized as follows (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Savings		
Money market		
NOW (1)		
Non-interest bearing		
Certificates of deposit (2)		
Total deposits		

(1) Our The Bank's insured cash sweep ("ICS") product totaled \$1.15 billion and \$512.2 million as of March 31, 2024, June 30, 2024 and December 31, 2023, respectively, and are located reported within NOW accounts.

(2) Time deposits equal to or in excess of \$250,000, were \$223.6 \$871.8 million and \$218.5 million as of March 31, 2024, June 30, 2024 and December 31, 2023, respectively. Additionally, our the Bank's reciprocal Certificate of Deposit Account Registry Service ("CDARS") product totaled \$3.7 million and \$3.3 million as of March 31, 2024, June 30, 2024 and December 31, 2023, respectively.

Within total deposits, brokered deposits totaled \$75.7 \$149.8 million and \$165.7 million as of March 31, 2024, June 30, 2024 and December 31, 2023, respectively.

Note 6. Borrowed Funds

Borrowed funds as of **March 31, 2024** **June 30, 2024** and December 31, 2023 are summarized as follows (in thousands):

	March 31, 2024	December 31, 2023
Securities sold under repurchase agreements	\$ 89,241	72,161
FHLB line of credit	149,000	148,000
FHLB advances	1,269,857	1,299,872
FRB BTFP Borrowing	550,000	450,000
Total Borrowed Funds	<u>\$ 2,058,098</u>	<u>1,970,033</u>

	June 30, 2024	December 31, 2023
Securities sold under repurchase agreements	\$ 108,307	72,161
FHLBNY line of credit	282,000	148,000
FHLBNY advances ⁽¹⁾	1,356,931	1,299,872
FRBNY BTFP Borrowing	550,000	450,000
Total borrowed funds	<u>\$ 2,297,239</u>	<u>1,970,033</u>

⁽¹⁾ The balance at June 30, 2024 for FHLBNY advances does not include \$4.8 million of purchase accounting adjustments resulting from the Lakeland acquisition.

Total long-term borrowings totaled **\$305.2** **\$539.7** million and \$534.8 million as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively, while total short-term borrowings totaled **\$1.75** **\$1.76** billion and \$1.44 billion for the same periods.

As of **March 31, 2024** **June 30, 2024**, **FHLB FHLBNY** advances were at fixed rates and mature between **April** **July** 2024 and September 2027, and as of December 31, 2023, **FHLB FHLBNY** advances were at fixed rates with maturities between January 2024 and September 2027. These advances are secured by loans receivable under a blanket collateral agreement.

In March 2023, the **Bank Company** established a facility under the Bank Term Funding Program ("BTFP" or "Program") with the Federal Reserve Bank of New York ("FRBNY"). As of **March 31, 2024** **June 30, 2024**, the Company had \$550.0 million of advances under the Program. **We** **The Company** elected to participate in the BTFP due to significant cost savings compared to other wholesale funding sources. The funding was used to pay off existing wholesale borrowings. The ability to prepay at any time without penalty also enhances our ability to manage our interest rate risk position.

Scheduled maturities of **FHLB FHLBNY** advances and lines of credit as of **March 31, 2024** **June 30, 2024** are as follows (in thousands):

	2024
Due in one year or less	\$ 1,404,036
Due after one year through two years	152,451
Due after two years through three years	282,445
Due after three years through four years	350,000
Thereafter	—
Total FHLBNY advances and overnight borrowings	<u>\$ 2,188,932</u>

Scheduled maturities of securities sold under repurchase agreements as of **June 30, 2024** are as follows (in thousands):

	2024
Due in one year or less	\$ 1,363,650
Due after one year through two years	272,762
Due after two years through three years	282,445
Due after three years through four years	50,000
Thereafter	—
Total FHLB advances and overnight borrowings	<u>\$ 1,968,857</u>

Scheduled maturities of securities sold under repurchase agreements as of **March 31, 2024** are as follows (in thousands):

	2024
Due in one year or less	\$ 89,241 108,307
Thereafter	—
Total securities sold under repurchase agreements	\$ 89,241 108,307

The following tables set forth certain information as to borrowed funds for the periods ended **March 31, 2024** **June 30, 2024** and December 31, 2023 (in thousands):

	Maximum balance	Average balance	Weighted average interest rate
March 31, 2024			
Securities sold under repurchase agreements	\$ 89,241	77,928	1.86 %
FHLB overnight borrowings	149,000	61,648	5.45
FHLB advances	1,299,867	1,262,614	3.11
FRB BTFP Borrowing	550,000	538,791	4.77
December 31, 2023			
Securities sold under repurchase agreements	\$ 99,669	87,227	1.69 %
FHLB overnight borrowings	500,000	262,289	5.29
FHLB advances	1,592,277	1,282,124	3.14
FRB BTFP Borrowing	450,000	4,932	4.83

	Maximum balance	Average balance	Weighted average interest rate
June 30, 2024			
Securities sold under repurchase agreements	\$ 108,589	89,209	1.97 %
FHLBNY overnight borrowings	567,000	110,698	5.63
FHLBNY advances	1,469,152	1,304,015	3.28
FRBNY BTFP Borrowing	550,000	544,395	4.77
December 31, 2023			
Securities sold under repurchase agreements	\$ 99,669	87,227	1.69 %
FHLBNY overnight borrowings	500,000	262,289	5.29
FHLBNY advances	1,592,277	1,282,124	3.14
FRBNY BTFP Borrowing	450,000	4,932	4.83

Securities sold under repurchase agreements include arrangements with deposit customers of the Bank to sweep funds into short-term borrowings. The Bank uses available for sale debt securities to pledge as collateral for the repurchase agreements. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, the fair value of securities pledged to secure public deposits, repurchase agreements, lines of credit and **FHLB** **FHLBNY** advances, totaled **\$993.4 million** **\$1.08 billion** and **\$924.6 million**, respectively. Additionally, as of **March 31, 2024** **June 30, 2024** and December 31, 2023, the par value of securities pledged to secure the BTFP borrowings was **\$580.0** **\$569.4 million** and **\$589.1 million**.

Interest expense on borrowings for the three and six months ended **March 31, 2024** and 2023, was **\$17.4** **June 30, 2024** amounted to **\$20.8 million** and **\$7.5** **\$38.2 million**, respectively. Amortization related to purchase accounting on FHLBNY advances totaled \$276,000 for the three and six months ended **June 30, 2024**, respectively. Interest expense on borrowings for the three and six months ended **June 30, 2023** amounted to **\$14.1 million** and **\$21.6 million**, respectively.

Note 7. Subordinated Debentures

On May 9, 2024, the Company issued \$225.0 million of 9.00% Fixed-to-Floating Rate subordinated notes (the "Notes") due 2034, resulting in net proceeds of \$221.2 million. The notes bear interest at an initial rate of 9.00% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2024. The last interest payment date for the fixed rate period will be May 15, 2029. From and including May 15, 2029 to, but excluding May 15, 2034 or the date of earlier redemption, the Notes will bear interest at a floating rate per annum equal to the Benchmark rate (which is expected to be three-Month term Secured Overnight Financing Rate ("SOFR")), each as defined in and subject to the provisions of the Indenture, plus 476.5 basis points, payable quarterly in arrears on February 15, May 15, August 15, and November 15 of each year, commencing on August 15, 2029. The debt is included in Tier 2 capital for the Company. Debt issuance costs totaled \$3.8 million and are being amortized to maturity.

On May 16, 2024, the Company assumed Lakeland's obligations with respect to \$150.0 million aggregate principal amount of fixed-to-floating rate subordinated notes due September 15, 2031. The notes bear interest at a rate of 2.875% until September 15, 2026, and will then reset quarterly to the then current Benchmark rate, which is expected to be the three-month term SOFR plus a spread of 220 basis points.

1st Constitution Capital Trust II, a non-consolidated subsidiary of the Company acquired as part of the Lakeland acquisition and a Delaware statutory business trust established on June 15, 2006, issued \$18.0 million of variable rate capital trust pass-through securities to investors. In accordance with FASB ASC 810, Consolidation, 1st Constitution Capital Trust II is not included in our consolidated financial statements.

Lakeland Bancorp Capital Trust II, a non-consolidated subsidiary of the Company acquired as part of the Lakeland acquisition and a Delaware statutory business trust established in June 2003, issued \$20.0 million of variable rate capital trust pass-through securities to investors. In accordance with FASB ASC 810, Consolidation, Lakeland Bancorp Capital Trust II is not included in our consolidated financial statements.

Lakeland Bancorp Capital Trust IV, a non-consolidated subsidiary of the Company acquired as part of the Lakeland acquisition and a Delaware statutory business trust established in May 2007, issued \$20.0 million of variable rate capital trust pass-through securities to investors. In accordance with FASB ASC 810, Consolidation, Lakeland Bancorp Capital Trust IV is not included in our consolidated financial statements. On August 3, 2015, Lakeland acquired and extinguished \$10.0 million of Lakeland Bancorp Capital Trust IV debentures.

Sussex Capital Trust II, a non-consolidated subsidiary of the Company acquired as part of the SB One acquisition and a Delaware statutory business trust established on June 28, 2007, issued \$12.5 million of variable rate capital trust pass-through securities to investors. In accordance with FASB ASC 810, Consolidation, Sussex Capital Trust II is not included in our consolidated financial statements.

Note 7. 8. Components of Net Periodic Benefit Cost

The Bank has a noncontributory defined benefit pension plan covering its full-time employees who had attained age 21 with at least one year of service as of April 1, 2003. The pension plan was frozen on April 1, 2003. All participants in the Plan are 100% vested. The pension plan's assets are invested in investment funds and group annuity contracts currently managed by the Principal Financial Group and Allmerica Financial.

In addition to pension benefits, certain health care and life insurance benefits are currently made available to certain of the Bank's retired employees. The costs of such benefits are accrued based on actuarial assumptions from the date of hire to the date the employee is fully eligible to receive the benefits. Effective January 1, 2003, eligibility for retiree health care benefits was frozen as to new entrants, and benefits were eliminated for employees with less than ten years of service as of December 31, 2002. Effective January 1, 2007, eligibility for retiree life insurance benefits was frozen as to new entrants and retiree life insurance benefits were eliminated for employees with less than ten years of service as of December 31, 2006.

Net periodic (benefit) increase cost for pension benefits and other post-retirement benefits for the three and **three six** months ended **March 31, 2024** **June 30, 2024** and 2023 includes the following components (in thousands):

	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,					
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,					
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,					
	Pension benefits		Pension benefits		Pension benefits					
	Three months ended June 30,		Six months ended June 30,							
	Pension benefits		Pension benefits		Other post-retirement benefits		Pension benefits		Other post-retirement benefits	
	2024	2024	2023	2024	2023	2024	2023	2024	2023	2023
2024										
2024										
Service cost										
Service cost										
Service cost										
Interest cost										
Interest cost										
Interest cost										
Expected return on plan assets										
Expected return on plan assets										
Expected return on plan assets										
Amortization of prior service cost										
Amortization of prior service cost										
Amortization of prior service cost										
Amortization of the net loss (gain)										
Amortization of the net loss (gain)										
Amortization of the net loss (gain)										
Net periodic (decrease) increase in benefit cost										
Net periodic (decrease) increase in benefit cost										
Net periodic (decrease) increase in benefit cost										

In its consolidated financial statements for the year ended December 31, 2023, the Company previously disclosed that it does not expect to contribute to the pension plan in 2024. As of **March 31, 2024** **June 30, 2024**, no contributions have been made to the pension plan.

The changes in net periodic benefit cost for pension benefits and other post-retirement benefits for the three and six months ended March 31, 2024 June 30, 2024 were calculated using the January 1, 2023 pension and other post-retirement benefits actuarial valuations.

Note 9. Contingencies

The Company is involved in various litigation and claims arising in the normal course of business.

On May 2, 2022, a purported class action complaint was filed against the Bank in the Superior Court of New Jersey, which alleges that the Bank wrongfully assessed overdraft fees related to debit card transactions. The complaint asserted claims for breach of contract and breach of the covenant of good faith and fair dealing as well as an alleged violation of the New Jersey Consumer Fraud Act. Plaintiff sought to represent a proposed class of all the Bank's checking account customers who were charged overdraft fees on transactions that were authorized into a positive available balance. The parties mediated the matter on May 28, 2024, and agreed in principle to a settlement resolving the dispute with the Bank contributing \$1.85 million to a settlement fund. The motion for preliminary approval is due to the Court on September 6, 2024.

Note 10. Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Management analyzes the Company's exposure to credit losses for both on-balance sheet and off-balance sheet activity using a consistent methodology for the quantitative framework as well as the qualitative framework. For purposes of estimating the allowance for credit losses for off-balance sheet credit exposures, the exposure that may default includes an estimated drawdown of unused credit based on historical credit utilization factors and current loss factors.

For the three and six months ended June 30, 2024, the Company recorded a \$3.7 million and a \$3.1 million provision charge for credit losses for off-balance sheet credit exposures, respectively. For the three and six months ended June 30, 2023, the Company recorded a \$647,000 provision benefit for credit losses for off-balance sheet credit exposures and a \$92,000 provision charge for credit losses for off-balance sheet credit exposures, respectively. The \$4.3 million increase and the \$3.1 million increase in the provision for the three and six months ended June 30, 2024, compared to the same period in 2023, primarily related to the establishment of an allowance for credit losses on commitments to extend credit acquired from Lakeland.

The allowance for credit losses for off-balance sheet credit exposures was \$6.6 million as of June 30, 2024 and \$3.4 million as of December 31, 2023, and are included in other liabilities on the Consolidated Statements of Financial Condition.

Note 11. Fair Value Measurements

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The determination of fair values of financial instruments often requires the use of estimates. Where quoted market values in an active market are not readily available, management utilizes various valuation techniques to estimate fair value.

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, in many instances fair value estimates may not be substantiated by comparison to independent markets and may not be realized in an immediate sale of the financial instrument.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The valuation techniques are based upon the unpaid principal balance only, and exclude any accrued interest or dividends at the measurement date. Interest income and expense and dividend income are recorded within the consolidated statements of income depending on the nature of the instrument using the effective interest method based on acquired discount or premium.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The valuation techniques described below were used to measure fair value of financial instruments in the table below on a recurring basis as of June 30, 2024 and December 31, 2023.

Available for Sale Debt Securities, at Fair Value

For available for sale debt securities, fair value was estimated using a market approach. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. Prices for these instruments are obtained through third-party data service providers or dealer market participants with whom the Company has historically transacted both purchases and sales of securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing, a Level 2 input, is a mathematical technique used principally to value certain securities by benchmarking to comparable securities. The Company evaluates the quality of Level 2 matrix pricing through comparison to similar assets with greater liquidity and evaluation of projected cash flows. As management is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, management compares the prices received from the pricing service to a secondary pricing source. Additionally, management compares changes in the reported market values and returns to

relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has generally not resulted in an adjustment in the prices obtained from the pricing service. The Company also holds debt instruments issued by the U.S. government that are traded in active markets with readily accessible quoted market prices that are considered Level 1 within the fair value hierarchy.

Equity Securities at Fair Value

The Company holds equity securities that are traded in active markets with readily accessible quoted market prices that are considered Level 1 inputs.

Derivatives

The Company records all derivatives on the statements of financial condition at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Company has interest rate derivatives resulting from a service provided to certain qualified borrowers in a loan related transaction which, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. As such, all changes in fair value of these derivatives are recognized directly in earnings.

The Company also uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges, and which satisfy hedge accounting requirements, involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. These derivatives were used to hedge the variable cash outflows associated with FHLBNY borrowings and brokered demand deposits. The change in the fair value of these derivatives is recorded in accumulated other comprehensive income (loss), and is subsequently reclassified into earnings in the period that the forecasted transactions affect earnings.

The fair value of the Company's derivatives is determined using discounted cash flow analysis using observable market-based inputs, which are considered Level 2 inputs.

Assets Measured at Fair Value on a Non-Recurring Basis

The valuation techniques described below were used to estimate fair value of financial instruments measured on a non-recurring basis as of June 30, 2024 and December 31, 2023.

Collateral-Dependent Impaired Loans

For loans measured for impairment based on the fair value of the underlying collateral, fair value was estimated using a market approach. The Company measures the fair value of collateral underlying impaired loans primarily through obtaining independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case-by-case basis, to comparable assets based on the appraisers' market knowledge and experience, as well as adjustments for estimated costs to sell between 5% and 10%. Management classifies these loans as Level 3 within the fair value hierarchy.

Foreclosed Assets

Assets acquired through foreclosure or deed in lieu of foreclosure are carried at fair value, less estimated selling costs, which range between 5% and 10%. Fair value is generally based on independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case basis, to comparable assets based on the appraisers' market knowledge and experience, and are classified as Level 3. When an asset is acquired, the excess of the loan balance over fair value less estimated selling costs is charged to the allowance for credit losses. A reserve for foreclosed assets may be established to provide for possible write-downs and selling costs that occur subsequent to foreclosure. Foreclosed assets are carried net of the related reserve. Operating results from real estate owned, including rental income, operating expenses, and gains and losses realized from the sales of real estate owned, are recorded as incurred.

There were no changes to the valuation techniques for fair value measurements as of June 30, 2024 or December 31, 2023.

The following tables present the assets and liabilities reported on the consolidated statements of financial condition at their fair values as of June 30, 2024 and December 31, 2023, by level within the fair value hierarchy (in thousands):

	Fair Value Measurements at Reporting Date Using:			
	June 30, 2024	Quoted Prices in Active	Significant Other	Significant Unobservable
		Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Inputs (Level 3)
Measured on a recurring basis:				
Available for sale debt securities:				
U.S. Treasury obligations	\$ 335,031	335,031	—	—
Government-agency obligations	166,202	114,369	51,833	—
Mortgage-backed securities	1,849,184	—	1,849,184	—
Asset-backed securities	53,053	—	53,053	—
State and municipal obligations	126,558	—	126,558	—
Corporate obligations	96,755	—	96,755	—
Total available for sale debt securities	2,626,783	449,400	2,177,383	—
Equity securities	19,250	19,250	—	—
Derivative assets	208,316	—	208,316	—
	<u>\$ 2,854,349</u>	<u>468,650</u>	<u>2,385,699</u>	<u>—</u>
Derivative liabilities	<u>\$ 193,670</u>	<u>—</u>	<u>193,670</u>	<u>—</u>

Measured on a non-recurring basis:				
Loans measured for impairment based on the fair value of the underlying collateral	\$	18,413	—	18,413
Foreclosed assets		11,119	—	11,119
	\$	29,532	—	29,532

Fair Value Measurements at Reporting Date Using:				
December 31, 2023	Quoted Prices in Active Markets for Identical Assets			
	(Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Measured on a recurring basis:				
Available for sale debt securities:				
U.S. Treasury obligations	\$ 253,878	253,878	—	—
Government-agency obligations	27,498	—	27,498	—
Mortgage-backed securities	1,285,609	—	1,285,609	—
Asset-backed securities	32,235	—	32,235	—
State and municipal obligations	56,584	—	56,584	—
Corporate obligations	34,308	—	34,308	—
Total available for sale debt securities	1,690,112	253,878	1,436,234	—
Equity Securities	1,270	1,270	—	—
Derivative assets	101,754	—	101,754	—
	\$ 1,793,136	255,148	1,537,988	—
Derivative liabilities				
	\$ 88,835	—	88,835	—
Measured on a non-recurring basis:				
Loans measured for impairment based on the fair value of the underlying collateral	\$ 24,139	—	—	24,139
Foreclosed assets	11,651	—	—	11,651
	\$ 35,790	—	—	35,790

There were no transfers into or out of Level 3 during the three and six months ended June 30, 2024.

Other Fair Value Disclosures

The Company is required to disclose estimated fair value of financial instruments, both assets and liabilities on- and off- the balance sheet, for which it is practicable to estimate fair value. The following is a description of valuation methodologies used for those assets and liabilities.

Cash and Cash Equivalents

For cash and due from banks, federal funds sold and short-term investments, the carrying amount approximates fair value. As of June 30, 2024 and December 31, 2023, \$70,000 was included in cash and cash equivalents, representing cash collateral pledged to secure loan level swaps and risk participation agreements.

Held to Maturity Debt Securities

For held to maturity debt securities, fair value was estimated using a market approach. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. Prices for these instruments are obtained through third party data service providers or dealer market participants with whom the Company has historically transacted both purchases and sales of securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing, a Level 2 input, is a mathematical technique used principally to value certain securities by benchmarking to comparable securities. Management evaluates the quality of Level 2 matrix pricing through comparison to similar assets with greater liquidity and evaluation of projected cash flows. As management is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, management compares the prices received from the pricing service to a secondary pricing source. Additionally, management compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has generally not resulted in adjustment in the prices obtained from the pricing service. The Company also holds debt instruments issued by the U.S. government and U.S. government-sponsored agencies that are traded in active markets with readily accessible quoted market prices that are considered Level 1 within the fair value hierarchy.

Federal Home Loan Bank of New York Stock

The carrying value of FHLBNY stock is its cost. The fair value of FHLBNY stock is based on redemption at par value. The Company classifies the estimated fair value as Level 1 within the fair value hierarchy.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial mortgage, residential mortgage, commercial, construction and consumer. Each loan category is further segmented into fixed and adjustable-rate interest terms and into performing and non-performing categories. The fair value of performing loans was estimated using a combination of techniques, including a discounted cash flow model that utilizes a discount rate that reflects the Company's current pricing for loans with similar characteristics and remaining maturity, adjusted by an amount for estimated credit losses inherent in the portfolio at the balance sheet date (i.e. exit pricing). The rates take into account the expected yield curve, as well as an adjustment for prepayment risk, when applicable. The Company classifies the estimated fair value of its loan portfolio as Level 3.

The fair value for significant non-performing loans was based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows. The Company classifies the estimated fair value of its non-performing loan portfolio as Level 3.

Deposits

The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits and savings deposits, was equal to the amount payable on demand and classified as Level 1. The estimated fair value of certificates of deposit was based on the discounted value of contractual cash flows. The discount rate was estimated using the Company's current rates offered for deposits with similar remaining maturities. The Company classifies the estimated fair value of its certificates of deposit portfolio as Level 2.

Borrowed Funds

The fair value of borrowed funds was estimated by discounting future cash flows using rates available for debt with similar terms and maturities and is classified by the Company as Level 2 within the fair value hierarchy.

Subordinated Debentures

The fair value of borrowed funds was estimated based on bid/ask prices from brokers for similar types of instruments and is classified by the Company as Level 2 within the fair value hierarchy.

Commitments to Extend Credit and Letters of Credit

The fair value of commitments to extend credit and letters of credit was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The Company classifies these commitments as Level 3 within the fair value hierarchy.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Significant assets and liabilities that are not considered financial assets or liabilities include goodwill and other intangibles, deferred tax assets and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following tables present the Company's financial instruments at their carrying and fair values as of June 30, 2024 and December 31, 2023. Fair values are presented by level within the fair value hierarchy.

		Fair Value Measurements as of June 30, 2024 Using:			
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)	Carrying value	Fair value			
Financial assets:					
Cash and cash equivalents	\$ 290,561	290,561	290,561	—	—
Available for sale debt securities:					
U.S. Treasury obligations	\$ 335,031	335,031	335,031	—	—
Government-agency obligations	166,202	166,202	114,369	51,833	—
Mortgage-backed securities	1,849,184	1,849,184	—	1,849,184	—
Asset-backed securities	53,053	53,053	—	53,053	—
State and municipal obligations	126,558	126,558	—	126,558	—
Corporate obligations	96,755	96,755	—	96,755	—
Total available for sale debt securities	\$ 2,626,783	2,626,783	449,400	2,177,383	—

Held to maturity debt securities, net of allowance for credit losses:					
U.S. Treasury obligations	\$	6,984	6,984	6,984	—
Government-agency obligations		9,998	9,448	—	9,448
State and municipal obligations		326,996	310,029	—	310,029
Corporate obligations		6,550	6,230	—	6,230
Total held to maturity debt securities, net of allowance for credit losses	\$	350,528	332,691	6,984	325,707
FHLBNY stock		100,068	100,068	100,068	—
Equity Securities		19,250	19,250	19,250	—
Loans, net of allowance for credit losses		18,575,449	18,228,528	—	18,228,528
Derivative assets		208,316	208,316	—	208,316
Financial liabilities:					
Deposits other than certificates of deposits	\$	15,271,252	15,271,252	15,271,252	—
Certificates of deposit		3,081,992	3,076,618	—	3,076,618
Total deposits	\$	18,353,244	18,347,870	15,271,252	3,076,618
Borrowings		2,302,058	2,289,206	—	2,289,206
Subordinated debentures		412,766	394,729	—	394,729
Derivative liabilities		193,670	193,670	—	193,670

		Fair Value Measurements as of December 31, 2023 Using:			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(Dollars in thousands)	Carrying value	Fair value			
Financial assets:					
Cash and cash equivalents	\$	180,255	180,255	180,255	—
Available for sale debt securities:					
U.S. Treasury obligations	\$	253,878	253,878	253,878	—
Government-agency obligations		27,498	27,498	—	27,498
Mortgage-backed securities		1,285,609	1,285,609	—	1,285,609
Asset-backed securities		32,235	32,235	—	32,235
State and municipal obligations		56,584	56,584	—	56,584
Corporate obligations		34,308	34,308	—	34,308
Total available for sale debt securities	\$	1,690,112	1,690,112	253,878	1,436,234
Held to maturity debt securities:					
US Treasury obligations	\$	5,146	5,147	5,147	—
Government-agency obligations		11,058	10,406	10,406	—
State and municipal obligations		339,789	330,360	—	330,360
Corporate obligations		7,087	6,688	—	6,688
Total held to maturity debt securities	\$	363,080	352,601	15,553	337,048
FHLBNY stock		79,217	79,217	79,217	—
Equity Securities		1,270	1,270	1,270	—
Loans, net of allowance for credit losses		10,766,501	10,437,204	—	10,437,204
Derivative assets		101,754	101,754	—	101,754
Financial liabilities:					
Deposits other than certificates of deposits	\$	9,196,572	9,196,572	9,196,572	—
Certificates of deposit		1,095,942	1,093,125	—	1,093,125
Total deposits	\$	10,292,514	10,289,697	9,196,572	1,093,125
Borrowings		1,970,033	1,960,174	—	1,960,174
Subordinated debentures		10,695	9,198	—	9,198

Derivative liabilities	88,835	88,835	—	88,835	—
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Note 12. Other Comprehensive Income (Loss)

The following table presents the components of other comprehensive income (loss), both gross and net of tax, for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three months ended June 30,					
	2024			2023		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
Components of Other Comprehensive Income:						
Unrealized gains and losses on available for sale debt securities:						
Net unrealized gains (losses) arising during the period	\$ 16,718	(5,157)	11,561	(20,178)	5,452	(14,726)
Reclassification adjustment for losses included in net income	2,973	(917)	2,056	—	—	—
Total	19,691	(6,074)	13,617	(20,178)	5,452	(14,726)
Unrealized gains and losses on derivatives (cash flow hedges):						
Net unrealized gains arising during the period	1,361	(420)	941	5,002	(1,352)	3,650
Reclassification adjustment for (gains) included in net income	(3,734)	1,152	(2,582)	(4,124)	1,114	(3,010)
Total	(2,373)	732	(1,641)	878	(238)	640
Amortization related to post-retirement obligations	(514)	159	(355)	(358)	97	(261)
Total other comprehensive income (loss)	\$ 16,804	(5,183)	11,621	(19,658)	5,311	(14,347)

	Six months ended June 30,					
	2024			2023		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
Components of Other Comprehensive Income:						
Unrealized gains and losses on available for sale debt securities:						
Net unrealized gains arising during the period	\$ 2,319	(715)	1,604	7,641	(1,503)	6,138
Reclassification adjustment for losses included in net income	2,973	(917)	2,056	—	—	—
Total	5,292	(1,632)	3,660	7,641	(1,503)	6,138
Unrealized gains and losses on derivatives (cash flow hedges):						
Net unrealized gains arising during the period	5,993	(1,849)	4,144	4,219	(1,186)	3,033
Reclassification adjustment for (gains) included in net income	(7,909)	2,440	(5,469)	(8,343)	2,254	(6,089)
Total	(1,916)	591	(1,325)	(4,124)	1,068	(3,056)
Amortization related to post-retirement obligations	(1,712)	528	(1,184)	(727)	197	(530)
Total other comprehensive income (loss)	\$ 1,664	(513)	1,151	2,790	(238)	2,552

The following tables present the changes in the components of accumulated other comprehensive (loss), net of tax, for the three and six months ended June 30, 2024 and 2023 (in thousands):

Changes in Accumulated Other Comprehensive (Loss) by Component, net of tax for the three months ended June 30,	
2024	2023

	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)
Balance as of March 31,	\$ (164,446)	3,108	9,753	(151,585)	(165,750)	1,303	16,301	(148,146)
Current - period other comprehensive income (loss)	13,617	(355)	(1,641)	11,621	(14,726)	(261)	640	(14,347)
Balance as of June 30,	\$ (150,829)	2,753	8,112	(139,964)	(180,476)	1,042	16,941	(162,493)

Changes in Accumulated Other Comprehensive (Loss) by Component, net of tax for the six months ended June 30,								
	2024				2023			
	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive Income (Loss)	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31,	\$ (154,489)	3,937	9,437	(141,115)	(186,614)	1,572	19,997	(165,045)
Current - period other comprehensive income (loss)	3,660	(1,184)	(1,325)	1,151	6,138	(530)	(3,056)	2,552
Balance as of June 30,	\$ (150,829)	2,753	8,112	(139,964)	(180,476)	1,042	16,941	(162,493)

The following tables summarize the reclassifications from accumulated other comprehensive (loss) to the consolidated statements of income for the three and six months ended June 30, 2024 and 2023 (in thousands):

June 30, 2024 and 2023 (in thousands).

Reclassifications From Accumulated Other Comprehensive			
Income ("AOCI")			
Amount reclassified from AOCI for the three months			Affected line item in the Consolidated Statement of Income
ended June 30,			
2024	2023		
Details of AOCI:			
Available for sale debt securities:			
Realized net losses on the sale of securities available for sale			
\$	2,973	—	Net loss on securities transactions
	(917)	—	Income tax expense
\$	2,056	—	Net of tax
Cash flow hedges:			
Realized net gains on derivatives			
\$	(3,734)	(4,124)	Interest expense
	1,152	1,114	Income tax expense
\$	(2,582)	(3,010)	
Post-retirement obligations:			
Amortization of actuarial gains			
\$	(514)	(356)	Compensation and employee benefits ⁽¹⁾
	159	96	Income tax expense
\$	(355)	(260)	Net of tax
Total reclassifications	\$ (881)	(3,270)	Net of tax

Reclassifications From Accumulated Other Comprehensive		
Income		
Amount reclassified from AOCI for the six months ended		Affected line item in the Consolidated Statement of Income
June 30,		

	2024	2023	
Details of AOCI:			
Available for sale debt securities:			
Realized net losses on the sale of securities available for sale	\$ 2,973	—	Net loss on securities transactions
	(917)	—	Income tax expense
	<u>\$ 2,056</u>	<u>—</u>	Net of tax
Cash flow hedges:			
Realized net gains on derivatives	\$ (7,909)	(8,343)	Interest expense
	2,440	2,254	Income tax expense
	<u>\$ (5,469)</u>	<u>(6,089)</u>	
Post-retirement obligations:			
Amortization of actuarial gains	\$ (1,030)	(712)	Compensation and employee benefits ⁽¹⁾
	318	192	Income tax expense
	<u>\$ (712)</u>	<u>(520)</u>	Net of tax
Total reclassifications	<u>\$ (4,125)</u>	<u>(6,609)</u>	Net of tax

⁽¹⁾ This item is included in the computation of net periodic benefit cost. See Note 8. Components of Net Periodic Benefit Cost.

Note 13. Derivative and Hedging Activities

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through the management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities.

Non-designated Hedges. Derivatives not designated in qualifying hedging relationships are not speculative and result from a service the Company provides to certain qualified commercial borrowers in loan related transactions which, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company may execute interest rate swaps with qualified commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. The interest rate swap agreement which the Company executes with the commercial borrower is collateralized by the borrower's commercial real estate financed by the Company. As the Company has not elected to apply hedge accounting and these interest rate swaps do not meet the hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. As of June 30, 2024 and December 31, 2023, the Company had 321 and 154 loan related interest rate swaps with aggregate notional amounts of \$4.64 billion and \$2.30 billion, respectively.

The Company periodically enters into risk participation agreements ("RPAs"), with the Company functioning as either the lead institution, or as a participant when another company is the lead institution on a commercial loan. These RPAs are entered into to manage the credit exposure on interest rate contracts associated with these loan participation agreements. Under the RPAs, the Company will either receive or make a payment in the event the borrower defaults on the related interest rate contract. The Company has minimum collateral posting thresholds with certain of its risk participation counterparties, and has posted collateral of \$70,000 against the potential risk of default by the borrower under these agreements. For June 30, 2024 and December 31, 2023, the Company had 8 and 12 credit derivatives, respectively, with aggregate notional amounts of \$87.7 million and \$142.8 million, respectively, from participations in interest rate swaps as part of these loan participation arrangements. As of June 30, 2024, both the asset and liability positions of these fair value credit derivatives were insignificant, compared to \$17,000 and \$8,000, respectively, as of December 31, 2023.

Cash Flow Hedges of Interest Rate Risk. The Company's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable payment amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

Changes in the fair value of derivatives designated and that qualify as cash flow hedges of interest rate risk are recorded in accumulated other comprehensive (loss) income and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2024 and 2023, such derivatives were used to hedge the variable cash outflows associated with FHLBNY borrowings and brokered demand deposits.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's borrowings or demand deposits. During the next twelve months, the Company estimates that \$9.9 million will be reclassified as a reduction to interest expense. As of June 30, 2024, the Company had 7 outstanding interest rate derivatives with an aggregate notional amount of \$375.0 million that were each designated as a cash flow hedge of interest rate risk, compared to 9 outstanding interest rate derivatives with an aggregate notional amount of \$455.0 million, as of December 31, 2023.

The Company is party to master netting arrangements with its financial institution counterparties; however, the Company does not offset assets and liabilities under these arrangements for financial statement presentation purposes. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Collateral, usually in the form of cash or marketable investment securities, is posted by or received from the counterparty with net liability or asset positions, respectively, in accordance with contract thresholds. Master repurchase agreements which include "right of set-off" provisions generally have a legally enforceable right to offset recognized amounts. In such cases, the collateral would be used to settle the fair value of the swap or repurchase agreement should the Company be in default. Total amount of collateral held or pledged cannot exceed the net derivative fair values with the counterparty.

The tables below present a gross presentation, the effects of offsetting, and a net presentation of the Company's financial instruments that are eligible for offset in the Consolidated Statements of Condition as of June 30, 2024 and December 31, 2023 (in thousands).

Fair Values of Derivative Instruments as of June 30, 2024							
	Asset Derivatives			Liability Derivatives			
	Consolidated						
	Statements of Financial		Fair	Consolidated Statements		Fair	
	Notional Amount	Condition	value ⁽¹⁾	Notional Amount	of Financial Condition	value ⁽²⁾	
Derivatives not designated as a hedging instrument:							
Interest rate products	\$ 2,320,802	Other assets	\$ 197,311	\$ 2,320,802	Other liabilities	\$ 197,395	
Credit contracts	11,796	Other assets	—	75,909	Other liabilities	—	
Total derivatives not designated as a hedging instrument			197,311			197,395	
Derivatives designated as a hedging instrument:							
Interest rate products	375,000	Other assets	11,837	—	Other liabilities	—	
Total gross derivative amounts recognized on the balance sheet			209,148			197,395	
Gross amounts offset on the balance sheet			—			—	
Net derivative amounts presented on the balance sheet			<u>\$ 209,148</u>			<u>197,395</u>	
Gross amounts not offset on the balance sheet:							
Financial instruments - institutional counterparties			\$ —			—	
Cash collateral - institutional counterparties			201,390			—	
Net derivatives not offset			\$ 7,758			197,395	

	Fair Values of Derivative Instruments as of December 31, 2023					
	Asset Derivatives			Liability Derivatives		
	Consolidated		Fair value ⁽¹⁾	Consolidated Statements		Fair value ⁽²⁾
	Notional Amount	Financial Condition		Notional Amount	of Financial Condition	
Derivatives not designated as a hedging instrument:						
Interest rate products	\$ 1,152,200	Other assets	\$ 89,261	\$ 1,152,200	Other liabilities	\$ 89,461
Credit contracts	46,359	Other assets	17	96,462	Other liabilities	8
Total derivatives not designated as a hedging instrument			89,278			89,469
Derivatives designated as a hedging instrument:						
Interest rate products	330,000	Other assets	15,886	125,000	Other liabilities	1,365
Total gross derivative amounts recognized on the balance sheet			105,164			90,834
Gross amounts offset on the balance sheet			—			—
Net derivative amounts presented on the balance sheet			\$ 105,164			90,834
Gross amounts not offset on the balance sheet:						
Financial instruments - institutional counterparties			\$ —			—
Cash collateral - institutional counterparties			101,328			—
Net derivatives not offset			\$ 3,836			90,834

(1) The fair values related to interest rate products in the above net derivative tables show the total value of assets and liabilities, which include accrued interest receivable and accrued interest payable for the periods ended June 30, 2024 and December 31, 2023.

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Income during the three and six months ended June 30, 2024 and 2023 (in thousands).

		Gain (loss) recognized in income on derivatives for the three months ended	
		June 30, 2024	June 30, 2023
Consolidated Statements of Income			
Derivatives not designated as a hedging instrument:			
Interest rate products	Other income	\$ 21	126
Credit contracts	Other income	(6)	(8)
Total		\$ 15	118
Derivatives designated as a hedging instrument:			
Interest rate products	Interest (benefit) expense	\$ (3,734)	(4,124)
Total		\$ (3,734)	(4,124)

		Gain (loss) recognized in income on derivatives for the six months ended	
		June 30, 2024	June 30, 2023
Consolidated Statements of Income			
Derivatives not designated as a hedging instrument:			
Interest rate products	Other income	\$ 117	52
Credit contracts	Other income	(9)	(4)
Total		\$ 108	48
Derivatives designated as a hedging instrument:			
Interest rate products	Interest (benefit) expense	\$ (7,909)	(8,343)
Total		\$ (7,909)	(8,343)

The Company has agreements with certain of its dealer counterparties which contain a provision that if the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be deemed in default on its derivative obligations. In addition, the Company has agreements with certain of its dealer counterparties which contain a provision that if the Company fails to maintain its status as a well or adequately capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

As of June 30, 2024, the Company had five dealer counterparties and the Company was in a net asset position with respect to all of its counterparties.

Note 14. Revenue Recognition

The Company generates revenue from several business channels. The guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606) does not apply to revenue associated with financial instruments, including interest income on loans and investments, which comprise the majority of the Company's revenue. For both the three and six months ended June 30, 2024, the out-of-scope revenue related to financial instruments was 91.8% and 90.5% of the Company's total revenue, compared to 88.5% and 87.6% for the three and six months ended June 30, 2023, respectively. Revenue-generating activities that are within the scope of Topic 606, are components of non-interest income. These revenue streams are generally classified into three categories: wealth management revenue, insurance agency income and banking service charges and other fees.

The following table presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Non-interest income				
In-scope of Topic 606:				
Wealth management fees	\$ 7,769	6,919	15,257	13,834
Insurance agency income	4,488	3,847	9,281	7,950
Banking service charges and other fees:				
Service charges on deposit accounts	4,208	3,050	7,524	6,413
Debit card and ATM fees	1,174	761	1,861	1,466
Total banking service charges and other fees	5,382	3,811	9,385	7,879
Total in-scope non-interest income	17,639	14,577	33,923	29,663

Total out-of-scope non-interest income	4,636	4,810	9,158	11,877
Total non-interest income	\$ 22,275	19,387	43,081	41,540

Wealth management fee income represents fees earned from customers as consideration for asset management, investment advisory and trust services. The Company's performance obligation is generally satisfied monthly and the resulting fees are recognized monthly. The fee is generally based upon the average market value of the assets under management for the month and the applicable fee rate. The monthly accrual of wealth management fees is recorded in other assets on the Company's Consolidated Statements of Financial Condition. Fees are received from the customer on a monthly basis. The Company does not earn performance-based incentives. To a lesser extent, optional services such as tax return preparation and estate settlement are also available to existing customers. The Company's performance obligation for these transaction-based services is generally satisfied, and related revenue recognized, at either a point in time when the service is completed, or in the case of estate settlement, over a relatively short period of time, as each service component is completed.

Insurance agency income, consisting of commissions and fees, is generally recognized as of the effective date of the insurance policy. Commission revenues related to installment billings are recognized on the invoice date. Subsequent commission adjustments are recognized upon the receipt of notification from insurance companies concerning matters necessitating such adjustments. Profit-sharing contingent commissions are recognized when determinable, which is generally when such commissions are received from insurance companies, or when the Company receives formal notification of the amount of such payments.

Service charges on deposit accounts include account analysis fees and other deposit-related fees. These fees are generally transaction-based, or time-based services. The Company's performance obligation for these services is generally satisfied, and revenue recognized, at the time the transaction is completed, or the service rendered. Fees for these services are generally received from the customer either at the time of transaction, or monthly. Debit card and ATM fees are generally transaction-based. Debit card revenue is primarily comprised of interchange fees earned when a customer's Company card is processed through a card payment network. ATM fees are largely generated when a Company cardholder uses a non-Company ATM, or a non-Company cardholder uses a Company ATM. The Company's performance obligation for these services is satisfied when the service is rendered. Payment is generally received at the time of transaction or monthly.

Out-of-scope non-interest income primarily consists of Bank-owned life insurance and net fees on loan level interest rate swaps, along with gains and losses on the sale of loans and foreclosed real estate, loan prepayment fees and loan servicing fees. None of these revenue streams are subject to the requirements of Topic 606.

Note 15. Leases

The following table represents the consolidated statements of financial condition classification of the Company's right-of-use-assets and lease liabilities as of June 30, 2024 and December 31, 2023 (in thousands):

	Classification	June 30, 2024	December 31, 2023
Lease Right-of-Use Assets:			
Operating lease right-of-use assets	Other assets	\$ 67,943	56,907
Lease Liabilities:			
Operating lease liabilities	Other liabilities	\$ 71,320	60,039

The calculated amount of the right-of-use assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the right-of-use asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception based upon the term of the lease. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was applied.

All of the leases in which the Company is the lessee are classified as operating leases and are primarily comprised of real estate properties for branches and administrative offices with terms extending through 2046.

As of June 30, 2024, the weighted-average remaining lease term and the weighted-average discount rate for the Company's operating leases were 7.6 years and 2.06%, respectively.

The following tables represent lease costs and other lease information for the Company's operating leases. The variable lease cost primarily represents variable payments such as common area maintenance and utilities (in thousands):

	Three months ended June 30, 2024	Three months ended June 30, 2023
Lease Costs		
Operating lease cost	\$ 3,771	2,629
Variable lease cost	705	842
Total lease cost	\$ 4,476	3,471

	Six months ended June 30, 2024	Six months ended June 30, 2023
Lease Costs		
Operating lease cost	\$ 6,398	5,257

Variable lease cost	1,491	1,722
Total lease cost	\$ 7,889	6,979

	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,698	4,776

During the three and six months ended June 30, 2024, the Company added 39 new lease obligations related to the Lakeland merger. The Company recorded a \$14.7 million right-of-use asset and lease liability for these lease obligations.

Future minimum payments for operating leases with initial or remaining terms of one year or more as of June 30, 2024, were as follows (in thousands):

	Operating leases
Twelve months ended:	
Remainder of 2024	\$ 7,064
2025	13,403
2026	11,718
2027	10,153
2028	8,655
Thereafter	29,641
Total future minimum lease payments	80,634
Amounts representing interest	9,314
Present value of net future minimum lease payments	\$ 71,320

Note 16. Impact of Recent Accounting Pronouncements

Accounting Pronouncements Adopted This Year

In June 2022, FASB issued ASU 2022-03, "Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. In addition, this update introduces new disclosure requirements to provide information about the contractual sales restriction including the nature and remaining duration of the restriction. This update will be effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2023, with early adoption in the interim period permitted. The Company adopted this standard on January 1, 2023 on a prospective basis; with no impact to the consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In December 2023, FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments in this ASU require improved annual income tax disclosures surrounding rate reconciliation, income taxes paid, and other disclosures. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2024, with early adoption in the interim period permitted. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

Note 9. Contingencies Equity Securities at Fair Value

The Company is involved holds equity securities that are traded in various litigation and claims arising active markets with readily accessible quoted market prices that are considered Level 1 inputs.

Derivatives

The Company records all derivatives on the statements of financial condition at fair value. The accounting for changes in the normal course fair value of business. Liabilities for loss contingencies arising derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Company has interest rate derivatives resulting from such litigation and claims a service provided to certain qualified borrowers in a loan related transaction which, therefore, are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

On May 2, 2022, a purported class action complaint was filed against the Bank not used to manage interest rate risk in the Superior Court Company's assets or liabilities. As such, all changes in fair value of New Jersey, these derivatives are recognized directly in earnings.

The Company also uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges, and which alleges that satisfy hedge accounting requirements, involve the Bank wrongfully assessed overdraft fees related to debit card transactions. The complaint asserts claims receipt of variable amounts from a counterparty in exchange for breach of contract and breach the Company making fixed-rate payments over the life of the covenant of good faith and fair dealing as well as an alleged violation agreements without the exchange of the New Jersey Consumer Fraud Act. Plaintiff seeks underlying notional amount. These derivatives were used to represent a proposed class hedge the variable cash outflows associated with FHLBNY borrowings and brokered demand deposits. The change in the fair value of all the Bank's checking

account customers who were charged overdraft fees on transactions that were authorized into a positive available balance. Plaintiff seeks unspecified damages, costs, attorneys' fees, pre-judgment interest, an injunction, and other relief as the Court deems proper for the plaintiff and the proposed class. The Bank denies the allegations and these derivatives is vigorously defending the matter. The parties had an initial mediation meeting on October 20, 2023, and the matter remains pending.

Although the Bank is vigorously defending the litigation, the ultimate outcome of this litigation, such as whether the likelihood of loss is remote, reasonably possible, or probable, or if and when the reasonably possible range of loss is estimable, is inherently uncertain. As a result of this analysis, a \$3.0 million charge was recorded in the fourth quarter of 2023 for estimated contingent litigation reserves.

Note 10. Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Management analyzes the Company's exposure to credit losses for both on-balance sheet and off-balance sheet activity using a consistent methodology for the quantitative framework as well as the qualitative framework. For purposes of estimating the allowance for credit losses for off-balance sheet credit exposures, the exposure that may default includes an estimated drawdown of unused credit based on historical credit utilization factors and current loss factors.

For the three months ended March 31, 2024, the Company recorded a \$506,000 provision benefit for credit losses on off-balance sheet credit exposures. For the three months ended March 31, 2023, the Company recorded a \$739,000 provision charge for credit losses for off-balance sheet credit exposures. The \$1.2 million decrease in the provision for the three months ended March 31, 2024, compared to the same period in 2023, was primarily due to a decrease in loans approved and awaiting closing.

The allowance for credit losses for off-balance sheet credit exposures was \$2.9 million as of March 31, 2024 and \$3.4 million as of December 31, 2023 accumulated other comprehensive income (loss), and is included subsequently reclassified into earnings in other liabilities on the Consolidated Statements of Financial Condition.

Note 11. Fair Value Measurements period that the forecasted transactions affect earnings.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The determination of fair values of financial instruments often requires the use of estimates. Where quoted market values in an active market are not readily available, management utilizes various valuation techniques to estimate fair value.

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, in many instances fair value estimates may not be substantiated by comparison to independent markets and may not be realized in an immediate sale of the financial instrument.

GAAP establishes a fair value hierarchy that prioritizes the Company's derivatives is determined using discounted cash flow analysis using observable market-based inputs, to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy which are as follows:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The valuation techniques are based upon the unpaid principal balance only, and exclude any accrued interest or dividends at the measurement date. Interest income and expense and dividend income are recorded within the consolidated statements of income depending on the nature of the instrument using the effective interest method based on acquired discount or premium. considered Level 2 inputs.

Assets and Liabilities Measured at Fair Value on a Recurring Non-Recurring Basis

The valuation techniques described below were used to measure estimate fair value of financial instruments in the table below measured on a recurring non-recurring basis as of March 31, 2024 June 30, 2024 and December 31, 2023.

Available for Sale Debt Securities, at Fair Value Collateral-Dependent Impaired Loans

For available loans measured for sale impairment based on the fair value of the underlying collateral, fair value was estimated using a market approach. The Company measures the fair value of collateral underlying impaired loans primarily through obtaining independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case-by-case basis, to comparable assets based on the appraisers' market knowledge and experience, as well as adjustments for estimated costs to sell between 5% and 10%. Management classifies these loans as Level 3 within the fair value hierarchy.

Foreclosed Assets

Assets acquired through foreclosure or deed in lieu of foreclosure are carried at fair value, less estimated selling costs, which range between 5% and 10%. Fair value is generally based on independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case basis, to comparable assets based on the appraisers' market knowledge and experience, and are classified as Level 3. When an asset is acquired, the excess of the loan balance over fair value less estimated selling costs is charged to the allowance for credit losses. A reserve for foreclosed assets may be established to provide for possible write-downs and selling costs that occur subsequent to foreclosure. Foreclosed assets are carried net of the related reserve. Operating results from real estate owned, including rental income, operating expenses, and gains and losses realized from the sales of real estate owned, are recorded as incurred.

There were no changes to the valuation techniques for fair value measurements as of June 30, 2024 or December 31, 2023.

The following tables present the assets and liabilities reported on the consolidated statements of financial condition at their fair values as of June 30, 2024 and December 31, 2023, by level within the fair value hierarchy (in thousands):

		Fair Value Measurements at Reporting Date Using:			
		Quoted Prices in Active		Significant Other	Significant Unobservable
		Markets for Identical Assets	Inputs (Level 2)		
		June 30, 2024	(Level 1)	Observable	
Measured on a recurring basis:					
Available for sale debt securities:					
U.S. Treasury obligations	\$	335,031	335,031	—	—
Government-agency obligations		166,202	114,369	51,833	—
Mortgage-backed securities		1,849,184	—	1,849,184	—
Asset-backed securities		53,053	—	53,053	—
State and municipal obligations		126,558	—	126,558	—
Corporate obligations		96,755	—	96,755	—
Total available for sale debt securities		2,626,783	449,400	2,177,383	—
Equity securities		19,250	19,250	—	—
Derivative assets		208,316	—	208,316	—
	\$	2,854,349	468,650	2,385,699	—
Derivative liabilities	\$	193,670	—	193,670	—
Measured on a non-recurring basis:					
Loans measured for impairment based on the fair value of the underlying collateral	\$	18,413	—	—	18,413
Foreclosed assets		11,119	—	—	11,119
	\$	29,532	—	—	29,532

		Fair Value Measurements at Reporting Date Using:			
		Quoted Prices in Active		Significant Other	Significant Unobservable
		Markets for Identical Assets	Inputs (Level 2)		
		December 31, 2023	(Level 1)	Observable	
Measured on a recurring basis:					
Available for sale debt securities:					
U.S. Treasury obligations	\$	253,878	253,878	—	—
Government-agency obligations		27,498	—	27,498	—
Mortgage-backed securities		1,285,609	—	1,285,609	—
Asset-backed securities		32,235	—	32,235	—
State and municipal obligations		56,584	—	56,584	—
Corporate obligations		34,308	—	34,308	—
Total available for sale debt securities		1,690,112	253,878	1,436,234	—
Equity Securities		1,270	1,270	—	—
Derivative assets		101,754	—	101,754	—
	\$	1,793,136	255,148	1,537,988	—
Derivative liabilities	\$	88,835	—	88,835	—
Measured on a non-recurring basis:					
Loans measured for impairment based on the fair value of the underlying collateral	\$	24,139	—	—	24,139
Foreclosed assets		11,651	—	—	11,651
	\$	35,790	—	—	35,790

There were no transfers into or out of Level 3 during the three and six months ended June 30, 2024.

Other Fair Value Disclosures

The Company is required to disclose estimated fair value of financial instruments, both assets and liabilities on- and off- the balance sheet, for which it is practicable to estimate fair value. The following is a description of valuation methodologies used for those assets and liabilities.

Cash and Cash Equivalents

For cash and due from banks, federal funds sold and short-term investments, the carrying amount approximates fair value. As of June 30, 2024 and December 31, 2023, \$70,000 was included in cash and cash equivalents, representing cash collateral pledged to secure loan level swaps and risk participation agreements.

Held to Maturity Debt Securities

For held to maturity debt securities, fair value was estimated using a market approach. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. Prices for these instruments are obtained through third-party third party data service providers or dealer market participants with whom the Company has historically transacted both purchases and sales of securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing, a Level 2 input, is a mathematical technique used principally to value certain securities to benchmark by benchmarking to comparable securities. The Company Management evaluates the quality of Level 2 matrix pricing through comparison to similar assets with greater liquidity and evaluation of projected cash flows. As management is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, management compares the prices received from the pricing service to a secondary pricing source. Additionally, management compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has generally not resulted in an adjustment in the prices obtained from the pricing service. The Company also holds debt instruments issued by the U.S. government and U.S. government-sponsored agencies that are traded in active markets with readily accessible quoted market prices that are considered Level 1 within the fair value hierarchy.

Federal Home Loan Bank of New York Stock

The carrying value of FHLBNY stock is its cost. The fair value of FHLBNY stock is based on redemption at par value. The Company classifies the estimated fair value as Level 1 within the fair value hierarchy.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial mortgage, residential mortgage, commercial, construction and consumer. Each loan category is further segmented into fixed and adjustable-rate interest terms and into performing and non-performing categories. The fair value of performing loans was estimated using a combination of techniques, including a discounted cash flow model that utilizes a discount rate that reflects the Company's current pricing for loans with similar characteristics and remaining maturity, adjusted by an amount for estimated credit losses inherent in the portfolio at the balance sheet date (i.e. exit pricing). The rates take into account the expected yield curve, as well as an adjustment for prepayment risk, when applicable. The Company classifies the estimated fair value of its loan portfolio as Level 3.

The fair value for significant non-performing loans was based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows. The Company classifies the estimated fair value of its non-performing loan portfolio as Level 3.

Deposits

The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits and savings deposits, was equal to the amount payable on demand and classified as Level 1. The estimated fair value of certificates of deposit was based on the discounted value of contractual cash flows. The discount rate was estimated using the Company's current rates offered for deposits with similar remaining maturities. The Company classifies the estimated fair value of its certificates of deposit portfolio as Level 2.

Borrowed Funds

The fair value of borrowed funds was estimated by discounting future cash flows using rates available for debt with similar terms and maturities and is classified by the Company as Level 2 within the fair value hierarchy.

Subordinated Debentures

The fair value of borrowed funds was estimated based on bid/ask prices from brokers for similar types of instruments and is classified by the Company as Level 2 within the fair value hierarchy.

Commitments to Extend Credit and Letters of Credit

The fair value of commitments to extend credit and letters of credit was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The Company classifies these commitments as Level 3 within the fair value hierarchy.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Significant assets and liabilities that are not considered financial assets or liabilities include goodwill and other intangibles, deferred tax assets and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The following tables present the Company's financial instruments at their carrying and fair values as of June 30, 2024 and December 31, 2023. Fair values are presented by level within the fair value hierarchy.

(Dollars in thousands)	Fair Value Measurements as of June 30, 2024 Using:				
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Carrying value	Fair value			
Financial assets:					
Cash and cash equivalents	\$ 290,561	290,561	290,561	—	—
Available for sale debt securities:					
U.S. Treasury obligations	\$ 335,031	335,031	335,031	—	—
Government-agency obligations	166,202	166,202	114,369	51,833	—
Mortgage-backed securities	1,849,184	1,849,184	—	1,849,184	—
Asset-backed securities	53,053	53,053	—	53,053	—
State and municipal obligations	126,558	126,558	—	126,558	—
Corporate obligations	96,755	96,755	—	96,755	—
Total available for sale debt securities	\$ 2,626,783	2,626,783	449,400	2,177,383	—
Held to maturity debt securities, net of allowance for credit losses:					
U.S. Treasury obligations	\$ 6,984	6,984	6,984	—	—
Government-agency obligations	9,998	9,448	—	9,448	—
State and municipal obligations	326,996	310,029	—	310,029	—
Corporate obligations	6,550	6,230	—	6,230	—
Total held to maturity debt securities, net of allowance for credit losses	\$ 350,528	332,691	6,984	325,707	—
FHLBNY stock	100,068	100,068	100,068	—	—
Equity Securities	19,250	19,250	19,250	—	—
Loans, net of allowance for credit losses	18,575,449	18,228,528	—	—	18,228,528
Derivative assets	208,316	208,316	—	208,316	—
Financial liabilities:					
Deposits other than certificates of deposits	\$ 15,271,252	15,271,252	15,271,252	—	—
Certificates of deposit	3,081,992	3,076,618	—	3,076,618	—
Total deposits	\$ 18,353,244	18,347,870	15,271,252	3,076,618	—
Borrowings	2,302,058	2,289,206	—	2,289,206	—
Subordinated debentures	412,766	394,729	—	394,729	—
Derivative liabilities	193,670	193,670	—	193,670	—

	Fair Value Measurements as of December 31, 2023 Using:				
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)	Carrying value	Fair value			
Financial assets:					
Cash and cash equivalents	\$ 180,255	180,255	180,255	—	—
Available for sale debt securities:					
U.S. Treasury obligations	\$ 253,878	253,878	253,878	—	—
Government-agency obligations	27,498	27,498	—	27,498	—
Mortgage-backed securities	1,285,609	1,285,609	—	1,285,609	—
Asset-backed securities	32,235	32,235	—	32,235	—
State and municipal obligations	56,584	56,584	—	56,584	—

Corporate obligations	34,308	34,308	—	34,308	—
Total available for sale debt securities	\$ 1,690,112	1,690,112	253,878	1,436,234	—
Held to maturity debt securities:					
US Treasury obligations	\$ 5,146	5,147	5,147	—	—
Government-agency obligations	11,058	10,406	10,406	—	—
State and municipal obligations	339,789	330,360	—	330,360	—
Corporate obligations	7,087	6,688	—	6,688	—
Total held to maturity debt securities	\$ 363,080	352,601	15,553	337,048	—
FHLBNY stock	79,217	79,217	79,217	—	—
Equity Securities	1,270	1,270	1,270	—	—
Loans, net of allowance for credit losses	10,766,501	10,437,204	—	—	10,437,204
Derivative assets	101,754	101,754	—	101,754	—
Financial liabilities:					
Deposits other than certificates of deposits	\$ 9,196,572	9,196,572	9,196,572	—	—
Certificates of deposit	1,095,942	1,093,125	—	1,093,125	—
Total deposits	\$ 10,292,514	10,289,697	9,196,572	1,093,125	—
Borrowings	1,970,033	1,960,174	—	1,960,174	—
Subordinated debentures	10,695	9,198	—	9,198	—
Derivative liabilities	88,835	88,835	—	88,835	—

Note 12. Other Comprehensive Income (Loss)

The following table presents the components of other comprehensive income (loss), both gross and net of tax, for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three months ended June 30,					
	2024			2023		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
Components of Other Comprehensive Income:						
Unrealized gains and losses on available for sale debt securities:						
Net unrealized gains (losses) arising during the period	\$ 16,718	(5,157)	11,561	(20,178)	5,452	(14,726)
Reclassification adjustment for losses included in net income	2,973	(917)	2,056	—	—	—
Total	19,691	(6,074)	13,617	(20,178)	5,452	(14,726)
Unrealized gains and losses on derivatives (cash flow hedges):						
Net unrealized gains arising during the period	1,361	(420)	941	5,002	(1,352)	3,650
Reclassification adjustment for (gains) included in net income	(3,734)	1,152	(2,582)	(4,124)	1,114	(3,010)
Total	(2,373)	732	(1,641)	878	(238)	640
Amortization related to post-retirement obligations	(514)	159	(355)	(358)	97	(261)
Total other comprehensive income (loss)	\$ 16,804	(5,183)	11,621	(19,658)	5,311	(14,347)
	Six months ended June 30,					
	2024			2023		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
Components of Other Comprehensive Income:						
Unrealized gains and losses on available for sale debt securities:						
Net unrealized gains arising during the period	\$ 2,319	(715)	1,604	7,641	(1,503)	6,138

Reclassification adjustment for losses included in net income	2,973	(917)	2,056	—	—	—
Total	5,292	(1,632)	3,660	7,641	(1,503)	6,138
Unrealized gains and losses on derivatives (cash flow hedges):						
Net unrealized gains arising during the period	5,993	(1,849)	4,144	4,219	(1,186)	3,033
Reclassification adjustment for (gains) included in net income	(7,909)	2,440	(5,469)	(8,343)	2,254	(6,089)
Total	(1,916)	591	(1,325)	(4,124)	1,068	(3,056)
Amortization related to post-retirement obligations	(1,712)	528	(1,184)	(727)	197	(530)
Total other comprehensive income (loss)	\$ 1,664	(513)	1,151	2,790	(238)	2,552

The following tables present the changes in the components of accumulated other comprehensive (loss), net of tax, for the three and six months ended June 30, 2024 and 2023 (in thousands):

Changes in Accumulated Other Comprehensive (Loss) by Component, net of tax for the three months ended June 30,								
	2024				2023			
	Unrealized Losses on		Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)	Unrealized Losses on		Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)
	Available for Sale Debt Securities	Post- Retirement Obligations			Available for Sale Debt Securities	Post- Retirement Obligations		
Balance as of March 31,	\$ (164,446)	3,108	9,753	(151,585)	(165,750)	1,303	16,301	(148,146)
Current - period other comprehensive income (loss)	13,617	(355)	(1,641)	11,621	(14,726)	(261)	640	(14,347)
Balance as of June 30,	\$ (150,829)	2,753	8,112	(139,964)	(180,476)	1,042	16,941	(162,493)

Changes in Accumulated Other Comprehensive (Loss) by Component, net of tax for the six months ended June 30,								
	2024				2023			
	Unrealized Losses on		Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive Income (Loss)	Unrealized Losses on		Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive Income (Loss)
	Available for Sale Debt Securities	Post- Retirement Obligations			Available for Sale Debt Securities	Post- Retirement Obligations		
Balance as of December 31,	\$ (154,489)	3,937	9,437	(141,115)	(186,614)	1,572	19,997	(165,045)
Current - period other comprehensive income (loss)	3,660	(1,184)	(1,325)	1,151	6,138	(530)	(3,056)	2,552
Balance as of June 30,	\$ (150,829)	2,753	8,112	(139,964)	(180,476)	1,042	16,941	(162,493)

The following tables summarize the reclassifications from accumulated other comprehensive (loss) to the consolidated statements of income for the three and six months ended June 30, 2024 and 2023 (in thousands):

Reclassifications From Accumulated Other Comprehensive Income ("AOCI")			
Amount reclassified from AOCI for the three months ended June 30,			
	2024	2023	Affected line item in the Consolidated Statement of Income
Details of AOCI:			
Available for sale debt securities:			
Realized net losses on the sale of securities available for sale	\$ 2,973	—	Net loss on securities transactions
	(917)	—	Income tax expense
	\$ 2,056	—	Net of tax

Cash flow hedges:			
Realized net gains on derivatives	\$	(3,734)	(4,124) Interest expense
		1,152	1,114 Income tax expense
	\$	(2,582)	(3,010)
Post-retirement obligations:			
Amortization of actuarial gains	\$	(514)	(356) Compensation and employee benefits ⁽¹⁾
		159	96 Income tax expense
	\$	(355)	(260) Net of tax
Total reclassifications	\$	(881)	(3,270) Net of tax

Reclassifications From Accumulated Other Comprehensive Income			
Amount reclassified from AOCI for the six months ended			
June 30,			
	2024	2023	Affected line item in the Consolidated Statement of Income
Details of AOCI:			
Available for sale debt securities:			
Realized net losses on the sale of securities available for sale	\$	2,973	— Net loss on securities transactions
		(917)	— Income tax expense
	\$	2,056	— Net of tax
Cash flow hedges:			
Realized net gains on derivatives	\$	(7,909)	(8,343) Interest expense
		2,440	2,254 Income tax expense
	\$	(5,469)	(6,089)
Post-retirement obligations:			
Amortization of actuarial gains	\$	(1,030)	(712) Compensation and employee benefits ⁽¹⁾
		318	192 Income tax expense
	\$	(712)	(520) Net of tax
Total reclassifications	\$	(4,125)	(6,609) Net of tax

⁽¹⁾ This item is included in the computation of net periodic benefit cost. See Note 8. Components of Net Periodic Benefit Cost.

Note 13. Derivative and Hedging Activities

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through the management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities.

Non-designated Hedges. Derivatives not designated in qualifying hedging relationships are not speculative and result from a service the Company provides to certain qualified commercial borrowers in loan related transactions which, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company may execute interest rate swaps with qualified commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. The interest rate swap agreement which the Company executes with the commercial borrower is collateralized by the borrower's commercial real estate financed by the Company. As the Company has not elected to apply hedge accounting and these interest rate swaps do not meet the hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. As of June 30, 2024 and December 31, 2023, the Company had 321 and 154 loan related interest rate swaps with aggregate notional amounts of \$4.64 billion and \$2.30 billion, respectively.

The Company periodically enters into risk participation agreements ("RPAs"), with the Company functioning as either the lead institution, or as a participant when another company is the lead institution on a commercial loan. These RPAs are entered into to manage the credit exposure on interest rate contracts associated with these loan participation agreements. Under the RPAs, the Company will either receive or make a payment in the event the borrower defaults on the related interest rate contract. The Company has minimum collateral posting thresholds with certain of its risk participation counterparties, and has posted collateral of \$70,000 against the potential risk of default by the borrower under these agreements. For June 30, 2024 and December 31, 2023, the Company had 8 and 12 credit derivatives, respectively, with aggregate notional amounts of \$87.7 million

and \$142.8 million, respectively, from participations in interest rate swaps as part of these loan participation arrangements. As of June 30, 2024, both the asset and liability positions of these fair value credit derivatives were insignificant, compared to \$17,000 and \$8,000, respectively, as of December 31, 2023.

Cash Flow Hedges of Interest Rate Risk. The Company's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable payment amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

Changes in the fair value of derivatives designated and that qualify as cash flow hedges of interest rate risk are recorded in accumulated other comprehensive (loss) income and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2024 and 2023, such derivatives were used to hedge the variable cash outflows associated with FHLBNY borrowings and brokered demand deposits.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's borrowings or demand deposits. During the next twelve months, the Company estimates that \$9.9 million will be reclassified as a reduction to interest expense. As of June 30, 2024, the Company had 7 outstanding interest rate derivatives with an aggregate notional amount of \$375.0 million that were each designated as a cash flow hedge of interest rate risk, compared to 9 outstanding interest rate derivatives with an aggregate notional amount of \$455.0 million, as of December 31, 2023.

The Company is party to master netting arrangements with its financial institution counterparties; however, the Company does not offset assets and liabilities under these arrangements for financial statement presentation purposes. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Collateral, usually in the form of cash or marketable investment securities, is posted by or received from the counterparty with net liability or asset positions, respectively, in accordance with contract thresholds. Master repurchase agreements which include "right of set-off" provisions generally have a legally enforceable right to offset recognized amounts. In such cases, the collateral would be used to settle the fair value of the swap or repurchase agreement should the Company be in default. Total amount of collateral held or pledged cannot exceed the net derivative fair values with the counterparty.

The tables below present a gross presentation, the effects of offsetting, and a net presentation of the Company's financial instruments that are eligible for offset in the Consolidated Statements of Condition as of June 30, 2024 and December 31, 2023 (in thousands).

Fair Values of Derivative Instruments as of June 30, 2024							
	Asset Derivatives			Liability Derivatives			
	Consolidated						
	Statements of Financial		Fair	Consolidated Statements		Fair	
	Notional Amount	Condition	value ⁽¹⁾	Notional Amount	of Financial Condition	value ⁽²⁾	
Derivatives not designated as a hedging instrument:							
Interest rate products	\$ 2,320,802	Other assets	\$ 197,311	\$ 2,320,802	Other liabilities	\$ 197,395	
Credit contracts	11,796	Other assets	—	75,909	Other liabilities	—	
Total derivatives not designated as a hedging instrument			197,311			197,395	
Derivatives designated as a hedging instrument:							
Interest rate products	375,000	Other assets	11,837	—	Other liabilities	—	
Total gross derivative amounts recognized on the balance sheet			209,148			197,395	
Gross amounts offset on the balance sheet			—			—	
Net derivative amounts presented on the balance sheet			\$ 209,148			197,395	
Gross amounts not offset on the balance sheet:							
Financial instruments - institutional counterparties			\$ —			—	
Cash collateral - institutional counterparties			201,390			—	
Net derivatives not offset			\$ 7,758			197,395	

	Fair Values of Derivative Instruments as of December 31, 2023									
	Asset Derivatives			Liability Derivatives						
	Consolidated		Fair value ⁽¹⁾	Consolidated Statements		Fair value ⁽²⁾				
	Notional Amount	Financial Condition		Notional Amount	of Financial Condition					
Derivatives not designated as a hedging instrument:										
Interest rate products	\$	1,152,200	Other assets	\$	89,261	\$	1,152,200	Other liabilities	\$	89,461

Credit contracts	46,359	Other assets	17	96,462	Other liabilities	8
Total derivatives not designated as a hedging instrument			89,278			89,469
Derivatives designated as a hedging instrument:						
Interest rate products	330,000	Other assets	15,886	125,000	Other liabilities	1,365
Total gross derivative amounts recognized on the balance sheet			105,164			90,834
Gross amounts offset on the balance sheet			—			—
Net derivative amounts presented on the balance sheet			<u>\$ 105,164</u>			<u>90,834</u>
Gross amounts not offset on the balance sheet:						
Financial instruments - institutional counterparties			\$ —			—
Cash collateral - institutional counterparties			101,328			—
Net derivatives not offset			<u>\$ 3,836</u>			<u>90,834</u>

(1) The fair values related to interest rate products in the above net derivative tables show the total value of assets and liabilities, which include accrued interest receivable and accrued interest payable for the periods ended June 30, 2024 and December 31, 2023.

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Income during the three and six months ended June 30, 2024 and 2023 (in thousands).

		Gain (loss) recognized in income on derivatives for the three months ended	
		Consolidated Statements of Income	
		June 30, 2024	June 30, 2023
Derivatives not designated as a hedging instrument:			
Interest rate products	Other income	\$ 21	126
Credit contracts	Other income	(6)	(8)
Total		<u>\$ 15</u>	<u>118</u>
Derivatives designated as a hedging instrument:			
Interest rate products	Interest (benefit) expense	\$ (3,734)	(4,124)
Total		<u>\$ (3,734)</u>	<u>(4,124)</u>

		Gain (loss) recognized in income on derivatives for the six months ended	
		Consolidated Statements of Income	
		June 30, 2024	June 30, 2023
Derivatives not designated as a hedging instrument:			
Interest rate products	Other income	\$ 117	52
Credit contracts	Other income	(9)	(4)
Total		\$ 108	48
Derivatives designated as a hedging instrument:			
Interest rate products	Interest (benefit) expense	\$ (7,909)	(8,343)
Total		\$ (7,909)	(8,343)

The Company has agreements with certain of its dealer counterparties which contain a provision that if the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be deemed in default on its derivative obligations. In addition, the Company has agreements with certain of its dealer counterparties which contain a provision that if the Company fails to maintain its status as a well or adequately capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

As of June 30, 2024, the Company had five dealer counterparties and the Company was in a net asset position with respect to all of its counterparties.

Note 14. Revenue Recognition

The Company generates revenue from several business channels. The guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606) does not apply to revenue associated with financial instruments, including interest income on loans and investments, which comprise the majority of the Company's revenue. For both the three and six months ended June 30, 2024, the out-of-scope revenue related to financial instruments was 91.8% and 90.5% of the Company's total revenue, compared to 88.5% and 87.6% for the three and six months ended June 30, 2023, respectively. Revenue-generating activities that are within the scope of Topic 606, are components of non-interest income. These revenue streams are generally classified into three categories: wealth management revenue, insurance agency income and banking service charges and other fees.

The following table presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Non-interest income				
In-scope of Topic 606:				
Wealth management fees	\$ 7,769	6,919	15,257	13,834
Insurance agency income	4,488	3,847	9,281	7,950
Banking service charges and other fees:				
Service charges on deposit accounts	4,208	3,050	7,524	6,413
Debit card and ATM fees	1,174	761	1,861	1,466
Total banking service charges and other fees	5,382	3,811	9,385	7,879
Total in-scope non-interest income	17,639	14,577	33,923	29,663
Total out-of-scope non-interest income	4,636	4,810	9,158	11,877
Total non-interest income	\$ 22,275	19,387	43,081	41,540

Wealth management fee income represents fees earned from customers as consideration for asset management, investment advisory and trust services. The Company's performance obligation is generally satisfied monthly and the resulting fees are recognized monthly. The fee is generally based upon the average market value of the assets under management for the month and the applicable fee rate. The monthly accrual of wealth management fees is recorded in other assets on the Company's Consolidated Statements of Financial Condition. Fees are received from the customer on a monthly basis. The Company does not earn performance-based incentives. To a lesser extent, optional services such as tax return preparation and estate settlement are also available to existing customers. The Company's performance obligation for these transaction-based services is generally satisfied, and related revenue recognized, at either a point in time when the service is completed, or in the case of estate settlement, over a relatively short period of time, as each service component is completed.

Insurance agency income, consisting of commissions and fees, is generally recognized as of the effective date of the insurance policy. Commission revenues related to installment billings are recognized on the invoice date. Subsequent commission adjustments are recognized upon the receipt of notification from insurance companies concerning matters necessitating such adjustments. Profit-sharing contingent commissions are recognized when determinable, which is generally when such commissions are received from insurance companies, or when the Company receives formal notification of the amount of such payments.

Service charges on deposit accounts include account analysis fees and other deposit-related fees. These fees are generally transaction-based, or time-based services. The Company's performance obligation for these services is generally satisfied, and revenue recognized, at the time the transaction is completed, or the service rendered. Fees for these services are generally received from the customer either at the time of transaction, or monthly. Debit card and ATM fees are generally transaction-based. Debit card revenue is primarily comprised of interchange fees earned when a customer's Company card is processed through a card payment network. ATM fees are largely generated when a Company cardholder uses a non-Company ATM, or a non-Company cardholder uses a Company ATM. The Company's performance obligation for these services is satisfied when the service is rendered. Payment is generally received at the time of transaction or monthly.

Out-of-scope non-interest income primarily consists of Bank-owned life insurance and net fees on loan level interest rate swaps, along with gains and losses on the sale of loans and foreclosed real estate, loan prepayment fees and loan servicing fees. None of these revenue streams are subject to the requirements of Topic 606.

Note 15. Leases

The following table represents the consolidated statements of financial condition classification of the Company's right-of-use-assets and lease liabilities as of June 30, 2024 and December 31, 2023 (in thousands):

	Classification	June 30, 2024	December 31, 2023
Lease Right-of-Use Assets:			
Operating lease right-of-use assets	Other assets	\$ 67,943	56,907
Lease Liabilities:			
Operating lease liabilities	Other liabilities	\$ 71,320	60,039

The calculated amount of the right-of-use assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the right-of-use asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception based upon the term of the lease. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was applied.

All of the leases in which the Company is the lessee are classified as operating leases and are primarily comprised of real estate properties for branches and administrative offices with terms extending through 2046.

As of June 30, 2024, the weighted-average remaining lease term and the weighted-average discount rate for the Company's operating leases were 7.6 years and 2.06%, respectively.

The following tables represent lease costs and other lease information for the Company's operating leases. The variable lease cost primarily represents variable payments such as common area maintenance and utilities (in thousands):

	Three months ended June 30, 2024	Three months ended June 30, 2023
Lease Costs		
Operating lease cost	\$ 3,771	2,629
Variable lease cost	705	842
Total lease cost	<u>\$ 4,476</u>	<u>3,471</u>

	Six months ended June 30, 2024	Six months ended June 30, 2023
Lease Costs		
Operating lease cost	\$ 6,398	5,257
Variable lease cost	1,491	1,722
Total lease cost	<u>\$ 7,889</u>	<u>6,979</u>

	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 5,698</u>	<u>4,776</u>

During the three and six months ended June 30, 2024, the Company added 39 new lease obligations related to the Lakeland merger. The Company recorded a \$14.7 million right-of-use asset and lease liability for these lease obligations.

Future minimum payments for operating leases with initial or remaining terms of one year or more as of June 30, 2024, were as follows (in thousands):

	Operating leases
Twelve months ended:	
Remainder of 2024	\$ 7,064
2025	13,403
2026	11,718
2027	10,153
2028	8,655
Thereafter	29,641
Total future minimum lease payments	80,634
Amounts representing interest	9,314
Present value of net future minimum lease payments	<u>\$ 71,320</u>

Note 16. Impact of Recent Accounting Pronouncements

Equity Securities at Fair Value

The Company holds equity securities that are traded in active markets with readily accessible quoted market prices that are considered Level 1 inputs.

Derivatives

The Company records all derivatives on the statements of financial condition at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Company has interest rate derivatives resulting from a service provided to certain qualified borrowers in a loan related transaction which, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. As such, all changes in fair value of these derivatives are recognized directly in earnings.

The Company also uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges, and which satisfy hedge accounting requirements, involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements.

without the exchange of the underlying notional amount. These derivatives were used to hedge the variable cash outflows associated with FHLBNY borrowings and brokered demand deposits. The change in the fair value of these derivatives is recorded in accumulated other comprehensive income (loss), and is subsequently reclassified into earnings in the period that the forecasted transactions affect earnings.

The fair value of the Company's derivatives is determined using discounted cash flow analysis using observable market-based inputs, which are considered Level 2 inputs.

Assets Measured at Fair Value on a Non-Recurring Basis

The valuation techniques described below were used to estimate fair value of financial instruments measured on a non-recurring basis as of March 31, 2024 June 30, 2024 and December 31, 2023.

Collateral-Dependent Impaired Loans

For loans measured for impairment based on the fair value of the underlying collateral, fair value was estimated using a market approach. The Company measures the fair value of collateral underlying impaired loans primarily through obtaining independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case-by-case basis, to comparable assets based on the appraisers' market knowledge and experience, as well as adjustments for estimated costs to sell between 5% and 10%. Management classifies these loans as Level 3 within the fair value hierarchy.

Foreclosed Assets

Assets acquired through foreclosure or deed in lieu of foreclosure are carried at fair value, less estimated selling costs, which range between 5% and 10%. Fair value is generally based on independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case basis, to comparable assets based on the appraisers' market knowledge and experience, and are classified as Level 3. When an asset is acquired, the excess of the loan balance over fair value less estimated selling costs is charged to the allowance for credit losses. A reserve for foreclosed assets may be established to provide for possible write-downs and selling costs that occur subsequent to foreclosure. Foreclosed assets are carried net of the related reserve. Operating results from real estate owned, including rental income, operating expenses, and gains and losses realized from the sales of real estate owned, are recorded as incurred.

There were no changes to the valuation techniques for fair value measurements as of March 31, 2024 June 30, 2024 or December 31, 2023.

The following tables present the assets and liabilities reported on the consolidated statements of financial condition at their fair values as of March 31, 2024 June 30, 2024 and December 31, 2023, by level within the fair value hierarchy (in thousands):

Fair Value Measurements at Reporting Date Using:					
	March 31, 2024	Quoted Prices in Active Assets (Level 1)	Markets for Identical Inputs (Level 2)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2024	Quoted Prices in Active Assets (Level 1)	Markets for Identical Inputs (Level 2)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured on a recurring basis:					
Available for sale debt securities:					
Available for sale debt securities:					
Available for sale debt securities:					
U.S. Treasury obligations					
U.S. Treasury obligations					
U.S. Treasury obligations					
Agency-guaranteed obligations					
Government-agency obligations					
Mortgage-backed securities					
Asset-backed securities					
State and municipal obligations					
Corporate obligations					
Total available for sale debt securities					
Equity securities					
Derivative assets					
Derivative liabilities					
Derivative liabilities					
Derivative liabilities					
Measured on a non-recurring basis:					
Measured on a non-recurring basis:					
Measured on a non-recurring basis:					

The Company is required to disclose estimated fair value of financial instruments, both assets and liabilities on- and off- the balance sheet, for which it is practicable to estimate fair value. The following is a description of valuation methodologies used for those assets and liabilities.

Cash and Cash Equivalents

For cash and due from banks, federal funds sold and short-term investments, the carrying amount approximates fair value. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, \$70,000 was included in cash and cash equivalents, representing cash collateral pledged to secure loan level swaps and risk participation agreements.

Held to Maturity Debt Securities

For held to maturity debt securities, fair value was estimated using a market approach. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. Prices for these instruments are obtained through third party data service providers or dealer market participants with whom the Company has historically transacted both purchases and sales of securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing, a Level 2 input, is a mathematical technique used principally to value certain securities **to benchmark by benchmarking** to comparable securities. Management evaluates the quality of Level 2 matrix pricing through comparison to similar assets with greater liquidity and evaluation of projected cash flows. As management is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, management compares the prices received from the pricing service to a secondary pricing source. Additionally, management compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has generally not resulted in adjustment in the prices obtained from the pricing service. The Company also holds debt instruments issued by the U.S. government and U.S. government-sponsored agencies that are traded in active markets with readily accessible quoted market prices that are considered Level 1 within the fair value hierarchy.

Federal Home Loan Bank of New York ("FHLBNY") Stock

The carrying value of FHLBNY stock is its cost. The fair value of FHLBNY stock is based on redemption at par value. The Company classifies the estimated fair value as Level 1 within the fair value hierarchy.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial mortgage, residential mortgage, commercial, construction and consumer. Each loan category is further segmented into fixed and adjustable-rate interest terms and into performing and non-performing categories. The fair value of performing loans was estimated using a combination of techniques, including a discounted cash flow model that utilizes a discount rate that reflects the Company's current pricing for loans with similar characteristics and remaining maturity, adjusted by an amount for estimated credit losses inherent in the portfolio at the balance sheet date (i.e. exit pricing). The rates take into account the expected yield curve, as well as an adjustment for prepayment risk, when applicable. The Company classifies the estimated fair value of its loan portfolio as Level 3.

The fair value for significant non-performing loans was based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows. The Company classifies the estimated fair value of its non-performing loan portfolio as Level 3.

Deposits

The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits and savings deposits, was equal to the amount payable on demand and classified as Level 1. The estimated fair value of certificates of deposit was based on the discounted value of contractual cash flows. The discount rate was estimated using the Company's current rates offered for deposits with similar remaining maturities. The Company classifies the estimated fair value of its certificates of deposit portfolio as Level 2.

Borrowed Funds

The fair value of borrowed funds was estimated by discounting future cash flows using rates available for debt with similar terms and maturities and is classified by the Company as Level 2 within the fair value hierarchy.

Subordinated Debentures

The fair value of borrowed funds was estimated based on bid/ask prices from brokers for similar types of instruments and is classified by the Company as Level 2 within the fair value hierarchy.

Commitments to Extend Credit and Letters of Credit

The fair value of commitments to extend credit and letters of credit was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The Company classifies these commitments as Level 3 within the fair value hierarchy.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Significant assets and liabilities that are not considered financial assets or liabilities include goodwill and other intangibles, deferred tax assets and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the

estimates.

The following tables present the Company's financial instruments at their carrying and fair values as of **March 31, 2024**, **June 30, 2024** and December 31, 2023. Fair values are presented by level within the fair value hierarchy.

	Fair Value Measurements as of March 31, 2024 Using:						Fair Value Measurements as of June 30, 2024 Using:					
	(Dollars in thousands)	Carrying value	Fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	(Dollars in thousands)	Carrying value	Fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:												
Cash and cash equivalents												
Cash and cash equivalents												
Cash and cash equivalents												
Available for sale debt securities:												
U.S. Treasury obligations												
U.S. Treasury obligations												
U.S. Treasury obligations												
Agency-guaranteed obligations												
Government-agency obligations												
Mortgage-backed securities												
Asset-backed securities												
State and municipal obligations												
Corporate obligations												
Total available for sale debt securities												
Held to maturity debt securities, net of allowance for credit losses:												
U.S. Treasury obligations												
U.S. Treasury obligations												
U.S. Treasury obligations												
Agency-sponsored obligations												
Government-agency obligations												
State and municipal obligations												
State and municipal obligations												
State and municipal obligations												
Corporate obligations												
Total held to maturity debt securities, net of allowance for credit losses												
FHLBNY stock												
Equity Securities												
Loans, net of allowance for credit losses												
Derivative assets												
Financial liabilities:												
Financial liabilities:												

Financial liabilities:

Deposits other than certificates of deposits
Deposits other than certificates of deposits
Deposits other than certificates of deposits
Certificates of deposit
Total deposits
Borrowings
Subordinated debentures
Derivative liabilities

Fair Value Measurements as of December 31, 2023												
Using:												
(Dollars in thousands)	(Dollars in thousands)	Carrying value	Fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	(Dollars in thousands)	Carrying value	Fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:												
Cash and cash equivalents												
Cash and cash equivalents												
Cash and cash equivalents												
Available for sale debt securities:												
U.S. Treasury obligations												
U.S. Treasury obligations												
U.S. Treasury obligations												
Agency-guaranteed obligations												
Government-agency obligations												
Mortgage-backed securities												
Asset-backed securities												
State and municipal obligations												
Corporate obligations												
Total available for sale debt securities												
Held to maturity debt securities:												
U.S. Treasury obligations												
U.S. Treasury obligations												

U.S. Treasury obligations

Agency-sponsored obligations

US Treasury obligations

US Treasury obligations

US Treasury obligations

Government-agency obligations

State and municipal obligations

State and municipal obligations

State and municipal obligations

Corporate obligations

Total held to maturity debt securities

FHLBNY stock

Equity Securities

Loans, net of allowance for credit losses

Derivative assets

Financial liabilities:

Financial liabilities:

Financial liabilities:

Deposits other than certificates of deposits

Deposits other than certificates of deposits

Deposits other than certificates of deposits

Certificates of deposit

Total deposits

Borrowings

Subordinated debentures

Derivative liabilities

Note 12. Other Comprehensive Income (Loss) Income

The following table presents the components of other comprehensive income (loss), both gross and net of tax, for the three and six months ended March 31, 2024 June 30, 2024 and 2023 (in thousands):

Three months ended March 31,							Three months ended June 30,								
2024			2024				2023			2024			2023		
Before Tax	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax			

Components of Other Comprehensive Income:

Unrealized gains and losses on available for sale debt securities:

Unrealized gains and losses on available for sale debt securities:

Unrealized gains and losses on available for sale debt securities:

Net unrealized (losses) gains arising during the period

Net unrealized (losses) gains arising during the period

Net unrealized (losses) gains arising during the period

Reclassification adjustment for gains included in net income

Total

Unrealized gains and losses on derivatives (cash flow hedges):

Net unrealized gains (losses) arising during the period

Net unrealized gains (losses) arising during the period

Net unrealized gains (losses) arising during the period

Reclassification adjustment for losses included in net income

Total

Unrealized gains and losses on derivatives (cash flow hedges):

Net unrealized gains arising during the period

Net unrealized gains arising during the period

Net unrealized gains arising during the period

Reclassification adjustment for (gains) included in net income

Total

Amortization related to post-retirement obligations

Total other comprehensive (loss)

Total other comprehensive income (loss)

	Six months ended June 30,					
	2024			2023		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
Components of Other Comprehensive Income:						
Unrealized gains and losses on available for sale debt securities:						
Net unrealized gains arising during the period	\$ 2,319	(715)	1,604	7,641	(1,503)	6,138
Reclassification adjustment for losses included in net income	2,973	(917)	2,056	—	—	—
Total	5,292	(1,632)	3,660	7,641	(1,503)	6,138
Unrealized gains and losses on derivatives (cash flow hedges):						
Net unrealized gains arising during the period	5,993	(1,849)	4,144	4,219	(1,186)	3,033
Reclassification adjustment for (gains) included in net income	(7,909)	2,440	(5,469)	(8,343)	2,254	(6,089)
Total	(1,916)	591	(1,325)	(4,124)	1,068	(3,056)
Amortization related to post-retirement obligations	(1,712)	528	(1,184)	(727)	197	(530)
Total other comprehensive income (loss)	\$ 1,664	(513)	1,151	2,790	(238)	2,552

The following tables present the changes in the components of accumulated other comprehensive (loss), net of tax, for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 (in thousands):

Changes in Accumulated Other Comprehensive (Loss) by Component, net of tax for the three months ended March 31,								
2024				2023				
Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)	

Balance as of December 31,	\$	(154,489)	3,937	9,437	(141,115)	(186,614)	1,572	19,997	(165,045)
Current - period other comprehensive (loss) income		(9,957)	(829)	316	(10,470)	20,864	(269)	(3,696)	16,899
Balance as of March 31,	\$	(164,446)	3,108	9,753	(151,585)	(165,750)	1,303	16,301	(148,146)

	Changes in Accumulated Other Comprehensive (Loss) by Component, net of tax for the three months ended June 30,							
	2024				2023			
	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive (Loss)
Balance as of March 31,	\$ (164,446)	3,108	9,753	(151,585)	(165,750)	1,303	16,301	(148,146)
Current - period other comprehensive income (loss)	13,617	(355)	(1,641)	11,621	(14,726)	(261)	640	(14,347)
Balance as of June 30,	\$ (150,829)	2,753	8,112	(139,964)	(180,476)	1,042	16,941	(162,493)

Changes in Accumulated Other Comprehensive (Loss) by Component, net of tax for the six months ended June 30,								
	2024				2023			
	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive Income (Loss)	Unrealized Losses on Available for Sale Debt Securities	Post- Retirement Obligations	Unrealized Gains on Derivatives (cash flow hedges)	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31,	\$ (154,489)	3,937	9,437	(141,115)	(186,614)	1,572	19,997	(165,045)
Current - period other comprehensive income (loss)	3,660	(1,184)	(1,325)	1,151	6,138	(530)	(3,056)	2,552
Balance as of June 30,	\$ (150,829)	2,753	8,112	(139,964)	(180,476)	1,042	16,941	(162,493)

The following tables summarize the reclassifications from accumulated other comprehensive (loss) to the consolidated statements of income for the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023 (in thousands):

Reclassifications From Accumulated Other Comprehensive Income ("AOCI")			
	Amount reclassified from AOCI for the three months ended March 31,		Affected line item in the Consolidated Statement of Income
	Amount reclassified from AOCI for the three months ended June 30,		
2024			Affected line item in the Consolidated Statement of Income
Details of AOCI:			
Details of AOCI:			
Details of AOCI:			

Available for
sale debt
securities:

Available for
sale debt
securities:

Available for
sale debt
securities:

Realized net
gains on the
sale of
securities
available for
sale

Realized net
gains on the
sale of
securities
available for
sale

Realized net
gains on the
sale of
securities
available for
sale

\$	—	—	—	—	Net gain on securities transactions
		—		—	Income tax expense

Realized net
losses on the
sale of
securities
available for
sale

Realized net
losses on the
sale of
securities
available for
sale

Realized net
losses on the
sale of
securities
available for
sale

\$	2,973	—	—	—	Net loss on securities transactions
		(917)		—	Income tax expense

\$		\$	—	—	—	Net of tax	Net of tax
----	--	----	---	---	---	------------	------------

Cash flow
hedges:

Cash flow
hedges:

Cash flow
hedges:

Realized net
gains on
derivatives

(1) This item is included in the computation of net periodic benefit cost. See Note 7.8. Components of Net Periodic Benefit Cost.

Note 13. Derivative and Hedging Activities

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through the management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities.

Non-designated Hedges. Derivatives not designated in qualifying hedging relationships are not speculative and result from a service the Company provides to certain qualified commercial borrowers in loan related transactions which, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company may execute interest rate swaps with qualified commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. The interest rate swap agreement which the Company executes with the commercial borrower is collateralized by the borrower's commercial real estate financed by the Company. As the Company has not elected to apply hedge accounting and these interest rate swaps do not meet the hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. As of March 31, 2024 June 30, 2024 and December 31, 2023, the Company had 152 321 and 154 loan related interest rate swaps with aggregate notional amounts of \$2.23 billion \$4.64 billion and \$2.30 billion, respectively.

The Company periodically enters into risk participation agreements ("RPAs"), with the Company functioning as either the lead institution, or as a participant when another company is the lead institution on a commercial loan. These RPAs are entered into to manage the credit exposure on interest rate contracts associated with these loan participation agreements. Under the RPAs, the Company will either receive or make a payment in the event the borrower defaults on the related interest rate contract. The Company has minimum collateral posting thresholds with certain of its risk participation counterparties, and has posted collateral of \$70,000 against the potential risk of default by the borrower under these agreements. For March 31, 2024 June 30, 2024 and December 31, 2023, the Company had 8 and 12 credit derivatives, respectively, with aggregate notional amounts of \$188.4 million \$87.7 million and \$142.8 million, respectively, from participations in interest rate swaps as part of these loan participation arrangements. As of March 31, 2024 June 30, 2024, both the asset and liability positions of these fair value credit derivatives totaled \$9,000 and \$5,000, respectively, were insignificant, compared to \$17,000 and \$8,000, respectively, as of December 31, 2023.

Cash Flow Hedges of Interest Rate Risk. The Company's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable payment amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

Changes in the fair value of derivatives designated and that qualify as cash flow hedges of interest rate risk are recorded in accumulated other comprehensive (loss) income and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended March 31, 2024 June 30, 2024 and 2023, such derivatives were used to hedge the variable cash outflows associated with FHLBNY borrowings, borrowings and brokered demand deposits.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's borrowings or demand deposits. During the next twelve months, the Company estimates that \$11.1 million \$9.9 million will be reclassified as a reduction to interest expense. As of March 31, 2024 June 30, 2024, the Company had 7 outstanding interest rate derivatives with an aggregate notional amount of \$375.0 million that were each designated as a cash flow hedge of interest rate risk, compared to 9 outstanding interest rate derivatives with an aggregate notional amount of \$455.0 million, as of December 31, 2023.

Assets and liabilities relating The Company is party to certain financial instruments, including derivatives, may be eligible for offset in the Consolidated Statements of Financial Condition and/or subject to enforceable master netting arrangements or similar agreements. The with its financial institution counterparties; however, the Company does not offset asset assets and liabilities under such these arrangements for financial statement presentation purposes. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the Consolidated Statements event of Financial Condition, default on, or termination of, any one contract. Collateral, usually in the form of cash or marketable investment securities, is posted by or received from the counterparty with net liability or asset positions, respectively, in accordance with contract thresholds. Master repurchase agreements which include "right of set-off" provisions generally have a legally enforceable right to offset recognized amounts. In such cases, the collateral would be used to settle the fair value of the swap or repurchase agreement should the Company be in default. Total amount of collateral held or pledged cannot exceed the net derivative fair values with the counterparty.

The tables below present a gross presentation, the effects of offsetting, and a net presentation of the Company's financial instruments that are eligible for offset in the Consolidated Statements of Condition as of March 31, 2024 June 30, 2024 and December 31, 2023 (in thousands).

Fair Values of Derivative Instruments as of March 31, 2024					Fair Values of Derivative Instruments as of June 30, 2024						
Asset Derivatives			Asset Derivatives		Liability Derivatives		Asset Derivatives			Liability Derivatives	
Notional Amount	Notional Amount	Consolidated Statements of Financial Condition	Fair value (2)	Notional Amount	Consolidated Statements of Financial Condition	Fair value (2)	Notional Amount	Consolidated Statements of Financial Condition	Fair value (1)	Notional Amount	Consolidated Statements of Financial Condition

Derivatives not designated as a hedging instrument:

Interest rate products

Interest rate products

Interest rate products

Credit contracts

Total derivatives not designated as a hedging instrument

Derivatives designated as a hedging instrument:

Derivatives designated as a hedging instrument:

Derivatives designated as a hedging instrument:

Interest rate products

Interest rate products

Interest rate products

Total gross derivative amounts recognized on the balance sheet

Total gross derivative amounts recognized on the balance sheet

Total gross derivative amounts recognized on the balance sheet

Gross amounts offset on the balance sheet

Gross amounts offset on the balance sheet

Gross amounts offset on the balance sheet

Net derivative amounts presented on the balance sheet

Gross amounts not offset on the balance sheet:

Gross amounts not offset on the balance sheet:

Gross amounts not offset on the balance sheet:

Financial instruments - institutional counterparties

Financial instruments - institutional counterparties

Financial instruments - institutional counterparties

Cash collateral - institutional counterparties (1)

Net derivatives not offset

Derivatives not designated as a hedging instrument:

Interest rate products

Fair Values of Derivative Instruments as of December 31, 2023													
Asset Derivatives		Asset Derivatives			Liability Derivatives			Asset Derivatives		Liability Derivatives			
Notional Amount	Notional Amount	Consolidated Statements of Financial Condition	Fair value (2)	Notional Amount	Consolidated Statements of Financial Condition	Fair value (2)	Notional Amount	Consolidated Statements of Financial Condition	Fair value (1)	Notional Amount	Consolidated Statements of Financial Condition	Fair value (2)	

Interest rate products
Interest rate products
Credit contracts
Total derivatives not designated as a hedging instrument
Derivatives designated as a hedging instrument:
Derivatives designated as a hedging instrument:
Derivatives designated as a hedging instrument:
Interest rate products
Interest rate products
Interest rate products
Total gross derivative amounts recognized on the balance sheet
Total gross derivative amounts recognized on the balance sheet
Total gross derivative amounts recognized on the balance sheet
Gross amounts offset on the balance sheet
Gross amounts offset on the balance sheet
Gross amounts offset on the balance sheet
Net derivative amounts presented on the balance sheet
Gross amounts not offset on the balance sheet:
Gross amounts not offset on the balance sheet:
Gross amounts not offset on the balance sheet:
Financial instruments - institutional counterparties
Financial instruments - institutional counterparties
Financial instruments - institutional counterparties
Cash collateral - institutional counterparties (1)
Net derivatives not offset

(1) Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The application of the cash collateral cannot reduce the net derivative position below zero. Therefore, excess cash collateral, if any, is not reflected above.

(2) The fair values related to interest rate products in the above net derivative tables show the total value of assets and liabilities, which include accrued interest receivable and accrued interest payable for the periods ended March 31, 2024, June 30, 2024 and December 31, 2023.

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Income during the three and six months ended March 31, 2024, June 30, 2024 and 2023 (in thousands).

Gain (loss) recognized in income on derivatives for
the three months ended

	Consolidated Statements of Income	Consolidated Statements of Income	March 31, 2024	March 31, 2023	Consolidated Statements of Income	June 30, 2024	June 30, 2023
Derivatives not designated as a hedging instrument:							
Interest rate products							
Interest rate products							
Interest rate products							
Credit contracts							
Total							
Derivatives designated as a hedging instrument:							
Derivatives designated as a hedging instrument:							
Derivatives designated as a hedging instrument:							
Interest rate products							
Interest rate products							
Interest rate products							
Total							

	Consolidated Statements of Income	Gain (loss) recognized in income on derivatives for the six months ended	
		June 30, 2024	June 30, 2023
Derivatives not designated as a hedging instrument:			
Interest rate products	Other income	\$ 117	52
Credit contracts	Other income	(9)	(4)
Total		\$ 108	48
Derivatives designated as a hedging instrument:			
Interest rate products	Interest (benefit) expense	\$ (7,909)	(8,343)
Total		\$ (7,909)	(8,343)

The Company has agreements with certain of its dealer counterparties which contain a provision that if the Company defaults on any of its indebtedness, including a default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be deemed in default on its derivative obligations. In addition, the Company has agreements with certain of its dealer counterparties which contain a provision that if the Company fails to maintain its status as a well or adequately capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements.

As of **March 31, 2024** **June 30, 2024**, the Company had **four five** dealer counterparties and the Company was in a net asset position with respect to all of its counterparties.

Note 14. Revenue Recognition

The Company generates revenue from several business channels. The guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606) does not apply to revenue associated with financial instruments, including interest income on loans and investments, which comprise the majority of the Company's revenue. For **both** the three **and six** months ended **March 31, 2024** **June 30, 2024**, the out-of-scope revenue related to financial instruments was **88.7% 91.8% and 90.5%** of the Company's total revenue, compared to **86.6% 88.5% and 87.6%** for the three **and six** months ended **March 31, 2023** **June 30, 2023**, respectively. Revenue-generating activities that are within the scope of Topic 606, are components of non-interest income. These revenue streams are generally classified into three categories: wealth management revenue, insurance agency income and banking service charges and other fees.

The following table presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023 (in thousands):

	Three months ended March 31,	
	2024	2023
Non-interest income		
In-scope of Topic 606:		
Wealth management fees	\$ 7,488	6,915
Insurance agency income	4,793	4,102
Banking service charges and other fees:		

Service charges on deposit accounts	3,316	3,362
Debit card and ATM fees	688	706
Total banking service charges and other fees	4,004	4,068
Total in-scope non-interest income	16,285	15,085
Total out-of-scope non-interest income	4,522	7,067
Total non-interest income	\$ 20,807	22,152

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Non-interest income				
In-scope of Topic 606:				
Wealth management fees	\$ 7,769	6,919	15,257	13,834
Insurance agency income	4,488	3,847	9,281	7,950
Banking service charges and other fees:				
Service charges on deposit accounts	4,208	3,050	7,524	6,413
Debit card and ATM fees	1,174	761	1,861	1,466
Total banking service charges and other fees	5,382	3,811	9,385	7,879
Total in-scope non-interest income	17,639	14,577	33,923	29,663
Total out-of-scope non-interest income	4,636	4,810	9,158	11,877
Total non-interest income	\$ 22,275	19,387	43,081	41,540

Wealth management fee income represents fees earned from customers as consideration for asset management, investment advisory and trust services. The Company's performance obligation is generally satisfied monthly and the resulting fees are recognized monthly. The fee is generally based upon the average market value of the assets under management for the month and the applicable fee rate. The monthly accrual of wealth management fees is recorded in other assets on the Company's Consolidated Statements of Financial Condition. Fees are received from the customer on a monthly basis. The Company does not earn performance-based incentives. To a lesser extent, optional services such as tax return preparation and estate settlement are also available to existing customers. The Company's performance obligation for these transaction-based services is generally satisfied, and related revenue recognized, at either a point in time when the service is completed, or in the case of estate settlement, over a relatively short period of time, as each service component is completed.

Insurance agency income, consisting of commissions and fees, is generally recognized as of the effective date of the insurance policy. Commission revenues related to installment billings are recognized on the invoice date. Subsequent commission adjustments are recognized upon the receipt of notification from insurance companies concerning matters necessitating such adjustments. Profit-sharing contingent commissions are recognized when determinable, which is generally when such commissions are received from insurance companies, or when the Company receives formal notification of the amount of such payments.

Service charges on deposit accounts include account analysis fees and other deposit-related fees. These fees are generally transaction-based, or time-based services. The Company's performance obligation for these services is generally satisfied, and revenue recognized, at the time the transaction is completed, or the service rendered. Fees for these services are generally received from the customer either at the time of transaction, or monthly. Debit card and ATM fees are generally transaction-based. Debit card revenue is primarily comprised of interchange fees earned when a customer's Company card is processed through a card payment network. ATM fees are largely generated when a Company cardholder uses a non-Company ATM, or a non-Company cardholder uses a Company ATM. The Company's performance obligation for these services is satisfied when the service is rendered. Payment is generally received at the time of transaction or monthly.

Out-of-scope non-interest income primarily consists of Bank-owned life insurance and net fees on loan level interest rate swaps, along with gains and losses on the sale of loans and foreclosed real estate, loan prepayment fees and loan servicing fees. None of these revenue streams are subject to the requirements of Topic 606.

Note 15. Leases

The following table represents the consolidated statements of financial condition classification of the Company's right-of use-assets and lease liabilities as of **March 31, 2024** **June 30, 2024** and December 31, 2023 (in thousands):

	Classification	Classification	March 31, 2024	December 31, 2023	Classification	June 30, 2024	December 31, 2023
Lease Right-of-Use Assets:							
Operating lease right-of-use assets							
Operating lease right-of-use assets							
Operating lease right-of-use assets							
Lease Liabilities:							
Operating lease liabilities							
Operating lease liabilities							
Operating lease liabilities							

The calculated amount of the right-of-use assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the right-of-use asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception based upon the term of the lease. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was applied.

All of the leases in which the Company is the lessee are classified as operating leases and are primarily comprised of real estate properties for branches and administrative offices with terms extending through 2040, 2046.

As of March 31, 2024, June 30, 2024, the weighted-average remaining lease term and the weighted-average discount rate for the Company's operating leases were 7.7, 7.6 years and 2.71%, 2.06%, respectively.

The following tables represent lease costs and other lease information for the Company's operating leases. The variable lease cost primarily represents variable payments such as common area maintenance and utilities (in thousands):

	Three months ended March 31, 2024	Three months ended March 31, 2023
	Three months ended June 30, 2024	Three months ended June 30, 2023
Lease Costs		
Operating lease cost		
Operating lease cost		
Operating lease cost		
Variable lease cost		
Variable lease cost		
Variable lease cost		
Total lease cost		
Total lease cost		
Total lease cost		

	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2,557	2,349

	Six months ended June 30, 2024	Six months ended June 30, 2023
Lease Costs		
Operating lease cost	\$ 6,398	5,257
Variable lease cost	1,491	1,722
Total lease cost	\$ 7,889	6,979

	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,698	4,776

During the three and six months ended June 30, 2024, the Company added 39 new lease obligations related to the Lakeland merger. The Company recorded a \$14.7 million right-of-use asset and lease liability for these lease obligations.

Future minimum payments for operating leases with initial or remaining terms of one year or more as of March 31, 2024, June 30, 2024, were as follows (in thousands):

Operating leases

Twelve months ended:
Remainder of 2024
Remainder of 2024
Remainder of 2024
2025
2026

2027
2028
Thereafter
Total future minimum lease payments
Amounts representing interest
Present value of net future minimum lease payments

Note 16. Impact of Recent Accounting Pronouncements

Accounting Pronouncements Not Yet Adopted

In December 2023, FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments in this ASU require improved annual income tax disclosures surrounding rate reconciliation, income taxes paid, and other disclosures. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2024, with early adoption in the interim period permitted. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

Certain statements contained herein are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements may be identified by reference to a future period or periods, or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "estimate," "project," "intend," "anticipate," "continue," or similar terms or variations on those terms, or the negative of those terms. Forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, those set forth in Item 1A of the Company's Annual Report on Form 10-K, as supplemented by its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and those related to the economic environment, particularly in the market areas in which the Company operates, inflation and unemployment, competitive products and pricing, real estate values, fiscal and monetary policies of the U.S. Government, the effects of the recent turmoil in the banking industry, government, changes in accounting policies and practices that may be adopted by the regulatory agencies and the accounting standards setters, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, potential goodwill impairment, acquisitions and the integration of acquired businesses, credit risk management, asset-liability management, the financial and securities markets, the availability of and costs associated with sources of liquidity, the ability to complete, or any delays in completing, the pending merger between the Company and Lakeland, any failure to realize the anticipated benefits of the pending merger transaction when expected or at all, certain restrictions during the pendency of the transaction that may impact the Company's ability to pursue certain business opportunities or strategic transactions; all; and the possibility that the pending merger transaction may be more expensive to complete than anticipated, including as a result of conditions imposed by regulators, unexpected conditions, factors or events, diversion of management's attention from ongoing business operations and opportunities; potential adverse reactions or changes to business or employee relationships, including those resulting from the completion of the merger and integration of the companies; and the impact of a potential shutdown of the federal government companies.

The Company cautions readers not to place undue reliance on any such forward-looking statements which speak only as of the date they are made. The Company advises readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not assume any duty, and does not undertake, to update any forward-looking statements to reflect events or circumstances after the date of this statement.

Lakeland Bancorp, Inc. Merger Agreement

The On May 16, 2024, the Company received all regulatory approvals for completed its previously announced acquisition of merger with Lakeland Bancorp, Inc. ("Lakeland"), subject which added \$10.91 billion to certain conditions total assets, \$7.91 billion to total loans, \$8.62 billion to total deposits and commitments (referred 68 full-service banking offices in New Jersey and New York. The Company expects to as the "Regulatory Conditions"). The Regulatory Conditions include, but are not limited to: prior to consummation close 13 of the acquired Lakeland banking offices and nine legacy Bank branches in the third quarter of 2024 due to geographic overlap.

Under the merger agreement, each share of Lakeland common stock was converted into the Company must complete the issuance of \$200 million of Tier 2 qualifying subordinated debt; for three years following consummation right to receive 0.8319 shares of the merger, Provident Bank must maintain regulatory capital ratios at or above 8.50% Company's common stock, a total of 54,356,954 shares converted, plus cash in lieu of fractional shares. The total consideration paid for Tier 1 Leverage Capital and 11.25% for Total Risk Based Capital; and Provident Bank must maintain its commercial real estate concentrations (as a percent the acquisition of capital and reserves) at levels at or below those forecasted in the pro forma financial projections that Provident Bank submitted to the FDIC. Lakeland was \$876.8 million. In connection with the acquisition, Lakeland Bank, a wholly owned subsidiary of Lakeland, will be was merged with and into Provident Bank, a wholly owned subsidiary the Bank.

The acquisition was accounted for under the acquisition method of accounting. Under this method of accounting, the purchase price has been allocated to the respective assets acquired and liabilities assumed based upon their estimated fair values, net of tax. The excess of consideration paid over the estimated fair value of the Company. As of March 31, 2024, Lakeland had, on a consolidated basis, \$11.00 billion in total net assets which included \$8.30 billion in total loans acquired totaled \$190.9 million and \$8.50 billion in total deposits, and operated 67 full-service banking offices in New Jersey. Under the merger agreement, each share of Lakeland common stock will be exchanged for 0.8319 shares, or approximately 55 million shares, of the Company's common stock plus cash in lieu of fractional shares. Provident stockholders will own approximately 58% and Lakeland shareholders will own approximately 42% of the combined company. The combined company is expected to have approximately \$25 billion in total assets, \$19.2 billion in total loans and \$18.6 billion in total deposits, was recorded as goodwill.

Merger-related expenses, which is a separate line in non-interest expense on the Consolidated Statements of Income, totaled \$2.2 million \$18.9 million and \$21.1 million and for the three and six months ended March 31, 2024. June 30, 2024, respectively.

Critical Accounting Policies

The Company considers certain accounting policies to be critically important to the fair presentation of its financial condition and results of operations. These policies require management to make complex judgments on matters which by their nature have elements of uncertainty. The sensitivity of the Company's consolidated financial statements to these critical accounting policies, and the assumptions and estimates applied, could have a significant impact on its financial condition and results of operations. These assumptions, estimates and judgments made by management can be influenced by a number of factors, including the general economic environment. The Company has identified the allowance for credit losses on loans as a critical accounting policy.

The allowance for credit losses is a valuation account that reflects management's evaluation of the current expected credit losses in the loan portfolio. The Company maintains the allowance for credit losses through provisions for credit losses that are charged to income. Charge-offs against the allowance for credit losses are taken on loans where management determines that the collection of loan principal and interest is unlikely. Recoveries made on loans that have been charged-off are credited to the allowance for credit losses.

The calculation of the allowance for credit losses is a critical accounting policy of the Company. Management estimates the allowance balance using relevant available information, from internal and external sources, related to past events, current conditions, and a reasonable and supportable forecast. Historical credit loss experience for both the Company and peers provides the basis for the estimation of expected credit losses, where observed credit losses are converted to probability of default rate ("PDR") curves through the use of segment-specific loss given default ("LGD") risk factors that convert default rates to loss severity based on industry-level, observed relationships between the two variables for each segment, primarily due to the nature of the underlying collateral. These risk factors were assessed for reasonableness against the Company's own loss experience and adjusted in certain cases when the relationship between the Company's historical default and loss severity deviate from that of the wider industry. The historical PDR curves, together with corresponding economic conditions, establish a quantitative relationship between economic conditions and loan performance through an economic cycle.

Using the historical relationship between economic conditions and loan performance, management's expectation of future loan performance is incorporated using an externally developed economic forecast. This forecast is applied over a period that management has determined to be reasonable and supportable. Beyond the period over which management can develop or source a reasonable and supportable forecast, the model will revert to long-term average economic conditions using a straight-line, time-based methodology. The Company's current forecast period is six quarters, with a four-quarter reversion period to historical average macroeconomic factors. The Company's economic forecast is approved by the Company's ACL Committee.

The allowance for credit losses is measured on a collective (pool) basis, with both a quantitative and qualitative analysis that is applied on a quarterly basis, when similar risk characteristics exist. The respective quantitative allowance for each loan segment is measured using an econometric, discounted PDR/LGD modeling methodology in which distinct, segment-specific multi-variate regression models are applied to an external economic forecast. Under the discounted cash flows methodology, expected credit losses are estimated over the effective life of the loans by measuring the difference between the net present value of modeled cash flows and amortized cost basis. Contractual cash flows over the contractual life of the loans are the basis for modeled cash flows, adjusted for modeled defaults and expected prepayments and discounted at the loan-level effective interest rate. The contractual term excludes expected extensions, renewals and modifications unless either of the following applies at the reporting date: management has a reasonable expectation that a modification will be executed with an individual borrower; or when an extension or renewal option is included in the original contract and is not unconditionally cancellable by the Company. Management will assess the likelihood of the option being exercised by the borrower and appropriately extend the maturity for modeling purposes.

The Company considers qualitative adjustments to credit loss estimates for information not already captured in the quantitative component of the loss estimation process. Qualitative factors are based on portfolio concentration levels, model imprecision,

changes in industry conditions, changes in the Company's loan review process, changes in the Company's loan policies and procedures, and economic forecast uncertainty.

One of the most significant judgments involved in estimating the Company's allowance for credit losses on loans relates to the macroeconomic forecasts used to estimate expected credit losses over the forecast period. As of **March 31, 2024** **June 30, 2024**, the model incorporated Moody's baseline economic forecast, as adjusted for qualitative factors, as well as an extensive review of classified loans and loans that were classified as impaired with a specific reserve assigned to those loans. **For example, the commercial property price index used in the model has a higher proportion of office exposure relative to that of the Bank. This baseline outlook reflected a worsened economic forecast and related deterioration in the projected commercial property price index used in our CECL model. The Company made qualitative adjustments to the projected commercial real estate property price index, considering the differences in portfolio collateral composition versus the commercial property price index used in our CECL models.** The allowance estimation process resulted in a total provision of **\$200,000** **\$66.1 million** and **\$66.3 million** for the three and six months ended **March 31, 2024** **June 30, 2024**, and an overall coverage ratio of **98** **100** basis points. Management believes the allowance for credit losses **allocated to the commercial real estate non-owner occupied portfolio segment** accurately represents the estimated inherent losses, factoring in the qualitative adjustment and other assumptions, including the selection of the baseline forecast within the model. If the Company used **the unadjusted baseline outlooks for the commercial property price index over the expected lives of Commercial Real Estate Non-Owner Occupied and Owner-Occupied loan portfolios, a more severe outlook**, the provision would have risen by approximately **\$6.2 million** **\$8.0 million**, leading to an overall coverage ratio of approximately **104** **105** basis points.

Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. Management developed segments for estimating loss based on type of borrower and collateral which is generally based upon federal call report segmentation. The segments have been combined or sub-segmented as needed to ensure loans of similar risk profiles are appropriately pooled. As of **March 31, 2024** **June 30, 2024**, the portfolio and class segments for the Company's loan portfolio were:

- Mortgage Loans – Residential, Commercial Real Estate, Multi-Family and Construction
- Commercial Loans – Commercial Owner-Occupied and Commercial Non-Owner Occupied
- Consumer Loans – First Lien Home Equity and Other Consumer

The allowance for credit losses on loans individually evaluated for impairment is based upon loans that have been identified through the Company's normal loan monitoring process. This process includes the review of delinquent and problem loans at the Company's **Delinquency**, Credit, Credit Risk Management and Allowance Committees; or which may be identified through the Company's loan review process. Generally, the Company only evaluates loans individually for impairment if the loan is non-accrual, non-homogeneous and the balance is greater than \$1.0 million.

For all classes of loans deemed collateral-dependent, the Company estimates expected credit losses based on the fair value of the collateral less any selling costs. If the loan is not collateral dependent, the allowance for credit losses related to individually assessed loans is based on discounted expected cash flows using the loan's initial effective interest rate.

For loans Loans acquired that have experienced more-than-insignificant deterioration in credit quality since their origination are considered PCD loans. The Company evaluates acquired loans for deterioration in credit quality based on any of, but not limited to, the following: (1) non-accrual status; (2) modification designation; (3) risk ratings of special mention, substandard or doubtful; (4) watchlist credits; and (5) delinquency status, including loans that are current on acquisition date, but had been previously delinquent. At the acquisition date, an estimate of expected credit losses is made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. Subsequent to the acquisition date, the initial allowance for credit losses on PCD loans will increase or decrease based on future evaluations, with changes recognized in the provision for credit losses.

Management believes the primary risks inherent in the portfolio are a general decline in the economy, a decline in real estate market values, rising unemployment or a protracted period of elevated unemployment, increasing vacancy rates in commercial investment properties and possible increases in interest rates in the absence of economic improvement. Any one or a combination of these events may adversely affect borrowers' ability to repay the loans, resulting in increased delinquencies, credit losses and higher levels of provisions. Management considers it important to maintain the ratio of the allowance for credit losses to total loans at an acceptable level given current and forecasted economic conditions, interest rates and the composition of the portfolio.

The CECL approach to calculate the allowance for credit losses on loans is significantly influenced by the composition, characteristics and quality of the Company's loan portfolio, as well as the prevailing economic conditions and forecast utilized. Although management believes that the Company has established and maintained the allowance for credit losses at appropriate levels, additions may be necessary if future economic and other conditions differ substantially from the current operating environment and economic forecast. Management evaluates its estimates and assumptions on an ongoing basis giving consideration to forecasted economic factors, historical loss experience and other factors. The model includes both quantitative and qualitative components. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods, and to the extent actual losses are higher than management estimates, additional provision for credit losses on loans could be required and could adversely affect our earnings or financial position in future periods. In addition, various regulatory agencies periodically review the adequacy of the Company's allowance for credit losses as an integral part of their examination process. Such agencies may require the Company to recognize additions to the allowance or additional write-downs based on their judgments about information available to them at the time of their examination. Although management uses the best information available, the level of the allowance for credit losses remains an estimate that is subject to significant judgment and short-term volatility.

Material changes to these and other relevant factors creates create greater volatility to the allowance for credit losses, and therefore, greater volatility to the Company's reported earnings. For the three and six months ended March 31, 2024 June 30, 2024, the increase provision for credit losses on loans totaled \$66.1 million and \$66.3 million, compared to an \$9.8 million and a \$16.4 million provision for credit losses for the three and six months ended June 30, 2023, respectively. The increases in provision for both periods was primarily attributable to an increase in specific reserves initial CECL provision for credit losses on impaired credits, partially offset by an improved economic forecast for loans of \$60.1 million, recorded as part of the current quarter within our CECL model. Lakeland merger.

COMPARISON OF FINANCIAL CONDITION AS OF MARCH 31, JUNE 30, 2024 AND DECEMBER 31, 2023

Total assets as of March 31, 2024 June 30, 2024 were \$14.13 billion \$24.07 billion, a \$79.9 million decrease \$9.86 billion increase from December 31, 2023. The decrease increase in total assets was primarily due to a \$33.6 million decrease in total investments and a \$31.0 million decrease in total loans, the addition of Lakeland.

The Company's loan portfolio decreased \$31.0 million to \$10.84 billion totaled \$18.76 billion as of March 31, 2024, from June 30, 2024 and \$10.87 billion as of December 31, 2023. The loan portfolio consists consisted of the following:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Mortgage loans:		
Commercial		
Commercial		
Commercial		
Multi-family		
Construction		
Residential		
Total mortgage loans		
Commercial loans (1)		
Commercial loans (1)		
Commercial loans (1)		
Consumer loans		
Total gross loans		
Total gross loans		
Total gross loans		
Premiums on purchased loans		
Net deferred fees		
Net deferred fees		
Net deferred fees		
Net deferred fees and unearned discounts		

Net deferred fees and unearned discounts

Net deferred fees and unearned discounts

Total loans

(1) Commercial loans consist of owner-occupied real estate and commercial & industrial loans.

During As part of the three months ended March 31, 2024 merger with Lakeland, we acquired \$7.91 billion in loans, net of purchase accounting adjustments. As of June 30, 2024, the acquired Lakeland loan portfolio, had net decreases of \$158.6 million fair value marks, totaled \$7.97 billion, which included \$3.02 billion in commercial mortgage loans, \$12.8 million in residential mortgage loans and \$4.0 million in consumer loans, partially offset by net increases of \$72.1 million \$1.49 billion in commercial loans, \$58.2 million \$1.36 billion in multi-family loans, \$878.2 million in residential loans, \$564.5 million in specialty lending, \$327.3 million in construction loans and \$13.4 million \$327.2 million in multi-family consumer loans. Commercial loans, consisting of commercial real estate, multi-family, commercial and construction loans, represented 86.7% 85.9% of the loan portfolio as of March 31, 2024 June 30, 2024, compared to 86.5% as of December 31, 2023.

The Bank's lending activities, though concentrated in the communities surrounding its offices, extend predominantly throughout New Jersey, eastern Pennsylvania and Orange, Nassau and Queens County, Counties, New York. This geographic concentration subjects the Company's loan portfolio to the general economic conditions within these states. The risks created by this concentration have been considered by management in the determination of the appropriateness of the allowance for credit losses.

We consider our commercial real estate loans to be higher risk categories in our loan portfolio. These loans are particularly sensitive to economic conditions. As of March 31, 2024 June 30, 2024, our portfolio of commercial real estate loans, including multi-family and construction loans, totaled \$6.89 billion \$11.50 billion, or 63.50% 61.3% of total gross loans.

The Company believes the CRE loans it originates are appropriately collateralized under its credit standards. Collateral properties include multi-family apartment buildings, warehouse/distribution buildings, shopping centers, office buildings, mixed-use buildings, hotels/motels, senior living, residential and commercial tract developments, and raw land or lots to be developed into single-family homes. The primary source of repayment on the permanent loan portion of these loans is generally expected to come from the cash flow stream of the underlying leases which are dependent on the successful operations of the respective tenants. The primary source of the repayment on the construction portfolio is dependent on the successful completion of the project and the related sale, permanent financing or lease of the real property collateral. As a result, the performance of these loans is generally impacted by fluctuations in collateral values, the ability of the borrower to obtain permanent financing, and, in the case of loans to residential builder/developers, volatility in consumer demand.

The table below summarizes the concentrations of CRE loans on a gross basis, not including any purchase accounting adjustments, based on the collateral securing the loans, as of March 31, 2024 June 30, 2024 (in thousands):

	Amount		Amount		Percentage of Total		Amount		Percentage of Total
Multi-family (1)	Multi-family (1)	\$2,289,230	33.2	33.2 %	Multi-family (1)	\$ 3,767,678	32.2		32.2 %
Retail	Retail	1,714,689	24.9	24.9 %	Retail	2,602,125	22.3		22.3 %
Industrial	Industrial	1,400,915	20.3	20.3 %	Industrial	2,215,910	19.0		19.0 %
Office	Office	511,826	7.4	7.4 %	Office	1,132,471	9.7		9.7 %
Mixed	Mixed	432,853	6.3	6.3 %	Mixed	898,678	7.7		7.7 %
Special use property	Special use property	217,862	3.2	3.2 %	Special use property	436,296	3.7		3.7 %
Residential		402,911	3.5	%					
Hotel	Hotel	156,853	2.3	2.3 %	Hotel	191,865	1.6		1.6 %
Residential		140,030	2.0	%					
Land	Land	33,144	0.5	0.5 %	Land	39,703	0.3		0.3 %
Total CRE, multi-family and construction loans	Total CRE, multi-family and construction loans	\$6,897,402	100.0	100.0 %	Total CRE, multi-family and construction loans	\$11,687,637	100.0		100.0 %

(1) As of March 31, 2024 June 30, 2024, Multi-family multi-family CRE loans on New York City properties totaled \$192.4 million \$227.7 million. This portfolio constitutes only 1.8% 1.2% of total loans and has an average loan size of \$2.8 million \$2.6 million. Approximately \$118.0 million \$113.6 million of these loans are collateralized by rent stabilized apartments and all are performing.

The determination of collateral value is critically important when financing real estate. As a result, obtaining current and objectively prepared appraisals is a major part of the underwriting process. The Company engages a variety of professional firms to supply appraisals, market studies and feasibility reports, environmental assessments and project site inspections to complement its internal resources to underwrite and monitor these credit exposures.

However, in periods of economic uncertainty where real estate market conditions may change rapidly, more current appraisals are obtained when warranted by conditions such as a borrower's deteriorating financial condition, their possible inability to perform on the loan or other indicators of increasing risk of reliance on collateral value as the sole source of repayment of the loan. Annual appraisals are generally obtained for loans graded substandard or worse where real estate is a material portion of the collateral value and/or the income from the real estate or sale of the real estate is the primary source of debt service.

Appraisals are, in substantially all cases, reviewed by a third party to determine the reasonableness of the appraised value. The third-party reviewer will challenge whether or not the data used is appropriate and relevant, form an opinion as to the appropriateness of the appraisal methods and techniques used, and determine if overall the analysis and conclusions of the appraiser can be relied upon. Additionally, the third-party reviewer provides a detailed report of that analysis. Further review may be conducted by credit or

lending teams, including the Bank's commercial workout team as conditions warrant. These additional steps of review are undertaken to confirm that the underlying appraisal and the third-party analysis can be relied upon. If differences arise, management addresses those with the reviewer and determines an appropriate resolution in accordance with its lending policy. Both the appraisal process and the appraisal review process can be less reliable in establishing accurate collateral values during and following periods of economic weakness due to the lack of comparable sales and the limited availability of financing to support an active market of potential purchasers.

The table below summarizes the Company's commercial real estate portfolio, including multi-family and construction loans **on a gross basis, not including any purchase accounting adjustments** as of **March 31, 2024** **June 30, 2024**, as segregated by the geographic region in which the property is located (dollars in thousands):

	Amount		Amount		Percentage of Total		Amount		Percentage of Total
New Jersey	New Jersey	\$ 3,714,820	53.9	53.9 %	New Jersey	\$ 7,210,805	61.7	61.7 %	
Pennsylvania	Pennsylvania	1,288,613	18.7	18.7 %	Pennsylvania	1,636,857	14.0	14.0 %	
New York	New York	989,620	14.3	14.3 %	New York	1,775,051	15.2	15.2 %	
Other states	Other states	904,350	13.1	13.1 %	Other states	1,064,924	9.1	9.1 %	
Total commercial real estate loans		\$ 6,897,402	100.0	%					
Total CRE, multi-family and construction loans		\$ 11,687,637	100.0	%					

The Company participates in loans originated by other banks, including participations designated as Shared National Credits ("SNCs"). The Company's gross commitments and outstanding balances as a participant in SNCs were **\$135.4 million** **\$202.0 million** and **\$53.8 million** **\$109.1 million**, respectively, as of **March 31, 2024** **June 30, 2024**, compared to \$140.5 million and \$54.9 million, respectively, as of December 31, 2023. One SNC relationship, with an outstanding balance of **\$7.3 million** **\$6.8 million** (which represents approximately a **6%** **10.4%** share of the total facility commitment) was 90 days or more delinquent as of **March 31, 2024** **June 30, 2024**.

The Company had outstanding junior lien mortgages totaling **\$142.1 million** **\$334.7 million** as of **March 31, 2024** **June 30, 2024**. Of this total, **four** **two** loans totaling **\$507,000** **\$667,000** were 90 days or more delinquent.

The following table sets forth information regarding the Company's non-performing assets as of **March 31, 2024** **June 30, 2024** and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Mortgage loans:		
Commercial		
Commercial		
Residential		
Residential		
Residential		
Commercial		
Multi-family		
Construction		
Residential		
Total mortgage loans		
Commercial loans		
Consumer loans		
Total non-performing loans		
Total non-performing loans		
Total non-performing loans		
Foreclosed assets		
Total non-performing assets		

The following table sets forth information regarding the Company's 60-89 day delinquent loans as of **March 31, 2024** **June 30, 2024** and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Mortgage loans:		
Commercial		
Commercial		
Commercial		
Multi-family		
Residential		
Residential		
Residential		

Commercial
Multi-family
Construction
Total mortgage loans
Commercial loans
Consumer loans
Total 60-89 day delinquent loans

As of **March 31, 2024** **June 30, 2024**, the Company's allowance for credit losses related to the loan portfolio was **0.98%** **1.00%** of total loans, compared to **0.99%** **0.97%** as of December 31, 2023 and **0.91%** as of **March 31, 2023** **June 30, 2023**, respectively. The Company recorded **a** provisions for credit losses on loans of **\$66.1 million** and **\$66.3 million** for the three and six months ended **June 30, 2024**, compared with provisions of **\$10.4 million** and **\$16.4 million** for the three and six months ended **June 30, 2023**, respectively. For the three and six months ended **June 30, 2024**, the Company had net charge-offs of **\$1.3 million** and **\$2.3 million**, respectively, compared to net charge-offs of **\$1.1 million** and **\$1.8 million**, respectively, for the same periods in 2023. The allowance for credit losses increased **\$81.1 million** to **\$188.3 million** as of **June 30, 2024** from **\$107.2 million** as of December 31, 2023. The increases in provision for both periods were primarily attributable to an initial CECL provision for credit losses on loans of **\$200,000** **\$60.1 million** recorded as part of the **Lakeland merger in accordance with GAAP requirements** for the three months ended **March 31, 2024**, compared with a provision of **\$6.0 million** accounting for the three months ended **March 31, 2023**, respectively. For the three months ended **March 31, 2024**, the Company had net charge-offs of **\$971,000** compared to net charge-offs of **\$671,000** for the same period in 2023. The allowance for credit losses decreased **\$771,000** to **\$106.4 million** as of **March 31, 2024** from **\$107.2 million** as of December 31, 2023. The decrease in the provision for credit losses for the quarter was primarily attributable to an improved economic forecast for the current quarter within our CECL model, partially offset by an increase in specific reserves on impaired credits. **business combinations**.

Total non-performing loans were **\$47.6 million** **\$67.9 million**, or **0.44%** **0.36%** of total loans as of **March 31, 2024** **June 30, 2024**, compared to **\$49.6 million**, or **0.46%** of total loans as of December 31, 2023. The **\$2.0 million decrease** **\$18.2 million increase** in non-performing loans, as of **March 31, 2024**, **2024**, compared which was primarily attributable to the **trailing quarter**, addition of **Lakeland**, consisted of a **\$4.6 million** **\$10.9 million increase** in non-performing construction loans, a **\$6.5 million increase** in non-performing multi-family loans, a **\$3.6 million increase** in non-performing residential mortgage loans and a **\$511,000 increase** in non-performing consumer loans, partially offset by a **\$1.8 million decrease** in non-performing commercial loans and a **\$771,000** **\$1.6 million decrease** in non-performing construction loans, partially offset by a **\$1.6 million increase** in non-performing multi-family loans, a **\$794,000 increase** in non-performing residential mortgage loans, a **\$787,000 increase** in non-performing commercial mortgage loans and a **\$127,000 increase** in non-performing consumer loans.

As of **March 31, 2024** **June 30, 2024** and December 31, 2023, the Company held foreclosed assets of **\$11.3 million** **\$11.1 million** and **\$11.7 million**, respectively. During the **three six** months ended **March 31, 2024** **June 30, 2024**, there were **two three** properties sold with an aggregate carrying value of **\$327,000**, **\$532,000**. Foreclosed assets as of **March 31, 2024** **June 30, 2024** consisted primarily of commercial real estate. Total non-performing assets as of **March 31, 2024**, decreased **\$2.4 million** **June 30, 2024 increased** **\$17.7 million** to **\$58.9 million** **\$79.0 million**, or **0.42%** **0.33%** of total assets, from **\$61.3 million**, or **0.43%** of total assets as of December 31, 2023.

Total investment securities were **\$2.10 billion** **\$3.10 billion** as of **March 31, 2024** **June 30, 2024**, a **\$33.6 million decrease** **\$963.0 million increase** from December 31, 2023. This **decrease increase** was primarily due to **repayments the addition of mortgage-backed securities**, an increase in unrealized losses on available for sale debt securities and maturities and calls of certain municipal and agency bonds, partially offset by purchases of mortgage-backed and municipal securities. **Lakeland**.

Total deposits **decreased** **\$193.6 million increased** **\$8.06 billion** during the **three six** months ended **March 31, 2024** **June 30, 2024**, to **\$10.10 billion**. The decrease in total deposits was primarily **\$18.35 billion**, due to a decrease in brokered deposits the addition of **\$90.0 million** and a decrease in municipal deposits of **\$57.0 million**. **Lakeland**. Total savings and demand deposit accounts **decreased** **\$129.7 million increased** **\$6.07 billion** to **\$9.07 billion** **\$15.27 billion** as of **March 31, 2024** **June 30, 2024**, while total time deposits **decreased** **\$64.0 million increased** **\$1.99 billion** to **\$1.03 billion** **\$3.08 billion** as of **March 31, 2024** **June 30, 2024**. The **decrease increase** in savings and demand deposits consisted of **was** largely attributable to a **\$149.1 million decrease** in non-interest-bearing demand deposits and a **\$14.7 million decrease** in savings deposits, partially offset by a **\$28.6 million** **\$2.88 billion** increase in interest bearing demand deposits, and a **\$5.5 million** **\$1.51 billion** increase in non-interest bearing demand deposits, a **\$1.12 billion** increase in money market deposits and a **\$569.5 million increase** in savings deposits. The decrease Company's Insured Cash Sweep deposits increased **\$619.8 million** to **\$1.14 billion** as of **June 30, 2024**, from **\$520.2 million** as of December 31, 2023. The increase in time deposits consisted of a **\$90.0 million decrease** **\$2.09 billion increase** in **brokered retail** time deposits, partially offset by a **\$26.0 million increase** **\$100.5 million decrease** in **retail brokered** time deposits.

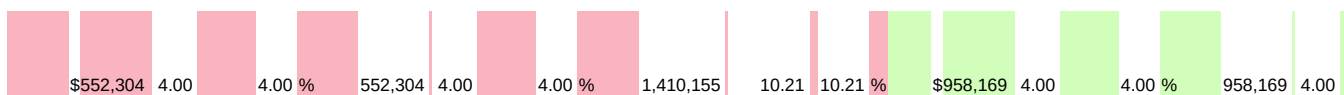
Within total deposits, brokered deposits totaled **\$75.7** **\$149.8 million** and **\$165.7 million** as of **March 31, 2024**, **June 30, 2024** and December 31, 2023, respectively. Our estimated uninsured and uncollateralized deposits as of **March 31, 2024** **June 30, 2024** totaled **\$2.49 billion** **\$4.98 billion**, or **24.7%** **27.1%** of deposits. Our total estimated uninsured deposits, including collateralized deposits, as of **March 31, 2024** was **\$5.25 billion** **June 30, 2024**, were **\$6.34 billion**. Within time deposits, approximately **\$96.7 million** **\$414.7 million**, or **9.4%** **13.5%** was uninsured as of **March 31, 2024** **June 30, 2024**.

Borrowed funds increased **\$88.1 million** **\$332.0 million** during the **three six** months ended **March 31, 2024** **June 30, 2024**, to **\$2.06 billion** **\$2.30 billion**. The increase in deposits and borrowings was largely due to **asset funding requirements**, the addition of **Lakeland**. Borrowed funds represented **14.6%** **9.6%** of total assets as of **March 31, 2024** **June 30, 2024**, an **increase a decrease** from **13.9%** as of December 31, 2023.

Stockholders' equity increased **\$4.6 million** **\$865.1 million** during the **three six** months ended **March 31, 2024** **June 30, 2024**, to **\$1.70 billion** **\$2.56 billion**, primarily due to **common stock issued for the purchase of Lakeland** and net income earned for the period, partially offset by an increase in unrealized losses on available for sale debt securities and cash dividends paid to stockholders. For the three and six months ended **March 31, 2024** **June 30, 2024**, common stock repurchases totaled **86,325** **527** shares at an average cost of **\$15.17 per share** and **86,852** shares at an average cost of **\$14.84 per share**, respectively, all of which were made in connection with withholding to cover income taxes on the vesting of stock-based compensation. As of **March 31, 2024** **June 30, 2024**, approximately **1.0 million** shares remained eligible for repurchase under the current stock repurchase authorization.

Liquidity and Capital Resources. Liquidity refers to the Company's ability to generate adequate amounts of cash to meet financial obligations to its depositors, to fund loans and securities purchases and operating expenses. Sources of funds include scheduled amortization of loans, loan prepayments, scheduled maturities of unpledged investments, cash flows from securities and the ability to borrow funds from the FHLBNY, **FRBNY** and approved broker-dealers.

Total risk-based capital



(2) For a period of three years following completion of the merger, Provident Bank will be required to maintain a Tier 1 capital to total assets leverage ratio of at least 8.5% and a total capital to risk-based assets ratio of at least 11.25%.

COMPARISON OF OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, JUNE 30, 2024 AND 2023

30, 2023. For the six months ended June 30, 2024, the Company reported net income of \$20.6 million, or \$0.23 per basic share and diluted share, compared to net income of \$40.5 million \$72.5 million, or \$0.54 \$0.97 per basic and diluted share, for the three six months ended March 31, 2023 June 30, 2023.

Transaction On May 16, 2024, the Company completed its merger with Lakeland, which added \$10.91 billion to total assets, \$7.91 billion to loans, and \$8.62 billion to deposits, net of purchase accounting adjustments. The Company's earnings for the three and six months ended June 30, 2024 were impacted by an initial CECL provision for credit losses on loans and commitments to extend credit of \$65.2 million recorded as part of the Lakeland merger in accordance with GAAP requirements for accounting for business combinations. The results of operations for the three and six months ended June 30, 2024 also included other transaction costs related to our pending the merger with Lakeland totaled \$2.2 million for the three months ended March 31, 2024 totaling \$18.9 million and \$21.1 million, respectively, compared with \$1.1 million transaction costs totaling \$2.0 million and \$3.1 million for the respective 2023 period. In addition, prior year earnings for periods. Additionally, the three months ended March 31, 2023, included Company realized a \$2.0 million gain recognized from \$2.8 million loss related to the sale in the current quarter of a foreclosed commercial property, subordinated debt issued by Lakeland from its investment portfolio.

The following tables sets forth certain information for the three and six months ended March 31, 2024 and 2023, June 30, 2024. For the periods indicated, the total dollar amount of interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities is expressed both in dollars and rates. No tax equivalent adjustments were made. Average balances are daily averages.

	For the three months ended	
	March 31, 2024	March 31, 2023
	June 30, 2024	June 30, 2023

Average Balance		Average Balance		Interest		Average Yield/Cost		Average Balance		Interest		Average Yield/Cost
(Dollars in Thousands) (Unaudited)												

Interest Earning Assets:

Deposits												
Deposits												
Deposits	\$ 87,848	\$	1,182	5.41	5.41	%	72,022	845	845	4.76	4.76	% \$ 40,228
Federal funds sold and other short-term investments	—	—	—	—	—	%	88	1	1	6.75	6.75	%
Available for sale debt securities	2,244,725	17,646	17,646	3.14	3.14	%	1,801,050	10,290	10,290	2.29	2.29	%
Held to maturity debt securities, net (1)	352,216	2,357	2,357	2.68	2.68	%	379,958	2,357	2,357	2.48	2.48	%
Equity securities, at fair value	10,373	—	—	—	—	%	1,006	—	—	—	—	%
Federal Home Loan Bank stock	88,864	2,747	2,747	12.36	12.36	%	82,171	1,142	1,142	5.56	5.56	%
Net loans: (2)												
Total mortgage loans												
Total mortgage loans	10,674,109	156,318	156,318	5.81	5.81	%	7,701,072	99,302	99,302	5.11	5.11	%
Total commercial loans	3,514,602	58,532	58,532	6.62	6.62	%	2,234,043	31,426	31,426	5.59	5.59	%
Total consumer loans	460,702	8,351	8,351	7.29	7.29	%	303,109	4,431	4,431	5.86	5.86	%
Total net loans	14,649,413	223,201	223,201	6.05	6.05	%	10,238,224	135,159	135,159	5.24	5.24	%
Total interest earning assets	\$ 17,385,819	\$	\$ 247,810	5.67	5.67	%	12,575,967	149,896	149,896	4.73	4.73	%

Non-Interest Earning Assets:

Cash and due from banks	
Cash and due from banks	
Cash and due from banks	
Other assets	
Other assets	
Other assets	
Total assets	
Total assets	
Total assets	

Interest Bearing Liabilities:

Interest Bearing Liabilities:

Non-Interest

Liabilities:

2.26 %

Net interest-
earning assets

Net interest margin ⁽³⁾

Net interest margin ⁽³⁾

Net interest margin ⁽³⁾

2.87 %

Ratio of interest-
earning assets
to total interest-
bearing
liabilities

- (1) Average outstanding balance amounts shown are amortized cost, net of allowance for credit losses.
- (2) Average outstanding balances are net of the allowance for loan losses, deferred loan fees and expenses, loan premiums and discounts and include non-accrual loans.
- (3) Annualized net interest income divided by average interest-earning assets.

	For the six months ended					
	June 30, 2024			June 30, 2023		
	Average Balance	Interest	Average	Average Balance	Interest	Average
			Yield/Cost			Yield/Cost
(Dollars in Thousands) (Unaudited)						
Interest Earning Assets:						
Deposits	\$ 32,901	\$ 3,041	5.38 %	72,750	1,791	4.97 %
Federal funds sold and other short-term investments	—	—	— %	59	2	6.00 %
Available for sale debt securities	1,959,549	27,669	2.82 %	1,804,814	20,692	2.29 %
Held to maturity debt securities, net ⁽¹⁾	354,731	4,625	2.61 %	381,921	4,725	2.47 %
Equity securities, at fair value	5,525	—	— %	999	—	— %
Federal Home Loan Bank stock	81,309	5,055	12.43 %	70,702	2,170	6.14 %
Net loans: ⁽²⁾						
Total mortgage loans	9,326,838	263,774	5.61 %	7,671,493	195,290	5.07 %
Total commercial loans	2,953,842	94,632	6.39 %	2,191,222	60,109	5.49 %
Total consumer loans	378,522	12,874	6.84 %	303,724	8,673	5.76 %
Total net loans	12,659,202	371,280	5.83 %	10,166,439	264,072	5.18 %
Total interest earning assets	\$ 15,093,217	\$ 411,670	5.43 %	12,497,684	293,452	4.68 %
Non-Interest Earning Assets:						
Cash and due from banks	108,229			136,431		
Other assets	1,443,958			1,149,044		
Total assets	\$ 16,645,404			13,783,159		
Interest Bearing Liabilities:						
Demand deposits	\$ 6,914,802	\$ 99,745	2.90 %	5,695,507	50,533	1.79 %
Savings deposits	1,308,983	1469	0.23 %	1,352,874	990	0.15 %
Time deposits	1,575,801	32,378	4.13 %	914,358	12,434	2.74 %
Total deposits	9,799,586	133,592	2.74 %	7,962,739	63,957	1.62 %
Borrowed funds	2,049,587	37,949	3.75 %	1,442,744	21,564	3.01 %
Subordinated debentures	115,899	4,953	8.59 %	10,537	501	9.58 %
Total interest bearing liabilities	\$ 11,965,072	176,494	2.97 %	9,416,020	86,022	1.84 %
Non-Interest Bearing Liabilities:						
Non-interest bearing deposits	\$ 2,469,459			2,459,375		
Other non-interest bearing liabilities	298,053			267,666		
Total non-interest bearing liabilities	2,767,512			2,727,041		
Total liabilities	14,732,584			12,143,061		
Stockholders' equity	1,912,820			1,640,099		

Total liabilities and stockholders' equity	\$ 16,645,404	13,783,160
Net interest income	\$ 235,176	207,430
Net interest rate spread		2.46 % 2.84 %
Net interest-earning assets	\$ 3,128,145	3,081,664
Net interest margin ⁽³⁾		3.08 % 3.29 %
Ratio of interest-earning assets to total interest-bearing liabilities	1.26x	1.33x

- (1) Average outstanding balance amounts shown are amortized cost, net of allowance for credit losses.
- (2) Average outstanding balances are net of the allowance for loan losses, deferred loan fees and expenses, loan premiums and discounts and include non-accrual loans.
- (3) Annualized net interest income divided by average interest-earning assets.

Net Interest Income. Net interest income decreased \$14.7 million increased \$42.4 million to \$93.7 million \$141.5 million for the three months ended March 31, 2024 June 30, 2024, from \$108.3 million \$99.1 million for same period in 2023. The decrease in net Net interest income was primarily due increased \$27.7 million to a decrease \$235.2 million for the six months ended June 30, 2024, from \$207.4 million for same period in lower.

costing deposits 2023. Net interest income for the three and an increase in borrowings, combined with six months ended June 30, 2024 were favorably impacted by the net assets acquired from Lakeland, partially offset by unfavorable repricing of both deposits and borrowings, partially offset borrowings. Additionally, the six months ended June 30, 2024 were further benefited by originations favorable repricing of new adjustable rate loans and the favorable repricing originations of adjustable-rate higher-yielding loans.

The net interest margin decreased 61 increased 10 basis points to 2.87% 3.21% for the quarter ended March 31, 2024 June 30, 2024, compared to 3.48% 3.11% for the quarter ended March 31, 2023 June 30, 2023. The weighted average yield on interest-earning assets increased 43 94 basis points to 5.06% 5.67% for the quarter ended March 31, 2024 June 30, 2024, compared to 4.63% 4.73% for the quarter ended March 31, 2023 June 30, 2023, while the weighted average cost of interest-bearing liabilities increased 126 96 basis points for the quarter ended March 31, 2024 June 30, 2024, to 2.80% 3.09%, compared to 1.54% 2.13% for the quarter ended March 31, 2023 June 30, 2023. The average cost of interest-bearing deposits for the quarter ended March 31, 2024 June 30, 2024, was 2.60% 2.84%, compared to 1.39% 1.85% for the same period last year. Average non-interest-bearing demand deposits totaled \$2.07 billion \$2.87 billion for the quarter ended March 31, 2024 June 30, 2024, compared to \$2.55 billion \$2.37 billion for the quarter ended March 31, 2023 June 30, 2023. The average cost of total deposits, including non-interest-bearing deposits, was 2.07% 2.27% for the quarter ended March 31, 2024 June 30, 2024, compared with 1.05% 1.42% for the quarter ended March 31, 2023 June 30, 2023. The average cost of borrowed funds for the quarter ended March 31, 2024 June 30, 2024, was 3.60% 3.83%, compared to 2.48% 3.41% for the same period last year.

For the six months ended June 30, 2024, the net interest margin decreased 21 basis points to 3.08%, compared to 3.29% for the six months ended June 30, 2023. The weighted average yield on interest-earning assets increased 75 basis points to 5.43% for the six months ended June 30, 2024, compared to 4.68% for the six months ended June 30, 2023, while the weighted average cost of interest-bearing liabilities increased 113 basis points to 2.97% for the six months ended June 30, 2024, compared to 1.84% for the same period last year. The average cost of interest-bearing deposits increased 112 basis points to 2.74% for the six months ended June 30, 2024, compared to 1.62% for the same period last year. Average non-interest-bearing demand deposits totaled \$2.47 billion for the six months ended June 30, 2024, compared with \$2.46 billion for the six months ended June 30, 2023. The average cost of total deposits, including non-interest-bearing deposits, was 2.19% for the six months ended June 30, 2024, compared with 1.24% for the six months ended June 30, 2023. The average cost of borrowings for the six months ended June 30, 2024, was 3.75%, compared to 3.01% for the same period last year.

Interest income on loans secured by real estate increased \$11.5 million \$57.0 million to \$107.5 million \$156.3 million for the three months ended March 31, 2024 June 30, 2024, from \$96.0 million \$99.3 million for the three months ended March 31, 2023 June 30, 2023. Commercial loan interest income increased \$7.4 million \$27.1 million to \$36.1 million \$58.5 million for the three months ended March 31, 2024 June 30, 2024, from \$28.7 million \$31.4 million for the three months ended March 31, 2023 June 30, 2023. Consumer loan interest income increased \$0.3 million \$3.9 million to \$4.5 million \$8.4 million for the three months ended March 31, 2024 June 30, 2024, from \$4.2 million \$4.4 million for the three months ended March 31, 2023 June 30, 2023. For the three months ended March 31, 2024 June 30, 2024, the average balance of total loans increased \$575.1 million \$4.41 billion to \$10.67 billion \$14.65 billion, compared to the same period in 2023. The average yield on total loans for the three months ended March 31, 2024 June 30, 2024, increased 39 81 basis points to 5.51% 6.05%, from 5.12% 5.24% for the same period in 2023.

Interest income on loans secured by real estate increased \$68.5 million to \$263.8 million for the six months ended June 30, 2024, from \$195.3 million for the six months ended June 30, 2023. Commercial loan interest income increased \$34.5 million to \$94.6 million for the six months ended June 30, 2024, from \$60.1 million for the six months ended June 30, 2023. Consumer loan interest income increased \$4.2 million to \$12.9 million for the six months ended June 30, 2024, from \$8.7 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, the average balance of total loans increased \$2.49 billion to \$12.66 billion, compared with \$10.17 billion for the same period in 2023. The average yield on total loans for the six months ended June 30, 2024, increased 65 basis points to 5.83%, from 5.18% for the same period in 2023.

Interest income on held to maturity debt securities decreased \$100,000 to \$2.3 million totaled \$2.4 million for the three months ended March 31, 2024 June 30, 2024, compared to the same period last year. Average held to maturity debt securities decreased \$26.7 million \$27.7 million to \$357.2 million \$352.2 million for the three months ended March 31, 2024 June 30, 2024, from \$383.9 million \$380.0 million for the same period last year. Interest income on held to maturity debt securities decreased \$100,000 to \$4.6 million for the six months ended June 30, 2024, compared to the same period in 2023. Average held to maturity debt securities decreased \$27.2 million to \$354.7 million for the six months ended June 30, 2024, from \$381.9 million for the same period last year.

Interest income on available for sale debt securities decreased \$380,000 increased \$7.4 million to \$10.0 million \$17.6 million for the three months ended March 31, 2024 June 30, 2024, from \$10.4 million \$10.3 million for the three months ended March 31, 2023 June 30, 2023. The average balance of available for sale debt securities decreased \$134.7 million increased \$443.7 million to \$1.67 billion \$2.24 billion for the three months ended March 31, 2024 June 30, 2024, compared to the same period in 2023. Interest income on available for sale debt securities increased \$7.0 million to \$27.7 million for the six months ended June 30, 2024, from \$20.7 million for the same period last year. The average balance of available for sale debt securities increased \$154.7 million to \$1.96 billion for the six months ended June 30, 2024.

Dividend

Interest income on FHLBNY stock increased \$1.3 million \$1.6 million to \$2.3 million \$2.7 million for the three months ended March 31, 2024 June 30, 2024, from \$1.0 million \$1.14 million for the three months ended March 31, 2023 June 30, 2023. The average balance of FHLBNY stock increased \$14.6 million \$6.7 million to \$73.8 million \$88.9 million for the three months ended March 31, 2024 June 30, 2024, compared to the same period in 2023. Interest income on FHLBNY stock increased \$9.9 million to \$32.7 million for the six months ended June 30, 2024, from \$22.9 million for the same period last year. The average balance of FHLBNY stock increased \$10.6 million to \$81.3 million for the six months ended June 30, 2024.

The average yield on total securities increased to 2.87% 3.40% for the three months ended March 31, 2024 June 30, 2024, compared with 2.53% for the same period in 2023. For the six months ended June 30, 2024, the average yield on total securities increased to 3.14%, compared with 2.52% for the same period in 2023.

Interest expense on deposit accounts increased \$25.0 million \$44.6 million to \$52.5 million \$81.1 million for the three months ended March 31, 2024 June 30, 2024, compared with \$27.5 million \$36.4 million for the three months ended March 31, 2023 June 30, 2023. For the six months ended June 30, 2024, interest expense on deposit accounts increased \$69.6 million to \$133.6 million, from \$64.0 million for the same period last year. The average cost of interest-bearing deposits increased to 2.60% 2.84% and 2.74% for the three and six months ended March 31, 2024 June 30, 2024, respectively, from 1.39% 1.85% and 1.62% for the three and six months ended March 31, 2023 June 30, 2023, respectively. The average balance of interest-bearing core deposits, which consist of total savings and demand deposits, for the three months ended March 31, 2024 June 30, 2024, decreased \$112.8 million increased \$2.46 billion to \$7.06 billion \$9.39 billion. For the six months ended June 30, 2024, average interest-bearing core deposits increased \$1.18 billion, to \$8.22 billion, from \$7.05 billion for the same period in 2023. Average time deposit account balances increased \$205.4 million \$1.12 billion to \$1.07 billion \$2.09 billion for the three months ended March 31, 2024 June 30, 2024, from \$859.8 million \$968.3 million for the three months ended March 31, 2023 June 30, 2023. For the six months ended June 30, 2024, average time deposit account balances increased \$661.4 million to \$1.58 billion, from \$914.4 million for the same period in 2023.

Interest expense on borrowed funds increased \$9.9 million \$6.5 million to \$17.4 million \$20.6 million for the three months ended March 31, 2024 June 30, 2024, from \$7.5 million \$14.1 million for the three months ended March 31, 2023 June 30, 2023. For the six months ended June 30, 2024, interest expense on borrowed funds increased \$16.4 million to \$37.9 million, from \$21.6 million for the six months ended June 30, 2023. The average cost of borrowings increased to 3.60% 3.83% for the three months ended March 31, 2024 June 30, 2024, from 2.48% 3.41% for the three months ended March 31, 2023 June 30, 2023. The average cost of borrowings increased to 3.75% for the six months ended June 30, 2024, from 3.01% for the same period last year. Average borrowings increased \$716.7 million \$499.4 million to \$1.94 billion \$2.16 billion for the three months ended March 31, 2024 June 30, 2024, from \$1.22 billion \$1.66 billion for the three months ended March 31, 2023 June 30, 2023. For the six months ended June 30, 2024, average borrowings increased \$606.8 million to \$2.05 billion, compared to \$1.44 billion for the six months ended June 30, 2023.

Provision for Credit Losses. Provisions for credit losses are charged to operations in order to maintain the allowance for credit losses at a level management considers necessary to absorb projected credit losses that may arise over the expected term of each loan in the portfolio. In determining the level of the allowance for credit losses, management estimates the allowance balance using relevant available information from internal and external sources relating to past events, current conditions and reasonable and supportable economic forecasts. The amount of the allowance is based on estimates, and the ultimate losses may vary from such estimates as more information becomes available or later events change. Management assesses the adequacy of the allowance for credit losses on a quarterly basis and makes provisions for credit losses if necessary, in order to maintain the valuation of the allowance, as necessary.

The Company recorded provisions for credit losses on loans of a \$200,000 \$66.1 million and \$66.3 million for the three and six months ended June 30, 2024, respectively, compared with provisions of \$10.4 million and \$16.4 million for the three and six months ended June 30, 2023, respectively. The increases in provisions for both periods were primarily attributable to an initial CECL provision for credit losses on loans compared with a \$6.0 million provision for credit losses for the quarter ended March 31, 2023. The decrease in the provision for credit losses was largely a function of \$60.1 million recorded as part of the period-over-period improvement Lakeland merger in the economic forecast, accordance with GAAP requirements for accounting for business combinations.

Non-Interest Income. Non-interest income totaled \$20.8 million \$22.3 million for the quarter ended March 31, 2024 June 30, 2024, a decrease an increase of \$1.3 million \$2.9 million, compared to the same period in 2023. Other Fee income decreased \$2.5 million increased \$2.9 million to \$798,000 \$8.7 million for the three months ended March 31, 2024, compared to the quarter ended March 31, 2023, primarily due to a \$2.0 million gain from the sale of a foreclosed commercial property which was recorded in the prior year, combined with a decrease in gains on sales of SBA loans. Fee income decreased \$475,000 to \$5.9 million for the three months ended March 31, 2024 June 30, 2024, compared to the prior year quarter, primarily due to decreases increases in deposit fee income, debit card related fee income and commercial loan prepayment fees, and deposit fee income. Partially offsetting these decreases in non-interest income, insurance agency resulting from the Lakeland merger. BOLI income increased \$691,000 \$1.8 million to \$4.8 million \$3.3 million for the three months ended March 31, 2024 June 30, 2024, compared to the prior year quarter, primarily due to an increase in benefit claims recognized, combined with an increase in income related to the addition of Lakeland's BOLI. Wealth management fees increased \$850,000 to \$7.8 million for the three months ended June 30, 2024, compared to the quarter ended March 31, 2023, largely due to an increase in business activity. Wealth management income increased \$573,000 to \$7.5 million for the three months ended March 31, 2024, compared to the quarter ended March 31, 2023 June 30, 2023, mainly due to an increase in the average market value of assets under management during the period, combined with an increase in mutual fund fees. Additionally, BOLI while insurance agency income increased \$333,000 \$641,000 to \$1.8 million \$4.5 million for the three months ended March 31, 2024 June 30, 2024, compared to the prior year quarter primarily due a benefit claim recognized in the current quarter, combined with an increase in equity valuations.

Non-Interest Expense. For the three months ended March 31, 2024 June 30, 2023, non-interest expense totaled \$71.3 million, an increase of \$1.8 million, compared to the three months ended March 31, 2023. Compensation and benefits expense increased \$1.3 million to \$40.0 million for three months ended March 31, 2024, compared to \$38.7 million for the same period in 2023. The increase was primarily largely due to an increase in salary expense associated with Company-wide annual merit increases, combined with business activity. Partially offsetting these increases in the accrual for incentive compensation, payroll taxes and employee insurance, partially offset by a decrease in stock-based compensation. Data processing expense increased \$1.3 million to \$6.8 million for three months ended March 31, 2024, compared to \$5.5 million for the same period in 2023. The increase in data processing expense was primarily due to increases in software service, telecommunication and electronic business banking expenses. Merger-related expenses related to our pending combination with Lakeland increased \$1.1 million to \$2.2 million non-interest income, net gains on securities transactions decreased \$3.0 million for the three months ended March 31, 2024 June 30, 2024, compared to the quarter ended June 30, 2023, primarily due to a loss on the sale of subordinated debt issued by Lakeland from the Company investment portfolio prior to the merger. Additionally, other income decreased \$314,000 to \$969,000 for the three months ended June 30, 2024, compared to the quarter ended June 30, 2023, primarily due to a decrease in gains on the sales of foreclosed real estate.

For the six months ended June 30, 2024, non-interest income totaled \$43.1 million, an increase of \$1.5 million, compared to the same period in 2023. Additionally, FDIC insurance expense Fee income increased \$335,000 \$2.4 million to \$2.3 million \$14.6 million for the three six months ended March 31, 2024 June 30, 2024, compared to the same period in 2023, primarily due to a current quarter FDIC special assessment of \$195,000, increases in deposit fee income, debit card related fee income and commercial loan prepayment fees, resulting from the Lakeland merger. BOLI income increased \$2.1 million to \$5.1 million for the six months ended June 30, 2024, compared to the same period in 2023, primarily due to an increase in benefit claims recognized, combined with an increase in income related to the assessment rate, addition of Lakeland's BOLI, while wealth management income increased \$1.4 million to \$15.3 million for the six months ended June 30, 2024, compared to the same period in 2023, mainly due to an increase in the average market value of assets under management during the period. Insurance agency income increased \$1.3 million to \$9.3 million for the six months ended June 30, 2024, compared to \$8.0 million for the same period in 2023, largely due to increases in contingent commissions, retention revenue and new business activity. Partially offsetting these increases in non-interest expense, other operating expense income, net gains on securities transactions decreased \$729,000 to \$10.3 million \$3.0 million for the three six months ended March 31, 2024 June 30, 2024, primarily due to a \$2.8 million loss on the sale of subordinated debt issued by Lakeland from the Company investment portfolio prior to the merger. Other income decreased \$2.8 million to \$1.8 million for the six months ended June 30, 2024, compared to \$11.1 million \$4.6 million for the three months ended March 31, 2023, largely same period in 2023, primarily due to a \$2.0 million gain from the sale of a foreclosed commercial property recorded in the prior year, combined with a decrease in professional fees, partially offset by additional expenses related to foreclosed commercial real estate properties, gains on sales of SBA loans.

Non-Interest Expense. For the three months ended March 31, 2024 June 30, 2024, the Company recorded a \$506,000 provision benefit for credit losses on off-balance sheet credit exposures, non-interest expense totaled \$115.4 million, an increase of \$50.3 million, compared to a \$739,000 provision charge the three months ended June 30, 2023. Compensation and benefits expense increased \$19.6 million to \$54.9 million for three months ended June 30, 2024, compared to \$35.3 million for the same period in 2023. The \$1.2 million decrease increase in compensation and benefits expense was primarily attributable to the provision for credit losses on off-balance sheet credit exposures addition of Lakeland. Additionally, merger-related expenses increased \$17.0 million to \$18.9 million for the current quarter was three months ended June 30, 2024, compared to the same period in 2023. Amortization of intangibles increased \$5.7 million to \$6.5 million for the three months ended June 30, 2024, compared to \$749,000 for the same period in 2023, largely due to purchase accounting adjustments. Data processing expense increased \$2.7 million to \$8.4 million for three months ended June 30, 2024, compared to \$5.7 million for the same period in 2023, primarily due to a decrease additional software and hardware expenses needed for the addition of Lakeland. Net occupancy expense increased \$3.2 million to \$11.1 million for three months ended June 30, 2024, compared to \$7.9 million for the same period in loans approved 2023, primarily due to an increase in depreciation and awaiting closing, maintenance expenses because of the addition of Lakeland.

Non-interest expense totaled \$187.2 million for the six months ended June 30, 2024, an increase of \$53.4 million, compared to \$133.9 million for the six months ended June 30, 2023. Compensation and benefits expense increased \$20.9 million to \$94.9 million for the six months ended June 30, 2024, compared to \$74.0 million for the six months ended June 30, 2023. The increase in compensation and benefits expense was primarily attributable to the addition of Lakeland. Merger-related expenses increased \$18.1 million to \$21.1 million for the six months ended June 30, 2024, compared to \$3.1 million for the six months ended June 30, 2023. Amortization of intangibles increased \$5.7 million to \$7.2 million for the six months ended June 30, 2024, compared to \$1.5 million for the six months ended June 30, 2023, largely due to purchase accounting adjustments related to Lakeland. Additionally, net occupancy expense increased \$3.3 million to \$19.7 million for the six months ended June 30, 2024, compared to the same period in 2023, primarily due to increased depreciation and maintenance expenses because of the addition of Lakeland.

Income Tax Expense. For the three months ended March 31, 2024 June 30, 2024, the Company's income tax expense benefit was \$10.9 million with an effective tax rate of 25.3% \$9.8 million, compared with \$14.5 million with an effective income tax rate expense of 26.3% \$11.6 million for the three months ended March 31, 2023 June 30, 2023. The decrease in tax expense for the three months ended March 31, 2024 June 30, 2024, compared with the same period last year was largely due to a \$5.3 million tax benefit related to the result revaluation of deferred tax assets to reflect the imposition by the State of New Jersey of a 2.5% Corporate Transit Fee, effective January 1, 2024, combined with a decrease in taxable income and in the 2024 sunset quarter as a result of additional expenses from the 2.5% NJ Corporate Business Tax surcharge, while Lakeland merger.

For the six months ended June 30, 2024, the Company's income tax expense was \$1.1 million, compared with \$26.1 million for the six months ended June 30, 2023. The decrease in the effective tax rate expense for the three six months ended March 31, 2024 June 30, 2024, compared with the three months ended March 31, 2023, same period last year was largely due to a \$5.3 million tax benefit related to the 2024 sunset revaluation of deferred tax assets to reflect the imposition by the State of New Jersey of a 2.5% NJ Corporate Business Tax surcharge and Transit Fee, effective January 1, 2024, combined with a decrease in taxable income as a result of additional expenses from the proportion of income derived from taxable sources, Lakeland merger.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Qualitative Analysis. Interest rate risk is the exposure of a bank's current and future earnings and capital arising from adverse movements in interest rates. The guidelines of the Company's interest rate risk policy seek to limit the exposure to changes in interest rates that affect the underlying economic value of assets and liabilities, earnings and capital. To minimize interest rate risk, the Company generally sells all 20- and 30-year fixed-rate residential mortgage loans at origination. The Company retains residential fixed rate mortgages with terms of 15 years or less and biweekly payment residential mortgages with a term of 30 years or less. Commercial real estate loans generally have interest rates that reset in five years, and other commercial loans

such as construction loans and commercial lines of credit reset with changes in the Prime Rate, the Federal Funds Rate, LIBOR or SOFR. Investment securities purchases generally have maturities of five years or less, and mortgage-backed securities have weighted average lives between three and five years.

The Asset/Liability Committee meets at least monthly, or as needed, to review the impact of interest rate changes on net interest income, net interest margin, net income and the economic value of equity. The Asset/Liability Committee reviews a variety of strategies that project changes in asset or liability mix and the impact of those changes on projected net interest income and net income.

The Company's strategy for liabilities has been to maintain a stable core-funding base by focusing on core deposit account acquisition and increasing products and services per household. The Company's ability to retain maturing time deposit accounts is the result of its strategy to remain competitively priced within its marketplace. The Company's pricing strategy may vary depending upon current funding needs and the ability of the Company to fund operations through alternative sources, primarily by accessing short-term lines of credit with the FHLBNY during periods of pricing dislocation.

Quantitative Analysis. Current and future sensitivity to changes in interest rates are measured through the use of balance sheet and income simulation models. The analysis captures changes in net interest income using flat rates as a base, a most likely rate forecast and rising and declining interest rate forecasts. Changes in net interest income and net

income for the forecast period, generally twelve to twenty-four months, are measured and compared to policy limits for acceptable change. The Company periodically reviews historical deposit re-pricing activity and makes modifications to certain assumptions used in its income simulation model regarding the interest rate sensitivity of deposits without maturity dates. These modifications are made to more closely reflect the most likely results under the various interest rate change scenarios. Since it is inherently difficult to predict the sensitivity of interest-bearing deposits to changes in interest rates, the changes in net interest income due to changes in interest rates cannot be precisely predicted. There are a variety of reasons that may cause actual results to vary considerably from the predictions presented below which include, but are not limited to, the timing, magnitude, and frequency of changes in interest rates, interest rate spreads, prepayments, and actions taken in response to such changes.

Specific assumptions used in the simulation model include:

- Parallel yield curve shifts for market rates;
- Current asset and liability spreads to market interest rates are fixed;
- Traditional savings and interest-bearing demand accounts move at 10% of the rate ramp in either direction;
- Retail Money Market and Business Money Market accounts move at 25% and 75% of the rate ramp in either direction respectively, subject to certain interest rate floors; and
- Higher-balance demand deposit tiers and promotional demand accounts move at 50% to 75% of the rate ramp in either direction, subject to certain interest rate floors.

The following table sets forth the results of a twelve-month net interest income projection model as of **March 31, 2024** **June 30, 2024** (dollars in thousands):

Change in interest rates (basis points) - Rate Ramp	Change in interest rates (basis points) - Rate Ramp	Net Interest Income			Change in interest rates (basis points) - Rate Ramp	Net Interest Income			Change in interest rates (basis points) - Rate Ramp	Net Interest Income		
		Dollar Change	Percent Change	Change in interest rates (basis points) - Rate Ramp		Dollar Change	Percent Change	Change in interest rates (basis points) - Rate Ramp		Dollar Change	Percent Change	Change in interest rates (basis points) - Rate Ramp
-300	-300	\$374,256	\$ (10,683)		(2.8)	(2.8)	% 765,372	\$ (3,110)	(0.4)	(0.4)	%	
-200												
-100												
Static												
+100												

The interest rate risk position of the Company remains slightly asset-sensitive. As a result, the preceding table indicates that, as of **March 31, 2024** **June 30, 2024**, in the event of a 100 basis point increase in interest rates, whereby rates ramp up evenly over a twelve-month period, net interest income would increase 0.1% decrease 0.3%, or \$512,000. \$2.3 million. In the event of a 300 basis point decrease in interest rates, whereby rates ramp downward evenly over a twelve-month period, net interest income would decrease 2.8% 0.4%, or \$10.7 million \$3.1 million over the same period. In this downward rate scenario, rates on deposits have a repricing floor of zero.

Another measure of interest rate sensitivity is to model changes in economic value of equity through the use of immediate and sustained interest rate shocks. The following table illustrates the result of the economic value of equity model as of **March 31, June 30,**

2024 (dollars in thousands):

Change in interest rates (basis points)	Change in interest rates (basis points)	Present Value of Equity			Present Value of Equity as Percent of Present Value of Assets	Present Value of Equity as Percent of Present Value of Assets	Change in interest rates (basis points)	Present Value of Equity			Present Value of Equity as Percent of Present Value of Assets	Present Value of Equity as Percent of Present Value of Assets	Present Value Ratio	Percent Change
		Dollar Amount	Dollar Change	Percent Change				Dollar Amount	Dollar Change	Percent Change				
-300	-300	\$1,422,618	\$ (305,270)	(17.7)	(17.7) %	9.8%	(22.5)	% -300	\$2,794,361	\$ (213,485)	(7.1)	(7.1) %	11.0 %	(12.4) %
-200														
-100														
Flat														
Static														
+100														

The preceding table indicates that as of **March 31, 2024** **June 30, 2024**, in the event of an immediate and sustained 100 basis point increase in interest rates, the present value of equity is projected to increase 1.2% decrease 0.6%, or \$20.5 million \$17.3 million. If rates were to decrease 300 basis points, the present value of equity would decrease 17.7% 7.1%, or \$305.3 million \$213.5 million.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes in net interest income requires the use of certain assumptions regarding prepayment and deposit decay rates, which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. While management believes such assumptions are reasonable, there can be no assurance that assumed prepayment rates and decay rates will approximate actual future loan prepayment and deposit withdrawal activity. Moreover, the net interest income table presented assumes that the composition of interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the net interest income table provides an indication of the Company's

interest rate risk exposure at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on the Company's net interest income and will differ from actual results.

Item 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of management, including the Principal Executive Officer and the Principal Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) were evaluated at the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding legal proceedings is incorporated by reference from "Contingencies" in Note 9 to our Consolidated Financial Statements (unaudited) set forth in Part I of this report.

Item 1A. Risk Factors

The risk factors that were previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, have been **supplemented** by the Company in its **Form 10-Q** for the quarter ended March 31, 2024, as follows:

Risk Factors Related to the Pending Merger with Lakeland

The regulatory approvals received for the merger of the Company and Lakeland include conditions and commitments that could in the future have adverse effects on the Company.

The Company and Provident Bank have received approvals from the bank regulatory authorities to consummate the merger with Lakeland, subject to certain Regulatory Conditions. The Regulatory Conditions include, but are not limited to: prior to consummation of the merger, the Company must complete the issuance of \$200 million of Tier 2 qualifying subordinated debt; for three years following consummation of the merger, Provident Bank must maintain regulatory capital ratios at or above 8.50% for Tier 1 Leverage Capital and 11.25% for Total Risk Based Capital; and Provident Bank must maintain its commercial real estate concentrations (as a percent of capital and reserves) at levels at or below those forecasted in the pro forma financial.

projections that Provident Bank submitted to the FDIC. The failure to comply with the Regulatory Conditions following the consummation of the merger could result in supervisory and enforcement actions against the Company and Provident Bank, including the issuance of a cease and desist order or the imposition of civil money penalties, and could constrain the Company's business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to complete the merger could negatively impact us.

If the merger is not completed for any reason, including failure to comply with the applicable Regulatory Conditions, there may be various adverse consequences for us. If the merger is not completed, we may experience negative reactions from the financial markets and from our customers and employees. We also could be subject to litigation or enforcement actions related to any failure to consummate the merger. If the merger is not completed, we will have to pay certain expenses related to the merger and this offering without realizing the expected benefits of the merger. Consequently, the failure to complete the merger could have a material adverse impact on us.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares	(d) Maximum Number of Shares that
			Purchased as Part of Publicly Announced Plans or Programs (1)	May Yet Be Purchased under the Plans or Programs (1)
January 1, 2024 through January 31, 2024	220	\$ 18.13	220	1,061,980
February 1, 2024 through February 29, 2024	—	—	—	1,061,980
March 1, 2024 through March 31, 2024	86,105	14.83	86,105	975,875
Total	86,325	14.84	86,325	

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares	(d) Maximum Number of Shares that
			Purchased as Part of Publicly Announced Plans or Programs (1)	May Yet Be Purchased under the Plans or Programs (1)
April 1, 2024 through April 30, 2024	—	\$ —	—	976,095

May 1, 2024 through May 31, 2024	527	15.17	527	975,568
June 1, 2024 through June 30, 2024	—	—	—	975,568
Total	527	15.17	527	

(1) On December 28, 2021, the Company's Board of Directors approved the purchase of up to 3,900,000 shares of its common stock under a ninth general repurchase program to commence upon completion of the eighth repurchase program. The repurchase program has no expiration date.

Item 3. Defaults Upon Senior Securities.

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information.

(a) During the three months ended **March 31, 2024** **June 30, 2024**, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations.

Item 6. Exhibits.

The following exhibits are filed herewith:

- 2.1 [Agreement and Plan of Merger by and between Provident Financial Services, Inc. and Lakeland Bancorp, Inc. \(Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 27, 2022/File September 27, 2022/File No. 001-31566\)](#)
- 2.2 [Amendment No. 1 to Agreement and Plan of Merger, dated December 20, 2023, by and among Provident Financial Services, Inc., NL 239 Corp. and Lakeland Bancorp, Inc. \(Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 20, 2023/File No. 001-31566\)](#)
- 2.3 [Amendment No. 2 to Agreement and Plan of Merger, dated March 29, 2024, by and among Provident Financial Services, Inc., NL 239 Corp. and Lakeland Bancorp, Inc. \(Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 29, 2024/File No. 001-31566\)](#)
- 3.1 [Certificate of Incorporation of Provident Financial Services, Inc. \(Filed as an exhibit to the Company's Registration Statement on Form S-1, and any amendments thereto, with the Securities and Exchange Commission/Registration No. 333-98241.\)](#)
- 3.2 [Amended and Restated Bylaws of Provident Financial Services, Inc. \(Filed as an exhibit to the Company's December 31, 2011 Annual Report to Stockholders on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012/File May 16, 2024/File No. 001-31566.\)](#)
- 4.1 [Form of Common Stock Certificate of Provident Financial Services, Inc. \(Filed as an exhibit to the Company's Registration Statement on Form S-1, and any amendments thereto, with the Securities and Exchange Commission/Registration No. 333-98241.\)](#)
- 4.2 [Indenture, dated May 13, 2024, between Provident Financial Services, Inc. and Wilmington Trust, National Association, as trustee. \(Filed as Exhibit 4.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 13, 2024/File No. 001-31566.\)](#)

- 4.3 [First Supplemental Indenture, dated May 13, 2024, between Provident Financial Services, Inc. and Wilmington Trust, National Association, as trustee. \(Filed as Exhibit 4.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 13, 2024/File No. 001-31566.\)](#)
- 10.1 [Executive Vice Chairman Agreement, dated as of September 26, 2022, by and between Provident Financial Services, Inc. and Thomas J. Shara. \(Filed as Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 16, 2024/File No. 001-31566.\)](#)
- 10.2 [Change in Control Agreement, dated as of September 26, 2022, by and between Provident Financial Services, Inc. and Thomas J. Shara. \(Filed as Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 13, 2024/File No. 001-31566.\)](#)
- 10.3 [Retention and Award Agreement, dated as of September 26, 2022, by and between Provident Financial Services, Inc. and Thomas J. Shara. \(Filed as Exhibit 10.3 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 13, 2024/File No. 001-31566.\)](#)
- 10.4 [Non-Competition and Non-Solicitation Agreement, dated as of September 26, 2022, by and between Provident Financial Services, Inc. and Thomas J. Shara. \(Filed as Exhibit 10.4 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 13, 2024/File No. 001-31566.\)](#)
- 10.5 [Supplemental Executive Retirement Plan Agreement for Thomas J. Shara, effective as of April 2, 2008, among Lakeland Bancorp, Inc., Lakeland Bank and Thomas J. Shara \(Filed as an Exhibit to Lakeland Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 2008/File No. 000-17820.\)](#)
- 10.6 [Deferred Compensation Agreement, dated February 27, 2015, among Lakeland Bancorp, Inc., Lakeland Bank and Thomas J. Shara \(Filed as an Exhibit to Lakeland Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2015/File No. 000-17820.\)](#)
- 10.7 [Lakeland Bancorp, Inc. 2018 Omnibus Equity Incentive Plan \(Filed as Exhibit 10.1 to Lakeland Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2018/File No. 000-17820.\)](#)
- 10.8 [Amendment to Executive Chairman Agreement between Provident Financial Services, Inc. and Christopher Martin, dated May 28, 2024 \(Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 29, 2024/File No. 000-31566.\)](#)
- 10.9 [Amendment to Change in Control Agreement between Provident Financial Services, Inc. and Christopher Martin, dated May 28, 2024 \(Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 29, 2024/File No. 000-31566.\)](#)
- 10.10 [Change of Control Agreement, dated October 31, 2013, among Lakeland Bancorp, Inc., Lakeland Bank and Timothy J. Matteson \(Filed as Exhibit 10.2 to Lakeland Bancorp, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 18, 2013/File No. 000-17820.\)](#)
- 10.11 [Change in Control Agreement, dated as of April 11, 2016, among Lakeland Bancorp, Inc., Lakeland Bank and James Nigro \(Filed as Exhibit 10.1 to Lakeland Bancorp, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2016/File No. 000-17820.\)](#)
- 10.12 [Deferred Compensation Agreement, dated February 27, 2015, among Lakeland Bancorp, Inc., Lakeland Bank and Thomas J. Shara \(Filed as Exhibit 10.1 to Lakeland Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2015/File No. 000-17820.\)](#)
- 10.13 [Lakeland Bancorp, Inc. Directors' Deferred Compensation Plan, as amended and restated \(Filed as Exhibit 10.6 to Lakeland Bancorp, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2008/File No. 000-17820.\)](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial statements from the Company's Quarterly Report to Stockholders on Form 10-Q for the quarter ended **March 31, 2024** **June 30, 2024**, formatted in iXBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholder's Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 , has been formatted in iXBRL.

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.

PROVIDENT FINANCIAL SERVICES, INC.

Date: April 26, August 8, 2024 By: /s/ Anthony J. Labozzetta
Anthony J. Labozzetta
President and Chief Executive Officer (Principal Executive Officer)

Date: April 26, August 8, 2024 By: /s/ Thomas M. Lyons
Thomas M. Lyons
Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: April 26, August 8, 2024 By: /s/ Adriano M. Duarte
Adriano M. Duarte
Executive Vice President and Chief Accounting Officer

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Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Anthony J. Labozzetta, certify that:

1. I have reviewed this report on Form 10-Q of Provident Financial Services, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - 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 registrant's ability to record, process, summarize and report financial information; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, August 8, 2024

/s/ Anthony J. Labozzetta
Anthony J. Labozzetta
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas M. Lyons, certify that:

1. I have reviewed this report on Form 10-Q of Provident Financial Services, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - 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 registrant's ability to record, process, summarize and report financial information; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, August 8, 2024

/s/ Thomas M. Lyons

Thomas M. Lyons

Senior Executive Vice President and Chief
Financial Officer

Exhibit 32

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Anthony J. Labozzetta, President and Chief Executive Officer, and Thomas M. Lyons, Senior Executive Vice President and Chief Financial Officer of Provident Financial Services, Inc. (the "Company"), each certify in his capacity as an officer of the Company that he has reviewed the quarterly report of the Company on Form 10-Q for the quarter ended March 31, 2024 June 30, 2024 and that to the best of his knowledge:

- (1) the report fully complies with the requirements of Sections 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations.

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002.

Date: April 26, August 8, 2024

/s/ Anthony J. Labozzetta

Anthony J. Labozzetta
President and Chief Executive Officer

Date: April 26, August 8, 2024

/s/ Thomas M. Lyons

Thomas M. Lyons
Senior Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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