FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20006

FORM 10-Q

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

For the quarterly period ended June 30, 2018
OR

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

For transition period from_____to_____

FDIC Certificate Number: 622

amalgamated bank

(Exact name of Registrant as specified in its charter)

New York	**13-4920330**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

275 Seventh Avenue, New York, NY 10001
(Address of principal executive offices) (Zip Code)

(212) 255-6200
(Registrant's telephone number, including area code)

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).
Yes ☐ No ☒

As of September 24, 2018, the Registrant had 31,771,584 shares of Class A common stock outstanding at $0.01 par value per share.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements included in this report that are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words “may,” “will,” “anticipate,” “should,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue,” and “intend,” as well as other similar words and expressions of the future, are intended to identify forward-looking statements. These forward-looking statements include, among others, statements related to growth in our loan portfolio, including that we plan to evaluate the purchase of additional loan pools, our belief that our deferred tax assets are fully realizable, our belief that our sources of liquidity are adequate to meet our current and foreseeable future needs, our plans to meet future cash needs through the generation of deposits, our anticipation that we will not experience any material losses as a result of our conditional commitments and standby letters of credit, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, or business and growth strategies, including anticipated internal growth.

These forward-looking statements involve significant risks and uncertainties that could cause our actual results to differ materially from those anticipated in such statements. Potential risks and uncertainties include, but are not limited to, the following:

- negative reactions to our acquisition of New Resource Bank by our customers, employees and counterparties or difficulties related to the transition of services or merger integration;
- our ability to maintain our bank’s reputation;
- our ability to carry out our business strategy prudently, effectively and profitably;
- our ability to attract customers based on shared values or mission alignment;
- market perceptions associated with certain aspects of our business;
- the one-time cost of becoming and incremental costs of operating as a public company;
- projections on loans, assets, deposits, liabilities, revenues, expenses, net income, capital expenditures, liquidity, dividends, capital structure or other financial items;
- future provisions for loan losses, increases in nonperforming assets, impairment of investments, our allowance for loan losses and our accounting policies with respect to any of these items;
- our asset quality and any loan charge-offs;
- the composition of our loan portfolio;
- our ability to allocate our capital prudently, effectively and profitably;
- our ability to pay dividends;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- our ability to identify and effectively acquire potential acquisition or merger targets, including our ability to be seen as an acquirer of choice and our ability to obtain regulatory approval for any acquisition or merger;
- time and effort necessary to resolve nonperforming assets;
- fluctuations in the values of our assets and liabilities and off-balance sheet exposures;
- our ability to attract and retain customer deposits;
- general economic conditions (both generally and in our markets) may be less favorable than expected, which could result in, among other things, a deterioration in credit quality, a reduction in demand for credit and a decline in real estate values;
- the general decline in the real estate and lending markets, particularly in our market areas, may negatively affect our financial results;
- our ability to raise capital may be impaired if current levels of market disruption and volatility continue or worsen;
- costs or difficulties related to the integration of banks we may acquire may be greater than expected;
- changes in the demand for our products and services;
- other financial institutions having greater financial resources and being able to develop or acquire products that enable them to compete more successfully than we can;
- restrictions or conditions imposed by our regulators on our operations or the operations of banks we acquire may make it more difficult for us to achieve our goals;
- legislative or regulatory changes, including changes in accounting standards and compliance

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requirements, may adversely affect us;

- possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations;
- changes in any applicable law, rule, regulation or practice with respect to tax or legal issues, whether of general applicability or specific to us and our subsidiaries;
- our likelihood of success in, and the impact of, legal, regulatory or other actions, investigations or proceedings relating to our business;
- competitive pressures among depository and other financial institutions may increase significantly;
- changes in the interest rate environment may reduce margins or the volumes or values of the loans we make or have acquired;
- adverse changes in the bond and equity markets;
- our ability to attract and retain key personnel can be affected by the increased competition for experienced employees in the banking industry;
- the possibility of earthquakes and other natural disasters affecting the markets in which we operate;
- war or terrorist activities causing further deterioration in the economy or causing instability in credit markets;
- economic, governmental or other factors may prevent the projected population, residential and commercial growth in the markets in which we operate;
- changes in our assumptions underlying or relating to any of the foregoing; and
- damage to our reputation from any of the factors described in Item 1A, Risk Factors, of Post-Effective Amendment No. 1 to the Bank's Registration Statement on Form 10 filed with the FDIC on August 9, 2018 or in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" of this report.

All forward-looking statements are necessarily only estimates of future results, and there can be no assurance that actual results will not differ materially from expectations, and, therefore, you are cautioned not to place undue reliance on any forward-looking statements, which should be read in conjunction with the other cautionary statements that are included elsewhere in this offering circular. In particular, you should consider the numerous risks described in Item 1A, Risk Factors, of Post-Effective Amendment No. 1 to the Bank's Registration Statement on Form 10 filed with the FDIC on August 9, 2018. Further, any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, unless required to do so under the federal securities laws.

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Part I
Item 1. – Financial Statements
Consolidated Statements of Financial Condition
(Dollars in thousands)

Assets	**As of June 30, 2018**	**As of December 31, 2017**
	(Unaudited)	
Cash and due from banks	$ 20,650	$ 7,130
Interest-bearing deposits in banks	141,369	109,329
Total cash and cash equivalents	162,019	116,459
Securities:		
Available for sale, at fair value	1,119,568	943,359
Held-to-maturity (fair value of $4,124 and $9,718, respectively)	4,123	9,601
Loans held for sale, at fair value	19,272	-
Loans receivable, net of deferred loan origination fees	3,122,064	2,815,878
Allowance for loan losses	(35,353)	(35,965)
Loans receivable, net	3,086,711	2,779,913
Accrued interest and dividends receivable	13,190	11,177
Premises and equipment, net	23,430	22,422
Bank-owned life insurance	78,284	72,960
Deferred tax asset, net	39,652	39,307
Goodwill and other intangible assets	23,021	-
Other real estate owned	844	1,907
Other assets	37,820	44,057
Total assets	$ 4,607,934	$ 4,041,162
Liabilities and Stockholders' Equity		
Deposits	$ 3,962,436	$ 3,233,108
Borrowed funds	141,675	402,605
Accrued interest payable	1,410	1,434
Other liabilities	96,102	59,947
Total liabilities	4,201,623	3,697,094
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock:		
Class B - par value $100,000 per share; 77 shares authorized; 67 shares issued and outstanding as of December 31, 2017	-	6,700
Common Stock:		
Class A - par value $.01 per share; 42,000,000 shares authorized; 31,771,584 and 28,060,980 shares issued and outstanding, respectively (1)	318	281
Additional paid-in capital (1)	300,913	243,771
Retained earnings	118,759	99,506
Total accumulated other comprehensive loss, net of taxes	(13,813)	(6,324)
Total Amalgamated Bank stockholders' equity	406,177	343,934
Noncontrolling interests	134	134
Total stockholders' equity	406,311	344,068
Total liabilities and stockholders' equity	$ 4,607,934	$ 4,041,162

(1) effected for stock split that occurred on July 27, 2018

See accompanying notes to consolidated financial statements

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Consolidated Statements of Income (unaudited)
(Dollars in thousands, except for per share amounts)

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
INTEREST AND DIVIDEND INCOME				
Loans	$ 32,322	$ 27,448	$ 61,496	$ 53,840
Securities	7,374	6,507	13,618	13,019
Federal Home Loan Bank of New York stock	248	357	639	782
Interest-bearing deposits in banks	216	132	651	288
Total interest and dividend income	40,160	34,444	76,404	67,929
INTEREST EXPENSE				
Deposits	2,212	1,811	4,301	3,429
Borrowed funds	1,253	2,841	2,606	6,410
Total interest expense	3,465	4,652	6,907	9,839
NET INTEREST INCOME	36,695	29,792	69,497	58,090
(Release) provision for loan losses	(2,766)	4,066	(1,916)	5,073
Net interest income after provision for loan losses	39,461	25,726	71,413	53,017
NON-INTEREST INCOME				
Trust department fees	4,636	4,478	9,285	9,272
Service charges on deposit accounts	1,991	1,730	3,770	3,467
Bank-owned life insurance	399	420	803	843
Loss on sale of investment securities available for sale, net	(9)	(525)	(110)	(101)
Other than temporary impairment (OTTI) of securities, net	-	10	(2)	10
(Loss) gain on sale of loans, net	(506)	8	(477)	24
(Loss) gain on other real estate owned, net	(486)	13	(513)	(20)
Other	179	191	461	314
Total non-interest income	6,204	6,325	13,217	13,809
NON-INTEREST EXPENSE				
Compensation and employee benefits, net	16,839	6,838	32,215	22,546
Occupancy and depreciation	4,060	5,504	8,062	9,890
Professional fees	2,427	2,171	5,620	4,828
FDIC deposit insurance	576	607	1,131	1,239
Data processing	2,462	2,667	4,798	4,680
Office maintenance and depreciation	927	1,154	1,873	2,151
Amortization of intangible assets	174	-	174	-
Advertising and promotion	871	1,340	1,517	2,009
Borrowed funds prepayment fees	4	6,441	4	7,615
Other	1,798	2,428	3,532	4,678
Total non-interest expense	30,138	29,150	58,926	59,636
Income before provision for income taxes	15,527	2,901	25,704	7,190
Provision for income taxes	3,935	630	6,451	2,069
Net income	11,592	2,271	19,253	5,121
Net income attributable to noncontrolling interests	-	-	-	-
Net income attributable to Amalgamated Bank and subsidiaries	$ 11,592	$ 2,271	$ 19,253	$ 5,121
Earnings per common share - basic and diluted - (1)	$ 0.39	$ 0.08	$ 0.67	$ 0.18

(1) effected for stock split that occurred on July 27, 2018

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income (Loss) (unaudited)
(Dollars in thousands)

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Net income	$ 11,592	$ 2,271	$ 19,253	$ 5,121
Other comprehensive income, net of taxes:				
Net actuarial gain arising during the year	71	61	143	112
Pension plans and other postretirement benefits:				
Reclassification adjustment to pension plans and other postretirement benefits for prior service credit included in net income	(7)	(9,512)	(14)	(9,834)
Net actuarial loss (gain) and prior service credit	64	(9,451)	129	(9,722)
Net unrealized (losses) gains on securities available for sale:				
Unrealized holding (losses) gains	(3,309)	4,744	(10,573)	6,746
Reclassification adjustment for losses realized in income	9	515	112	91
Net unrealized (losses) gains	(3,300)	5,259	(10,461)	6,837
Other comprehensive loss, before tax	(3,236)	(4,192)	(10,332)	(2,885)
Income tax benefit	890	1,810	2,843	1,276
Total other comprehensive loss, net of taxes	(2,346)	(2,382)	(7,489)	(1,609)
Total comprehensive income (loss), net of taxes	$ 9,246	$ (111)	$ 11,764	$ 3,512

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Stockholders' Equity (unaudited)
(Dollars in thousands)

	Preferred Stock Class B	Common Stock Class A (1)	Additional Paid-in Capital (1)	Retained Earnings	Other Comprehensive (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2017	$ 6,700	$ 281	$ 243,771	$ 99,506	$ (6,324)	$ 343,934	$ 134	$ 344,068
Net income	-	-	-	19,253	-	19,253	-	19,253
Acquistion of New Resource Bank	-	37	57,410	-	-	57,447	-	57,447
Retirement of class B preferred stock	(6,700)	-	(268)	-	-	(6,968)	-	(6,968)
Other comprehensive loss net of taxes	-	-	-	-	(7,489)	(7,489)	-	(7,489)
Balance at June 30, 2018	$ -	$ 318	$ 300,913	$ 118,759	$ (13,813)	$ 406,177	$ 134	$ 406,311

	Preferred Stock Class B	Common Stock Class A (1)	Additional Paid-in Capital (1)	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2016	$ 6,700	$ 281	$ 243,771	$ 93,129	$ (2,905)	$ 340,976	$ 134	$ 341,110
Net income	-	-	-	5,121	-	5,121	-	5,121
Other comprehensive loss net of taxes	-	-	-	-	(1,609)	(1,609)	-	(1,609)
Balance at June 30, 2017	$ 6,700	$ 281	$ 243,771	$ 98,250	$ (4,514)	$ 344,488	$ 134	$ 344,622

(1) effected for stock split that occurred on July 27, 2018

See accompanying notes to consolidated financial statements

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Consolidated Statements of Cash Flows (unaudited)
(Dollars in thousands)

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to Amalgamated Bank	$ 19,253	$ 5,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,995	2,345
Amortization of intangible assets	174	-
Deferred income tax expense	6,569	1,815
(Release) provision for loan losses	(1,916)	5,073
Accretion of net deferred loan fees, origination costs and net discount on loans	334	(426)
Net amortization on securities	273	856
OTTI recognized in earnings	2	(10)
Net loss on sale of securities available for sale	110	101
Net loss (gain) on sale of loans	477	(24)
Net loss on sale of other real estate owned	513	20
Proceeds from sales of loans held for sale	1,334	1,381
Decrease (increase) in cash surrender value of bank-owned life insurance	12	(843)
Increase in accrued interest and dividends receivable	(765)	(570)
Increase in other assets	(11,491)	(26,359)
Decrease in accrued interest payable	(24)	(1,778)
Increase (decrease) in other liabilities	31,964	(16,729)
Net cash provided by (used in) operating activities	48,814	(30,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Originations and purchases of loans, net of principal repayments	8,406	(201,313)
Proceeds from sales of loans	4,199	-
Purchase of securities available for sale	(376,357)	(192,187)
Purchase of securities held to maturity	(2,000)	(1,100)
Proceeds from sales of securities available for sale	78,786	163,699
Maturities, principal payments and redemptions of securities available for sale	131,899	131,978
Maturities, principal payments and redemptions of securities held to maturity	7,463	1,181
Net decrease (increase) of Federal Home Loan Bank of New York stock	12,924	(3,545)
Purchases of premises and equipment	(1,002)	(1,252)
Proceeds from sale of other real estate owned	1,152	1,219
Net cash acquired in business combination	31,744	-
Net cash used in investing activities	(102,786)	(101,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	367,430	78,464
Net (decrease) increase in FHLB advances	(260,925)	75,875
Net decrease in repurchase agreements	-	(34,645)
Net decrease in federal funds purchased	(5)	-
Retirement of Class B preferred stock	(6,968)	-
Net cash provided by financing activities	99,532	119,694
Increase (decrease) in cash and equivalents	45,560	(11,653)
Cash and cash equivalents at beginning of year	116,459	140,635
Cash and cash equivalents at end of year	$ 162,019	$ 128,982
Supplemental disclosures of cash flow information:		
Interest paid during the year	$ 6,931	$ 11,617
Income taxes paid during the year	$ 2,510	$ 750
Supplemental non-cash investing activities:		
Loans transferred to other real estate owned	$ 602	$ 224
Fair value of assets acquired	$ 379,138	$ -
Fair value of liabilities assumed	$ 366,218	$ -

See accompanying notes to consolidated financial statements

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1. BASIS OF PRESENTATION

The accounting and reporting policies of Amalgamated Bank (the "Bank") conform to accounting principles generally accepted in the United States of America (GAAP) and predominant practices within the banking industry. The Bank uses the accrual basis of accounting for financial statement purposes.

The accompanying unaudited consolidated financial statements include the accounts of the Bank and its majority-owned and wholly-owned subsidiaries. All significant inter-company transactions and balances are eliminated in consolidation. In the opinion of the Bank's management, all adjustments necessary for a fair presentation of the consolidated financial position and the results of operations for the interim periods presented have been included. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto in the Bank's Audited Financial Statements for the year ended December 31, 2017 included in Post-Effective Amendment No. 1 to the Bank's Registration Statement on Form 10 filed with the FDIC on August 9, 2018.

SUBSEQUENT EVENTS

Stock Split

On July 20, 2018, the Bank announced that its Board of Directors declared a 20-for-1 stock split in the form of a 100% stock split payable on July 27, 2018 to stockholders of record as of the close of business on July 9, 2018 (the "Stock Split"). The Stock Split resulted in an additional 19 shares for every one share held and were paid in shares of Class A common stock on the existing shares of Class A common stock. As of June 30, 2018, prior to the Stock Split, we had 1,588,579 shares of Class A common stock issued and outstanding for the three months ended June 30, 2018. After giving effect to the Stock Split, we had 31,771,584 shares of Class A common stock issued and outstanding, at June 30, 2018. Accounting for the Stock Split resulted in a transfer of recorded balances between our common stock and additional paid-in-capital accounts but had no impact on our total stockholders' equity. The consolidated financial statements reflect the effect of the Stock Split on a current and historical basis and are footnoted where appropriate.

Stock Appreciation Rights Conversion

On July 26, 2018, the Bank converted each of its outstanding Stock Appreciation Rights (SARs) into nonqualified stock option awards on a one-for-one basis, at the same strike price, on the same terms, and on the same vesting schedule as the original SARs awards, after giving effect to the Stock Split. Following the conversion of the 2,342,000 SARs outstanding at June 30, 2018 (or 117,100 SARs outstanding prior to the effect of the Stock Split), the Bank expects to reserve for issuance, pursuant to the converted options, 2,342,000 shares. The conversion will result in the Bank transitioning from a liability, cash settled accounting expense that requires a quarterly update (a variable expense) to a more standard equity settled accounting expense (a fixed expense), and accordingly a change in the award classification from a liability to equity. We do not intend to issue any additional SARs. The converted stock options will be governed by individual option agreements.

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2. RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of Accounting Standards in 2018

In the first quarter of 2018, the Bank adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606) " which implements a common revenue standard that clarifies the principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. While the guidance in ASU 2014-09 supersedes most existing industry-specific revenue recognition accounting guidance, most of the Bank's revenue comes from financial instruments, i.e. loans and securities, which are not within the scope of ASU 2014-09. The following table presents the Bank's non-interest income:

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	2018	2017	2018	2017
Trust department fees	$ 4,636	$ 4,478	$ 9,285	$ 9,272
Service charges on deposit accounts	1,991	1,730	3,770	3,467
Bank-owned life insurance	399	420	803	843
(Loss) Gain on sale of investment securities available for sale, net	(9)	(525)	(110)	(101)
(Loss) Gain on sale of loans	(506)	8	(477)	24
(Loss) Gain on other real estate owned	(486)	13	(513)	(20)
(Loss) Gain on other than temporary impairment (OTTI) of securities	-	10	(2)	10
Other income	179	191	461	314
Total non-interest income	$ 6,204	$ 6,325	$ 13,217	$ 13,809

The Bank determined its trust advisory fee service agreements within Trust department fees and retail banking service charges on deposit accounts within Service charges on deposit accounts are in scope of the amended guidance. The Bank adopted Topic 606 using the modified retrospective method applied to all in scope revenue streams and adoption did not result in a change to the accounting for any in scope revenue streams. As such, no cumulative effect adjustment to retained earnings was recorded at January 1, 2018. Additionally, as a result of the Bank's ongoing assessment of Topic 606, the Bank has determined the recognition, measurement and presentation of services charges on deposit accounts and fees for trust advisory services is in compliance with the amended guidance.

In February 2018, the Financial Accounting Standards Board "”FASB") issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which amended existing guidance to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act ("Tax Act"). Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption, including adoption in an interim period, permitted. The Bank adopted ASU 2018-02 at December 31, 2017 and reclassified $685,000 from accumulated other comprehensive loss to retained earnings.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting", which simplifies several aspects of the stock compensation guidance in Topic 718 and other related guidance. The amendments focus on income tax accounting upon vesting or exercise of share-based payments, award classification, liability classification exception for statutory tax withholding requirements, estimating forfeitures, and cash flow presentation. The Bank's adoption of ASU 2016-09 did not have any impact on the Bank's Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10) – Recognition and Measurements of Financial Assets and Financial Liabilities" which requires that: (i) equity investments with readily determinable fair values must be measured at fair value with changes in fair value recognized in net income, (ii) equity investments without readily determinable fair values must be measured at either fair value or at cost adjusted for changes in observable prices minus impairment with changes in value recognized in net income, (iii) entities that record financial liabilities at fair value due to a fair value option election recognize changes in fair value in OCI if it is related to instrument-specific credit risk, and (iv) entities must assess whether a valuation allowance is required for deferred tax assets related to available-for-sale debt securities. The Bank adopted ASU 2016-01 in the first quarter of 2018 and did not have any effect on the Bank's Consolidated Financial Statements.

Accounting Standards Effective in 2019

In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)". The new lease accounting standard requires the recognition of a right of use asset and related lease liability by lessees for leases classified as operating leases under current GAAP. Topic 842, which replaces the current guidance under Topic 840, retains a distinction between finance leases and operating leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by lessee also will not significantly change from current GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize right of use assets and lease liabilities. The standard is effective for annual reporting periods beginning after December 15, 2018. A modified retrospective transition approach must be applied for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Transition accounting for leases that expired before the earliest comparative period presented is not required. Based on leases outstanding at June 30, 2018, the Bank does not anticipate a material impact on the Bank's Consolidated Statements of Income, but does anticipate an increase in the Consolidated Statements of Financial Condition as a result of recognizing right of use assets and lease liabilities.

Accounting Standards Effective in 2020

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments." ASU 2016-13 significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model and also provides for recording credit losses on available for sale debt securities through an allowance account. ASU 2016-13 also requires certain incremental disclosures. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019. The Bank is currently evaluating the impact of the ASU on its Consolidated Financial Statements.

In June 2016, the FASB amended existing guidance for ASU 2017-04,"Intangibles – Goodwill and Other (Topic 350)", to simplify the subsequent measurement of goodwill. The amendment requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. The amendments also eliminate the requirement for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The amendments are effective for public business entities for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments should be applied prospectively. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments. As a result of the Bank's acquisition of New Resource Bank in the second quarter of 2018, the Bank is evaluating early adoption of the amended guidance. Adoption of ASU 2017-04 is not expected to have a material effect on the Bank's operating results or financial condition.

3. OTHER COMPREHENSIVE INCOME (LOSS)

The Bank records unrealized gains and losses, net of taxes, on securities available for sale in other comprehensive income (loss) in the Consolidated Statements of Changes in Stockholders' Equity. Gains and losses on securities available for sale are reclassified to operations as the gains or losses are recognized. OTTI losses on debt securities are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income (loss). The Bank also recognizes as a component of other comprehensive income (loss) the actuarial gains or losses as well as the prior service costs or credits that arise during the period from post-retirement benefit plans.

Other comprehensive income (loss) components and related income tax effects were as follows:

	Three months ended		Six months ended	
(in thousands)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Change in post retirement obligation	$ 57	$ (9,453)	$ 115	$ (9,726)
Change in other benefit obligation	7	2	14	4
Change in total benefit obligation, before taxes	64	(9,451)	129	(9,722)
Income tax effect	(18)	3,888	(36)	3,989
Net Change in Total Benefit Obligation	46	(5,563)	93	(5,733)
Unrealized holding (losses) gains on available for sale securities	$ (3,309)	$ 4,744	$ (10,573)	$ 6,746
Reclassification adjustment for losses (gains) realized in income	9	515	112	91
Change in unrealized (losses) gains on available for sale securities	(3,300)	5,259	(10,461)	6,837
Income tax effect	908	(2,078)	2,879	(2,713)
Net Change in unrealized gains on available for sale securities	(2,392)	3,181	(7,582)	4,124
Total	$ (2,346)	$ (2,382)	$ (7,489)	$ (1,609)

The following is a summary of the accumulated other comprehensive income (loss) balances, net of income tax:

Details about Accumulated Other Comprehensive Loss (in thousands)	Balance as of January 1, 2018	Current Period Change	Income Tax Effect	Balance as of June 30, 2018
Unrealized losses on benefits plans	$ (2,855)	$ 129	$ (36)	$ (2,762)
Unrealized losses on available for sale securities	$ (3,469)	$ (10,461)	$ 2,879	$ (11,051)
Total	$ (6,324)	$ (10,332)	$ 2,843	$ (13,813)

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The following represents the reclassification out of accumulated other comprehensive loss:

(in thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Affected Line Item in the Consolidated Statements of Income
Realized losses on sale of available for sale securities	$ 9	$ 525	$ 110	$ 101	Loss on sale of investment securities available for sale, net
Recognized losses on OTTI securities	-	(10)	2	(10)	Other than temporary impairment (OTTI) of securities, net
Income tax (benefit)	(2)	(202)	(31)	(35)	Provision for income taxes
Total reclassification, net of income tax	$ 7	$ 313	$ 81	$ 56	
Amortization of prior service credit on pension plans and other postretirement benefits	$ (7)	$ (9,512)	$ (14)	$ (9,834)	Compensation and employee benefits, net
Income tax expense	2	3,744	4	3,870	Provision for income taxes
Total reclassification, net of income tax	$ (5)	$ (5,768)	$ (10)	$ (5,964)	
Total reclassifications, net of income tax	$ 2	$ (5,455)	$ 71	$ (5,908)	

4. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale and held to maturity as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 93,678	$ -	$ (3,015)	$ 90,663
GSE CMOs	215,567	756	(5,639)	210,684
GSE commercial certificates & CMC	224,491	25	(5,452)	219,064
Non-GSE residential certificates	111,035	61	(1,440)	109,656
Non-GSE commercial certificates	48,533	129	(27)	48,635
	693,304	971	(15,573)	678,702
Other debt:				
U.S. Treasury	200	-	(3)	197
ABS	394,910	839	(690)	395,059
Trust preferred	17,951	-	(1,163)	16,788
Corporate	27,450	379	(6)	27,823
Other	1,000	-	(1)	999
	441,511	1,218	(1,863)	440,866
Total available for sale	$ 1,134,815	$ 2,189	$ (17,436)	$ 1,119,568
Held to maturity:				
Mortgage-related:				
GSE commercial certificates	$ -	$ -	$ -	-
GSE residential certificates	667	3	-	670
Non GSE commercial certificates	356	-	-	356
	1,023	3	-	1,026
Other debt	3,100	-	(2)	3,098
Total held to maturity	$ 4,123	$ 3	$ (2)	$ 4,124

As of June 30, 2018, available for sale and held to maturity securities with a fair value of $619,095,000 and $652,000, respectively, were pledged. The majority of the securities were pledged to the Federal Home Loan Bank of New York (FHLBNY) to secure outstanding advances, letters of credit and to provide additional borrowing potential. In addition, securities were pledged to provide capacity to borrow from the Federal Reserve and to collateralize municipal deposits.

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Available for sale:				
Mortgage-related:				
GSE residential certificates	$ 107,893	$ 143	$ (1,586)	$ 106,450
GSE CMOs	171,761	599	(3,138)	169,222
Non-GSE residential certificates	63,194	41	(277)	62,958
GSE commercial certificates	232,585	370	(1,974)	230,981
Non-GSE commercial certificates	31,698	92	(6)	31,784
	607,131	1,245	(6,981)	601,395
Other debt:				
U.S. Treasury	200	-	(2)	198
GSE obligations	-	-	-	-
ABS	275,265	1,694	(140)	276,819
Trust preferred	24,927	-	(1,629)	23,298
Corporate	27,459	1,027	-	28,486
Other	1,000	-	(1)	999
	328,851	2,721	(1,772)	329,800
Equity:				
Access Capital Equity Fund	12,164	-	-	12,164
	12,164	-	-	12,164
Total available for sale	$ 948,146	$ 3,966	$ (8,753)	$ 943,359
Held to maturity:				
Mortgage-related:				
GSE commercial certificates	$ 5,079	$ 86	$ -	$ 5,165
GSE residential certificates	824	36	-	860
Non-GSE commercial certificates	398	24	-	422
	6,301	146	-	6,447
Other debt	3,300	-	(29)	3,271
Total held to maturity	$ 9,601	$ 146	$ (29)	$ 9,718

The following summarizes the amortized cost and fair value of debt securities available for sale and held to maturity, exclusive of mortgage-backed securities, by their contractual maturity as of June 30, 2018. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Due within one year	$ 7,002	$ 7,036	$ -	$ -
Due after one year through five years	14,198	14,280	3,100	3,098
Due after five years through ten years	149,397	148,382	-	-
Due after ten years	270,914	271,168	-	-
	$ 441,511	$ 440,866	$ 3,100	$ 3,098

Proceeds received and gains and losses realized on sales of securities are summarized below:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017
	(In thousands)	
Proceeds	$ 23,941	$ 57,570
Realized gains	$ 20	$ 52
Realized losses	(29)	(577)
Net realized loss	$ (9)	$ (525)

	For the six months ended June 30, 2018	For the six months ended June 30, 2017
	(In thousands)	
Proceeds	$ 78,786	$ 163,699
Realized gains	$ 161	$ 1,058
Realized losses	$ (271)	(1,159)
Net realized loss	$ (110)	$ (101)

The Bank controls and monitors inherent credit risk in its securities portfolio through diversification, concentration limits, periodic securities reviews, and by investing a significant portion of the securities portfolio in U.S. Government sponsored entity (GSE) obligations. GSEs include the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA) and the Small Business Administration (SBA). GNMA is a wholly-owned U.S. Government corporation whereas FHLMC and FNMA are private. Mortgage-related securities may include mortgage pass-through certificates, participation certificates and collateralized mortgage obligations (CMOs).

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The following summarizes the fair value and unrealized losses for those available for sale securities as of June 30, 2018, segregated between securities that have been in an unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve months or longer at the respective dates:

	June 30, 2018					
	Less Than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Mortgage-related:						
GSE residential certificates	$ 21,693	$ (471)	$ 68,970	$ (2,544)	$ 90,663	$ (3,015)
GSE CMOs	87,226	(1,113)	70,090	(4,526)	157,316	(5,639)
GSE commercial certificates	133,043	(2,648)	83,058	(2,804)	216,101	(5,452)
Non-GSE residential certificates	83,691	(1,293)	11,051	(147)	94,742	(1,440)
Non-GSE commercial certificates	10,815	(27)	-	-	10,815	(27)
Other debt:						
US Treasury	-	-	197	(3)	197	(3)
ABS	176,377	(439)	11,552	(251)	187,929	(690)
Trust preferred	-	-	16,788	(1,163)	16,788	(1,163)
Corporate	3,494	(6)	-	-	3,494	(6)
Other	999	(1)	-	-	999	(1)
	$ 517,338	$ (5,998)	$ 261,706	$ (11,438)	$ 779,044	$ (17,436)

The temporary impairment of fixed income securities (mortgage-related securities, U.S. Treasury and GSE securities, trust preferred securities and corporate debt) is primarily attributable to changes in overall market interest rates and/or changes in credit spreads since the investments were acquired. In general, as market interest rates rise and/or credit spreads widen, the fair value of fixed rate securities will decrease, as market interest rates fall and/or credit spreads tighten, the fair value of fixed rate securities will increase.

As of June 30, 2018, excluding GSE and U.S. Treasury securities, temporarily impaired securities totaled $317,866,000 with an unrealized loss of $3,330,000. With the exception of $999,000 which were not rated, the remaining securities were rated investment grade by at least one NRSROs with no ratings below investment grade. All issues were current as to their interest payments. Management considers that the temporary impairment of these investments as of June 30, 2018 is primarily due to an increase in market interest rates since the time these investments were acquired.

During the quarter ended June 30, 2018, the Bank recorded no other-than-temporary impairment (OTTI) loss compared to an OTTI recovery of $10,000 for the quarter ended June 30, 2017. For the six months ended June 30, 2018, the Bank recorded OTTI losses of $2,000 compared to an OTTI recovery of $10,000 for the six months ended June 30, 2017.

For all the Bank's security investments that are temporarily impaired as of June 30, 2018, management does not intend to sell any investments, does not believe it will be necessary to do so and believes the Bank has the ability to hold these investments. As of June 30, 2018, management expects to collect all amounts due according to the contractual terms of these investments. None of these positions or other securities held in the portfolio or sold during the year were purchased with the intent of selling them or would otherwise be classified as trading securities under ASC No. 320, "Investments – Debt and Equity Securities."

Events which may cause material declines in the fair value of debt and equity security investments may include, but are not limited to, deterioration of credit metrics, higher incidences of default, worsening liquidity, worsening global or domestic economic conditions or adverse regulatory action. Management does not believe that there are any cases of unrecorded OTTI as of June 30, 2018; however, it is reasonably possible that the Bank may recognize OTTI in future periods.

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5. LOANS RECEIVABLE, NET

Loans receivable are summarized as follows:

	As of June 30, 2018	As of December 31, 2017
	(In thousands)	
Commercial and industrial	$ 627,113	$ 687,417
Multifamily mortgages	925,483	902,475
Commercial real estate mortgages	436,669	352,475
Construction and land development mortgages	32,727	11,059
Total commercial portfolio	2,021,992	1,953,426
Residential 1-4 family 1st mortgages	958,145	769,058
Residential 1-4 family 2nd mortgages	29,278	31,559
Consumer and other	110,008	61,929
Total retail portfolio	1,097,431	862,546
	3,119,423	2,815,972
Net deferred loan origination costs (fees)	2,641	(94)
	3,122,064	2,815,878
Allowance for loan losses	(35,353)	(35,965)
	$ 3,086,711	$ 2,779,913

Additionally, the Bank had $4,186,000 in residential 1-4 family 1st mortgages held for sale at December 31, 2017, which were comprised entirely of non-accrual loans and were recorded in Other Assets in the Consolidated Statements of Financial Condition. The Bank had no such loans held for sale at June 30, 2018.

The following table presents information regarding the quality of the Bank's loans as of June 30, 2018:

	30-89 Days Past Due	Non-Accrual	90 Days or More Delinquent and Still Accruing Interest	Total Past Due	Current and Not Accruing Interest	Current	Total Loans Receivable
				(In thousands)			
Commercial and industrial	$ -	$ -	$ -	$ -	$ 12,303	$ 614,810	$ 627,113
Multifamily mortgages	-	-	-	-	-	925,483	$ 925,483
Commercial real estate mortgages	-	-	-	-	-	436,669	$ 436,669
Construction and land development mortgages	-	-	-	-	-	32,727	$ 32,727
Total commercial portfolio	-	-	-	-	12,303	2,009,689	2,021,992
Residential 1-4 family 1st mortgages	7,019	5,889	-	12,908	1,041	944,196	$ 958,145
Residential 1-4 family 2nd mortgages	1,965	469	-	2,434	-	26,844	$ 29,278
Consumer and other	55	9	-	64	-	109,944	$ 110,008
Total retail portfolio	9,039	6,367	-	15,406	1,041	1,080,984	1,097,431
	$ 9,039	$ 6,367	$ -	$ 15,406	$ 13,344	$ 3,090,673	$3,119,423

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The following table presents information regarding the quality of the Bank's loans as of December 31, 2017:

	30-89 Days Past Due	Non-Accrual	90 Days or More Delinquent and Still Accruing Interest (1)	Total Past Due	Current and Not Accruing Interest	Current	Total Loans Receivable
				(In thousands)			
Commercial and industrial	$ -	$ -	$ 6,971	$ 6,971	$ 12,569	$ 667,877	$ 687,417
Multifamily mortgages	-	-	-	-	-	902,475	902,475
Commercial real estate mortgages	-	-	-	-	-	352,475	352,475
Construction and land development mortgages	-	-	-	-	-	11,059	11,059
Total commercial portfolio	-	-	6,971	6,971	12,569	1,933,886	1,953,426
Residential 1-4 family 1st mortgages	7,547	5,689	-	13,236	635	755,187	769,058
Residential 1-4 family 2nd mortgages	1,169	780	-	1,949	-	29,610	31,559
Consumer and other	86	26	-	112	-	61,817	61,929
Total retail portfolio	8,802	6,495	-	15,297	635	846,614	862,546
	$ 8,802	$ 6,495	$ 6,971	$ 22,268	$ 13,204	$ 2,780,500	$ 2,815,972

(1) At December 31, 2017, the Bank had five loans with a total outstanding balance of $6,971,000, all related to one relationship that had matured. These loans were well secured and in the process of renewal. The loans all continued to make payments and accrue interest during this period. In the first quarter of 2018, the loan agreements were signed and all loans returned to current status.

In general, a modification or restructuring of a loan constitutes a troubled debt restructuring (TDR) if the Bank grants a concession to a borrower experiencing financial difficulty. Loans modified as TDRs are placed on non-accrual status until the Bank determines that future collection of principal and interest is reasonably assured, which generally requires that the borrower demonstrate performance according to the restructured terms for a period of at least six months. The Bank's TDRs primarily involve rate reductions, forbearance of arrears or extension of maturity. TDRs are included in total impaired loans as of the respective date.

The following table presents information regarding the Bank's TDRs as of June 30, 2018:

	Accruing	Non-Accrual	Total
		(In thousands)	
Residential 1-4 family 1st mortgages	$ 23,105	$ 3,251	$ 26,356
Residential 1-4 family 2nd mortgages	2,455	-	2,455
Commercial real estate mortgages	5,825	-	5,825
Commercial and industrial	-	12,242	12,242
	$ 31,385	$ 15,493	$ 46,878

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The following table presents information regarding the Bank's TDRs as of December 31, 2017:

	Accruing	Non-Accrual (1)	Total
		(In thousands)	
Residential 1-4 family 1st mortgages	$ 24,927	$ 2,216	$ 27,143
Residential 1-4 family 2nd mortgages	2,819	-	2,819
Commercial real estate mortgages	5,900	-	5,900
Commercial and industrial	10,335	12,569	22,904
	$ 43,981	$ 14,785	$ 58,766

(1) Does not include $1,932 in loans held for sale included in Other Assets

The following tables summarize the Bank's loan portfolio by credit quality indicator as of June 30, 2018:

	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
			(In thousands)		
Credit Quality Indicator:					
Pass	$ 566,113	$ 924,490	$ 423,653	$ 32,727	$ 1,946,983
Special Mention	41,751	993	-	-	42,744
Substandard	19,249	-	13,016	-	32,265
	$ 627,113	$ 925,483	$ 436,669	$ 32,727	$ 2,021,992

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
		(In thousands)		
Credit Quality Indicator:				
Pass	$ 952,256	$ 28,809	$ 109,999	$ 1,091,064
Substandard	5,889	469	9	6,367
	$ 958,145	$ 29,278	$ 110,008	$ 1,097,431

The following tables summarize the Bank's loan portfolio by credit quality indicator as of December 31, 2017:

	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
	(In thousands)				
Credit Quality Indicator:					
Pass	$ 647,206	$ 897,506	$ 335,778	$ 11,059	$ 1,891,549
Special Mention	20,039	-	-	-	20,039
Substandard	20,172	4,969	16,697	-	41,838
	$ 687,417	$ 902,475	$ 352,475	$ 11,059	$ 1,953,426

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
	(In thousands)			
Credit Quality Indicator:				
Pass	$ 763,369	$ 30,779	$ 61,903	$ 856,051
Substandard	5,689	780	26	6,495
	$ 769,058	$ 31,559	$ 61,929	$ 862,546

The above classifications follow regulatory guidelines and can be generally described as follows: pass loans are of satisfactory quality; special mention loans have a potential weakness or risk that may result in the deterioration of future repayment; substandard loans are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged (these loans have a well-defined weakness and there is a distinct possibility that the Bank will sustain some loss); doubtful loans, based on existing circumstances, have weaknesses that make collection or liquidation in full highly questionable and improbable. In addition, residential loans are classified utilizing an inter-agency methodology that incorporates the extent of delinquency. Assigned risk rating grades are continuously updated as new information is obtained.

The following table provides information regarding the methods used to evaluate the Bank's loan portfolio for impairment by portfolio as of June 30, 2018:

	Commercial	Retail	Total
		(In thousands)	
Loans receivable:			
Individually evaluated for impairment	$ 18,067	$ 32,816	$ 50,883
Collectively evaluated for impairment	2,003,925	1,064,615	3,068,540
	$ 2,021,992	$ 1,097,431	$ 3,119,423

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The following table provides information regarding the Bank's allowance for loan losses by portfolio based upon the method of evaluating loan impairment as of June 30, 2018:

	Commercial	Retail	Total
		(In thousands)	
Allowance for loan losses:			
Individually evaluated for impairment	$ 7,486	$ 1,687	$ 9,173
Collectively evaluated for impairment	14,745	11,435	26,180
	$ 22,231	$ 13,122	$ 35,353

The following table provides information regarding the methods used to evaluate the Bank's loan portfolio for impairment by portfolio as of December 31, 2017:

	Commercial	Retail	Total
		(In thousands)	
Loans receivable:			
Individually evaluated for impairment	$ 21,201	$ 34,038	$ 55,239
Collectively evaluated for impairment	1,932,225	828,508	2,760,733
	$ 1,953,426	$ 862,546	$ 2,815,972

The following table provides information regarding the Bank's allowance for loan losses by portfolio based upon the method of evaluating loan impairment as of December 31, 2017:

	Commercial	Retail	Total
		(In thousands)	
Allowance for loan losses:			
Individually evaluated for impairment	$ 5,626	$ 1,518	$ 7,144
Collectively evaluated for impairment	18,674	10,147	28,821
	$ 24,300	$ 11,665	$ 35,965

The activities in the allowance for loan losses by portfolio for the three months ended June 30, 2018 are as follows:

	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
	(In thousands)				
Balance at beginning	$ 16,778	$ 4,756	$ 3,194	$ 193	$ 24,921
Provision (release) for loan losses	(2,239)	(171)	(281)	(15)	(2,706)
Charge-offs	(33)	-	-	-	(33)
Recoveries	50	-	-	-	50
Ending Balance	$ 14,556	$ 4,585	$ 2,913	$ 178	$ 22,232

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
	(In thousands)			
Balance at beginning	$ 9,516	$ 2,369	$ 576	$ 12,461
Provision (release) for loan losses	635	(796)	101	(60)
Charge-offs	(8)	(37)	(86)	(131)
Recoveries	149	665	37	851
Ending Balance	$ 10,292	$ 2,201	$ 628	$ 13,121

The activities in the allowance for loan losses by portfolio for the three months ended June 30, 2017 are as follows:

	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
	(In thousands)				
Balance at beginning	$ 19,287	$ 5,123	$ 3,419	$ 137	$ 27,966
Provision (release) for loan losses	1,211	647	(56)	(3)	1,799
Charge-offs	-	-	-	-	-
Recoveries	24	-	-	-	24
Ending Balance	$ 20,522	$ 5,770	$ 3,363	$ 134	$ 29,789

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
	(In thousands)			
Balance at beginning	$ 5,135	$ 3,493	$ 96	$ 8,724
Provision (release) for loan losses	1,380	762	125	2,267
Charge-offs	(492)	(1,503)	(54)	(2,049)
Recoveries	809	616	11	1,436
Ending Balance	$ 6,832	$ 3,368	$ 178	$ 10,378

The activities in the allowance for loan losses by portfolio for the six months ended June 30, 2018 are as follows:

	Commercial and Industrial	Multifamily	Commercial Real Estate	Construction and Land Development	Total Commercial Portfolio
	(In thousands)				
Balance at beginning	$ 15,455	$ 5,280	$ 3,377	$ 188	$ 24,300
Provision (release) for loan losses	(917)	(696)	(463)	(10)	(2,086)
Charge-offs	(33)	-	-	-	(33)
Recoveries	50	-	-	-	50
Ending Balance	$ 14,555	$ 4,584	$ 2,914	$ 178	$ 22,231

	Residential 1-4 Family 1st Mortgages	Residential 1-4 Family 2nd Mortgages	Consumer and Other	Total Retail Portfolio
	(In thousands)			
Balance at beginning	$ 8,582	$ 2,683	$ 400	$ 11,665
Provision (release) for loan losses	1,255	(1,406)	321	170
Charge-offs	(83)	(240)	(176)	(499)
Recoveries	537	1,164	85	1,786
Ending Balance	$ 10,291	$ 2,201	$ 630	$ 13,122

The activities in the allowance for loan losses by portfolio for the six months ended June 30, 2017 are as follows:

	Commercial and Industrial		Multifamily		Commercial Real Estate		Construction and Land Development		Total Commercial Portfolio
	(In thousands)								
Balance at beginning	$	16,069	$	5,299	$	3,665	$	146	$ 25,179
Provision (release) for loan losses		3,284		472		(785)		(14)	2,957
Charge-offs		-		-		-		-	-
Recoveries		1,169		-		483		-	1,652
Ending Balance	$	20,522	$	5,771	$	3,363	$	132	$ 29,788

	Residential 1-4 Family 1st Mortgages		Residential 1-4 Family 2nd Mortgages		Consumer and Other		Total Retail Portfolio
	(In thousands)						
Balance at beginning	$	6,478	$	3,903	$	98	$ 10,479
Provision (release) for loan losses		319		1,604		193	2,116
Charge-offs		(879)		(3,202)		(171)	(4,252)
Recoveries		914		1,065		57	2,036
Ending Balance	$	6,832	$	3,370	$	177	$ 10,379

The following is additional information regarding the Bank's individually impaired loans and the allowance for loan losses related to such loans as of June 30, 2018 and December 31, 2017:

	June 30, 2018			
	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)			
Loans without a related allowance:				
Residential 1-4 family 1st mortgages	$ 3,352	$ 3,745	$ 4,869	$ -
Commercial real estate mortgages	-	-	-	-
Commercial and industrial	-	491	-	-
	3,352	4,236	4,869	-
Loans with a related allowance:				
Residential 1-4 family 1st mortgages	26,356	26,570	29,412	1,283
Residential 1-4 family 2nd mortgages	3,108	3,078	3,108	404
Commercial real estate mortgages	5,825	5,862	5,825	225
Commercial and industrial	12,242	12,288	15,476	7,261
	47,531	47,798	53,821	9,173
Total individually impaired loans:				
Residential 1-4 family 1st mortgages	29,708	30,315	34,281	1,283
Residential 1-4 family 2nd mortgages	3,108	3,078	3,108	404
Commercial real estate mortgages	5,825	5,862	5,825	225
Commercial and industrial	12,242	12,779	15,476	7,261
	$ 50,883	$ 52,034	$ 58,690	$ 9,173

	December 31, 2017			
	Recorded Investment	Average Recorded Investment	Unpaid Principal Balance	Related Allowance
	(In thousands)			
Loans without a related allowance:				
Residential 1-4 family 1st mortgages	$ 4,108	$ 22,219	$ 11,644	$ -
Commercial real estate mortgages	-	4,162	-	-
Commercial and industrial	2,732	1,366	2,732	-
	6,840	27,746	14,376	-
Loans with a related allowance:				
Residential 1-4 family 1st mortgages	27,144	20,038	31,694	1,354
Residential 1-4 family 2nd mortgages	2,786	1,393	2,786	164
Commercial real estate mortgages	5,900	2,950	5,900	300
Commercial and industrial	12,569	14,435	15,814	5,326
	48,399	38,816	56,194	7,144
Total individually impaired loans:				
Residential 1-4 family 1st mortgages	31,252	42,257	43,338	1,354
Residential 1-4 family 2nd mortgages	2,786	1,393	2,786	164
Commercial real estate mortgages	5,900	7,112	5,900	300
Commercial and industrial	15,301	15,801	18,546	5,326
	$ 55,239	$ 66,562	$ 70,570	$ 7,144

As of June 30, 2018 and December 31, 2017, mortgage loans, net of hair-cuts, with an estimated value of $847,170,000 and $814,160,000, respectively, are pledged to the FHLBNY to secure outstanding advances, letters of credit and borrowing capacity.

There were three related party loans outstanding as of June 30, 2018 and three outstanding as of December 31, 2017 with total principal balances of $1,271,000 and $1,286,000, respectively. As of June 30, 2018, all related party loans were current.

6. DEPOSITS

Deposits are summarized as follows (in thousands):

(in thousands)	As of June 30, 2018	As of December 31, 2017
Non-interest bearing demand deposit accounts	$ 1,814,851	$ 1,387,570
Savings accounts	320,767	303,906
Money market deposit accounts	1,214,833	943,514
NOW accounts	189,266	207,018
Time deposits	422,719	391,100
	$ 3,962,436	$ 3,233,108

The scheduled maturities of time deposits as of June 30, 2018 are as follows (in thousands):

Maturities as of June 30, 2018	
Within three months	$ 197,722
After three but within six months	98,360
After six but within twelve months	88,676
After twelve months	37,961
	$ 422,719

Time deposits of $100,000 or more aggregated to $274,119,000 and $237,291,000 as of June 30, 2018 and December 31, 2017, respectively.

From time to time the Bank will issue time deposits through the Certificate of Deposit Account Registry Service (CDARS) for the purpose of providing FDIC insurance to bank customers with balances in excess of FDIC insurance limits. CDARS deposits totaled approximately $141,063,000 and $98,701,000 as of June 30, 2018 and December 31, 2017, respectively. The average balance of such deposits was approximately $106,729,601and $114,201,000 as of June 30, 2018 and the year ended December 31, 2017, respectively.

Total deposits include deposits from Workers United and other related entities in the amounts of $143,984,000 and $77,543,000 as of June 30, 2018 and December 31, 2017, respectively.

Included in total deposits are state and municipal deposits totaling $111,221,000 and $100,630,000 as of June 30, 2018 and December 31, 2017, respectively. Such deposits are secured by letters of credit issued by the FHLBNY or by securities pledged with the FHLBNY.

7. BORROWED FUNDS

Borrowed funds are summarized as follows:

	June 30, 2018		December 31, 2017	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollar amounts in thousands)			
FHLBNY advances	$ 141,675	1.84%	$ 402,600	1.49%
Fed Funds Purchased	$ -	0.00%	$ 5	0.00%
	$ 141,675	1.84%	$ 402,605	1.49%

FHLBNY advances are collateralized by the FHLBNY stock owned by the Bank plus a pledge of other eligible assets comprised of securities and mortgage loans. As of June 30, 2018, the value of the other eligible assets has an estimated market value net of haircut totaling $1,192,386,000 (comprised of securities of $345,216,000 and mortgage loans of $847,170,000). The pledged securities and mortgage loans have been delivered to the FHLBNY. The fair value of assets pledged to the FHLBNY is required to be not less than 110% of the outstanding advances.

The following table summarizes the carrying value of significant categories of borrowed funds as of June 30, 2018 by contractual maturity:

	FHLBNY Advances
	(Dollars in thousands)
2018	$ 70,000
2019	55,100
2020	16,575
2021	-
	$ 141,675

None of the FHLBNY advances are structured to provide the counterparty with the option to require the Bank to prepay the borrowings before maturity. However, the Bank has the option to prepay the borrowings subject to paying a prepayment fee based on market conditions existing at the time of prepayment. During the three and six months ended June 30, 2018 the Bank elected to prepay borrowed funds totaling $60,000,000 and incurred related prepayment fees of approximately $4,000. During the three and six months ended June 30, 2017 the Bank elected to prepay borrowed funds totaling $370,00,000 and $414,645,000 respectively and incurred related prepayment fees of approximately $6,441,000 and $7,615,000 respectively.

8. EARNINGS PER SHARE

The Bank uses the two-class method to calculate basic and diluted earnings per share. Under the two-class method, earnings available to common stockholders for the period are allocated between common stockholders and participating securities according to participation rights in undistributed earnings. Our SARs are not considered participating securities as of June 30, 2018 and the Bank has no other participating securities. As a result, our basic and diluted earnings per share are identical. The presentation of weighted average common shares and earnings per share have been adjusted to give effect to the Stock Split that occurred on July 27, 2018.

The factors used in the earnings per share computation follow:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
(in thousands, except per share data)				
Net income	$ 11,592	$ 2,271	$ 19,253	$ 5,121
Dividends paid on preferred stock	-	-	-	-
Income attributable to common stock	$ 11,592	$ 2,271	$ 19,253	$ 5,121
Weighted average common shares outstanding	29,814	28,061	28,943	28,061
Basic earnings per common share	$ 0.39	$ 0.08	$ 0.67	$ 0.18

9. EMPLOYEE BENEFIT PLANS

Long Term Incentive Plans

All SARs share counts and stock prices in the footnote below have been adjusted to give effect to the Stock Split that occurred on July 28, 2018.

During the six months ended June 30, 2018, the Bank issued 31,671 SARs to the executive management team and directors using a share price of $14.65 per share. The outstanding shares vest evenly over a three-year period and vested SARs are exercisable at the option of the holders until the termination of each tranche after 10 years, beginning in 2025. As of December 31, 2017, the Bank was valued at a range of $14.00 to $15.33 per share using an independent valuation, which was reviewed and approved by the Compensation Committee of the Board of Directors of the Bank. The approximate midpoint of the range, $14.65 per share, was selected by the committee for the value of the SARs at December 31, 2017 for both the exercise of vested SARs and the issuance of new SARs.

A summary of the status of the Bank's stock appreciation rights as of June 30, 2018 follows:

	Numbers of SARs	Weighted Avg Exercise Price	Aggregate Intrinsic Value @ $15.48 / Share (1)
Outstanding, December 31, 2017	2,120,740	$ 12.26	$ 6,827,861
Granted	633,420	14.65	526,689
Exercised	(302,360)	11.90	(1,084,326)
Forfeited	(109,800)	13.95	(168,504)
Outstanding, June 30, 2018	2,342,000	12.88	6,101,720
Vested and Exercisable, June 30, 2018	1,167,500	$ 11.84	$ 4,256,071

(1) The price of $15.48 per share is based on the estimated fair value of the Bank's common equity as of June 30, 2018

The weighted average remaining contractual life of the outstanding SARs at June 30, 2018 is 8.0 years. The weighted average remaining life of the SARs exercisable at June 30, 2018 is 7.2 years. The range of exercise prices is $11.00 to $14.65 per share.

The fair value of each SAR granted in 2018 was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 2.27%, expected life of 6.0 years, and expected volatility of 20%. The volatility percentage was based on the average expected volatility of similar public financial institutions to the Bank. The weighted average fair value of the SARs granted in 2018 was $3.68 per share.

The fair value of each SAR granted in 2017 was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0.0%, risk-free interest rate of 2.10%, expected life of 6.0 years, and expected volatility of 20%. The volatility percentage was based on the average expected volatility of similar public financial institutions to the Bank. The weighted average fair value of the SARs granted in 2017 was $3.40 per share.

Total SAR compensation costs for the three and six months ended June 30, 2018 was $552,000 and $984,000, respectively, and is recorded within the Consolidated Statements of Income. The fair value of all awards outstanding as of June 30, 2018 was $10,067,000. Cash payments of $833,000 were made in the six months ended June 30, 2018 related to the exercise of vested SAR awards at $14.65 per share.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as 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. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. A description of the disclosure hierarchy and the types of financial instruments recorded at fair value that management believes would generally qualify for each category are as follows:

Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities. Accordingly, valuation of these assets and liabilities does not entail a significant degree of judgment. Examples include most U.S. Government securities and exchange-traded equity securities.

Level 2 - Valuations are based on either quoted prices in markets that are not considered to be active or significant inputs to the methodology that are observable, either directly or indirectly. Financial instruments in this level would generally include mortgage-related securities and other debt issued by GSEs, non-GSE mortgage-related securities, corporate debt, certain redeemable fund investments and certain trust preferred securities.

Level 3 - Valuations are based on inputs to the methodology that are unobservable and significant to the fair value measurement. These inputs reflect management's own judgments about the assumptions that market participants would use in pricing the assets and liabilities.

The following summarizes those financial instruments measured at fair value in the consolidated statements of financial condition categorized by the relevant class of investment and level of the fair value hierarchy:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Available for sale securities:				
Mortgage-related:				
GSE residential certificates	$ -	$ 90,663	$ -	$ 90,663
GSE CMOs	-	210,684	-	210,684
GSE commercial certificates & CMO	-	219,064	-	219,064
Non-GSE residential certificates	-	109,656	-	109,656
Non-GSE commercial certificates	-	48,635	-	48,635
Other debt:				
U.S. Treasury	197	-	-	197
ABS	-	395,059	-	395,059
Trust preferred	-	16,788	-	16,788
Corporate	-	27,823	-	27,823
Other	-	999	-	999
Total assets carried at fair value	$ 197	$ 1,119,371	$ -	$ 1,119,568

During the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1 and Level 2 and there were no financial instruments measured at fair value and categorized as Level 3 in the consolidated statement of financial condition.

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The following tables summarize assets measured at fair value on a non-recurring basis:

	June 30, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
			(In thousands)		
Fair Value Measurements:					
Impaired loans	$ 41,710	$ -	$ -	$ 41,710	$ 41,710
Other real estate owned	844	-	-	1,056	1,056

	December 31, 2017				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
			(In thousands)		
Fair Value Measurements:					
Impaired loans	$ 48,095	$ -	$ -	$ 48,095	$ 48,095
Other real estate owned	1,907	-	-	2,527	2,527

A description of the methods, factors and significant assumptions utilized in estimating the fair values for significant categories of financial instruments follows:

- Securities – Investments in fixed income securities are generally valued based on evaluations provided an independent pricing service. These evaluations represent an exit price or their opinion as to what a buyer would pay for a security, typically in an institutional round lot position, in a current sale. The pricing service utilizes evaluated pricing techniques that vary by asset class and incorporate available market information and, because many fixed income securities do not trade on a daily basis, applies available information through processes such as benchmark curves, benchmarking of available securities, sector groupings and matrix pricing. Model processes, such as option adjusted spread models, are used to value securities that have prepayment features. In those limited cases where pricing service evaluations are not available for a fixed income security, management will typically value those instruments using observable market inputs in a discounted cash flow analysis. Held to maturity securities are generally categorized as Level 2.

- Deposits – Deposits without a defined maturity date are valued at the amount payable on demand. Certificates of deposit, which are categorized as Level 2, are valued using a present value technique that incorporates current rates offered by the Bank for certificates of comparable remaining maturity.

- Borrowed funds – FHLBNY advances and repurchase agreements are valued using a present value technique that incorporates current rates offered by the FHLBNY for advances of comparable remaining maturity. FHLBNY advances and repurchase agreements are categorized as Level 2. For senior unsecured debt, management considers that the carrying value of the debt represents a reasonable approximation of fair value.

- FHLBNY stock – FHLBNY stock is a non-marketable equity security categorized as Level 2 and reported at cost, which equals par value (the amount at which shares have been redeemed in the past). No significant observable market data is available for this security.

- Other – The Bank holds or issues other financial instruments for which management considers the carrying value to approximate fair value. Such items include cash and due from banks; interest-bearing deposits in banks, loans held for sale and accrued interest receivable and payable. Many of these items are short term in nature with minimal risk characteristics.

For those financial instruments that are not recorded at fair value in the consolidated statements of financial condition, but are measured at fair value for disclosure purposes, management follows the same fair value measurement principles and guidance as for instruments

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recorded at fair value.

There are significant limitations in estimating the fair value of financial instruments for which an active market does not exist. Due to the degree of management judgment that is often required, such estimates tend to be subjective, sensitive to changes in assumptions and imprecise. Such estimates are made as of a point in time and are impacted by then-current observable market conditions; also such estimates do not give consideration to transaction costs or tax effects if estimated unrealized gains or losses were to become realized in the future. Because of inherent uncertainties of valuation, the estimated fair value may differ significantly from the value that would have been used had a ready market for the investment existed and the difference could be material. Lastly, consideration is not given to nonfinancial instruments, including various intangible assets, which could represent substantial value. Fair value estimates are not necessarily representative of the Bank's total enterprise value.

The following table summarizes the financial statement basis and estimated fair values for significant categories of financial instruments:

	June 30, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
			(In thousands)		
Financial assets:					
Cash and cash equivalents	$ 162,019	$ 162,019	$ -	$ -	$ 162,019
Available for sale securities	1,119,568	197	1,119,371	-	1,119,568
Held to maturity securities	4,123	-	4,124	-	4,124
Loans held for sale	19,272	-	19,272	-	19,272
Loans receivable, net	3,086,711	-	-	3,013,198	3,013,198
FHLBNY stock (1)	9,382	-	9,382		9,382
Accrued interest and dividends receivable	13,190	-	13,190	-	13,190
Financial liabilities:					
Deposits payable on demand	3,539,717	-	3,539,717	-	3,539,717
Time deposits	422,719	-	423,234	-	423,234
Borrowed funds	141,675	-	141,048	-	141,048
Accrued interest payable	1,410	-	1,410	-	1,410

(1) prices not quoted in active markets but redeemable at par.

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	December 31, 2017				
	Carrying Value	Level 1	Level 2	Level 3	Estimated Fair Value
			(In thousands)		
Financial assets:					
Cash and cash equivalents	$ 116,459	$ 116,459	$ -	$ -	$ 116,459
Available for sale securities	943,359	12,362	930,997	-	943,359
Held to maturity securities	9,601	-	9,718	-	9,718
Loans held for sale	-	-	-	-	-
Loans receivable, net	2,779,913	-	-	2,748,875	2,748,875
FHLBNY stock (1)	20,970	-	-	20,970	20,970
Accrued interest and dividends receivable	11,177	-	11,177	-	11,177
Other assets (2)	4,186	-	-	4,186	4,186
Financial liabilities:					
Deposits payable on demand	$ 2,842,008	$ -	$ 2,842,008	$ -	$ 2,842,008
Time deposits	391,100	-	391,341	-	391,341
Borrowed funds	402,605	-	401,844	-	401,844
Accrued interest payable	1,434	-	1,434	-	1,434

(1) prices not quoted in active markets but redeemable at par.

(2) loans held for sale recorded in other assets.

11. COMMITMENTS, CONTINGENCIES AND OFF BALANCE SHEET RISK

Credit Commitments

The Bank is party to various credit related financial instruments with off balance sheet risk. The Bank, in the normal course of business, issues such financial instruments in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated statements of financial condition.

As of June 30, 2018, the following financial instruments were outstanding whose contract amounts represent credit risk:

(in thousands)	**At June 30, 2018**
Commitments to extend credit	$ 211,968
Standby letters of credit	8,453
	$ 220,421

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. These commitments have fixed expiration dates and other termination clauses and generally require the payment of nonrefundable fees. Since a portion of the commitments are expected to expire without being drawn upon, the contractual principal amounts do not necessarily represent future cash requirements. The Bank's maximum exposure to credit risk is represented by the contractual amount of these instruments. These instruments represent ultimate exposure to credit risk only to the extent they are subsequently drawn upon by customers.

Standby letters of credit are conditional lending commitments issued by the Bank to guarantee the financial performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The balance sheet carrying value of standby letters of credit approximates any nonrefundable fees received but not yet recorded as income. The Bank considers this carrying value, which is not material, to approximate the estimated fair value of these financial instruments.

The Bank reserves for the credit risk inherent in off balance sheet credit commitments. This reserve, which is included in other liabilities, amounted to approximately $1,040,000 and $890,000 as of June 30, 2018 and December 31, 2017, respectively.

12. BUSINESS COMBINATIONS

On May 18, 2018, the Bank closed on its acquisition of New Resource Bank, and New Resource Bank merged with and into the Bank. The merger was structured as an all-stock transaction except for the cash out of existing options at the agreed upon price of $9.67 per share. The Bank acquired assets of $411.0 million, on a fair value basis, including $334.0 million in loans, and $21.4 million in investment securities and assumed $361.9 million of deposits as of the acquisition date.

Under the terms of the merger agreement, the Bank acquired New Resource Bank at a purchase price of $58.8 million and issued an aggregate of 3,710,600 common shares (or 185,530 common shares before giving effect to the Stock Split) and $1.3 million in cash in exchange for all the issued and outstanding common stock of New Resource Bank. The Bank recorded goodwill of $14.1 million and a core deposit intangible of $9.1 million, which are not deductible for tax purposes.

The Bank accounted for the acquisition under the acquisition method of accounting in accordance with FASB ASC 805, "Business Combinations." Accordingly, the assets acquired and liabilities assumed were recorded at their respective acquisition date fair values, and identifiable intangible assets were recorded at fair value. The operating results of the Bank for the six-month period ended June 30, 2018 include the operating results of New Resource Bank since the acquisition date of May 18, 2018.

The following allocation is based on the information that was available to make preliminary estimates of the fair value and may change as additional information becomes available and additional analyses are completed. While the Bank believes that the information provides a reasonable basis for estimating the fair values, it expects that it could obtain additional information and evidence during the measurement period that may result in changes to the estimated fair value amounts.

This measurement period ends on the earlier of one year after the acquisition date or the date the Bank receives information about the facts and circumstances that existed at the acquisition date.

The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed:

(in thousands)	**May 18, 2018**
Cash and due from banks	$ 33,085
Securities	21,367
Loans	334,008
Bank owned life insurance	5,336
Core deposit intangible assets	9,071
Other assets	8,015
Total Assets Acquired	$ 410,882
Deposits	$ 361,898
Other liabilities acquired	4,320
Total Liabilities Assumed	$ 366,218
Net assets acquired	44,664
Consideration - stock	57,447
Consideration - cash	1,341
Total Consideration Paid	58,788
Goodwill Recorded on Acquisition	$ 14,124

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The following table reflects the estimated amortization expense, comprised entirely by the Bank's core deposit intangible asset, for the next five years and thereafter:

(in thousands)		
2018 remaining	$	795
2019		1,374
2020		1,370
2021		1,207
2022		1,047
Thereafter		3,104
Total	$	8,897

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

The following discussion and analysis presents information concerning our consolidated financial condition as of June 30, 2018, as compared to December 31, 2017, and our results of operations for the three and six months ended June 30, 2018 and June 30, 2017. This discussion and analysis is best read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this report and in conjunction with the audited consolidated financial statements and related notes as well as the financial and statistical data contained in Post-Effective Amendment No.1 to our Registration Statement on Form 10 filed with the FDIC on August 9, 2018. The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of future results. Historical results of operations and the percentage relationships among any amounts included, and any trends that may appear, may not indicate results of operations for any future periods.

In addition to historical information, this discussion includes certain forward-looking statements regarding business matters and events and trends that may affect our future results. Comments regarding our business that are not historical facts are considered forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in these forward-looking statements. For additional information regarding our cautionary disclosures, see the "*Cautionary Statement Regarding Forward-Looking Statements*" beginning on page i of this report.

Unless we state otherwise or the context otherwise requires, references in this report to "we," "our," "us," the "Bank" and "Amalgamated" refer to Amalgamated Bank and its consolidated subsidiaries as a combined bank following the acquisition of New Resource Bank completed on May 18, 2018. References to our "Registration Statement" in this report refers to Post-Effective Amendment No. 1 to the Bank's Registration Statement on Form 10 filed with the FDIC on August 9, 2018. References to our "Offering Circular" in this report refer to our Offering Circular dated August 8, 2018 and filed as Exhibit 99.1 to our Registration Statement.

Overview

Our business

Amalgamated Bank is a commercial bank and chartered trust company headquartered in New York, New York with approximately $4.6 billion in total assets, $3.1 billion in total loans and $4.0 billion in total deposits as of June 30, 2018. We completed an initial public offering of our Class A common stock in August 2018.

We were formed in 1923 as Amalgamated Bank of New York by the Amalgamated Clothing Workers of America, one of the country's oldest labor unions. Although we are no longer majority union-owned, Amalgamated Clothing Workers of America's successor, Workers United, an affiliate of the Service Employees International Union that represents workers in the textile, pharmaceutical and gaming industries, remains a significant stockholder, holding 40% of our equity immediately following the closing of our initial public offering on August 13, 2018.

We offer a complete suite of commercial and retail banking, investment management and trust and custody services. Our commercial banking and trust businesses are national in scope and we also offer a full range of products and services to both commercial and retail customers through our 12 branch locations across four boroughs of New York City, one branch office in Washington, D.C., one branch in San Francisco, our domestic representative office in Pasadena, California, a loan production office in Boulder, Colorado and our digital banking platform. Our corporate divisions include Commercial Banking, Trust and Investment Management and Consumer Banking. Our product line includes residential mortgage loans, commercial and industrial loans, commercial real estate loans, multifamily mortgages, and a variety of commercial and consumer deposit products, including non-interest bearing accounts, interest-bearing demand products, savings accounts, money market accounts and certificates of deposit. We also offer online banking and bill payment services, online cash management, safe deposit box rentals, debit card and ATM card services and the availability of a nationwide network of ATMs for our customers.

We currently offer a wide range of trust, custody and investment management services, including asset safekeeping, corporate actions, income collections, proxy services, account transition, asset transfers, and conversion management. We also offer a broad range of investment products, including both index and actively-managed funds spanning equity, fixed-income, real estate and alternative investment strategies to meet the needs of our clients. As of June 30, 2018, we oversaw $29.3 billion in assets and managed $11.9 billion in investments.

Our products and services are tailored to our target customer base that wants a financial partner that is socially responsible, values-oriented and committed to creating positive change in the world. These customers include advocacy-based non-profits, social welfare organizations, national labor unions, political organizations, foundations, socially responsible businesses, and other for-profit companies that seek to balance their profit-making activities with activities that benefit their other stakeholders, as well as the members and stakeholders of these commercial customers. Our goal is to be the go-to financial partner for people and organizations who strive to make a meaningful impact in our society and who care about their communities, the environment, and social justice. We have obtained B Corporation ™ certification, a distinction we earned after being evaluated under rigorous standards of social and environmental performance, accountability, and transparency. We are also the largest of ten commercial financial institutions in the United States that are members of the Global Alliance for Banking on Values, a network of banking leaders from around the world committed to advancing positive change in the banking sector.

New Resource Bank acquisition

On May 18, 2018, we closed on our strategic acquisition of New Resource Bank, a California state-chartered bank, which expands our commercial relationships in San Francisco. We believe the acquisition provides us with the opportunity to offer mission-aligned products and services to a new market that we believe is highly concentrated with our target customer base. We acquired $334.0 million in loans, net of purchase accounting adjustments, and assumed $361.9 million in total deposits in the transaction.

Under the terms of the merger agreement, each share of New Resource Bank common stock was converted into the right to receive 0.0315 shares of our Class A common stock. Total consideration paid was approximately $58.8 million consisting of $57.4 million of our Class A common stock. We recorded $14.1 million of goodwill related to the acquisition.

Recent developments

On July 20, 2018, our Board of Directors declared a 20-for-1 stock split payable on July 27, 2018 to stockholders of record as of the close of business on July 9, 2018 (the “Stock Split”). The Stock Split resulted in an additional 19 shares for every one share held and was payable in shares of Class A common stock on the existing shares of Class A common stock.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared based on the application of accounting policies generally accepted in the United States, or GAAP, the most significant of which are described in Note 2 to our audited consolidated financial statements, starting on page F-9 of our Offering Circular. To prepare financial statements in conformity with GAAP, management makes estimates, assumptions and judgments based on available information. These estimates, assumptions and judgments affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements and, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the financial statements. In particular, management has identified accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are critical in understanding our financial statements. Management has presented the application of these policies to the Audit Committee of our Board of Directors.

Additional information about our critical accounting policies and significant estimates can be found in Note 2 of our consolidated financial statements, which are included on page F-9 of our Offering Circular, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” in our Offering Circular.

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Allowance for loan losses

We maintain the allowance for loan losses ("ALLL") at a level we believe is sufficient to absorb probable incurred losses in our loan portfolio. Management determines the adequacy of the allowance based on periodic evaluations of the loan portfolio and other factors, including past loss experience, the results of our ongoing loan grading process, the amount of past due and nonperforming loans, legal requirements, recommendations or requirements of regulatory authorities, and current economic conditions. These evaluations are inherently subjective as they require management to make material estimates, all of which may be susceptible to significant change. Actual losses in any year may exceed allowance amounts. The allowance is increased by provisions charged to expense and decreased by provision released from expense or by actual charge-offs, net of recoveries or previous amounts charged-off.

Our allowance consists of specific and general components. The specific components relate to loans that are individually classified as impaired. Once a loan is deemed to be impaired, we follow guidelines set forth in Accounting Standards Codification ("ASC") No. 310. For loans secured by commercial real estate ("CRE"), we use collateral value as the basis for determining the size of the impairment. Accruing troubled debt restructurings ("TDRs") are generally evaluated based on the cash flow of the property with any shortfall in the stabilized value of the property charged off. We then compare that balance to the 'as is' appraisal value and hold any shortfall as ALLL. Non-accruing loans (TDRs or otherwise) are generally considered collateral dependent via sale of the asset, and we apply the "as is" appraisal less expected cost to sell with any shortfall charged off. For commercial and industrial ("C&I") loans, we generally use discounted cash flow as the basis for determining the size of the impairment and any shortfall is held as a specific reserve.

The general component relates to loans that are not impaired and not individually evaluated. Loans in the general component are grouped into the following homogeneous pools:

- CRE loans;
- multi-family loans;
- construction and land loans;
- C&I;
- leveraged loans for commercial loans;
- consumer/small business;
- purchased student loans;
- purchased SBA Government backed loans
- legacy purchased home equity lines of credit ("HELOCs") and 1-4 family residential loans;
- HELOCs and 1-4 family residential loans originated by us; and
- recently purchased 1-4 family residential loan for retail loans.

The commercial loans are further segmented by risk grade: pass, special mention, and classified. We use a historical look back period to determine loss rates based on our own loss experiences, or, if there is insufficient data, through proxy data. The current lookback period starts in 2010, the earliest time that we have relevant data and will continue to lengthen until we experience a complete economic cycle. Additionally, we apply an estimated loss emergence period (the "LEP") to recognize that an event may have already occurred that has yet to manifest itself as a deterioration in the credit that may eventually lead to a loss. There are three components to the LEP: (1) observable—the observed time from a downgrade or delinquency to a loss; (2) known pre-emergence period—the time from when information becomes available until a downgrade is recorded; and (3) unknown period—the time between when an event (e.g. loss of income source) occurred until it becomes known and impacts the financial situation of the borrower. We also consider qualitative factors that mirror nine environmental factors suggested by the 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses. These factors are reviewed each quarter using empirical data, where it is available and relevant, to guide management's judgment to set the level and direction of risk for each factor. The maximum size is determined annually by looking at the current loss coverage of the ALLL against the historical maximum loss rates during the look back period. We update the loss factors quarterly and the LEP annually. We do not use an unallocated ALLL. Together, the quantitative and qualitative reserves form the general component of the ALLL.

Based on the determination of management, the overall level of allowance is periodically adjusted to account for the inherent and specific risks within the entire portfolio. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. While management uses available information to recognize losses on loans, future additions or reductions in the allowance may be necessary due to changes in one or more evaluation factors, such as management's assumptions as to rates of default, loss or recoveries, or management's intent with regard to disposition or cure options. The amount of the allowance is also affected by the size and composition of the loan portfolio. Based on this assessment, the allowance and allocation are adjusted each quarter. The allowance reflects management's best estimate of the losses that are inherent in the loan portfolio at the balance sheet date. A shift in lending strategy may also warrant a change in the allowance due to a changing credit profile. In addition, various regulatory agencies review our allowance for loan losses and may require us to recognize additions to, or charge-offs against, the allowance based on their judgment about information available to them at the time of their examination.

Significant Accounting Policies and Estimates

Management has also identified accounting policies that, due to the estimates, assumptions and judgments inherent in those policies, are significant in understanding our financial statements. Management has presented the application of these policies to the Audit Committee of our Board of Directors.

Additional information about our significant accounting policies and estimates can be found in Note 2 of our consolidated financial statements, starting on page F-9 of our Offering Circular, and in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies and Estimates*" in our Offering Circular.

Upon the completion of the acquisition of New Resource Bank, we adopted a new accounting policy for Goodwill and Other Intangible Assets. There were no other material changes to our significant accounting policies and estimates during the most recent quarter.

Goodwill and Other Intangible Assets

Goodwill resulting from business combinations is generally determined as the excess of the purchase price paid over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is not amortized, but tested for impairment at least annually, or more frequently if events and circumstances exist that indicate the carrying amount of the asset may be impaired. Goodwill is an intangible asset with an indefinite life on our balance sheet. We have selected May 31 as the date to perform the annual impairment test.

Other intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Core deposit intangible assets are amortized on an accelerated method over their estimated useful lives of ten years.

Segment Reporting

Management monitors the revenue streams for all its various products and services. The identifiable segments are not material and operations are managed and financial performance is evaluated on an overall Bank-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

SELECTED FINANCIAL DATA

The following table sets forth our unaudited selected historical consolidated financial data for the periods and as of the dates indicated. This data should be read in conjunction with the unaudited consolidated financial statements and the notes thereto contained elsewhere in this report and the information contained in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." All share counts and per share numbers have been adjusted to give effect to the Stock Split that occurred on July 27, 2018.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2018	2017	2018	2017
Selected Operating Data:				
Interest income	$ 40,160	$ 34,444	$ 76,404	$ 67,929
Interest expense	3,465	4,652	6,907	9,839
Net interest income	36,695	29,792	69,497	58,090
Provision (recoveries) for loan losses	(2,766)	4,066	(1,916)	5,073
Net interest income after provision for loan losses	39,461	25,726	71,413	53,017
Non-interest income	6,204	6,325	13,217	13,809
Non-interest expense	30,138	29,150	58,926	59,636
Income before income taxes	15,527	2,901	25,704	7,190
Provision for income taxes	3,935	630	6,451	2,069
Net income	$ 11,592	$ 2,271	$ 19,253	$ 5,121

	For the three months ended June 30, (1)		For the six months ended June 30, (1)	
	2018	2017	2018	2017
Selected Financial Ratios and Other Data:				
Earnings				
Basic	$ 0.39	$ 0.08	$ 0.67	$ 0.18
Diluted	0.39	0.08	0.67	0.18
Core Earnings				
Basic	0.40	0.04	0.68	0.16
Diluted	0.40	0.04	0.68	0.16
Book value per common share (excluding minority interest)	12.78	12.28	12.78	12.28
Tangible book value per share	12.06	12.04	12.06	12.04
Common shares outstanding	31,771,580	28,060,980	31,771,580	28,060,980
Weighted average common shares outstanding, basic	29,814,340	28,060,980	28,942,504	28,060,980
Weighted average common shares outstanding, diluted	29,814,340	28,060,980	28,942,504	28,060,980

(1) effected for stock split that occurred on July 27, 2018

(in thousands)	As of June 30, 2018	As of December 31, 2017
Selected Financial Data:		
Total assets	$ 4,607,934	$ 4,041,162
Total cash and cash equivalents	162,019	116,459
Investment securities	1,123,691	952,960
Total net loans	3,086,711	2,779,913
Bank-owned life insurance	78,284	72,960
Total deposits	3,962,436	3,233,108
FHLB advances	141,675	402,605
Total stockholders' equity	406,311	344,068
Total tangible common equity	383,156	337,234

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Selected Performance Metrics:				
Return on average assets	1.07%	0.23%	0.93%	0.26%
Core return on average assets (non-GAAP)	1.10%	0.10%	0.95%	0.23%
Return on average equity	12.31%	2.61%	10.71%	2.96%
Core return on average tangible common equity (non-GAAP)	13.08%	1.20%	11.32%	2.67%
Loan yield	4.33%	4.18%	4.25%	4.18%
Securities yield	2.93%	2.45%	2.88%	2.42%
Deposit cost	0.24%	0.24%	0.25%	0.23%
Net interest margin	3.56%	3.12%	3.50%	3.05%
Efficiency ratio	70.25%	80.71%	71.24%	82.94%
Core efficiency ratio (non-GAAP)	69.51%	85.33%	70.52%	84.14%
Asset Quality Ratios:				
Nonperforming loans to total loans	0.63%	0.83%	0.63%	0.83%
Nonperforming assets to total assets	1.13%	2.07%	1.13%	2.07%
Allowance for loan losses to nonperforming loans	179%	177%	179%	177%
Allowance for loan losses to total loans	1.13%	1.46%	1.13%	1.46%
Net charge-offs (recoveries) to average loans	(0.02%)	0.02%	(0.04%)	0.02%
Capital Ratios:				
Tier 1 leverage capital ratio	8.59%	8.38%	8.59%	8.38%
Tier 1 risk-based capital ratio	12.46%	11.39%	12.46%	11.39%
Total risk-based capital ratio	13.71%	12.64%	13.71%	12.64%
Common equity tier 1 capital ratio	12.46%	11.20%	12.46%	11.20%

GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

We use financial data measures to manage the business that are not measures of financial performance derived from financial statements prepared in accordance with GAAP or performance ratios calculated by using GAAP financial measures. These non-GAAP financial measures or performance ratios are:

- "core operating revenue" is defined as total net interest income plus non-interest income excluding gains and losses on sales of securities and excluding other than temporary impairment charges ("OTTI"). We believe the most directly comparable GAAP financial measure is the total of net interest income and non-interest income.

- "core non-interest expense" is defined as total non-interest expense excluding any prepayment of long-term borrowings, branch closures, costs related to bank acquisitions, restructuring/severance or post-retirement benefit cancellation impacts. We believe the most directly comparable GAAP financial measure is total non-interest expense.

- "core earnings" is defined as net income after tax excluding gains and losses on sales of securities and excluding OTTI, prepayment of long-term borrowings, branch closures, costs related to bank acquisitions, restructuring/severance, post-retirement benefit cancellation, taxes on notable pre-tax items, pension recycling taxes and valuation allowance release. We believe the most directly comparable GAAP financial measure is net income.

- "tangible common equity" and "tangible book value" and are defined as stockholders' equity excluding, as applicable, minority interests, preferred stock, goodwill and core deposit intangibles. We believe that the most directly comparable GAAP financial measure is total stockholders' equity.

- "core return on average assets" is defined as "core earnings " divided by average total assets. We believe the most directly comparable performance ratio derived from GAAP financial measures is return on average assets calculated by dividing net income by average total assets.

- "core return on average tangible common equity" is defined as "core earnings" divided by "average tangible common equity." We believe the most directly comparable performance ratio derived from GAAP financial measures is return on average equity calculated by dividing net income by average total stockholders' equity.

- "core efficiency ratio" is defined as "core non-interest expense" divided by "core operating revenue." We believe the most directly comparable performance ratio derived from GAAP financial measures is an efficiency ratio calculated by dividing total non-interest expense by the sum of net interest income and total non-interest income.

We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP. Specifically, we believe these non-GAAP financial measures (a) allow management and investors to better assess our performance by removing volatility that is associated with discrete items that are unrelated to our core business and (b) enable a more complete understanding of factors and trends affecting our business.

However, we acknowledge that non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Accordingly, these non-GAAP financial measures should not be considered as substitutes for GAAP financial measures, and we strongly encourage investors to review the GAAP financial measures included in this document and not to place undue reliance upon any single financial measure. In addition, because non-GAAP financial measures are not standardized, it may not be possible to compare the non-GAAP financial measures presented in this document with other companies' non-GAAP financial measures having the same or similar names. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use.

The information provided below presents a reconciliation of each of our non-GAAP financial measures to the most directly comparable GAAP financial measure.

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Core operating revenue				
Net interest income (GAAP)	$ 36,695	$ 29,792	$ 69,497	$ 58,090
Non interest income (GAAP)	6,204	6,325	13,217	13,809
Add: Securities loss, net and OTTI	9	514	112	91
Core operating revenue (non-GAAP)	$ 42,908	$ 36,631	$ 82,826	$ 71,990
Core non-interest expenses				
Non-interest expense (GAAP)	$ 30,138	$ 29,150	$ 58,926	$ 59,636
Less: Prepayment fees on borrowings	(4)	(6,441)	(4)	(7,615)
Less: Branch closure expense(1)	-	(1,289)	-	(1,289)
Less: Acquisition cost(2)	(307)		(537)	-
Less: Severance	-	-	23	-
Add: Post-retirement benefit cancellation(3)	-	9,838	-	9,838
Core non-interest expense (non-GAAP)	$ 29,827	$ 31,258	$ 58,408	$ 60,570
Core Earnings				
Net Income (GAAP)	$ 11,592	$ 2,271	$ 19,253	$ 5,121
Add: Securities loss, net and OTTI	9	514	112	91
Add: Prepayment fees on borrowings	4	6,441	4	7,615
Add: Branch closure expense(1)	-	1,289	-	1,289
Add: Acquisition cost(2)	307	-	537	-
Add: Severance	-	-	(23)	-
Less: Post-retirement benefit cancellation(3)	-	(9,838)	-	(9,838)
Less: Tax on notable items	(81)	346	(158)	242
Core earnings (non-GAAP)	$ 11,831	$ 1,023	$ 19,725	$ 4,520
Tangible common equity				
Stockholders Equity (GAAP)	$ 406,311	$ 344,622	$ 406,311	$ 344,622
Less: Minority Interest (GAAP)	(134)	(134)	(134)	(134)
Less: Preferred Stock (GAAP)	-	(6,700)	-	(6,700)
Less: Goodwill (GAAP)	(14,124)	-	(14,124)	-
Less: Core deposit intangible (GAAP)	(8,897)	-	(8,897)	-
Tangible common equity (non-GAAP)	$ 383,156	$ 337,788	$ 383,156	$ 337,788
Core return on average assets				
Core earnings (numerator) (non-GAAP)	11,831	1,023	19,725	4,521
Divided: Total average assets (denominator) (GAAP)	4,333,422	4,018,326	4,194,869	4,025,802
Core return on average assets (non-GAAP)	1.10%	0.10%	0.95%	0.23%
Core return on average tangible common equity				
Core earnings (numerator) (non-GAAP)	11,831	1,023	19,725	4,521
Divided: Total average tangible common equity (denominator) (non-GAAP)	362,765	342,585	351,491	341,759
Core return on average tangible common equity (non-GAAP)	13.08%	1.20%	11.32%	2.67%
Core efficiency ratio				
Core non-interest expense (numerator) (non-GAAP)	29,827	31,258	58,408	60,570
Core operating revenue (denominator) (non-GAAP)	42,908	36,631	82,826	71,990
Core efficiency ratio (non-GAAP)	69.51%	85.33%	70.52%	84.14%

(1) Occupany and severance expense related to closure of branches during our branch rationalization

(2) Consulting and legal expense related to New Resource acquisition

(3) "One time" credit due to plan cancellation in Q2 2017

Results of Operations

General

Our results of operations depend substantially on net interest income and on non-interest income. Other factors contributing to our results of operations include our provisions for loan losses, income taxes, and non-interest expenses.

We had net income for the second quarter of 2018 of $11.6 million, or $0.39 per average diluted share, compared to $2.3 million, or $0.08 per average diluted share, for the second quarter of 2017. The $9.3 million increase in net income for the second quarter of 2018, compared to the second quarter of 2017, was primarily due to a $6.9 million increase in net interest income and a $6.8 million improvement in provision for loan losses, partially offset by a $3.3 million increase in the provision for income taxes.

We had net income for the six months ended June 30, 2018 of $19.3 million, or $0.67 per average diluted share, compared to $5.1 million, or $0.18 per average diluted share, for the six months ended June 30, 2017. The $14.1 million increase in net income for the six months ended June 30, 2018, compared to the six months ended June 30, 2017, was primarily due to an $11.4 million increase in net interest income and a $7.0 million improvement in provision for loan losses, partially offset by a $4.4 million increase in the provision for income taxes.

Net Interest Income

Net interest income, representing interest income less interest expense, is a significant contributor to our revenues and earnings. We generate interest income from interest, dividends and prepayment fees on interest-earning assets, including loans, investment securities and other short-term investments. We incur interest expense from interest paid on interest-bearing liabilities, including interest-bearing deposits, FHLB advances and other borrowings. To evaluate net interest income, we measure and monitor (i) yields on our loans and other interest-earning assets, (ii) the costs of our deposits and other funding sources, (iii) our net interest spread and (iv) our net interest margin. Net interest spread is equal to the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is equal to the annualized net interest income divided by average interest-earning assets. Because non-interest-bearing sources of funds, such as non-interest-bearing deposits and stockholders' equity, also fund interest-earning assets, net interest margin includes the benefit of these non-interest-bearing sources.

Changes in the market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and non-interest-bearing liabilities, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income.

Three Months Ended June 30, 2018 and 2017

The following table sets forth information related to our average balance sheet, average yields on assets, and average costs of liabilities for the periods indicated in accordance with criteria noted above.

(in thousands)	For the Three months ended June 30, 2018 Average Balance	Income / Expense	Yield / Rate	For the Three months ended June 30, 2017 Average Balance	Income / Expense	Yield / Rate
Interest earning assets:						
Interest-bearing deposits in banks	$ 74,668	$ 216	1.16%	$ 77,343	$ 132	0.68%
Securities and FHLB stock	1,045,196	7,622	2.93%	1,121,602	6,864	2.45%
Loans held for sale	28,042	-	0.00%	1,423	-	0.00%
Loans, net (1)	2,991,273	32,322	4.33%	2,634,601	27,448	4.18%
Total interest earning assets	4,139,179	40,160	3.89%	3,834,969	34,444	3.60%
Non-interest earning assets:						
Cash and due from banks	13,825			6,684		
Other assets (2)	180,417			176,673		
Total assets	$ 4,333,422			$ 4,018,326		
Interest bearing liabilities:						
Savings, NOW and money market deposits	$ 1,587,825	$ 1,225	0.31%	$ 1,505,357	$ 985	0.26%
Time deposits	400,778	987	0.99%	437,563	826	0.76%
Total interest bearing deposits	1,988,603	2,212	0.45%	1,942,920	1,811	0.37%
Federal Home Loan Bank advances	291,023	1,253	1.73%	557,951	2,841	2.04%
Total interest bearing liabilities	2,279,626	3,465	0.61%	2,500,871	4,652	0.75%
Non interest bearing liabilities:						
Demand and transaction deposits	1,636,294			1,124,618		
Other liabilities	39,647			43,418		
Total liabilities	3,955,567			3,668,907		
Stockholders' equity	377,855			349,419		
Total liabiliites and stockholders' equity	$ 4,333,422			$ 4,018,326		
Net interest income / interest rate spread		$ 36,695	3.28%		$ 29,792	2.85%
Net interest earning assets / net interest margin	$ 1,859,553		3.56%	$ 1,334,098		3.12%

(1) Amounts are net of deferred origination costs / (fees) and the allowance for loan losses

(2) Includes non performing residential 1-4 family loans of $93 and $400 for the three months ended 2018 and 2017 respectively

Our net interest income was $36.7 million for the second quarter of 2018, an increase of $6.9 million, or 23.2%, from the second quarter of 2017. This increase was primarily attributable to an increase in average net loans of $356.7 million, an increase in the yield on loans of 15 basis points, an increase in average non-interest bearing deposits of $512.0 million, a decrease in funding costs due to the prepayment of high-cost, long-term borrowings in the second quarter of 2017 and a $267.0 million reduction in the average balance of borrowings. We recorded loans acquired in our acquisition of New Resource Bank at fair value, including a credit discount, which is accreted into interest income over the life of the loan. We recognized $0.3 million in accretion income on loans related to our acquisition of New Resource Bank in the second quarter of 2018, or three basis points on our net interest margin.

Our net interest spread was 3.28% for the second quarter of 2018, compared to 2.85% for the second quarter of 2017, an increase of 43 basis points. Our net interest margin was 3.56% for the second quarter of 2018, compared to 3.12% for the second quarter of 2017, an increase of 44 basis points.

The yield on average earning assets was 3.89% for the second quarter of 2018, compared to 3.60% for the second quarter of 2017, an increase of 29 basis points. This increase was driven primarily by a shift in asset composition as average loans, net as a percent of total average assets increased from 66% to 70% from the second quarter of 2017 to the second quarter of 2018 and an increase in yields on all asset classes due to an increasing Federal Funds rate.

The average rate on interest-bearing liabilities was 0.61% for the second quarter of 2018, a decrease of 14 basis points from the second quarter of 2017, which benefited from our prepayment of long-term borrowings in 2017. The average rate paid on interest-bearing deposits was 0.45% for the second quarter of 2018, an increase of eight basis points from the second quarter of 2017, which was primarily due to an increase in deposit rates in response to an increasing Federal Funds rate. Noninterest-bearing deposits represented 45% of average deposits for the three months ended June 30, 2018, contributing to a total cost of deposits of 0.24% in the second quarter of 2018.

Six Months Ended June 30, 2018 and 2017

The following table sets forth information related to our average balance sheet, average yields on assets, and average costs of liabilities for the periods indicated in accordance with criteria noted above.

(in thousands)	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate
Interest earning assets:						
Interest-bearing deposits in banks	$ 74,872	$ 651	1.75%	$ 96,055	$ 288	0.60%
Securities and FHLB stock	997,932	14,257	2.88%	1,148,113	13,801	2.42%
Loans held for sale	14,607	-	0.00%	715	-	0.00%
Loans, net (1)	2,918,726	61,496	4.25%	2,595,687	53,840	4.18%
Total interest earning assets	4,006,137	76,404	3.85%	3,840,570	67,929	3.57%
Non-interest earning assets:						
Cash and due from banks	10,385			6,687		
Other assets(2)	178,347			178,545		
Total assets	$ 4,194,869			$ 4,025,802		
Interest bearing liabilities:						
Savings, NOW and money market deposits	$ 1,539,029	$ 2,357	0.31%	$ 1,498,903	$ 1,763	0.24%
Time deposits	393,557	1,944	1.00%	455,510	1,666	0.74%
Total interest bearing deposits	1,932,586	4,301	0.45%	1,954,413	3,429	0.35%
Federal Home Loan Bank advances	325,371	2,606	1.62%	588,485	6,378	2.19%
Other Borrowings	-	-	-	3,051	32	2.13%
Total interest bearing liabilities	2,257,957	6,907	0.62%	2,545,949	9,839	0.78%
Non interest bearing liabilities:						
Demand and transaction deposits	1,530,460			1,085,798		
Other liabilities	43,975			45,462		
Total liabilities	3,832,392			3,677,209		
Stockholders' equity	362,477			348,593		
Total liabiliites and stockholders' equity	$ 4,194,869			$ 4,025,802		
Net interest income / interest rate spread		$ 69,497	3.23%		$ 58,090	2.79%
Net interest earning assets / net interest margin	$ 1,748,180		3.50%	$ 1,294,621		3.05%

(1) Amounts are net of deferred origination costs / (fees) and the allowance for loan losses

(2) Includes non performing residential 1-4 family loans of $1,496 and $339 for the six months ended 2018 and 2017 respectively

Our net interest income was $69.5 million for the first six months of 2018, an increase of $11.4 million, or 19.6%, from the first six months of 2017. This increase was primarily attributable to an increase in average net loans of $323.0 million, an increase in the yield on loans of seven basis points, an increase in average non-interest bearing deposits of $445.0 million, a decrease in funding costs due to the prepayment of high-cost, long-term borrowings in the first half of 2017 and a $263.0 million reduction in the average balance of borrowings. We recognized $0.3 million in accretion income on loans related to our acquisition of New Resource Bank in the second quarter of 2018, or one basis point on our net interest margin.

Our net interest spread was 3.23% for the first six months of 2018, compared to 2.79% for the first six months of 2017, an increase of 44 basis points. Our net interest margin was 3.50% for the first six months of 2018, compared to 3.05% for the first six months of 2017, an increase of 45 basis points.

The yield on average earning assets was 3.85% for the first six months of 2018, compared to 3.57% for the first six months of 2017, an increase of 28 basis points. This increase was driven primarily by a shift in asset composition as average loans, net as a percent of total average assets increased from 65% to 70% from the first six months of 2017 to the first six months of 2018 and an increase in yields on all asset classes due to an increasing Federal Funds rate.

The average rate on interest-bearing liabilities was 0.62% for the first six months of 2018, a decrease of 16 basis points from the first six months of 2017, which was benefited by the prepayment of long-term borrowings in 2017. The average rate paid on interest-bearing deposits was 0.45% for the first six months of 2018, an increase of 10 basis points from the first six months of 2017, which was primarily due to an increase in deposit rates in response to an increasing Federal Funds rate. Noninterest-bearing deposits represented 44% of average deposits for the six months ended June 30, 2018, contributing to a total cost of deposits of 0.25% in the first half of 2018.

Rate-Volume Analysis

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in weighted average interest rates (rates). The table below presents the effect of volume and rate changes on interest income and expense. Changes in volume are changes in in the average balance multiplied by the previous period's average rate. Changes in rate are changes in the average rate multiplied by the average balance from the previous period. The net changes attributable to the combined impact of both rate and volume have been allocated proportionately to the changes due to volume and the changes due to rate.

	Three Months Ended June 30, 2018 vs June 30, 2017			Six Months Ended June 30, 2018 vs June 30, 2017		
(in thousands)	Change Attributable To			Change Attributable To		
	Volume	Rate	Total Increase	Volume	Rate	Total Increase
Interest earning assets:						
Interest-bearing deposits in banks	$ (2,675)	0.48%	$ 84	$ (21,183)	1.15%	$ 363
Securities and FHLB stock	(76,406)	0.48%	758	(150,181)	0.46%	456
Loans held for sale	26,619	0.00%	-	13,892	0.00%	-
Loans, net	356,672	0.15%	4,874	323,039	0.07%	7,655
Total interest earning assets	304,210	0.29%	5,716	165,567	0.28%	8,474
Interest bearing liabilities:						
Savings, NOW and money market deposits	82,468	0.05%	240	40,125	0.07%	594
Time deposits	(36,785)	0.23%	161	(61,953)	0.26%	278
Federal Home Loan Bank advances	(266,928)	(0.31%)	(1,588)	(263,114)	(0.57%)	(3,772)
Other Borrowings	-	-	-	(3,051)	(2.13%)	(32)
Total interest bearing liabilities	$ (221,245)	(0.14%)	$ (1,187)	$ (287,993)	(0.16%)	$ (2,932)

Provision for Loan Losses

We establish an allowance for loan losses through a provision for loan losses charged as an expense in our Consolidated Statements of Income. The provision for loan losses is the amount of expense that, based on our judgment, is required to maintain the allowance for loan losses at an adequate level to absorb probable losses inherent in the loan portfolio at the balance sheet date and that, in management's judgment, is appropriate under GAAP. Our determination of the amount of the allowance for loan losses and corresponding provision for loan losses considers ongoing evaluations of the credit quality and level of credit risk inherent in our loan portfolio, levels of nonperforming loans and charge-offs, statistical trends and economic and other relevant factors. The allowance is increased by provisions charged to expense and decreased by provision released from expense or by actual charge-offs, net of recoveries on prior loan charge-offs. We did not carryover an allowance for loan losses on any loans acquired in our acquisition of New Resource Bank because we recorded all acquired loans at fair value at the date of the acquisition.

Our provisions for loan losses totaled a release of $2.8 million and an expense of $4.1 million for the three months ended June 30, 2018 and 2017, respectively. The provision release in the second quarter of 2018 was primarily driven by the strategic reduction of balances of higher-factor C&I and leveraged loans, and reductions in loss rates due to net recoveries of $0.7 million. The provision in the second quarter of 2017 was primarily due to an increase of $3.4 million in specific reserves on two C&I loans, and delinquency-related increases in residential 1-4 family (1st lien) mortgage factors.

Our provisions for loan losses totaled a release of $1.9 million and an expense of $5.1 million for the six months ended June 30, 2018 and 2017, respectively. The provision release in the first half of 2018 was driven by the strategic reduction in C&I and leveraged loans, while the provision in the second half of 2017 was primarily due to $8.3 million of specific reserves on C&I loans.

For a further discussion of the allowance for loan losses, see "*Allowance for Loan Losses*" below.

Non-Interest Income

Our non-interest income primarily includes trust department fees, which consist of fees received in connection with investment advisory and custodial management services of investment accounts, service fees charged on deposit accounts, gain or loss on the sale of loans, fixed assets and investment securities available for sale, gain or loss on other real estate owned, and income on bank-owned life insurance.

Our investment management business earns fees from a real estate fund that will wind down over the next few years. This fund generated $2.1 million in fees during the first six months of 2018. We expect that management fees from this real estate fund will decline as properties are liquidated until the fund is closed.

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

(in thousands)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Trust department fees	$ 4,636	$ 4,478	$ 9,285	$ 9,272
Service charges on deposit accounts	1,991	1,730	3,770	3,467
Bank-owned life insurance	399	420	803	843
(Loss) Gain on sale of investment securities available for sale, net	(9)	(525)	(110)	(101)
(Loss) Gain on sale of loans	(506)	8	(477)	24
(Loss) Gain on other real estate owned	(486)	13	(513)	(20)
(Loss) Gain on other than temporary impairment (OTTI) of securities	-	10	(2)	10
Other income	179	191	461	314
Total non-interest income	$ 6,204	$ 6,325	$ 13,217	$ 13,809

Three months ended June 30, 2018 and 2017

Our non-interest income decreased to $6.2 million for the second quarter of 2018, down $0.1 million, or 1.9%, from $6.3 million from the second quarter of 2017. The decrease was primarily due to the loss on the sale of one C&I loan and loss on the sales of foreclosed 1-4 family residential properties, which was partially offset by lower losses on the sales of investment securities and higher fees from custody and investment management services (included within trust department fees) and service charges on deposit accounts.

Trust Department fees. Trust Department fees consist of fees we receive in connection with our investment advisory and custodial management services of investment accounts. Our trust department fees were $4.6 million in the second quarter of 2018, an increase of $0.2 million, or 3.5%, from the second quarter of 2017, primarily due to increases in the number of clients and assets under management.

Service charges on deposit accounts. Service charges on deposit accounts were $2.0 million in the second quarter of 2018, an increase of $0.3 million, or 15.1%, from the second quarter of 2017, primarily due to increases in the number of customers and customer activity.

Loss on sale of investment securities. We had net losses on the sale of investment securities of $9,000 in the second quarter of 2018, compared to a net loss of $0.5 million in the second quarter of 2017. The decrease in net losses of $0.5 million was primarily due to our decision in 2017 to sell more securities at a loss position as compared to the second quarter of 2018.

(Loss) Gain on sale of loans. We had net losses on the sale of loans of $0.5 million in the second quarter of 2018, compared to a gain of $8,000 in the second quarter of 2017. The loss of $0.5 million was primarily due to our decision to sell one C&I loan from the Indirect Lending portfolio below its purchase price in the second quarter of 2018.

(Loss) Gain on other real estate owned. We had net losses on the sale of foreclosed residential properties of $0.5 million in the second quarter of 2018, compared to a gain of $13,000 in the second quarter of 2017. The loss of $0.5 million was primarily due to the sale price of these properties being lower than our fair value estimate.

Six months ended June 30, 2018 and 2017

Our non-interest income decreased to $13.2 million for the first six months of 2018, down $0.6 million, or 4.3%, from $13.8 million for the first six months of 2017. The decrease was primarily due to the loss on the sale of one C&I loan and loss on the sales of foreclosed 1-4 family residential properties, which was partially offset by increased fee income from service charges on deposit accounts.

Service charges on deposit accounts. Service charges on deposit accounts were $3.8 million in the first six months of 2018, an increase of $0.3 million, or 8.8%, from the first six months of 2017, primarily due to increases in the number of customers and customer activity.

(Loss) Gain on sale of loans. We had net losses on the sale of loans of $0.5 million in the first six months of 2018, compared to a gain of $24,000 in the first six months of 2017. The loss of $0.5 million was primarily due to our decision to sell one C&I loan from the Indirect Lending portfolio below its purchase price in the second quarter of 2018.

Loss on other real estate owned. We had net losses on the sale of foreclosed residential properties of $0.5 million in the first six months of 2018, compared to a loss of $20,000 in the first six months of 2017. The loss of $0.5 million was primarily due to the sale price of these properties being lower than our fair value estimate.

Non-Interest Expense

Non-interest expense includes salary and employee benefits, occupancy and depreciation expense, legal, accounting and other professional services, regulatory assessments, data processing, advertising and promotion, and other expenses. Management monitors the ratio of non-interest expense to total revenues (net interest income plus non-interest income), which is commonly known as the efficiency ratio. Additionally, management monitors our core efficiency ratio. See "*GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures*" above. We decided not to raise primary capital in our initial public offering. We anticipate recorded expenses of approximately $3.4 million related to our initial public offering in the third quarter of 2018.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2018	2017	2018	2017
Compensation and employee benefits	$ 16,839	$ 6,838	$ 32,215	$ 22,546
Occupancy and depreciation	4,060	5,504	8,062	9,890
Professional fees	2,427	2,171	5,620	4,828
FDIC deposit insurance	576	607	1,131	1,239
Data processing	2,462	2,667	4,798	4,680
Office maintenance and depreciation	927	1,154	1,873	2,151
Advertising and promotion	871	1,340	1,517	2,009
Prepayment fees on borrowings	4	6,441	4	7,615
Other	1,972	2,428	3,706	4,678
Total non-interest expense	$ 30,138	$ 29,150	$ 58,926	$ 59,636

Three months ended June 30, 2018 and 2017

Our non-interest expense increased to $30.1 million for the second quarter of 2018, up $1.0 million, or 3.4%, from $29.1 million for the second quarter of 2017. The increase was primarily due to the absence of the retirement plan cancellation credit which occurred in the second quarter of 2017, partially offset by the absence of prepayment penalties on borrowings which also occurred in the second quarter of 2017 and by lower occupancy expense in 2018 due to the closure of branch locations in 2017.

Compensation and employee benefits. Compensation and employee benefit costs are the largest component of our non-interest expense and include employee payroll expense, incentive compensation, pension plan expenses, health benefits and payroll taxes. Compensation and employee benefits increased to $16.8 million for the second quarter of 2018, up $10.0 million, or 146%, from the second quarter of 2017, primarily as a result of a $9.9 million credit to benefit expense in the second quarter of 2017 related to the cancellation of a legacy benefit plan which had been curtailed in 2012 and due to the impact of the New Resource Bank acquisition in the second quarter of 2018.

Occupancy and depreciation. Rent, real-estate taxes, depreciation and maintenance comprise the majority of occupancy and depreciation expense. Occupancy and depreciation expense decreased to $4.1 million in the second quarter of 2018, down $1.4 million, or 26.2%, due to the one-time expense of branch closures in the second quarter of 2017 and the benefit resulting from having fewer branches in the second quarter of 2018 compared to the second quarter of 2017.

Professional fees. Professional fees include consulting, legal, audit, and trust sub-advisor fees. Professional fees increased to $2.4 million in the second quarter of 2018, up $0.3 million, or 11.8%, from the second quarter of 2017. The increase was primarily due to higher consulting, legal and accounting expenses related to our acquisition of New Resource Bank.

Advertising and promotion. Advertising and promotion expense includes marketing campaigns, client events, promotions and grants that build the brand of the Bank and facilitate customer acquisition. Advertising and promotion expense decreased to $0.9 million in the second quarter of 2018, down $0.5 million, or 35.0%, from the second quarter of 2017. The decrease in the period was primarily due to the timing of spending throughout the year and lower run rate spend on advertising.

Prepayment penalties on borrowings. Prepayment penalties on borrowings are fees that we pay to terminate borrowings before their contractual maturity. We have only paid these fees to terminate fixed rate borrowings with above market rates. We had $4,000 in borrowed funds prepayment fees for the second quarter of 2018, compared to $6.4 million in the second quarter of 2017. The decrease was due to the fact that we have substantially prepaid all remaining long-term borrowings as of the second quarter of 2017. We do not expect to have any material future expense related to the prepayment of borrowings.

Other. Other expense includes off balance sheet provision, corporate insurance, loan workout expense, fraud and operating losses, travel and entertainment, and other miscellaneous expenses. Other expense decreased to $2.0 million in the second quarter of 2018, down $0.5 million, or 18.8%, from the second quarter of 2017, due primarily to the recovery of expenses advanced on foreclosed properties, lower fraud losses and lower recruiting and telecommunications expenses, partially offset by a lower release of off balance sheet provision and the amortization of the core deposit intangible related to our acquisition of New Resource Bank.

Six months ended June 30, 2018 and 2017

Our non-interest expense decreased to $58.9 million for the first six months of 2018, down $0.7 million, or 1.2%, from $59.6 million for the first six months of 2017. The decrease was primarily due to the absence of prepayment penalties on borrowings which occurred in the second quarter of 2017 and lower occupancy expense in 2018 due to the closure of branch locations in 2017. The decreases were partially offset by the absence of the retirement plan cancellation credit which occurred in the second quarter of 2017.

Compensation and employee benefits. Compensation and employee benefits increased to $32.2 million for the first six months of 2018, up $9.7 million, or 42.9%, from the first six months of 2017, primarily as a result of a $9.9 million credit to benefit expense in the second quarter of 2017 related to the cancellation of a legacy benefit plan which had been curtailed in 2012 and due to the impact of the New Resource Bank acquisition in the second quarter of 2018.

Occupancy and depreciation. Occupancy and depreciation expense decreased to $8.1 million in the first six months of 2018, down $1.8 million, or 18.5%, due to the one-time expense of branch closures in the second quarter of 2017 and the benefit resulting from having fewer branches in the first six months of 2018 compared to the first six months of 2017.

Professional fees. Professional fees increased to $5.6 million in the first six months of 2018, up $0.8 million, or 16.4%, from the first six months of 2017. The increase was primarily due to higher consulting, legal and accounting expenses related to our acquisition of New Resource Bank.

Advertising and promotion. Advertising and promotion expense decreased to $1.5 million in the first six months of 2018, down $0.5 million, or 24.5%, from the first six months of 2017. The decrease was primarily due to the timing of spending throughout the year and lower run rate spend on advertising.

Prepayment penalties on borrowings. We have only paid these fees to terminate fixed rate borrowings with above market rates. We had $4,000 in borrowed funds prepayment fees for the first six months of 2018, compared to $7.6 million in the first six months of 2017. The decrease was due to the fact that we have substantially prepaid all remaining long-term borrowings as of the second quarter of 2017. We do not expect to have any material future expense related to the prepayment of borrowings.

Other. Other expense decreased to $3.7 million in the first six months of 2018, down $1.0 million, or 20.8%, from the first six months of 2017, due primarily to the recovery of expenses advanced on foreclosed properties, lower fraud losses and lower recruiting and telecommunications expenses, partially offset by a lower release of off balance sheet provision and the amortization of the core deposit intangible related to our acquisition of New Resource Bank.

Income Taxes

Three months ended June 30, 2018 and 2017

We had income tax expense of $3.9 million for the three months ended June 30, 2018, compared to $0.6 million for the three months ended June 30, 2017. The $3.3 million increase in income tax expense was primarily due to an increase in pre-tax earnings of $12.6 million in the three months ended June 30, 2018, compared to the three months ended June 30, 2017. Our effective tax rate was 25.3% for the three months ended June 30, 2018, compared to 21.7% for the three months ended June 30, 2017. The effective tax rate for the three months ended June 30, 2017 was impacted by the tax effect related to a credit to benefits expense resulting from the cancellation of a legacy retirement plan. Our tax rate in 2018 also benefited from the change in federal statutory tax rate enacted in December 2017.

Six months ended June 30, 2018 and 2017

We had income tax expense of $6.5 million for the six months ended June 30, 2018, compared to $2.1 million for the six months ended June 30, 2017. The $4.4 million increase in income tax expense was primarily due to an increase in pre-tax earnings of $18.5 million in the six months ended June 30, 2018, compared to the six months ended June 30, 2017. Our effective tax rate was 25.1% for the six months ended June 30, 2018, compared to 28.8% for the six months ended June 30, 2017. The effective tax rate for the six months ended June 30, 2017 was impacted by the tax effect related to a credit to benefits expense resulting from the cancellation of a legacy retirement plan during the second quarter. Our tax rate in 2018 also benefited from the change in federal statutory tax rate enacted in December 2017

Financial Condition

Balance Sheet

Our total assets were $4.6 billion at June 30, 2018, compared to $4.0 billion at December 31, 2017. The $566.8 million increase was driven primarily by the addition of $410.9 million in total assets acquired, net of fair value adjustments, in our acquisition of New Resource Bank, and growth in investment securities of $170.7 million. Our total loans, net, were $3.1 billion at June 30, 2018, compared to $2.8 billion at December 31, 2017. The increase of $0.3 billion was driven primarily by the $334.0 million of loans acquired, net of fair value adjustments, in our acquisition of New Resource Bank.

Investment Securities

The primary goal of our securities portfolio is to maintain an available source of liquidity and an efficient investment return on excess capital, while maintaining a low risk profile. We also use our securities portfolio to manage interest rate risk, meet Community Reinvestment Act goals and to provide collateral for certain types of deposits or borrowings. An investment committee chaired by our chief financial officer manages our investment securities portfolio according to written investment policies approved by our Board of Directors. Investments in our securities portfolio may change over time based on management objectives and market conditions.

We seek to minimize credit risk in our securities portfolio through diversification, concentration limits, restrictions on high risk investments (such as subordinated positions), comprehensive pre-purchase analysis and stress testing, ongoing monitoring and by investing a significant portion of our securities portfolio in U.S. Government sponsored entity ("GSE") obligations. GSEs include the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Small Business Administration. GNMA is a wholly-owned U.S. Government corporation whereas FHLMC and FNMA are private corporations controlled by the U.S. Government. Mortgage-related securities may include mortgage pass-through certificates, participation certificates and collateralized mortgage obligations.

Our investment securities portfolio consists of securities classified as available-for-sale and held-to-maturity. There were no trading securities in our investment portfolio during the three months ended June 30, 2018 or for the years ended December 31, 2017. All available-for sale securities are carried at fair value and may be used for liquidity purposes should management consider it to be in our best interest.

At June 30, 2018, we had available-for-sale securities of $1.1 billion, compared to available-for-sale securities of $943.3 million at December 31, 2017. The increase of $176.2 million from the year end of 2017 to the six months ended June 30, 2018 was primarily due to purchases of floating rate collateralized loan obligation securities and agency and non-agency securities, partially offset by declines in other sections of the investment securities portfolio. We sold all securities acquired in our acquisition of New Resource Bank before the end of the second quarter of 2018.

The held-to-maturity securities portfolio consists of GSE commercial and residential certificates and other debt. We carry these securities at amortized cost. We had held-to-maturity securities of $4.1 million at June 30, 2018, and $9.6 million at December 31, 2017.

Certain securities have fair values less than amortized cost and, therefore, contain unrealized losses. At June 30, 2018, we evaluated those securities which had an unrealized loss for other than temporary impairment, or OTTI, and determined all but $0.05 million of the decline in value to be temporary. There were $782 million of investment securities with unrealized losses at June 30, 2018 of which $17.8 million had a continuous unrealized loss position for 12 consecutive months or longer that was greater than 5% of amortized cost. We anticipate full recovery of amortized cost with respect to these securities by the time that these securities mature, or sooner in the case that a more favorable market interest rate environment causes their fair value to increase. We do not intend to sell these securities and it is not more likely than not that we will be required to sell them before full recovery of their amortized cost basis, which may be at the time of their maturity.

The following table shows the breakdown of the securities portfolio by various terms:

Contractual Maturity as of June 30, 2018

	One Year or Less		One to Five Years		Five to Ten Years		Due after Ten Years	
(in thousands)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)	Amortized Cost	Weighted Average Yield (1)
Available for sale:								
Mortgage-related:								
GSE residential certificates	$ -	0.0%	$ -	0.0%	$ 17,607	1.7%	$ 76,071	2.3%
GSE residential CMOs	-	0.0%	-	0.0%	6,153	1.4%	209,414	2.6%
GSE commercial certificates & CMO	-	0.0%	64,481	2.2%	52,865	2.8%	107,145	2.4%
Non-GSE residential certificates	-	0.0%	-	0.0%	-	0.0%	111,035	3.1%
Non-GSE commercial certificates	-	0.0%	-	0.0%	-	0.0%	48,533	2.9%
Other debt:								
U.S. Treasury	-	0.0%	200	1.5%	-	0.0%	-	0.0%
ABS	-	0.0%	6,000	3.7%	117,997	3.5%	270,913	3.5%
Trust preferred	-	0.0%	-	0.0%	17,951	2.9%	-	0.0%
Corporate	7,002	6.5%	6,999	3.5%	13,449	5.8%	-	0.0%
Other	-	0.0%	1,000	2.8%	-	0.0%	-	0.0%
Held to maturity:								
Mortgage-related:								
GSE commercial certificates								
GSE residential certificates	-	0.0%	-	0.0%	-	0.0%	667	3.9%
Non GSE commercial certificates	-	0.0%	-	0.0%	-	0.0%	356	5.5%
Other debt	-	0.0%	3,100	2.6%	-	0.0%	-	0.0%
Total securities	$ 7,002	6.5%	$ 81,780	2.5%	$ 226,022	3.2%	$ 824,134	2.9%

(1) Estimated yield based on book price [amortized cost divided by par] using estimated prepayments and no change in interest rates.

					Credit Ratings *Highest Rating if split rated*			
(in thousands)	Amount	%	Expected Ave Life	% Floating	% AAA	% AA	% A	Total
CLO Commerical & Industrial	$ 255,085	65%	4.4	100%	100%	0%	0%	100%
Consumer	32,023	8%	3.5	0%	23%	13%	64%	100%
Mortgage	64,925	16%	2.7	100%	100%	0%	0%	100%
Student	43,026	11%	3.5	43%	77%	12%	11%	100%
	$ 395,059	100%	4.0	86%	91%	2%	7%	100%

Loans

Lending-related income is the most important component of our net interest income and is the main driver of our results of operations. Total loans, net of deferred origination fees, were $3.1 billion as of June 30, 2018 compared to $2.8 billion as of December 31, 2017. Within our commercial loan portfolio, our primary focus has been on commercial and industrial, multifamily and commercial real estate lending. Within our retail loan portfolio, our primary focus has been on residential 1-4 family first mortgages. We intend to focus any growth in our loan portfolio on these lending areas as part of our strategic plan.

Over the last four years we have purchased prime residential mortgages from two well-established originating banks with strong track records. In the first six months of 2018, we purchased $87.5 million of floating rate loans. In 2017 we purchased $123.0 million of similar prime residential loans, which included some 15 year fixed-rate loans. To date, we have not experienced any losses or material delinquencies on any of these purchased loans.

Separately, in the first six months of 2018, we purchased $28.6 million of student loans made to borrowers with strong credit profiles who have completed degrees, mainly at the graduate level. In 2017, we purchased $60.0 million of similar student loans. To date, we have not experienced any losses on these loans. The originating bank has a strong five-year track record with minimal losses on similar loans.

In addition, in the first six months of 2018 we purchased $23.4 million of fixed and floating rate commercial loans that are unconditionally guaranteed by the United States Government.

As of June 30, 2018, we had $61.1 million of loans, comprised of multifamily, residential solar and other loans, that were previously purchased by New Resource Bank.

We plan to selectively evaluate the purchase of additional loan pools that meet our underwriting criteria as part of our strategic plan.

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The following table sets forth the composition of our loan portfolio, including our purchased loan pools, as of June 30, 2018 and December 31, 2017.

(in thousands)	At June 30, 2018		At December 31, 2017	
	Amount	**% of total loans**	**Amount**	**% of total loans**
Commercial portfolio:				
Commercial and industrial	$ 627,113	20.1%	$ 687,417	24.4%
Multifamily mortgages	925,483	29.7%	902,475	32.1%
Commercial real estate mortgages	436,669	14.0%	352,475	12.5%
Construction and land development mortgages	32,727	1.05%	11,059	0.39%
Total commercial portfolio	2,021,992	64.8%	1,953,426	69.4%
Retail portfolio:				
Residential 1-4 family (1st mortgage)	958,145	30.7%	769,058	27.3%
Residential 1-4 family (2nd mortgage)	29,278	0.94%	31,559	1.12%
Consumer and other	110,008	3.60%	61,929	2.20%
Total retail	1,097,431	35.2%	862,546	30.6%
Total loans	3,119,423	100.0%	2,815,972	100.0%
Net deferred loan origination fees	2,641		(94)	
Allowance for loan losses	(35,353)		(35,965)	
Total loans, net	$ 3,086,711		$ 2,779,913	

Commercial loan portfolio

Our commercial loan portfolio comprised 65% and 69% of our loan portfolio at June 30, 2018 and December 31, 2017, respectively. The major categories of our commercial loan portfolio are discussed below:

Commercial and industrial. Our commercial and industrial, or C&I, loans are generally made to small and medium-sized manufacturers and wholesale, retail and service-based businesses to provide either working capital or to finance major capital expenditures. The primary source of repayment for C&I loans is generally operating cash flows of the business. We also seek to minimize risks related to these loans by requiring such loans to be collateralized by various business assets (including inventory, equipment and accounts receivable). The average size of our C&I loans at June 30, 2018 by exposure was $5.1 million with a median size of $2.0 million. We plan to shift our lending strategy in the future to be similar to New Resource Bank's strategy of developing full customer relationships including deposits, cash management, and lending. The businesses that we plan to focus on will generally be mission aligned with our core values including organic and natural products, sustainable companies, clean energy, nonprofits, and B-corps.

Our C&I loans totaled $627.1 million at June 30, 2018, which comprised 31.0% of commercial loans and 20.1% of our total loan portfolio. During the first six months of 2018, the C&I loan portfolio decreased by 8.8% from $687.4 million at December 31, 2017 as a result of our decision to deemphasize certain parts of that portfolio. We had $19.3 million in C&I loans held for sale at June 30, 2018. We expect to continue reducing the size of our indirect C&I portfolio.

Multifamily. Our multifamily loans are generally used to purchase or refinance apartment buildings of five units or more, which collateralize the loan, in major metropolitan areas within our markets. 86% of multifamily loans are located in NYC—our largest geographic concentration. Our multifamily loans have been underwritten under stringent guidelines on loan to value and debt service coverage ratios that are designed to mitigate credit and concentration risk in this loan category. As of June 30, 2018, 30% of loans had a loan-to-value ratio at or below 60% at origination and 87% had a loan-to-value ratio at or below 75% at origination, by original loan amount. The average size of our multifamily loan exposure at June 30, 2018 was $5.5 million with a median size of $3.8 million.

Our multifamily mortgage loans totaled $925.5 million at June 30, 2018 which comprised 45.8% of commercial loans and 29.7% of the total loan portfolio. During the first six months of 2018, our multifamily mortgage loan portfolio increased by 2.5% from $902.5 million at December 31, 2017 primarily as a result of the loans we acquired in our acquisition of New Resource Bank.

Commercial real estate. Our commercial real estate loans are used to purchase or refinance office buildings, retail centers, industrial facilities, medical facilities and mixed-used buildings. Included in this total are six owner-occupied buildings which account for an aggregate total of $14.4 million in loans as of June 30, 2018.

Our commercial real estate mortgages totaled $436.7 million at June 30, 2018, which comprised 21.6% of commercial loans and 14.0% of the total loan portfolio. During the first six months of 2018, the commercial real estate mortgage portfolio increased by 23.9% from $352.5 million at December 31, 2017 primarily as a result of the loans we acquired in our acquisition of New Resource Bank.

Retail loan portfolio

Our retail loan portfolio comprised 35.2% of our loan portfolio at June 30, 2018. The major categories of our retail loan portfolio are discussed below.

Residential 1-4 family first mortgage. Our residential 1-4 family first mortgage loans are residential mortgages that are primarily secured by single-family homes, which can be owner occupied or investor owned. These loans are either originated by our loan officers or purchased from other originators with the servicing retained by such originators. As of June 30, 2018, 60.0% of our residential 1-4 family first mortgage loans were either originated by our loan officers since 2012 or were acquired in our acquisition of New Resource Bank, and 28.9% were purchased from two third parties on or after July, 2014, and 11.1% were purchased by us from other originators before 2010.

Our residential 1-4 family first mortgage loans totaled $958.1 million at June 30, 2018, which comprised 87.2% of our retail loan portfolio and 30.7% of our total loan portfolio. During the first six months of 2018, our residential 1-4 family first mortgages increased by 24.6% from $769.1 million at December 31, 2017.

Residential 1-4 family second mortgage. Our residential 1-4 family second mortgage loans are residential mortgages that are primarily secured by single-family homes, which are both owner occupied and investor owned. In 2008, we purchased $260 million in residential 1-4 family second mortgages from a third party, and we have subsequently experienced significant losses on these mortgages. As of June 30, 2018, 69.1% of our residential 1-4 family second mortgage portfolio is from this 2008 purchase, while the remaining 30.9% of the portfolio has been either originated by us or acquired by us in our acquisition of New Resource Bank and has not experienced any losses. The losses in the portfolio we purchased in 2008 have been steadily declining over time. Net losses from 2010 to 2012 were 9.2%, while net losses from 2010 to 2014 were 7.4%. We began to actively manage this portfolio in 2014 and the net recovery rate from 2014 to 2017 is 0.33%. In the first six months of 2018, the portfolio saw a 2.2% recovery versus current balances.

Our residential 1-4 family second mortgage loans totaled $29.3 million at June 30, 2018, which comprised 2.6% of our retail loan portfolio and 0.9% of our total loan portfolio. During the first six months of 2018, our residential 1-4 family second mortgages decreased by 7.2% from $31.6 million at December 31, 2017. This decrease is primarily attributed to principal repayments.

Consumer and other. Our $110.0 million consumer portfolio is comprised of purchased student loans, SBA loans, unsecured consumer loans and overdraft lines. As of June 30, 2018, we had $79.9 million in student loans with only one loan, representing 0.05% of the total, with a delinquency over ninety days and there have been no charge-offs.

Maturities and Sensitivity of Loans to Changes in Interest Rates

The information in the following table is based on the contractual maturities of individual loans, including loans that may be subject to renewal at their contractual maturity. Renewal of these loans is subject to review and credit approval, as well as modification of terms upon maturity. Actual repayments of loans may differ from the maturities reflected below because borrowers have the right to prepay obligations with or without prepayment penalties.

The following tables summarize the loan maturity distribution by type and related interest rate characteristics at June 30, 2018 and December 31, 2017.

(in thousands)	**One year or less**	**After one but within five years**	**After 5 years**	**Total**
June 30, 2018:				
Commercial Portfolio:				
Commercial and Industrial	$ 10,758	$ 425,927	$ 190,428	$ 627,113
Multifamily	$ 86,124	$ 589,934	$ 249,425	925,483
Commercial Real Estate	$ 27,711	$ 242,070	$ 166,887	436,669
Construction and land development	$ 4,369	$ 18,925	$ 9,433	32,727
Retail Portfolio:				
Residential 1-4 family (1st Mortgage)	-	1,485	956,660	958,145
Residential 1-4 family (2nd Mortgage)	-	-	29,278	29,278
Consumer and Other	1,816	9,145	99,047	110,008
Total Loans	$ 130,778	$ 1,287,486	$ 1,701,158	$ 3,119,423

(in thousands)	**One year or less**	**After one but within five years**	**After 5 years**	**Total**
Gross loan maturing after one year with:				
Fixed Interest Rates	$ -	$ 829,725	$ 1,062,995	$ 1,892,720
Floating or adjustable interest rates	-	457,761	638,163	1,095,924
Total Loans	$ -	$ 1,287,486	$ 1,701,158	$ 2,988,644

(in thousands)	One year or less	After one but within five years	After 5 years	Total
December 31, 2017:				
Commercial Portfolio:				
Commercial and Industrial	$ 52,507	$ 510,301	$ 124,609	$ 687,417
Multifamily	81,813	593,992	226,670	902,475
Commercial Real Estate	51,780	207,186	93,509	352,475
Construction and land development	8,350	2,709	-	11,059
Retail Portfolio:				
Residential 1-4 family (1st Mortgage)	16	1,036	768,006	769,058
Residential 1-4 family (2nd Mortgage)	-	-	31,559	31,559
Consumer and Other	138	2,783	59,008	61,929
Total Loans	$ 194,604	$ 1,318,007	$ 1,303,361	$ 2,815,972

(in thousands)	One year or less	After one but within five years	After 5 years	Total
Gross loan maturing after one year with:				
Fixed interest rates	$ -	$ 747,752	$ 910,737	$ 1,658,489
Floating or adjustable interest rates	-	570,255	392,624	962,879
Total Loans	$ -	$ 1,318,007	$ 1,303,361	$ 2,621,368

Allowance for Loan Losses

We maintain the allowance for loan losses at a level we believe is sufficient to absorb probable incurred losses in our loan portfolio given the conditions at the time. Management determines the adequacy of the allowance for loan losses based on periodic evaluations of the loan portfolio and other factors, including end-of-period loan levels and portfolio composition, observable trends in nonperforming loans, our historical loan losses, known and inherent risks in the portfolio, underwriting practices, adverse situations that may impact a borrower's ability to repay, the estimated value and sufficiency of any underlying collateral, credit risk grade assessments, loan impairment and economic conditions. These evaluations are inherently subjective as they require management to make material estimates, all of which may be susceptible to significant change. The allowance for loan losses is increased by provisions for loan losses charged to expense and decreased by actual charge-offs, net of recoveries or previous amounts charged-off.

The allowance for loan losses consists of specific allowances for loans that are individually classified as impaired and general components. Impaired loans include loans placed on nonaccrual status and troubled debt restructurings. Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. When determining if we will be unable to collect all principal and interest payments due in accordance with the original contractual terms of the loan agreement, we consider the borrower's overall financial condition, resources and payment record, support from guarantors, and the realized value of any collateral. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are individually identified and evaluated for impairment based on a combination of internally assigned risk ratings and a defined dollar threshold. If a loan is impaired, a specific reserve is applied to the loan so that the loan is reported, net, at the discounted expected future cash flows or at the fair value of collateral if repayment is collateral dependent. Impaired loans which do not meet the criteria for individual evaluation are evaluated in homogeneous pools of loans with similar risk characteristics.

In accordance with the accounting guidance for business combinations, there was no allowance brought forward on any of the loans we acquired in our acquisition of New Resource Bank. For purchased non-credit impaired loans, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value and the discount is accreted to interest income over the life of the loan. Subsequent to the acquisition date, the method used to evaluate the sufficiency of the credit discount is similar to organic loans, and if necessary, additional reserves are recognized in the allowance for loan and lease losses.

The following tables present, by loan type, the changes in the allowance for loan losses for the periods indicated.

	For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
(in thousands)	2018	2017	2018	2017
Balance at beginning of period	$ 37,382	$ 36,690	$ 35,965	$ 35,658
Loan charge-offs:				
Commercial portfolio:				
Commercial and industrial	33	-	33	-
Multifamily	-	-	-	-
Commercial real estate	-	-	-	-
Construction and land development	-	-	-	-
Retail portfolio:				
Residential 1-4 family (1st mortgage)	8	492	83	879
Residential 1-4 family (2nd mortgage)	37	1,503	240	3,202
Consumer and other	85	54	176	171
Total loan charge-offs	163	2,049	532	4,252
Recoveries of loans previously charged-off:				
Commercial portfolio:				
Commercial and industrial	50	24	50	1,169
Multifamily	-	-	-	-
Commercial real estate	-	-	-	483
Construction and land development	-	-	-	-
Retail portfolio:				
Residential 1-4 family (1st mortgage)	149	809	537	914
Residential 1-4 family (2nd mortgage)	664	616	1,164	1,065
Consumer and other	37	11	85	57
Total loan recoveries	900	1,460	1,836	3,688
Net charge-offs	(737)	589	(1,304)	564
Provision for loan losses	(2,766)	4,066	(1,916)	5,073
Balance at end of period	$ 35,353	$ 40,167	$ 35,353	$ 40,167

The allowance for loan losses decreased to $35.4 million at June 30, 2018 from $36.0 million at December 31, 2017, a decrease of $0.7 million. At June 30, 2018, we had $51.1 million of impaired loans for which we made a specific allowance of $9.2 million, compared to $63.7 million of impaired loans at December 31, 2017 for which we made a specific allowance of $7.5 million. The ratio of allowance to total loans was 1.13% and 1.28% for June 30, 2018 and December 31, 2017, respectively. The decrease is attributable to the acquisition of loans at fair value with no related allowance in our acquisition of New Resource Bank during the quarter.

Allocation of Allowance for Loan Losses

The following table present the allocation of the allowance for loan losses and the percentage of the total amount of loans in each loan category listed as of the dates indicated.

	At June 30, 2018		At December 31, 2017	
(in thousands)	Amount	% of total loans	Amount	% of total loans
Commercial Portfolio:				
Commercial and industrial	$ 14,555	20.1%	$ 15,455	24.4%
Multifamily	4,584	29.7%	5,280	32.1%
Commercial real estate	2,914	14.0%	3,377	12.5%
Construction and land development	178	1.0%	188	0.39%
Total commercial portfolio	22,231	64.8%	24,300	69.4%
Retail Portfolio:				
Residential 1-4 family (1st mortgage)	10,291	30.7%	8,582	27.3%
Residential 1-4 family (2nd mortgage)	2,201	0.9%	2,683	1.1%
Consumer and other	630	3.6%	400	2.2%
Total retail portfolio	13,122	35.2%	11,665	30.6%
Total allowance for loan losses	$ 35,353		$ 35,965	

Nonperforming Assets

Nonperforming assets include all loans categorized as nonaccrual or restructured, other real estate owned and other repossessed assets. The accrual of interest on loans is discontinued, or the loan is placed on nonaccrual, when the full collection of principal and interest is in doubt. We generally do not accrue interest on loans that are 90 days or more past due (unless we are in the process of collection or an extension and feel that the customer is not in financial difficulty). When a loan is placed on nonaccrual, previously accrued but unpaid interest is reversed and charged against interest income and future accruals of interest are discontinued. Payments by borrowers for loans on nonaccrual are applied to loan principal. Loans are returned to accrual status when, in our judgment, the borrower’s ability to satisfy principal and interest obligations under the loan agreement has improved sufficiently to reasonably assure recovery of principal and the borrower has demonstrated a sustained period of repayment performance. In general, we require a minimum of six consecutive months of timely payments in accordance with the contractual terms before returning a loan to accrual status.

A loan is identified as a troubled debt restructuring, or TDR, when we, for economic or legal reasons related to the borrower’s financial difficulties, grant a concession to the borrower. The concessions may be granted in various forms, including interest rate reductions, principal forgiveness, extension of maturity date, waiver or deferral of payments and other actions intended to minimize potential losses. A loan that has been restructured in a TDR may not be disclosed as a TDR in years subsequent to the restructuring if certain conditions are met. Generally, a nonaccrual loan that is restructured remains on nonaccrual status for a period no less than six months to demonstrate that the borrower can meet the restructured terms. However, the borrower’s performance prior to the restructuring or other significant events at the time of restructuring may be considered in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status after a shorter performance period. If the borrower’s performance under the new terms is not reasonably assured, the loan remains classified as a nonaccrual loan.

The following table sets forth our nonperforming assets as of June 30, 2018 and December 31, 2017:

(in thousands)	At June 30, 2018	At December 31, 2017
Loans 90 days past due and accruing	$ -	$ 6,971
Nonaccrual loans excluding held for sale loans and restructured loans	4,219	4,914
Nonaccrual loans held for sale	-	4,186
Restructured loans - nonaccrual	15,493	14,785
Restructured loans - performing	31,385	43,981
Other real estate owned	844	1,907
Impaired Securities	108	12,296
Total nonperforming assets	$ 52,049	$ 89,040
Nonaccrual loans:		
Commercial and industrial	$ 12,303	$ 12,569
Multifamily	-	-
Commercial real estate	-	-
Construction and land development	-	-
Total commercial portfolio	12,303	12,569
Residential 1-4 family 1st mortgages	6,931	6,324
Residential 1-4 family 2nd mortgages	469	780
Consumer and other	9	26
Total retail portfolio	7,409	7,130
Total nonperforming loans	$ 19,712	$ 19,699
Nonperforming assets to total assets	1.13%	2.20%
Nonaccrual assets to total assets	0.45%	0.64%
Nonperforming loans to total loans	0.63%	0.70%
Allowance for loan losses to nonperforming loans	179%	183%
Troubled debt restructurings:		
TDRs included in nonaccrual loans	$ 15,493	$ 14,785
TDRs in compliance with modified terms	$ 31,385	$ 43,981

Total nonperforming assets were $52.0 million at June 30, 2018 compared to $89.0 million at December 31, 2017. The $37.0 million decrease was primarily the result of a reduction in performing restructured loans, impaired securities, loans 90 days past due and accruing and non-accrual loans held for sale.

The amount of interest that would have been recorded on nonaccrual loans, had the loans not been classified as nonaccrual, totaled $1.4 million and $0.7 million for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively. Interest income recognized on nonaccrual loans totaled $0.0 million and $0.1 million for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively.

Potential problem loans are impaired loans which management has doubts as to the ability of the borrowers to comply with the present loan repayment terms. Potential problem loans are performing loans and include our substandard-accruing commercial loans and/or loans 30-89 days past due. These loans are not included in the nonperforming assets table above and totaled $25.4 million, or 0.6%, at June 30, 2018. $20.0 million of these loans are commercial loans currently in workout, with the expectation that all will be rehabilitated. $5.4 million are residential 1-4 family loans, with $4.5 million at 30 days delinquent, and $0.9 million at 60 days delinquent.

Deferred Tax Asset

We had a net deferred tax asset net of deferred liabilities of $38.0 million at June 30, 2018 and $39.3 million at December 31, 2017. As of June 30, 2018, our deferred tax assets were fully realizable with no valuation allowance held against the balance. Our management concluded that it was more likely than not that the entire amount will be realized.

We will evaluate the recoverability of our net deferred tax asset on a periodic basis and record decreases (increases) as a deferred tax provision (benefit) in the consolidated statement of operations as appropriate.

Deposits

Deposits represent our primary source of funds. We are focused on growing our core deposits through relationship-based banking with our business and consumer clients. Total deposits were $4.0 billion and $3.2 billion at June 30, 2018 and December 31, 2017, respectively. We assumed $361.9 million in deposits in our acquisition of New Resource Bank on May 18, 2018. We believe that our deposit growth is also attributable to our mission based strategy of developing and maintaining relationships with our clients who share similar values and through maintaining a high level of service.

We gather deposits through each of our 12 branch locations across four boroughs of New York City, our one branch in Washington, D.C., our one branch in San Francisco that was acquired in our acquisition of New Resource Bank and through the efforts of our commercial banking team which focuses nationally on business growth. Through our branch network, online, mobile and direct banking channels, we offer a variety of deposit products including demand deposit accounts, money market deposits, NOW accounts, savings and certificates of deposit. We bank political campaign accounts as part of our commercial banking business, which exhibit seasonality based on election cycles. As of June 30, 2018, we had approximately $416.3 million in political deposits which are primarily in demand deposits. We expect a decrease in political deposits in the remaining six months of 2018 due to the mid-term elections.

Our total deposits include deposits from Workers United and its related entities of $144.0 million and $77.5 million at June 30, 2018 and December 31, 2017, respectively.

The following table sets forth the average balance amounts and the average rates paid on deposits held by us for the three months and six months ended June 30, 2018 and June 30, 2017, respectively (in thousands).

	Three Months Ended June 30,			
	2018		2017	
	Average Amount	Weighted Average Rate	Average Amount	Weighted Average Rate
Non-interest bearing demand deposit accounts	$ 1,638,660	0.00%	$ 1,126,282	0.00%
Savings accounts	313,694	0.15%	306,002	0.14%
Money market deposit accounts	1,071,822	0.33%	1,006,634	0.31%
NOW accounts	199,943	0.45%	191,056	0.20%
Time deposits	400,778	0.99%	437,563	0.76%
	$ 3,624,897	0.24%	$ 3,067,537	0.24%

	Six Months Ended June 30,			
	2018		2017	
	Average Amount	Weighted Average Rate	Average Amount	Weighted Average Rate
Non-interest bearing demand deposit accounts	$ 1,532,566	0.00%	$ 1,087,360	0.00%
Savings accounts	309,466	0.14%	303,570	0.12%
Money market deposit accounts	1,025,107	0.34%	1,003,408	0.29%
NOW accounts	202,350	0.41%	190,364	0.17%
Time deposits	393,557	1.00%	455,510	0.74%
	$ 3,463,046	0.25%	$ 3,040,212	0.23%

Maturities of time certificates of deposit and other time deposits of $100,000 or more outstanding at June 30, 2018 are summarized as follows (in thousands):

Maturities as of June 30, 2018	
Within three months	$ 150,749
After three but within six months	60,290
After six but within twelve months	51,202
After twelve months	11,878
	$ 274,119

Borrowings and Other Interest-Bearing Liabilities

Other than deposits, we also utilize Federal Home Loan Bank of New York (the "FHLB") advances as a supplementary funding source to finance our operations. Our advances from the FHLB are collateralized by residential, multi-family real estate loans and securities.

As of June 30, 2018, borrowings totaled $141.7 million with a period ending weighted average rate of 1.84%. The maximum month-end balance of borrowing during the second quarter was $311.8 million. The average balance of borrowing for the second quarter was $273.4 million with an average rate of 1.86%.

Liquidity

Liquidity refers to our ability to maintain cash flow that is adequate to fund our operations, support asset growth, maintain reserve requirements and meet present and future obligations of deposit withdrawals, lending obligations and other contractual obligations through either the sale or maturity of existing assets or by obtaining additional funding through liability management. Our liquidity risk management policy provides the framework that we use to maintain adequate liquidity and sources of available liquidity at levels that enable us to meet all reasonably foreseeable short-term, long-term and strategic liquidity demands. The Asset and Liability Management Committee, is responsible for oversight of liquidity risk management activities in accordance with the provisions of our liquidity risk policy and applicable bank regulatory capital and liquidity laws and regulations. Our liquidity risk management process includes (i) ongoing analysis and monitoring of our funding requirements under various balance sheet and economic scenarios, (ii) review and monitoring of lenders, depositors, brokers and other liability holders to ensure appropriate diversification of funding sources and (iii) liquidity contingency planning to address liquidity needs in the event of unforeseen market disruption impacting a wide range of variables. We continuously monitor our liquidity position in order for our assets and liabilities to be managed in a manner that will meet our immediate and long-term funding requirements. We manage our liquidity position to meet the daily cash flow needs of customers, while maintaining an appropriate balance between assets and liabilities to meet the return on investment objectives of our stockholders. We also monitor our liquidity requirements in light of interest rate trends, changes in the economy, and the scheduled maturity and interest rate sensitivity of our securities and loan portfolios and deposits. Liquidity management is made more complicated because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of our investment portfolio is fairly predictable and subject to a high degree of control when we make investment decisions. Net deposit inflows and outflows, however, are far less predictable and are not subject to the same degree of certainty.

Our liquidity position is supported by management of our liquid assets and liabilities and access to alternative sources of funds. Our short-term and long-term liquidity requirements are primarily to fund on-going operations, including payment of interest on deposits and debt, extensions of credit to borrowers and capital expenditures. These liquidity requirements are met primarily through our deposits, FHLB advances and the principal and interest payments we receive on loans and investment securities. Cash, interest-bearing deposits in third-party banks, securities available for sale and maturing or prepaying balances in our investment and loan portfolios are our most liquid assets. Other sources of liquidity that are available to us include the sale of loans we hold for investment, the ability to acquire additional national market non-core deposits, borrowings through the Federal Reserve's discount window and the issuance of debt or equity securities. We believe that the sources of available liquidity are adequate to meet our current and reasonably foreseeable future liquidity needs.

At June 30, 2018, our cash and equivalents, which consist of cash and amounts due from banks and interest-bearing deposits in other financial institutions, amounted to $162.0 million, or 3.5% of total assets. Our available-for-sale securities at June 30, 2018 were $1.1 billion, or 24.3% of total assets. Investment securities with an aggregate fair value of $145.6 million at June 30, 2018 were pledged to secure public deposits and repurchase agreements.

The liability portion of the balance sheet serves as our primary source of liquidity. We plan to meet our future cash needs through the generation of deposits. Customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. We are also a member of the FHLB, from which we can borrow for leverage or liquidity purposes. The FHLB requires that securities and qualifying loans be pledged to secure any advances.

At June 30, 2018, we had $141.7 million in advances from the FHLB and a remaining credit availability of $940.7 million. In addition, we maintain borrowing capacity of approximately $90.5 million with the Federal Reserve Bank's discount window that is secured by certain securities from our portfolio which are not pledged for other purposes.

Capital Resources

Stockholders' equity at June 30, 2018 was $406.3 million, compared to $344.1 million at December 31, 2017, an increase of $62.2 million, or 18.1%. The increase was primarily driven by the $57.4 million in total stock consideration that we issued to shareholders of New Resource Bank as consideration for the acquisition, and net income of $19.3 million for the first six months of 2018, partially offset by $7.5 million in unrealized loss in available for sale securities and the retirement of our preferred stock for $7.0 million in the second quarter of 2018.

We are subject to various regulatory capital requirements administered by federal banking regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by federal banking regulators that, if undertaken, could have a direct material effect on our financial statements.

Federal regulations impose minimum regulatory capital requirements on all institutions with deposits insured by the FDIC. On January 1, 2015, the U.S. Basel III final rule replaced the existing Basel I-based approach for calculating risk-weighted assets. Basel III introduced a new minimum ratio of common equity Tier 1 capital ("CET1") and raised the minimum ratios for Tier 1 capital, total capital, and Tier 1 leverage. The final rule emphasizes common equity Tier 1 capital and implements strict eligibility criteria for regulatory capital instruments and changed the methodology for calculating risk-weighted assets to enhance risk sensitivity. The methods for calculating the risk-based capital ratios have changed and will change as the provisions of the Basel III final rule related to the numerator (capital) and denominator (risk-weighted assets) are fully phased in by January 1, 2019. The ongoing methodological changes will result in differences in the reported capital ratios from one reporting period to the next that are independent of applicable changes in the capital base, asset composition, off-balance sheet exposures or risk profile. In addition, in order to avoid restrictions on capital distributions or discretionary bonus payments to executives, a covered banking organization must maintain a "capital conservation buffer" on top of its minimum risk-based capital requirements. This buffer must consist solely of CET1, but the buffer applies to all three measurements (CET1, Tier 1 capital and total capital). The capital conservation buffer required for 2018 is common equity equal to 1.875% of risk-weighted assets and will increase by 0.625% per year until reaching 2.5% on January 1, 2019.

As of June 30, 2018, we were categorized as "well-capitalized" under the prompt corrective action measures. The following table shows the regulatory capital ratios for us at the dates indicated:

	Actual		For Capital Adequacy Purpose		To be considered Well Capitalized	
(in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2018						
Total Capital to risk weighted assets	$ 429,579	13.71%	$ 250,691	8.00%	$ 313,364	10.00%
Tier I capital to risk weighted assets	390,409	12.46%	188,018	6.00%	250,691	8.00%
Tier I capital to average assets	390,409	8.59%	167,795	4.00%	209,743	5.00%
Common equity tier 1 to risk weighted assets	390,409	12.46%	141,014	4.50%	203,686	6.50%
December 31, 2017						
Total Capital to risk weighted assets	$ 377,087	12.80%	$ 235,591	8.00%	$ 294,489	10.00%
Tier I capital to risk weighted assets	340,250	11.55%	176,693	6.00%	235,591	8.00%
Tier I capital to average assets	340,250	8.41%	161,792	4.00%	202,239	5.00%
Common equity tier 1 to risk weighted assets	335,557	11.39%	132,520	4.50%	191,418	6.50%

Contractual Obligations

We have entered into contractual obligations in the normal course of business that involve elements of credit risk, interest rate risk and liquidity risk.

The following table summarizes these relations as of June 30, 2018 and December 31, 2017:

Contractual Obligations
June 30, 2018

(in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt	$ 141,675	$ 115,200	$ 26,475	$ -	$ -
Operating Leases	79,559	10,047	19,790	18,519	31,203
	$ 221,234	$ 125,247	$ 46,265	$ 18,519	$ 31,203

December 31, 2017

(in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt	$ 402,600	$ 355,825	$ 46,775	$ -	$ -
Operating Leases	84,509	9,934	19,877	19,091	35,607
	$ 487,109	$ 365,759	$ 66,652	$ 19,091	$ 35,607

Off-Balance Sheet items

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, commercial letters of credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contractual or notional amounts of those instruments reflect the extent of involvement we have in particular classes of financial instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral is primarily obtained in the form of commercial and residential real estate (including income producing commercial properties).

Standby letters of credit are conditional commitments issued by us to guarantee to a third-party the performance of a customer. Those guarantees are primarily issued to support public and private borrowing arrangements, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to make loans are generally made for periods of 60 days or less. The fixed rate commercial loan commitments have interest rates ranging from 1.0% to 7.5% (and up to 16% for defaulted loans) and maturities up to 2048. Variable rate loan commitments have interest rates ranging from 2.5% to 10.8% (and up to 13.8% for defaulted loans) and maturities up to 2048. Our exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. We use the same credit policies in making commitments and conditional obligations as for funded instruments. We do not anticipate any material losses as a result of the commitments and standby letters of credit.

The following table summarizes commitments as of June 30, 2018:

(in thousands)		**At June 30, 2018**
Commitments to extend credit	$	211,968
Standby letters of credit		8,453
	$	220,421

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our primary market risk is interest rate risk, which is defined as the risk of loss of net interest income or net interest margin because of changes in interest rates.

We seek to measure and manage the potential impact of interest rate risk on our net interest income and net interest expense. Interest rate risk occurs when interest-earning assets and interest-bearing liabilities mature or re-price at different times, on a different basis or in unequal amounts. Interest rate risk also arises when our assets, liabilities and off-balance sheet contracts each respond differently to changes in interest rates, including as a result of explicit and implicit provisions in agreements related to such assets and liabilities and in off-balance sheet contracts that alter the applicable interest rate and cash flow characteristics as interest rates change. The two primary examples of such provisions that we are exposed to are the duration and rate sensitivity associated with indeterminate-maturity deposits (*e.g.*, non-interest-bearing checking accounts, negotiable order of withdrawal accounts, savings accounts and money market deposits accounts and the rate of prepayment associated with fixed-rate lending and mortgage-backed securities. Interest rates may also affect loan demand, credit losses, mortgage origination volume and other items affecting earnings.

Our asset liability management committee, chaired by our treasurer, manages our interest rate risk according to written policies approved by our Board of Directors. Changes in our risk profiles are monitored and managed on a continual basis while risk limits are based on quarterly calculations. We use two primary models to monitor interest rate risk: economic value of equity and net interest income simulations. Scenarios include parallel shifts, ramped shifts, twists of yield curves and other adverse impacts. In addition, we monitor the impact of changes to various assumptions including asset prepayments and deposit repricing and decay assumptions. Our risk management infrastructure also requires the asset liability management committee to periodically review and disclose all key assumptions used, compare these assumptions and observations to actual historical experience, and check model reliability and validity by sample testing data inputs, back testing and third party validation.

We manage our interest rate risk by monitoring calculated risk measures and balance sheet trends such as growth in fixed rate loans, deposit trends and other factors that affect our risk profile. In order to counter changes in risk, we evaluate costs and other trade-offs associated with changing the composition of assets and liabilities; such as selling fixed rate securities, extending the term of borrowings, changing pricing of loans or deposits or selling residential mortgage loans in the secondary market. We do not engage in speculative trading activities relating to interest rates, foreign exchange rates, commodity prices, equities or credit.

We are also subject to credit risk. Credit risk is the risk that borrowers or counterparties will be unable or unwilling to repay their obligations in accordance with the underlying contractual terms. We manage and control credit risk in the loan portfolio by adhering to well-defined underwriting criteria and account administration standards established by management. Written credit policies document underwriting standards, approval levels, exposure limits and other limits or standards deemed necessary and prudent. Portfolio diversification at the obligor, industry, product and/or geographic location levels is actively managed to mitigate concentration risk. In addition, credit risk management also includes an independent credit review process that assesses compliance with commercial, real estate and other credit policies, risk ratings and other critical credit information. In addition to implementing risk management practices that are based upon established and sound lending practices, we adhere to sound credit principles. We understand and evaluate our customers' borrowing needs and capacity to repay, in conjunction with their character and history.

Evaluation of Interest Rate Risk

Our simulation models incorporate various assumptions, which we believe are reasonable but which may have a significant impact on results such as: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) loan and securities prepayment speeds for different interest rate scenarios, (4) interest rates and balances of indeterminate-maturity deposits for different scenarios, and (5) new volume and yield assumptions for loans, securities and deposits. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but rather as a means to better plan and execute appropriate asset-liability management strategies and manage our interest rate risk.

Potential changes to our net interest income and economic value of equity in hypothetical rising and declining rate scenarios calculated as of June 30, 2018 are presented in the following table. The projections assume immediate, parallel shifts downward of the yield curve of 100 basis points and immediate, parallel shifts upward of the yield curve of 100, 200, 300 and 400 basis points. In the current interest rate environment, a downward shift of the yield curve of 200, 300 and 400 basis points does not provide us with meaningful results.

The results of this simulation analysis are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from those projected, our net interest income might vary significantly. Non-parallel yield curve shifts such as a flattening or steepening of the yield curve or changes in interest rate spreads, would also cause our net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities re-price faster than expected or faster than our assets re-price. Actual results could differ from those projected if we grow assets and liabilities faster or slower than estimated, if we experience a net outflow of deposit liabilities or if our mix of assets and liabilities otherwise changes. Actual results could also differ from those projected if we experience substantially different repayment speeds in our loan portfolio than those assumed in the simulation model. Finally, these simulation results do not contemplate all the actions that we may undertake in response to potential or actual changes in interest rates, such as changes to our loan, investment, deposit, funding or hedging strategies.

Change in Market Interest Rates as of June 30, 2018	**Estimated Increase (Decrease) in:**	
Immediate Shift	Economic Value of Equity	Year 1 Net Interest Income
+400 basis points	-20.6%	3.7%
+300 basis points	-14.4%	4.7%
+200 basis points	-8.1%	4.3%
+100 basis points	-2.8%	3.0%
-100 basis points	1.8%	-6.1%

Item 4. Controls and Procedures.

Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), as of June 30, 2018, the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II

Item 1. Legal Proceedings.

We are subject to certain pending and threatened legal actions that arise out of the normal course of business. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of these matters to have a material adverse effect on our business. However, given the nature, scope and complexity of the extensive legal and regulatory landscape applicable to our business (including laws and regulations governing consumer protection, fair lending, fair labor, privacy, ERISA, information security and anti-money laundering and anti-terrorism laws), we, like all banking organizations, are subject to heightened legal and regulatory compliance and litigation risk.

Item 1A. Risk Factors.

There have been no material changes to our risk factors previously disclosed in Item 1A, Risk Factors, of the Bank's Post-Effective Amendment No. 1 to the Bank's Registration Statement on Form 10 filed with the FDIC on August 9, 2018.

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

On May 18, 2018, we closed a merger transaction in which we acquired New Resource Bank, a California state-chartered bank. The value of the total merger consideration was approximately $58.8 million. The total number of shares issued in connection with the merger was 185,530 shares (or 3,710,600 shares of Class A common stock adjusted for the Stock Dividend). The issuance of our common stock in the merger was made in reliance upon the exemption from the registration requirements of the Securities Act of 1933 afforded by Section 3(a)(2) thereof and applicable state securities law exemptions. None of the securities were sold through an underwriter and, accordingly, there were no underwriting discounts or commissions involved.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Reference is made to the Collective Bargaining Agreement, dated July 1, 2015 ("the CBA"), between the Bank and the Office & Professional Employees International Union, Local 153, AFL CIO ("OPEIU") filed as Exhibit 10.5 to the Bank's Registration Statement on Form 10 filed with the FDIC on July 19, 2018. On July 26, 2018, the Bank and the OPEIU entered into an amendment to the CBA (the "Amendment"), which amendment is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q, and incorporated herein by this reference. The Amendment: (i) extended the term of the CBA to June 30, 2020 from the previous termination date of June 30, 2018 and (ii) provided for a 3% wage increase effective July 1, 2018 and July 1, 2019, respectively. The Amendment made no other material changes to the CBA.

Item 6. Exhibits.

Exhibit No.	Description of Exhibit
10.1	Amendment to the Collective Bargaining Agreement dated July 1, 2015, between Amalgamated Bank and the Office & Professional Employees International Union, Local 153, AFL CIO
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer

31.2	Rule 13a-14(a) Certification of the Chief Financial Officer
32.1	Section 1350 Certifications

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.

AMALGAMATED BANK

September 24, 2018	By: /s/ Keith Mestrich Keith Mestrich President and Chief Executive Officer (*Principal Executive Officer*)
September 24, 2018	By: /s/ Andrew Labenne Andrew Labenne Chief Financial Officer (*Principal Financial Officer*)
September 24, 2018	By: /s/ Jason Darby Jason Darby Chief Accounting Officer (*Principal Accounting Officer*)

Exhibit 31.1

Rule 13a-14(a) Certification of the Chief Executive Officer

I, Keith Mestrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amalgamated Bank

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 officer 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)) 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) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

   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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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: September 24, 2018

/s/ Keith Mestrich
Keith Mestrich, President and Chief
Executive Officer

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Exhibit 31.2

Rule 13a-14(a) Certification of the Chief Financial Officer

I, Andrew Labenne, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amalgamated Bank.

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 officer 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)) 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) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

   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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer 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 (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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: September 24, 2018

/s/ Andrew Labenne

Andrew Labenne, Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Amalgamated Bank (the “Bank”) on Form 10-Q for the period ended June 30, 2018 as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), the undersigned, the Chief Executive Officer and the Chief Financial Officer of the Bank, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to his knowledge:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

/s/ Keith Mestrich
Keith Mestrich
President and Chief Executive Officer
September 24, 2018

/s/ Andrew Labenne
Andrew Labenne
Chief Financial Officer
September 24, 2018

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